

INFORMATION SHEET

PRESIDING: Chairman Finley and Commissioners Brown-Bland, Dockham, Patterson, Gray, Clodfelter and Mitchell

PLACE: Dobbs Building, Room 2115, Raleigh, NC

DATE: February 5, 2019

TIME: 10:00 a.m. – 12:30 p.m.

DOCKET NO.: E-7, Sub 1181, SP-12478, Sub 0 and SP-12479, Sub 0

COMPANY: DEC and Northbrook Energy

DESCRIPTION: Transfer of Certificates of Public Convenience and Necessity and Ownership Interests in Generating Facilities from Duke Energy Carolinas, LLC, to Northbrook Carolina Hydro II, LLC, and Northbrook Tuxedo, LLC

VOLUME:

APPEARANCES

See attached.

WITNESSES

See attached.

EXHIBITS

See attached.

TRANSCRIPT COPIES ORDERED: Email: Ross

CONFIDENTIAL COPIES ORDERED: Email: Somers, Dodge and Drooz

REPORTED BY: Kim Mitchell

TRANSCRIPT PAGES: 134

TRANSCRIBED BY: Kim Mitchell

PREFILED PAGES: 77

DATE FILED: February 26, 2019

TOTAL PAGES: 211

FILED

FEB 26 2019

Clerk's Office
N.C. Utilities Commission

1 PLACE: Dobbs Building, Raleigh, North Carolina

2 DATE: Tuesday, February 5, 2019

3 TIME: 10:00 a.m. - 12:30 p.m.

4 DOCKET NO: E-7, Sub 1181

5 SP-12478, Sub 0

6 SP-12479, Sub 0

7 BEFORE: Chairman Edward S. Finley, Jr., Presiding

8 Commissioner ToNola D. Brown-Bland

9 Commissioner Jerry C. Dockham

10 Commissioner James G. Patterson

11 Commissioner Lyons Gray

12 Commissioner Daniel G. Clodfelter

13 Commissioner Charlotte A. Mitchell

14
15 **IN THE MATTER OF:**

16 Transfer of Certificates of . . .

17 Public Convenience and Necessity

18 and Ownership Interests in Generating Facilities

19 from Duke Energy Carolinas, LLC,

20 to Northbrook Carolina Hydro II, LLC,

21 and Northbrook Tuxedo, LLC

22
23
24
NORTH CAROLINA UTILITIES COMMISSION

1 A P P E A R A N C E S:

2 FOR DUKE ENERGY CAROLINAS, LLC:

3 Lawrence B. Somers, Esq.

4 Deputy General Counsel

5 Duke Energy Corporation

6 410 S. Wilmington Street/NCRH 20

7 Raleigh, North Carolina 27601

8

9 Dwight Allen, Esq.

10 Allen Law Offices, PLLC

11 1514 Glenwood Avenue

12 Raleigh, North Carolina 27608

13

14 FOR NORTHBROOK ENERGY:

15 Katherine E. Ross, Esq.

16 Parker Poe

17 301 Fayetteville Street, Suite 1400

18 Raleigh, North Carolina 27601

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20

21

22

23

24

1 A P P E A R A N C E S Cont'd.:

2 FOR THE USING AND CONSUMING PUBLIC:

3 David T. Drooz, Esq.

4 Tim R. Dodge, Esq.

5 Public Staff - North Carolina Utilities Commission

6 4326 Mail Service Center

7 Raleigh, North Carolina 27699-4300

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NORTH CAROLINA UTILITIES COMMISSION

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IDENTIFIED/ADMITTED

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Duke Energy Carolinas, LLC and The	
Public Staff Partially Confidential	
Late-Filed Exhibit 1.....	--/25
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NORTH CAROLINA UTILITIES COMMISSION
APPEARANCE SLIP

DATE: 2/5/19
DOCKET #: 67 Sub 1181
NAME OF ATTORNEY: Lawrence B. Sorens
TITLE: Deputy General Counsel
FIRM NAME: Duke Energy Carolinas, LLC
ADDRESS: _____
CITY: _____
ZIP: _____

APPEARING FOR: Duke Energy Carolinas, LLC

APPLICANT ☒ COMPLAINANT _____ INTERVENOR R _____
PROTESTANT _____ RESPONDENT _____ DEFENDANT _____

PLEASE NOTE: Electronic Copies of the regular transcript can be obtained from the NCUC website at [HTTP://NCUC.commerce.state.nc.us/docksr ch.html](http://NCUC.commerce.state.nc.us/docksr ch.html) under the respective docket number.

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NORTH CAROLINA UTILITIES COMMISSION

APPEARANCE SLIP

OFFICIAL COPY

Feb 26 2019

DATE 2-5-19
 DOCKET #: _____
 NAME OF ATTORNEY KATHERINE E ROSS
 TITLE _____
 FIRM NAME Parkus Poe
 ADDRESS 301 Fayetteville Street, Suite 1400
 CITY Raleigh
 ZIP 27601

APPEARING FOR: Northbrook Energy

APPLICANT _____ COMPLAINANT _____ INTERVENOR _____
 PROTESTANT _____ RESPONDENT _____ DEFENDANT _____

PLEASE NOTE: Electronic Copies of the regular transcript can be obtained from the NCUC website at [HTTP://NCUC.commerce.state.nc.us/docksr ch.html](http://NCUC.commerce.state.nc.us/docksr ch.html) under the respective docket number.

