

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-2, SUB 1323

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application of Duke Energy Progress, LLC,)	ORDER APPROVING CPRE
Pursuant to N.C.G.S. § 62-110.8 and)	PROGRAM COST RECOVERY
Commission Rule R8-71 for Approval)	RIDER AND COMPLIANCE
of CPRE Cost Recovery Rider and)	REPORT
Compliance Report)	

HEARD: Tuesday, September 19, 2023, at 9:00 a.m. in the Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

BEFORE: Commissioner Kimberly W. Duffley, Presiding; Chair Charlotte A. Mitchell; Commissioners ToNola D. Brown-Bland, Daniel G. Clodfelter, Jeffrey A. Hughes, Floyd B. McKissick, Jr., and Karen M. Kemerait

APPEARANCES:

For Duke Energy Progress, LLC (DEP):

Ladawn Toon, Associate General Counsel, Duke Energy Corporation, Post Office Box 1551, Raleigh, North Carolina 27602-1551

For Carolina Industrial Group for Fair Utility Rates II (CIGFUR II):

Douglas D.C. Conant, Bailey & Dixon, LLP, 434 Fayetteville Street, Suite 2500, Post Office Box 1351, Raleigh, North Carolina 27602

For Carolina Utility Customers Association (CUCA):

Amanda Hawkins, Brooks, Pierce, McLendon, Humphrey & Leonard, LLP, Wells Fargo Capitol Center, 150 Fayetteville Street, Suite 1700, Raleigh, North Carolina 27601

For the Using and Consuming Public:

William E.H. Creech and William S.F. Freeman, Staff Attorneys, Public Staff – North Carolina Utilities Commission, 4326 Mail Service Center, Raleigh, North Carolina 27699-4300

BY THE COMMISSION: Section 62-110.8 of the North Carolina General Statutes requires Duke Energy Carolinas, LLC (DEC), and DEP (together with DEC, Duke), to file for Commission approval a program for the competitive procurement of energy and capacity from renewable energy facilities with the purpose of adding renewable energy to the State's generation portfolio in a manner that allows the State's electric public utilities to continue to reliably and cost-effectively serve customers' future energy needs. Further, N.C. Gen. Stat. § 62-110.8(h) permits Duke to recover its CPRE Program costs through an annual rider established pursuant to N.C.G.S. § 62-110.8(g).

On June 13, 2023, DEP filed an application pursuant to N.C.G.S. § 62-110.8 and Commission Rule R8-71 for approval of its proposed Competitive Procurement of Renewable Energy (CPRE) Program Cost Recovery Rider and CPRE Program Compliance Report (Compliance Report), 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). The testimony of witness Tabor included DEP's Compliance Report for calendar year 2022 as Exhibit No. 1.

On June 30, 2023, 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 DEP rebuttal testimony; required the provision of appropriate public notice; and mandated compliance with certain discovery guidelines.

Petitions to intervene were filed by CIGFUR II on June 23, 2023, and by CUCA on July 3, 2023. The Commission granted CIGFUR II's petition to intervene on June 27, 2023, and CUCA's petition to intervene on July 11, 2023. The intervention of the Public Staff – North Carolina Utilities Commission (Public Staff) is recognized pursuant to N.C.G.S. § 62-15(d) and Commission Rule R1-19(e).

On August 29, 2023, the Public Staff filed the notice and affidavit of Darrus K. Cofield, Public Utility Regulatory Analyst, Accounting Division, and the notice and affidavit of Jeff Thomas, Engineer, Energy Division.

On September 7, 2023, DEP filed a Letter in Lieu of Rebuttal Testimony.

On September 11, 2023, DEP and the Public Staff filed a Joint Motion to Excuse Witnesses from Appearance at Hearing.

On September 13, 2023, the Commission issued an Order Excusing Witnesses, Accepting Testimony, Canceling Expert Witness Hearing, and Requiring Proposed Orders.

On September 18, 2023, DEP filed Affidavits of Publication indicating that the public notice had been provided in accordance with the Commission's Procedural Order.

The matter came on for the public witness hearing as scheduled on September 19, 2023. No public witnesses appeared.

On October 19, 2023, DEP and the Public Staff filed a Joint Proposed Order.

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

FINDINGS OF FACT

1. DEP 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. DEP 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 April 1, 2022, and ending on March 31, 2023 (test period or experience modification factor, "EMF," period). The billing period for this proceeding is the 12-month period beginning on December 1, 2023, and ending on November 30, 2024.

