NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION

May 18, 2020

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

Re: Docket No. E-7, Sub 1231 – 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. Campbell:

In connection with the above-referenced docket, I transmit herewith for filing on behalf of the Public Staff the testimony of Jeff Thomas, Utilities Engineer, Electric Division; and the testimony of Michael C. Maness, Director, Accounting Division.

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

Sincerely,

/s/ Layla Cummings
Staff Attorney
layla.cummings@psncuc.nc.gov

LC/cla

Attachments

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-7, SUB 1231

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

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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

MAY 18, 2020

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

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

Q. BRIEFLY STATE YOUR QUALIFICATIONS AND DUTIES.

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

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to make recommendations to the Commission regarding the Public Staff's investigation into the application for recovery of costs associated with the implementation of the Competitive Procurement of Renewable Energy (CPRE) Program, enacted through N.C. Gen. Stat. § 62-110.8, that was filed by Duke Energy Carolinas, LLC (DEC) on February 25, 2020.

The Public Staff Electric Division's specific responsibilities in this and future CPRE rider proceedings are to (a) review the Company's application and proposed rates for compliance with N.C. Gen. Stat. 62-110.8 and Commission Rule R8-71; (b) review the CPRE Compliance Report and address any deficiencies pursuant to Commission Rule R8-71(h) and Commission Orders, and (c) make recommendations regarding changes to the Company's calculations of the proposed rates.

Q. HOW IS YOUR TESTIMONY ORGANIZED?

A. My testimony summarizes the CPRE Program Rider request and the CPRE Compliance Report, presents the results of our investigation, and makes recommendations for the Commission's consideration.

Q. ARE YOU PROVIDING ANY EXHIBITS WITH YOUR TESTIMONY?

A. Yes. I am including one exhibit, described below:

Exhibit 1. DEC response to PS DR 2-5.

A. <u>Overview of CPRE Rider Request</u>

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

A. As described in the direct and supplemental testimony of DEC witness Sykes, DEC seeks to recover $1,138,297 in implementation costs incurred during the initial test period from August 1, 2017 through December 31, 2019 (Extended Initial Test Period). These costs reflect internal company labor and associated costs, outside consulting and legal services, and $310,807 in Independent Administrator (IA) fees and $11,506 in T&D Sub-Team labor costs not recovered from Market Participants (MP) in Tranche 1. In addition, DEC forecasts ongoing implementation costs of $384,533 from September 1, 2020 through August 31, 2021 (Billing Period), associated with internal labor and external consulting.

Q. HOW DOES DEC ALLOCATE THESE IMPLEMENTATION COSTS?

A. In its application, DEC requests to allocate 100% of the implementation costs to North Carolina retail customers. These jurisdictional costs are then allocated to customer classes based on an allocation factor that is a weighted average of the energy and capacity allocation factors (“Composite Factor”), as described by witness Sykes on page 6 of his direct testimony.

Q. WHAT COSTS DOES DEC SEEK TO RECOVER ASSOCIATED WITH PURCHASES OF ENERGY AND CAPACITY FROM WINNING PROJECTS?

A. Within the Extended Initial Test Period, there were no incurred costs associated with purchases of energy and capacity from winning projects, as the earliest date by which any CPRE Tranche 1 winning project is expected to come online is in early 2021. Within the Billing Period, DEC estimates that it will incur a total of approximately $4.1 million (system costs) in purchased and generated power,[1] consisting of $700,331 in capacity costs and $3.4 million in energy costs. The North Carolina retail portion of these total costs is approximately $2.7 million.[2]

Q. HOW DOES DEC ALLOCATE THESE PURCHASED AND GENERATED POWER COSTS?

A. DEC requests to recover from North Carolina retail customers its capacity costs based upon its 2019 Peak Demand jurisdictional allocation factor (67.55%), and its energy costs based upon its Projected Billing Period Sales jurisdictional allocation factor (66.02%). These costs are then allocated to North Carolina customer classes in a similar manner as purchased power costs are allocated in its annual fuel adjustment clause rider filing.

Q. TURNING NOW TO DEC'S CPRE COMPLIANCE REPORT, CAN YOU PLEASE PROVIDE AN OVERVIEW?

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[1] Purchased power refers to third-party and unregulated Duke affiliates who have entered into PPAs with DEC. Generated power refers to DEC-owned facilities that are seeking market-based cost recovery through this rider at the as-bid price.

[2] These numbers reflect the revised exhibits filed on May 15, 2020. The original application estimated $12.2 million in system costs during the Billing Period, $8 million of which was assigned to North Carolina retail customers.

A. Yes. DEC filed its 2019 CPRE Compliance Report pursuant to Commission Rule R8-71(h). This report included information required by the Rule for calendar year 2019. Tranche 1 closed on October 9, 2018, and Tranche 2 opened on October 15, 2019 and closed on March 9, 2020. Thus, 2019 actions included evaluation, selection, and contract execution for Tranche 1 projects, as well as significant CPRE Program regulatory activity in advance of Tranche 2. The report states that 515 MW of capacity was originally selected in Tranche 1, with the final amount of procured capacity reduced to 434.5 MW after two projects withdrew. The Compliance Report also provides average pricing for each of the selected proposals, avoided cost thresholds, costs and authorized revenue, grid upgrade costs on a per-project basis, and a certification from the IA stating that "[a]ll proposals were evaluated using the same criteria and evaluation modeling, consistent with the CPRE Program Methodology."

B. <u>CPRE Rider and Compliance Report Investigation</u>

Q. REGARDING THE COSTS INCURRED DURING THE EXTENDED INITIAL TEST PERIOD, DID THE PUBLIC STAFF'S INVESTIGATION IDENTIFY ANY ISSUES?

A. Yes. As this is the first CPRE rider application for cost recovery, the Public Staff identified several issues for the Commission's consideration: (1) DEC has allocated CPRE implementation costs (including excess IA fees) entirely to North Carolina retail jurisdiction customers, both in the Extended Initial Test Period and the Billing Period; (2) some program implementation costs incurred during the Extended Initial Test Period will be spread over all three Tranches; and (3) the IA costs and T&D Sub-Team labor and labor-related costs incurred during the Extended Initial Test Period were greater than the fees recovered from the MPs, and DEC is requesting to recover this excess from North Carolina retail customers.

Q. PLEASE ADDRESS THE ALLOCATION OF IMPLEMENTATION COSTS TO NORTH CAROLINA RETAIL CUSTOMERS.

A. DEC has requested to allocate all implementation expenses – which include internal labor, external consulting, IA costs and T&D Sub-Team labor and labor-related costs in excess of fees collected from MPs – incurred during the Extended Initial Test Period and projected to be incurred in the Billing Period to its North Carolina retail jurisdiction, rather than allocate them between the North Carolina retail, South Carolina retail, and wholesale jurisdictions. DEC's stated rationale for this decision is that "the CPRE Program was mandated by the General Assembly of North Carolina, and as such, the Company believes it reasonable that its implementation costs should be directly assigned to its NC Retail customers."[3] The

[3] DEC response to PS DR 2-14.