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NORTH CAROLINA UTILITIES COMMISSION
APPEARANCE SLIP

DATE Feb 5 2019
DOCKET #: E-7, Sub 1181
NAME OF ATTORNEY Dwight Allen
TITLE Attorney
FIRM NAME Allen Law Offices PLLC
ADDRESS 1514 Glenwood Ave
CITY Raleigh, NC
ZIP 27608

APPEARING FOR: _____

Duke Energy
APPLICANT ☒ COMPLAINANT _____ INTERVENOR R _____
PROTESTANT _____ RESPONDENT _____ DEFENDANT _____

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Feb 26 2019

NORTH CAROLINA UTILITIES COMMISSION
PUBLIC STAFF - APPEARANCE SLIP

DATE February 5, 2019

DOCKET #: E-7 Sub 1181, SP-12478 Sub 0, & SP-12479 Sub 0

PUBLIC STAFF MEMBERS Tim R. Dodge & David T. Drooz

ORDER FOR TRANSCRIPT OF TESTIMONY TO BE **E-MAILED** TO THE
PUBLIC STAFF - PLEASE INDICATE YOUR DIVISION AS WELL AS
YOUR E-MAIL ADDRESS BELOW:

ACCOUNTING _____

WATER _____

COMMUNICATIONS _____

ELECTRIC _____

GAS _____

TRANSPORTATION _____

ECONOMICS _____

LEGAL tim.dodge@psncuc.nc.gov & david.drooz@psncuc.nc.gov

CONSUMER SERVICES _____

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*****PLEASE INDICATE BELOW WHO HAS SIGNED A CONFIDENTIALITY AGREEMENT. IF YOU DO NOT SIGN, YOU WILL NOT RECEIVE THE CONFIDENTIAL PORTIONS!!!!**



Signature of Public Staff Member

ASSET PURCHASE AND SALE AGREEMENT

by and among

NORTHBROOK CAROLINA HYDRO II, LLC,

as Project Purchaser,

NORTHBROOK TUXEDO, LLC,

as Tuxedo Purchaser,

and

DUKE ENERGY CAROLINAS, LLC,

as Seller

Dated as of May 15, 2018

I/A

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LEWIS EXHIBIT NO. 1
FILED UNDER SEAL

