

DOCKET NO. E-2, SUB 1175

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application of Duke Energy Progress, LLC, for) AFFIDAVIT
Approval of Renewable Energy and Energy Efficiency) OF
Portfolio Standard Cost Recovery Rider Pursuant to) JAY B. LUCAS
G.S. 62-133.8 and Commission Rule R8-67)

STATE OF NORTH CAROLINA

COUNTY OF WAKE

I, Jay B. Lucas, first being duly sworn, do depose and say:

I am an Engineer with the Electric Division of the Public Staff - North Carolina Utilities Commission. A summary of my education and experience is attached to this affidavit as Appendix A.

The purpose of my affidavit is to make recommendations to the Commission on the Renewable Energy and Energy Efficiency Portfolio Standard (REPS) Compliance Report filed by Duke Energy Progress, LLC (DEP or the Company), on June 20, 2018, and on the proposed REPS cost recovery rider filed by the Company on the same day. These recommendations are based on a review of DEP's application, DEP's filed testimony and REPS Compliance Report, DEP's newly signed renewable energy contracts, DEP responses to Public Staff data requests, reports generated from within the North Carolina Renewable Energy Tracking System (NC-RETS), and the affidavit of Public Staff witness Michelle Boswell.

REPS COMPLIANCE REPORT

DEP is legally obligated to acquire renewable energy certificates (RECs) in accordance with N.C. Gen. Stat. § 62-133.8, and has been contractually required to provide REPS compliance services, including reporting services, for the following wholesale customers: the Town of Black Creek, the Town of Lucama, the Town of Sharpsburg, the Town of Stantonsburg, and the Town of Winterville (collectively, the Wholesale Customers). The filings by DEP in this docket include the REPS requirements of these Wholesale Customers. DEP will no longer provide any REPS compliance services to the Wholesale Customers as of January 1, 2018.

For 2017 compliance, DEP obtained a sufficient number of general RECs,¹ energy efficiency certificates (EECs), and RECs derived from other eligible sources so that the total equaled 6% of the 2016 North Carolina retail electricity sales of itself and the Wholesale Customers. As part of the 6%, DEP needed to pursue retirement of sufficient solar RECs to match 0.14% of retail sales in 2016 (solar set-aside), and sufficient poultry waste RECs to match their pro-rata share of the 170,000 poultry waste RECs required by N.C. Gen. Stat. § 62-133.8(f), for itself and the Wholesale Customers. This total number of poultry waste RECs was determined by the Commission in its October 16, 2017, *Order Modifying the Swine and Poultry Waste Set-Aside Requirements and Providing Other Relief* in Docket No. E-100, Sub 113 (October 16 Order). The October 16

¹ General RECs include all RECs other than those used to meet the solar, swine waste, and poultry waste set-asides. General RECs and EECs are interchangeable for REPS compliance purposes, with the exception that EECs are limited to 25 percent of the total compliance requirement for 2017.

Order also delayed the swine waste REC requirement under N.C. Gen. Stat. § 62-133.8(e) for one additional year.

Based on its review, the Public Staff has determined that DEP's REPS Compliance Report meets the requirements of N.C. Gen. Stat. § 62-133.8 and Commission Rule R8-67(c) for both DEP and the Wholesale Customers. Accordingly, the Public Staff recommends that the Commission approve DEP's 2017 REPS Compliance Report.

EFFECT OF EECS ON REPS COMPLIANCE

In the DEP REPS cost recovery case for 2017 (Docket No. E-2, Sub 1144), the Public Staff filed the affidavit of witness Jay B. Lucas on September 5, 2017. This affidavit, in part, presented a revised method of allocating credit for EECS between DEP's three customer classes and separating the value of general RECs from other REPS costs such as set-asides, research and development, and administrative costs. Ordering Paragraph No. 8 of the Commission's November 17, 2017, *Order Approving REPS and REPS EMF Rider and Approving REPS Compliance Report*, required the following:

8. That DEP and the Public Staff shall together evaluate the inputs and methods used for the allocation of EE RECs by class, as well as the allocation of the of set-aside and general requirement cost categories to customer class, and identify any further revisions required. DEP and the Public Staff shall file the results of this analysis no later than April 1, 2018, for use in the 2018 DEP REPS rider.

