



**NORTH CAROLINA  
PUBLIC STAFF  
UTILITIES COMMISSION**

September 4, 2018

Ms. M. Lynn Jarvis, Chief Clerk  
North Carolina Utilities Commission  
Mail Service Center 4325  
Raleigh, North Carolina 27699-4300

Re: Docket No. E-2, Sub 1176 - Duke Energy Progress, LLC's  
Application for Approval of Joint Agency Asset Rider

Dear Ms. Jarvis:

In connection with the above-referenced docket, I transmit herewith for filing on behalf of the Public Staff the Testimony of Darlene P. Peedin, Manager, Electric Section, Accounting Division.

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

Sincerely,

/s/ Dianna W. Downey  
Staff Attorney  
[dianna.downey@psncuc.nc.gov](mailto:dianna.downey@psncuc.nc.gov)

<b>Executive Director</b> (919) 733-2435	<b>Communications</b> (919) 733-2810	<b>Economic Research</b> (919) 733-2902	<b>Legal</b> (919) 733-6110	<b>Transportation</b> (919) 733-7766
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**DUKE ENERGY PROGRESS, LLC  
DOCKET NO. E-2, SUB 1176**

**TESTIMONY OF DARLENE P. PEEDIN  
ON BEHALF OF THE PUBLIC STAFF  
NORTH CAROLINA UTILITIES COMMISSION**

**September 4, 2017**

1 **Q. WILL YOU STATE FOR THE RECORD YOUR NAME, ADDRESS,**  
2 **AND PRESENT POSITION?**

3 A. My name is Darlene P. Peedin. My business address is 430 North  
4 Salisbury Street, Raleigh, North Carolina. I am the Accounting  
5 Manager – Electric Section of the Accounting Division of the Public  
6 Staff.

7 **Q. PLEASE BRIEFLY STATE YOUR QUALIFICATIONS AND**  
8 **DUTIES.**

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

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
11 **PROCEEDING?**

12 A. The purpose of my testimony is to present the results of the Public  
13 Staff's investigation of the application of Duke Energy Progress, LLC  
14 (DEP or the Company), to revise the Joint Agency Asset Rider  
15 (JAAR) rates approved by the Commission in Docket No. E-2,  
16 Sub 1143, pursuant to N.C. Gen. Stat. § 62-133.14 and Commission

1 Rule R8-70. N.C. Gen. Stat. § 62-133.14 allows DEP to recover the  
2 North Carolina retail portion of all reasonable and prudent costs  
3 incurred to acquire, finance, operate, and maintain the proportional  
4 interest in the generating units purchased from the North Carolina  
5 Eastern Municipal Power Agency, or NCEMPA (Joint Unit Costs).

6 **Q. PLEASE EXPLAIN THE PORTIONS OF GENERATION**  
7 **FACILITIES THAT FALL UNDER THE JAAR.**

8 A. The portions of the generating facilities that can be recovered  
9 through the JAAR are DEP's acquired percentages of NCEMPA's  
10 ownership interests of 18.33% in the Brunswick Nuclear Plant,  
11 12.94% in Unit No. 4 of the Roxboro Steam Plant, 3.77% in the  
12 Roxboro Plant Common Facilities, 16.17% in Unit No. 1 of the Mayo  
13 Steam Plant, and 16.17% in the Shearon Harris Nuclear Plant.

14 **Q. PLEASE DESCRIBE THE CURRENT JAAR RATES.**

15 A. DEP's current JAAR rates were approved by the Commission in its  
16 *Order Approving Joint Agency Asset Rider Adjustment*, issued on  
17 November 17, 2017, in Docket No. E-2, Sub 1143, which provided  
18 for recovery during the period December 1, 2017, through November  
19 30, 2018 of (a) estimated Joint Unit Costs applicable to or expected  
20 to be incurred during that period (including the three-year  
21 amortization of costs that were expected to be incurred from August

1 1, 2015, through November 30, 2015)<sup>1</sup>, and (b) a Rolling Recovery  
2 Factor (RRF) true-up of applicable costs actually incurred as  
3 compared to JAAR revenues recovered.

