

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-2, SUB 1343

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)	
)	
Application of Duke Energy Progress, LLC for)	DIRECT TESTIMONY
Approval of Clean Energy and Energy)	OF VERONICA I.
Efficiency Portfolio Standard (CEPS))	WILLIAMS
Compliance Report and Cost Recovery Rider)	
Pursuant to N.C. Gen. Stat. § 62-133.8 and)	
Commission Rule R8-67)	
)	
)	

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Veronica I. Williams, and my business address is 525 South Tryon
3 Street, Charlotte, North Carolina.

4 **Q. PLEASE STATE YOUR POSITION WITH DUKE ENERGY AND**
5 **DESCRIBE YOUR CURRENT RESPONSIBILITIES.**

6 A. In my capacity as Rates and Regulatory Strategy Manager, I am responsible
7 for providing regulatory support related to retail and wholesale rates, providing
8 guidance on Clean Energy and Energy Efficiency Portfolio Standard (“CEPS”)
9 compliance and cost recovery for Duke Energy Progress, LLC (“Duke Energy
10 Progress,” “DEP,” or the “Company”) and Duke Energy Carolinas, LLC
11 (“Duke Energy Carolinas” or “DEC”), and preparing and filing testimony and
12 exhibits in annual DEP and DEC CEPS rider proceedings.

13 **Q. PLEASE BRIEFLY SUMMARIZE YOUR EDUCATIONAL**
14 **BACKGROUND, BUSINESS BACKGROUND AND PROFESSIONAL**
15 **AFFILIATIONS.**

16 A. I received a Bachelor of Science degree in Business from the University of
17 North Carolina at Charlotte. I am a certified public accountant licensed in the
18 state of North Carolina. I began my career with Duke Power Company (now
19 known as Duke Energy Carolinas) as an internal auditor and subsequently
20 worked in various departments in the finance organization. I joined the Rates
21 Department in 2001.

22 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE NORTH**
23 **CAROLINA UTILITIES COMMISSION?**

1 A. Yes. I most recently provided testimony in Docket No. E-7, Sub 1306 regarding
2 Duke Energy Carolinas' 2023 CEPS compliance report and application for
3 approval of its CEPS cost recovery rider, and in Docket No. E-2, Sub 1320
4 regarding Duke Energy Progress' 2022 CEPS compliance report and
5 application for approval of its CEPS cost recovery rider.

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. The purpose of my testimony is to describe the calculation of and present the
8 support for the CEPS rider proposed by Duke Energy Progress under N.C. Gen.
9 Stat. ("G.S.") § 62-133.8 and to present the information and data required by
10 Commission Rule R8-67 as set forth in Williams Exhibit Nos. 1 through 4. The
11 test period used in supplying this information and data is the twelve months
12 beginning on April 1, 2023 and ending on March 31, 2024 ("Test Period" or
13 "EMF Period"), and the billing period for the CEPS rider requested in the
14 Company's application is the twelve months beginning on December 1, 2024
15 and ending on November 30, 2025 ("Billing Period").

16 **Q. PLEASE DESCRIBE THE EXHIBITS TO YOUR TESTIMONY.**

17 A. Williams Confidential Exhibit No. 1 ("Williams Exhibit No. 1") identifies the
18 total incremental CEPS compliance costs for which the Company seeks
19 recovery from Duke Energy Progress North Carolina Retail ("NC Retail")
20 customers. Williams Exhibit No. 2 shows the allocation of the total CEPS
21 compliance costs, identified in Williams Exhibit No. 1, to the Company's NC
22 Retail customer classes for the Test Period. Williams Exhibit No. 3 shows the
23 allocation of the total expected CEPS compliance costs, identified on Williams

1 Exhibit No. 1, to the Company's NC Retail customer classes for the Billing
2 Period. Williams Exhibit No. 4 shows the total CEPS rider amounts proposed,
3 including the CEPS Experience Modification Factor ("EMF"), by customer
4 class, compared to the cost cap for each customer class. Williams Exhibit No.
5 5 presents a clean version and a markup of Rider BA. Finally, Williams Exhibit
6 No. 6 is a worksheet detailing the Company's energy efficiency ("EE")
7 certificate ("EEC") inventory balance as of December 31, 2023.

