

STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH

DOCKET NO. E-2, SUB 1276

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

|                                              |   |                         |
|----------------------------------------------|---|-------------------------|
| In the Matter of                             | ) |                         |
|                                              | ) |                         |
| Application of Duke Energy Progress, LLC for | ) | <b>DIRECT TESTIMONY</b> |
| Approval of Renewable Energy and Energy      | ) | <b>OF VERONICA I.</b>   |
| Efficiency Portfolio Standard (REPS)         | ) | <b>WILLIAMS</b>         |
| Compliance Report and Cost Recovery Rider    | ) |                         |
| Pursuant to N.C. Gen. Stat. § 62-133.8 and   | ) |                         |
| Commission Rule R8-67                        | ) |                         |
|                                              | ) |                         |
|                                              | ) |                         |

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1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Veronica I. Williams, and my business address is 550 South Tryon  
3 Street, Charlotte, North Carolina.

4 **Q. PLEASE STATE YOUR POSITION WITH DUKE ENERGY AND**  
5 **DESCRIBE YOUR CURRENT RESPONSIBILITIES.**

6 A. In my capacity as Rates and Regulatory Strategy Manager, I am responsible  
7 for providing regulatory support related to retail and wholesale rates, providing  
8 guidance on Renewable Energy and Energy Efficiency Portfolio Standard  
9 (“REPS”) compliance and cost recovery for Duke Energy Progress, LLC  
10 (“Duke Energy Progress,” “DEP,” or the “Company”) and Duke Energy  
11 Carolinas, LLC (“Duke Energy Carolinas” or “DEC”), and preparing and filing  
12 testimony and exhibits in annual DEP and DEC REPS rider proceedings.

13 **Q. PLEASE BRIEFLY SUMMARIZE YOUR EDUCATIONAL**  
14 **BACKGROUND, BUSINESS BACKGROUND AND PROFESSIONAL**  
15 **AFFILIATIONS.**

16 A. I received a Bachelor of Science degree in Business from the University of  
17 North Carolina at Charlotte. I am a certified public accountant licensed in the  
18 state of North Carolina. I began my career with Duke Power Company (now  
19 known as Duke Energy Carolinas) as an internal auditor and subsequently  
20 worked in various departments in the finance organization. I joined the Rates  
21 Department in 2001.

22 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE NORTH**  
23 **CAROLINA UTILITIES COMMISSION?**

1 A. Yes. I most recently provided testimony in Docket No. E-7, Sub 1246 regarding  
2 Duke Energy Carolinas' 2020 REPS compliance report and application for  
3 approval of its REPS cost recovery rider, and in Docket No. E-2, Sub 1251  
4 regarding Duke Energy Progress' 2019 REPS compliance report and  
5 application for approval of its REPS cost recovery rider.

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

7 A. The purpose of my testimony is to describe the calculation of and present the  
8 support for the REPS rider proposed by Duke Energy Progress under N.C. Gen.  
9 Stat. ("G.S.") § 62-133.8 and to present the information and data required by  
10 Commission Rule R8-67 as set forth in Williams Exhibit Nos. 1 through 4. The  
11 test period used in supplying this information and data is the twelve months  
12 beginning on April 1, 2020 and ending on March 31, 2021 ("Test Period" or  
13 "EMF Period"), and the billing period for the REPS rider requested in the  
14 Company's application is the twelve months beginning on December 1, 2021  
15 and ending on November 30, 2022 ("Billing Period").

16 **Q. PLEASE DESCRIBE THE EXHIBITS TO YOUR TESTIMONY.**

17 A. Williams Confidential Exhibit No. 1 ("Williams Exhibit No. 1") identifies the  
18 total incremental REPS compliance costs for which the Company seeks  
19 recovery from Duke Energy Progress North Carolina Retail ("NC Retail")  
20 customers. Williams Confidential Exhibit No. 2 ("Williams Exhibit No. 2")  
21 shows the allocation of the total REPS compliance costs, identified in Williams  
22 Exhibit No. 1, to the Company's NC Retail customer classes for the Test Period.  
23 Williams Confidential Exhibit No. 3 ("Williams Exhibit No. 3") shows the

1 allocation of the total expected REPS compliance costs, identified on Williams  
2 Exhibit No. 1, to the Company's NC Retail customer classes for the Billing  
3 Period. Williams Exhibit No. 4 shows the total REPS rider amounts proposed,  
4 including the REPS Experience Modification Factor ("EMF"), by customer  
5 class, compared to the cost cap for each customer class. Finally, Williams  
6 Exhibit No. 5 is a worksheet detailing the Company's energy efficiency ("EE")  
7 certificate ("EEC") inventory balance as of December 31, 2020.

