



**NORTH CAROLINA  
PUBLIC STAFF  
UTILITIES COMMISSION**

August 28, 2020

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

Re: Docket No. E-2, Sub 1253 – Application of Duke Energy Progress, LLC Pursuant to G.S. 62.133.14 and Commission Rule R8-70 for Approval of Joint Agency Asset Rider

Dear Ms. Campbell:

In connection with the above-referenced docket, I transmit herewith for filing on behalf of the Public Staff the Notice of Affidavit and Affidavit of Michael C. Maness, Director, Accounting Division.

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

Sincerely,

s/ Gina C. Holt  
Staff Attorney  
[gina.holt@psncuc.nc.gov](mailto:gina.holt@psncuc.nc.gov)

Attachment

Executive Director  
(919) 733-2435

Communications  
(919) 733-5610

Economic Research  
(919) 733-2267

Legal  
(919) 733-6110

Transportation  
(919) 733-7766

Accounting  
(919) 733-4279

Consumer Services  
(919) 733-9277

Electric  
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Natural Gas  
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Aug 28 2020

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. E-2, SUB 1253

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of  
Application of Duke Energy Progress, LLC,     )  
Pursuant to N.C.G.S. § 62-133.14 and     )  
Commission Rule R8-70 for Approval of a Joint     ) NOTICE OF AFFIDAVIT  
Agency Asset Rider for Recovery of Joint     )  
Agency Asset Costs     )

NOW COMES THE PUBLIC STAFF - North Carolina Utilities Commission,  
by and through its Executive Director, Christopher J. Ayers, as constituted by  
N.C. Gen. Stat. § 62-15, and gives notice that the Affidavit of:

Michael C. Maness, Director, Accounting Division  
Public Staff - North Carolina Utilities Commission  
430 North Salisbury Street - Dobbs Building  
4326 Mail Service Center  
Raleigh, North Carolina 27699-4300

will be used in evidence at the hearing in this docket scheduled for  
September 15, 2020, pursuant to N.C. Gen. Stat. § 62-68. The affiant will not be  
called to testify orally and will not be subject to cross-examination unless an  
opposing party or the Commission demands the right of cross-examination by  
notice mailed or delivered to the proponent at least five days prior to the hearing,  
pursuant to N.C. Gen. Stat. § 62-68.

THEREFORE, the Public Staff moves that the Affidavit of Michael C.  
Maness be admitted into evidence in the absence of notice pursuant to  
N.C. Gen. Stat. § 62-68.

Respectfully submitted this the 28th day of August, 2020.

PUBLIC STAFF  
Christopher J. Ayers  
Executive Director

Dianna W. Downey  
Chief Counsel

Electronically submitted  
/s/ Gina C. Holt  
Staff Attorney  
[gina.holt@psncuc.nc.gov](mailto:gina.holt@psncuc.nc.gov)

430 North Salisbury Street - Dobbs Building  
4326 Mail Service Center  
Raleigh, North Carolina 27699-4300  
Telephone: (919) 733-6110

### **CERTIFICATE OF SERVICE**

I certify I have this day served a copy of the foregoing Notice of Affidavit and Affidavit on each of the parties of record in this proceeding or their attorneys of record by causing a copy to be deposited in the United States Mail, postage prepaid, properly addressed to each or by electronic delivery upon agreement from the parties.

This the 28th day of August, 2020.

Electronically submitted  
/s/ Gina C. Holt  
Staff Attorney

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. E-2, SUB 1253

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application of Duke Energy Progress, LLC,	)	
Pursuant to N.C.G.S. § 62-133.14 and	)	
Commission Rule R8-70 for Approval of a	)	
Joint Agency Asset Rider for Recovery of	)	AFFIDAVIT OF
Joint Agency Asset Costs	)	MICHAEL C. MANESS

STATE OF NORTH CAROLINA

COUNTY OF WAKE

I, Michael C. Maness, first being duly sworn, do depose and say:

I am the Director of the Accounting Division of the Public Staff – North Carolina Utilities Commission. A summary of my education and experience is attached to this affidavit as Appendix A.

The purpose of my affidavit is to present the results of the Public Staff's investigation of the application of Duke Energy Progress, LLC (DEP or the Company), to revise the Joint Agency Asset Rider (JAAR) rates approved by the Commission in Docket No. E-2, Sub 1207, pursuant to N.C. Gen. Stat. § 62-133.14 and Commission Rule R8-70. N.C. Gen. Stat. § 62-133.14 allows DEP to recover the North Carolina retail portion of all reasonable and prudent costs (Joint Unit Costs) incurred to acquire, finance, operate, and maintain the proportional interest

in the generating units purchased from the North Carolina Eastern Municipal Power Agency, or NCEMPA.

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

### **The Current JAAR Rates**

DEP's current JAAR rates were approved by the Commission in its *Order Approving Joint Agency Asset Rider Adjustment*, issued on October 30, 2019, in Docket No. E-2, Sub 1207 (Sub 1207 Order), which provided for recovery during the period December 1, 2019, through November 30, 2020 of (a) estimated Joint Unit Costs applicable to or expected to be incurred during that period and (b) a Rolling Recovery Factor (RRF) true-up of applicable costs actually incurred as compared to JAAR revenues recovered.

