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July 24, 2020

VIA ELECTRONIC FILING

Ms. Kimberley A. Campbell, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, NC 27699-4300

**RE: Partial Joint Proposed Order of Duke Energy Carolinas, LLC and the Public Staff Approving CPRE Rider and CPRE Program Compliance Report; Duke Energy Carolinas, LLC Proposed Supplement to Partial Joint Proposed Order
Docket No. E-7, Sub 1231**

Dear Ms. Campbell:

Please find enclosed for filing in the above-referenced docket the Partial Joint Proposed Order of Duke Energy Carolinas, LLC and the Public Staff Approving CPRE Rider and CPRE Program Compliance Report.

In addition, Duke Energy Carolinas, LLC (“DEC”) also hereby submits its Supplement to Partial Joint Proposed Order.

An electronic copy of both documents is being emailed to briefs@ncuc.net.

Thank you for your attention to this matter. Please do not hesitate to contact me if you have any questions.

Sincerely,

Jack E. Jirak

Enclosure

cc: Parties of Record

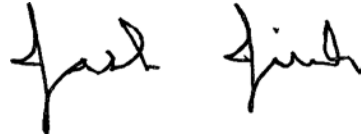
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JUL 24 2020

CERTIFICATE OF SERVICE

I certify that a copy of the Partial Joint Proposed Order of Duke Energy Carolinas, LLC and the Public Staff and DEC's Proposed Supplement to Partial Joint Proposed Order, in Docket No. E-7, Sub 1231, has been served by electronic mail, hand delivery or by depositing a copy in the United States mail, postage prepaid to parties of record.

This the 24th day of July, 2020.

Handwritten signature of Jack E. Jirak in black ink.

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**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-7, SUB 1231

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of

Application of Duke Energy Carolinas,)	PARTIAL JOINT PROPOSED ORDER OF DUKE ENERGY CAROLINAS, LLC AND THE PUBLIC STAFF APPROVING CPRE RIDER AND CPRE PROGRAM COMPLIANCE REPORT
LLC for Approval of CPRE Cost)	
Recovery Rider Pursuant to N.C.G.S. 62-)	
110.8 and NCUC Rule R8-71)	
)	

HEARD: Tuesday, June 9, 2020, at 9:30 a.m. (for Public Witnesses) in the Commission Hearing Room, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina and Evidentiary Hearing starting at 1:00 p.m. via WebEx.

BEFORE: Commissioner Kimberly W. Duffley, Presiding
Chair Charlotte A. Mitchell
Commissioner ToNola D. Brown-Bland
Commissioner Lyons Gray
Commissioner Daniel G. Clodfelter
Commissioner Jeffrey A. Hughes
Commissioner Floyd B. McKissick, Jr.

APPEARANCES:

For Duke Energy Carolinas, LLC:

Jack Jirak
Associate General Counsel
Duke Energy Corporation
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Raleigh, North Carolina 27602-1551

For Carolinas Industrial Group for Fair Utility Rates III (“CIGFUR”):

Warren K. Hicks, Esq.
Bailey & Dixon, LLP
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Raleigh, North Carolina 27601

For North Carolina Sustainable Energy Association (“NCSEA”):

Benjamin Smith, Esq.
Regulatory Counsel
4600 Six Forks Road, Suite 300
Raleigh, North Carolina 27609

For the Using and Consuming Public:

Layla Cummings, Esq.
Tim Dodge, Esq.
Public Staff - North Carolina Utilities Commission
4326 Mail Service Center
Raleigh, North Carolina 27699-4300

BY THE COMMISSION: On February 25, 2020, Duke Energy Carolinas, LLC (“DEC,” or the “Company”) filed an application pursuant to N.C. Gen. Stat. § 62-110.8 and Commission Rule R8-71 for Approval of CPRE Compliance Report and CPRE Cost Recovery Rider, along with the direct testimony and exhibits of Bryan L. Sykes, Rates and Regulatory Manager, and Phillip H. Cathcart, Compliance Manager with the Business & Compliance Department.

