



Jack E. Jirak  
Associate General Counsel

Mailing Address:  
NCRH 20 / P.O. Box 1551  
Raleigh, NC 27602

o: 919.546.3257  
f: 919.546.2694

jack.jirak@duke-energy.com

May 28, 2020

**VIA ELECTRONIC FILING**

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

**RE: Duke Energy Carolinas, LLC's Rebuttal Testimony  
Docket No. E-7, Sub 1231**

Dear Ms. Campbell:

Please find enclosed Duke Energy Carolinas, LLC's Rebuttal Testimony of Bryan L. Sykes in the above-referenced proceeding.

If you have any questions, please do not hesitate to contact me. Thank you for your assistance with this matter.

Sincerely,

A handwritten signature in black ink that reads "Jack Jirak". The signature is written in a cursive, slightly slanted style.

Jack E. Jirak

Enclosure

cc: Parties of Record

OFFICIAL COPY

May 28 2020

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-7, SUB 1231

In the Matter of )  
)  
)  
Application of Duke Energy Carolinas, LLC )  
Pursuant to G.S. 62-110.8 and Commission )  
Rule R8-71 for Approval of CPRE )  
Compliance Report and CPRE Cost )  
Recovery Rider )

---

**REBUTTAL TESTIMONY  
OF BRYAN L. SYKES**

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

2 A. My name is Bryan L. Sykes, and my business address is 550 South Tryon  
3 Street, Charlotte, North Carolina. I am a Rates and Regulatory Strategy  
4 Manager for Duke Energy Carolinas, LLC (“DEC” or the “Company”).

5 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS**  
6 **PROCEEDING?**

7 A. Yes, I filed direct testimony and supplemental testimony on February 25,  
8 2020 and May 15, 2020, respectively, in this proceeding.

9 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

10 A. The purpose of my rebuttal testimony is to respond to the pre-filed direct  
11 testimony of Public Staff witness Jeff Thomas in this proceeding.

12 **Q. PLEASE PROVIDE AN OVERVIEW OF WITNESS THOMAS’**  
13 **TESTIMONY.**

14 A. Witness Thomas describes Public Staff’s review of the Company’s  
15 proposed CPRE rider and its Compliance Report. The Company  
16 appreciates the constructive dialogue with Public Staff regarding the  
17 Company’s filing and made a number of modifications to the CPRE rider  
18 and the Compliance Report based on such dialogue, as reflected in the  
19 Company’s supplemental filing on May 15, 2020. In addition, Witness  
20 Thomas recommended one adjustment to the CPRE Rider.

21 **Q. PLEASE DESCRIBE WITNESS THOMAS’ RECOMMENDED**  
22 **ADJUSTMENT TO THE CPRE RIDER.**

1 A. The only change to the CPRE Rider recommended by Witness Thomas  
2 relates to the allocation of CPRE implementation costs incurred during the  
3 Company's Extended Initial Test Period and projected to be incurred in the  
4 Billing Period, including internal labor and labor-related taxes and benefits,  
5 external consulting, independent administrator costs, T&D Sub-Team labor  
6 and labor-related costs in excess of fees collected from market participants.  
7 As contemplated by Rule R8-71(j)(2), the Company has sought to recover  
8 its CPRE implementation costs through its CPRE Rider (“...the  
9 Commission shall permit each electric public utility to charge an increment  
10 or decrement as a rider to its rates to recover in a timely manner the  
11 reasonable and prudent costs incurred and anticipated to be incurred to  
12 implement its CPRE Program and to comply with G.S. 62-110.8...”).  
13 While the Company had proposed that all such CPRE implementation costs  
14 be allocated to the North Carolina retail jurisdiction, Witness Thomas  
15 recommends the Company's CPRE implementation costs be allocated  
16 among the Company's North Carolina and South Carolina retail and  
17 wholesale customers in the same manner as CPRE energy and capacity  
18 costs.

19 **Q. PLEASE SUMMARIZE WHY THE COMPANY CONTINUES TO**  
20 **DISAGREE WITH WITNESS THOMAS' RECOMMENDATION.**

21 A. The Company's proposal to allocate CPRE implementation costs to North  
22 Carolina retail customers is consistent with both general cost causation  
23 principles and the manner in which program implementation costs have

1 historically been allocated in connection with North Carolina’s Renewable  
2 Energy and Energy Efficiency Portfolio Standard (“REPS”) and South  
3 Carolina’s Distributed Energy Resource Program (“SC DERP”).

