STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-7, SUB 1304

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	)	
Application of Duke Energy Carolinas, LLC	)	**DIRECT TESTIMONY**
Pursuant to G.S. 62-133.2 and NCUC Rule	)	**OF KELLY S. MCNEIL FOR**
R8-55 Relating to Fuel and Fuel-Related	)	**DUKE ENERGY CAROLINAS, LLC**
Charge Adjustments for Electric Utilities	)	

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Kelly S. McNeil. My business address is 525 South Tryon Street, Charlotte, North Carolina 28202.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Duke Energy Corporation ("Duke Energy") as a Manager Renewable Energy Contracts & Process Governance.

Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL QUALIFICATIONS.

A. My educational background includes a Bachelor of Science in Business Administration from University of North Carolina at Greensboro and a Master of Business Administration, with a concentration in Economics from Appalachian State University With respect to professional experience, I have been at Duke Energy for over 8 years, with over 7 years in the renewables area. I started as a Contract Administrator in Duke Energy's Commercial Renewables from 2015-2016. I transitioned to regulated renewables supporting Power Purchase Agreements as a Senior Contract Analyst and then moved to support the renewable Interconnection Team as a Sr./Lead Business and Technical Consultant. I began my current role in late 2022.

Q. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES IN YOUR POSITION WITH DUKE ENERGY.

A. I am responsible for the management of the wholesale Power Purchase Agreements ("PPA") that Duke Energy enters into with third party suppliers. These include PPAs that Duke Energy Carolinas, LLC ("DEC") and Duke

Energy Progress ("DEP") enter into with Qualifying Facilities ("QFs"), renewable PPAs to comply with North Carolina's Renewable Energy Efficiency Portfolio ("REPS") standard, Competitive Procurement of Renewable Energy ("CPRE") PPAs, and conventional (non-renewable) PPAs. I am responsible for management, tracking, and adherence to the terms of these executed PPAs, including implementation of Duke Energy Carolinas, LLC's ("DEC") and Duke Energy Progress, LLC's ("DEP" and, together with DEC, the "Companies") one-time "Blend and Extend" purchase power agreement ("PPA") amendment process established by the North Carolina Utilities Commission ("Commission") pursuant to Section 6(a) of North Carolina House Bill 951, S.L. 2021-165 ("HB 951").

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?

A. No.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to present information and data related to the DEC's implementation of its Blend and Extend process as well as information and data regarding qualifying facilities seeking to avoid the solar integration services charge ("SISC"). Section I of my testimony addresses the Blend and Extend process as required by Ordering Paragraph 7 of the Commission's *Order Establishing Rates* issued on September 7, 2022 in Docket No. E-100, Sub 181 (the "Blend and Extend Order"). Specifically, the *Order* directs DEC, DEP, and Dominion Energy North Carolina to report on the Blend and Extend process in their respective first annual fuel rider proceeding filed after the close of the election period. The *Order* specified that the report should include the following:

- The total projects;
- The total MWs;
- The first year savings; and
- The savings impact on the fuel rider

Section II of my testimony presents information and data required by the NCUC in accordance with the Commission's, *Order Approving SISC Avoidance Requirements and Addressing Solar-Plus-Storage Qualifying Facility Installations*, Docket No. E-100, Sub 101 and E-100, Sub 158 (August 17, 2021) (the "SISC Avoidance Order"). In this Order, the Commission directed DEC and DEP, in future fuel and fuel-related charge adjustment proceedings conducted pursuant to N.C. Gen. Stat. 62-133.2, to address the SISC avoidance process in their prefiled direct testimony, identify the specific facility(ies) and amount of SISC avoided in supporting exhibits and work papers, and the results of any audits performed on QFs seeking to avoid the SISC.

I. DEC'S BLEND AND EXTEND PROGRAM

A. Background

Q. PLEASE BRIEFLY EXPLAIN THE STATUTORY FRAMEWORK FOR THE BLEND AND EXTEND PROCESS.

A. While I am not a lawyer, it's my understanding that Section 6(a) of HB 951 requires the Commission to establish rates to be paid under a "one-time option" to modify the term and avoided cost rates for purchase of power from eligible small power providers, as that term is defined in the legislation. The rates established must (i) take into consideration both currently contracted rates and the rates at the time of the election; (ii) be just and reasonable to all customers of the utility; and (iii) result in both an immediate and long-term reduction in the cost of electricity for all classes of ratepayers.

In other words, the Blend and Extend provisions of HB 951 present a unique opportunity for eligible qualifying facility ("QFs") sellers with an existing long-term PPA to extend the contract term under blended rates that take into consideration both the originally contracted-for rates and the rates in effect at the time of the election in a manner that is beneficial to both QFs and the Company's customers. Importantly, Blend and Extend contract extensions are not mandatory, and QFs are free to continue operating under an existing PPA and to execute a new PPA at the existing PPA's termination under then-available rates and terms.

Pursuant to Section 6 of HB 951, Blend and Extend amendments afforded eligible small power producers a finite, one-time option during a limited, 180-day window to elect to extend an existing PPA under blended rates that provide both an immediate and estimated long-term reduction in the cost of electricity for the Company's customers.

Q. HAS THE COMMISSION APPROVED DEC'S BLEND AND EXTEND RATE SCHEDULES?

A. Yes. DEC's Blend and Extend rate schedules—Schedule PPBE and Schedule PPBE-1 (together, "Schedules PPBE")—were approved by the Commission in its September 7, 2022 *Order* and October 19, 2022 *Order Accepting Compliance*

Filings in Docket No. E-100, Sub 181.

