



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

August 25, 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 1254 – Application of Duke Energy Progress, LLC for Approval of CPRE Compliance Report and CPRE Cost Recovery Rider

Dear Ms. Campbell:

In connection with the above-referenced docket, I transmit herewith for filing on behalf of the Public Staff the testimony and exhibit of Jeff Thomas, Utilities Engineer, Electric Section, Energy Division; and testimony of Michelle M. Boswell, Manager, Electric Section, Accounting Division.

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

Sincerely,

s/ Layla Cummings
Staff Attorney
layla.cummings@psncuc.nc.gov

Attachments

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BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-2, SUB 1254

In the Matter of)	
Application of Duke Energy Progress,	)	TESTIMONY OF
LLC for Approval of CPRE Compliance	)	JEFF THOMAS
Report and CPRE Cost Recovery Rider	)	PUBLIC STAFF – NORTH
	)	CAROLINA UTILITIES
	)	COMMISSION

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-2, SUB 1254

**TESTIMONY OF JEFF THOMAS
ON BEHALF OF THE PUBLIC STAFF
NORTH CAROLINA UTILITIES COMMISSION**

AUGUST 25, 2020

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

3 A. My name is Jeff Thomas. My business address is 430 North
4 Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am an
5 engineer with the Energy Division¹ of the Public Staff – North
6 Carolina Utilities Commission.

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

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

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

10 A. The purpose of my testimony is to make recommendations to the
11 Commission regarding the Public Staff's investigation into the application
12 for recovery of costs associated with the implementation of the
13 Competitive Procurement of Renewable Energy (CPRE) Program,

¹ In August, 2020, the Electric and Natural Gas divisions of the Public Staff were merged to become the Energy Division.

1 pursuant to N.C. Gen. Stat. § 62-110.8 filed by Duke Energy Progress,
2 LLC (DEP or the Company) on June 9, 2020.

3 The Public Staff Energy Division’s specific responsibilities in this and
4 future CPRE rider proceedings are to (a) review the Company’s
5 application and proposed rates for compliance with N.C. Gen. Stat.
6 § 62-110.8 and Commission Rule R8-71; (b) review the CPRE
7 Compliance Report and address any deficiencies pursuant to
8 Commission Rule R8-71(h) and Commission Orders, and (c) make
9 recommendations regarding changes to the Company’s calculations
10 of the proposed rates.

11 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

12 A. My testimony summarizes the CPRE Program Rider request and the
13 CPRE Compliance Report and presents the results of our
14 investigation. After review of DEP’s Supplemental Testimony, filed
15 August 24, 2020, the Public Staff has no recommendations for
16 adjustments in this proceeding.

17 **Q. ARE YOU PROVIDING ANY EXHIBITS WITH YOUR TESTIMONY?**

18 A. Yes. I am including one exhibit, described below.

19 Exhibit 1. DEP response to PS DR 2-6.

1 A. Overview of CPRE Rider Request

2 **Q. WHAT COSTS DOES DEP SEEK TO RECOVER ASSOCIATED**
3 **WITH THE CPRE PROGRAM IMPLEMENTATION?**

4 A. As described in the direct testimony of DEP witness Sykes, DEP
5 seeks to recover \$1,200,707 in implementation costs incurred during
6 the initial test period from August 1, 2017 through March 31, 2019
7 (Extended Initial Test Period). These costs reflect internal company
8 labor and associated costs, outside consulting and legal services,
9 and \$310,807 in Independent Administrator (IA) fees not recovered
10 from Market Participants (MPs) in Tranche 1. In addition, DEP
11 forecasts ongoing implementation costs of \$368,383 from December
12 1, 2020 through November 30, 2021 (Billing Period), associated with
13 internal labor and outside services.

14 **Q. DOES DEP SEEK RECOVERY OF ANY “T&D SUB-TEAM”**
15 **LABOR COSTS IN THIS PROCEEDING?**

16 A. No. DEP indicated that the DEP T&D Sub-Team² did not record any
17 labor to the time entry charge code provided during Tranche 1 that
18 applied to the T&D Sub-Team’s evaluation efforts. The result of this
19 oversight is that the costs associated with the T&D Sub-Team are
20 being sought for recovery within base rates in the ongoing Docket

² As defined in Commission Rule R8-71(b)(16).

1 No. E-2, Sub 1219. However, DEP also indicated that both projects
2 selected in Tranche 1 were late-stage projects and did not require
3 further evaluation by the T&D Sub-Team, so any such costs are likely
4 not material. In future CPRE Tranches, the T&D Sub-Team will use
5 specific accounting codes to accurately record these costs for
6 recovery in the CPRE Rider.