Dec 21 2018
Feb 26 2019

DOCKET NO. E-2, SUB 1181

Exhibit 2
Capital 2015-YTD Nov 2018

Station	Project Description	2015 Actuals	2016 Actuals	2017 Actuals	2018 Actuals YTD Nov	Comment
Bryson City Hydro	BY LEFT BULKHEAD STABILITY	28,346.13	1,390,720.31	19,616.78		Replaced as a result of FERC Dam Safety requirement.
Bryson City Hydro	BY U1 TURB/GEN REFURB	665,080.87	158,720.37			Upgrades to meet the more stringent FERC license compliance requirements that were issued in 2011
Bryson City Hydro	BRYSON RELICENSING	138,163.26				License compliance commitment
Bryson City Hydro	BRYSON DRAGRAKE SYSTEM	62,865.79				Requirement to ensure personnel safety while removing debris
Bryson City Hydro	Tainter gate replacement	12,544.92				Replaced as a result of FERC Dam Safety requirement.
Bryson City Hydro	Bryson City FERC OIP Firewall Addn			8,150.24		Compliance with cyber security
Bryson City Hydro	Acquire Bryson Property Joining FER	7,115.31				Small property purchase
Bryson City Hydro	TC EAST FORK SIRENS	553.80				Dam safety requirement
Bryson City Hydro	MOU3 TURBINE/GEN REFURB	177.10				Upgrades to meet the more stringent FERC license compliance requirements that were issued in 2011
Bryson City Hydro	BRYSON TAURAGE FISHING ACCESS	(57.71)				Correction from prior years
Bryson City Hydro	Bryson Tag Pro Project	(613.66)				Correction from prior years
Franklin Hydro	Tainter gate replacement	1,314,822.55				Replaced as a result of FERC Dam Safety requirement.
Franklin Hydro	FRANKLIN HEAD GATE REPLACEMENT	169,152.34	190,676.79			Routine replacement of aging equipment and dam safety requirement
Franklin Hydro	FRANKLIN RELICENSING	146,622.24				License compliance commitment
Franklin Hydro	FRANKLIN CANOE PORTAGE	10,714.12				License compliance commitment
Franklin Hydro	LAKE EMORY ACCESS @ FRANKLIN	(109.13)				Correction from prior years
Franklin Hydro	Franklin Tag Pro Project	(757.34)				Correction from prior years
Gaston Shoals Hydro	UNIT 6 Turbine Replacement	3,645,286.94	3,685,106.61	31,761.18		Project completed to support compliance with FERC license minimum flow & lake level requirements
Gaston Shoals Hydro	GS U4 Wear Ring and Bushing	116,466.40	911,454.70			Routine replacement of aging equipment
Gaston Shoals Hydro	GS Big Bay Ramp		452,129.91	11,394.08		License compliance commitment
Gaston Shoals Hydro	Replace Sand Gate Drives			291,262.11	1,987.33	Project for compliance with FERC license minimum flow & lake level requirements
Gaston Shoals Hydro	Gaston Shoals power pole upgrade		235,852.71	28,166.79		Project for compliance with FERC license minimum flow & lake level requirements
Gaston Shoals Hydro	GS Replace Sand Gate Drives	133,042.56	93,722.28			Project for compliance with FERC license minimum flow & lake level requirements
Gaston Shoals Hydro	Gaston Shoals Unit 5 Wear Rings	389,412.34	14,903.52			Routine replacement of aging equipment
Gaston Shoals Hydro	Automate GS Trash Gate			201,968.87		Project completed for compliance with FERC license minimum flow & lake level requirements
Gaston Shoals Hydro	GS PH Crane Replacement	181,731.91	4,912.18			Replacement of aging crane for compliance with safety standards
Gaston Shoals Hydro	Install Automatic Neutral Grounds			135,452.27	12,201.81	For equipment protection and reliability purposes
Gaston Shoals Hydro	GS Left Non Overflow Retaining Wall	84,327.48	8,845.71			Dam safety requirement
Gaston Shoals Hydro	Purchase 34M Steer				70,098.79	Equipment being transferred to 99 Islands Hydro
Gaston Shoals Hydro	GS Eng. of Automating Sandgates		48,144.35			Project for compliance with FERC license minimum flow & lake level requirements
Gaston Shoals Hydro	Install Guardrail Fencing at Dam			31,200.00		Safety & security
Gaston Shoals Hydro	Automation Controls & Monitoring Sys	28,697.88				Project completed to support compliance with FERC license minimum flow & lake level requirements
Gaston Shoals Hydro	GS Perimeter fencing		19,372.75			Safety & security
Gaston Shoals Hydro	GASTON SHOALS Small Cap Tools		133,411.91	3,029.10	(73,299.59)	Equipment/Tools for maintenance
Gaston Shoals Hydro	GS Router	14,144.60	1,668.52	(537.50)		Routine replacement of aging equipment
Gaston Shoals Hydro	GS Communication Equipment	1,845.72	267.87			Routine replacement of aging equipment
Gaston Shoals Hydro	Unit 3 Wicket Gate Replacement	1,571.01				Routine replacement of aging equipment
Gaston Shoals Hydro	GS Replace JEM Meters	1,324.63				Routine replacement of aging equipment
Gaston Shoals Hydro	GS Motor House Bldg Replacement	(11.34)				Correction from prior years
Missions Hydro	MOU3 TURBINE/GEN REFURB	990,833.46	292,138.08			Upgrades to meet the more stringent FERC license compliance requirements that were issued in 2011
Missions Hydro	Relace Intake Gates and Moist					Aging equipment replacement budgeted in 2018. Deferred due to pending sale
Missions Hydro	MISSION SPILL GATE DRIVE REPLACEMENT	314,551.72	13,871.20			Routine replacement of aging equipment and dam safety requirement
Missions Hydro	MISSION RELICENSING	253,769.26				License compliance commitment
Missions Hydro	20091 NP&L Hydro IT				17,628.93	Error correction will be made in Dec business
Missions Hydro	Dam Failure EAP Siren and Camera					Dam safety requirement
Missions Hydro	Sump oil detection and skimming, NW		4,200.08	25,251.08		Support compliance
Missions Hydro	BY U1 TURB/GEN REFURB	8,108.60	5,613.10			Upgrades to meet the more stringent FERC license compliance requirements that were issued in 2011
Missions Hydro	Mission FERC OIP Firewall Addition			11,703.41		Compliance with cyber security
Missions Hydro	MISC. VALVE BLANKET		6,184.95	(6,184.96)		Correction from prior years
Missions Hydro	MISSION CANOE PORTAGE	(163.70)				Correction from prior years
Missions Hydro	Mission Tag Pro Project	(645.62)				Correction from prior years
Tuxedo Hydro	TU Access Stairs at Flume Line	465,599.15				Requirement to ensure personnel safety while performing inspections/maintenance of pipeline that is on a very steep
Tuxedo Hydro	TU U2 Wicket Gate Bushing Replace	893,292.57	(9,227.86)			Routine replacement of aging equipment
Tuxedo Hydro	Wicket Gate & Wear Ring Replacement		15,829.77	19,771.06	338.87	Aging equipment replacement. Deferred due to pending sale
Tuxedo Hydro	TU U1 TIV actuator replacement		247,018.85			Routine replacement of aging equipment and dam safety requirement
Tuxedo Hydro	TU Surge Tank valve Operators	77,924.84	147,077.86			Routine replacement of aging equipment
Tuxedo Hydro	TU U2 Actuator and valve replacement		218,063.14			Routine replacement of aging equipment and dam safety requirement
Tuxedo Hydro	TU Roofing Replacement Surge Tank		160,426.67			Routine replacement of aging equipment
Tuxedo Hydro	TU Replace Gov piping		138,360.06	(61,207.12)		Routine replacement of aging equipment
Tuxedo Hydro	TUO2 Actuator and valve replacement			119,829.65		Routine replacement of aging equipment and dam safety requirement
Tuxedo Hydro	TU Powerhouse Crane Replacement	109,866.56	(5,040.93)			Replacement of aging crane for compliance with safety standards
Tuxedo Hydro	TU Generator Breather Replacement	85,737.10	(893.01)			Routine replacement of aging equipment
Tuxedo Hydro	TU Rip Rap to Dike		68,212.42	1,584.00		Dam safety requirement
Tuxedo Hydro	TU Surge Vent Line	37,093.74	(304.42)			Routine replacement of aging equipment
Tuxedo Hydro	TU Replace data network equipment		29,539.24	(10,069.06)		Routine replacement of aging equipment
Tuxedo Hydro	TUX U1 TIV actuator replacement		18,225.70			Routine replacement of aging equipment and dam safety requirement
Tuxedo Hydro	TUXEDO Small Cap GMA			3,232.65	(2,584.59)	Routine replacement of aging equipment
Tuxedo Hydro	Remove Retired Power Poles				21,299.16	Removal of power poles
Tuxedo Hydro	TU Equip & Tools	5,559.04	10,853.10			Equipment/Tools for maintenance
Tuxedo Hydro	Tuxedo Roofing Replacements - Surge			10,397.17		Routine replacement of aging equipment
Tuxedo Hydro	TU Install drinking water well		5,803.00			Routine replacement of aging equipment
Tuxedo Hydro	TU Communication Equipment	1,854.37	269.10			Routine replacement of aging equipment
Tuxedo Hydro	TU Dam Stability NP	(0.02)			(13,673.06)	Correction from prior years
Tuxedo Hydro	Automation Contrls & Monitoring Sys					Correction from prior years
	Total	9,635,861.89	6,704,815.71	882,597.50	34,197.65	

