

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. E-2, SUB 1219

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	
Application of Duke Energy Progress, LLC, for )	ORDER APPROVING PUBLIC
Adjustment of Rates and Charges Applicable to) )	NOTICE OF INTERIM RATES
Electric Utility Service in North Carolina )	SUBJECT TO REFUND AND
)	FINANCIAL UNDERTAKING

BY THE COMMISSION: On October 30, 2019, Duke Energy Progress, LLC (DEP), filed an application for a general rate case in Docket No. E-2, Sub 1219 (Sub 1219). On November 14, 2019, the Commission issued its Order Establishing General Rate Case and Suspending Rates, which declared this proceeding to be a general rate case and suspended the proposed rates for up to 270 days.

The expert witness hearing in Sub 1219 was initially scheduled to begin on May 4, 2020. On March 10, 2020, Governor Roy Cooper issued Executive Order No. 116 declaring a State of Emergency because of the COVID-19 pandemic. As a result, the initial expert witness hearing was postponed. In subsequent orders the Commission addressed several aspects of procedure in Sub 1219.

On July 9, 2020, the Commission issued an Order Accepting Recommended Consolidated Issues for Remote Expert Witness Hearing and Postponing Separate Issue Hearings (Consolidated Hearing Order). The Consolidated Hearing Order identified the topics to be addressed by expert witness testimony in a consolidated hearing in Sub 1219 and the Application by Duke Energy Carolinas, LLC (DEC), for Adjustment of Rates and Charges Applicable to Electric Utility Service in North Carolina in Docket No. E-7, Sub 1214 (Sub 1214). The consolidated hearing in Subs 1214 and 1219 is scheduled to be held remotely beginning on August 24, 2020, with separate hearings on the separate topics in DEC's and DEP's applications to be set by subsequent order.

On August 7, 2020, DEP filed a Motion for Approval of Notice Required by N.C. Gen. Stat. § 62-135 to Implement Temporary Rates, Subject to Refund, and Authorization of EDIT Riders (Temporary Rates Motion). In summary, the motion stated that DEP intends to exercise its statutory right under N.C.G.S. § 62-135 to place into effect temporary rates pending a final order by the Commission approving permanent rates. DEP further stated that the temporary rates sought to be recovered, subject to refund, are based on and consistent with the base rate component of the Second Agreement and Stipulation of Partial Settlement (Second Partial Settlement) with the Public Staff, filed on July 31, 2020, and exclude the following litigated items: the recovery of deferred coal ash compliance costs subject to asset retirement obligation accounting and implementation

of new depreciation rates. DEP states that the Company will not begin the amortization or implementation of these items until a final order is issued in the rate case and new permanent base rates are implemented. DEP also stated that in order to implement temporary rates on September 1, 2020, notice must be provided to the Commission and customers by August 21, 2020, pursuant to N.C.G.S. § 62-135(a), and that to assure compliance with the statute DEP was providing notice to the Commission of its intent to place its increased rates and charges into effect on a temporary basis on or after September 1, 2020. Further, DEP stated that it will notify customers by publishing a Public Notice of Interim Rates (Public Notice) in newspapers of general circulation in its service territory ten days prior to the effective date of the temporary rates.

In addition, DEP stated that it seeks authorization to place a temporary decrement Excess Deferred Income Tax Rider (EDIT-2 Rider) into effect on or after September 1, 2020, in order to (1) offset the effect of the temporary rate increase in light of the current COVID-19 pandemic, and (2) maintain rate stability and consistency from the period during which temporary rates are anticipated to be in effect to the date when permanent rates approved by the Commission will become effective. DEP stated that the temporary EDIT-2 Rider is separate from and not representative of the EDIT-2 Rider proposed in the rate case and is not based on the terms agreed to in the Second Partial Settlement. According to DEP, the temporary EDIT-2 Rider will expire and the proposed EDIT-2 Rider consistent with the Second Partial Settlement, if approved by the Commission, will be implemented and effective once an order is received and permanent rates are implemented in this case. The proposed EDIT-2 Rider will be adjusted for EDIT returned through the temporary EDIT-2 Rider as shown in Smith Second Partial Settlement Exhibit 4. Moreover, DEP stated that the Public Staff has reviewed and provided input to DEP's revised Public Notice and requested rate authorization and does not object to the form of the revised Public Notice or DEP's request to implement a temporary EDIT-2 Rider. Finally, DEP requested Commission approval of the Public Notice (attached as Attachment A to its motion) before August 14, 2020, in order for the Company to implement the temporary rates and charges on or after September 1, 2020.