3. DEP identified system level costs and revenues attributable to the test period as follows \$6,727,830 in charges for purchased power; \$397,296 in CPRE Program implementation costs; and \$4,877,971 in revenues. Of these system level charges and revenues, DEP proposed to credit \$491,450, 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.

4. DEP's purchased power costs and the CPRE Program implementation charges for the test period were reasonably and prudently incurred.

5. The North Carolina retail jurisdictional allocation factors related to the capacity and energy components of purchased power costs incurred during the test period in this proceeding were 61.15% and 61.70%, respectively. The capacity component was based on the 2022 production plant allocator, 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 power costs incurred during the test period in this proceeding were based on the 2022 production plant and test period sales for each class, respectively. The North Carolina retail class allocation factors related to implementation charges and receipt of contract fees during the test period were based on a composite rate of 61.56% calculated as the weighted average of the capacity and energy components of purchased power.

6. The North Carolina retail test period sales used in calculating the EMF rider component are 37,570,593 megawatt hours (MWh). The North Carolina retail customer class MWh sales were as follows:

<u>N.C. Retail Customer Class</u>	<u>MWh Sales</u>
Residential	16,034,936
Small General Service	1,908,360
Medium General Service	10,766,603
Large General Service	8,519,137
<u>Lighting</u>	<u>341,557</u>
Total	37,570,593

7. DEP requested \$8,524,148 in prospective system level charges anticipated to be incurred for purchased power and ongoing implementation costs during the billing period.

8. The North Carolina retail jurisdictional allocation factors related to the capacity and energy components of purchased power costs anticipated to be incurred during the billing period in this proceeding are 61.15% and 62.17%, respectively. The capacity component is based on the 2022 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 power costs anticipated to be incurred during the billing period in this proceeding are based on the 2022 production plant and projected billing period sales for each class, respectively. The North Carolina retail class allocation factors related to implementation charges and receipt of contract fees anticipated to be incurred during the billing period are based on a composite allocation factor of 61.96% calculated as the weighted average of the capacity and energy components of purchased power.

9. The projected billing period sales for use in this proceeding are 39,238,661 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>MWh Sales</u>
Residential	17,326,377
Small General Service	1,816,847
Medium General Service	10,471,370
Large General Service	9,239,420
<u>Lighting</u>	<u>384,646</u>
Total	39,238,661

10. DEP's North Carolina retail over-recovery of costs for the test period, or EMF period, amount to \$491,450, excluding interest and the regulatory fee. This over-recovery by customer class is \$141,036 for the residential class, \$34,807 for the

Small General Service class, \$178,499 for the Medium General Service class, \$132,299 for the Large General Service class, and \$4,809 for the Lighting class.

11. The appropriate EMF CPRE Rider component to be credited to customers, excluding the regulatory fee, is (0.001) cents per kilowatt-hour (kWh) for the Residential class, (0.002) cents per kWh for the Small General Service class, (0.002) cents per kWh for the Medium General Service class, (0.001) for the Large General Service class, and (0.001) cents per kWh for the Lighting class. The appropriate EMF CPRE Rider interest component to be credited to customers, excluding the regulatory fee, for each customer class is (0.000) cents per kWh.

12. The appropriate North Carolina retail prospective billing period expenses total \$5,281,139. The appropriate prospective billing period expenses for use in this proceeding are \$2,441,381 for the Residential class, \$259,251 for the Small General Service class, \$1,392,913 for the Medium General Service class, \$1,146,555 for the Large General Service class and \$41,039 for the Lighting class.

13. The appropriate monthly prospective CPRE Rider component to be charged to customers is 0.014 cents per kWh for the Residential class, 0.014 cents per kWh for the Small General Service class, 0.013 cents per kWh for the Medium General Service class, 0.012 for the Large General Service class, and 0.011 cents per kWh for the Lighting class, excluding the regulatory fee.

14. The appropriate combined CPRE Rider to be collected during the billing period is 0.013 cents per kWh for the Residential class, 0.012 cents per kWh for the Small General Service class, 0.011 cents per kWh for the Medium General Service class, 0.011 for the Large General Service class, and 0.010 cents per kWh for the Lighting class, excluding the regulatory fee.