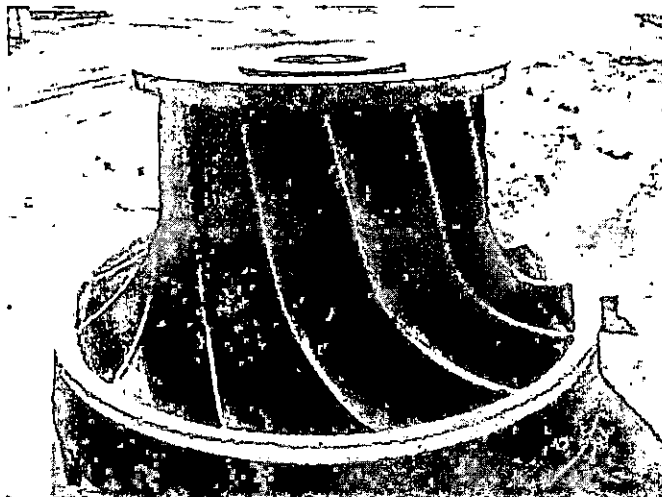
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Feb 26 2019

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GASTON SHOALS HYDRO UNIT 6 - ORIGINAL COMPONENTS AFTER MORE THAN 80 YEARS

Original Turbine from 1927



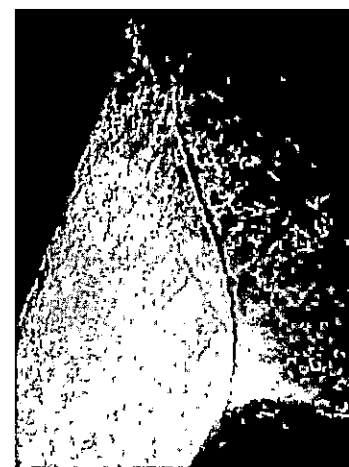
Severe cavitation on turbine band and wear ring areas



Severe cavitation on turbine band and wear ring areas



Separation of turbine bucket to crown attachment



Dec 21 2018
Feb 26 2019

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GASTON SHOALS HYDRO UNIT 6 – ORIGINAL COMPONENTS AFTER MORE THAN 80 YEARS

Original Wicket Gates in poor condition



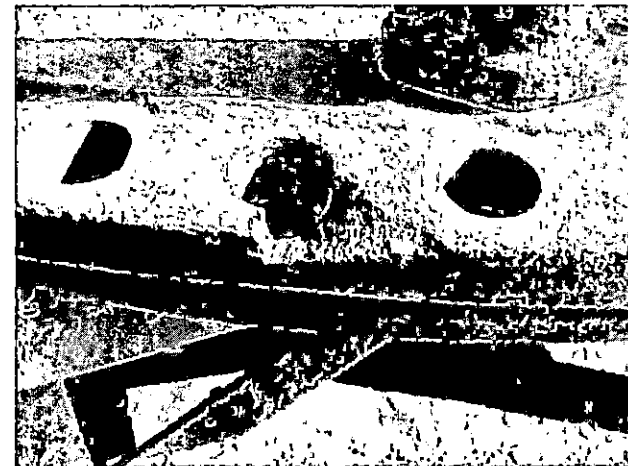
Cavitation damage and holes in wicket gate bodies



