



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

May 17, 2022

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Docket No. E-7, Sub 1262 – Application Pursuant to G.S. 62-110.8
and Commission Rule R8-71 for Approval of CPRE Compliance
Report and CPRE Cost Recovery Rider

Dear Ms. Dunston:

In connection with the above-referenced docket, I transmit herewith for filing
on behalf of the Public Staff the following:

1. Notice of Affidavit;
2. Affidavit of Lynn Feasel, Financial Analyst III, Accounting Division;
and
3. Testimony of Jeff Thomas, Engineer, Energy Division (Public
Version - redacted confidential information is located on pp. 9, 10,
and 12; Confidential Version filed separately).

By copy of this letter, we are forwarding copies to all parties of record.

Sincerely,

/s/ Robert Josey
Staff Attorney
robert.josey@psncuc.nc.gov

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STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-7, SUB 1262

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application Pursuant to G.S. 62-110.8 and)
Commission Rule R8-71 for Approval of CPRE Cost)
Recovery Rider)
NOTICE
OF AFFIDAVIT)

NOW COMES THE PUBLIC STAFF - North Carolina Utilities Commission,
by and through its Executive Director, Christopher J. Ayers, as constituted by
N.C. Gen. Stat. § 62-15, and gives notice that the Affidavit of:

Lynn Feasel, Financial Analyst III, Accounting Division
Public Staff - North Carolina Utilities Commission
430 North Salisbury Street - Dobbs Building
4326 Mail Service Center
Raleigh, North Carolina 27699-4326

will be used in evidence at the hearing in this docket scheduled for June 7, 2022,
pursuant to N.C.G.S. § 62-68. The affiant will not be called to testify orally and will
not be subject to cross-examination unless an opposing party or the Commission
demands the right of cross-examination by notice mailed or delivered to the
proponent at least five days prior to the hearing, pursuant to N.C.G.S. § 62-68.
Further, the Public Staff provides notice that if no party or the Commission requests
to cross-examine this affiant, the Public Staff shall seek to introduce the affidavit
into evidence, at which time the affidavit will be given the same effect as if the
affiant testified orally from the stand.

Respectfully submitted this the 17th day of May, 2021.

PUBLIC STAFF
Christopher J. Ayers
Executive Director

Lucy E. Edmondson
Interim Chief Counsel

Electronically submitted
/s/ Robert Josey
Staff Attorney

4326 Mail Service Center
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CERTIFICATE OF SERVICE

I certify I have this day served a copy of the foregoing Notice of Affidavits and Affidavits on each of the parties of record in this proceeding or their attorneys of record by causing a copy to be deposited in the United States Mail, postage prepaid, properly addressed to each or by electronic delivery upon agreement from the parties.

This the 17th day of May, 2021.

Electronically submitted
/s/ Robert Josey

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-7, SUB 1262

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application of Duke Energy Carolinas, LLC, for)
Approval of CPRE Cost Recovery Rider) AFFIDAVIT OF
Pursuant to N.C.G.S. § 62-110.8 and) LYNN FEASEL
Commission Rule R8-71)

STATE OF NORTH CAROLINA

COUNTY OF WAKE

I, Lynn Feasel, first being duly sworn, do depose and say:

I am a Financial Analyst III in the Accounting Division of the Public Staff - North Carolina Utilities Commission. A summary of my duties, education, and experience is attached to this affidavit as Appendix A.

N.C. Gen. Stat. § 62-110.8 states that each electric public utility shall file for Commission approval a program for the competitive procurement of energy and capacity from renewable energy facilities, with the purpose of adding renewable energy to the State's generation portfolio in a manner that allows the State's electric public utilities to continue to reliably and cost-effectively serve customers' future energy needs.