7 **Q. HOW DOES DEP ALLOCATE THESE IMPLEMENTATION**
8 **COSTS?**

9 A. In its Supplemental Testimony, and consistent with the
10 Commission's August 19, 2020 *Order Approving CPRE Rider and*
11 *CPRE Program Compliance Report* in the Duke Energy Carolinas,
12 LLC (DEC) CPRE Rider Proceeding (Docket No. E-7, Sub 1231),
13 DEP allocates these costs to its North Carolina retail jurisdiction
14 using a weighted average of capacity and energy jurisdictional
15 factors (61.08%). These North Carolina retail jurisdictional costs are
16 then allocated to customer classes based on class allocation factors
17 that are a weighted average of the energy and capacity class
18 allocation factors ("Composite Factor"), as described by witness
19 Sykes on page 10 of his direct testimony.

20 **Q. WHAT COSTS DOES DEP SEEK TO RECOVER ASSOCIATED**
21 **WITH PURCHASES OF ENERGY AND CAPACITY FROM**
22 **WINNING PROJECTS?**

1 A. Within the Extended Initial Test Period, there were no incurred costs
2 associated with purchases of energy and capacity from winning
3 projects, as no winning projects came online during the Extended
4 Initial Test Period. Within the Billing Period, DEP estimates that it will
5 incur a total of approximately \$2.1 million (system costs) for
6 purchased power, consisting of \$452,411 in capacity costs and \$1.7
7 million in energy costs. The North Carolina retail portion of these total
8 costs is approximately \$1.3 million.

9 **Q. HOW DOES DEP ALLOCATE THESE PURCHASED POWER**
10 **COSTS?**

11 A. DEP requests to recover from North Carolina retail customers its
12 capacity costs based upon its 2019 Production Plant³ jurisdictional
13 allocation factor (60.07%), and its energy costs based upon its
14 Projected Billing Period Sales jurisdictional allocation factor
15 (61.35%). These costs are then allocated to North Carolina customer
16 classes in a similar manner as purchased power costs are allocated
17 in its annual fuel adjustment clause rider filing. Specifically, capacity
18 costs are allocated to North Carolina retail customer classes via the

³ This reflects the allocation factors used in DEP's Supplemental Testimony.

1 2019 Production Plant Allocation Factors,⁴ and energy costs are
2 allocated via Projected Billing Period Sales.

3 **Q. TURNING NOW TO DEP’S CPRE COMPLIANCE REPORT, CAN**
4 **YOU PLEASE PROVIDE AN OVERVIEW?**

5 A. DEP filed its 2019 CPRE Compliance Report pursuant to
6 Commission Rule R8-71(h). This report included information
7 required by the Rule for calendar year 2019. Tranche 1 opened on
8 July 10, 2018 and closed on October 9, 2018. Tranche 2 opened on
9 October 15, 2019 and closed on March 9, 2020. Thus, 2019 actions
10 included evaluation, selection, and contract execution for Tranche 1
11 projects, as well as significant CPRE Program regulatory activity in
12 advance of Tranche 2. The report states that 87 MW of capacity was
13 originally selected in Tranche 1, with the final amount of procured
14 capacity reduced to 86 MW after one project withdrew and was
15 replaced with the next most competitive proposal from the reserve
16 list. The 2019 CPRE Compliance Report also provides average
17 pricing for each of the selected proposals, avoided cost thresholds,
18 costs and authorized revenue, grid upgrade costs on a per-project
19 basis, and a certification from the IA stating that “[a]ll proposals were

⁴ Reflecting the use of a summer coincident peak methodology and updated Cost of Service Study used in DEP’s Supplemental Testimony.

1 evaluated using the same criteria and evaluation modeling,
2 consistent with the CPRE Program Methodology.”

3 **Q. DURING YOUR INVESTIGATION, DID YOU FIND ANY ISSUES**
4 **WITH THE CPRE COMPLIANCE REPORT?**

5 A. No. The 2019 CPRE Compliance Report satisfied all statutory and
6 regulatory requirements.

7 B. CPRE Rider and Compliance Report Investigation

8 **Q. REGARDING THE COSTS INCURRED DURING THE EXTENDED**
9 **INITIAL TEST PERIOD, DID THE PUBLIC STAFF’S**
10 **INVESTIGATION IDENTIFY ANY ISSUES?**

11 A. Yes. This proceeding is DEP’s first CPRE rider application for cost
12 recovery, and the Public Staff has identified several issues for the
13 Commission’s consideration: (1) some program implementation
14 costs incurred during the Extended Initial Test Period will be spread
15 over all three Tranches; and (2) the IA costs incurred during the
16 Extended Initial Test Period were greater than the fees recovered
17 from the MPs, and DEP is requesting to recover this excess from
18 North Carolina retail customers.