Turbine bearing housing fit in poor condition



Headcover damage in cast iron pressure component



Dec 21 2018
Feb 26 2019

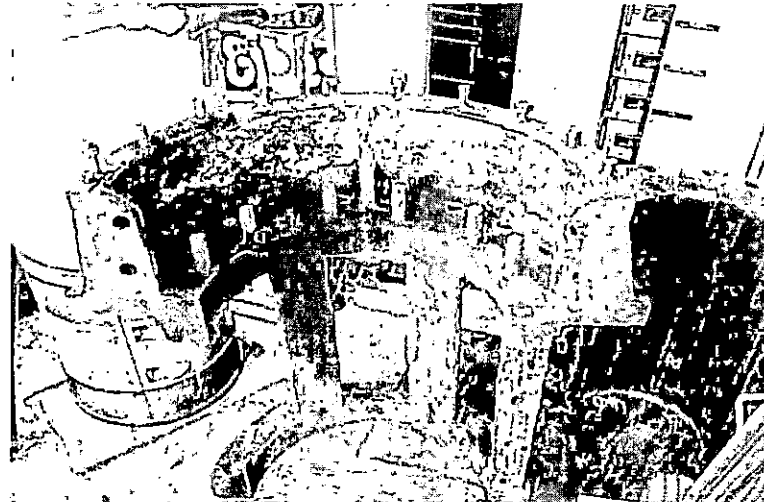
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GASTON SHOALS HYDRO UNIT 6 – ORIGINAL COMPONENTS AFTER MORE THAN 80 YEARS

Original Wicket Gate Bell Housings (20) need replacement



Turbine Bearing Cradle in poor condition



Turbine bearing in need of rehabilitation



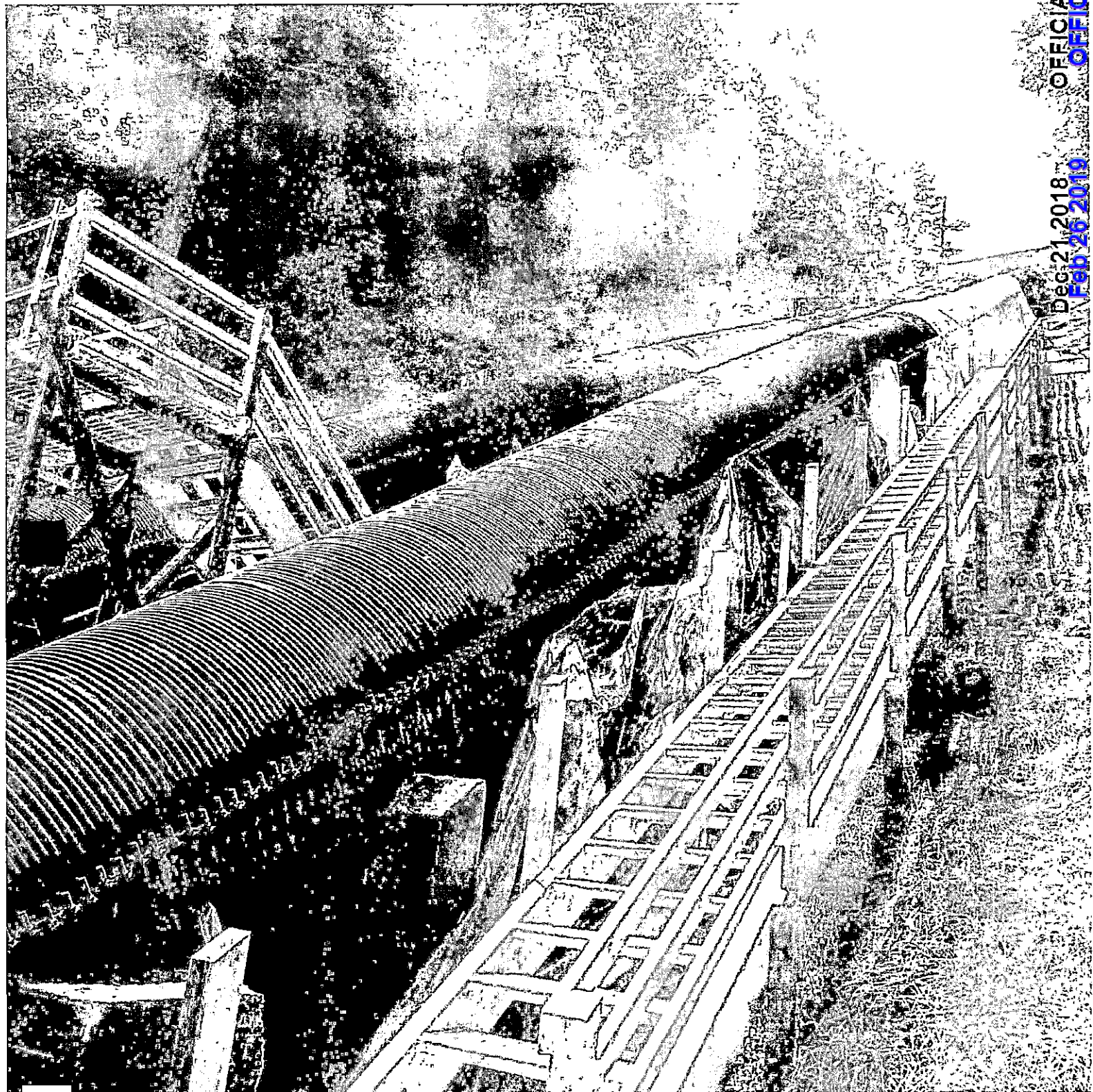
Thrust bearing with damage to chilled face needs replacement