The Public Staff requested an extension until April 16, 2018, to file the analysis results, which the Commission granted on April 10, 2018. On April 12, 2018, DEP and the Public Staff filed the joint report as required, recommending that the Commission: (1) accept the methodology agreed to by DEP and the Public Staff to allocate the set-aside and general requirement cost categories to each customer class and (2) accept DEP's method of using actual relative contributions of EE RECs supplied by each customer class, both of which are used to allocate EEC credit for REPS compliance purposes.

The Public Staff has reviewed the methodology used by DEP in this proceeding and agrees that it appears to allocate credit for EECs between DEP's three customer classes consistent with the methodology agreed to by the Public Staff and DEP in the April 12, 2018, joint report.

PROPOSED REPS RIDER CHARGES

The proposed REPS rider is based on the projected costs and projected number of accounts subject to a REPS charge in the billing period (December 1, 2018 through November 30, 2019). The Experience Modification Factor (EMF) is based on the incremental costs in the EMF period (April 1, 2017 through March 31, 2018) and the average number of accounts subject to a REPS charge in the billing period. The EMF is discussed more fully in the affidavit of Public Staff witness Michelle Boswell. To collect the utility regulatory fee established by N.C. Gen. Stat. § 62-302, the total REPS charge (including the prospective charge and the EMF) must be multiplied by the regulatory fee factor of 1.001402.

In its filing on June 20, 2018, DEP requested the following monthly charges for the REPS and EMF billing components of its REPS rider for the billing period:

Customer Class	REPS Rider	EMF	Total	Total Including Regulatory Fee
Residential	\$ 1.30	\$ 0.12	\$ 1.42	\$ 1.42
General Service	\$ 8.61	(\$ 0.66)	\$ 7.95	\$ 7.96
Industrial	\$ 64.96	\$ 8.11	\$ 73.07	\$ 73.17

The Public Staff has reviewed the costs that produce the above proposed rates and takes no issue with them. Accordingly, the Public Staff recommends approval of DEP's proposed REPS rider for residential, general service, and industrial customers as filed on that date.

For comparison, the table below provides the existing monthly EMF and REPS billing components approved in Docket No. E-2, Sub 1144, on November 17, 2017.

Customer Class	REPS Rider	EMF	Total	Total Including Regulatory Fee
Residential	\$ 1.08	(\$ 0.53)	\$ 0.55	\$ 0.55
General Service	\$ 8.04	(\$ 1.63)	\$ 6.41	\$ 6.42
Industrial	\$ 56.73	\$ 1.90	\$ 58.63	\$ 58.71

This completes my affidavit.


Jay B. Lucas

Sworn to and subscribed before me
this the 29th day of August, 2018.


Notary Public

JOANNE M. BERUBE
Printed Name

Joanne M. Berube
NOTARY PUBLIC
WAKE COUNTY, N.C.
My Commission Expires 12-17-2022.

My Commission Expires: 12/17/2022

Appendix A

Jay B. Lucas

I graduated from the Virginia Military Institute in 1985, earning a Bachelor of Science Degree in Civil Engineering. Afterwards, I served for four years as an officer in the U. S. Air Force performing many civil and environmental engineering tasks. I left the Air Force in 1989 and attended the Virginia Polytechnic Institute and State University (Virginia Tech), earning a Master of Science degree in Environmental Engineering. After completing my graduate degree, I worked for an engineering consulting firm and worked for the North Carolina Department of Environmental Quality in its water quality programs. Since joining the Public Staff in January 2000, I have worked on utility cost recovery, renewable energy program management, customer complaints, and other aspects of utility regulation. I am a licensed Professional Engineer in North Carolina.