4 **Q. PLEASE EXPLAIN HOW THE COST CAUSATION PRINCIPLES**  
5 **APPLY IN THIS CONTEXT.**

6 A. N.C. Gen. Stat. § 62-110.8 established the competitive procurement of  
7 renewable energy program in North Carolina for the purpose of adding  
8 renewable energy to the State’s generation portfolio in a manner that allows  
9 public utilities to continue to reliably and cost-effectively serve customers’  
10 future energy needs. The renewable resources procured through the CPRE  
11 Program will be supply-side system resources and will be used to supply  
12 electricity to the Company’s native load retail and wholesale customers.  
13 Because it is the combined demand of the Company’s native load retail and  
14 wholesale customers that is causing the Company to incur the energy and  
15 capacity costs, it is appropriate for all customers to bear such costs. That is,  
16 if the CPRE energy and capacity costs were not being incurred, there would  
17 be some alternative energy and capacity costs incurred to serve all native  
18 retail and wholesale customer load and such costs would similarly be  
19 allocated across all jurisdictions. Public Staff agrees that it is appropriate  
20 to allocate all of the capacity and energy cost across retail and wholesale  
21 customers and this treatment is consistent with allocation of the cost of  
22 energy and capacity up to avoided cost procured or produced in connection  
23 with REPS and SC DERP.

1 In contrast, the CPRE implementation costs are caused solely by the  
2 Company's obligation to comply with N.C. Gen. Stat. § 62-110.8 and  
3 Commission Rule R8-71. Stated differently, the implementation costs  
4 would not have been incurred "but for" the requirements of N.C. Gen. Stat.  
5 § 62-110.8 and Commission Rule R8-71, in contrast with the energy and  
6 capacity costs which would have incurred on a system basis even in the  
7 absence of the CPRE program. Commission Rule R8-71 requires the  
8 Company to develop and seek Commission approval of guidelines for the  
9 implementation of its CPRE Program, utilize an independent third-party  
10 administrator to administer the CPRE Program in accordance with N.C.  
11 Gen. Stat. § 62-110.8, file annual CPRE Program plans with the  
12 Commission covering the procurement remaining under the plan, and file  
13 annual CPRE Program Compliance Reports, along with the direct testimony  
14 and exhibits of expert witnesses. These tasks require the Company to incur  
15 costs, including through the utilization of both internal and external  
16 resources. Therefore, the cost causation principle supports the Company's  
17 proposed allocation of CPRE implementation costs to North Carolina retail  
18 customers.

19 **Q. PLEASE EXPLAIN HOW ALLOCATION OF IMPLEMENTATION**  
20 **COSTS IN CONNECTION WITH REPS AND SC DERP ALSO**  
21 **SUPPORTS THE COMPANY'S POSITION.**

22 A. Implementation costs for REPS and SC DERP have always been assigned  
23 solely to North Carolina and South Carolina retail, respectively. However,

1 the Company has not fundamentally based this allocation on an assessment  
2 of whether the implementation costs were or were not above the avoided  
3 cost. Instead, the implementation costs were separated and allocated simply  
4 on the basis of the cost causation principles above.

5  
6 In connection with NC REPS, N.C. Gen. Stat. § 62-133.8(h)(1) allows  
7 “incremental costs” incurred by an electric power supplier in excess of  
8 avoided costs to be recovered from its North Carolina retail customers. This  
9 approach also follows cost causation principles in that the renewable  
10 attribute that results in a premium above avoided cost is directly associated  
11 with achieving the objective of the REPS program, whereas the portion of  
12 the cost up to avoided cost is, as discussed above, allocated to all retail and  
13 wholesale customers because it is “caused” by the need to meet all such  
14 customers’ needs. But the Company’s allocation of implementation costs  
15 solely to the applicable jurisdiction has not historically been based on  
16 assessment of whether the implementation costs should be considered as  
17 part of the portion of the energy and capacity costs above or below avoided  
18 costs.

19  
20 The existence (or not) of an incremental cost premium (i.e., those costs  
21 above avoided cost) associated with a particular program should not take  
22 precedence over cost causation principles and become the determinative  
23 factor for direct assignment of implementation costs. Giving consideration

1 to the nature of the specific costs, and associated cost causation principles,  
2 the incremental costs that are specific to statutory requirements of a  
3 particular state are appropriately assigned to the specific state jurisdiction.  
4 For this reason, the Company continues to believe that it should be allowed  
5 to recover its CPRE Program implementation costs solely from North  
6 Carolina retail customers.

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

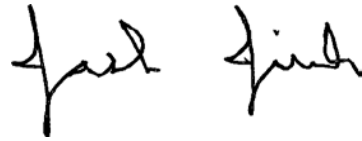
8 A. Yes.



**CERTIFICATE OF SERVICE**

I certify that a copy of Duke Energy Carolinas, LLC's Rebuttal Testimony, in Docket No. E-7, Sub 1231, has been served by electronic mail, hand delivery or by depositing a copy in the United States mail, postage prepaid to parties of record.

This the 28<sup>th</sup> day of May, 2020.

Handwritten signature of Jack E. Jirak in black ink.

---

Jack E. Jirak  
Associate General Counsel  
Duke Energy Corporation  
P.O. Box 1551/NCRH 20  
Raleigh, North Carolina 27602  
(919) 546-3257  
[Jack.jirak@duke-energy.com](mailto:Jack.jirak@duke-energy.com)