Company then goes on to cite examples of a similar direct assignment of implementation costs, referring to how implementation costs were assigned for the North Carolina Renewable Energy and Energy Efficiency Portfolio Standards (REPS) Program[4] and the South Carolina Distributed Energy Resource Program (SC DERP).[5]

Q. DOES THE PUBLIC STAFF AGREE WITH THIS DIRECT ASSIGNMENT?

A. No. I believe that the implementation costs should be allocated between North Carolina and South Carolina retail and wholesale customers in the same manner as energy and capacity costs, for several reasons discussed below.

Q. DEC COMPARES THE CPRE PROGRAM TO ITS OTHER CAROLINAS RENEWABLE ENERGY PROGRAMS. IS THIS COMPARISON ACCURATE?

A I do not believe so. There are several significant differences between the CPRE Program and the REPS and SC DERP Programs. The CPRE Program provides system power to all jurisdictions at or below avoided costs; so there is no premium, as in the REPS and SC DERP Programs. For REPS, N.C. Gen. Stat. § 62-133.8(h) authorizes a

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[4] N.C. Gen. Stat. § 62-133.8, commonly referred to as SB 3.

[5] South Carolina Distributed Energy Resources Program Act of 2014 (Act 236), available at https://www.scstatehouse.gov/code/t58c039.php.

utility to recover the "incremental costs" of compliance, including all reasonable and prudent costs incurred that are in excess of the utility's avoided costs, from its retail customers through an annual rider, subject to certain caps on annual expenditures by customer class. Similarly, SC DERP authorizes a utility to recover the incremental costs resulting from implementation of the SC DERP program from its South Carolina retail customers as a component of its annual fuel cost factor, subject to similar caps by customer class.[6] In addition, unlike REPS and SC DERP, which both have policies and elements supporting the development of resources in their respective states,[7] CPRE specifically calls for the renewable energy to be competitively procured from "within their respective balancing authority areas, whether located inside or outside the geographic boundaries of the State," while taking into consideration the several factors that are designed to ensure the most cost-effective options across each utility's service territory are selected.[8] To date, the

[6] S.C. Code Ann. §§ 58-39-140 and 58-39-150.

[7] For REPS, see, e.g., N.C. Gen. Stat. § 62-2(a)(10), N.C.G.S. § 62-1338.8(b)(2)d. and e. For SC DERP, see, e.g., S.C. Code Ann.§ 58-39-130(B), (C), and (D).

[8] N.C.G.S. § 62-110.8(c) provides that: the electric public utilities shall take the following factors in consideration in determining the location and allocated amount of the competitive procurement across their respective balancing authority areas:

(i) the State's desire to foster diversification of siting of renewable energy resources throughout the State;

(ii) the efficiency and reliability impacts of siting of additional renewable energy facilities in each public utility's service territory; and

CPRE program has selected the most cost-effective facilities in both states.[9]

Q. THE CPRE PROGRAM IS PROCURING POWER AT OR BELOW AVOIDED COSTS. DO SOUTH CAROLINA AND WHOLESALE CUSTOMERS BENEFIT?

A. Yes. Over the next 20 years, Tranche 1 projects are estimated to save all DEC customers over $200 million relative to DEC's avoided costs.[10] In contrast, both North Carolina's REPS Program and SC DERP procures renewable energy at prices <u>above</u> avoided cost, imposing a premium on DEC customers. While the CPRE Program was enacted by North Carolina, it provides benefits to South Carolina and wholesale customers from direct renewable energy investments, low-cost power, and the experience gained by DEC in establishing a robust competitive procurement program,[11] all of which have the

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(iii) the potential for increased delivered cost to a public utility's customers as a result of siting additional renewable energy facilities in a public utility's service territory, including additional costs of ancillary services that may be imposed due to the operational or locational characteristics of a specific renewable energy resource technology, such as nondispatchability, unreliability of availability, and creation or exacerbation of system congestion that may increase redispatch costs.

[9] In DEC's Tranche 1, 11% of the total capacity of 434.5 MW is located in South Carolina.

[10] *See* Final IA Tranche 1 Report, filed July 23, 2019, in Docket Nos. E-2, Sub 1159 and E-7, Sub 1156, Figure 1.

[11] For example, N.C. Gen. Stat. § 62-110.8(a) grants the Commission the authority to establish additional competitive procurement programs beyond the CPRE:

potential to reduce power costs in the future. It is inequitable for South Carolina and wholesale customers to benefit as described without being assigned their jurisdictional share of the implementation costs necessary to secure these benefits.

Q. ARE THERE 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?

A. Yes. The Clean Smokestacks Act (CSA),[12] a North Carolina law that imposed costs on DEC to reduce certain emissions from its coal generating plants, is one example. 100% of the incremental costs of implementing the CSA that were incurred through December 31, 2007, were treated for N.C. retail cost of service purposes as having been recovered from the North Carolina retail ratepayers. However, as a result of DEC's general rate case proceeding held in Docket No. E-7, Sub 828, incremental CSA compliance costs incurred on and after January 1, 2008, were allocated to the North Carolina retail,

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In addition, at the termination of the initial competitive procurement period of 45 months, the offering of a new renewable energy resources competitive procurement and the amount to be procured shall be determined by the Commission, based on a showing of need evidenced by the electric public utility's most recent biennial integrated resource plan or annual update approved by the Commission pursuant to G.S. 62-110.1(c).

[12] Session Law 2002-4, SB 1078; later amended by Session Law 2009-390, SB 1004.

South Carolina retail, and wholesale jurisdictions. In that case, the Commission found that the *Agreement and Partial Settlement*,[13] which allocated some costs to comply with the CSA among all DEC jurisdictions and customer classes, was "just and reasonable."[14] In testimony supporting the allocation of these compliance costs among all jurisdictions and customer classes, the Public Staff stated that "[this] method of cost recovery will recognize the co-benefits that will be shared by all jurisdictions regarding compliance with emissions limitations under the CSA and compliance with federal emissions limitations, as described by Public Staff witness Floyd."[15]

A second example is the allocation of costs incurred by DEC and Duke Energy Progress, LLC, (DEP) to comply with North Carolina's Coal Ash Management Act (CAMA) and related North Carolina statutes. In DEP's most recently completed general rate case, the Commission found the following:[16]

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[13] Filed October 5, 2007, in Docket Nos. E-7, Sub 828, E-7, Sub 829, and E-100, Sub 112. The stipulating parties included DEC, the Public Staff, the North Carolina Attorney General's Office, Carolina Utility Customers Association, Inc., Carolina Industrial Group for Fair Utility Rates III, and Wal-Mart Stores East, LP.