N.C.G.S. § 62-110.8(g) further states that an electric public utility shall be authorized to recover the costs of all purchases of energy, capacity, and environmental and renewable attributes from third-party renewable energy

facilities procured pursuant to the statute, and to recover the authorized revenue of any utility-owned assets pursuant to the statute through a Competitive Procurement of Renewable Energy (CPRE) annual rider approved by the Commission and reviewed annually. Commission Rule R8-71 also provides the following: (1) that the CPRE rider will be recovered over the same period as the utility's fuel and fuel-related cost rider; and (2) that the costs or authorized revenue will be modified through the use of a CPRE Program experience modification factor (CPRE EMF) rider. The CPRE EMF rider is utilized to "true-up" the recovery of reasonable and prudently incurred CPRE Program costs incurred during the test period established for each annual rider proceeding.

The purpose of my affidavit is to present the results of the Public Staff's investigation into the CPRE EMF Rider revenue requirements and calculations proposed by Duke Energy Carolinas, LLC (DEC or the Company), in its application filed in this proceeding on March 1, 2022, based on the incremental CPRE Program implementation costs and revenue requirements incurred and revenues recorded during the January 1, 2021, through December 31, 2021, period (CPRE EMF period or test period).

In its application, DEC proposed EMF decrement riders in cents per kilowatt-hour (kWh), excluding the North Carolina regulatory fee, for each North Carolina retail customer class as follows:

Residential	(0.0038) cents per kWh
General Service/Lighting	(0.0040) cents per kWh
Industrial	(0.0039) cents per kWh

DEC also proposed EMF interest decrement riders for each North Carolina retail customer class, as follows:

Residential	(0.0006) cents per kWh
General Service/Lighting	(0.0007) cents per kWh
Industrial	(0.0006) cents per kWh

The riders were calculated by dividing the “Total CPRE EMF Amount including Contract Fees,” as shown on Walker Exhibit No. 4 for each customer class, by DEC’s N.C. projected billing period retail sales of 22,809,193 megawatt-hours (MWh) for the residential class, 23,222,537 MWh for the general service/lighting class, and 12,202,704 MWh for the industrial class.

On May 9, 2022, DEC filed the Supplemental Testimony and Exhibits of Bryan L. Sykes in Docket No, E-7, Sub 1263. In that docket, the Company updated the production plant allocator from the 2020 allocator to the 2021 factor. DEC utilizes the 2020 production plant allocation factor to allocate NC CPRE purchased and generated power across customer classes. The Company provided calculations of the impact of updating the production plant allocator in the CPRE case and depicted the update would not impact rates. The Public Staff reviewed the calculations and agreed that the small change in the production plant allocator would not have an impact on the rates sought in the present docket.

The Public Staff Accounting Division’s specific responsibilities in this CPRE rider proceeding are: (1) to participate in the overall Public Staff investigation of the Company’s filing and proposed rates; (2) to review the

purchased and generated power cost, the incurred costs (including labor, outside services, and IA Fees), and received revenues proposed for inclusion in the CPRE EMF rider; and (3) to investigate the Company's calculations of the proposed rates and present the calculations of the Public Staff's recommended rates. Additionally, the Public Staff has reviewed the IA invoices regarding the Stanley and Orion disputes and find the costs to be reasonable for recovery in the present case. The Public Staff will continue to monitor any invoices recorded after December 31, 2021, to determine appropriateness.

As a result of the Public Staff's investigation, I am recommending that DEC's CPRE EMF riders for each customer class be based on over-recoveries of \$(860,682) for the residential class, \$(924,941) for the general service/lighting class, and \$(477,345) for the industrial class, and North Carolina retail projected billing period retail sales of 22,809,193 MWh for the residential class, 23,222,537 MWh for the general service/lighting class, and 12,202,704 MWh for the industrial class, as proposed by the Company in its filing. These amounts produce EMF decrement riders for each North Carolina retail customer class as follows, excluding the regulatory fee:

Residential	(0.0038) cents per kWh
General Service/Lighting	(0.0040) cents per kWh
Industrial	(0.0039) cents per kWh

I also recommend an EMF interest decrement rider for each North Carolina retail customer class as follows, excluding the regulatory fee, resulting from the over-recovered CPRE amounts from each class:

Residential	(0.0006) cents per kWh
General Service/Lighting	(0.0007) cents per kWh
Industrial	(0.0006) cents per kWh

I have provided these amounts to Public Staff witness Jeff Thomas for incorporation into his recommended CPRE rider calculation.

