

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-2, SUB 1321

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)
Application of Duke Energy Progress, LLC)
Pursuant to G.S. 62-133.2 and NCUC Rule)
R8-55 Relating to Fuel and Fuel-Related)
Charge Adjustments for Electric Utilities)

**DIRECT TESTIMONY
OF NADENE N. WALLACE FOR
DUKE ENERGY PROGRESS, LLC**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Nadene N. Wallace. My business address is 525 South Tryon
3 Street, Charlotte, North Carolina 28202.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Duke Energy Corporation (“Duke Energy”) as a Senior
6 Strategic Business Consultant.

7 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL
8 QUALIFICATIONS.**

9 A. My educational background includes a Bachelor of Science in Business
10 Administration from Edinboro University of Pennsylvania. With respect to
11 professional experience, I have been at Duke Energy for over 13 years. I started
12 as a Senior Paralegal with a focus on state regulatory support from 2010-2012.
13 I transitioned to work for Duke Energy’s Commercial Renewables as a Senior
14 Renewable Contract Analyst from 2012-2016. I have been on the Business
15 Development and Compliance Team since 2018.

16 **Q. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES IN YOUR
17 POSITION WITH DUKE ENERGY.**

18 A. I am responsible for policy review and business implementation, including
19 implementation of Duke Energy Carolinas, LLC’s (“DEC”) and Duke Energy
20 Progress, LLC’s (“DEP”) and, together with DEC, the “Companies”) one-time
21 “Blend and Extend” purchase power agreement (“PPA”) amendment process
22 established by the North Carolina Utilities Commission (“Commission”) pursuant to Section 6(a) of North Carolina House Bill 951, S.L. 2021-165 (“HB
23

1 951”). I also provide program support for the Companies’ Competitive
2 Procurement of Renewable Energy (“CPRE”) along with the 2022 and 2023
3 Solar Procurement Programs.

4 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE**
5 **COMMISSION?**

6 A. No.

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

8 A. The purpose of my testimony is to present information and data related to the
9 DEP’s implementation of its Blend and Extend process as required by Ordering
10 Paragraph 7 of the Commission’s *Order Establishing Rates* issued on September
11 7, 2022 in Docket No. E-100, Sub 181 (the “*Order*”). Specifically, the *Order*
12 directs DEC, DEP, and Dominion Energy North Carolina to report on the Blend
13 and Extend process in their respective first annual fuel rider proceeding filed after
14 the close of the election period. The *Order* specified that the report should include
15 the following:

- 16 • The total projects;
- 17 • The total MWs;
- 18 • The first year savings; and
- 19 • The savings impact on the fuel rider

20 **I. BACKGROUND ON DEP’S BLEND AND EXTEND PROGRAM**

21 **Q. PLEASE BRIEFLY EXPLAIN THE STATUTORY FRAMEWORK FOR**
22 **THE BLEND AND EXTEND PROCESS.**

23 A. While I am not a lawyer, it’s my understanding that Section 6(a) of HB 951

1 requires the Commission to establish rates to be paid under a “one-time option” to
2 modify the term and avoided cost rates for purchase of power from eligible small
3 power providers, as that term is defined in the legislation. The rates established
4 must (i) take into consideration both currently contracted rates and the rates at the
5 time of the election; (ii) be just and reasonable to all customers of the utility; and
6 (iii) result in both an immediate and long-term reduction in the cost of electricity
7 for all classes of ratepayers.

8 In other words, the Blend and Extend provisions of HB 951 present a
9 unique opportunity for eligible qualifying facility (“QFs”) sellers with an existing
10 long-term PPA to extend the contract term under blended rates that take into
11 consideration both the originally contracted-for rates and the rates in effect at the
12 time of the election in a manner that is beneficial to both QFs and the Company’s
13 customers. Importantly, Blend and Extend contract extensions are not mandatory,
14 and QFs are free to continue operating under an existing PPA and to execute a
15 new PPA at the existing PPA’s termination under then-available rates and terms.

16 Pursuant to Section 6 of HB 951, Blend and Extend amendments afforded
17 eligible small power producers a finite, one-time option during a limited, 180-day
18 window to elect to extend an existing PPA under blended rates that provide both
19 an immediate and estimated long-term reduction in the cost of electricity for the
20 Company’s customers.

21 **Q. HAS THE COMMISSION APPROVED DEP’S BLEND AND EXTEND**
22 **RATE SCHEDULES?**

23 A. Yes. DEP’s Blend and Extend rate schedules—Schedule PPBE and Schedule

1 PPBE-1 (together, “Schedules PPBE”)—were approved by the Commission in its
2 September 7, 2022 *Order* and October 19, 2022 *Order Accepting Compliance*
3 *Filings* in Docket No. E-100, Sub 181.