Petitions to intervene were filed by CIGFUR on March 19, 2020; by NCSEA on March 23, 2020; and by CUCA on May 8, 2020. The Commission granted CIGFUR’s petition to intervene on March 23, 2020, NCSEA’s petition to intervene on March 24, 2020, and CUCA’s petition to intervene on May 12, 2020. The intervention of the Public Staff is recognized pursuant to N.C. Gen. Stat. § 62-15(d) and Commission Rule R1-19(e).

On March 17, 2020, the Commission issued an *Order Scheduling Hearing, Requiring Filing of Testimony, Establishing Discovery Guidelines, and Requiring Public Notice* in which the Commission set this matter for hearing; established deadlines for the submission of intervention petitions, intervenor testimony, and DEC rebuttal testimony; required the provision of appropriate public notice; and mandated compliance with certain discovery guidelines.

On May 15, 2020, DEC filed the supplemental testimony and exhibits of witnesses Sykes and Cathcart. The supplemental testimony of witness Sykes presented revised rates reflecting the impacts related to four updates to numbers presented in his direct exhibits and workpapers, which resulted in lower customer rates for the billing period. The supplemental testimony of witness Cathcart included the DEC Competitive Procurement of Renewable Energy (“CPRE”) Compliance Report for calendar year 2019 as Cathcart Revised Exhibit No. 1 (“CPRE Compliance Report”)

On May 18, 2020, the Public Staff filed the Testimony of Michael C. Maness, Director of the Public Staff Accounting Division, and Jeff Thomas, an engineer in the Public Staff Electric Division.

On May 28, 2020, DEC filed the rebuttal testimony of Bryan L. Sykes.

On May 29, 2020, the Commission issued an *Order Scheduling Remote Hearings for Expert Witness Testimony* due to the COVID-19 pandemic. All parties subsequently filed consent to remote hearings.

On June 2, 2020, DEC filed a motion to excuse all Company and Public Staff witnesses.

On June 4, 2020, the Commission issued an *Order Granting Motion to Excuse Witnesses* to excuse the DEC and Public Staff witnesses from appearing at the expert witness hearing and to allow the introduction into evidence of the prefiled testimony and exhibits of each witness at the evidentiary hearing.

On June 5, 2020 and June 25, 2020, DEC filed affidavits of publication indicating that the public notice had been provided in accordance with the Commission's procedural order.

The case came on for hearing by WebEx as scheduled on June 9, 2020. The application, prefiled direct and supplemental testimonies, workpapers and exhibits of DEC's witnesses, and the testimony of the Public Staff's witnesses, were received into evidence. No other party presented witnesses or exhibits, and no public witnesses appeared at the hearing.

On June 25, 2020, the Commission issued a notice requiring that briefs and proposed orders be filed by July 24, 2020.

On July 24, 2020, DEC and the Public Staff filed a joint proposed order. DEC and the Public Staff also both filed separate or additional findings of fact on the issue of cost allocation among the jurisdictions.

Based upon the Company's verified application, the testimony, workpapers and exhibits received into evidence at the hearing and the record as a whole, the Commission makes the following findings of fact:

FINDINGS OF FACT

1. DEC is a duly limited liability company existing under the laws of the State of North Carolina, is engaged in the business of developing, generating, transmitting,

distributing, and selling electric power to the public in North Carolina, and is subject to the jurisdiction of the North Carolina Utilities Commission as a public utility. DEC is lawfully before this Commission based upon its application filed pursuant to N.C. Gen. Stat. § 62-110.8 and Commission Rule R8-71.

2. The test period for purposes of this proceeding is the 29 months ended December 31, 2019 (“test period”). The billing period for this proceeding is the 12-month period September 1, 2020, and ending August 31, 2021.

