



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

September 7, 2017

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

Re: Docket No. E-2, Sub 1146

Dear Ms. Jarvis:

In connection with the above-captioned docket, I transmit herewith for filing on behalf of the Public Staff the following:

1. Testimony of Darlene P. Peedin, Manager, Electric Section, Accounting Division; and
2. Testimony of Dustin R. Metz, Electric Engineer, Electric Division.

By copy of this letter, I am forwarding a copy of the above to all parties of record.

Sincerely yours,

Electronically submitted
/s/ Robert S. Gillam
Staff Attorney
bob.gillam@psncuc.nc.gov

RSG/blm

Attachments

c: Parties of Record

Executive Director
(919) 733-2435

Communications
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Legal
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BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
DOCKET NO. E-2, SUB 1146

Testimony of Darlene P. Peedin
On Behalf of the Public Staff
North Carolina Utilities Commission

September 7, 2017

1 Q. PLEASE STATE YOUR NAME AND ADDRESS FOR THE
2 RECORD.

3 A. My name is Darlene P. Peedin. My business address is 430 North
4 Salisbury Street, Raleigh, North Carolina.

5

6 Q. WOULD YOU BRIEFLY DISCUSS YOUR EDUCATION AND
7 EXPERIENCE?

8 A. Yes. My education and experience are summarized in Appendix A to
9 my testimony.

10

11 Q. WHAT ARE YOUR DUTIES?

12 A. I am responsible for the performance and supervision of the following
13 activities: (1) the examination and analysis of testimony, exhibits,
14 books and records, and other data presented by utilities and other
15 parties under the jurisdiction of the Commission or involved in
16 Commission proceedings; and (2) the preparation and presentation

1 to the Commission of testimony, exhibits, and other documents in
2 those proceedings.

3

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

5 A. The purpose of my testimony is to present the results of the Public
6 Staff's investigation of the Experience Modification Factor (EMF)
7 riders proposed by Duke Energy Progress, LLC (DEP or the
8 Company) in this proceeding. The EMF riders are utilized to "true-
9 up," by customer class, the recovery of fuel and fuel-related costs
10 incurred during the test year. DEP's test year in this fuel proceeding
11 is the twelve months ended March 31, 2017.

12

13 **Q. PLEASE EXPLAIN THE FUEL EMF RIDER BEING PROPOSED**
14 **BY DEP IN THIS PROCEEDING.**

15 A. In its application filed on June 21, 2017, DEP stated that it
16 experienced a net underrecovery in the amount of \$33,397,742 for
17 its combined customer classes. DEP proposed to defer collection of
18 \$42,483,532 of underrecovered amounts in the test period, in this
19 case, for the residential, small general service, large general service,
20 and lighting classes until its 2018 annual fuel proceeding. The EMF
21 over/(under) collection of fuel for each of the North Carolina retail
22 customer classes initially proposed was as follows:

1	Residential	(\$21,667,250)
2	Small General Service	(\$1,070,097)
3	Medium General Service	\$9,085,789
4	Large General Service	(\$17,931,000)
5	Lighting	(\$1,815,185)

6

7 As a result of DEP's proposed deferral of the underrecovery of fuel
8 costs until its 2018 annual fuel proceeding, the EMF increment rider
9 proposed would be zero for each of the residential, small general
10 service, large general service, and lighting classes set forth above.

11

12 The test year fuel and fuel-related costs for the medium general
13 service class were overrecovered by an amount of \$9,085,789, per
14 the initial application. The Company proposed to return the
15 overcollection of fuel (plus interest in the amount of \$1,514,298) for
16 this class during the rate period (December 2017 – November 2018).

17 The proposed EMF rider for the medium general service class was
18 based on DEP's calculated and reported North Carolina retail fuel
19 and fuel-related cost overrecovery of \$9,085,789 for the twelve
20 months ended March 31, 2017. The initially proposed rider was
21 calculated by dividing the fuel and fuel-related cost overrecovery by
22 DEP's normalized test year North Carolina retail sales of 11,162,395
23 megawatt-hours (MWh) for the medium general service class. The

1 proposed interest of \$1,514,298 for the medium general service
2 class was divided by the same level of MWh sales. This resulted in
3 an initially proposed EMF decrement in the amount of (0.081) cents
4 per kilowatt hour (kWh) and an EMF interest decrement in the
5 amount of (0.014) cents per kWh, both excluding the regulatory fee.