8 **Q. WERE THESE EXHIBITS PREPARED BY YOU OR AT YOUR**  
9 **DIRECTION AND UNDER YOUR SUPERVISION?**

10 A. Yes.

11 **Q. WHAT COSTS ARE INCLUDED IN DUKE ENERGY PROGRESS'**  
12 **PROPOSED REPS RIDER?**

13 A. The proposed REPS rider intends to recover Duke Energy Progress'  
14 incremental costs of compliance with the renewable energy requirements  
15 pursuant to G.S. § 62-133.8. The costs incurred by the Company to comply  
16 with its REPS compliance requirements are described comprehensively in the  
17 testimony of Company witness Megan W. Jennings, and detailed in Jennings  
18 Confidential Exhibit Nos. 2 and 3, filed in this docket. The costs incurred  
19 during the Test Period are presented in this filing to demonstrate their  
20 reasonableness and prudence as provided in North Carolina Utilities  
21 Commission ("Commission") Rule R8-67(e).

22 The rider includes the REPS EMF component to recover the difference  
23 between the compliance costs incurred and revenues realized during the Test

1 Period. The proposed rider also includes a component to recover the costs  
2 expected to be incurred for the Billing Period.

3 **Q. PLEASE DESCRIBE THE METHODOLOGY DUKE ENERGY**  
4 **PROGRESS USED TO CALCULATE THE INCREMENTAL COSTS OF**  
5 **COMPLIANCE WITH THE REPS REQUIREMENTS.**

6 A. Company witness Jennings describes the costs Duke Energy Progress incurred  
7 during the Test Period and the costs it projects to incur during the Billing Period  
8 to comply with its REPS requirements. North Carolina General Statute § 62-  
9 133.8(h)(1) provides that “incremental costs” means “all reasonable and  
10 prudent costs incurred by an electric power supplier” to comply with the REPS  
11 requirements “that are in excess of the electric power supplier’s avoided costs  
12 other than those costs recovered pursuant to G.S. § 62-133.9.”

13 For purchased power agreements with renewable energy facilities, Duke  
14 Energy Progress subtracted its avoided cost, as determined pursuant to Rule R8-  
15 67(a)(2), from the total cost associated with each renewable energy purchase to  
16 arrive at the incremental cost related to the renewable energy purchase during  
17 the period in question. For biogas purchases used to produce renewable energy  
18 at the Company’s generating stations, the incremental costs incurred for the  
19 Test Period and estimated for the Billing Period are calculated by subtracting  
20 the applicable avoided costs (as determined pursuant to Rule R8-67(a)(2)) from  
21 the total biogas costs associated with the MWhs generated.

22 Consistent with Rule R8-67(e)(2), which provides that the cost of an  
23 unbundled renewable energy certificate (“REC”) “is an incremental cost and

1 has no avoided cost component,” the total costs for REC purchases incurred  
2 during the Test Period, and forecast for the Billing Period, are included as  
3 incremental costs.

4 As described in detail by Company witness Jennings in her direct  
5 testimony filed in this docket, the REPS EMF and Billing Period components  
6 of the proposed REPS rider also include compliance-related incremental  
7 administration costs, labor costs, and costs related to research incurred during  
8 the EMF Period and estimated for the Billing Period, respectively. As further  
9 detailed in witness Jennings’ testimony, amounts equal to the annual  
10 amortizations of Solar Rebate Program costs incurred pursuant to G.S. § 62-  
11 155(f) applicable to the Test Period and the Billing Period are included for recovery  
12 in the proposed REPS rider.

13 **Q. PLEASE DESCRIBE HOW DUKE ENERGY PROGRESS ALLOCATES**  
14 **INCREMENTAL REPS COSTS AMONG CUSTOMER CLASSES FOR**  
15 **REPS AND REPS EMF RIDER PURPOSES.**

16 A. Incremental costs assigned to Duke Energy Progress’ NC Retail customers are  
17 separated into two categories: costs related to solar, poultry and swine waste  
18 compliance requirements, and research and other incremental and Solar Rebate  
19 costs (“Set-Aside and Other Incremental Costs”); and costs related to the  
20 General Requirement<sup>1</sup> (“General Incremental Costs”). This separation is based  
21 on the percentages of Set-Aside and Other Incremental Costs, and General  
22 Incremental Costs, calculated on Williams Exhibit No. 1.