This completes my affidavit.

Lynn Feasel

Lynn Feasel

Sworn to and subscribed before me
this the 17th day of May, 2022.

Jessica Heironimus

Notary Public

My Commission Expires: May 10, 2023



LYNN FEASEL

Qualifications And Experience

I am a graduate of Baldwin Wallace University with a Master of Business Administration degree in Accounting. I am a Certified Public Accountant licensed in the State of North Carolina. Prior to joining the Public Staff, I was employed by Franklin International in Columbus, Ohio until June 2013. Additionally, I worked for ABB Inc. from September 2013 until October 2016. I joined the Public Staff as a Staff Accountant in November 2016. Since joining the Public Staff, I have worked on rate cases involving water and sewer and natural gas companies, supervised and audited workflow for my team, filed testimony and affidavits in various general rate cases, prepared exhibits and presented my investigation results to the Commission. I have audited and examined Aqua and CWSNC Water and Sewer Improvement Charge application, coordinated with the engineering team to finalize adjustments for the potentially non-eligible for recovery capital projects, drafted notice, agenda, and proposed order to present the investigation results to the Commission. For Piedmont and PSNC companies, I have audited the biannual IMT filings for accuracy and I have also reviewed and examined TIMP and DIMP expenses in the 2021 rate cases. For DEC and DEP, I have assisted in reviewing the annual Competitive Procurement of Renewable Energy Rider, Joint Dispatch Agreement, and the Joint Agency Asset Rider. I have participated in the drafting and providing comments to certain regulations, such as W-100, Sub 63 and W-100 Sub 64. I have also calculated quarterly

earnings for Carolina Water Service, Inc. of North Carolina and Aqua North Carolina, Inc., calculated quarterly earnings for various natural gas companies, calculated refunds to consumers from AH4R and Progress Residential and reviewed franchise, transfer and contiguous filings for multiple water and sewer companies.

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-7, SUB 1262

In the Matter of)	
Application of Duke Energy Carolinas,)	TESTIMONY OF
LLC, for Approval of CPRE Compliance)	JEFF THOMAS
Report and CPRE Cost Recovery Rider)	PUBLIC STAFF – NORTH
)	CAROLINA UTILITIES
)	COMMISSION

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-7, SUB 1262

**TESTIMONY OF JEFF THOMAS
ON BEHALF OF THE PUBLIC STAFF
NORTH CAROLINA UTILITIES COMMISSION**

MAY 17, 2022

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
2 **PRESENT POSITION.**

3 A. My name is Jeff Thomas. My business address is 430 North
4 Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am an
5 engineer with the Energy Division of the Public Staff – North Carolina
6 Utilities Commission.

7 **Q. BRIEFLY STATE YOUR QUALIFICATIONS AND DUTIES.**

8 A. My qualifications and duties are included in Appendix A.

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

10 A. The purpose of my testimony is to make recommendations to the
11 Commission regarding the Public Staff's investigation of the application
12 for recovery of costs associated with the implementation of the
13 Competitive Procurement of Renewable Energy (CPRE) Program filed
14 by Duke Energy Carolinas, LLC (DEC or the Company) on March 1,
15 2022. My review also includes the supplemental testimony and exhibits
16 filed by DEC on May 2, 2022.

1 The Public Staff Energy Division's specific responsibilities in this
2 CPRE rider proceeding are to: (1) review the Company's application
3 and proposed rates for compliance with N.C. Gen. Stat. § 62-110.8
4 and Commission Rule R8-71; (2) review the CPRE Compliance
5 Report and address any deficiencies pursuant to Commission Rule
6 R8-71(h) and Commission Orders; and (3) make recommendations
7 regarding changes to the Company's calculations of the proposed
8 rates.

9 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

10 A. My testimony summarizes the CPRE Program Rider request and the
11 CPRE Compliance Report and presents the results of the Public
12 Staff's investigation.

