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July 25, 2022

VIA ELECTRONIC FILING

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

**RE: Joint Proposed Order of Duke Energy Carolinas, LLC and the Public
Staff
Docket No. E-7, Sub 1262**

Dear Ms. Dunston:

Enclosed for filing with the Commission is the Joint Proposed Order of Duke Energy Carolinas, LLC, and the Public Staff in the referenced matter. An electronic copy is being emailed to briefs@ncuc.net.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ladawn S. Toon", written in a cursive style.

Ladawn S. Toon

Enclosure

cc: Parties of Record

OFFICIAL COPY

JUL 25 2022

Christina D. Cress, Bailey & Dixon, LLP, P.O. Box 1351,
Raleigh, North Carolina 27602

For the North Carolina Sustainable Energy Association:

Peter H. Ledford and Taylor Jones, 4800 Six Forks Road, Suite
300, Raleigh, North Carolina 27609

For the Using and Consuming Public:

Robert Josey, Public Staff – North Carolina Utilities
Commission, 4326 Mail Service Center, Raleigh, North
Carolina 27699-4300

BY THE COMMISSION: On March 1, 2022, Duke Energy Carolinas, LLC (DEC, or the Company) filed an application pursuant to N.C. Gen. Stat. § 62-110.8 and Commission Rule R8-71 for Approval of CPRE Compliance Report and CPRE Cost Recovery Rider, along with the direct testimony and exhibits of Christy J. Walker, Rates and Regulatory Strategy Manager, and Angela M. Tabor, Renewable Compliance Manager with the Business & Compliance Department (Application).¹ The testimony of witness Tabor included the DEC Competitive Procurement of Renewable Energy (CPRE) Compliance Report for calendar year 2021 as Exhibit No. 1 (CPRE Compliance Report).

Petitions to intervene were filed by Carolina Utility Customers Association, Inc. (CUCA) on March 7, 2022; by North Carolina Sustainable Energy Association (NCSEA) on March 10, 2022; and by Carolina Industrial Group for Fair Utility Rates III (CIGFUR III) on March 15, 2022. The Commission granted CUCA's petition to

¹ The regulatory fee included in the Company's Application was the previously effective regulatory fee of 0.13%; however, pursuant to the Commission's *June 30, 2022 Order Increasing Regulatory Fee Effective July 1, 2022*, the regulatory fee for noncompetitive jurisdictional revenues is now 0.14%. This change in regulatory fee had no impact on the amounts presented in the Company's Application.

intervene on March 8, 2022; NCSEA's petition to intervene on March 11, 2022; and CIGFUR's petition to intervene on March 16, 2022. The intervention of the Public Staff is recognized pursuant to N.C. Gen. Stat. § 62-15(d) and Commission Rule R1-19(e).

On March 10, 2022, the Commission issued an *Order Requiring Update on the Status of Bid B*, to be filed within five business days of the issuance of this Order.

On March 14, 2022, the Commission issued an *Order Scheduling Hearing, Requiring Filing of Testimony, Establishing Discovery Guidelines, and Requiring Public Notice* in which the Commission set this matter for hearing; established deadlines for the submission of intervention petitions, intervenor testimony, and DEC rebuttal testimony; required the provision of appropriate public notice; and mandated compliance with certain discovery guidelines.

On March 17, 2022, DEC filed an Update on Status of PPA Offer to Bid B.

On May 2, 2022, DEC filed the supplemental testimony and exhibit of witness Tabor. The supplemental testimony of witness Tabor presented a revised Tranche 3 Winner's Fee and the Updated 2021 CPRE Compliance Report compliant with NCUC Commission Rule R8-7(h). DEC also filed a Final Update on Status of PPA Offer to Bid B.

On May 17, 2022, the Public Staff filed the affidavit of Lynn Feasel, Financial Analyst III, Accounting Division, and testimony of Jeff Thomas, Engineer, Engineering Division, recommending approval of the Company's revised rates set forth in DEC's supplemental testimony and exhibits.