[14] *See* the Commission's December 20, 2007 *Order Approving Stipulation And Deciding Non-Settled Issues* in Docket Nos. E-7, Sub 828, E-7, Sub 829, E-100, Sub 112, and E-7, Sub 795, at 14.

[15] *See* Testimony of Darlene P. Peedin, filed October 5, 2007, in Docket Nos. E-7, Sub 828, E-7, Sub 829, and E-100, Sub 112, at 7, lines 4-9.

[16] *Order Accepting Stipulation, Deciding Contested Issues, and Granting Partial Rate Increase*, Docket No. E-2, Sub 1142, at 218-19 (February 23, 2018). The Commission made a consistent finding in the most recently completed DEC general rate case *Order Accepting Stipulation, Deciding Contested Issues, and Requiring Revenue Reduction*, at 325-26 (June 22, 2018).

> [Public Staff] [w]itness Maness recommended two adjustments to the jurisdictional allocation factors used by the Company to allocate system-level CCR costs to the North Carolina retail jurisdiction. The first such adjustment was to allocate the costs DEP identified as "CAMA-only" costs by a comprehensive allocation factor, rather than DEP's proposed factor, which did not allocate costs to the South Carolina retail jurisdiction. Company witness Bateman stated in her testimony that there is a small portion of CCR management costs that under CAMA that are unique to North Carolina and appropriate for direct assignment to North Carolina. Company witness Kerin stated that these costs include groundwater wells used specifically for CAMA purposes and permanent water supplies provided to North Carolina customers pursuant to North Carolina law. Consequently, the Company utilized North Carolina retail allocation factors for its CAMA-only costs that did not allocate any of the system level costs to South Carolina retail operations. However, witness Maness stated that even though some of the costs incurred by DEP are being incurred pursuant to North Carolina law, it is still fair and reasonable to allocate those costs to the entire DEP system because the coal plants associated with the costs are being or were operated to serve the entire DEP system. (Tr. Vol. 18, pp. 305-06.)
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> In rebuttal, Company witness Bateman testified that in general she agreed with witness Maness that the costs of a system should be borne by all of the users of the system. However, she stated that the Company had identified very specific cost categories, groundwater wells used specifically for CAMA purposes and permanent water supplies provided to North Carolina customers pursuant to North Carolina law, and that they should be treated as an exception to this general rule, due to their nature as being unique to North Carolina. She stated that this unique treatment would be consistent with other examples where the Commission had allowed direct assignment to North Carolina, including the incremental costs associated with the North Carolina Renewable Energy and Energy Efficiency Standard (REPS) and the costs to comply with the North Carolina Clean Smokestacks Act. (Tr. Vol. 6, pp. 142-43.)

> After consideration of this issue, the Commission finds and concludes that the adjustment recommended by Public Staff witness Maness to allocate all system-level CCR costs by a comprehensive allocation factor produces a more reasonable and appropriate outcome than the proposal by the Company to allocate a portion of these costs in a manner that does not allocate them to the South Carolina retail jurisdiction. Although the costs in question were required pursuant to North Carolina law, the costs are inherently related to the burning of coal to provide electricity to the entire DEP system, including the South Carolina retail jurisdiction. The fact that these particular costs are associated with plants that are geographically located in North Carolina is no more relevant with regard to the proper allocation of these costs than it is to the proper allocation of other costs, such as fuel expense and other variable O&M expenses, which are allocated to the entire DEP system.
>
> Further, the Commission concludes that these CAMA compliance costs are distinguishable from the examples of REPS and Clean Smokestacks costs cited by the Company. With regard to REPS costs, it is important to note that those costs are by their very nature in excess of the normal level of costs that would otherwise need to be incurred to provide an equivalent amount of energy to the Company's customers. Thus, it is appropriate that the Commission allocates the REPS costs to North Carolina customers. With regard to Clean Smokestacks costs, the Commission notes that those costs were closely related to a rate freeze that was instituted by the General Assembly for North Carolina retail purposes. However, the legislature could not require a similar freeze to be established with regard to South Carolina retail customers.

Another example is the Certificate of Public Convenience and Necessity (CPCN) granted for utility-owned solar facilities built to satisfy the requirements of North Carolina's REPS law. In its May 16, 2016 *Order Transferring Certificate Of Public Convenience And*

Necessity for DEC's Monroe Solar Facility,[17] the Commission conditioned its granting of the CPCN for the facility in part on ensuring that <u>only</u> the incremental portion of the facility costs attributable to REPS compliance were solely recovered from North Carolina customers through the REPS rider, whereas the remainder of the costs that were recovered in base rates should be allocated among jurisdictions and customer classes in the same manner as any other plant in DEC's generation portfolio. Similar conditions were included in the CPCN orders for DEC's Mocksville and Woodleaf facilities, as well.[18]

Q. HOW DOES DEC PROPOSE TO ALLOCATE CPRE IMPLEMENTATION COSTS AMONG NORTH CAROLINA RETAIL CUSTOMERS?

A. DEC witness Sykes states that DEC "has directly assigned the reasonable and prudent implementation costs incurred and anticipated to be incurred to implement its CPRE Program and to comply with N.C. Gen. Stat. § 62-110.8 and Rule R8-71(j)(2) to its

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[17] Docket No. E-7, Sub 1079.

[18] See May 16, 2016 *Order Transferring Certificate Of Public Convenience And Necessity* in Docket No. E-7, Sub 1098 for Mocksville facility, and June 16, 2016 *Order Granting Certificate Of Public Convenience And Necessity* in Docket No. E-7, Sub 1101 for Woodleaf facility.

NC Retail customers using a composite rate determined in the purchased and generated power calculation described above."

Q. DOES THE PUBLIC STAFF AGREE WITH THIS ALLOCATION METHODOLOGY?

A. Notwithstanding our concerns regarding the direct assignment of these costs, the Public Staff believes the Composite Factor used to allocate Billing Period implementation costs among North Carolina retail customer classes is reasonable.[19] In its initial application, DEC used its 2018 Production Plant Allocation Factors when allocating the implementation costs incurred during the Extended Initial Test Period.[20] This was corrected in DEC's Supplemental testimony and exhibits filed on May 15, 2020.

Q. PLEASE ADDRESS IMPLEMENTATION COSTS THAT DEC PROPOSES TO SPREAD OVER FUTURE CPRE TRANCHES.

A. DEC stated that approximately $374,000 of the total IA costs incurred during the Extended Initial Test Period, for activities such as website design and the initial four months of overall program design, are for initiatives that will be utilized in all three Tranches. DEC proposes to split these costs equally over all three Tranches of the CPRE.