19 **Q. PLEASE EXPLAIN HOW DEP PROPOSES TO SPREAD SOME IA**
20 **IMPLEMENTATION COSTS OVER FUTURE CPRE TRANCHES.**

1 A. Similar to the way DEC proposed to treat implementation costs in
2 Docket No. E-7, Sub 1231, Application of DEC for Approval of CPRE
3 Cost Recovery Rider (DEC CPRE Rider Proceeding), the Public Staff
4 understands DEP proposes to split these costs equally over all three
5 Tranches of the CPRE because the approximately \$374,000 of total
6 IA costs incurred during the Extended Initial Test Period, for activities
7 such as website design and the initial four months of overall program
8 design, are for initiatives that will be utilized in all three Tranches.

9 **Q. DOES THE PUBLIC STAFF HAVE CONCERNS WITH**
10 **SPREADING THESE COSTS OVER FUTURE TRANCHES?**

11 A. No. The Public Staff agrees that it is appropriate for these costs to
12 be recovered in future CPRE rider proceedings, since those initial
13 activities will be utilized in future tranches.

14 **Q. DOES THE PUBLIC STAFF HAVE ANY OBJECTIONS TO DEP'S**
15 **REQUEST TO RECOVER SOME OF THE IA FEES FROM**
16 **RATEPAYERS IN THIS PROCEEDING?**

17 A. No. As previously stated, DEP is seeking recovery of \$310,807 of IA
18 fees, as the proposal and winners' fees collected from MPs were not
19 sufficient to cover all IA costs. This amount represents 50% of the
20 total IA fees not recovered, with the remaining 50% requested for
21 recovery in the DEC CPRE Rider Proceeding. The Public Staff notes
22 that Commission Rule R8-71(d)(10) authorizes DEP to charge

1 reasonable proposal fees and to fund the IA and T&D Sub-Team
2 costs, and to the extent these fees were insufficient to pay the total
3 cost of retaining the IA, the winning participants would pay the
4 balance through a winners' fee. The Public Staff raised no objections
5 to this issue in the DEC case, and does not do so now.

6 **Q. HOW MUCH DID DEP AND DEC COLLECT IN FEES FROM**
7 **MARKET PARTICIPANTS?**

8 A. DEC and DEP collected approximately \$901,000 in net proposal fees
9 and \$500,000 in winners' fees.⁵ These fees were used to fund the
10 grouping studies as well as the IA fees. These fees were insufficient
11 to cover the entirety of the Tranche 1 IA costs.

12 **Q. HAS DEP PROVIDED A REASONABLE EXPLANATION FOR**
13 **WHY IA FEES EXCEEDED THE FEES RECOVERED FROM**
14 **MARKET PARTICIPANTS?**

15 A. Yes. During Tranche 1, which opened on July 10, 2018, DEP set a
16 maximum cap of \$500,000 on the total winners' fee to be collected
17 from all winning proposals. This maximum cap was defined in the
18 Tranche 1 Request for Proposals (RFP) in order to provide certainty

⁵ DEP collected approximately 18% of these total fees.

1 of costs to the MPs, and was estimated in mid-2018 based on the IA
2 contract⁶ and estimated costs to set up and implement Tranche 1.

3 In response to Public Staff questions regarding the IA fees, DEP
4 responded that, in 2019, there were several regulatory proceedings
5 which caused the “duration, scope, and complexity of the IA’s
6 engagement”⁷ to expand significantly from what was envisioned
7 when CPRE implementation costs were initially estimated. These
8 included: participation in a May 23, 2019, technical conference;
9 comments on bid refresh procedures;⁸ participation in monthly
10 stakeholder meetings hosted by DEP and DEC;⁹ and comments on
11 the applicability of the Solar Integration Services Charge to CPRE
12 projects.¹⁰ DEP notes that additional reporting requirements have
13 also been imposed on the IA since the release of the Tranche 1 RFP.

14 **Q. HAS DEP TAKEN ANY EFFORTS TO ENSURE THAT FUTURE IA**
15 **FEES WILL BE RECOVERED FROM MARKET PARTICIPANTS?**

16 A. Yes. In its Tranche 2 RFP, DEP and DEC doubled the maximum
17 winners’ fee from \$500,000 to \$1 million. The Public Staff believes

⁶ The IA contract was filed with the Commission on May 11, 2018, in compliance with Commission Rule R8-71(d)(4).

⁷ See DEP response to PS DR 2-5, attached as Thomas Exhibit 2.

⁸ Requested in the Commission’s May 1, 2019 *Order Postponing Tranche 2 CPRE RFP Solicitation and Scheduling Technical Conference*.

⁹ See Ordering Paragraph No. 3 in July 3, 2019 *Order Modifying and Accepting CPRE Program Plan* in Docket Nos. E-2, Sub 1159 and E-7, Sub 1156.

¹⁰ Requested in the Commission’s October 7, 2019 *Order Requesting Comments*.

1 this amount should be sufficient to ensure that IA fees are recovered
2 from MPs, and not from ratepayers, in future cost recovery
3 proceedings, provided there is no unforeseen increases in the IA's
4 required engagement from current levels.