On May 26, 2022, DEC filed the rebuttal testimony of Angela M. Tabor responding to the Public Staff's request that the Company provide suggestions on how the CPRE shortfall should be resolved.

On May 31, 2022, the Commission issued an *Order Providing Notice of Commission Questions and Requiring Supplemental Exhibits*, requesting Ms. Feasel to file two additional exhibits.

On June 3, 2022, the Public Staff filed Supplemental Exhibits of Ms. Feasel.

Also, on June 3, 2022, DEC filed Affidavits of Publication indicating that the public notice had been provided in accordance with the Commission's procedural order.

On June 7, 2022, a hearing was held to take public witness testimony and to receive expert witness testimony into the record.

On July 25, 2022, DEC and the Public Staff filed a Joint Proposed Order.

Based upon the Company's verified Application, the testimony, workpapers and exhibits received into evidence and the record as a whole, the Commission makes the following findings of fact:

FINDINGS OF FACT

1. DEC is a duly organized limited liability company existing under the laws of the State of North Carolina, is engaged in the business of developing, generating, transmitting, distributing, and selling electric power to the public in North Carolina, and is subject to the Commission's jurisdiction as a public utility. DEC is lawfully before this Commission based upon its application filed pursuant to N.C.G.S. § 62-110.8 and Commission Rule R8-

71.

2. The test period for purposes of this proceeding is the 12-month period beginning on January 1, 2021, and ending on December 31, 2021 (test period or EMF period).² The billing period for this proceeding is the 12-month period beginning on September 1, 2022, and ending on August 31, 2023.

3. In DEC's Application, direct testimony, and supplemental testimony (including workpapers and exhibits), it identified system level costs and revenues attributable to the test period as follows: \$5,332,175 in charges for purchased and generated power; \$567,542 in CPRE Program implementation costs (including \$204,048 of excess Independent Administrator fees (IA)); \$6,172,692 in revenues; and \$70,000 in onetime revenues associated with contract fees collected from CPRE Program market participants (MPs) in 2021. Of these system level charges and revenues, DEC proposed to credit \$2,216,022 the difference between CPRE Program costs allocated to the North Carolina retail customers and CPRE Program rider revenues collected from the North Carolina retail customer classes in the test period, back to North Carolina retail customers. Also, DEC proposed a credit of \$46,946, the North Carolina retail customers' allocable share of the above-mentioned onetime system revenues associated with contract fees collected from MPs in 2021.

4. DEC's purchased or generated power costs and the CPRE implementation charges for the test period were reasonably and prudently

² EMF is an abbreviation of Experience Modification Factor.

incurred.

5. The North Carolina retail jurisdictional allocation factors related to the capacity and energy components of purchased and generated power costs incurred during the test period in this proceeding were 66.98% and 67.09%, respectively. The capacity component was based on the 2020 production plant allocator,³ and the energy component was based on test period sales. Similarly, the North Carolina retail class allocation factors related to the capacity and energy components of purchased and generated power costs incurred during the test period in this proceeding were based on the 2020 production plant and test period sales for each class, respectively. The North Carolina retail class allocation factors related to implementation charges incurred during the test period were based on a composite rate calculated as the weighted average of the capacity and energy components of purchased and generated power.

6. The North Carolina retail test period sales used in calculating the EMF rider component are 58,067,961 MWh. The adjusted North Carolina retail customer class MWh sales were as follows:

<u>N.C. Retail Customer Class</u>	<u>Adjusted MWh Sales</u>
Residential	22,424,524
General Service/Lighting	23,396,396
<u>Industrial</u>	<u>12,247,042</u>
Total	58,067,961

³ The capacity component of purchased power and generation cost was allocated to NC Retail and among customer classes based on the final 2020 cost of service production plant allocators since the 2021 cost of service study was not available at the time of filing.