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[19] *See* witness Sykes Exhibit 3, line 22.

[20] *See* witness Sykes Exhibit 4, line 3.

Q. DOES THE PUBLIC STAFF HAVE CONCERNS WITH SPREADING THESE COSTS OVER FUTURE TRANCHES?

A. No. The Public Staff agrees that it is appropriate for these costs to be recovered in future CPRE rider proceedings, since those initial steps will be utilized in future tranches.

Q. PLEASE ADDRESS THE IA FEES BEING SOUGHT FOR RECOVERY IN THIS PROCEEDING.

A. As previously stated, DEC is seeking recovery of approximately $310,000 in IA fees, as the proposal and winners' fees collected were not sufficient to cover all IA costs. This amount represents 50% of the total IA fees not recovered, while the remaining 50% will be recovered in Duke Energy Progress, LLC's (DEP) annual CPRE cost recovery proceeding, to be filed later this year. In DEC's supplemental filing, it also includes $11,506 in T&D Sub-Team labor and labor-related costs that were not recovered through fees. The Public Staff notes that Commission Rule R8-71(d)(10) authorizes DEC to charge reasonable proposal fees and to fund the IA and T&D Sub-Team costs, and to the extent these fees were insufficient to pay the total cost of retaining the IA, the winning participants would pay the balance through a winners' fee.

Q. HOW MUCH DID DUKE COLLECT IN FEES FROM MARKET PARTICIPANTS?

A. DEC and DEP collected approximately $901,000 in net proposal fees and $500,000 in winners' fees.[21] These fees were used to fund the grouping studies as well as the IA fees. These fees were insufficient to cover the entirety of the IA costs and T&D Sub-Team costs sought for recovery in this proceeding.

Q. HAS DEC PROVIDED A REASONABLE EXPLANATION FOR WHY IA FEES EXCEEDED THE FEES RECOVERED FROM MARKET PARTICIPANTS?

A. Yes, I believe so. During Tranche 1, which opened on July 10, 2018, DEC set a maximum cap on the winners' fee to be collected of $500,000, collected from all winning proposals. This maximum was defined in the Tranche 1 Request for Proposals (RFP) in order to provide certainty of costs to the MPs. This maximum was estimated in mid-2018 based on the IA contract[22] and estimated costs to set up and implement Tranche 1.

In response to questions regarding the IA fees, DEC responded that, in 2019, there were several regulatory proceedings which caused the "duration, scope, and complexity of the IA's engagement"[23] to

[21] DEC collected approximately 75% of these total fees.

[22] The IA contract was filed with the Commission on May 11, 2018, in compliance with Commission Rule R8-71(d)(4).

[23] *See* DEC response to PS DR 2-5, attached as Thomas Exhibit 1.

expand significantly from what was envisioned when CPRE was initially implemented. These included: participation in a May 23, 2019, technical conference; comments on bid refresh procedures;[24] participation in monthly stakeholder meetings hosted by Duke;[25] and comments on the applicability of the Solar Integration Services Charge to CPRE projects.[26] DEC notes that additional reporting requirements have also been imposed on the IA since the release of the Tranche 1 RFP.

Q. HAS DEC TAKEN ANY EFFORTS TO ENSURE THAT FUTURE IA FEES WILL BE RECOVERED FROM MARKET PARTICIPANTS?

A. Yes. In its Tranche 2 RFP, Duke doubled the maximum winners' fee from $500,000 to $1 million. The Public Staff believes this should be sufficient to ensure that IA fees are recovered from MPs, and not from retail ratepayers, in future cost recovery proceedings.

Q. REGARDING THE PROJECTED COSTS DURING THE BILLING PERIOD, PLEASE SUMMARIZE THE PUBLIC STAFF'S INVESTIGATION.

[24] Requested in the Commission's May 1, 2019 *Order Postponing Tranche 2 CPRE RFP Solicitation and Scheduling Technical Conference.*

[25] *See* Ordering Paragraph No. 3 in July 3, 2019, *Order Modifying and Accepting CPRE Program Plan* in Docket Nos. E-2, Sub 1159 and E-7, Sub 1156.

[26] Requested in the Commission's October 7, 2019 *Order Requesting Comments*.

A. The Public Staff's investigation found that DEC's estimation of Billing Period costs and energy sales is generally reasonable. The Company estimated the total energy production for each CPRE facility based on two generic output profiles – one applicable to solar only facilities, and one applicable to two solar-plus-storage facilities. DEC also used actual bid prices from each project's Power Purchase Agreement (PPA) (or, in the case of utility-owned projects, the as-bid price) to estimate total costs. To calculate the Billing Period energy sales from each customer class, the Company used the same weather and customer growth adjustments proposed in its fuel adjustment clause proceeding.[27]

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

A. No. Total costs sought for recovery in this proceeding are less than 1% of DEC's total North Carolina retail jurisdictional gross revenues for 2019.

Q. HOW DOES DEC SEEK TO RECOVER THE COST OF ITS SELF-BUILD FACILITIES?

[27] Docket No. E-7, Sub 1228.

A. DEC submitted two winning bids in Tranche 1: the 69.3 MW Maiden Creek facility, and the 25 MW Gaston facility. DEC seeks market-based recovery of these facilities, pursuant to N.C. Gen. Stat. § 62-110.8(g). Thus, DEC will not recover the costs of these facilities in base rates; rather, it will recover the costs through the CPRE rider, recovering the as-bid price for only the power actually produced.

Q. HAS DEC PROVIDED SUFFICIENT JUSTIFICATION THAT MARKET-BASED RECOVERY IS IN THE PUBLIC INTEREST?

A. Commission Rule R8-71(j)(2) requires that if DEC seeks market-based recovery of its utility-owned facility, it must "support its application with testimony specifically addressing the calculation of those costs and revenues sufficient to demonstrate that recovery on a market basis is in the public interest." In this proceeding, DEC does not provide this justification; in response to discovery on this matter, DEC states that:

> Since the final cost information and therefore revenue requirement was not known as of the filing date, the Company included these facilities' as-bid prices, representing market basis recovery, in its 2020 CPRE filing. Once the final cost for the facilities is known and a revenue requirement for each facility is determined, the Company will compare its traditional cost-of-service amount to the recovery the Company is currently seeking on a market basis and will propose for recovery the lesser of the two amounts in keeping with the intent of N.C. Gen. Stat. § 62-110.8(g) and Rule R8-71(j)(2).