Q. WHAT IS THE CURRENT STATUS OF DEC'S BLEND AND EXTEND PROCESS IMPLEMENTATION?

A. In compliance with Section 6(a)(1) of HB 951, the Commission's *Order Accepting Compliance Filings* expressly set October 21, 2022 through April 18, 2023 as the 180-day Election Period for an eligible small power producer to elect to amend its existing PPA for a term equal to the remaining time on its existing PPA and an additional 10 years.

The Commission further ordered that Blend and Extend rates should become effective no more than 90 days from the end of the election period. This means that the new Blend and Extend rates went into effect on July 17, 2023.

Q. DID THE COMMISSION REQUIRE THE COMPANY TO REPORT ON IMPLEMENTATION OF THE BLEND AND EXTEND PROCESS?

A. Yes. As described above, the September 7, 2022 *Order* established a one-time reporting obligation to be filed in the Companies' annual fuel rider proceeding. In particular, DEC must provide (1) the total number of projects electing to execute new Blend and Extend PPAs; (2) the total number of MWs for all projects electing to execute new Blend and Extend PPAs; (3) the savings to customers that will be realized in the first year of the Blend and Extend rates; and (4) the savings impact on the annual fuel rider.

Q. PLEASE EXPLAIN WHY DEC IS FILING THIS REPORT ON ITS BLEND AND EXTEND PROCESS IN DEC'S 2024 FUEL CLAUSE RIDER AND DID NOT INCLUDE ANY SIMILAR INFORMATION IN ITS 2023 FUEL CLAUSE RIDER FILING.

A. The Order directed that DEP and DEC should report on the Blend and Extend process in the first annual fuel rider proceeding filed after the close of the election period. DEC filed its 2023 annual fuel rider application on February 28, 2023—nearly two months before the Blend and Extend election window closed. Accordingly, it was not timely for DEC to file its Blend and Extend process in the 2023 fuel rider proceeding.

B. <u>Report on Blend and Extend Program</u>

Q. PLEASE PROVIDE THE INFORMATION REQUESTED BY THE COMMISSION REGARDING THE TOTAL NUMBER OF PROJECTS AND MEGAWATTS ("MW") THAT HAVE ELECTED TO PARTICIPATE IN BLEND AND EXTEND.

A. In DEC, a total of 38 projects, which include 169.7 MW, have elected to amend their existing PPA under the Blend and Extend process, pursuant to rates calculated using either Schedule PPBE or Schedule PPBE-1.

Q. HAVE THE COMPANIES CALCULATED THE TOTAL AMOUNT OF SAVINGS TO CUSTOMERS THAT WILL RESULT FROM THESE NEWLY EXECUTED BLEND AND EXTEND PPAs IN THE FIRST YEAR OF THE NEW CONTRACT TERM?

A. Yes. DEC calculates first-year customer savings totaling $3,009,607 resulting from newly executed Blend and Extend PPAs. DEC quantified this projected savings on a project-by-project basis using the delta between actuals billed for August 1, 2023 through December 31, 2023 at the blended rate versus the original rate. Additionally, the Company calculated the delta in the blended rate per megawatt hour ("MWH") minus the prior contracted rate per MWH multiplied by the MWHs projected for January 1, 2024 through July 31, 2024.

Q. THE ORDER ALSO REQUIRED DEC TO EXPLAIN THE IMPACT OF BLEND AND EXTEND SAVINGS ON THE ANNUAL FUEL RIDER. HOW DOES THE BLEND AND EXTEND PROCESS IMPACT THIS FUEL PROCEEDING?

A. The Blend and Extend process caused projected system billing period costs (September 2024 – August 2025) to be $3,749,037 lower than costs would have been under the prior contracted terms. The North Carolina retail share of these savings is $2,504,255, which has the result of reducing each customer class's expected bill impact by 0.1%.

II. SISC AVOIDANCE

Q. PLEASE EXPLAIN DEC'S REPORTING OBLIGATION AS REQUIRED BY THE SISC AVOIDANCE ORDER.

A. In its SISC Avoidance Order, the Commission directed DEC and DEP, in future fuel and fuel-related charge adjustment proceedings conducted pursuant to N.C. Gen. Stat. 62-133.2, to address the SISC avoidance process in their prefiled direct testimony, identify the specific facility(ies) and amount of SISC avoided in supporting exhibits and work papers, and the results of any audits performed on QFs seeking to avoid the SISC.

Q. DO YOU HAVE ANY INFORMATION TO REPORT AT THIS TIME?

A. No. There are currently no operating solar QF facilities at this time that contain energy storage systems. There are also currently no executed PPAs that contain SISC (Sub 158 and later) that also include an energy storage system.

There were two (2) solar facility bids in Tranche 1 of CPRE that contained energy storage. However, these PPAs did not include SISC and, therefore, did not include an option for the QF to avoid the SISC. These PPAs have subsequently been terminated.

Duke will continue to monitor future solar QF PPAs with SISC and energy storage that provide notice to Duke that they intend to avoid some or all of the SISC. Duke will provide any data on the ability of these future QF facilities to avoid the SISC in future fuel proceedings for DEC and DEP.

Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?

A. Yes, it does.