### **The Proposed JAAR Rates**

The Company filed its initial application on June 9, 2020, and requested approval of prospective JAAR rates to recover the levelized acquisition costs and other estimated and annually apportioned costs that are (a) associated with the acquired ownership interests from NCEMPA and (b) applicable to or expected to be incurred during the period December 1, 2020, through November 30, 2021 (rate period). The application also requested approval of a proposed RRF to return the

overrecovery of the same categories of costs as of December 31, 2019, which includes the cumulative overrecovered RRF balance as of December 31, 2018, plus the net underrecovery of costs that accrued during the test period in this proceeding (January 1, 2019, through December 31, 2019), and the credit financing costs accruing during the test period. The specific rates requested by the Company to become effective for the rate period, including the North Carolina regulatory fee, 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)	0.00459	(0.00080)	0.00379
Small General Service (\$/kWh)	0.00559	(0.00198)	0.00361
Medium General Service (\$/kWh)	0.00439	(0.00170)	0.00269
Seasonal & Intermittent Svc. (\$/kWh)	0.00468	(0.00402)	0.00066
Traffic Signal Service (\$/kWh)	0.00255	(0.00061)	0.00194
Outdoor Lighting Service (\$/kWh)	0.00000	0.00000	0.00000
Medium General Service (\$/kW)	1.44	(0.38)	1.06
Large General Service (\$/kW)	1.50	0.06	1.56

The prospective incremental rates reflected above were determined by the Company based on an estimated North Carolina retail JAAR revenue requirement of \$154,703,000 for the rate period, and the RRF incremental rates were determined based on a cumulative overrecovery of \$27,572,000 in Joint Unit Costs as of the end of the test period.

The Company's proposed prospective JAAR annual revenue requirement in the current proceeding of \$154,703,000 is an increase of approximately \$1.780 million above the \$152,923,000 of costs estimated for the JAAR rate period of December 2019 through November 2020. Company witness Jiggetts states in her testimony that the primary drivers of the increase in the estimated revenue requirement are: (1) increases in capital additions and (2) partially offsetting decreases in operating and maintenance costs.

### **Fuel Savings**

As required by Commission Rule R8-70(e)(1)(vi), Company witness Jiggetts' Exhibit L sets forth the fuel savings associated with the repurchase of the NCEMPA undivided ownership interest for the twelve-month period from January through December 2019. The calculated North Carolina retail fuel savings set forth on Exhibit L (approximately \$36,782,000) have been or will be (through the fuel cost true-up process) flowed through to DEP's customers through its fuel and fuel-related cost rider. Although flowed through in that rider, those fuel savings are effectively an offset to the JAAR, as they represent a benefit of the Company's acquisition of NCEMPA's undivided ownership interest.

### **Investigation of Proposed Rates**

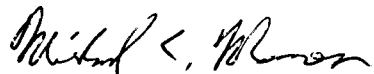
The Public Staff's investigation in this proceeding included a review of DEP's application, testimony, and exhibits filed in this docket as well as the JAAR monthly reports. Additionally, the Public Staff's investigation included the review of responses to written data requests.

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

Based on its investigation of the Company's filing, the Public Staff has not found any adjustments that should be made to the calculations of either the prospective or RRF revenue requirement. Therefore, the Public Staff recommends that the rates requested by the Company, including the regulatory fee, to become effective for the rate period are as follows:

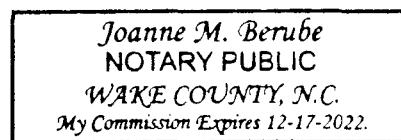
Rate Class	Prospective Incremental Rate	Rolling Recovery Incremental Rate	Combined Incremental Rate
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Outdoor Lighting Service (\$/kWh)	0.00000	0.00000	0.00000
Medium General Service (\$/kW)	1.44	(0.38)	1.06
Large General Service (\$/kW)	1.50	0.06	1.56

This completes my affidavit.

  
Michael C. Maness

Sworn to and subscribed before me  
this the 28<sup>th</sup> day of August, 2020.

  
Joanne Berube - Notary Public



My Commission Expires: 12/17/2022

## **QUALIFICATIONS AND EXPERIENCE**

### **MICHAEL C. MANESS**

I am a graduate of the University of North Carolina at Chapel Hill with a Bachelor of Science degree in Business Administration with Accounting. I am a Certified Public Accountant and a member of both the North Carolina Association of Certified Public Accountants and the American Institute of Certified Public Accountants.

As Director of the Accounting Division of the Public Staff, I am responsible for the performance, supervision, and management of the following activities: (1) the examination and analysis of testimony, exhibits, books and records, and other data presented by utilities and other parties under the jurisdiction of the Commission or involved in Commission proceedings; and (2) the preparation and presentation to the Commission of testimony, exhibits, and other documents in those proceedings. I have been employed by the Public Staff since July 12, 1982.

Since joining the Public Staff, I have filed testimony or affidavits in a number of general, fuel, and demand-side management/energy efficiency rate cases of the utilities currently organized as Duke Energy Carolinas, LLC, Duke Energy Progress, LLC., and Virginia Electric and Power Company (Dominion Energy North Carolina) 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, applications for approval of self-generation deferral rates, applications for approval of cost and incentive recovery mechanisms for electric utility demand-side management and energy efficiency (DSM/EE) efforts, and applications for approval of cost and incentive recovery pursuant to those mechanisms.

I have also been involved in several other matters that have come before this Commission, including the investigation undertaken by the Public Staff into the operations of the Brunswick Nuclear Plant as part of the 1993 Carolina Power & Light Company fuel rate case (Docket No. E-2, Sub 644), the Public Staff's investigation of Duke Power's relationship with its affiliates (Docket No. E-7, Sub 557), and several applications for business combinations involving electric utilities regulated by this Commission. Additionally, I was responsible for performing an examination of Carolina Power & Light Company's accounting for the cost of Harris Unit 1 in conjunction with the prudence audit performed by the Public Staff and its consultants in 1986 and 1987.

I have had supervisory or management responsibility over the Electric Section of the Accounting Division since 1986, and also was assigned

management duties over the Water Section of the Accounting Division during the 2009-2012 time frame. I was promoted to Director of the Accounting Division in late December 2016.