7. In DEC's direct testimony, including exhibits, it requested \$23,271,430 in billing period charges anticipated to be incurred for purchased and generated power and ongoing implementation costs.

8. The North Carolina retail jurisdictional allocation factors related to the capacity and energy components of purchased and generated power costs anticipated to be incurred during the billing period in this proceeding are 66.98% and 66.08%, respectively. The capacity component is based on the 2020 production plant, and the energy component is based on projected billing period sales. Similarly, the North Carolina retail class allocation factors related to the capacity and energy components of purchased and generated power costs anticipated to be incurred during the billing period in this proceeding are based on the 2020 production plant⁴ and projected billing period sales for each class, respectively. The North Carolina retail class allocation factors related to implementation charges anticipated to be incurred during the billing period are based on a composite rate calculated as the weighted average of the capacity and energy components of purchased and generated power.

9. The projected billing period sales for use in this proceeding are 58,234,434 MWh on a North Carolina retail basis. The projected billing period North Carolina retail customer class MWh sales are as follows:

<u>N.C. Retail Customer Class</u>	<u>Adjusted MWh Sales</u>
Residential	22,809,193
General Service/Lighting	23,222,537
<u>Industrial</u>	<u>12,202,704</u>
Total	58,234,434

⁴ *Id.*

10. DEC's North Carolina retail onetime revenue credits and over-recovery of costs for the test period, or EMF period, amount to \$2,262,968, excluding interest and the regulatory fee, as set forth on Walker Exhibit 4. These onetime revenue credits and over-recovery by customer class are \$860,682 for the Residential class, \$924,941 for the General Service/Lighting class, and \$477,345 for the Industrial class.

11. The appropriate EMF rider component to be credited to customers are (0.0044) cents per kWh for the Residential class, (0.0047) cents per kWh for the General Service/Lighting class, and (0.0045) cents per kWh for the Industrial class, including interest related to the overcollection (excluding the regulatory fee).

12. The appropriate North Carolina retail prospective billing period expenses, as adjusted and set forth on Walker Exhibit 3, total \$23,271,430. The appropriate prospective billing period expenses for use in this proceeding are \$9,407,758 for the Residential class, \$9,176,066 for the General Service/Lighting class, and \$4,687,606 for the Industrial class.

13. The appropriate monthly prospective rider component to be charged to customers are 0.0412 cents per kWh for the Residential class, 0.0395 cents per kWh for the General Service/Lighting class, and 0.0384 cents per kWh for the Industrial class, excluding the regulatory fee.

14. The appropriate combined monthly EMF rate component and prospective rate component to be collected during the billing period are 0.0368 cents per kWh for the Residential class, 0.0348 cents per kWh for the General

Service/Lighting class, and 0.0339 cents per kWh for the Industrial class, excluding the regulatory fee.

15. The increase in costs DEC proposes to recover with its proposed CPRE Program Rider and EMF Rider are within the limit established in N.C.G.S. § 62-110.8.

16. The 2021 CPRE Compliance Report provides adequate information that satisfies the requirements of Commission Rule R8-71(h), and for the reporting period, DEC implemented the CPRE Program in compliance with the requirements of N.C.G.S. § 62-110.8. In accordance with Commission Rule R8-71(g), DEC shall file its annual CPRE Program Plan, together with Duke Energy Progress, LLC (DEP) with the Commission by September 1, 2022, providing an update on the status of Tranche 3 and the Company's compliance with N.C.G.S. § 62-110.8.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT

NO. 1

This finding of fact is essentially informational, procedural, and jurisdictional in nature and is uncontroverted.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT

NO. 2

The evidence for this finding of fact is contained in the direct testimony and exhibits of DEC witness Walker.