6

7 **Q. PLEASE DESCRIBE THE PUBLIC STAFF'S INVESTIGATION OF**
8 **THE FUEL EMF INCREMENT AND DECREMENT RIDERS.**

9 A. The Public Staff's investigation included procedures intended to
10 evaluate whether the Company properly determined its per books
11 fuel and fuel-related costs and revenues during the test period.
12 These procedures included a review of the Company's filing, prior
13 Commission orders, the Monthly Fuel Reports filed by the Company
14 with the Commission, and other Company data provided to the Public
15 Staff. Additionally, they included review of certain specific types of
16 expenditures impacting the Company's test year fuel and fuel-related
17 costs, including nuclear fuel disposal costs and payments to non-
18 utility generators, as well as reviews of source documentation of fuel
19 and fuel-related costs for certain selected Company generation
20 resources. Performing the Public Staff's investigation required the
21 review of numerous responses to written and verbal data requests,
22 as well as a site visit to the Company's offices and several telephone
23 conferences with Company representatives.

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

3 A. On September 6, 2017, DEP filed the Supplemental Testimony and
4 Revised Exhibits of Kendra A. Ward. The purpose of DEP's
5 supplemental testimony is to revise the prospective fuel costs to
6 incorporate the impacts of House Bill 589 (HB 589); to incorporate
7 an adjustment proposed by the Public Staff related to replacement
8 power costs at the Robinson Nuclear Plant; and to clarify the
9 Company's request to defer collection of underrecovered amounts
10 for the residential, small general service, large general service, and
11 lighting classes.

12
13 Q. WHAT PROPOSALS DID COMPANY WITNESS WARD MAKE IN
14 HER SUPPLEMENTAL TESTIMONY?

15 A. In her Supplemental Testimony and Revised Exhibits, DEP witness
16 Ward recommended that the initially proposed deferral of
17 \$42,483,532 of test-period underrecoveries for the residential, small
18 general service, large general service, and lighting classes be
19 reduced. The reduction would reflect an adjustment originally
20 proposed by the South Carolina Office of Regulatory Staff (ORS) in
21 a 2017 fuel cost review proceeding.

- 1 **Q. PLEASE EXPLAIN THIS ADJUSTMENT.**
- 2 A. ORS proposed the adjustment to remove the South Carolina share
3 of certain replacement costs incurred by the Company during an
4 August 2016 outage at the Robinson Nuclear Plant. DEP stipulated
5 to the adjustment in South Carolina. The North Carolina share of the
6 disallowed replacement power costs is \$876,686, and the Company
7 has agreed to this adjustment as a result of discussions with the
8 Public Staff. Of the total \$876,686 adjustment, \$257,907 is allocable
9 to the medium general service class and will be added to the
10 overrecovery to be refunded to this class. The remaining \$618,779
11 will be offset against the underrecovery that must be collected from
12 the other four customer classes. The Public Staff agrees with this
13 allocation of the disallowed amount.
- 14
- 15 **Q. WHAT IS YOUR RECOMMENDATION AS TO THE**
16 **OVERRECOVERY FROM THE MEDIUM GENERAL SERVICE**
17 **CLASS?**
- 18 A. The amount of the overrecovery, after taking into account the
19 medium general service class's \$257,907 share of the Robinson
20 adjustment, is \$9,343,696. This overcollection, plus interest in the
21 amount of \$1,557,282, will be returned by the Company to the
22 medium general service class during the rate period (December
23 2017 – November 2018) in this case. The revised EMF rider for the

1 medium general service class was calculated by dividing the fuel and
2 fuel-related cost overrecovery by DEP's normalized test year North
3 Carolina retail sales of 11,162,395 MWh for this class. The interest
4 of \$1,557,282 was divided by the same level of MWh sales. This will
5 result in an EMF decrement in the amount of (0.084) cents per kWh
6 and an EMF interest decrement in the amount of (0.014) cents per
7 kWh, both excluding the regulatory fee.

8

9 **Q. ARE YOU PROPOSING ANY ADJUSTMENTS TO DEP'S TEST-**
10 **YEAR KWH SALES?**

11 A. No. I am not proposing any change to the normalized North Carolina
12 retail sales as proposed by DEP of 15,786,375 MWh for the
13 residential class; 1,896,757 MWh for the small general service class,
14 11,162,395 MWh for the medium general service class, 8,347,370
15 MWh for the large general service class, and 377,137 MWh for the
16 lighting class, as set forth in DEP's testimony.