3. In its application, direct, and supplemental testimony (including workpapers and exhibits) in this proceeding, DEC requested recovery of \$1,138,297 of test period charges incurred to implement the CPRE Program. There were no purchased or generated power costs during the test period. The test period charges requested by DEC were used to determine its proposed Experience Modification Factor (“EMF”) riders and consisted solely of CPRE implementation costs experienced during the test period. DEC allocated 100% of the implementation charges to the North Carolina retail jurisdiction. Since this was the first CPRE Rider filing made to comply with N.C. Gen. Stat. § 62-110.8 and Commission Rule R8-71, the full amount of test period charges was under-recovered.

4. The Company’s implementation charges for the test period were reasonably and prudently incurred.

5. ***[Note: Finding of Fact No. 5 regarding allocation of CPRE implementation costs to be proposed separately by Public Staff and DEC.]***

6. The North Carolina retail test period sales, adjusted for customer growth and weather, for use in calculating the EMF are 58,622,538 MWh. The adjusted North Carolina retail customer class MWh sales were as follows:

<u>N.C. Retail Customer Class</u>	<u>Adjusted MWh Sales</u>
Residential	22,444,481
General Service/Lighting	23,688,549
<u>Industrial</u>	<u>12,489,508</u>
Total	58,622,538

7. In its application, direct, and supplemental testimony including exhibits in this proceeding, DEC requested a total increase of \$3,114,986, on a North Carolina retail basis, of billing period charges anticipated to be incurred for purchased and generated power and ongoing implementation costs.

8. The North Carolina retail jurisdictional allocation factors related to the capacity and energy components of purchased and generated power costs anticipated to be incurred during the billing period in this proceeding were 67.55% and 66.02%, respectively. The capacity component was based on 2019 peak demand, and the energy component was based on projected billing period sales. The North Carolina retail class allocation factors related to the capacity and energy components of purchased and generated power costs anticipated to be incurred during the billing period in this proceeding were based on peak demand and projected billing period kWh sales for each class, respectively. The North Carolina retail class allocation factors related to implementation charges anticipated to be incurred during the billing period and actually incurred during the test year (for purposes of calculating the EMF) were based on a composite rate calculated as the weighted average of the capacity and energy components of purchased and generated power.

9. The projected billing period sales for use in this proceeding are 58,460,089 MWh on a North Carolina retail basis. The projected billing period North Carolina retail customer class MWh sales are as follows:

<u>N.C. Retail Customer Class</u>	<u>Adjusted MWh Sales</u>
Residential	22,067,951
General Service/Lighting	23,951,115
<u>Industrial</u>	<u>12,441,023</u>
Total	58,460,089

10. ***[Note: Finding of Fact No. 10 related to appropriate EMF increments to be proposed separately by Public Staff and DEC in light of differing recommendation concerning allocation of CPRE implementation costs.]***

11. ***[Note: Finding of Fact No. 11 related to prospective CPRE increments to be proposed separately by Public Staff and DEC in light of differing recommendation concerning allocation of CPRE implementation costs.]***

12. ***[Note: Finding of Fact No. 12 related to total net CPRE Rider (including EMF) to be proposed separately by Public Staff and DEC in light of differing recommendation concerning allocation of CPRE implementation costs.]***

13. The increase in costs the Company proposes to recover with its proposed CPRE Program Rider and EMF Rider are within the limit established in N.C. Gen. Stat. § 62-110.8.

14. DEC is reasonably and prudently implementing the CPRE Program requirements of N.C. Gen. Stat. § 62-110.8.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 1

This finding of fact is essentially informational, procedural, and jurisdictional in nature and is uncontroverted.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 2

The evidence for this finding of fact is contained in the testimony and exhibits of Company witness Sykes and Cathcart.

Witness Sykes testified that N.C. Gen. Stat. § 62-110.8 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 and to recover the authorized revenue of any utility-owned assets that are procured through an annual rider approved by the Commission and reviewed annually. Commission Rule R8-71 prescribes that unless otherwise ordered by the Commission, the test period for each electric public utility shall be the same as its test period for purposes of Rule R8-55. The test period for purposes of Rule R8-55 is the 12 months ending December 31. Witness Sykes testified that for the purposes of this proceeding, DEC's proposed rider includes both an EMF rider component to recover DEC's costs incurred during the test period, as well as a rider component to collect costs forecasted to be incurred during the prospective twelve-month period over which the proposed CPRE Program rider will be in effect.