In a separate filing on August 7, 2020, DEP filed an Undertaking of Duke Energy Progress, LLC. In summary, DEP stated that the financial undertaking attached to DEP's filing is intended by DEP to secure the obligation of DEP to refund to its customers any amount of temporary rates that may be finally determined by the Commission to be excessive, plus up to 10% interest per annum. In addition, DEP stated that the financial undertaking also secures the obligation of DEP to make refunds in a manner consistent with any terms and conditions imposed by the Commission. DEP requested approval of its proposed financial undertaking on or before August 14, 2020, in order for DEP to make the necessary changes to its billing system to implement the temporary rates and charges on or after September 1, 2020. Finally, DEP stated that the Public Staff has reviewed the financial undertaking and does not object to its form or to DEP's request in its motion.

Based on the record in these dockets and DEP's motions, revised Public Notice, and financial undertaking, the Commission finds good cause to approve DEP's Public Notice and DEP's financial undertaking.

DEP further requested Commission approval of its proposed temporary EDIT-2 Rider. However, the Commission deems the temporary EDIT-2 Rider to be part and parcel of the temporary rates being implemented by DEP under the authority granted to public utilities pursuant to N.C.G.S. § 62-135. As such, implementation of the temporary EDIT-2 Rider is not subject to the approval or disapproval of the Commission.

IT IS, THEREFORE, ORDERED as follows:

1. That the financial undertaking filed by Duke Energy Progress, LLC, on August 7, 2020, shall be, and is hereby, approved;

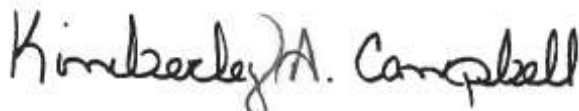
2. That Duke Energy Progress, LLC, shall be, and is hereby, obligated to refund to its customers any amount of temporary rates made effective on or after the date of this Order that are finally determined by the Commission to be excessive, plus up to 10% interest per annum, and to make any refunds in a manner consistent with any additional terms and conditions imposed by the Commission in subsequent orders; and

3. That the Public Notice of Temporary Rates shall be, and is hereby, approved in the form attached hereto as Attachment A.

ISSUED BY ORDER OF THE COMMISSION.

This the 11th day of August, 2020.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "Kimberley A. Campbell". The signature is written in a cursive, flowing style.

Kimberley A. Campbell, Chief Clerk

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

**DOCKET NO. E-2, SUB 1219**

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of  
Application of Duke Energy Progress, LLC, for     )  
Adjustment of Rates and Charges Applicable     )  
to Electric Service in North Carolina            )

PUBLIC NOTICE OF  
TEMPORARY RATES

NOTICE IS HEREBY GIVEN that on or after September 1, 2020, Duke Energy Progress, LLC (DEP or Company), intends to implement increased rates and charges on a temporary basis, subject to refund, pursuant to authority granted to the Company under N.C. Gen. Stat. § 62-135. The statute authorizes public utilities to implement temporary rates, subject to refund, under certain conditions. The statute does not require the approval of such temporary rates by the North Carolina Utilities Commission.

The temporary increase to be implemented by DEP will reflect an increase in base revenues of approximately \$206.1 million annually. The Company is also implementing a temporary Excess Deferred Income Tax Rider (EDIT-2 Rider) on or after September 1, 2020, which will offset the base rate increase by returning approximately \$206.1 million annually of deferred federal and state tax liability to customers. The temporary EDIT-2 Rider will not be subject to refund.

On October 30, 2019, DEP filed its Application to Adjust Retail Rates, Request for An Accounting Order and to Consolidate Dockets with the Commission pursuant to N.C. Gen. Stat. §§ 62-133 and 62-134 requesting authority to adjust and increase its general rates and charges for retail electric service in North Carolina, effective November 29, 2019 (Application). The Application requested a net base rate increase in the Company's retail revenues of approximately \$585.9 million. The Application also proposed an EDIT Rider, to refund certain tax benefits resulting from the Federal Tax Cuts and Job Act (Tax Act), partially offsetting the requested rate increase by \$120.2 million. Thus, the Application proposed a net revenue increase of \$463.6 million equaling an approximate overall 12.3% increase in annual revenues. In addition, the Application notified the Commission of the Company's intent to update its Application with estimates of changes to revenues, expenses, rate base, and cost of capital up to the time the hearing is closed. Assuming that the Commission would suspend the proposed rates, DEP requested that rates become effective by no later than September 1, 2020.

On March 13, 2020, the Company filed supplemental direct testimony and exhibits to reflect known changes to test period rate base, operating revenue, operating expense, and operating income through January 31, 2020.

On March 24, 2020, in response to a request by the Public Staff for an extension of time to file testimony, the Commission issued an Order Suspending Procedural Schedule and Continuing Hearing sua sponte suspending the procedural schedule and continuing the expert witness hearing scheduled to begin on May 4, 2020, due to the continuing uncertainty surrounding the COVID-19 Pandemic.