Pursuant to N.C.G.S. § 62-110.8, 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 and to recover the authorized revenue of any utility-owned assets that are procured through an annual rider approved by the Commission and reviewed annually. Commission Rule R8-71 prescribes that unless otherwise ordered by the Commission, the test period for each electric public utility shall be the same as its test period for purposes of Rule R8-55. The test period for purposes of Rule R8-55 is the 12 months ending December 31. Witness Walker testified that for purposes of this proceeding, DEC's proposed rider includes both an EMF rider component to adjust for the difference in DEC's costs incurred compared to revenues realized during the EMF test period, as well as a rider component to collect costs forecasted to be incurred during the prospective 12-month period over which the proposed CPRE Program rider will be in effect.

DEC's proposed test period is the 12 months beginning on January 1, 2021, and ending on December 31, 2021, and the proposed billing period for the CPRE Program rider is the 12 months beginning on September 1, 2022, and ending on August 31, 2023.

The test period and the billing period proposed by DEC were not challenged by any party. Based on the foregoing, the Commission concludes that DEC used the appropriate test period and billing period in this proceeding.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF

FACT NOS. 3-4

The evidence for these findings of fact is contained in the direct testimony and exhibits of DEC witnesses Walker and Tabor, the testimony and exhibits of Public Staff witness Thomas, and the affidavit of Public Staff witness Feasel.

On Walker Exhibit No. 1, DEC witness Walker identifies \$5,332,175 on a system basis of purchased power costs and authorized revenue for DEC-owned facilities during the EMF period. As stated in the testimony of witness Walker, these costs originate from one DEC-owned facility achieving commercial operation during the EMF period and a second providing precommercial generation during testing. On Walker Exhibit No. 2, DEC witness Walker set forth the per books implementation charges of \$567,542 incurred by DEC on a system basis to implement the CPRE Program during the test period.

Walker Exhibit 4 evidences \$3,956,669 in costs incurred during the EMF period that were allocated to the North Carolina retail jurisdiction and \$6,172,692 in CPRE Program rider revenues collected during the EMF period, resulting in an overcollection of \$2,216,022.

Witness Walker also testified that DEC received \$70,000 in onetime revenues associated with contract fees collected from CPRE Program MPs in 2021. She further testified as to DEC's proposal that North Carolina retail customers be credited with \$46,946, their allocable share, through the proposed EMF rider component.

DEC witness Tabor testified regarding DEC's actions to implement the

CPRE Program and comply with the CPRE Program requirements of N.C.G.S. § 62-110.8, as described in DEC's CPRE Compliance Report. She also testified about additional IA fees incurred after the conclusion the IA's administration of CPRE Tranches 1 and 2. Witness Tabor stated that these fees stem from the IA's participation in unanticipated Commission proceedings and litigation related to CPRE Tranches 1 and 2 – not from Tranche 1 or 2 CPRE Program implementation. Due to the timing of when these expenses were incurred by the IA and subsequently invoiced to DEC, they were not recoverable from bidders or Tranche 1 and Tranche 2 winners. She testified that the Company therefore considers these limited IA fees to be appropriate for recovery through the CPRE Rider. Witness Tabor also testified that DEC considered the concerns from Tranche 1 and Tranche 2, and the Company did increase the amount that it would collect for Winner's Fees.

Public Staff witness Thomas discussed the system-level expenses sought to be recovered by DEC, but he did not recommend any adjustments to the system-level expenses.

Public Staff witness Feasel testified as to the procedures taken by the Public Staff to evaluate whether DEC properly determined its per books CPRE Program costs and revenues during the test period. Witness Feasel did not recommend any adjustments to the proposed EMF rider component. No parties challenged the prudence of the total amount of \$2,262,968, which excludes interest, that DEC is requesting to credit back to customers.

Prior to the hearing, the Public Staff filed two late-filed exhibits in

response to the Commission's Order Providing Notice of Commission Questions and Requiring Supplemental Exhibits. Feasel Confidential Supplemental Exhibit 1 contained an itemized account of the IA activities underlying the costs included for recovery in this proceeding. Feasel Confidential Supplemental Exhibit 2 contained the total fees collected from MPs eligible to cover IA fees, the total IA fees to date, and the percentage by which the total IA fees to date exceed the total fees collected from the MPs, both cumulatively and by tranche.

