

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-2, SUB 1219
DOCKET NO. E-2, SUB 1193

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-2, SUB 1219)	
)	
In the Matter of)	
Application by Duke Energy Progress, LLC, for)	
Adjustment of Rates and Charges Applicable to)	
Electric Utility Service in North Carolina)	
)	
DOCKET NO. E-2, SUB 1193)	ORDER ACCEPTING
)	COMPLIANCE FILING AND
)	CLARIFYING RATE ORDER
In the Matter of)	
Application of Duke Energy Progress, LLC, for an)	
Accounting Order to Defer Incremental Storm)	
Damage Expenses Incurred as a Result of)	
Hurricanes Florence and Michael and Winter)	
Storm Diego)	

BY THE COMMISSION: On April 16, 2021, the Commission issued an Order Accepting Stipulations, Granting Partial Rate Increase, and Requiring Customer Notice (Rate Order), in the above-captioned dockets authorizing Duke Energy Progress, LLC (DEP) to adjust its rates and charges for retail electric service in North Carolina. In addition, the Rate Order required DEP to file for Commission approval its calculation of the annual revenue requirement consistent with the Rate Order (compliance filing).

On April 23, 2021, DEP and the Public Staff (Movants) filed a Joint Motion for Clarification or, in the Alternative, Reconsideration (Motion for Clarification) of the Rate Order. Movants stated that they need clarification of the Rate Order's discussion of two subjects: (1) whether a ten-year normalized adjustment was meant by the Commission for storm costs that are too small to securitize; and (2) whether the Commission intended in its Rate Design section to adopt Public Staff witness Floyd's testimony to support the adjustment of Schedules CSE and CSG.

On April 26, 2021, DEP made the required compliance filing. DEP stated that as required by the Commission's Rate Order DEP worked with the Public Staff to confirm the accuracy of the revenue requirement calculations, and that the Public Staff has verified the accuracy of the calculations. Further, DEP stated that after the Commission issues an order approving the final revenue requirement numbers DEP will (1) file a request for Commission approval all revised rate schedules designed to comply with the

Rate Order; and (2) submit a proposed customer notice for Commission approval. DEP identified June 1, 2021, as the date the Company plans to implement the new rates.

Normalization of Storm Costs Too Small to Securitize

Finding of Fact No. 60 on page 20 of the Rate Order states that:

60. A ten-year normalized adjustment to DEP's revenue request to account for anticipated storm expenses that are too small to securitize is appropriate for use in this proceeding.

The Commission's discussion and conclusions related to Finding of Fact No. 60 begins on page 186 of the Rate Order, under the subheading Storm Costs. The Commission's Storm Costs Summary of the Evidence section states that "[Public Staff] witness Dorgan adjusted DEP's revenue request in the rate case to allow for a *ten-year* normalization of storm costs not sufficient to support a separate securitization filing." Rate Order, at 187 (emphasis added). The Storm Costs Summary of the Evidence section also states that "[i]n the First Partial Stipulation DEP and the Public Staff agreed to adjustments 'to remove the capital and O&M costs associated with the Storms and to reflect a *10-year* normalized level of storm expense for storms that would not otherwise be large enough for the Company to securitize.'" Rate Order, at 188 (emphasis added).

However, the Commission's Storm Costs Discussion and Conclusions section supporting Finding of Fact No. 60 states that:

The Commission also accepts DEP's decision to remove its Storm Costs from the revenue requirement requested in this proceeding in favor of a separate securitization filing, and the Commission further accepts the *fifteen-year* normalized adjustment to DEP's revenue requirement to account for anticipated storm expenses that are not large enough in size to securitize.

Rate Order, at 189-90 (emphasis added).

Movants observed that this discussion and conclusion is inconsistent with the evidence outlined in the Commission's Summary of the Evidence section and request that the Commission clarify or, in the alternative, reconsider the Rate Order's Storm Costs Discussion and Conclusions section. Specifically, Movants believe that the discussion on Finding of Fact No. 60 was intended to conclude that a ten-year normalization of storm costs, as opposed to a fifteen-year normalization of storm costs, is appropriate for use in this proceeding for storm expenses that are too small to securitize. Movants also attached to their motion a proposed revised Storm Costs Discussions and Conclusions section accepting a ten-year normalization of storm costs not large enough in size to securitize.

Rate Design for Schedules CSE and CSG

Ordering Paragraph No. 36 on page 203 of the Rate Order states:

That the rates for the CSE and CSG rate schedules shall be adjusted to affect a gradual movement in aligning rates with costs *consistent with the guidance detailed above*.

(Emphasis added).

In his direct testimony DEP witness Pirro discussed the changes to the rates within the Medium General Service (MGS) category, which include Schedules CSE and CSG. He stated that the CSE and CSG schedules, which are frozen, were increased by 15% more than the other schedules within the MGS class to encourage migration to another schedule; he also noted that these schedules had been closed to new participants since 1977. See Tr. vol. 11, 1096, 1098.