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<sup>1</sup> The Company generally refers to the “General Requirement” as its overall REPS requirement, set forth in N.C. Gen. Stat. § 62-133.8(b), net of the three set-asides.

1           Set-Aside and Other Incremental Costs are allocated among customer  
2 classes based on per-account cost caps. General Incremental Costs are allocated  
3 among customer classes in a manner that gives credit for EE RECs (for which  
4 there are no General Incremental Costs) according to the relative energy  
5 reduction contributed by each customer class. As a result, General Incremental  
6 Costs are allocated among customer classes based on each class' pro-rata share  
7 of requirements for non-EE general RECs. The calculations for allocating  
8 General Incremental Costs previously reflected the method recommended by  
9 the Public Staff, and accepted by the Commission in its November 17, 2017  
10 *Order Approving REPS and REPS EMF Rider and Approving REPS*  
11 *Compliance Report* in DEP's 2017 REPS rider filing in Docket No. E-2, Sub  
12 1144. In my supplemental testimony filed in Duke Energy Carolinas' pending  
13 2021 REPS rider proceeding in Docket No. E-7, Sub 1246, I describe an  
14 adjustment to the allocation (the same cost allocation calculations are used by  
15 DEC and DEP) requested by and subsequently recommended by the Public  
16 Staff in its testimony filed in the same proceeding. The modification recognizes  
17 the portion of the General Requirement assigned to each customer class that can  
18 be met with EE savings provided by each class, and further simplifies the  
19 calculation by applying the EE savings against actual and projected compliance  
20 requirements for the EMF and Billing Periods, rather than calculating  
21 compliance requirements and EE savings contributions based on RECs  
22 acquired or expected to be acquired for those periods. The Company proposes  
23 adopting the adjusted allocation method in this current DEP rider filing, and

1 confidential Williams Exhibit No. 2, page 2, and Exhibit No. 3, page 2 reflect  
2 the proposed updates to the allocation calculations.

3 The Company notes that any deviation from allocating costs according  
4 to the statutory per-account cost cap ratios creates the potential for the resulting  
5 charges computed for one or more classes to exceed the per-account cost  
6 cap(s). If that occurs, the Company would continue to reallocate the costs in  
7 excess of the cap for the affected customer class to the other customer classes  
8 to the extent required to produce charges for all classes that do not exceed the  
9 respective caps.

10 **Q. PLEASE DESCRIBE HOW DUKE ENERGY PROGRESS**  
11 **CALCULATED THE PROJECTED PORTION OF THE REPS RIDER**  
12 **THAT THE COMPANY PROPOSES FOR THE BILLING PERIOD.**

13 A. Using the allocation methods described above, and as shown on Williams  
14 Exhibit No. 3, the Set-Aside and Other Incremental Costs and the General  
15 Incremental Costs are calculated by customer class for the Company's NC  
16 Retail customers. The Set-Aside and Other Incremental Costs and General  
17 Incremental Costs are summed for the Billing Period by customer class to arrive  
18 at a total REPS cost to be collected from the Company's NC Retail customers.  
19 On Williams Exhibit No. 4, the cost allocated to each customer class is then  
20 divided by the total projected number of Duke Energy Progress NC Retail  
21 accounts within each customer class to arrive at the total annual cost to be  
22 recovered from each account over the Billing Period. The monthly NC Retail  
23 REPS rider for each customer class is one-twelfth of the total annual cost.