5 **Q. REGARDING THE PROJECTED COSTS DURING THE BILLING**
6 **PERIOD, PLEASE SUMMARIZE THE PUBLIC STAFF'S**
7 **INVESTIGATION.**

8 A. The Public Staff's investigation found that DEP's estimation of Billing
9 Period costs and energy sales is generally reasonable. The
10 Company estimated the total energy production for each CPRE
11 facility based on one generic output profile for solar only facilities,
12 because no solar-plus-storage facilities were selected in Tranche 1.
13 DEP also used actual bid prices from each project's Power Purchase
14 Agreement (PPA) to estimate total costs. To calculate the Billing
15 Period energy sales for each customer class, the Company used the
16 same weather and customer growth adjustments proposed in its fuel
17 adjustment clause proceeding.¹¹ Total purchased power costs were
18 split between capacity and energy using an analysis of avoided cost

¹¹ Docket No. E-2, Sub 1254.

1 rates approved by the Commission in Docket No. E-100, Sub 148,¹²
2 applied to a solar profile.¹³

3 **Q. DO THE TOTAL COSTS DEP SEEKS TO RECOVER IN THIS**
4 **PROCEEDING EXCEED THE COST CAP ESTABLISHED BY N.C.**
5 **GEN. STAT. § 62-110.8(g)?**

6 A. No. Total costs sought for recovery in this proceeding are less than
7 1% of DEP's total North Carolina retail jurisdictional gross revenues
8 for 2019.

9 **Q. DID DEP SUBMIT ANY WINNING SELF-BUILD OR ASSET**
10 **ACQUISITION PROJECTS INTO TRANCHE 1 FOR WHICH IT**
11 **SEEKS MARKET-BASED RECOVERY?**

12 A. No, DEP did not submit any winning bids. DEP submitted two asset
13 acquisition bids into Tranche 1, but these projects were not selected
14 by the IA. According to DEP, the costs associated with acquiring and
15 developing the first of these two bids were *de minimis* and were not
16 tracked with specific accounting codes. The costs associated with
17 the second project were written off in 2019 and DEP does not seek

¹² The Tranche 1 CPRE was measured against the E-100, Sub 148 avoided cost rates. Tranche 2 projects will be measured against the E-100, Sub 158 avoided cost rates.

¹³ The actual payments to facilities for purchased capacity and energy will be trued up in the calculation of the EMF in future CPRE rider filings.

1 recovery of these costs from ratepayers. These costs are addressed
2 in more detail in Public Staff witness Michelle Boswell's testimony.

3 **Q. DOES THE PUBLIC STAFF BELIEVE DEP'S CPRE COMPLIANCE**
4 **REPORT SATISFIES THE REQUIREMENTS OF COMMISSION**
5 **RULE R8-71(H)?**

6 A. Yes. Based upon our review, DEP's CPRE Compliance Report
7 provides adequate information that satisfies both the requirements
8 of Commission Rule R8-71(h) and the Commission's February 21,
9 2018 *Order Modifying and Approving Joint CPRE Program* in Docket
10 Nos. E-7 Sub 1156, and E-2 Sub 1159 (CPRE Order).

11 **Q. DOES DEP'S COMPLIANCE REPORT PROVIDE ANY**
12 **INFORMATION ON ITS COMPLIANCE WITH THE 30% UTILITY-**
13 **OWNED LIMIT REQUIRED BY N.C. GEN. STAT. § 62-110.8(b)(4)?**

14 A. No. However, the Public Staff investigated this matter and found that
15 none of the Tranche 1 capacity in DEP was won by utility-owned and
16 affiliate-owned projects; approximately 36% of combined Tranche 1
17 capacity (in DEP and DEC) was awarded to Duke and Duke
18 affiliates.¹⁴ Due to the increasing amount of Transition MW
19 connected to DEP's and DEC's system, DEC and DEP estimate that
20 the final CPRE procurement target will range from 1,231 MW to

¹⁴ In DEC, five winning projects were owned by DEC or Duke affiliates.

1 1,881 MW.¹⁵ Thus, it is important that the IA, in Tranches 2 and 3, be
2 vigilant that the 30% cap on utility and affiliate owned projects for the
3 entire CPRE Program is not exceeded.

4 **Q. DURING THE IMPLEMENTATION OF THE CPRE PROGRAM,**
5 **THE PUBLIC STAFF RAISED CONCERNS REGARDING**
6 **“PHANTOM UPGRADES” THAT MAY ARISE DUE TO THE WAY**
7 **THE GROUPING STUDY BASELINE WAS DEFINED. HAS THE**
8 **PUBLIC STAFF INVESTIGATED THIS MATTER?**

9 A. Yes. The Public Staff requested a list of all projects that were
10 included in the study baseline but have since withdrawn.
11 Approximately 19 projects (representing 1,359 MW of capacity) that
12 were included in the CPRE Tranche 1 grouping study baseline have
13 since withdrawn their interconnection requests. The withdrawn
14 projects are entirely solar. However, DEP confirmed that no winning
15 CPRE project was dependent on any upgrades that were assigned
16 to the withdrawn projects. The withdrawal of such a significant
17 number of projects highlights the importance of defining an accurate
18 grouping study baseline.