Witness Cathcart testified, however, that the Commission approved a modification to the Company's test period to be the 29-month period ending December 31, 2019 in its April 16, 2019 *Order Cancelling Annual Public Hearing, Approving Proposed Accounting Treatment, and Approving CPRE Compliance Report* in Docket No. E-7, Sub 1193.

Therefore, the Company's proposed test period is the twenty nine months beginning on August 1, 2017 and ending on December 31, 2019, and the billing period for the CPRE Program rider is the twelve months beginning on September 1, 2020, and ending on August 31, 2021.

The test period and the billing period proposed by DEC were not challenged by any party. Based on the foregoing, the Commission concludes the Company used the appropriate test period and billing period for this first CPRE Rider filing.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 3 - 4

The evidence for these findings of fact is contained in the testimony and exhibits of Company witness Sykes and Cathcart and the testimony and exhibits of Public Staff witnesses Thomas and Maness.

On Revised Exhibit No. 2, Company witness Sykes set forth the per books implementation charges of \$1,138,297 incurred by the Company to establish the CPRE Program and the amount of under-collection for purposes of the EMF. Company witness Cathcart testified regarding the Company's actions to implement the CPRE Program and comply with the CPRE Program requirements of N.C. Gen. Stat. § 62-110.8, as described in the Company's CPRE Compliance Report. The Commission takes judicial notice of the Company's compliance report for calendar year 2018 as filed in Docket No. E-7, Sub 1193. In his calculation of the proposed EMF, witness Sykes allocated 100% of the implementation charges to the North Carolina retail jurisdiction.

The testimony of Public Staff witness Thomas attested to the system-level expenses sought for recovery during the test period. Witness Thomas did not recommend any adjustments to the system-level expenses.

The testimony of Public Staff witness Maness describes procedures taken by the Public Staff to evaluate whether the Company properly determined its per books CPRE costs and revenues during the test period. Witness Maness did not recommend any adjustments to the system level of per books costs.

No parties challenged the prudence of the per books amount of \$1,138,297 which the Company is seeking to recover.

The Commission concludes the \$1,138,297 per books system level costs incurred by the Company during the test period to implement the CPRE program were reasonably and prudently incurred and are appropriate to be recovered by the Company.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 5

[Note: Evidence and Conclusions for Finding of Fact #5 regarding allocation of CPRE implementation costs to be proposed separately by Public Staff and DEC.]

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 6

The evidence supporting this finding of fact is contained in the testimony and exhibits of DEC witness Sykes and Public Staff witness Maness.

In his Revised Exhibit No. 4, DEC witness Sykes provided DEC's normalized North Carolina retail sales for EMF purposes of 22,444,481 MWh for the Residential class; 23,688,549 MWh for the General Service/Lighting class, and 12,489,508 MWh for the Industrial class.

Public Staff witness Maness noted these values in his testimony, and stated that he did not propose any adjustments to the test period sales amounts used in this proceeding.

No other party presented evidence on the appropriateness of test period North Carolina retail sales.

The Commission concludes that the test period North Carolina retail MWh sales proposed by the Company and agreed to by the Public Staff for purposes of calculating the EMF billing factors are appropriate for use in this proceeding.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 7-8

The evidence supporting these findings of fact is contained in the testimony and exhibits of Company witness Sykes and Public Staff witness Thomas.

DEC witness Sykes presented in his Revised Exhibit Nos. 2 and 3 DEC's projected CPRE costs in the billing period, and the allocation of those costs to the North Carolina retail jurisdiction and the North Carolina retail customer classes. The Company used the 2019 peak demand jurisdictional allocation factor of 67.55% for capacity costs and the projected billing period sales jurisdictional allocation factor of 66.02% for energy costs for its allocation of CPRE purchased and generated power costs.