The Public Staff believes this is a reasonable proposal and will review the final cost reports of Maiden Creek and Gaston facilities when they are available, to ensure that market-based recovery is in the public interest.

Q. REGARDING THE CPRE COMPLIANCE REPORT, DOES THE PUBLIC STAFF BELIEVE THE REPORT SATISFIES THE REQUIREMENTS OF COMMISSION RULE R8-71(H)?

A. The Public Staff identified a number of deficiencies within the Compliance Report as originally filed. The Public Staff has reviewed the revised Compliance Report filed by DEC on May 15, 2020 and concludes that each deficiency identified was addressed.

Q. DOES THE COMPLIANCE REPORT PROVIDE ANY INFORMATION AS TO THE STATUS OF THE 30% UTILITY-OWNED LIMIT ENACTED BY N.C. GEN. STAT. § 62-110.8(b)(4)?

A. No. The Public Staff found that approximately 44% of Tranche 1 capacity in DEC was won by utility-owned and affiliate-owned projects; approximately 36% of total Tranche 1 capacity was awarded to Duke and Duke affiliates.[28] Due to the increasing amount of Transition MW connected to Duke's system, the Company estimates that the final CPRE procurement target will range from

[28] In DEP, no winning projects were owned by DEP or DEP affiliates.

1,231 MW to 1,881 MW.[29] Thus, it is important that the IA, in Tranche 2 and 3, be vigilant that the 30% cap on utility and affiliate owned projects for the entire CPRE Program is not exceeded.

Q. DURING THE IMPLEMENTATION OF THE CPRE PROGRAM, THE PUBLIC STAFF RAISED CONCERNS REGARDING "PHANTOM UPGRADES" THAT MAY ARISE DUE TO THE WAY THE GROUPING STUDY BASELINE WAS DEFINED. HAS THE PUBLIC STAFF INVESTIGATED THIS MATTER?

A. Yes. We requested a list of all projects that were included in the study baseline but have since withdrawn. Approximately 23 projects (representing 1,773 MW of capacity) that were included in the CPRE Tranche 1 grouping study baseline have since withdrawn their interconnection requests. The withdrawn projects consist of 1,169 MW of solar, 540 MW of natural gas, and 400 MW of biomass. However, DEC confirmed that no winning CPRE project was dependent on any upgrades that were assigned to the withdrawn projects. The withdrawal of such a significant number of projects

[29] See CPRE Compliance Report, at 6. Transition MW is the term use to refer to projects that qualify under N.C. Gen. Stat. § 62-110.8(b)(1) as having executed PPAs and interconnection agreements within the DEC and DEP balancing Authorities that are not subject to economic dispatch or curtailment and were not procured under the Green Source Advantage program. Should the level of Transition MW exceed 3,500 MW, the aggregate CPRE target of 2,660 MW will be reduced by such excess capacity.

highlights the importance of defining an accurate grouping study baseline.

C. Public Staff Recommendations

Q. ARE YOU MAKING ANY RECOMMENDATIONS TO THE COMMISSION?

A. Yes. I recommend that DEC allocate CPRE implementation costs between its North Carolina and South Carolina retail and wholesale customers, and refile its witness Sykes exhibits reflecting this change. I am not recommending any adjustments to the system-level Extended Initial Test Period or Billing Period costs sought for recovery.

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

A. In its Supplemental Testimony, DEC requested the following charges (excluding regulatory fee):

DEC's Rider Request Filed on May 15, 2020 (cents per kWh)			
Customer Class	**EMF Rate**	**CPRE Rider Rate**	**Total CPRE Rate**
Residential	0.0020	0.0056	0.0076
General Service	0.0019	0.0054	0.0073
Industrial	0.0019	0.0051	0.0070

Q. WHAT RATES DOES THE PUBLIC STAFF RECOMMEND FOR THE EMF AND CPRE RIDER?

A. The below table summarizes the Public Staff's proposed rates (excluding regulatory fee). These figures are supported by Public Staff witness Mike Maness' Exhibit 1.

Public Staff's Recommended Rates (cents per kWh)			
Customer Class	**EMF Rate**	**CPRE Rider Rate**	**Total CPRE Rate**
Residential	0.0013	0.0054	0.0067
General Service	0.0013	0.0051	0.0064
Industrial	0.0012	0.0049	0.0061

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

APPENDIX A

QUALIFICATIONS AND EXPERIENCE

JEFFREY T. THOMAS

I graduated from the University of Illinois Champaign-Urbana in 2009, earning a Bachelor of Science in General Engineering. Afterwards, I worked in various operations management roles for General Electric, United Technologies Corporation, and Danaher Corporation. My first role was a manufacturing process engineer in GE's Operations Management and Leadership program; I eventually became a production supervisor, where I was responsible for the safety and productivity of a team of employees. 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 programming, 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.

DUKE ENERGY CAROLINAS, LLC

Request:

As the IA fees exceeded what was collected from market participants' fees, please respond to the following questions regarding the $2 million in IA expenses.

a. What measures, if any, did DEC take during Tranche 1 to control IA costs incurred?
b. Did DEC review IA fees for reasonableness? If so, please explain.
c. Did DEC challenge the validity or appropriateness of any IA fees? If so, please explain and provide supporting documentation.
d. Did DEC negotiate a reduction of any IA fees at any time? If so, please explain and provide supporting documentation.
e. Does DEC believe that all IA fees incurred during the course of CPRE implementation were reasonable?

Response:

a. The Companies reviewed all invoices submitted by the IA to ensure proper documentation regarding the invoiced costs.

b. The IA's fees result from (1) hourly billing rates of Accion employees and (2) travel and other direct billed expenses. The IA contract (which identified the applicable hourly billing rates and the Companies' obligation to pay direct expenses) was filed with the Commission on May 11, 2018 in compliance Commission Rule R8-71(d)(4) and subsequently filed as an appendix to each CPRE Compliance Report in compliance with Commission Rule R8-71(h)(2)(viii).

The duration, scope, and complexity of the IA's engagement has expanded significantly from what was envisioned at the time of initial implementation of CPRE and contemplated in Commission Rule R8-71(d)(5).

With respect to duration, the timeline for CPRE implementation has extended significantly due to various Commission decisions (*see e.g.* May 1, 2019 *Order Postponing Tranche 2 CPRE RFP Solicitation and Scheduling Technical Conference* (delaying Tranche 2 opening, requesting comments on bid refresh and scheduling technical conference); October 7, 2019 *Order Requesting Comments* (requesting comments regarding applicability of SISC to CPRE)). Thus, for instance, while the Companies' initial CPRE guidelines contemplated that Tranche 2 would be issued in February 2019 and completed in December 2019, the Tranche 2 RFP was not issued until October 2019 and will not be completed until the summer of 2020.