¹⁵ See CPRE Compliance Report at 6. Transition MW is the term use to refer to projects that qualify under N.C. Gen. Stat. § 62-110.8(b)(1) as having executed PPAs and interconnection agreements within the DEC and DEP Balancing Authorities that are not subject to economic dispatch or curtailment and were not procured under the Green Source Advantage program. Should the level of Transition MW exceed 3,500 MW, the aggregate CPRE target of 2,660 MW will be reduced by such excess capacity.

1 C. Public Staff Recommendations

2 **Q. ARE YOU MAKING ANY RECOMMENDATIONS TO THE**
3 **COMMISSION?**

4 A. No. The Supplemental Testimony filed on August 24, 2020 has
5 addressed the Public Staff's concerns.

6 **Q. WHAT RATES HAS DEP REQUESTED FOR ITS EMF AND CPRE**
7 **RIDER?**

8 A. In the Supplemental Testimony of witness Sykes, DEP requested the
9 following charges (excluding regulatory fee):

DEP's Rider Request Filed on August 24, 2020 (cents per kWh)			
Customer Class	EMF Rate	CPRE Rider Rate	Total CPRE Rate
Residential	0.002	0.005	0.007
Small General Service	0.002	0.005	0.007
Medium General Service	0.002	0.005	0.007
Large General Service	0.002	0.004	0.006
Lighting	0.002	0.003	0.005

- 1 Q. DOES THIS CONCLUDE YOUR TESTIMONY?
- 2 A. Yes, it does.

QUALIFICATIONS AND EXPERIENCE

JEFFREY T. THOMAS

I graduated from the University of Illinois Champaign-Urbana in 2009, earning a Bachelor of Science in General Engineering. Afterwards, I worked in various operations management roles for General Electric, United Technologies Corporation, and Danaher Corporation. My first role was a manufacturing process engineer in GE's Operations Management and Leadership program; I eventually became a production supervisor, where I was responsible for the safety and productivity of a team of employees. I left manufacturing in 2015 to attend North Carolina State University, earning a Master of Science degree in Environmental Engineering. At NC State, I performed cost-benefit analysis evaluating smart grid components, such as solid-state transformers and grid edge devices, at the Future Renewable Energy Electricity Delivery and Management Systems Engineering Research Center. My master's thesis focused on electric power system modeling, capacity expansion planning, linear programming, and the effect of various state and national energy policies on North Carolina's generation portfolio and electricity costs. After obtaining my degree, I joined the Public Staff in November 2017. In my current role, I have filed testimony in avoided cost proceedings, general rate cases, and CPCN applications, and have been involved in the implementation of HB 589 programs, utility cost

recovery, renewable energy program management, customer complaints,
and other aspects of utility regulation.

NC Public Staff
Docket No. E-2, Sub 1254
2020 CPRE
NC Public Staff Data Request No. 2
Item No. 2-6
Page [1] of 2

DUKE ENERGY PROGRESS, LLC

Request:

As the IA fees exceeded what was collected from market participants' fees, please respond to the following questions regarding the \$2 million in IA expenses.

- a. What measures, if any, did DEP take during Tranche 1 to control IA costs incurred?
- b. Did DEP review IA fees for reasonableness? If so, please explain.
- c. Did DEP challenge the validity or appropriateness of any IA fees? If so, please explain and provide supporting documentation.
- d. Did DEP negotiate a reduction of any IA fees at any time? If so, please explain and provide supporting documentation.
- e. Does DEP believe that all IA fees incurred during the course of CPRE implementation were reasonable?
- f. Did DEP charge the IA for use of any Duke facilities or amenities in the Extended Initial Test Period (e.g., conference rooms, teleconference lines, webinar services, etc.)? If so, please provide an itemized list of each of these charges and justification for the charge.

Response:

a. The Companies reviewed all invoices submitted by the IA to ensure proper documentation regarding the invoiced costs.

b. The IA's fees result from (1) hourly billing rates of Accion employees and (2) travel and other direct billed expenses. The IA contract (which identified the applicable hourly billing rates and the Companies' obligation to pay direct expenses) was filed with the Commission on May 11, 2018 in compliance Commission Rule R8-71(d)(4) and subsequently filed as an appendix to each CPRE Compliance Report in compliance with Commission Rule R8-71(h)(2)(viii).

The duration, scope, and complexity of the IA's engagement has expanded significantly from what was envisioned at the time of initial implementation of CPRE and contemplated in Commission Rule R8-71(d)(5).