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Jul 05 2018
Feb 26 2019

BEFORE THE
NORTH CAROLINA UTILITIES COMMISSION

Docket No. E-7, Sub 1181
Docket No. SP-12478, Sub 0
Docket No. SP-12479, Sub 0

In the Matter of Transfer of Certificates of)	
Public Convenience and Necessity)	
and Ownership Interests in Generating)	JOINT NOTICE OF TRANSFER,
Facilities from Duke Energy Carolinas, LLC)	REQUEST FOR APPROVAL OF
to Northbrook Carolina Hydro II, LLC and)	CERTIFICATES OF PUBLIC
Northbrook Tuxedo, LLC)	CONVENIENCE AND NECESSITY,
)	REQUEST FOR ACCOUNTING
)	ORDER, AND REQUEST FOR
)	DECLARATORY RULING
)	

NOW COME Duke Energy Carolinas, LLC ("Duke Energy Carolinas" or "DEC"), Northbrook Carolina Hydro II, LLC and Northbrook Tuxedo, LLC (collectively "Northbrook") (together with DEC, collectively, "Applicants"), pursuant to N.C. Gen. Stat. §§62-110(a), 62-111(a), 62-60, and 1-253 and Commission Rule R8-27 and respectfully request approval of the sale of five hydroelectric generation facilities (each a "Facility" and collectively the "Facilities") currently owned and operated by Duke Energy Carolinas to Northbrook, and transfer of the respective Certificates of Public Convenience and Necessity ("CPCN") issued or deemed to have been issued by the North Carolina Utilities Commission. The Facilities have a combined 18.7-megawatt generation capacity and consist of the Bryson Hydroelectric Generation Facility in Swain County, North Carolina, the Franklin Hydroelectric Generation Facility in Macon County, North Carolina, the Mission Hydroelectric Generation Facility in Clay County, North Carolina, the Tuxedo Hydroelectric Generation Facility in Henderson County,

North Carolina, and the Gaston Shoals Hydroelectric Generation Facility in Cherokee County, South Carolina.¹ A map of the locations of the Facilities is shown in Exhibit A.

Duke Energy Carolinas also petitions the Commission for an accounting order for regulatory and financial accounting purposes authorizing DEC to establish a regulatory asset for the estimated loss on the disposition of the Facilities (calculated as the difference between the sale proceeds and net book value of the Facilities, plant material and operating supplies, transaction-related costs and transmission-related work required by the sale).

Finally, and as discussed more fully below, Applicants request a declaratory ruling from the Commission that, once the Facilities have been transferred to Northbrook, each Facility shall qualify as a New Renewable Energy Facilities pursuant to the North Carolina Renewable Energy and Energy Efficiency Portfolio Standard ("REPS"), N.C. Gen. Stat. 62-133.8, and that DEC may use any Renewable Energy Certificates ("RECs") purchased from the Facilities for REPS compliance.

In support of this Joint Notice of Transfer, Request for Approval, Request for Accounting Order, and Request for Declaratory Ruling, Duke Energy Carolinas and Northbrook respectfully represent the following to the Commission:

1. The name and address of Duke Energy Carolinas' representative is:

Lawrence B. Somers
Deputy General Counsel
Duke Energy Corporation
P. O. Box 1551/NCRH 20
Raleigh, North Carolina 27602
(919) 546-6722
bo.somers@duke-energy.com

¹ Applicants will seek appropriate approval from the Public Service Commission of South Carolina ("PSCSC") regarding the Gaston Shoals CPCN.

2. The name and address of Northbrook's representative is:

Katherine Ross
Parker Poe
P.O. Box 389
Raleigh, North Carolina 27602
(919) 835-4671
katherineross@parkerpoe.com

3. Duke Energy Carolinas is a limited liability company duly organized and existing under the laws of North Carolina and is a public utility engaged in the generation, transmission, distribution, and sale of electric energy at retail in the central and western portions of North Carolina and the western portion of South Carolina. Accordingly, its operations in North Carolina are subject to the jurisdiction of the North Carolina Utilities Commission pursuant to the provisions of the Public Utilities Act. DEC also sells electricity at wholesale to municipal, cooperative and investor-owned electric utilities and its wholesale sales are subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC").

4. Northbrook is owned by a partnership between the Alliance Fund II, LP and Northbrook Energy, LLC ("Northbrook Energy"). Northbrook Energy is a privately held independent power producer and was selected through a competitive bidding process. Northbrook Energy has been in the hydroelectric power business for over 30 years, and operates hydroelectric facilities in 12 states, including in North and South Carolina.

Background

5. On May 15, 2018, DEC entered into an agreement with Northbrook whereby DEC will sell and transfer the Facilities for \$4,750,000 to Northbrook (the "Transaction"). The Facilities have a current net book value of \$42 million.

6. The Facilities are some of the oldest in DEC's portfolio, having entered service more than ninety years ago: Gaston Shoals began commercial operation in 1908, Tuxedo began commercial operation in 1920, Mission began commercial operation in 1924, and Bryson and Franklin began commercial operation in 1925. Combined, the Facilities contribute approximately 18.7-megawatt generation capacity, which is less than one percent of DEC's hydroelectric generation. Accordingly, the Transaction will not affect DEC's ability to provide reliable service to its customers at just and reasonable rates.