The scope of the IA's responsibilities have also been expanded to require implementation and facilitation of numerous stakeholder meetings and other types of market participant engagement, extensive reporting beyond that contemplated in the R8-71 and participation in *Commission proceedings (see e.g., December 17, 2018 Order Requiring Interim CPRE Program Reports, Allowing Interim Implementation of CPRE Program Plans and Establishing Schedule* (requiring additional CPRE reporting and requesting comments); July 2, 2019 *Order Modifying and Accepting CPRE Program Plan* (requiring monthly stakeholder meetings and additional reporting)). In addition, there have been numerous formal and informal disputes, challenges and other issues that have required direct engagement from the IA.

It is also worth noting that, in accordance with the design of the RFP structure, the Duke Evaluation Team in many cases has limited or no knowledge regarding the IA's engagement with Market Participants and/or the Public Staff. That is, in performing its obligations the IA has often been required to engage with Market Participants regarding questions or disputes but has appropriately not engaged the Duke Evaluation Team in such efforts. In other instances, the IA has engaged Public Staff regarding question or issues without any involvement from the Duke Evaluation Team. In all such instances, the Companies believe that IA has acted appropriately, reasonably and in accordance with the Commission's rules. But such activity is, by design, not under the Companies' direct supervision or oversight.

c. See the Company's PSDR 2-5(b). The Companies have reviewed invoices submitted by the IA to ensure proper documentation regarding the invoiced costs, but have not identified any instance of invalid or inappropriate fees. However, in one instance, the Companies did identify that a particular fee was inadvertently double billed. The error was corrected by the IA immediately upon notification.

d. No. The IA's hourly rates identified in the IA contract filed on May 11, 2018 have remained unchanged for the duration of the RFP.

e. Yes. See the Company's response to PSDR 2-5(a) – (c).

Response provided by:
Jack Jirak, Associate General Counsel

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-7, SUB 1231

In the Matter of		
Application of Duke Energy Carolinas,	)	TESTIMONY OF
LLC, for Approval of CPRE Cost	)	MICHAEL C. MANESS
Recovery Rider Pursuant to N.C.G.S §	)	PUBLIC STAFF – NORTH
62-110.8 and Commission Rule R8-71	)	CAROLINA UTILITIES
	)	COMMISSION

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-7, SUB 1231

TESTIMONY OF MICHAEL C. MANESS

ON BEHALF OF THE PUBLIC STAFF

NORTH CAROLINA UTILITIES COMMISSION

May 18, 2020

Q. PLEASE STATE YOUR NAME AND ADDRESS FOR THE RECORD.

A. My name is Michael C. Maness. My business address is 430 North Salisbury Street, Raleigh, North Carolina.

Q. PLEASE BRIEFLY STATE YOUR QUALIFICATIONS AND DUTIES.

A. My qualifications and duties are included in Appendix A to my testimony.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. Pursuant to N.C. Gen. Stat. § 62-110.8(g) and Commission Rule R8-71(j), 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 collect the authorized revenue related to any utility-owned assets pursuant to the statute, through a Competitive Procurement of Renewable Energy (CPRE) annual rider. 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 and 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. Thus, each total CPRE rider has at least two components: a forward-looking, or prospective CPRE rider component, and a true-up CPRE EMF component.

The purpose of my testimony is to present the results of the Public Staff's investigation of the CPRE prospective rider component (CPRE prospective rider) and the CPRE EMF rider component (CPRE EMF rider) proposed by Duke Energy Carolinas, LLC (DEC or the Company) in this proceeding. Typically, DEC's test period in this proceeding would be the 12 months ended December 31, 2019; however, the Commission issued Orders on September 24, 2018, in Docket No. E-7, Sub 1170, and on April 16, 2019, in Docket No. E-7, Sub 1193, to approve DEC's request to defer recovery of CPRE Program costs reasonably and prudently incurred, and extended the test period to be used in DEC's initial application to recover CPRE Program costs to a 29-month period beginning on August 1, 2017 and ending December 31, 2019 (the Extended Initial Test Period).

Since this is the initial application to recover CPRE Program costs, and there were no actual purchases of energy and capacity or revenue requirements associated with CPRE facilities, there are no revenues that have been collected during the Extended Initial Test Period.

The Public Staff Accounting Division's specific responsibilities in this CPRE rider proceeding are (a) to participate in the overall Public Staff investigation of the Company's filing and proposed rates; (b) to review the incurred costs and received revenues proposed for inclusion in the CPRE EMF rider; and (c) to investigate the Company's calculations of the proposed rates and present the calculations of the Public Staff's recommended rates.

Q. PLEASE EXPLAIN THE INCREMENT CPRE EMF RIDERS INITIALLY PROPOSED BY DEC IN THIS PROCEEDING.

A. In its application filed on February 26, 2020, DEC set forth the following CPRE Program implementation costs undercollected for each of the North Carolina retail customer classes during the Extended Initial Test Period:

Residential	$517,889
General Service/Lighting	$436,158
Industrial	$172,744

DEC's proposed CPRE EMF increment rider in cents per kilowatt-hour (kWh), excluding the North Carolina regulatory fee, for each North Carolina retail customer class, is as follows:

Residential	0.0023 cents per kWh
General Service/Lighting	0.0018 cents per kWh
Industrial	0.0014 cents per kWh

The Company's initially proposed riders were calculated by allocating 100% of the $1,126,791 of CPRE Program implementation costs to North Carolina retail (NC retail) operations, and then further allocating those costs to each of the NC retail customer classes utilizing the NC retail 2018 Production Plant allocation factors. Once the CPRE Program implementation costs underrecoveries were determined for each class, each of the underrecovered amounts were then divided by DEC's normalized test year North Carolina retail sales of 22,444,481 megawatt-hours (MWh) for the residential class, 23,688,549 MWh for the general service/lighting class, and 12,489,508 MWh for the industrial class.

Q. PLEASE DESCRIBE THE PUBLIC STAFF'S INVESTIGATION OF THE INCREMENT CPRE EMF RIDERS.

A. The Public Staff's investigation included procedures intended to evaluate whether the Company properly determined its per books CPRE costs and revenues during the test period. These procedures included a review of the Company's filing, prior Commission orders, and other Company data provided to the Public Staff. The Public Staff also reviewed certain specific types of expenditures impacting the Company's test year CPRE Program implementation costs, including Company internal labor, outside services, and independent administrator fees not recovered through proposal and subsequent winners' fees that have been equally split between DEC and Duke Energy Progress, LLC (DEP). Performing the Public Staff's investigation required the review of numerous responses to written and verbal data requests, and several teleconferences with Company representatives.