With respect to duration, the timeline for CPRE implementation has extended significantly due to various Commission decisions (see e.g. May 1, 2019 Order Postponing Tranche 2 CPRE RFP Solicitation and Scheduling Technical Conference (delaying Tranche 2 opening, requesting comments on bid refresh and scheduling technical conference); October 7, 2019 Order Requesting Comments (requesting comments regarding applicability of SISC to CPRE)). Thus, for instance, while the Companies' initial CPRE guidelines contemplated that

Tranche 2 would be issued in February 2019 and completed in December 2019, the Tranche 2 RFP was not issued until October 2019 and will not be completed until the summer of 2020.

The scope of the IA's responsibilities have also been expanded to require implementation and facilitation of numerous stakeholder meetings and other types of market participant engagement, extensive reporting beyond that contemplated in the R8-71 and participation in Commission proceedings (see e.g., December 17, 2018 Order Requiring Interim CPRE Program Reports, Allowing Interim Implementation of CPRE Program Plans and Establishing Schedule (requiring additional CPRE reporting and requesting comments); July 2, 2019 Order Modifying and Accepting CPRE Program Plan (requiring monthly stakeholder meetings and additional reporting)). In addition, there have been numerous formal and informal disputes, challenges and other issues that have required direct engagement from the IA.

It is also worth noting that, in accordance with the design of the RFP structure, the Duke Evaluation Team in many cases has limited or no knowledge regarding the IA's engagement with Market Participants and/or the Public Staff. That is, in performing its obligations, the IA has often been required to engage with Market Participants regarding questions or disputes but has appropriately not engaged the Duke Evaluation Team in such efforts. In other instances, the IA has engaged Public Staff regarding question or issues without any involvement from the Duke Evaluation Team. In all such instances, the Companies believe that IA has acted appropriately, reasonably and in accordance with the Commission's rules. But such activity is, by design, not under the Companies' direct supervision or oversight.

c. See the Company's PSDR 2-6(b). The Companies have reviewed invoices submitted by the IA to ensure proper documentation regarding the invoiced costs but have not identified any instance of invalid or inappropriate fees. However, in one instance, the Companies did identify that a particular fee was inadvertently double billed. The error was corrected by the IA immediately upon notification.

d. No. The IA's hourly rates identified in the IA contract filed on May 11, 2018 have remained unchanged for the duration of the RFP.

e. Yes. See the Company's response to PSDR 2-6(a) – (c).

f. No, the Companies did not charge the IA for use of any Duke facilities or amenities.

Response provided by:
Jack Jirak, Associate General Counsel

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-2, SUB 1254

In the Matter of)	
Application of Duke Energy Progress,	)	TESTIMONY OF
LLC, for Approval of CPRE Cost	)	MICHELLE M. BOSWELL
Recovery Rider Pursuant to N.C.G.S §	)	PUBLIC STAFF – NORTH
62-110.8 and Commission Rule R8-71	)	CAROLINA UTILITIES
	)	COMMISSION

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
DOCKET NO. E-2, SUB 1254
TESTIMONY OF MICHELLE M. BOSWELL
ON BEHALF OF THE PUBLIC STAFF
NORTH CAROLINA UTILITIES COMMISSION**

August 25, 2020

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

3 A. My name is Michelle M. Boswell. My business address is 430 North
4 Salisbury Street, Raleigh, North Carolina.

5 **Q. PLEASE BRIEFLY STATE YOUR QUALIFICATIONS AND DUTIES.**

6 A. My qualifications and duties are included in Appendix A to my
7 testimony.

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

9 A. Pursuant to N.C. Gen. Stat. § 62-110.8(g) and Commission Rule R8-
10 71(j), an electric public utility shall be authorized to recover the costs
11 of all purchases of energy, capacity, and environmental and
12 renewable attributes from third-party renewable energy facilities
13 procured pursuant to the statute, and to collect the authorized
14 revenue related to any utility-owned assets pursuant to the statute,
15 through a Competitive Procurement of Renewable Energy (CPRE)
16 annual rider. Commission Rule R8-71 also provides the following: (1)

1 that the CPRE rider will be recovered over the same period as the
2 utility's fuel and fuel-related cost rider, and (2) that the costs and
3 authorized revenue will be modified through the use of a CPRE
4 Program experience modification factor (CPRE EMF) rider. The
5 CPRE EMF rider is utilized to "true-up" the recovery of reasonable
6 and prudently incurred CPRE Program costs incurred during the test
7 period established for each annual rider proceeding. Thus, each total
8 CPRE rider has at least two components: a forward-looking, or
9 prospective CPRE rider component, and a true-up CPRE EMF
10 component.