7. Due to the significant maintenance costs required by the Facilities, and the relatively small output of the Facilities compared to the remainder of DEC's portfolio, divesting of the Facilities by DEC is more economical than continued ownership and will result in net savings for customers over time. In addition, the Transaction will permit DEC to optimize its capital investments by focusing on higher priority generation facilities, and will eliminate the risk for continued significant investment in the Facilities, and thereby enhance DEC's ability to provide continued affordable and reliable service to its customers. Accordingly, the Transaction is in the public convenience and necessity.

8. Further, as part of the Transaction, DEC has agreed to purchase all of the energy and RECs generated by the Facilities for five years following the Transaction through renewable power purchase agreements ("RPPAs") with Northbrook. As such, through the Transaction, the Facilities will continue to serve customers with clean renewable energy, but at a lower cost. In accordance with the Commission's June 23, 1995 *Order Establishing Standard Rates and Contract Terms for Qualifying Facilities* in Docket No. E-100, Sub 74, Applicants also attach for information as Exhibit B, form

RPPAs for the Facilities agreed to by DEC and Northbrook, which will be entered into by the parties at closing of the Transaction.

9. Consummation of the Transaction is contingent upon the necessary regulatory approvals of this Commission, the PSCSC and the FERC, and, pending such approvals, is expected to close in the first quarter of 2019.

Requested Relief

10. Duke Energy Carolinas and Northbrook seek to have the CPCNs which were issued or deemed to have been issued for the Bryson, Franklin, and Mission facilities transferred from DEC, contingent upon the closing of the Transaction, to Northbrook Carolina Hydro II, LLC, and for the Tuxedo facility to Northbrook Tuxedo, LLC.

11. DEC also respectfully requests Commission approval to establish a regulatory asset to defer North Carolina Retail's allocated portion of \$27 million of the total estimated loss on the disposition of the Facilities of \$40 million. The estimated loss on the disposition of the Facilities includes the difference between the sale proceeds of \$4.75 million and net book value of the Facilities of \$42.0 million, \$0.2 million plant material and operating supplies, \$1.0 million of legal and transaction-related costs and \$1.6 million of transmission-related work required by the sale. DEC will propose to amortize the regulatory asset over a period of time at the approved return in the next rate case. At the time the regulatory asset is approved by the Commission, the Facilities will be measured at the lower of carrying amount or fair value less cost to sale and classified

as assets held for sale, depreciation of the asset will cease, and the estimated loss will be recorded in the regulatory asset approved by the Commission.

12. An accounting order granting the relief that DEC seeks will not preclude the Commission or parties from addressing the reasonableness of the costs deferred arising from the Transaction in the next general rate proceedings filed by DEC. Absent the accounting treatment requested, DEC would be forced to write off the North Carolina retail allocation of approximately \$27 million for the loss associated with the sale of the facilities if DEC were to nonetheless proceed with the Transaction. Approval of the requested accounting treatment is a condition to closing the Transaction, so DEC would have no obligation to consummate the sale if the accounting order is not approved.

13. Commission approval of the Transaction will enable DEC to divest of facilities with significant, ongoing maintenance costs while providing relatively small output when compared to the remainder of DEC's generation portfolio. DEC has determined that the divestiture of the Facilities is more economical than continued ownership and maintenance because it will make it easier for DEC to optimize and prioritize its ongoing investments in higher priority generation facilities, thereby resulting in net savings to customers over time. For all the foregoing reasons, the Transaction is in the public convenience and necessity.

14. Finally, Applicants also respectfully request a declaratory ruling from the Commission that, once the Facilities have been transferred to Northbrook, the Facilities shall qualify as New Renewable Energy Facilities pursuant to REPS and that DEC may use any RECs purchased from the Facilities for REPS compliance. In its June 17, 2009 *Order on Public Staff's Motion for Clarification* in Docket No. E-100, Sub 113 at p. 10,

the Commission ruled that “existing (placed into service prior to January 1, 2007) utility-owned hydroelectric generation cannot be used for REPS compliance.” As such, the Facilities under DEC ownership cannot be used for REPS compliance. However, if the Transaction is approved, once the Facilities are under Northbrook ownership, the Facilities should qualify as New Renewable Energy Facilities pursuant to N.C. Gen. Stat. §62-133.8(a)(5). Northbrook has filed contemporaneously herewith registration statements for the Facilities pursuant to Commission Rule R8-66. Northbrook’s registration statements are also attached hereto as Exhibit C. Pursuant to the RPPAs, if the Commission approves and certifies the Facilities as New Renewable Energy Facilities once owned by Northbrook, and finds that DEC is eligible to use RECs generated by the Facilities for REPS compliance, then the RPPAs govern the terms of REC sales and purchases from Northbrook to DEC.² Accordingly, Applicants request a declaratory ruling that after approval and closing of the Transaction, the Facilities shall qualify as New Renewable Energy Facilities pursuant to REPS and that DEC may use any RECs purchased from the Facilities for REPS compliance.

WHEREFORE, Duke Energy Carolinas and Northbrook respectfully request that the North Carolina Utilities Commission:

1. Approve the planned sale and transfer of the CPCNs issued or deemed to be issued and Duke Energy Carolinas’ ownership of the Bryson, Franklin, Mission and Tuxedo hydroelectric facilities to Northbrook;

² Conversely, if the Commission denies Northbrook’s New Renewable Energy Facility registration requests, or determines that DEC cannot use RECs purchased from the Facilities for REPS compliance, then the terms and conditions related to REC sales and purchases are null and void, and the RPPA will continue in effect as a power purchase agreement (“PPA”).