Public Staff witness Thomas stated that the Energy Division of the Public Staff had been relatively closely involved with CPRE Tranche 3 and the entire CPRE Program process. He stated that the Public Staff has an understanding of how much time the IA has spent working on certain aspects of Tranche 3, developing the Tranche 3 RFP, and the stakeholder meetings that had been held. He further stated that the Energy Division had assisted the Accounting Division in reviewing the IA invoices, and that the Public Staff reviewed the IA invoices on a monthly basis. Public Staff witness Feasel additionally testified that the Public Staff Legal Division had also reviewed the IA invoices related to the Stanley and Orion disputes arising out of the CPRE Program, and that in part based on advice from the Public Staff's Legal Division, the Public Staff believed these fees were reasonable and a recoverable expense. Public Staff also testified that it would continue to monitor any invoices recorded after December 31, 2021, to determine the appropriateness of such IA fees.

The Commission concludes that the \$2,262,968 North Carolina retail level overcollection and onetime revenue credits collected by DEC during the

EMF period for the CPRE program were reasonably and prudently incurred and are appropriate to be credited back to customers by DEC.

Further, the Commission notes that DEC's CPRE implementation charges of \$567,542 include \$204,048 of excess Independent Administrator Fees. Pursuant to N.C.G.S. § 62-110.8(d) the CPRE Program must be administered by an independent, third-party administrator. The IA's "reasonable and prudent administrative and related expenses incurred to implement [the CPRE Program] shall be recovered from market participants through administrative fees levied upon those that participate in the competitive bidding process, as approved by the Commission." N.C.G.S. § 62-110.8(d). Commission Rule R8-71(d)(10) provides that:

The Independent Administrator's fees shall be funded through reasonable proposal fees collected by the electric public utility. The electric public utility shall be authorized to collect proposal fees up to \$10,000 per proposal to defray its costs of evaluating the proposals. In addition, the electric public utility may charge each participant an amount equal to the estimated total cost of retaining the Independent Administrator divided by the reasonably anticipated number of proposals. To the extent that insufficient funds are collected through these methods to pay of the total cost of retaining the Independent Administrator, the electric public utility shall pay the balance and subsequently charge the winning participants in the CPRE RFP Solicitation.

As explained by DEC witness Tabor and Public Staff witnesses Thomas and Feasel, DEC has incurred additional IA fees above the amounts recovered by MPs. Although the Commission believes these amounts should have been recovered by MPs, the Commission finds persuasive the testimony of DEC witness Tabor and Public Staff witnesses Thomas and Feasel that DEC made reasonable efforts to recover IA fees from MPs, and that in this particular

instance, it is reasonable for the Company to recover these excess IA fees through the CPRE Rider. In doing so, however, the Commission reiterates that DEC should seek to recover all IA fees from MPs in accordance with N.C.G.S. § 62-110.8(d), and that the Public Staff should continue to monitor the IA's fees with scrutiny.

Based on the foregoing, the Commission concludes in its discretion that it is reasonable and appropriate for DEC to recover the excess IA fees through the CPRE Rider.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT

NO. 5

The evidence for this finding of fact is contained in the testimony and exhibits of DEC witness Walker and the affidavit of Public Staff witness Feasel.

In Walker Exhibit 4, DEC witness Walker provided DEC's North Carolina retail jurisdictional allocation factors, including 66.98% for capacity-related costs and 67.09% for energy-related costs. The CPRE Program implementation charges allocation factor, which is a composite allocation factor based on the weighted average of capacity and energy purchases for purchased power costs, is 67.07%. Pursuant to the affidavit of Public Staff witness Feasel, the capacity allocator reflects the production plant allocator from DEC's 2020 Cost of Service study. However, on May 9, 2022, DEC filed the Supplemental Testimony and Exhibits of Bryan L. Sykes Docket No. E-7, Sub 1263, DEC's annual fuel rider proceeding. In that docket, the Company updated the production plant allocation factor from the 2020 allocator to the

2021 factor. DEC did not update the production plant allocation factor in the CPRE docket as the impact of updating the production plant allocator would not impact rates. Witness Feasel stated that the Public Staff reviewed the calculations provided by the Company and agreed that the small change in the production plant allocator would not have an impact on the rates sought in the present docket.