Public Staff witness Thomas stated that the Public Staff investigated DEC's estimation of system-level billing period costs and found them generally reasonable. Witness Thomas further stated that the Company's estimation of total energy production for each CPRE facility is based on two generic output profiles and that the Company used the actual bid prices from each project's Purchase Power Agreement (or, in the case of utility-owned projects, the as-bid price) to estimate total costs.

Witness Thomas further testified that he Public Staff did not take exception to the use of the 2019 peak demand jurisdictional allocation factor of 67.55% for capacity costs and the projected billing period sales jurisdictional allocation factor of 66.02% for energy costs for its jurisdictional allocation of CPRE purchased and generated power costs. The Public Staff also did not oppose the use of peak demand and energy sales, respectively, to

allocate North Carolina retail jurisdictional capacity and energy costs to the customer classes (for both anticipated billing period costs and actual test period costs).

Public Staff witness Thomas also addressed the Company's use of a composite rate for allocating North Carolina retail implementation charges to the North Carolina retail customer classes. The Public Staff did not take exception to the use of a composite rate, but did challenge the Company's proposed allocation of 100% of implementation costs to the North Carolina retail jurisdiction, as discussed in [***Finding of Fact No. 5***].

No other party presented evidence on the appropriateness of the Company's proposed billing period charges anticipated to be incurred, or the allocation of these costs.

The Commission concludes that the Company's system-level charges anticipated to be incurred during the billing period for purchased and generated capacity and energy and ongoing implementation costs is appropriate for use in this proceeding. The Commission further concludes that the use of 67.55% for the capacity component and 66.02% for the energy component to allocate system-level CPRE purchased and generated power costs to the North Carolina retail jurisdiction is appropriate for use in this proceeding, and that the use of peak demand and energy sales, respectively, to allocate North Carolina retail jurisdictional capacity and energy costs to the customer classes is appropriate for use in this proceeding (for both anticipated billing period costs and actual test period costs). Further, the Commission concludes that the use of a composite rate for the allocation of North Carolina retail implementation costs to the North Carolina retail customer classes is appropriate for use in this proceeding [***See the Evidence and Conclusions for Finding of Fact No. 5 for discussion of the allocation of system-level implementation costs to the North Carolina retail jurisdiction***].

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 9

The evidence supporting this finding of fact is contained in the testimony and Revised Exhibit No. 3 of Company witness Sykes and Public Staff witness Thomas.

In his Revised Exhibit No. 3, DEC witness Sykes provided DEC's projected billing period sales of 22,067,951 MWh for the Residential class, 23,951,115 MWh for the General Service/Lighting class, and 12,441,023 MWh for the Industrial class. Witness Sykes further testified that the Rider CPRE rate per customer class for purchased and generated power is determined by dividing the sum of the billing period costs allocated to the class by the forecast billing period MWh sales for the customer class. Similarly, the Rider CPRE rate per customer class for implementation costs is determined by dividing the sum of the billing period costs allocated to the class, using a composite rate determined in the purchased and generated power calculation, above, by the forecast billing period MWh sales for the customer class.

Public Staff witness Thomas testified as to the Company's request to recover capacity and energy costs based upon its projected billing period sales. Public Staff witness Thomas did not propose any adjustments to the projected billing period sales amounts used in this proceeding.

No other party presented evidence on the appropriateness of projected billing period North Carolina retail sales.

The Commission concludes that the Company's projected billing period sales for North Carolina retail customer classes is as follows: 22,067,951 MWh for the Residential class, 23,951,115 MWh for the General Service/Lighting class, and 12,441,023 MWh for the Industrial class.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 10 - 12

[Note: Evidence and Conclusions for Finding of Fact Nos. 10-12 to be proposed separately by Public Staff and DEC in light of differing recommendation regarding allocation of CPRE implementation costs.]

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 13

The evidence supporting this finding of fact is contained in the testimony and exhibits of Company witness Sykes.