13 **Q. ARE YOU RECOMMENDING ANY ADJUSTMENTS IN YOUR**
14 **TESTIMONY?**

15 A. No.

16 A. Overview of DEC's CPRE Rider Request

17 **Q. WHAT COSTS DOES DEC SEEK TO RECOVER ASSOCIATED**
18 **WITH THE CPRE PROGRAM IMPLEMENTATION?**

19 A. As described in the direct and supplemental testimony of DEC
20 witness Walker, DEC seeks to recover \$567,542 in implementation
21 costs (system) incurred during the test period from January 1, 2021,

1 through December 31, 2021, (Experience Modification Factor or
2 EMF Period). These costs include internal company labor and
3 associated costs, outside consulting and legal services, and
4 \$204,048 in Independent Administrator (IA) fees and T&D Sub-
5 Team¹ costs not recovered from Market Participant (MP) fees. DEC
6 has also included a \$70,000 credit to ratepayers associated with
7 Change Of Control fees collected from MPs in the EMF Period.² DEC
8 forecasts ongoing system implementation costs of \$311,830 from
9 September 1, 2022, through August 31, 2023, (Billing Period),
10 associated with internal labor and external consulting.

11 **Q. HOW DOES DEC ALLOCATE THESE IMPLEMENTATION**
12 **COSTS?**

13 A. In its application, DEC allocates implementation costs to NC retail
14 customer classes using a weighted average of the energy and
15 capacity allocation factors ("Composite Factor"), calculated
16 separately for the EMF Period and the Billing Period, as described
17 by witness Walker on page 10 of her direct testimony.

¹ As defined in Commission Rule R8-71(b)(16).

² Section 24.6 of the Power Purchase Agreement (PPA) states that "Without limiting Buyer's rights under this Section 24, to the extent Buyer agrees to a request from Seller for one or more consent(s) to Assignment or Change of Control under this Agreement, Seller shall pay Buyer ten thousand dollars (\$10,000) prior to Buyer processing Seller's request."

1 Q. WHAT REVENUE REQUIREMENTS DOES DEC SEEK TO
2 RECOVER ASSOCIATED WITH PURCHASES OF ENERGY AND
3 CAPACITY FROM WINNING PROJECTS?

4 A. Within the EMF Period, DEC seeks recovery of \$5.3 million in system
5 purchased power revenue requirements associated with operational
6 Tranche 1 projects, which generated 141,762 MWh, which equates
7 to an average cost of \$37.61 per MWh. The North Carolina retail
8 portion of this total revenue requirement is \$3.5 million. The DEC-
9 owned Gaston Solar generation facility³ and the DEC-owned Maiden
10 Creek Solar generation facility⁴ were the only two Tranche 1 projects
11 in service in the EMF Period.

12 DEC estimates that during the Billing Period it will incur a total of
13 approximately \$34.8 million (system) in purchased and generated
14 power,⁵ consisting of \$5.5 million in capacity and \$29.3 million in
15 energy associated with 911,819 MWh of generation from Tranche 1
16 and Tranche 2 projects, which equates to an average cost of \$38.20
17 per MWh. The North Carolina retail portion of these total revenue
18 requirements is approximately \$23 million. The Public Staff has

³ Docket No. E-7, Sub 1216.

⁴ Docket No. E-7, Sub 1215.

⁵ Purchased power refers to energy generated by third-parties, including unregulated Duke affiliates, that have entered into PPAs with DEC. Generated power refers to DEC-owned facilities that are seeking market-based recovery through this rider at the as-bid price.

1 reviewed DEC's forecasts of billing period expenses and finds them
2 reasonable, while also noting that continued project delays may
3 result in over-recovery in DEC's 2023 CPRE rider EMF Period.