No other party presented evidence on the appropriateness of the North Carolina retail jurisdictional allocation factors.

The Commission concludes that the 66.98% allocation factor for capacity-related costs and the 67.09% allocation factor for energy-related costs are appropriate for use in this proceeding.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT

NO. 6

The evidence supporting this finding of fact is contained in the testimony and exhibits of DEC witness Walker.

Walker Workpaper No. 4, provides DEC's North Carolina test period retail sales of 22,424,524 MWh for the Residential class, 23,396,396 MWh for the General Service/Lighting class, and 12,247,042 MWh for the Industrial class. No other party presented evidence on the appropriateness of test period North Carolina retail sales.

The Commission concludes that the test period North Carolina retail MWh sales proposed by DEC for purposes of calculating the EMF billing factors are appropriate for use in this proceeding.

**EVIDENCE AND CONCLUSIONS FOR FINDINGS OF
FACT NOS. 7-8**

The evidence supporting these findings of fact is contained in the testimony and exhibits of DEC witness Walker and Public Staff witness Thomas.

Walker Exhibit No. 2 and Walker Exhibit No. 3 present DEC's projected North Carolina retail allocated CPRE costs of \$23,271,430 in the billing period, as well as the allocation of the system costs to the North Carolina retail jurisdiction and the North Carolina retail customer classes. DEC used the 2020 production plant jurisdictional allocation factor of 66.98% for capacity costs and the projected billing period sales jurisdictional allocation factor of 66.08% for energy costs for its allocation of CPRE purchased and generated power costs.

Public Staff witness Thomas discussed the CPRE costs estimated for the billing period but did not recommend any adjustments. No other party presented evidence on the appropriateness of DEC's proposed billing period charges anticipated to be incurred or the allocation of these costs.

The Commission concludes that DEC's North Carolina retail allocated charges of \$23,271,430 anticipated to be incurred during the billing period for purchased and generated capacity and energy and ongoing implementation costs are appropriate for use in this proceeding. The Commission further concludes that the use of 66.98% for the capacity component and 66.08% for the energy component to allocate system-level CPRE purchased and generated power costs to the North Carolina retail jurisdiction is appropriate for use in this

proceeding, and that the use of peak demand and energy sales, respectively, to allocate North Carolina retail jurisdictional capacity and energy costs to the customer classes is appropriate for use in this proceeding. Further, the Commission concludes that the use of a composite rate for the allocation of North Carolina retail implementation costs to the North Carolina retail customer classes is appropriate for use in this proceeding.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT

NO. 9

The evidence supporting this finding of fact is contained in the testimony and exhibits of DEC witness Walker.

In Exhibit No. 3, DEC witness Walker provided DEC's projected billing period sales of 22,809,193 MWh for the Residential class, 23,222,537 MWh for the General Service/Lighting class, and 12,202,704 MWh for the Industrial class. Witness Walker further testified that the rate per customer class for purchased and generated power is determined by dividing the sum of the billing period costs allocated to the class by the forecast billing period MWh sales for the customer class. Similarly, the rate per customer class for implementation costs is determined by dividing the sum of the billing period costs allocated to the class, using a composite rate determined in the purchased and generated power calculation, above, by the forecast billing period MWh sales for the customer class.

The Public Staff witnesses did not propose any adjustments to the projected billing period sales amounts used in this proceeding. No other party

presented evidence on the appropriateness of the projected billing period North Carolina retail sales.