4 **Q. WHAT IS THE CURRENT STATUS OF DEP’S BLEND AND EXTEND**
5 **PROCESS IMPLEMENTATION?**

6 A. In compliance with Section 6(a)(1) of HB 951, the Commission’s *Order*
7 *Accepting Compliance Filings* expressly set October 21, 2022 through April 18,
8 2023 as the 180-day Election Period for an eligible small power producer to elect
9 to amend its existing PPA for a term equal to the remaining time on its existing
10 PPA and an additional 10 years.

11 The Commission further ordered that Blend and Extend rates should
12 become effective no more than 90 days from the end of the election period. This
13 means that the new Blend and Extend rates will go into effect on July 17, 2023.

14 **Q. DID THE COMMISSION REQUIRE THE COMPANY TO REPORT ON**
15 **IMPLEMENTATION OF THE BLEND AND EXTEND PROCESS?**

16 A. Yes. As described above, the September 7, 2022 *Order* established a one-time
17 reporting obligation to be filed in the Companies’ annual fuel rider proceeding. In
18 particular, DEP must provide (1) the total number of projects electing to execute
19 new Blend and Extend PPAs; (2) the total number of MWs for all projects electing
20 to execute new Blend and Extend PPAs; (3) the savings to customers that will be
21 realized in the first year of the Blend and Extend rates; and (4) the savings impact
22 on the annual fuel rider.

23

1 Q. PLEASE EXPLAIN WHY DEP IS FILING THIS REPORT ON ITS
2 BLEND AND EXTEND PROCESS IN DEP'S 2023 FUEL CLAUSE
3 RIDER, WHEN DEC DID NOT INCLUDE ANY SIMILAR
4 INFORMATION IN ITS 2023 FUEL CLAUSE RIDER FILING.

5 A. The Order directed that DEP and DEC should report on the Blend and Extend
6 process in the first annual fuel rider proceeding filed after the close of the election
7 period. DEC filed its annual fuel rider application on February 28, 2023—nearly
8 two months before the Blend and Extend election window closed. Accordingly,
9 it was not timely for DEC to file its Blend and Extend process.

10 **II. REPORT ON BLEND AND EXTEND PROCESS**

11 Q. PLEASE PROVIDE THE INFORMATION REQUESTED BY THE
12 COMMISSION REGARDING THE TOTAL NUMBER OF PROJECTS
13 AND MEGAWATTS (“MW”) THAT HAVE ELECTED TO
14 PARTICIPATE IN BLEND AND EXTEND.

15 A. In DEP, a total of 77 projects, which include 353 MW, have elected to amend their
16 existing PPA under the Blend and Extend process, pursuant to rates calculated
17 using either Schedule PPBE or Schedule PPBE-1.

18 Q. HAVE THE COMPANIES CALCULATED THE TOTAL AMOUNT OF
19 SAVINGS TO CUSTOMERS THAT WILL RESULT FROM THESE
20 NEWLY EXECUTED BLEND AND EXTEND PPAs IN THE FIRST YEAR
21 OF THE NEW CONTRACT TERM?

22 A. Yes. DEP calculates first-year customer savings totaling \$9,581,282 resulting
23 from newly executed Blend and Extend PPAs. DEP quantified this projected

1 savings on a project-by-project basis as the delta in the blended rate per megawatt
2 hour (“MWH”) minus the prior contracted rate per MWH multiplied by the
3 MWHs projected for August 1, 2023 through July 31, 2024.¹

4 **Q. THE ORDER ALSO REQUIRED DEP TO EXPLAIN THE IMPACT OF**
5 **BLEND AND EXTEND SAVINGS ON THE ANNUAL FUEL RIDER.**
6 **HOW DOES THE BLEND AND EXTEND PROCESS IMPACT THIS**
7 **FUEL PROCEEDING?**

8 A. The Blend and Extend process caused projected system billing period costs
9 (December 2023 – November 2024) to be \$9,565,757 lower than costs would have
10 been under the prior contracted terms. The North Carolina retail share of these
11 savings was \$5,926,355. This impact reduced the uniform percentage average bill
12 adjustment for all customer classes from 5.3% to 5.1%, as shown on DEP Witness
13 Harrington’s Exhibit 2C.

14 Existing fuel rates established in Docket No. E-2, Sub 1292 did not reflect
15 savings estimated to be experienced during the months of July 2023 through
16 November 2023. These savings, which are projected to be \$3,104,226 at the
17 system level and \$1,923,188 at the North Carolina retail level, will be recognized
18 in the fuel (over) under recovery calculation in the 2024 DEP annual fuel rider
19 proceeding.

20 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

21 A. Yes, it does.

¹ The new blended rates become effective July 17, 2023. For the purpose of this report, DEP has calculated the “first-year” as beginning at the start of the first full month following said effective date.