8 **Q. WERE THESE EXHIBITS PREPARED BY YOU OR AT YOUR**
9 **DIRECTION AND UNDER YOUR SUPERVISION?**

10 A. Yes.

11 **Q. WHAT COSTS ARE INCLUDED IN DUKE ENERGY PROGRESS'**
12 **PROPOSED CEPS RIDER?**

13 A. The proposed CEPS rider intends to recover Duke Energy Progress'
14 incremental costs of compliance with the renewable energy requirements
15 pursuant to G.S. § 62-133.8. The costs incurred by the Company to comply
16 with its CEPS compliance requirements are described comprehensively in the
17 testimony of Company witness Kimberly A. Presson, and detailed in Presson
18 Confidential Exhibit Nos. 2 and 3, filed in this docket. The costs incurred
19 during the Test Period are presented in this filing to demonstrate their
20 reasonableness and prudence as provided in North Carolina Utilities
21 Commission ("Commission") Rule R8-67(e).

22 The rider includes the CEPS EMF component to recover the difference
23 between the compliance costs incurred and revenues realized during the Test

1 Period. The proposed rider also includes a component to recover the costs
2 expected to be incurred for the Billing Period.

3 **Q. PLEASE DESCRIBE THE METHODOLOGY DUKE ENERGY**
4 **PROGRESS USED TO CALCULATE THE INCREMENTAL COSTS OF**
5 **COMPLIANCE WITH THE CEPS REQUIREMENTS.**

6 A. Company witness Presson describes the costs Duke Energy Progress incurred
7 during the Test Period and the costs it projects to incur during the Billing Period
8 to comply with its CEPS requirements. North Carolina General Statute § 62-
9 133.8(h)(1) provides that “incremental costs” means “all reasonable and
10 prudent costs incurred by an electric power supplier” to comply with the CEPS
11 requirements “that are in excess of the electric power supplier’s avoided costs
12 other than those costs recovered pursuant to G.S. § 62-133.9.”

13 For purchased power agreements with renewable energy facilities, the
14 Company subtracted its avoided cost, as determined pursuant to Rule R8-
15 67(a)(2), from the total cost associated with each renewable energy purchase to
16 arrive at the incremental cost related to the renewable energy purchase during
17 the period in question. For biogas purchases used to produce renewable energy
18 at the Company’s generating stations, the incremental costs incurred for the
19 Test Period and estimated for the Billing Period are calculated by subtracting
20 the applicable avoided costs (as determined pursuant to Rule R8-67(a)(2)) from
21 the total biogas costs associated with the MWhs generated.

22 Consistent with Rule R8-67(e)(2), which provides that the cost of an
23 unbundled renewable energy certificate (“REC”) “is an incremental cost and

1 has no avoided cost component,” the total costs for REC purchases incurred
2 during the Test Period, and forecast for the Billing Period, are included as
3 incremental costs.

4 As described in detail by Company witness Presson in her direct
5 testimony and exhibits filed in this docket, the CEPS EMF and Billing Period
6 components of the proposed CEPS rider also include compliance-related
7 incremental administration costs, labor costs, and costs related to research
8 incurred during the 2023 EMF Period and estimated to be incurred during the
9 Billing Period, respectively. As further detailed in the testimony and exhibits
10 of Company witness Presson, amounts reflecting the amortization of Solar
11 Rebate Program costs incurred pursuant to G.S. § 62-155(f) and the amortization
12 of PowerPairSM Pilot Program costs, applicable to the EMF and Billing Periods, are
13 included for recovery in the proposed CEPS rider.

14 **Q. PLEASE DESCRIBE HOW DUKE ENERGY PROGRESS ALLOCATES**
15 **INCREMENTAL CEPS COSTS AMONG CUSTOMER CLASSES FOR**
16 **CEPS AND CEPS EMF RIDER PURPOSES.**

17 A. Incremental costs assigned to Duke Energy Progress’ NC Retail customers are
18 separated into two categories: costs related to solar, poultry, and swine waste
19 compliance requirements, research and other incremental administration, and
20 Solar Rebate and PowerPairSM Pilot programs (“Set-Aside and Other
21 Incremental Costs”); and costs related to the General Requirement¹ (“General
22 Incremental Costs”). This separation is based on the percentages of Set-Aside

¹ The Company generally refers to the “General Requirement” as its overall CEPS requirement, set forth in N.C. Gen. Stat. § 62-133.8(b), net of the solar, poultry waste, and swine waste set-asides.