1 **Q. PLEASE EXPLAIN THE CALCULATION OF THE PROPOSED REPS**  
2 **EMF.**

3 A. Using the allocation methods described above, and as shown on Williams  
4 Exhibit No. 2, the Set-Aside and Other Incremental Costs and the General  
5 Incremental Costs are calculated by customer class for the Company's NC  
6 Retail customers. The Set-Aside and Other Incremental Costs and General  
7 Incremental Costs are summed for the Test Period by customer class to show  
8 the total REPS cost assigned to the Company's NC Retail customers. The  
9 actual NC Retail revenues realized during the Test Period by customer class are  
10 then subtracted from the total REPS costs by customer class to arrive at the  
11 EMF for each class. In its November 30, 2020 *Order Approving REPS and*  
12 *REPS EMF Riders and 2019 REPS Compliance Report* in last year's DEP  
13 REPS Docket No. E-2, Sub 1251, the Commission approved monthly REPS  
14 charges effective as of December 1, 2020. In its December 4, 2020 *Order*  
15 *Approving Change in Billing Dates and Notice to Customers of Change in Rates*  
16 in the same docket, the Commission approved DEP's request to continue billing  
17 customers under the REPS charges approved in DEP's 2019 REPS rider Docket  
18 No. E-2, Sub 1205 for the period December 1, 2020 through December 6, 2020,  
19 and to true up the differences as part of DEP's 2021 rider proceedings. The  
20 Company complied with the Commission's order, and true-up amounts are  
21 included in its current EMF calculation at Williams Exhibit No. 2, page 2.

22 On Williams Exhibit No. 4, the total EMF over/under collection to be  
23 recovered from each customer class is adjusted to include any credits to  
24 customers not considered a refund of amounts advanced by customers, and then

1 divided by the total projected number of Duke Energy Progress NC Retail  
2 accounts within each customer class to arrive at the total EMF to be recovered  
3 from each account over the Billing Period. The monthly EMF for each  
4 customer class is one-twelfth of the total EMF.

5 **Q. DOES DUKE ENERGY PROGRESS DEFINE A “CUSTOMER” FOR**  
6 **PURPOSES OF REPS BILLING IN ACCORDANCE WITH THE**  
7 **COMMISSION’S ORDER ISSUED NOVEMBER 12, 2009 IN DOCKET**  
8 **NO. E-2, SUB 948?**

9 A. Yes. Consistent with the Commission’s order issued November 12, 2009 in  
10 Docket No. E-2, Sub 948, for purposes of REPS billing, a customer is defined  
11 as all accounts (metered and unmetered) serving the same customer of the same  
12 revenue classification located on the same or contiguous properties. If a  
13 customer has accounts that serve in an auxiliary role to a main account on the  
14 same premises, no REPS charge applies to the auxiliary accounts, regardless of  
15 their revenue classification. Upon written notification from the customer,  
16 accounts meeting these criteria are coded in the billing system to allow the  
17 customer to receive only one monthly REPS charge for all identified accounts.

18 **Q. DOES THE COMPANY PROJECT THE REPS CHARGE TO EACH**  
19 **CUSTOMER ACCOUNT FOR THE BILLING PERIOD TO BE WITHIN**  
20 **THE ANNUAL COST CAPS DEFINED IN N.C. GEN. STAT. § 62-133.8?**

21 A. Yes. In NC House Bill 589 (S.L. 2017-192), the General Assembly revised  
22 G.S. § 62-133.8(h)(4) to lower the annual cost cap for the Residential customer  
23 class from \$34.00 to \$27.00 in years subsequent to 2014, for cost recovery

1 proceedings initiated on or after July 1, 2017. Accordingly, the Company has  
 2 applied that revision to the cost caps in this cost recovery proceeding. As shown  
 3 in Williams Exhibit No. 4, the annual charge for each customer class, including  
 4 regulatory fee, is below the per-account cap as defined in N.C. Gen. Stat. § 62-  
 5 133.8.

6 **Q. HOW DOES DUKE ENERGY PROGRESS PROPOSE TO COLLECT**  
 7 **THE REPS CHARGES FROM EACH CUSTOMER CLASS?**

8 A. The Company proposes a fixed monthly charge be added to the bill for each  
 9 class of customer.

10 **Q. WHAT IS THE MONTHLY REPS CHARGE PROPOSED BY THE**  
 11 **COMPANY FOR EACH CUSTOMER CLASS?**

12 A. The Company proposes the following REPS charges to be effective December  
 13 1, 2021.

| Customer class | Per month – excluding regulatory fee | Per month – including regulatory fee | Annual – including regulatory fee | Annual per account cost cap |
|----------------|--------------------------------------|--------------------------------------|-----------------------------------|-----------------------------|
| Residential    | \$ 1.41                              | \$ 1.41                              | \$ 16.92                          | \$ 27.00                    |
| General        | \$ 7.39                              | \$ 7.40                              | \$ 88.80                          | \$ 150.00                   |
| Industrial     | \$ 49.38                             | \$ 49.44                             | \$ 593.28                         | \$ 1,000.00                 |

14

15 **Q. WHAT IS THE CHANGE IN THE MONTHLY REPS CHARGE**  
 16 **PROPOSED BY THE COMPANY FOR EACH CUSTOMER CLASS?**

17 A. The following tables show the proposed monthly REPS rider charges, and a  
 18 comparison to the monthly REPS rider charges currently in effect – with and  
 19 without the regulatory fee applied.