4 **Q. WHAT ISSUES DID DEC IDENTIFY IN ITS SUPPLEMENTAL**
5 **FILING?**

6 A. In its Supplemental Filing, DEC indicated that a project that
7 terminated its Tranche 2 PPA was responsible for liquidated
8 damages and another proposal may also withdraw. The Public Staff
9 does not recommend that DEC refile because both matters should
10 be resolved by DEC's 2023 CPRE rider proceeding and the damages
11 should be credited back to customers within the EMF Rider at that
12 time. In addition, while not mentioned in the Supplemental Filing, on
13 May 3, 2022, the North Carolina Court of Appeals affirmed⁶ the
14 Commission's *Order Denying Motion for Return of CPRE Proposal*
15 *Security*.⁷ If this ruling stands, an additional \$1 million credit will be
16 refunded to DEC customers in DEC's 2023 CPRE rider proceeding.

17 **Q. PLEASE PROVIDE AN OVERVIEW OF DEC'S CPRE**
18 **COMPLIANCE REPORT.**

⁶ *State of North Carolina Ex Rel. Utilities Commission; Duke Energy Progress, LLC; Duke Energy Carolinas, LLC; Accion Group, LLC v. Stanly Solar, LLC*, 2022-NCCOA-286.

⁷ Filed in Docket Nos. E-2, Sub 1262 and E-7, Sub 1156, on October 20, 2020.

1 A. DEC filed its 2021 CPRE Compliance Report pursuant to
2 Commission Rule R8-71(h) and included information required for
3 calendar year 2021. The Compliance Report provides an overview
4 of activity in Tranches 1, 2, and 3. The Compliance Report also
5 provides average pricing for each of the selected proposals, avoided
6 cost thresholds, costs and authorized revenue, network upgrade
7 costs on a per-project basis, and a certification from the IA describing
8 its activities to prepare for and execute Tranche 3.

9 **Q. DOES THE COMPLIANCE REPORT PROVIDE ANY**
10 **INFORMATION ON THE STATUS OF THE 30% UTILITY-OWNED**
11 **LIMIT IN N.C. GEN. STAT. § 62-110.8(b)(4)?**

12 A. No. The Public Staff found that in Tranches 1 and 2, approximately
13 16% of capacity procured is owned by DEC, Duke Energy Progress,
14 LLC (DEP, and collectively with DEC, Duke), or Duke Energy
15 affiliates. In DEC's Supplemental Testimony, it noted that one project
16 has already terminated its Tranche 2 PPA and another facility is likely
17 to do so in the near future. If the second facility terminates its PPA,
18 Duke and Duke affiliates will own 18.3% of the total capacity
19 procured in Tranches 1 and 2.

20 **Q. DOES THE PUBLIC STAFF BELIEVE DEC'S CPRE**
21 **COMPLIANCE REPORT SATISFIES THE REQUIREMENTS OF**
22 **COMMISSION RULE R8-71(H)?**

1 A. Yes. Based upon the Public Staff's review, DEC's CPRE Compliance
2 Report provides adequate information that satisfies both the
3 requirements of Commission Rule R8-71(h) and the Commission's
4 February 21, 2018 *Order Modifying and Approving Joint CPRE*
5 *Program* in Docket Nos. E-7, Sub 1156, and E-2, Sub 1159 (CPRE
6 Order).

7 B. CPRE Rider Investigation

8 **Q. DO THE TOTAL REVENUE REQUIREMENTS DEC SEEKS TO**
9 **RECOVER IN THIS PROCEEDING EXCEED THE COST CAP**
10 **ESTABLISHED BY N.C. GEN. STAT. § 62-110.8(g)?**

11 A. No. The total revenue requirements sought for recovery in this
12 proceeding are less than 1% of DEC's total North Carolina retail
13 jurisdictional gross revenues for 2021.

14 **Q. DURING THE IMPLEMENTATION OF THE CPRE PROGRAM,**
15 **THE PUBLIC STAFF RAISED CONCERNS REGARDING**
16 **“PHANTOM UPGRADES” THAT MAY ARISE DUE TO THE WAY**
17 **THE GROUPING STUDY BASELINE WAS DEFINED. HAS THE**
18 **PUBLIC STAFF INVESTIGATED THIS MATTER?**

19 A. Yes. Approximately 24 projects (representing 1,011 MW of capacity)
20 that were included in the CPRE Tranche 2 grouping study baseline
21 have since withdrawn their interconnection requests. The withdrawn

1 projects are entirely solar facilities. However, DEC confirmed that no
2 winning CPRE project was dependent on any upgrades that were
3 assigned to the withdrawn projects, and that no additional upgrades
4 impacting winning Tranche 2 projects were triggered by the
5 withdrawal of these projects.