1 and Other Incremental Costs, and General Incremental Costs, calculated on
2 Williams Exhibit No. 1.

3 Set-Aside and Other Incremental Costs are allocated among customer
4 classes based on per-account cost caps. General Incremental Costs are allocated
5 among customer classes in a manner that gives credit for EE RECs (for which
6 there are no General Incremental Costs) according to the relative energy
7 reduction contributed by each customer class. As a result, General Incremental
8 Costs are allocated among customer classes based on each class' pro-rata share
9 of requirements for non-EE general RECs. The calculations for allocating
10 General Incremental Costs were most recently updated in the Company's 2021
11 annual CEPS proceeding, and accepted by the Commission in its November 18,
12 2021 *Order Approving CEPS and CEPS EMF Riders and 2020 CEPS*
13 *Compliance Report* in Docket No. E-2, Sub 1276. The Company notes that any
14 deviation from allocating costs according to the statutory per-account cost cap
15 ratios creates the potential for the resulting charges computed for one or more
16 classes to exceed the per-account cost cap(s). If that occurs, the Company will
17 continue to reallocate the costs in excess of the cap for the affected customer
18 class to the other customer classes to the extent required to produce charges for
19 all classes that do not exceed the respective caps.

20 **Q. PLEASE DESCRIBE HOW DUKE ENERGY PROGRESS**
21 **CALCULATED THE PROSPECTIVE PORTION OF THE CEPS RIDER**
22 **THAT THE COMPANY PROPOSES FOR THE BILLING PERIOD.**

1 A. Using the allocation methods described above, and as shown on Williams
2 Exhibit No. 3, the Set-Aside and Other Incremental Costs and the General
3 Incremental Costs are calculated by customer class for the Company's NC
4 Retail customers. The Set-Aside and Other Incremental Costs and General
5 Incremental Costs are summed for the Billing Period by customer class to arrive
6 at a total CEPS cost to be collected from the Company's NC Retail customers.
7 On Williams Exhibit No. 4, the cost allocated to each customer class is then
8 divided by the total projected number of Duke Energy Progress NC Retail
9 accounts within each customer class to arrive at the total annual cost to be
10 recovered from each account over the Billing Period. The monthly NC Retail
11 CEPS rider for each customer class is one-twelfth of the total annual cost.

12 **Q. PLEASE EXPLAIN THE CALCULATION OF THE PROPOSED CEPS**
13 **EMF.**

14 A. Using the allocation methods described above, and as shown on Williams
15 Exhibit No. 2, the Set-Aside and Other Incremental Costs and the General
16 Incremental Costs are calculated by customer class for the Company's NC
17 Retail customers. The Set-Aside and Other Incremental Costs and General
18 Incremental Costs are summed for the Test Period by customer class to show
19 the total CEPS cost assigned to the Company's NC Retail customers. The
20 actual NC Retail revenues realized during the Test Period by customer class are
21 then subtracted from the total CEPS costs by customer class to arrive at the
22 EMF for each class. On Williams Exhibit No. 4, the total EMF over/under
23 collection to be recovered from each customer class is adjusted to include any

1 credits to customers not considered a refund of amounts advanced by
2 customers, and then divided by the total projected number of Duke Energy
3 Progress NC Retail accounts within each customer class to arrive at the total
4 EMF to be recovered from each account over the Billing Period. The monthly
5 EMF for each customer class is one-twelfth of the total EMF.

6 **Q. DOES DUKE ENERGY PROGRESS DEFINE A “CUSTOMER” FOR**
7 **PURPOSES OF CEPS BILLING IN ACCORDANCE WITH THE**
8 **COMMISSION’S ORDER ISSUED NOVEMBER 12, 2009 IN DOCKET**
9 **NO. E-2, SUB 948?**

10 A. Yes. Consistent with the Commission’s order issued November 12, 2009 in
11 Docket No. E-2, Sub 948, for purposes of CEPS billing, a customer is defined
12 as all accounts (metered and unmetered) serving the same customer of the same
13 revenue classification located on the same or contiguous properties. If a
14 customer has an account that serves in an auxiliary role to a main account on
15 the same premises, no CEPS charge applies to the auxiliary account, regardless
16 of its revenue classification. Upon written notification from the customer,
17 accounts meeting these criteria are coded in the billing system to allow the
18 customer to receive only one monthly CEPS charge for all identified accounts.