The Commission concludes that DEC's projected billing period sales for North Carolina retail customer classes are as follows: 22,809,193 MWh for the Residential class, 23,222,537 MWh for the General Service/Lighting class, and 12,202,704 MWh for the Industrial class.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT

NO. 10-14

The evidence supporting these findings of fact appears in DEC's Application, in the testimony and exhibits of DEC witness Walker, in the testimony and exhibits of Public Staff witness Thomas, and in the affidavit of Public Staff witness Feasel.

Walker Exhibit 4 calculates for North Carolina retail customers a total over-recovery of \$2,216,022 in CPRE Program costs for the EMF period and onetime revenue credits of \$46,946, resulting in a total credit of \$2,262,968 before interest. The North Carolina retail customer share of CPRE Program costs for the prospective billing period, as shown through witness Walker Exhibit 3, amounts to a total of \$23,271,430.

In testimony, DEC witness Walker and Public Staff witness Thomas presented the components of the proposed Total CPRE Rate as follows, excluding the regulatory fee:

DEC's Rider Request Filed on March 1, 2022 (cents per kWh)

Customer Class	EMF Rate Component	Prospective Rate Component	Total CPRE Rate
Residential	(0.0044)	0.0412	0.0368
General Service/Lighting	(0.0047)	0.0395	0.0348
Industrial	(0.0045)	0.0384	0.0339

The Public Staff witnesses recommended that these rates be approved. No other party presented evidence on the appropriateness of the rates. Based on the foregoing, the Commission finds good cause to find that DEC's proposed rates are just and reasonable for purposes of this proceeding.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT

NO. 15

The evidence supporting this finding of fact is contained in the testimony and exhibits of DEC witness Walker and the testimony of Public Staff witness Thomas.

DEC witness Walker testified that N.C.G.S. § 62-110.8(g) and Commission Rule R8-71 limits the annual increase in CPRE Program-related costs recoverable by an electric public utility to 1% of the electric public utility's total North Carolina retail jurisdictional gross revenues for the preceding calendar year. Witness Walker testified that the increase in aggregate costs DEC seeks to recover in this proceeding is less than the statutory maximum.

Public Staff witness Thomas similarly concluded that the costs DEC seeks to recover are less than 1% of DEC's total North Carolina retail jurisdictional gross revenues for 2021.

For the reasons stated herein, the Commission concludes that the costs DEC seeks to recover in this proceeding are not in excess of the cost cap established by N.C.G.S. § 62-110.8(g).

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT

NO. 16

The evidence supporting this finding of fact is contained in the direct, supplemental, and rebuttal testimony and exhibits of DEC witness Tabor, including the CPRE Compliance Report, and the testimony and exhibits of Public Staff witness Thomas.

The direct testimony of DEC witness Tabor and the 2021 CPRE Compliance Report, which accompanied her direct testimony, detail DEC's actions to implement the CPRE Program requirements of N.C.G.S. § 62-110.8 in collaboration with the IA. In her direct testimony, DEC witness Tabor testified that the Company had issued CPRE Tranche 3 seeking to procure 596 MW.

Following submittal of an initial 2021 CPRE Compliance Report, witness Tabor submitted supplemental testimony and an Updated 2021 CPRE Compliance Report. In her supplemental testimony, witness Tabor explained that only 520.79 MW of projects bid into Tranche 3, short of the 596 MW target procurement volume. She also testified that several projects had dropped out of, or were planning to drop out of, Tranche 2 of the CPRE Program.

In his testimony, Public Staff witness Thomas testified that several projects had since withdrawn from Tranche 3 bringing the total amount of

bidding MWs down to 446 MW, and that the bidders remaining in Tranche 3 had expressed concerns to the CPRE Program IA regarding market uncertainty and rising solar development costs. Witness Thomas stated that the Public Staff does not expect that the total CPRE capacity procured will meet the CPRE target, as the target would not be met even if all 446 MW currently in Tranche 3 were to go on to sign PPAs. Witness Thomas testified that, at this time, it is unclear how this shortfall can be resolved, and requested the Company to provide testimony on how to address such shortfall. However, Public Staff witness Thomas testified that the 2021 CPRE Compliance Report provides adequate information that satisfies the requirements of Commission Rule R8-71(h).