6 **Q. DOES THE PUBLIC STAFF HAVE ANY INFORMATION**
7 **REGARDING THE ACCURACY OF NETWORK UPGRADE**
8 **COSTS USED IN THE CPRE EVALUATION PROCESS?**

9 A. Yes. While DEC is not seeking recovery of any network upgrade
10 costs in this proceeding, the Public Staff has monitored the latest
11 network upgrade costs for CPRE winning projects to determine if
12 they are reasonably accurate relative to the initial estimates used in
13 the evaluation process. Overall, the Public Staff found that the
14 difference between network upgrade estimates used in the
15 evaluation and the most recent network upgrade costs was
16 reasonable, although some projects had significant variance. Across
17 all Tranche 1 winning projects, the total initial network upgrade cost
18 estimates used in the evaluation process was **[BEGIN**
19 **CONFIDENTIAL]** [REDACTED] **[END CONFIDENTIAL]**. The most
20 recent estimates to interconnect all winning Tranche 1 projects is
21 **[BEGIN CONFIDENTIAL]** [REDACTED]
22 [REDACTED] **[END CONFIDENTIAL]**. Across all Tranche 2 winning
23 projects, the initial network upgrade cost estimates used in the

1 evaluation process was [BEGIN CONFIDENTIAL] [REDACTED]
2 [END CONFIDENTIAL]. The most recent estimates to interconnect
3 all winning Tranche 2 projects is [BEGIN CONFIDENTIAL] [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED] [END
7 CONFIDENTIAL]. The Public Staff will investigate the
8 reasonableness and prudence of these network upgrade costs in
9 DEC's next general rate case, at which time the Public Staff will
10 determine if it is appropriate to seek to apply the Commission's "limit
11 in the nature of a presumption that costs in excess of 25% of the
12 estimated costs, are unreasonably incurred and not recoverable."⁸

13 **Q. PLEASE EXPLAIN THE STATUS OF TRANCHE 3.**

14 A. On December 3, 2021, DEC filed its Petition for Determination of
15 Final CPRE Program Procurement Amount in Docket Nos. E-2, Sub
16 1159 and E-7, Sub 1156. Based on the total Transition MW of 4,378,
17 DEC requested a Tranche 3 target of 596 MW, to be procured in
18 DEC only. On December 20, 2021, the Commission issued its *Order*
19 *Determining Adjusted CPRE Program Procurement Target,*
20 *Requiring Tranche 3 CPRE Program Procurement Solicitation,*

⁸ See the Commission's Order Modifying and Accepting CPRE Program Plan, filed in Docket Nos. E-2, Sub 1159 and E-7, Sub 1156, at 18, on July 2, 2019.

1 *Approving Resource Solicitation Cluster, and Requiring Responses*
2 *to Commission Questions Regarding Pro Forma PPA* authorizing
3 Tranche 3. Tranche 3 opened on January 5, 2022, and the RFP
4 window closed on February 3, 2022. Tranche 3 proposals are
5 currently in Step 1 of the evaluation process.⁹

6 **Q. IS THE PUBLIC STAFF AWARE OF ANY ISSUES WITH**
7 **TRANCHE 3 PROJECTS?**

8 A. Yes. The Public Staff has been in communication with the IA
9 regarding the status of Tranche 3. While the bid evaluation process
10 is proceeding as expected, the Public Staff is closely following the
11 procurement process for Tranche 3. The total capacity of projects
12 bidding into Tranche 3 was 520.79 MW, short of the 596 MW target
13 procurement. As of April 5, 2022, the Public Staff was informed that
14 several projects had withdrawn from Tranche 3, bringing the total
15 capacity being evaluated to 446 MW. In addition, the Public Staff has
16 been made aware of issues advancing projects to Step 2 of the
17 evaluation process. MPs have requested to extend the deadline for
18 submission of Step 2 Proposal Security to April 29, 2022, largely due
19 to market uncertainty and rising prices. Duke, the IA, and MPs are