19 **Q. DOES THE COMPANY PROPOSE A CHANGE IN ITS**
20 **METHODOLOGY FOR DETERMINING THE NUMBER OF**
21 **CUSTOMER ACCOUNTS USED TO CALCULATE ITS CAP ON**
22 **INCREMENTAL COSTS INCURRED TO COMPLY WITH CEPS AND**

1 **TO ASSESS ITS PROPOSED MONTHLY PER-ACCOUNT CEPS**
2 **CHARGES?**

3 A. Yes. In determining the number of customer accounts to be used by an electric
4 power supplier to calculate its annual cap on costs incurred for CEPS
5 (previously “REPS”) compliance, and to assess monthly per-account CEPS
6 rider charges, Commission Rule R8-67(c)(4) provides that:

7 In each electric power supplier’s initial REPS compliance
8 report, the electric power supplier shall propose a methodology
9 for determining its cap on incremental costs incurred to comply
10 with G.S. 62-133.8(b), (c), (d), (e) and (f) and fund research as
11 provided in G.S. 62-133.8(h)(1), including a determination of
12 year-end number of customer accounts. The proposed
13 methodology may be specific to each electric power supplier,
14 shall be based upon a fair and reasonable allocation of costs, and
15 shall be consistent with G.S. 62-133.8(h). The electric power
16 supplier may propose a different methodology that meets the
17 above requirements in a subsequent REPS compliance report
18 filing. For electric public utilities, this methodology shall also be
19 used for assessing the per-account charges pursuant to G.S. 62-
20 133.8(h)(5).

21
22 The Company proposes modifying its definition of a customer account
23 for purposes of determining its annual cap on CEPS compliance costs and
24 assessing monthly per-account CEPS rider charges to exclude the following
25 DEP lighting service schedules:

- 26 • Area Lighting Service (Schedule ALS)
27 • Street Lighting Service (Schedule SLS)
28 • Street Lighting Service – Residential Subdivisions (Schedule SLR)
29 (closed to new customers)
30 • Sports Field Lighting Service (Schedule SFLS)

31
32 If approved, the change to exclude lighting customer accounts from DEP’s
33 CEPS compliance cost cap calculation and exempting them from DEP’s CEPS
34 rider charges will align DEP with DEC, with respect to DEC’s existing

1 approved method of excluding lighting service schedules from CEPS charges
2 and compliance cost cap calculations. As most recently described in my direct
3 testimony filed in E-7, Sub 1306, DEC excludes the following lighting service
4 schedules from its determination of customer account (defined as “agreement”
5 or “tariff rate”) for purposes of CEPS:

- 6 • Outdoor Lighting Service (Schedule OL)
- 7 • Street and Public Lighting Service (Schedule PL)
- 8 • Nonstandard Lighting Service (Schedule NL) (pilot – closed to new
9 customers)

10
11 The DEC and DEP lighting schedules above represent accounts that are
12 usually secondary to main customer accounts served under residential service,
13 general service, or industrial service schedules and are assessed monthly CEPS
14 charges under those main schedules. The Company proposes that the CEPS
15 customer account definition change for DEP to exclude lighting accounts
16 (consistent with DEC’s method) be implemented for the Company’s Billing
17 Period rider calculations in this proceeding, with the applicable lighting
18 schedules exempted from any CEPS charges beginning as of the prospective
19 billing period effective date of December 1, 2024. Williams Exhibit Nos. 3 and
20 4 filed with this testimony incorporate the proposed method, excluding lighting
21 from the account totals shown. Williams Exhibit No. 5 presents a clean version
22 and a markup of Rider BA, reflecting the proposed CEPS customer account
23 definition.

24 **Q. DOES THE COMPANY EXPECT THE CEPS CHARGE TO**
25 **EACH CUSTOMER ACCOUNT FOR THE BILLING PERIOD TO BE**

1 **WITHIN THE ANNUAL COST CAP DEFINED IN N.C. GEN. STAT. §**
 2 **62-133.8?**

3 A. Yes. The annual total of the monthly CEPS and CEPS EMF charges proposed
 4 by the Company for each customer class are shown on Williams Exhibit No.
 5 4. For purposes of comparing the annual charges for CEPS compliance costs
 6 to the per-account caps defined in G.S. § 62-133.8(h)(4), the exhibit also
 7 presents annual charges calculated to exclude costs associated with the Solar
 8 Rebate Program and the PowerPairSM Pilot program, which are not CEPS
 9 compliance costs. This calculation demonstrates that CEPS compliance costs to
 10 be collected from customers are within the per-account cost caps.