DEC witness Sykes testified that N.C. Gen. Stat. § 62-110.8(g) limits the annual increase in costs recoverable by an electric public utility to (1%) of the electric public utility's total North Carolina retail jurisdictional gross revenues for the preceding calendar year. Further, he testified that Rule R8-71 provides that “[t]he annual increase in the aggregate costs recovered under G.S. 62-110.8(g) in any recovery period from its North Carolina retail customers shall not exceed one percent (1%) of the electric public utility’s North Carolina retail jurisdictional gross revenues for the preceding calendar year as determined as of December 31 of the previous calendar year.” Witness Sykes testified that the increase in aggregate costs DEC seeks to recover in this proceeding is less than the statutory maximum.

Public Staff witness Thomas similarly concludes that the costs the Company seeks to recover are less than 1% of DEC’s total North Carolina retail jurisdictional gross revenues for 2019.

The Commission concludes that the costs the Company seeks to recover in this proceeding are not in excess of the cost cap established by N.C. Gen. Stat. § 62-110.8(g).

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 14

The evidence supporting this finding of fact is contained in the direct and supplemental testimony and exhibits of Company witness Cathcart, including the CPRE Compliance Report.

Witness Cathcart and the CPRE Compliance Report detail the actions of the Company to implement the CPRE Program requirements of N.C. Gen. Stat. § 62-110.8. The CPRE Compliance Report details the Company's efforts to implement CPRE in collaboration with the Independent Administrator ("IA"). The IA's Final Report for Tranche 1 ("Final Report") was also included as Appendix A to the CPRE Compliance Report and provides substantial details regarding the Tranche 1 process and outcome. The Company was ultimately able to procure 10 projects totaling 435 MW at prices well below the avoided cost cap, resulting in substantial projected savings to customers relative to avoided costs.

The Final Report also detailed the Company's efforts, along with the IA, to identify areas of improvements for Tranche 2, and the CPRE Compliance Report provided further details regarding the Company's plans for Tranche 2. The CPRE Compliance Report also included all of the information required by Commission Rule R8-71(h), including a description of the CPRE solicitation undertaken by DEC during the reporting year, the avoided cost rates applicable to Tranche 1, confirmation that all renewable energy resources procured through Tranche 1 were priced at or below avoided costs, certification by the IA that all public utility and third-party proposal responses were evaluated under the published CPRE Program methodology and that all proposals were treated equitably in Tranche 1 during the reporting year. The Commission takes judicial notice of the Company's compliance report for calendar year 2018 as filed in Docket No. E-7, Sub 1193.

Public Staff witnesses did not challenge the reasonableness and prudence of the Company's implementation of the CPRE Program requirements of N.C. Gen. Stat. § 62-110.8. No other party presented evidence on this issue.

Therefore, the Commission concludes that the Company is in compliance with and has reasonably and prudently implemented the CPRE Program requirements of N.C. Gen. Stat. § 62-110.8.

IT IS, THEREFORE, ORDERED:

1. That DEC's request to establish a CPRE Rider as described herein, in the amounts approved herein, is approved and that this rider shall remain in effect for a 12-month period beginning on September 1, 2020, and expiring on August 31, 2021;

2. That DEC's request to establish an EMF Rider as described herein, in the amounts approved herein, is approved and that this rider shall remain in effect for a 12-month period beginning on September 1, 2020, and expiring on August 31, 2021;

3. That DEC shall file the appropriate rate schedules and riders with the Commission in order to implement the provisions of this Order as soon as practicable, but not later than ten (10) days after the date of this Order;

4. That DEC shall work with the Public Staff to prepare a notice to customers of the rate changes ordered by the Commission in this docket, as well as in Docket Nos. E-7, Sub 1228 and E-7, Sub 1229, and the Company shall file such notice for Commission approval as soon as practicable, but not later than ten (10) days after the Commission issues orders in all three dockets; and

5. That DEC's 2019 CPRE Compliance Report is hereby approved.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of _____, 2020.

NORTH CAROLINA UTILITIES COMMISSION

Kimberley A. Campbell, Chief Clerk

Duke Energy Carolinas, LLC Supplement to Partial Joint Proposed Order

Docket No. E-7, Sub 1231

The only contested issue in this proceeding is the appropriate allocation of test period implementation costs. Accordingly, Duke Energy Carolinas, LLC (“DEC” or the “Company”) proposes the following supplements to the *Partial Joint Proposed Order of Duke Energy Carolinas, LLC and the Public Staff Approving CPRE Rider and CPRE Program Compliance Report*.