17

18 **Q. WHAT ARE THE UNDERRECOVERY AMOUNTS YOU ARE**
19 **PROPOSING FOR THE FIVE CUSTOMER CLASSES?**

20 A. My recommended revised underrecovery amounts (as also set forth
21 in witness Ward's Revised Exhibits) to be deferred for recovery until
22 DEP's 2018 fuel recovery proceeding, for each North Carolina retail

1 customer class, are as follows (excluding the North Carolina
2 regulatory fee):

3	Residential	(\$21,282,684)
4	Small General Service	(\$1,023,834)
5	Medium General Service	\$0
6	Large General Service	(\$17,750,323)
7	Lighting	(\$1,807,912)

8 I have provided these amounts to Public Staff witness Dustin R. Metz
9 for incorporation into his recommended final fuel factor.

10

11 **Q. WHAT IS YOUR POSITION ON THE COMPANY'S REQUEST TO**
12 **DEFER COLLECTION OF THE UNDERRECOVERED AMOUNTS**
13 **(FOR THE FOUR CLASSES WITH AN UNDERRECOVERY) UNTIL**
14 **THE NEXT FUEL PROCEEDING?**

15 **A.** In her Supplemental Testimony, Ms. Ward sets forth the following
16 statement of the Company with regard to the underrecovery from
17 these customer classes:

18 The Company will not request any interest, for any time
19 period, associated with its proposed delay in
20 recovering this amount. The Company intends to delay
21 recovery of this amount for one year by requesting
22 recovery of the \$41.9 million [net of the Robinson
23 Nuclear adjustment set forth above] in its 2018 fuel
24 proceeding. In its 2018 fuel proceeding, DEP will follow
25 its normal practices to compute the EMF component of
26 its fuel rates to address any over or under collection of
27 the fuel and fuel-related costs for the test period of the
28 2018 case. The deferred amount of the \$41.9 million,
29 broken down by customer class, will be added into the

1 proposed 2018 EMF amounts for each customer class
2 and billed in the rate period of December 2018-
3 November 2019. DEP will also follow its normal
4 practices to propose the appropriate fuel and fuel-
5 related costs for the rate period of its 2018 fuel case,
6 which will be unaffected by the deferred recovery of the
7 \$41.9 million.
8

9 Since the Company has agreed not to collect interest on the deferred
10 amounts, and not to extend the deferral past one year, I do not take
11 issue with the Company's request.
12

13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 **A.** Yes, it does.

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.

**DUKE ENERGY PROGRESS, LLC
DOCKET NO. E-2, SUB 1146**

**TESTIMONY OF DUSTIN R. METZ
ON BEHALF OF THE PUBLIC STAFF
NORTH CAROLINA UTILITIES COMMISSION**

September 7, 2017

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
2 **PRESENT POSITION.**

3 A. My name is Dustin R. Metz. My business address is 430 North
4 Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am a
5 Utilities Engineer with the Electric Division of the Public Staff of the
6 North Carolina Utilities Commission.

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

9 A. My qualifications and duties are included in Appendix A.
10

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

12 A. The purpose of my testimony is to present the Public Staff's
13 recommendations regarding the proposed fuel and fuel-related cost
14 factors for the residential, small general service, medium general
15 service, large general service, and lighting customers of Duke
16 Energy Progress, LLC (DEP or the Company), as set forth in the
17 Company's June 21, 2017 application and revised in the

1 supplemental testimony of DEP witness Ward field on September 6,
2 2017. I have reviewed DEP's application, its prefiled and
3 supplemental testimony and exhibits, its coal contracts, its fuel-
4 related costs, its test period baseload power plant performance
5 reports, and the current coal, natural gas, nuclear fuel, and reagents
6 markets, as well as various documents related to test year power
7 plant outages. I have also reviewed the testimony of Public Staff
8 witness Darlene P. Peedin.

9
10 For this proceeding, the test period is April 1, 2016 through March
11 31, 2017, and the billing period is December 1, 2017 through
12 November 30, 2018.

13

14 **Q. WHAT DID YOUR REVIEW OF THE PERFORMANCE OF DEP'S**
15 **NUCLEAR FLEET REVEAL?**

16 **A.** The Company's actual system nuclear capacity factor for the test
17 year in this case was 93.65%. In comparison, the most recent North
18 American Electric Reliability Corporation (NERC) five-year average
19 weighted capacity factor for the size and type of reactors in DEP's
20 nuclear fleet was 88.94% during the test period.

21

22 In the 2016 DEP Fuel and Fuel-Related Charge Adjustment for
23 Electric Utilities case, Docket No. E-2, Sub 1107, the Public Staff

1 reserved the right to continue its review and make a recommendation
2 on the following nuclear forced outage events in future proceedings:
3 (1) the Brunswick Nuclear Plant Unit 1 manual reactor shutdown
4 (SCRAM) for a component failure that occurred on
5 February 7, 2016 and lasted through February 14, 2016; and
6 (2) the Robinson Nuclear Plant Unit 2 low pressure turbine blade
7 repair outage that occurred on November 17, 2015 and lasted
8 through November 28, 2015.¹ The Public Staff has since completed
9 its review and does not recommend any adjustment related to the
10 above listed outages in this case.