20

1 *Excluding regulatory fee*

| Customer class | Proposed       |                |                | Current  |         |         | Change  |           |         |
|----------------|----------------|----------------|----------------|----------|---------|---------|---------|-----------|---------|
|                | EMF            | Rider          | Total          | EMF      | Rider   | Total   | EMF     | Rider     | Total   |
| Residential    | <b>\$ 0.21</b> | <b>\$ 1.20</b> | <b>\$ 1.41</b> | \$ 0.00  | \$ 1.29 | \$ 1.29 | \$ 0.21 | \$ (0.09) | \$ 0.12 |
| General        | <b>\$ 0.42</b> | <b>\$ 6.97</b> | <b>\$ 7.39</b> | \$(0.74) | \$ 7.71 | \$ 6.97 | \$ 1.16 | \$ (0.74) | \$ 0.42 |
| Industrial     | <b>\$ 0.47</b> | <b>\$48.91</b> | <b>\$49.38</b> | \$(6.67) | \$54.49 | \$47.82 | \$ 7.14 | \$ (5.58) | \$ 1.56 |

2

3 *Including regulatory fee:*

| Customer class | Proposed       |                |                | Current  |         |         | Change  |           |         |
|----------------|----------------|----------------|----------------|----------|---------|---------|---------|-----------|---------|
|                | EMF            | Rider          | Total          | EMF      | Rider   | Total   | EMF     | Rider     | Total   |
| Residential    | <b>\$ 0.21</b> | <b>\$ 1.20</b> | <b>\$ 1.41</b> | \$ 0.00  | \$ 1.29 | \$ 1.29 | \$ 0.21 | \$ (0.09) | \$ 0.12 |
| General        | <b>\$ 0.42</b> | <b>\$ 6.98</b> | <b>\$ 7.40</b> | \$(0.74) | \$ 7.72 | \$ 6.98 | \$ 1.16 | \$ (0.74) | \$ 0.42 |
| Industrial     | <b>\$ 0.47</b> | <b>\$48.97</b> | <b>\$49.44</b> | \$(6.68) | \$54.56 | \$47.88 | \$ 7.15 | \$ (5.59) | \$ 1.56 |

4

5 **Q. PLEASE DESCRIBE THE EEC INVENTORY DETAILS PRESENTED**  
6 **IN WILLIAMS EXHIBIT NO. 5.**

7 A. Williams Exhibit No. 5 shows a reconciliation of the Company's EEC inventory  
8 balance available for REPS compliance as of December 31, 2020 as well as  
9 references to the evaluation, measurement and verification ("EM&V") reports  
10 the results of which are incorporated into current EEC balances. The Company  
11 annually determines the level of EECs generated and available for REPS  
12 compliance, and this update includes the results of any periodic EM&V  
13 performed to-date, adjustments identified during the Company's ongoing  
14 analysis of energy efficiency program effectiveness, as well as any other  
15 corrections. The updated cumulative level of EECs generated to date is  
16 compared to the number of EECs previously reported for compliance, less any  
17 EECs used for compliance, to determine the EECs to be added to inventory for  
18 the most recent calendar year. Williams Exhibit No. 5 shows the calculation

1 for EECs added to inventory for 2020, including details of the adjustments  
2 incorporated therein. Consistent with the Commission's January 17, 2017  
3 *Order Approving REPS and REPS EMF Rider and REPS Compliance Report*  
4 in the Duke Energy Progress REPS Docket No. E-2, Sub 1109, DEP continues  
5 to limit its ongoing recognition of EE savings initiated in a particular EE  
6 program year to the life of the measure or program as established in DEP's  
7 energy efficiency rider proceedings held pursuant to G.S. § 62-133.9.

8 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

9 A. Yes.