On April 3, 2020, the Company filed a motion requesting that the Commission issue an order addressing several procedural issues, including ordering the partial resumption of the procedural schedule. The Company's motion also gave notice of its prospective waiver of its right to seek to implement its original proposed rates by operation of N.C.G.S. § 62-134(b) in the event that the postponement of the hearing renders it infeasible for the Commission to issue an order prior to the rate suspension period under N.C.G.S. § 62-134, subject to the Company's right to implement temporary rates under N.C. Gen. Stat. § 62-135 and to seek appropriate accounting treatment relief thereof.

On April 7, 2020, the Commission issued its Order Addressing Procedural Matters, which, among other things, found good cause to partially resume the procedurally schedule in this case and accept the Company's prospective waiver of its right to seek to implement its original proposed rates by operation of N.C. Gen. Stat. § 62-134(b) in the event that the postponement of the hearing renders it infeasible for the Commission to issue an order prior to the rate suspension period under N.C. Gen. Stat. § 62-134.

On June 2, 2020, the Company filed an Agreement and Stipulation of Partial Settlement with the Public Staff. Because of the Agreement and Stipulation of Partial Settlement, the Company requested an updated revenue increase from base rates of \$412.8 million, and that customer rates be reduced by \$91 million through its proposed riders. These updated rates would result in a net proposed increase in revenue of \$321.6 million, a \$142 million reduction from the amount proposed in the Company's Application.

On June 17, 2020, the Commission issued its Order Adopting Procedures for Expert Witness Hearings in the present docket and in Docket No. E-7, Sub 1214, the general rate case application of Duke Energy Carolinas, LLC (DEC). Among other things, the order scheduled a consolidated expert witness hearing to commence on July 27, 2020, for the purpose of considering testimony on topics for which the evidence is identical in both the DEC and DEP cases, to be followed by a separate DEC hearing and separate DEP hearing.

On July 2, 2020, DEP filed its Second Supplemental Direct Testimony and Exhibits of Kim H. Smith and Second Supplemental Direct Testimony of Michael J. Pirro updating its proposed revenue requirement to incorporate known and measurable changes through May 31, 2020. In summary, the Company's supplemental testimony explained that DEP requested a revenue increase from base rates of \$389.4 million. In addition, the Company requested that customer rates be reduced by \$79.8 million through its two proposed EDIT riders and Regulatory Asset and Liability rider. As a result of these updates, the Company proposed a net increase in revenue of \$309.6 million, \$154.0 million less than the amount initially proposed in the Company's Application.

On July 31, 2020, the Company filed a Second Settlement Agreement and Stipulation of Partial Settlement with the Public Staff. Based on the proposed Second Partial Settlement, the Company requests an updated revenue increase from base rates of approximately \$409 million, to be reduced by \$147 million through its proposed riders. These updated rates result in an approximate net proposed increase in revenue of \$262 million, a \$202 million reduction from the amount proposed in the Company's Application.

The temporary rates being implemented by DEP under the authority of N.C.G.S. § 62-135 are not final rates and remain subject to the Commission's final determination of the just and reasonable rates to be charged by Duke Energy Progress, LLC on a permanent basis. On August 11, 2020, the Commission issued an Order approving Duke Energy Progress, LLC's financial undertaking to make refund to customers of any amount of temporary rates determined by the Commission in its final order to be excessive.

The Commission has held public hearings on the Company's application in Rockingham on February 27, 2020, Raleigh on March 2, 2020, Wilmington on March 3, 2020 and Snow Hill on March 4, 2020, and in Asheville on March 12, 2020.

#### **EFFECT OF TEMPORARY RATE CHANGE<sup>1</sup>**

<b>Customer Class</b>	<b>Present Revenues with all Riders</b>	<b>Proposed Revenues with all Riders</b>	<b>Percentage Change</b>
Residential	\$1,953,518,334	\$1,953,518,334	0.0%
Small General Service	\$257,169,820	\$257,169,820	0.0%
Small General Service – Constant Load	\$4,632,051	\$4,632,051	0.0%
Medium General Service	\$949,839,960	\$949,824,943	0.0%
Large General Service	\$573,354,503	\$573,345,341	0.0%
Seasonal and Intermittent Service	\$5,428,873	\$5,428,873	0.0%
Traffic Signal	\$556,523	\$556,523	0.0%
Outdoor Lighting	\$92,900,350	\$92,900,350	0.0%
Sports Field Lighting Service	\$216,540	\$216,540	0.0%
<b>Overall</b>	<b>\$3,837,616,954</b>	<b>\$3,837,592,774</b>	<b>0.0%</b>

The increases within the above-listed rate classes vary depending on individual rate schedule.