15. The change in costs DEP 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 2022 CPRE Compliance Report provides adequate information that satisfies the requirements of Commission Rule R8-71(h), and for the reporting period, DEP implemented the CPRE Program in compliance with the requirements of N.C.G.S. § 62-110.8.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 1

This finding of fact is informational, procedural, and jurisdictional in nature and 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 DEP 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-month period ending March 31, 2023. Witness Walker testified that for purposes of this proceeding, DEP's proposed rider includes both an EMF rider component to adjust for the difference in DEP'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.

DEP's proposed test period is the 12 months beginning on April 1, 2022, and ending on March 31, 2023, and the proposed billing period for the CPRE Program rider is the 12 months beginning on December 1, 2023, and ending on November, 2024.

The test period and the billing period proposed by DEP were not challenged by any party. Based on the foregoing, the Commission concludes that DEP 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 DEP witnesses Walker and Tabor and affidavits of Public Staff witnesses Thomas and Cofield.

On Walker Exhibit No. 1, DEP witness Walker identifies \$6,727,830 on a system basis of purchased power costs and authorized revenue for two Tranche 1 facilities during the EMF period. Witness Walker's Exhibit No. 2 sets forth the per books implementation charges, which illustrate that DEP incurred \$397,296 on a system basis to implement the CPRE Program during the test period.

Walker No. Exhibit 4 identified \$4,386,520 in costs incurred during the EMF period that were allocated to the North Carolina retail jurisdiction and \$4,877,971 in CPRE Program rider revenues collected during the EMF period, resulting in an overcollection of \$491,450.

In her direct testimony, DEP witness Tabor testified regarding DEP'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 DEP's Compliance Report.

Public Staff witness Thomas's affidavit discussed the system-level expenses sought to be recovered by DEP, but did not recommend any disallowances to the system-level expenses incurred by DEP.

Public Staff witness Cofield's affidavit explained the procedures taken by the Public Staff to evaluate whether DEP properly determined its per-books CPRE Program costs and revenues during the test period.

No parties challenged the prudence of the \$491,450 amount, before interest, that DEP proposes to credit back to customers.

The Commission concludes that the \$491,450 North Carolina retail level overcollection collected by DEP during the EMF period for the CPRE program were reasonably and prudently incurred and are appropriate to be credited back to customers by DEP.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 5

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

In Walker Exhibit No. 4, DEP witness Walker provided DEP's North Carolina retail jurisdictional allocation factors, including 61.15% for capacity-related costs and 61.70% 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 61.56%.

The Commission concludes that the 61.15% allocation factor for capacity-related costs, the 61.70% allocation factor for energy-related costs and 61.56% for implementation 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 direct testimony and exhibits of DEP witness Walker.

Walker Workpaper No. 4 provides DEP's North Carolina test period retail sales of 16,034,936 MWh for the Residential class, 1,908,360 MWh for the Small General Service class, 10,766,603 MWh for the Medium General Service class, 8,519,137 MWh for the Large General Service class, and 341,557 MWh for the Lighting 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 DEP 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 direct testimony and exhibits of DEP witness Walker and the affidavit of Public Staff witness Thomas.

Walker Exhibit No. 2 and Walker Exhibit No. 3 present DEP's projected North Carolina retail allocated CPRE costs of \$5,281,139 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. DEP used the 2022 production plant jurisdictional allocation factor of 61.15% for capacity costs and the projected billing period sales jurisdictional allocation factor of 62.17% for energy costs for its allocation of CPRE purchased power costs.

Public Staff witness Thomas's affidavit discussed the CPRE costs estimated for the billing period and stated that the Public Staff finds them reasonable.

The Commission concludes that DEP's North Carolina retail allocated charges of \$5,281,139 anticipated to be incurred during the billing period for purchased capacity and energy, and ongoing implementation costs are appropriate for use in this proceeding. The Commission further concludes that the use of 61.15% for the capacity component and 62.71% for the energy component to allocate system-level CPRE purchased power costs to the North Carolina retail jurisdiction is appropriate for use in this proceeding, and that the use of production plant 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 direct testimony and exhibits of DEP witness Walker.

In Walker Exhibit No. 3, DEP witness Walker provided DEP's projected billing period sales of 17,326,377 MWh for the Residential class, 1,816,847 MWh for the Small General Service class, 10,471,370 MWh for the Medium General Service class, 9,239,420 MWh for the Large General Service class, and 384,646 MWh for the Lighting class. Witness Walker further testified that the rate per customer class for purchased 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 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 DEP's projected billing period sales for North Carolina retail customer classes are as follows: 17,326,377 MWh for the Residential class, 1,816,847 MWh for the Small General Service class, 10,471,370 MWh

for the Medium General Service class, 9,239,420 MWh for the Large General Service class, and 384,646 MWh for the Lighting class.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 10-14

The evidence supporting these findings of fact appears in DEP’s Application, in the direct testimony and exhibits of DEP witness Walker, and the affidavits of Public Staff witnesses Thomas and Cofield.