Finding of Fact No. 5:

The Company appropriately allocated all test period implementation costs to the North Carolina retail jurisdiction. The Company utilized a composite rate calculated as the weighted average of billing period charges for capacity and energy to determine the amount of test period implementation charges to be allocated to its North Carolina retail customer classes. The composite rate for each retail customer class is as follows:

<u>N.C. Retail Customer Class</u>	<u>Test Period Composite Rate</u>
Residential	39.08%
General Service/Lighting	40.52%
<u>Industrial</u>	<u>20.40%</u>
Total	100.00%

Finding of Fact No. 10:

The appropriate EMF increments established in this proceeding, excluding the regulatory fee, are as follows: 0.0020 cents/kilowatt-hour (“kWh”) for the Residential class; 0.0019 cents/kWh for the General Service/Lighting class; and 0.0019 cents/kWh for the Industrial class.

Finding of Fact No. 11:

The appropriate prospective CPRE increments for this proceeding for each of DEC's rate classes, excluding the regulatory fee, are as follows: 0.0056 cents/kWh for the Residential class; 0.0054 cents/kWh for the General Service/Lighting class; and 0.0051 cents/kWh for the Industrial class.

Finding of Fact No. 12:

The total net CPRE Rider (including the EMF) for this proceeding for each of DEC's rate classes, excluding the regulatory fee, are as follows: 0.0076 cents/kWh for the Residential class; 0.0073 cents/kWh for the General Service/Lighting class; and 0.0070 cents/kWh for the Industrial class. Including the regulatory fee, the combined CPRE Rider and CPRE EMF Rider factors for each of DEC's rate classes are as follows: 0.0076 cents/kWh for the Residential class; 0.0073 cents/kWh for the General Service/Lighting class; and 0.0070 cents/kWh for the Industrial class.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 5

The evidence supporting this finding of fact is contained in the rebuttal testimony and supplemental Exhibit 4 of Company witness Sykes.

Public Staff witness Thomas states in his testimony that the Company's CPRE implementation costs should be allocated among North Carolina and South Carolina retail and wholesale customers in the same manner as energy and capacity costs. The basis for this argument is that the CPRE Program provides system power to all jurisdictions at or below avoided costs and therefore, there is no "premium," as in North Carolina's Renewable Energy and Energy Portfolio

Standard (“REPS”) Program and South Carolina’s Distributed Energy Resource Program (“SC DERP”) that the Company referred to as justification for assigning 100% of implementation costs to the North Carolina retail jurisdiction. Public Staff witness Thomas then goes on to provide examples of other costs that arise from North Carolina statutory or regulatory actions being allocated to all retail and wholesale jurisdictions for North Carolina retail ratemaking purposes.

The Company disagreed with the Public Staff’s recommendation on the allocation of implementation costs to all retail and wholesale jurisdictions. Company witness Sykes testified that the Company’s proposal to allocate CPRE implementation costs to North Carolina retail customers is consistent with both general cost causation principles and the manner in which program implementation costs have historically been allocated in connection with REPS and SC DERP.

N.C. Gen. Stat. § 62-110.8 established the CPRE Program in North Carolina for the purpose of adding renewable energy to the State’s generation portfolio in a manner that allows public utilities to continue to reliably and cost-effectively serve customers’ future energy needs. The renewable resources procured through the CPRE Program will be supply-side system resources and will be used to supply electricity to the Company’s native load retail and wholesale customers. Because it is the combined demand of the Company’s native load retail and wholesale customers that is causing the Company to incur the energy and capacity costs, it is appropriate for all customers to bear such costs. That is, if the CPRE energy and capacity costs were not being incurred, there would be some alternative energy and capacity costs incurred to serve all native retail and wholesale customer load and such costs would similarly be allocated across all jurisdictions. Public Staff agrees that it is appropriate to allocate all of the capacity and energy cost across retail and wholesale customers and this treatment is consistent with allocation of the

cost of energy and capacity up to avoided cost procured or produced in connection with REPS and SC DERP.