On rebuttal, witness Tabor testified that this docket is not the appropriate proceeding to determine a solution to the CPRE shortfall issue because the issue concerns both DEC and DEP and should therefore be addressed in a docket in which both utilities are participating. However, witness Tabor testified that any shortfall in the CPRE Program would need to be made up by additional solar procurements, and that the Company was committed to making up for the shortfall and achieving the CPRE Program statutory requirements. She stated that the Company's Carbon Plan assumed that the requirements of the CPRE Program would be met, and that DEC and DEP planned to engage with the Public Staff and interested stakeholders on the best way to achieve the CPRE Program requirements and solve the shortfall. She further testified that the Company plans to, pursuant to NCUC

Rule R8-71(g), provide the Commission with an update in its annual CPRE Program Plan on the shortfall, which is due September 1, 2022. She stated that the update will inform the Commission as to how the CPRE shortfall will be resolved.

At the hearing, and in response to Commission questions, DEC witness Tabor reiterated that the Company was committed to achieving the requirements of the CPRE Program, and that the Company planned to engage with the Public Staff and interested stakeholders to determine the best solution to procure the CPRE Program shortfall. Public Staff witness Thomas testified that the shortfall presented a challenge and that there was no specific plan at this time to make up for the shortfall, but that the Public Staff looked forward to engaging with the Duke to determine the best solution to the shortfall.

In light of the testimony received, the Commission concludes that the 2021 CPRE Compliance Report provides adequate information that satisfies the requirements of Commission Rule R8 71(h), and for the reporting period, DEC implemented the CPRE Program in compliance with the requirements of N.C.G.S. § 62-110.8. The Commission further concludes that it is reasonable for DEC, together with DEP, to engage with the Public Staff and interested stakeholders on how to address the CPRE Program shortfall to address such shortfall in the forthcoming CPRE Program Plan to be filed by September 1, 2022.

IT IS, THEREFORE, ORDERED, as follows:

1. That DEC's request to establish a prospective rate component

as described herein is approved and that this rider shall remain in effect for a 12-month period beginning on September 1, 2021, and expiring on August 31, 2022;

2. That DEC's request to establish an EMF rate component as described herein is approved and that this rider shall remain in effect for a 12-month period beginning on September 1, 2021, and expiring on August 31, 2022;

3. That DEC shall file the appropriate rate schedules and riders with the Commission not later than ten days after the date of this Order so as to implement the provisions of this Order as soon as practicable, and that such rate schedules and riders shall reflect the updated regulatory fee;

4. That DEC shall work with the Public Staff to prepare a notice to customers of the rate changes ordered by the Commission in this docket, and DEC shall file such notice for Commission approval as soon as practicable, but not later than ten days after the Commission issues orders in all three dockets;

5. That DEC's 2021 CPRE Compliance Report is hereby approved;
and,

6. DEC shall continue to furnish to the Public Staff copies of all IA invoices upon receipt.

ISSUED BY ORDER OF THE COMMISSION.

This the ____th day of _____, 2022.

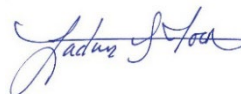
NORTH CAROLINA UTILITIES
COMMISSION

A. Shonta Dunston, Chief Clerk

CERTIFICATE OF SERVICE

I certify that a copy of the Joint Proposed Order of Duke Energy Carolinas, LLC, and the Public Staff in Docket No. E-7, Sub 1262, 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 25th day of July, 2022.



Ladawn S. Toon
Associate General Counsel
Duke Energy Corporation
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Raleigh, North Carolina 27602
Tel: 919.546.7971
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