4 **Q. PLEASE DESCRIBE THE COMPANY'S INITIALLY PROPOSED**  
5 **JAAR RATES.**

6 A. The Company filed its initial application on June 20, 2018, and  
7 requested approval of prospective JAAR rates to recover the  
8 levelized acquisition costs and other estimated and annually  
9 apportioned costs that are (a) associated with the acquired  
10 ownership interests from NCEMPA and (b) applicable to or expected  
11 to be incurred during the period December 1, 2018, through  
12 November 30, 2019 (rate period). The application also requested  
13 approval of a proposed RRF to return the over-recovery of the same  
14 categories of costs as of December 31, 2017, which includes the  
15 cumulative unrecovered RRF balance as of December 31, 2016 plus  
16 the net over-recovery of costs that accrued during the test period in  
17 this proceeding (January 1, 2017, through December 31, 2017). The  
18 specific rates requested by the Company, including the North  
19 Carolina regulatory fee (regulatory fee), to become effective for the  
20 rate period, are as follows:

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<sup>1</sup> DEP is amortizing these deferred costs over a three-year period beginning December 1, 2015, and ending November 30, 2018.

Rate Class	Prospective Incremental Rate	Rolling Recovery Incremental Rate	Combined Incremental Rate
Residential (\$/kWh)	0.00456	(0.00029)	0.00427
Small General Service (\$/kWh)	0.00542	(0.00029)	0.00513
Medium General Service (\$/kWh)	0.00411	(0.00029)	0.00382
Seasonal & Intermittent Svc. (\$/kWh)	0.00412	(0.00029)	0.00383
Traffic Signal Service (\$/kWh)	0.00248	(0.00029)	0.00219
Outdoor Lighting Service (\$/kWh)	0.00000	0.00000	0.00000
Medium General Service (\$/kW)	1.35	(0.08)	1.27
Large General Service (\$/kW)	1.38	(0.08)	1.30

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

3 A. On August 31, 2018, the Company filed the Supplemental Testimony  
4 of Company witness Jiggetts with revised exhibits to reflect a change  
5 in the calculation of the RRF. Initially, the Company proposed  
6 spreading the RRF uniformly among the classes. The revised RRF  
7 rates are calculated on a class-specific basis utilizing the Company's  
8 approved customer allocation methodology. The revised rates  
9 requested by the Company, including the regulatory fee, to become  
10 effective for the rate period, are as follows:

Rate Class	Prospective Incremental Rate	Rolling Recovery Incremental Rate	Combined Incremental Rate
Residential (\$/kWh)	0.00456	(0.00015)	0.00441
Small General Service (\$/kWh)	0.00542	(0.00044)	0.00498
Medium General Service (\$/kWh)	0.00411	(0.00039)	0.00372
Seasonal & Intermittent Svc. (\$/kWh)	0.00412	0.00037	0.00449
Traffic Signal Service (\$/kWh)	0.00248	(0.00011)	0.00237
Outdoor Lighting Service (\$/kWh)	0.00000	0.00000	0.00000
Medium General Service (\$/kW)	1.35	(0.18)	1.17
Large General Service (\$/kW)	1.38	(0.02)	1.36

1 **Q. DOES THE PUBLIC STAFF AGREE WITH THE COMPANY'S**  
2 **METHODOLOGY UTILIZED IN MS. JIGGETTS' SUPPLEMENTAL**  
3 **TESTIMONY AND REVISED EXHIBITS?**

4 A. Yes. The calculation of the revised RRF on a class-specific basis  
5 conforms with N.C. Gen. Stat. § 62-133.14(b)(5), which provides for  
6 the utilization of the customer allocation methodology approved by  
7 the Commission in the electric public utility's most recent general rate  
8 case in determining the amount of the rider.

9 **Q. WHAT IS THE REVENUE REQUIREMENT UNDERLYING THE**  
10 **COMPANY'S PROPOSED RATES?**

11 A. The prospective incremental rates reflected above were determined  
12 by the Company based on an estimated North Carolina retail JAAR  
13 revenue requirement of \$147,654,000 for the rate period, and the

1 RRF incremental rates were determined based on an over-recovery  
2 of \$9,196,000 in test period Joint Unit Costs.

3 **Q. HOW HAS THE PROPOSED PROSPECTIVE JAAR REVENUE**  
4 **REQUIREMENT CHANGED AS COMPARED TO THE CURRENT**  
5 **PROSPECTIVE REVENUE REQUIREMENT?**

6 A. The Company's proposed prospective JAAR annual revenue  
7 requirement in the current proceeding of \$147,654,000 is a decrease  
8 of approximately \$3.9 million below the \$151,575,000 of costs  
9 estimated for the JAAR rate period of December 2017 through  
10 November 2018. Company witness Jiggetts states in her testimony  
11 that the primary drivers of the decrease are: (1) reductions in the  
12 levelized revenue requirement and (2) reductions in deferred costs.