In contrast, the CPRE implementation costs are caused solely by the Company's obligation to comply with N.C. Gen. Stat. § 62-110.8 and Commission Rule R8-71. Stated differently, the implementation costs would not have been incurred "but for" the requirements of N.C. Gen. Stat. § 62-110.8 and Commission Rule R8-71, in contrast with the energy and capacity costs which would have incurred on a system basis even in the absence of the CPRE Program. Commission Rule R8-71 requires the Company to develop and seek Commission approval of guidelines for the implementation of its CPRE Program, utilize an independent third-party administrator to administer the CPRE Program in accordance with N.C. Gen. Stat. § 62-110.8, file annual CPRE Program plans with the Commission covering the procurement remaining under the plan, and file annual CPRE Program Compliance Reports, along with the direct testimony and exhibits of expert witnesses. These tasks require the Company to incur costs, including through the utilization of both internal and external resources. Therefore, the cost causation principle supports the Company's proposed allocation of CPRE implementation costs to North Carolina retail customers.

Regarding the REPS and SC DERP Programs, implementation costs for REPS and SC DERP have always been assigned solely to North Carolina and South Carolina retail, respectively. However, the Company has not fundamentally based this allocation on an assessment of whether the implementation costs were or were not above the avoided cost. Instead, the implementation costs were separated and allocated simply on the basis of cost causation principles.

In connection with NC REPS, N.C. Gen. Stat. § 62-133.8(h)(1) allows "incremental costs" incurred by an electric power supplier in excess of avoided costs to be recovered from its North Carolina retail customers. This approach also follows cost causation principles in that the

renewable attribute that results in a premium above avoided cost is directly associated with achieving the objective of the REPS program, whereas the portion of the cost up to avoided cost is, as discussed above, allocated to all retail and wholesale customers because it is “caused” by the need to meet all such customers’ needs. But the Company’s allocation of implementation costs solely to the applicable jurisdiction has not historically been based on assessment of whether the implementation costs should be considered as part of the portion of the energy and capacity costs above or below avoided costs.

The existence (or not) of an incremental cost premium (*i.e.*, those costs above avoided cost) associated with a particular program should not take precedence over cost causation principles and become the determinative factor for direct assignment of CPRE implementation costs. Giving consideration to the nature of the specific costs, and associated cost causation principles, the incremental costs that are specific to statutory requirements of a particular state are appropriately assigned to the specific state jurisdiction. For this reason, the Company continues to believe that it should be allowed to recover its CPRE Program implementation costs solely from North Carolina retail customers.

The Commission agrees that the assignment of implementation costs to North Carolina retail customers is based on general cost causation principles and the manner in which program implementation costs have been allocated to REPS and SC DERP.

The Commission finds it appropriate for the Company to assign 100% of its implementation costs to North Carolina retail customers based on cost causation principles. Further, the Commission agrees with the composite rates established for each North Carolina retail customer class in this proceeding.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 10 - 12

The evidence supporting these findings of fact is contained in the supplemental testimony and revised Exhibits 3 - 6 of Company witness Sykes.

The testimony of Public Staff witnesses Thomas and Maness address the Company's calculation of its proposed rider rates. The Public Staff did not disagree with the Company's calculation of its proposed rider rates aside from the issue of allocation of CPRE implementation costs solely to the North Carolina retail jurisdiction as discussing in Finding of Fact No. 5.

Therefore, in light of the Commission's conclusion in Finding of Fact No. 5, the Commission concludes that the prospective EMF and CPRE increments proposed by the Company are appropriate. The total net CPRE Rider, including the regulatory fee, for each of DEC's rate classes is as follows: 0.0076 cents/kWh for the Residential class; 0.0073 cents/kWh for the General Service/Lighting class; and 0.0070 cents/kWh for the Industrial class.