11

12 **Q. WHAT DID YOUR REVIEW OF DEP'S PROJECTED FUEL AND**
13 **FUEL-RELATED COSTS REVEAL?**

14 A. The cost of natural gas is expected to increase from the test period
15 to the billing period, as evidenced by Henry Hub observed forward
16 prices; likewise, the cost of nuclear fuel is expected to increase. The
17 cost of coal is expected to decrease. DEP's proposed fuel and fuel-
18 related costs are based on a 92.6% system nuclear capacity factor,
19 which is what the Company anticipates for the billing period.

¹ The Company had yet to complete its review and analysis of these outages prior to the close of the 2016 hearing.

1 In addition, I have reviewed the supplemental testimony and exhibits
2 of DEP witness Kendra A. Ward filed on September 6, 2017. I agree
3 with the mathematical accuracy of the calculations, particularly as
4 they pertain to the estimated purchase power costs for qualifying
5 facilities resulting from the passage of House Bill 589, and have
6 incorporated these costs in Table 1 below. To the extent that the
7 Public Staff finds it necessary to comment on the reasonableness
8 and prudence of these costs, we will do so in DEP's 2018 Fuel and
9 Fuel-Related Charge Adjustment for Electric Utilities case.

10
11 Public Staff witness Darlene Peedin describes the Public Staff's
12 review of the test period EMF in her testimony, and I have
13 incorporated her recommendations in Table 1 below.

14
15 Based on my investigation, the projected fuel and fuel-related costs
16 (including reagents) set forth in DEP's application and testimony, in
17 combination with the testimony of Public Staff witness Peedin, are
18 reasonable and are in accordance with the requirements of N.C.G.S.
19 62-133.2.

20
21 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE**
22 **APPROPRIATE FUEL COMPONENTS AND TOTAL FUEL**

1 **FACTORS (EXCLUDING REGULATORY FEE) FOR USE IN THE**
 2 **BILLING PERIOD?**

3 A. I recommend approval of the fuel components and total fuel factors
 4 (excluding the regulatory fee) shown in Table 1, effective for the
 5 twelve months billing period beginning December 1, 2017:
 6

TABLE 1 – Total Proposed Fuel and Fuel-Related Cost Factors (¢ per kWh)

Rate Class	Base & Prospective	EMF and EMF Interest	Total Fuel Factor
Residential	2.179	0	2.179
Small General Service	2.121	0	2.121
Medium General Service	2.356	(0.098)	2.258
Large General Service	2.417	0	2.417
Lighting	1.657	0	1.657

7

8 For comparison purposes, Table 2 below provides the existing fuel
 9 and fuel-related cost factors (excluding the regulatory fee) approved
 10 in Docket No. E-2, Sub 1107.

TABLE 2 – Total Existing Fuel and Fuel-Related Cost Factors (¢ per kWh)

Rate Class	Base & Prospective	EMF	Total Fuel Factor
Residential	1.993	(0.160)	1.833
Small General Service	2.088	(0.359)	1.729
Medium General Service	2.431	(0.447)	1.984
Large General Service	2.253	(0.016)	2.237
Lighting	0.596	0.280	0.876

1

2

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

3

A. Yes.

Dustin R. Metz

Through the Commonwealth of Virginia Board of Contractors, I hold a current Tradesman License certification of Journeyman and Master within the electrical trade, 2008 and 2009 respectively. I graduated from Central Virginia Community College with Associates of Applied Science degrees in Electronics & Electrical Technology (Magna Cum Laude), 2011 and 2012 respectively, and an Associates of Arts in Science in General Studies (Cum Laude) in 2013. I graduated from Old Dominion University in 2014, earning a Bachelor of Science degree in Engineering Technology with a major in Electrical Engineering and a minor in Engineering Management.

I have 12 plus years of combined experience in engineering, electromechanical system design, troubleshooting, repair, installation, commissioning of electrical & electronic control systems in industrial and commercial nuclear facilities, project planning & management, and general construction experience.

I joined the Public Staff in the fall of 2015. Since that time, I have worked on general rate cases, fuel cases, applications for certificates of public convenience and necessity, customer complaints, nuclear decommissioning, power plant performance, and other aspects of utility regulation.