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<sup>1</sup> The Effect of Temporary Rate Change table shows the revenue increase resulting from the implementation of interim rates based on test year sales. Both revenue columns include revenues associated with the Company's various riders in effect as of October 1, 2019. Those riders include: Demand Side Management and Energy Efficiency Rider, Renewable Portfolio Standard Rider, Joint Agency Asset Recovery Rider, Experience Modification Fuel Rider, Excess Deferred Income Tax Rider EDIT-1, and Fuel EMF Deficiency Rider. Additionally, the proposed revenue column includes the Excess Deferred Income Tax Rider EDIT-2.

## EFFECT OF RATES<sup>2</sup>

For existing residential customers served under Schedule RES, the proposed rates (including the effects of all riders) would change the bill of a residential customer using 1,000 kWh per month, as follows:

Existing	Proposed	Change (\$)	Change
(\$/month)	(\$/month)	(\$/month)	(%)
\$120.44	\$120.44	\$0.00	0.0%

The dollar amount and percentage change noted above will vary with each customer's level of electricity usage and the rate schedule by which they receive service.

## PROPOSED RATE DESIGN/RATE SCHEDULE CHANGES

The Temporary Rate Change will not include certain modifications to the Company's tariffs, as initially requested in the Company's application. The Company will defer implementation of the following changes until final approval is received from the Commission: Proposed service charge changes in the Company's Service Regulations, significant wording changes in the Company's Streetlight Service Regulations and accompanying wording changes in the outdoor lighting rate schedules, the non-residential bill due date change from fifteen days to twenty-five days, implementation of Rider RAL, and minor clarifying edits to the Company's Distribution Line Extension Plan and the Service Regulations. These changes are proposed to become effective when permanent rates become effective as approved by the Commission.

## OTHER MATTERS

A list of present rates, together with details of the Temporary Rates Change, can be obtained at the business offices of DEP or at the Office of the Chief Clerk of the North Carolina Utilities Commission, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina, where a copy of the application is available for review. These materials, as well as pleadings, the pre-filed testimony and exhibits of all parties, the transcripts of all hearings, briefs, and proposed orders, may be viewed as they become available on the Commission's web site at [www.ncuc.net](http://www.ncuc.net). Click on "Docket Search" and search for Docket No. E-2 SUB 1219.

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<sup>2</sup> The Effect of Rates table shows the change in bill of a residential customer using 1,000 kWh per month on Schedule RES. Both the Existing and Proposed columns include the Company's various riders in effect October 1, 2019. Those riders include: Demand Side Management and Energy Efficiency Rider, Renewable Portfolio Standard Rider, Joint Agency Asset Recovery Rider, Experience Modification Fuel Rider, Excess Deferred Income Tax Rider EDIT-1, and Fuel EMF Deficiency Rider. Additionally, the proposed column includes the Excess Deferred Income Tax Rider EDIT-2.

In addition, a detailed list that compares DEP's present and proposed rates is available on the Public Staff Electric Division's website at: <http://files.nc.gov/pubstaff/DE2019ratecase.pdf>

Persons desiring to send written statements to inform the Commission of their positions in the matter should address their statements to the North Carolina Utilities Commission, 4325 Mail Service Center, Raleigh, North Carolina 27699-4300 and reference Docket No. E-2, Sub 1219. Customers can also email the Commission a statement about DEP's rate request via the Commission's website at <https://www.ncuc.net/contactus.html>. In either case, consumer statements will be placed in Docket No. E-2, Sub 1219CS and may be accessed by searching that docket number via the Commission's website.

The Public Staff is authorized by statute to represent consumers in proceedings before the Commission. Written statements to the Public Staff should include any information which the writers wish to be considered by the Public Staff in its investigation of the matter. Such statements should be addressed to: Mr. Christopher J. Ayers, Executive Director, Public Staff-NC Utilities Commission, 4326 Mail Service Center, Raleigh, North Carolina 27699-4300

The Attorney General is also authorized by statute to represent consumers in proceedings before the Commission. Written statements may be emailed to [utilityAGO@ncdoj.gov](mailto:utilityAGO@ncdoj.gov). Written statements may also be mailed to: The Honorable Josh Stein, Attorney General of North Carolina, c/o Consumer Protection – Utilities, 9001 Mail Service Center, Raleigh, North Carolina 27699-9001

This the 11th day of August, 2020.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "Kimberley A. Campbell". The signature is written in a cursive, flowing style.

Kimberley A. Campbell, Chief Clerk

**NOTE TO PRINTER:** DEP shall pay advertising costs. It is required that an Affidavit of Publication be filed with the Commission by DEP.