13 **Q. WHAT FUEL SAVINGS WERE EXPERIENCED IN 2017 AS A**  
14 **RESULT OF THE ACQUISITION OF THE OWNERSHIP INTEREST**  
15 **IN THE GENERATING UNITS FROM NCEMPA?**

16 A. As required by Commission Rule R8-70(e)(1)(vi), Company witness  
17 Jiggetts' Exhibit L sets forth the fuel savings associated the  
18 repurchase of the NCEMPA undivided ownership interest for the  
19 twelve-month period from January through December 2017.  
20 The calculated North Carolina retail fuel savings set forth on  
21 Exhibit L (approximately \$41,287,000) have been or will be (through  
22 the fuel cost true-up process) flowed through to DEP's customers  
23 through its fuel and fuel-related cost rider. Although flowed through

1 in that rider, those fuel savings are effectively an offset to the JAAR,  
2 as they represent a benefit of the Company's acquisition of  
3 NCEMPA's undivided ownership interest.

4 **Q. PLEASE DESCRIBE THE PUBLIC STAFF'S INVESTIGATION OF**  
5 **THE COMPANY'S PROPOSED JAAR RATES.**

6 A. The Public Staff's investigation in this proceeding included a review  
7 of DEP's application, testimony, and exhibits filed in this docket as  
8 well as the JAAR monthly reports. Additionally, the Public Staff's  
9 investigation included the review of responses to written and verbal  
10 data requests, as well as discussions with the Company.

11 The Public Staff reviewed the underlying capital additions and  
12 operating costs added to the calculation of the JAAR rider in this  
13 proceeding but did not perform a full-scale investigation of the  
14 prudence and reasonableness of all such additions or expenses.  
15 Commission Rule R8-70(b)(4) provides that the Commission is to  
16 determine the reasonableness and prudence of the cost of capital  
17 additions or operating costs incurred related to the acquired plant in  
18 a general rate proceeding. However, should the Public Staff discover  
19 imprudent or unreasonable costs in a JAAR proceeding, it will  
20 recommend an adjustment in that proceeding; in that case, it would  
21 also recommend that the impact of any disallowance also be  
22 reflected in the Company's cost of service in a general rate case.

1 **Q. WHAT ARE THE RESULTS OF THE PUBLIC STAFF'S**  
2 **INVESTIGATION?**

3 A. Based on its investigation of the Company's original and revised  
4 filings, the Public Staff has not found any adjustments that should be  
5 made to the calculations of either the prospective or RRF revenue  
6 requirement. Therefore, the Public Staff recommends that the  
7 revised rates requested by the Company, including the regulatory  
8 fee, to become effective for the rate period are as follows:

<b>Rate Class</b>	<b>Prospective Incremental Rate</b>	<b>Rolling Recovery Incremental Rate</b>	<b>Combined Incremental Rate</b>
Residential (\$/kWh)	0.00456	(0.00015)	0.00441
Small General Service (\$/kWh)	0.00542	(0.00044)	0.00498
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Outdoor Lighting Service (\$/kWh)	0.00000	0.00000	0.00000
Medium General Service (\$/kW)	1.35	(0.18)	1.17
Large General Service (\$/kW)	1.38	(0.02)	1.36

9 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

10 A. Yes, it does.

## APPENDIX A

### DARLENE P. PEEDIN

I am a 1989 graduate of Campbell University with a Bachelor of Business Administration degree in Accounting. I am a Certified Public Accountant and a member of the North Carolina Association of Certified Public Accountants.

Since joining the Public Staff in September 1990, I have filed testimony or affidavits in several general and fuel clause rate cases of utilities currently organized as Duke Energy Carolinas, LLC, Duke Energy Progress, LLC, Virginia Electric and Power Company (Dominion Energy North Carolina), Nantahala Power & Light Company, Western Carolina University, and Shipyard Power and Light Company, 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 and applications for the approval of cost recovery for Renewable Energy and Energy Efficiency Portfolio Standard (REPS) cases.

I was promoted to Accounting Manager with responsibility for electric matters in January 2017. I have had supervisory responsibility over the Electric Section of the Accounting Division since 2009.

Prior to joining the Public Staff, I was employed by the North Carolina Office of the State Auditor. My duties included the performance of financial, compliance, and operational audits of state agencies, community colleges, and Clerks of Court.