11 **Q. HOW DOES DUKE ENERGY PROGRESS PROPOSE TO COLLECT**
 12 **THE CEPS CHARGES FROM EACH CUSTOMER CLASS?**

13 A. The Company proposes a fixed monthly charge be added to the bill for each
 14 class of customer.

15 **Q. WHAT IS THE MONTHLY CEPS CHARGE PROPOSED BY THE**
 16 **COMPANY FOR EACH CUSTOMER CLASS?**

17 A. The Company proposes the following combined CEPS and CEPS EMF charges
 18 to be effective December 1, 2024.

Customer class	Excluding regulatory fee	Including regulatory fee		
	Monthly charge	Monthly charge	Annual charges (monthly * 12)	Annual per account cost cap
Residential	\$ 1.52	\$ 1.52	\$ 18.24	\$ 27.00
General	\$ 8.30	\$ 8.31	\$ 99.72	\$ 150.00
Industrial	\$ 56.16	\$ 56.24	\$ 674.88	\$ 1,000.00

19

1 **Q. WHAT IS THE CHANGE IN THE MONTHLY CEPS CHARGE**
 2 **PROPOSED BY THE COMPANY FOR EACH CUSTOMER CLASS?**

3 A. The following tables show the proposed monthly CEPS rider charges, and a
 4 comparison to the monthly CEPS rider charges currently in effect – with and
 5 without the regulatory fee applied.

6 *Excluding regulatory fee*

Customer class	Proposed			Current			Change		
	EMF	Rider	Total	EMF	Rider	Total	EMF	Rider	Total
Residential	\$(0.08)	\$ 1.60	\$ 1.52	\$(0.07)	\$ 1.29	\$ 1.22	\$(0.01)	\$ 0.31	\$ 0.30
General	\$(0.52)	\$ 8.82	\$ 8.30	\$(0.63)	\$ 7.14	\$ 6.51	\$ 0.11	\$ 1.68	\$ 1.79
Industrial	\$(3.56)	\$59.72	\$56.16	\$(4.73)	\$48.16	\$43.43	\$ 1.17	\$11.56	\$ 12.73

7

8 *Including regulatory fee:*

Customer class	Proposed			Current			Change		
	EMF	Rider	Total	EMF	Rider	Total	EMF	Rider	Total
Residential	\$(0.08)	\$ 1.60	\$ 1.52	\$(0.07)	\$ 1.29	\$ 1.22	\$(0.01)	\$ 0.31	\$ 0.30
General	\$(0.52)	\$ 8.83	\$ 8.31	\$(0.63)	\$ 7.15	\$ 6.52	\$ 0.11	\$ 1.68	\$ 1.79
Industrial	\$(3.57)	\$59.81	\$56.24	\$(4.74)	\$48.23	\$43.49	\$ 1.17	\$11.58	\$ 12.75

9

10 **Q. PLEASE DESCRIBE THE EEC INVENTORY DETAILS PRESENTED**
 11 **IN WILLIAMS EXHIBIT NO. 6.**

12 A. Williams Exhibit No. 6 shows a reconciliation of the Company's EEC inventory
 13 balance available for CEPS compliance as of December 31, 2023 as well as
 14 references to the evaluation, measurement and verification ("EM&V") reports
 15 the results of which are incorporated into current EEC balances. The Company
 16 annually determines the level of EECs generated and available for CEPS
 17 compliance, and this update includes the results of any periodic EM&V
 18 performed to-date, adjustments identified during the Company's ongoing
 19 analysis of energy efficiency program effectiveness, as well as any other

1 corrections. The updated cumulative level of EECs generated to date is
2 compared to the number of EECs previously reported for compliance, less any
3 EECs used for compliance, to determine the EECs to be added to inventory for
4 the most recent calendar year. Williams Exhibit No. 6 shows the calculation
5 for EECs added to inventory for 2023, including details of the adjustments
6 incorporated therein.

7 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

8 A. Yes.