Walker Exhibit No. 4 calculates for North Carolina retail customers a total over-recovery of \$491,450 in CPRE Program costs for the EMF period before interest of \$81,908. The North Carolina retail customer share of CPRE Program costs for the prospective billing period, as shown through witness Walker Exhibit No. 3, amounts to a total of \$5,281,139.

In her direct testimony, DEP witness Walker presented the components of the proposed Total CPRE Rate as follows, excluding the regulatory fee:

DEP’s Rider Request Filed on June 13, 2023 (cents per kWh)

Customer Class	EMF Rate Component (including EMF Interest)	Prospective Rate Component	Total CPRE Rate
Residential	(0.01)	0.014	0.013
Small General Service	(0.002)	0.014	0.012
Medium General Service	(0.002)	0.013	0.011
Large General Service	(0.001)	0.012	0.011
Lighting	(0.001)	0.011	0.010

The Public Staff witnesses recommended that the 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 DEP’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 DEP witness Walker and the affidavit of Public Staff witness Thomas.

DEP 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 DEP seeks to recover in this proceeding is less than the statutory maximum.

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

For the reasons stated herein, the Commission concludes that the costs DEP 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 testimony and exhibits of DEP witness Tabor, including the CPRE Compliance Report, and the affidavit of Public Staff witness Thomas.

The direct testimony of DEP witness Tabor and the 2022 CPRE Compliance Report, which accompanied her direct testimony, detail DEP's actions to implement the CPRE Program requirements of N.C.G.S. § 62-110.8 in collaboration with the IA and, in the 2022 Solar Procurement, in collaboration with the Independent Evaluator. The Compliance Report provides an overview of activity in Tranches 1, 2, and 3, and the CPRE Additional Procurement through the 2022 Solar Procurement. The Compliance Report also provides average pricing for each of the selected proposals, avoided cost thresholds, costs and authorized revenue, network upgrade costs on a per-project basis, and a certification from the IA stating that its evaluation process for Tranche 3 treated all participants equitably and was unaware of any bias towards or against any participant.

Public Staff witness Thomas testified that the 2022 CPRE Compliance Report provides adequate information that satisfies both the requirements of Commission Rule R8-71(h) and the Commission's February 21, 2018 *Order Modifying and Approving Joint CPRE Program* in Docket Nos. E-2, Sub 1156 and E-7, Sub 1159.

No other party presented evidence on this issue.

In light of the testimony received, the Commission concludes that the 2022 CPRE Compliance Report provides adequate information that satisfies the requirements of Commission Rule R8 71(h), and for the reporting period, DEP implemented the CPRE Program in compliance with the requirements of N.C.G.S. § 62-110.8.

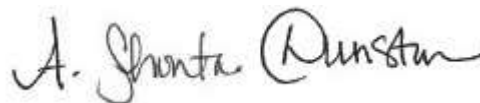
IT IS, THEREFORE, ORDERED, as follows:

1. That DEP'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 December 1, 2023, and expiring on November 30, 2024;
2. That DEP'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 December 1, 2023, and expiring on November 30, 2024;
3. That DEP's request to establish an EMF interest rate component as described herein is approved and that this rider shall remain in effect for a 12-month period beginning on December 1, 2023, and expiring on November 30, 2024;
4. That DEP shall work with the Public Staff to prepare a joint notice to customers of the rate changes ordered by the Commission in this docket, as well as in Docket Nos. E-2, Sub 1320, 1321, and 1324 (DEP Rider Dockets), and DEP shall file the proposed notice to customers for Commission approval no later than three business days after the last Commission Order is issued in the DEP Rider Dockets.; and
5. That DEP's 2022 CPRE Compliance Report is hereby approved.

ISSUED BY ORDER OF THE COMMISSION.

This the 17th day of November, 2023.

NORTH CAROLINA UTILITIES COMMISSION



A. Shonta Dunston, Chief Clerk

Commissioner Clodfelter resigned from the Commission effective November 15, 2023, and did not participate in this decision.