⁹ Due to the recent integration of CPRE with queue reform of the North Carolina Interconnection Procedures, Step 2 of the evaluation process will be carried out in the ongoing Resource Solicitation Cluster (RSC) study. This study is pending the results of the Transitional Cluster Study (TCS) Phase 2 study, which may include a power flow restudy that will form the basis for the RSC.

1 working together to provide a revised Step 2 collateral requirement,
2 with Duke recently agreeing to extend the date to May 6, 2022.

3 **Q. DOES THE PUBLIC STAFF EXPECT THE TOTAL CPRE**
4 **CAPACITY PROCURED TO MEET THE TARGET?**

5 A. No. The final CPRE target, after adjustment for the Transition MW,
6 is 1,781 MW. To date, Tranches 1 and 2 of the CPRE procured
7 approximately 1,185 MW. The withdrawal of one (and potentially a
8 second) project from Tranche 2, as identified in DEC's Supplemental
9 Filing, will reduce that figure to **[BEGIN CONFIDENTIAL]** ██████████
10 **[END CONFIDENTIAL]**. Even if all 446 MW currently in Tranche 3
11 were to go on to sign PPAs, the final procured capacity would still fall
12 short of the target by approximately **[BEGIN CONFIDENTIAL]** ██████████
13 **[END CONFIDENTIAL]**. Given its experience with prior
14 tranches, the Public Staff considers it unlikely that all projects
15 currently in Tranche 3 will sign a PPA and achieve commercial
16 operation under a CPRE PPA.

17 **Q. HOW SHOULD THE ANTICIPATED CPRE SHORTFALL BE**
18 **RESOLVED?**

19 A. At this time, it is unclear how this shortfall can be resolved. While HB
20 589 included a provision that allowed the offering of a new renewable
21 energy resources competitive procurement after the termination of

1 the initial 45 month procurement period,¹⁰ this provision was
2 repealed with the passage of HB 951. HB 951 provided for the
3 procurement of solar resources in 2022 if the Commission finds that
4 such solar energy facilities will be needed in accordance with the
5 carbon reduction goals laid out in HB 951; however, the 2022 Solar
6 RFP is currently under review by the Commission¹¹ and is
7 fundamentally different from the CPRE in many ways, not least of
8 which is the lack of an avoided cost cap required for CPRE in
9 N.C.G.S. § 62-110.8(b)(2).

10 Duke filed its Carbon Plan on May 16, 2022.¹² The Public Staff, at
11 this time, has not reviewed the details of the Carbon Plan but through
12 stakeholder meetings and conversations with Duke, the Public Staff
13 understands that the Carbon Plan will include mandated solar
14 resources that are “forced in” to Duke’s planning model, which should
15 then economically select additional solar as needed to meet HB
16 951’s carbon reduction goals. These mandated solar resources
17 include those required by statute, and would therefore include the
18 target CPRE capacity. Because Duke’s assumptions regarding the
19 amount of mandated solar to be included in the Carbon Plan may not

¹⁰ N.C.G.S. § 62-110.8(a).

¹¹ See Docket Nos. E-2, Sub 1297 and E-7, Sub 1268.

¹² Docket No. E-100, Sub 179.

1 reflect underprocurement in Tranches 2 and 3, the CPRE shortfall
2 might be reflected in Duke's Carbon Plan, with Duke forcing 1,781
3 MW of CPRE capacity into the model, while actually procuring less
4 capacity due to projects withdrawing from Tranche 2, and DEC
5 missing the procurement target in Tranche 3. This may reduce the
6 amount of economically selected solar, which may in turn reduce the
7 amount of solar to be procured in the 2022 Solar RFP.