2. Reissue, pursuant to N.C. Gen. Stat. §§62-110(a) and 62-111(a), the Certificates of Public Convenience and Necessity issued or deemed to be issued to Duke Energy Carolinas for the Bryson, Franklin, Mission and Tuxedo hydroelectric facilities to the appropriate Northbrook entity, contingent upon the closing of the sale of the Facilities to Northbrook;

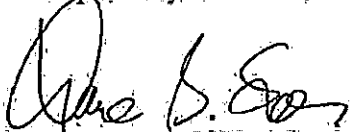
3. Allow Duke Energy Carolinas to establish a regulatory asset for the estimated loss on the sale of the Facilities in the amount of \$27 million on a North Carolina retail basis until Duke Energy Carolinas' next rate case;

4. Issue a declaratory ruling that once the Facilities have been transferred to Northbrook, the Facilities shall qualify as New Renewable Energy Facilities pursuant to REPS and that DEC may use any renewable energy certificates purchased from the Facilities for REPS compliance;

5. Cause an order accepting the registration statement of each Facility to be entered in the appropriate Docket for the respective Facility; and

6. Grant such other relief as the Commission deems just and proper.

Respectfully submitted, this the 5th day of July, 2018.



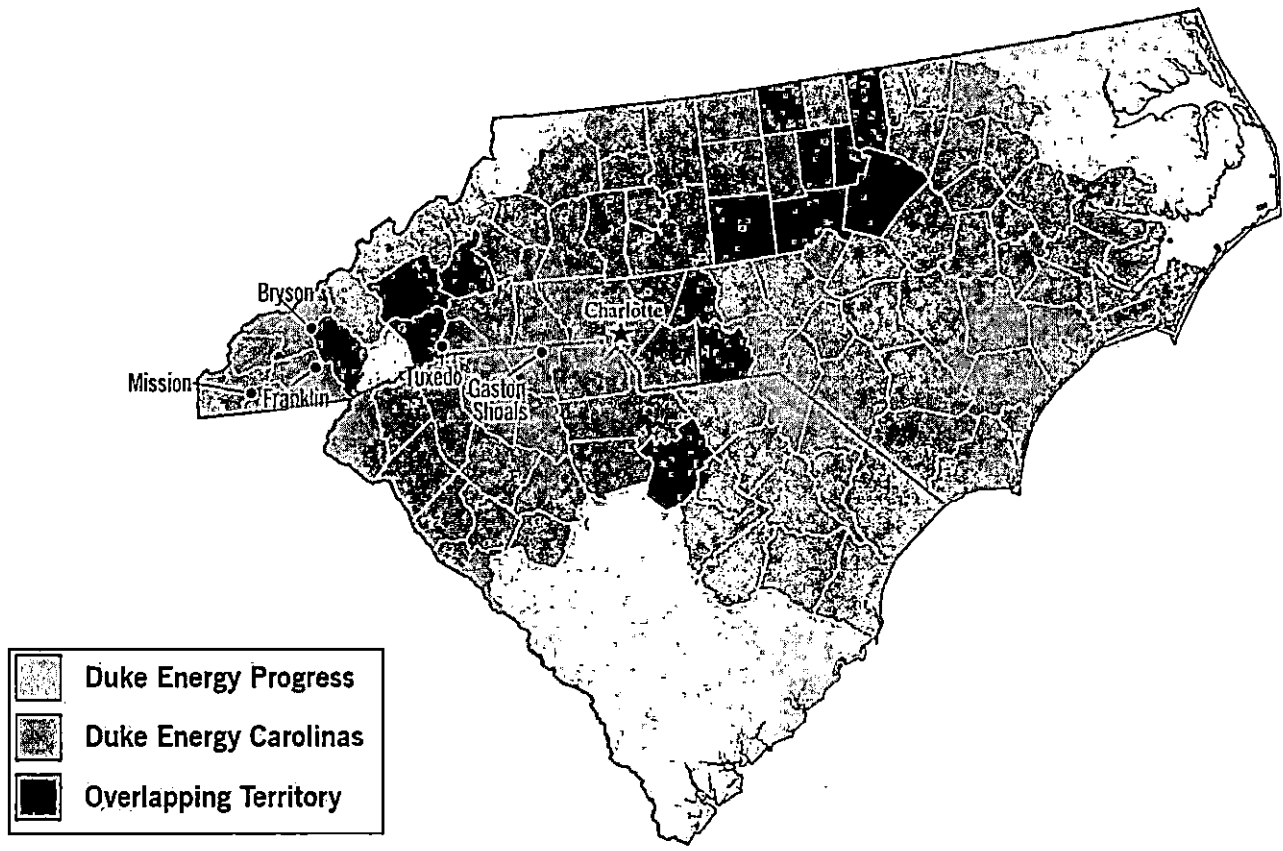
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1A

Exhibit A



*pg. 1 of 255 pgs previously
filed in the docket
system.

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EXHIBIT B-1

FORM OF BRYSON POWER PURCHASE AGREEMENT

[See Attached]

OFFICIAL COPY
OFFICIAL COPY

Jul 05 2018
Feb 26 2019