Q. PLEASE DESCRIBE THE COMPANY'S SUPPLEMENTAL TESTIMONY AND REVISED EXHIBITS.

A. On May 15, 2020, DEC filed the Supplemental Testimony and Revised Exhibits of Bryan L. Sykes, including supporting workpapers. The purpose of DEC's supplemental testimony and revised exhibits are to reflect the impact of four updates to numbers presented in witness Sykes' direct exhibits and workpapers. They are as follows: 1) to update the forecast used in determining the capacity and energy purchases and generation in the case of Duke-owned facilities; 2) to update the implementation costs of the T&D Sub-Team labor and labor-related taxes and benefits experienced during the Extended Initial Test Period; 3) to update the customer allocation factor used for implementation costs in the EMF period; and, 4) to update a data entry error for wholesale sales for the test period that has no impact on the proposed rates.

Q. PLEASE EXPLAIN THE REVISED CPRE EMF RIDER BEING PROPOSED BY DEC IN THIS PROCEEDING.

A. In witness Sykes' Revised Exhibits filed on May 15, 2020, DEC's proposed revised undercollection of CPRE Program Implementation costs for each of the North Carolina retail customer classes during the Extended Initial Test Period is as follows:

Residential	$444,866
General Service/Lighting	$461,194
Industrial	$232,237

DEC's revised CPRE EMF increment rider in cents per kilowatt-hour (kWh), excluding the North Carolina regulatory fee, for each North Carolina retail customer class, is as follows:

Residential	0.0020 cents per kWh
General Service/Lighting	0.0019 cents per kWh
Industrial	0.0019 cents per kWh

The revised riders were calculated by allocating 100% of the $1,138,297 of CPRE Program implementation costs to NC retail operations and then allocating those costs to each of the North Carolina retail customer classes, utilizing a composite weighted average of the purchased and generated power for capacity and energy allocation factors. Once the CPRE Program implementation cost underrecoveries were determined for each class, each of the underrecovered amounts were divided by DEC's normalized test year North Carolina retail sales 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.

Q. PLEASE EXPLAIN THE PUBLIC STAFF'S ADJUSTMENT TO THE CPRE EMF RIDER.

A. The Public Staff is not recommending any adjustments to the total system CPRE Program implementation costs of $1,138,297 proposed by the Company in witness Sykes' Revised Exhibits. However, Public Staff witness Jeff Thomas has proposed that this system amount should **not** be allocated by a factor of 100% to NC retail operations. He has incorporated a detailed discussion of the system benefits of the CPRE in his testimony. As a result, I have incorporated the NC retail portion of the CPRE Program implementation costs in the amount of $754,459[1], set forth on Maness Exhibit 1, to adjust the underrecovery amounts for each North Carolina retail customer class.

[1] CPRE Program implementation costs of $1,138,297 multiplied by an NC retail allocation factor of 66.28%. This allocation factor, the calculation of which is explained on Maness Exhibit 1, Schedule 1, is a weighted average of the North Carolina jurisdictional allocation factors for energy and capacity used in the Billing Period.

Q. ARE YOU PROPOSING ANY ADJUSTMENTS TO DEC'S TEST-YEAR KWH SALES?

A. No. I am not proposing any change to the normalized North Carolina retail sales as proposed by DEC 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, as set forth in DEC's testimony.

Q. WHAT CPRE EMF RIDERS ARE YOU PROPOSING FOR DEC'S CUSTOMER CLASSES IN THIS PROCEEDING?

A. My recommended underrecovery amounts for the Extended Initial Test Period, as set forth in Maness Exhibit 1 for each North Carolina retail customer class, are as follows (excluding the North Carolina regulatory fee):

Residential	$294,856
General Service/Lighting	$305,678
Industrial	$153,926

My recommended CPRE EMF increment riders in cents per kilowatt-hour (kWh), for each North Carolina retail customer class, as follows (excluding the regulatory fee):

Residential	0.0013 cents per kWh
General Service/Lighting	0.0013 cents per kWh
Industrial	0.0012 cents per kWh

The calculations of these rates are set forth in Maness Exhibit 1. I have provided these amounts to Public Staff witness Thomas for incorporation into his recommended final CPRE factors.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

APPENDIX A

QUALIFICATIONS AND EXPERIENCE

Michael C. Maness

I am a graduate of the University of North Carolina at Chapel Hill with a Bachelor of Science degree in Business Administration with Accounting. I am a Certified Public Accountant and a member of both the North Carolina Association of Certified Public Accountants and the American Institute of Certified Public Accountants.

As Director of the Accounting Division of the Public Staff, I am responsible for the performance, supervision, and management of the following activities: (1) the examination and analysis of testimony, exhibits, books and records, and other data presented by utilities and other parties under the jurisdiction of the Commission or involved in Commission proceedings; and (2) the preparation and presentation to the Commission of testimony, exhibits, and other documents in those proceedings. I have been employed by the Public Staff since July 12, 1982.

Since joining the Public Staff, I have filed testimony or affidavits in several general, fuel, and demand-side management/energy efficiency rate cases of the utilities currently organized as Duke Energy Carolinas, LLC, Duke Energy Progress, LLC., and Virginia Electric and Power Company (Dominion Energy North Carolina) as well as in several water and sewer general rate cases. I have also filed testimony or affidavits in other proceedings, including applications for certificates of public convenience and necessity for the construction of generating facilities, applications for approval of self-generation deferral rates, applications for approval of cost and incentive recovery mechanisms for electric utility demand-side management and energy efficiency (DSM/EE) efforts, and applications for approval of cost and incentive recovery pursuant to those mechanisms.

I have also been involved in several other matters that have come before this Commission, including the investigation undertaken by the Public Staff into the operations of the Brunswick Nuclear Plant as part of the 1993 Carolina Power & Light Company fuel rate case (Docket No. E-2, Sub 644), the Public Staff's investigation of Duke Power's relationship with its affiliates (Docket No. E-7, Sub 557), and several applications for business combinations involving electric utilities regulated by this Commission. Additionally, I was responsible for performing an examination of Carolina Power & Light Company's accounting for the cost of Harris Unit 1 in conjunction with the prudence audit performed by the Public Staff and its consultants in 1986 and 1987.

I have had supervisory or management responsibility over the Electric Section of the Accounting Division since 1986, and also was assigned management duties over the Water Section of the Accounting Division during the 2009-2012 time frame. I was promoted to Director of the Accounting Division in late December 2016.