Public Staff witness Floyd testified that Schedules CSE and CSG provide service to churches and church schools, respectively. He stated that while some customers have migrated to other schedules since these schedules were closed in 1977, there remain 44 customers on Schedule CSE and one customer on Schedule CSG. Witness Floyd noted that Schedules CSE and CSG were under-recovering their costs and recommended that these rates be gradually brought into line with other schedules in the MGS class. He also recommended that DEP adjust their rates to decrease the revenue gap between these schedules and the MGS class schedules by 33% in this case, with an adjustment of 50% of any remaining differential in the next rate case, and 100% of any remaining differential in the following rate case. See Tr. vol. 15, 960-62.

No party filed testimony rebutting witness Floyd's recommendation or otherwise took any position with respect to his proposal.

The First and Second Partial Stipulations between the Company and the Public Staff did not address these particular rates. In the Harris Teeter and Commercial Group Stipulations the parties agreed that DEP shall have the right to adjust the rates for Rate Schedule CSE and Rate Schedule CSG more than the percentage base rate increase for Rate Schedule MGS as may be necessary to address concerns raised by the Public Staff.

Movants believe that the Commission intended to adopt Public Staff witness Floyd's recommendation with respect to the CSE and CSG rate schedules but inadvertently omitted supporting discussion from the Evidence and Conclusions for Finding of Fact No. 51. Accordingly, Movants request that the Commission clarify the Rate Design section of the Rate Order by including: (1) a summary of witness Floyd's testimony relating to Schedules CSG and CSE to the summary of the Public Staff's rate design testimony beginning on page 173 of the Rate Order; and (2) a sentence to the Rate Design Discussion and Conclusions section of the Rate Order beginning on page 179, to support Ordering Paragraph No. 36 and provide the guidance referenced therein.

Movants also attached to their motion a proposed revised summary of the Public Staff's testimony relating to rate design as well as a proposed revised Rate Design Discussion and Conclusions section to the Rate Order.

Movants cited two North Carolina cases in support of the Commission's authority to rescind, alter or amend a Commission order pursuant to N.C. Gen. Stat. § 62-80. According to Movants, *State ex rel. Utilities Comm'n v. North Carolina Gas Service*, 128 N.C. App. 288, 293-294, 494 S.E.2d 621, 626, *disc. review denied*, 348 N.C. 78, 505 S.E.2d 886 (1998), holds that the Commission may modify an order "due to a change of circumstances requiring it for the public interest," and *State ex rel. Utilities Comm'n v. Edmisten*, 291 N.C. 575, 584, 232 S.E.2d 177 (1977), states that the Commission also may modify an order due to "misapprehension of the facts, or disregard of facts."

Finally, Movants stated that they contacted counsel for other parties to this proceeding regarding their Motion for Clarification, and that no party had advised Movants that it objects to the motion.

DISCUSSION AND CONCLUSIONS

Motion for Clarification

Based on Movants' motion and the record, the Commission finds good cause under N.C.G.S. § 62-80 to make the revisions to the Rate Order requested by DEP and the Public Staff, as discussed in the body of this Order. Specifically, the Rate Order shall be revised by:

- (1) Deleting the following sentence on pages 189-90:

The Commission also accepts DEP's decision to remove its Storm Costs from the revenue requirement requested in this proceeding in favor of a separate securitization filing, and the Commission further accepts the fifteen-year normalized adjustment to DEP's revenue requirement to account for anticipated storm expenses that are not large enough in size to securitize.

Replacing the above deleted sentence with the following sentence:

The Commission also accepts DEP's decision to remove its Storm Costs from the revenue requirement requested in this proceeding in favor of a separate securitization filing, and the Commission further accepts the ten-year normalized adjustment to DEP's revenue requirement to account for anticipated storm expenses that are not large enough in size to securitize.

- (2) Adding a summary of witness Floyd's testimony relating to Schedules CSG and CSE to the summary of the Public Staff's rate design testimony beginning on page 173 of the Rate Order; to wit:

Witness Floyd noted that Schedules CSE and CSG were under-recovering their costs and recommended that these rates be gradually brought into line with other schedules in the MGS class. *Id.* at 961. He recommended that DEP adjust its rates to decrease the revenue gap between these schedules and the MGS class schedules by 33% in this case, with an adjustment of 50% of any remaining differential in the next rate case, and 100% of any remaining differential in the following rate case. *Id.* at 961-62.

- (3) Adding a sentence to the Rate Design Discussion and Conclusions section of the Rate Order beginning on page 179, to support Ordering Paragraph No. 36, to wit:

The Commission further concludes that Schedules CSE and CSG should be adjusted as recommended by Public Staff witness Floyd to decrease the revenue gap between these schedules and the MGS class schedules by 33% in this case.

Revenue Requirement Compliance Filing

Based on a review of DEP's compliance filing and the record, the Commission finds good cause to approve DEP's calculation of the revenue requirement.

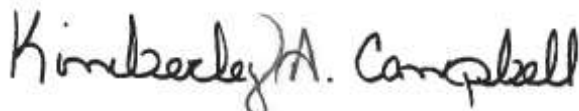
IT IS, THEREFORE, ORDERED as follows:

1. That the Rate Order shall be clarified by making the changes and additions requested by DEP and the Public Staff, as discussed in the body of this Order; and
2. That the compliance filing made by DEP on April 26, 2021, shall be, and is hereby, approved.

ISSUED BY ORDER OF THE COMMISSION.

This the 30th day of April, 2021.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "Kimberley A. Campbell". The signature is written in a cursive, flowing style.

Kimberley A. Campbell, Chief Clerk