8 Theoretically, the CPRE capacity shortfall would be compensated for
9 in future Carbon Plan filings by reducing the amount of mandated
10 solar. The Carbon Plan would then presumably select additional
11 economic solar to replace the CPRE shortfall, as it is assumed that
12 the total solar required to meet the carbon reduction goals is a sum
13 of the mandated solar and the economically selected solar.¹³
14 However, Duke has indicated that it will impose limits on the amount
15 of solar that can be interconnected annually. If the Carbon Plan
16 economically selects solar up to that limit in each year through 2030,
17 the model will be unable to make up for the CPRE shortfall due to
18 these constraints.

¹³ The total amount of solar needed to meet the carbon reduction goals is assumed to be constant. Therefore, if the mandated solar is reduced, the amount of economically selected solar would increase.

1 In addition, as noted previously, the CPRE is different from the
2 ongoing 2022 Solar RFP because CPRE was capped at the avoided
3 cost rate while the 2022 Solar RFP is not. This may result in third-
4 party solar procured through an annual solar RFP entering into a
5 PPA at a higher cost than the CPRE shortfall it is replacing, should
6 those bids come in above the administratively determined avoided
7 cost. However, this result may be unavoidable. The Public Staff is
8 aware of increasing price pressures on solar developers, and also
9 notes that the CPRE Tranche 3 avoided cost cap is based on
10 avoided cost inputs and methodology approved in Docket No. E-100,
11 Sub 167. This avoided cost filing likely did not anticipate the increase
12 in natural gas prices or other costs, and therefore there is a
13 disconnect between the administratively determined avoided cost
14 cap and the escalating costs faced by solar developers.

15 C. Public Staff Recommendations

16 **Q. WHAT ARE YOUR RECOMMENDATIONS TO THE COMMISSION**
17 **REGARDING DEC'S APPLICATION?**

18 A. The Public Staff recommends that the Commission accept the rates
19 as filed in DEC's March 1, 2022 application. The Public Staff also
20 asks that Duke provide suggestions in its rebuttal testimony on how
21 the CPRE shortfall should be resolved.

1 Q. WHAT RATES HAS DEC REQUESTED FOR ITS EMF AND CPRE
2 RIDER?

3 A. In its Supplemental Testimony, DEC requested the following charges
4 (excluding regulatory fee). The EMF Rate includes an interest
5 component. The Public Staff recommends these rates be approved.

DEC's Rider Request – Supplemental Filing			
Filed on May 3, 2022 (cents per kWh)			
Customer Class	EMF Rate	CPRE Rider Rate	Total CPRE Rate
Residential	(0.0044)	0.0412	0.0368
General Service	(0.0047)	0.0395	0.0348
Industrial	(0.0045)	0.0384	0.0339

6 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

7 A. Yes, it does.

QUALIFICATIONS AND EXPERIENCE

JEFF T. THOMAS, P.E.

I graduated from the University of Illinois Champaign-Urbana in 2009, earning a Bachelor of Science in General Engineering. From 2009 to 2015, I worked in various operations management roles for General Electric, United Technologies Corporation, and Danaher Corporation. I left manufacturing in 2015 to attend North Carolina State University, earning a Master of Science degree in Environmental Engineering. At NC State, I performed cost-benefit analysis evaluating smart grid components, such as solid-state transformers and grid edge devices, at the Future Renewable Energy Electricity Delivery and Management Systems Engineering Research Center. My master's thesis focused on electric power system modeling, capacity expansion planning, linear optimization, and the effect of various state and national energy policies on North Carolina's generation portfolio and electricity costs. After obtaining my degree, I joined the Public Staff in November 2017. In my current role, I have filed testimony in avoided cost proceedings, general rate cases, and CPCN applications, and have been involved in the implementation of HB 589 programs, utility cost recovery, renewable energy program management, customer complaints, and other aspects of utility regulation. I received my Professional Engineering license in April 2020 after passing the Principles and Practice of Engineering exam in Electrical and Computer Engineering: Power.