11 The purpose of my testimony is to present the results of the Public
12 Staff's investigation of the CPRE prospective rider component
13 (CPRE prospective rider) and the CPRE EMF rider component
14 (CPRE EMF rider) proposed by Duke Energy Progress, LLC (DEP
15 or the Company) in this proceeding. Typically, DEP's test period in
16 this proceeding would be the 12 months ended March 31, 2020;
17 however, the Commission issued Orders on October 29, 2018, in
18 Docket No. E-2, Sub 1179, and on August 30, 2019, in Docket No.
19 E-2, Sub 1208, to approve DEP's request to defer recovery of CPRE
20 Program costs reasonably and prudently incurred, and extended the
21 test period to be used in DEP's initial application to recover CPRE
22 Program costs to a 32-month period beginning on August 1, 2017
23 and ending March 31, 2020 (the Extended Initial Test Period). Since

1 this is the initial application to recover CPRE Program costs, and
2 there were no actual purchases of energy and capacity or revenue
3 requirements associated with CPRE facilities, there are no revenues
4 that have been collected during the Extended Initial Test Period.

5 The Public Staff Accounting Division's specific responsibilities in this
6 CPRE rider proceeding are (a) to participate in the overall Public
7 Staff investigation of the Company's filing and proposed rates; (b) to
8 review the incurred costs and received revenues proposed for
9 inclusion in the CPRE EMF rider; and (c) to investigate the
10 Company's calculations of its proposed rates and present the
11 calculations of the Public Staff's recommended rates.

12 **Q. PLEASE EXPLAIN THE INCREMENT CPRE EMF RIDERS**
13 **INITIALLY PROPOSED BY DEC IN THIS PROCEEDING.**

14 A. In its application filed on June 9, 2020, DEP set forth the following
15 CPRE Program implementation costs undercollected for each of the
16 North Carolina retail customer classes during the Extended Initial
17 Test Period:

18 Residential	\$549,516
19 Small General Service	\$58,291
20 Medium General Service	\$321,318
21 Large General Service	\$262,061
22 Lighting	\$9,519

1 DEP's proposed CPRE EMF increment rider in cents per kilowatt-
2 hour (kWh), excluding the North Carolina regulatory fee, for each
3 North Carolina retail customer class, was initially as follows:

4 Residential	0.003 cents per kWh
5 Small General Service	0.003 cents per kWh
6 Medium General Service	0.003 cents per kWh
7 Large General Service	0.003 cents per kWh
8 Lighting	0.003 cents per kWh

9 The Company's initially proposed riders were calculated by
10 allocating 100% of the \$1,200,707 of CPRE Program implementation
11 costs to North Carolina retail operations, and then further allocating
12 those costs to each of the North Carolina retail customer classes by
13 utilizing the 2019 Production Plant allocation factors. Once the CPRE
14 Program implementation cost underrecoveries were determined for
15 each class, each of the underrecovered amounts were then divided
16 by DEP's normalized test year North Carolina retail sales of
17 16,191,429 megawatt-hours (MWh) for the residential class,
18 1,939,476 MWh for the small general service class, 10,847,985 MWh
19 for the medium general service class, 8,524,536 MWh for the large
20 general service class, and 349,444 MWh for the lighting class.

21 **Q. PLEASE DESCRIBE THE PUBLIC STAFF'S INVESTIGATION OF**
22 **THE INCREMENT CPRE EMF RIDERS.**

1 A. The Public Staff's investigation included procedures intended to
2 evaluate whether the Company properly determined its per books
3 CPRE costs and revenues during the test period. These procedures
4 included a review of the Company's filing, prior Commission orders,
5 and other Company data provided to the Public Staff. The Public
6 Staff also reviewed certain specific types of expenditures impacting
7 the Company's test year CPRE Program implementation costs,
8 including Company internal labor, outside services, and independent
9 administrator fees not recovered through proposal and subsequent
10 winners' fees that have been equally split between DEP and Duke
11 Energy Carolinas, LLC (DEC). Performing the Public Staff's
12 investigation required the review of numerous responses to written
13 and verbal data requests.

14 **Q. PLEASE DESCRIBE THE COMPANY'S SUPPLEMENTAL**
15 **TESTIMONY AND REVISED EXHIBITS.**

16 A. On August 24, 2020, DEP filed the Supplemental Testimony and
17 Revised Exhibits of Bryan L. Sykes, including supporting
18 workpapers. The purpose of DEP's supplemental testimony and
19 revised exhibits are to reflect the impact of two updates to numbers
20 presented in witness Sykes' direct exhibits and workpapers. They
21 are as follows: 1) a revision to the North Carolina retail allocation
22 factor for implementation costs in both the billing and EMF periods;

1 and 2) a revision to the North Carolina retail jurisdictional allocation
2 factor used for the capacity component of CPRE purchased power.