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1231
Allocation of Prospective Billing Period CPRE Charges to Customer Classes
Test Period Ending December 31, 2019

Maness Exhibit 1
Schedule 1

Line No.	Description	Reference	Residential	General Service and Lighting	Industrial	Total
	Allocation of CPRE Purchased and Generated Power by Customer Class (Prospective Billing Period)					
1	CPRE Purchased and Generated Power - Capacity	Sykes Revised Exhibit 1				$ 700,331
2	NC Retail Jurisdictional % Based on 2019 Peak Demand	Input				67.55%
3	NC Retail Portion - CPRE Purchased and Generated Power - Capacity	L1 * L2				$ 473,055
4						
5	NC Retail 2019 Peak Demand Allocation Factors	Input	45.44%	38.35%	16.21%	100.00%
6						
7	NC CPRE Purchased and Generated Power - Capacity Allocated Based on 2019 Peak Demand	L3 * L5	$ 214,969	$ 181,417	$ 76,669	$ 473,055
8						
9	NC Projected Billing Period MWh Sales	Sykes Workpaper 2	22,067,951	23,951,115	12,441,023	58,460,089
10						
11	**NC CPRE Purchased and Generated Power - Capacity ¢/kWh**	**L7 ÷ L9 ÷ 10**	**0.0010**	**0.0008**	**0.0006**	**0.0008**
12						
13	CPRE Purchased and Generated Power - Energy	Sykes Revised Exhibit 1				$ 3,419,264
14	NC Retail Jurisdictional % Based on Projected Billing Period Sales	Sykes Workpaper 2				66.02%
15	NC Retail Portion - CPRE Purchased and Generated Power - Energy	L13 * L14 [Total Only]	$ 852,140	$ 924,857	$ 480,402	$ 2,257,398
16						
17	NC Projected Billing Period MWh Sales	Sykes Workpaper 2	22,067,951	23,951,115	12,441,023	58,460,089
18	**NC CPRE Purchased and Generated Power - Energy ¢/kWh**	**L15 ÷ L17 ÷ 10**	**0.0039**	**0.0039**	**0.0039**	**0.0039**
19						
20	Total of NC CPRE Purchased and Generated Power - Capacity and Energy	L7 + L15	$ 1,067,108	$ 1,106,274	$ 557,071	$ 2,730,453
21						
22	% of NC CPRE Purchased and Generated Power - Capacity and Energy		39.08%	40.52%	20.40%	100%

Line No.	Description	Reference	Residential	General Service and Lighting	Industrial	Total
	Allocation of CPRE Implementation Costs by Customer Class (Prospective Billing Period)					
23	CPRE Implementation Costs - Total	Sykes Revised Exhibit 2				$ 384,533
23a	NC Retail Jurisdictional % Based on Composite of Energy and Capacity	(L15 + L3) ÷ (L13 + L1) [Totals]				66.28%
23b	CPRE Implementation Costs - NC Retail Portion	L23 * L23a				$ 254,867
23c						
24	% of NC CPRE Purchased and Generated Power - Capacity and Energy	L22	39.08%	40.52%	20.40%	100%
25						
26	CPRE Implementation Costs by Customer Class	L23b * L24	$ 99,606	$ 103,262	$ 51,998	$ 254,867
27						
28	NC Projected Billing Period MWh Sales	Sykes Workpaper 2	22,067,951	23,951,115	12,441,023	58,460,089
29						
30	**NC CPRE Implementation Cost CPRE Charge ¢/kWh**	**L26 ÷ L28 ÷ 10**	**0.0005**	**0.0004**	**0.0004**	**0.0004**

Note: Rounding differences may occur

1/ Based on the recommendation of Public Staff witness Thomas.

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1231
Allocation of Experience Modification Factor (EMF) Period Charges to Customer Classes
Test Period Ending December 31, 2019

Maness Exhibit 1
Schedule 2

Line No.	Description	Reference	Residential	General Service and Lighting	Industrial	Total
	Allocation of CPRE Implementation Costs by Customer Class (EMF Period[1])					
1	CPRE Implementation Costs - Total	Sykes Revised Exhibit 2				$ 1,138,297
1a	NC Retail Jurisdictional % Based on Composite of Energy and Capacity	Maness Exh1, Sch 1 Line 23a				66.28%
1b	CPRE Implementation Costs - NC Retail Portion					$ 754,459
2						
3	% of NC CPRE Purchased and Generated Power - Capacity and Energy	Sykes Revised Exhibit 3	39.08%	40.52%	20.40%	100.00%
4						
5	CPRE Implementation Costs by Customer Class	L1b * L3	$ 294,856	$ 305,678	$ 153,926	$ 754,459
6						
7	NC EMF Period MWh Normalized Sales	Sykes Workpaper 3	22,444,481	23,688,549	12,489,508	58,622,538
8						
9	NC CPRE Implementation Cost CPRE Charge ¢/kWh	L5 ÷ L7 ÷ 10	0.0013	0.0013	0.0012	0.0013
10						
11	CPRE Revenues Realized[2] During the Test Period	Input	0.0000	0.0000	0.0000	0.0000
12						
13	**EMF Period Over/(Under) Collection**	**L11 - L9**	**(0.0013)**	**(0.0013)**	**(0.0012)**	**(0.0013)**

Note: Rounding differences may occur

1 For this initial CPRE recovery filing, the EMF period is the 29-month period ending December 31, 2019 as approved in *Order Cancelling Annual Public Hearing, Approving Proposed Accounting Treatment, and Approving CPRE Compliance Report* issued April 16, 2019 in Docket E-7, Sub 1193.

2 For this initial CPRE recovery filing, no revenues were collected during the test period. Therefore, the under-collection for the EMF Period is the total of CPRE Program implementation costs incurred for the August 1, 2017 through December 31, 2019 Test Period.

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1231
Summary of CPRE Proposed Rider Components
Test Period Ending December 31, 2019

Maness Exhibit 1
Schedule 3

Line No.	Description	Reference	Residential ¢/kWh	General Service and Lighting ¢/kWh	Industrial ¢/kWh	Composite ¢/kWh
1	**Prospective Billing Period Rider Charge**					
2	NC CPRE Purchased and Generated Power - Capacity ¢/kWh	Maness Exh 1, Sch 1, L11	0.0010	0.0008	0.0006	0.0008
3	NC CPRE Purchased and Generated Power - Energy ¢/kWh	Maness Exh 1, Sch 1, L18	0.0039	0.0039	0.0039	0.0039
4	NC CPRE Implementation Cost CPRE Charge ¢/kWh	Maness Exh 1, Sch 1 L30	0.0005	0.0004	0.0004	0.0004
5						
6	**Experience Modification Factor Period Rider Charge**					
7	EMF Period (Over)/Under Collection ¢/kWh	Maness Exh 1,Sch 2 L13	0.0013	0.0013	0.0012	0.0013
8						
9	**Total Proposed CPRE Rider Charge ¢/kWh**		**0.0067**	**0.0064**	**0.0061**	**0.0064**

Note: This exhibit excludes the impact of the regulatory fee