3 **Q. PLEASE EXPLAIN THE REVISED CPRE EMF RIDER BEING**
4 **PROPOSED BY DEC IN THIS PROCEEDING.**

5 A. In witness Sykes' Revised Exhibits filed on August 24, 2020, DEP's
6 proposed revised undercollection of CPRE Program Implementation
7 costs for each of the North Carolina retail customer classes during
8 the Extended Initial Test Period is as follows:

9 Residential	\$321,998
10 Small General Service	\$37,296
11 Medium General Service	\$202,989
12 Large General Service	\$165,289
13 Lighting	\$5,827

14 DEP's revised CPRE EMF increment rider in cents per kilowatt-hour
15 (kWh), excluding the North Carolina regulatory fee, for each North
16 Carolina retail customer class, is as follows:

17 Residential	0.002 cents per kWh
18 Small General Service	0.002 cents per kWh
19 Medium General Service	0.002 cents per kWh
20 Large General Service	0.002 cents per kWh
21 Lighting	0.002 cents per kWh

1 The revised riders were calculated by allocating 61.08% of the
2 \$1,200,707 of CPRE Program implementation costs to North
3 Carolina retail operations and then allocating those costs to each of
4 the North Carolina retail customer classes, utilizing a composite
5 weighted average of the purchased and generated power for
6 capacity and energy allocation factors. Once the CPRE Program
7 implementation cost underrecoveries were determined for each
8 class, each of the underrecovered amounts were divided by DEP's
9 normalized test year North Carolina retail sales of 16,191,429 MWh
10 for the residential class, 1,939,476 MWh for the small general service
11 class, 10,847,985 MWh for the medium general service class,
12 8,524,536 MWh for the large general service class, and 349,444
13 MWh for the lighting class.

14 **Q. IS THE PUBLIC STAFF PROPOSING ANY CHANGES TO THE**
15 **CPRE EMF RIDER?**

16 A. No, the Public Staff is not recommending any adjustments to the total
17 system CPRE Program implementation costs of \$1,200,707
18 proposed by the Company in witness Sykes' Revised Exhibits.

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

21 A. No. I am not proposing any change to the normalized North Carolina
22 retail sales as proposed by DEP of 16,191,429 MWh for the

1 residential class; 1,939,476 MWh for the small general service class,
2 10,847,985 MWh for the medium general service class, 8,524,536
3 MWh for the large general service class, and 349,444 MWh for the
4 lighting class, as set forth in DEP's testimony.

5 **Q. WHAT CPRE EMF RIDERS ARE YOU PROPOSING FOR DEP'S**
6 **CUSTOMER CLASSES IN THIS PROCEEDING?**

7 A. My recommended underrecovery amounts for the Extended Initial
8 Test Period for each North Carolina retail customer class are as
9 follows (excluding the North Carolina regulatory fee):

10 Residential	\$321,998
11 Small General Service	\$37,296
12 Medium General Service	\$202,989
13 Large General Service	\$165,289
14 Lighting	\$5,827

15 My recommended CPRE EMF increment riders in cents per kilowatt-
16 hour (kWh), for each North Carolina retail customer class, are as
17 follows (excluding the regulatory fee):

18 Residential	0.002 cents per kWh
19 Small General Service	0.002 cents per kWh
20 Medium General Service	0.002 cents per kWh
21 Large General Service	0.002 cents per kWh
22 Lighting	0.002 cents per kWh.

- 1 Q. DOES THIS CONCLUDE YOUR TESTIMONY?
- 2 A. Yes, it does.

QUALIFICATIONS AND EXPERIENCE

MICHELLE M. BOSWELL

I graduated from North Carolina State University in 2000 with a Bachelor of Science degree in Accounting. I am a Certified Public Accountant.

I joined the Public Staff in September 2000. I have performed numerous audits and/or presented testimony and exhibits before the Commission addressing a wide range of electric, natural gas, and water topics. I have performed audits and/or presented testimony in DEC's 2010, 2015, 2017, 2019, and 2020 REPS Cost Recovery Rider; DEP's 2014, 2015, 2017, 2018, and 2019 REPS Cost Recovery Rider; the 2014 REPS Cost Recovery Rider for Dominion North Carolina Power (DNCP); the 2008 REPS Compliance Reports for North Carolina Municipal Power Agency 1, North Carolina Eastern Municipal Power Agency, GreenCo Solutions, Inc., and EnergyUnited Electric Membership Corporation; four recent Piedmont Natural Gas (Piedmont) rate cases; the 2016 rate case of Public Service Company of North Carolina (PSNC); the 2012 and 2019 rate case for Dominion Energy North Carolina (DENC, formerly Dominion North Carolina Power); the 2013, 2017, and 2019 DEP rate cases; the 2017 and 2019 DEC rate cases; the 2018 fuel rider for DENC; several Piedmont, NUI Utilities, Inc. (NUI), and Toccoa annual gas cost reviews; the merger of Piedmont and NUI; and the merger of Piedmont and North Carolina Natural Gas (NCNG). Additionally, I have filed testimony and exhibits in numerous water rate cases and performed investigations

addressing a wide range of topics and issues related to the water, electric, and telephone industries.