

1 PLACE: Dobbs Building, Raleigh, North Carolina
2 DATE: Tuesday, September 18, 2018
3 TIME: 10:01 a.m. - 10:07 a.m.
4 DOCKET NO: E-2, Sub 1176
5 BEFORE: Commissioner Charlotte A. Mitchell, Presiding
6 Chairman Edward S. Finley, Jr.
7 Commissioner ToNola D. Brown-Bland
8 Commissioner Jerry C. Dockham
9 Commissioner James G. Patterson
10 Commissioner Lyons Gray
11 Commissioner Daniel G. Clodfelter
12
13

14 **IN THE MATTER OF:**

15 Application of Duke Energy Progress, LLC,
16 for Approval of a Joint Agency Asset Rider for
17 Recovery of Joint Agency Asset Costs Pursuant to
18 G.S. 62-133.14 and Commission Rule R8-70
19

20 VOLUME: 1
21
22
23
24

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NORTH CAROLINA UTILITIES COMMISSION

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T A B L E O F C O N T E N T S

E X A M I N A T I O N S :

LAWANDA M. JIGGETTS

Prefiled Direct Testimony..... 9

Prefiled Supplemental Testimony..... 31

DARLENE P. PEEDIN

Prefiled Direct Testimony and Appendix A..... 39

E X H I B I T S

Identified / Admitted

Application of Duke Energy Progress, LLC..... /9

Jiggetts Summary Rate..... 31/31

Jiggetts Exhibits A-E through K-E and
A-TU through L..... 31/31

Jiggetts Revised Summary Rate..... 38/38

Jiggetts Revised Exhibit A-TU..... 38/38

P R O C E E D I N G S

1
2 COMMISSIONER MITCHELL: Good morning. Let's
3 come to order, please. I am Charlotte Mitchell and
4 have been assigned to preside in this proceeding. And
5 with me this morning are Chairman Finley;
6 Commissioners Brown-Bland, Dockham, Patterson, Gray
7 and Clodfelter.

8 I now call for hearing Docket Number E-2,
9 Sub 1176, which is the Application by Duke Energy
10 Progress, LLC, Pursuant to G.S. 62-133.14 and
11 Commission Rule R8-70 Relating to the Recovery of
12 Certain Costs Associated with its Acquisition of the
13 Ownership Interest of the North Carolina Eastern
14 Municipal Power Agency and Certain Electric Generating
15 Facilities.

16 On June 20, 2018, DE Progress filed its
17 Application for approval of the Joint Agency Asset
18 Rider along with the testimony and exhibits of LaWanda
19 M. Jiggetts.

20 On July 2, 2018, the Commission issued its
21 Order Scheduling the Hearing, Requiring the Filing of
22 Testimony, Establishing Discovery Guidelines and
23 Requiring Public Notice.

24 On August 31, 2018, DE Progress filed the

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1 supplemental testimony and exhibits of LaWanda M.
2 Jiggetts, along with a Motion for Additional Public
3 Hearing and Public Notice of the Revised Proposed
4 Rates.

5 On September 4th, the Public Staff filed the
6 testimony of Darlene P. Peedin.

7 Petitions to Intervene have been filed by
8 and granted to Carolina Industrial Group for Fair
9 Utility Rates II, and to Carolina Utility Customers
10 Association, Inc.

11 On September 5th, the Commission issued an
12 Order Scheduling an Additional Public Hearing in this
13 docket to be held at 2:00 p.m. on Monday, October 8,
14 2018, and requiring DE Progress to publish public
15 notice thereof.

16 On September 7, 2018, DE Progress and the
17 Public Staff filed a joint Motion requesting that all
18 witnesses be excused from appearing at the expert
19 witness hearing.

20 And on September 12th, the Commission issued
21 an Order granting that joint Motion.

22 Pursuant to the State Ethics Act, I remind
23 all members of the Commission of their duty to avoid
24 conflicts of interest, and inquire at this time as to

1 whether any Commissioner has any known conflict of
2 interest with respect to the matters appearing before
3 us this morning?

4 (No response)

5 Please let the record reflect that no
6 conflicts of interest have been identified.

7 So we will move forward with the proceeding
8 and call on counsel to announce their appearances,
9 beginning with the Applicant.

10 MR. SOMERS: Good morning, Madam Chair and
11 Members of the Commission. I'm Bo Somers, Deputy
12 General Counsel on behalf of Duke Energy Progress.

13 COMMISSIONER MITCHELL: Good morning,
14 Mr. Somers.

15 MR. SOMERS: Good morning.

16 MS. HICKS: Good morning. Warren Hicks with
17 Bailey & Dixon on behalf of Carolina Industrial Group
18 for Fair Utility Rates II.

19 COMMISSIONER MITCHELL: Good morning,
20 Ms. Hicks.

21 MR. PAGE: Good morning. Robert Page on
22 behalf of Carolina Utility Customers Association.

23 COMMISSIONER MITCHELL: Good morning,
24 Mr. Page.

1 MR. PAGE: Good morning.

2 MS. FENNELL: Good morning. Heather
3 Fennell, Public Staff, Using and Consuming Public.

4 COMMISSIONER MITCHELL: Good morning,
5 Ms. Fennell.

6 We'll begin with the public witness portion
7 of the hearing. Ms. Fennell, has the Public Staff
8 identified any members of the public wishing to be
9 heard this morning?

10 MS. FENNELL: We have not.

11 COMMISSIONER MITCHELL: Thank you. Out of
12 an abundance of caution, is there any one in the room
13 that would like to be heard this morning?

14 (No response)

15 Please let the record reflect that no such
16 witnesses have been identified.

17 Okay. So we will now move into the expert
18 witness portion of the hearing and we'll begin with
19 the Applicant.

20 MR. SOMERS: Thank you, Madam Chair. I'd
21 first like to express our appreciation to the parties
22 for agreeing to waive cross of the Company's
23 witnesses.

24 At this time I would move that the Company's

1 Application filed on June 20, 2018, be admitted into
2 the record.

3 COMMISSIONER MITCHELL: That motion is
4 allowed without objection.

5 (WHEREUPON, Application of Duke
6 Energy Progress, LLC, is admitted
7 into evidence.)

8 MR. SOMERS: We also have two pieces of
9 testimony and exhibits from one witness. And I'll
10 start first and ask that the direct testimony of
11 Company Witness LaWanda Jiggetts consisting of some 21
12 pages filed on June 20, 2018, be admitted into the
13 record as if given orally from the stand.

14 COMMISSIONER MITCHELL: That motion is
15 allowed without objection.

16 MR. SOMERS: Thank you.

17 (WHEREUPON, the prefiled direct
18 testimony of LAWANDA M. JIGGETTS
19 is copied into the record as if
20 given orally from the stand.)
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23
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BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-2, SUB 1176

In the Matter of)
Application of Duke Energy Progress, LLC) **DIRECT TESTIMONY OF**
For Approval of Joint Agency Asset Rider) **LAWANDA M. JIGGETTS**
to Recover Costs Related to Facilities)
Purchased from Joint Power Agency Pursuant)
to N.C. Gen. Stat. §62-133.14 and Rule R8-70)

JUN 20 2018 OFFICIAL COPY
OCT 11 2018 OFFICIAL COPY

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is LaWanda M. Jiggetts. My business address is 410 South
3 Wilmington Street, Raleigh, North Carolina.

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

5 A. I am a Rates and Regulatory Strategy Manager for Duke Energy Carolinas,
6 LLC ("DEC"). My responsibilities include providing rates and regulatory
7 support for both DEC and Duke Energy Progress, LLC ("DEP"), primarily
8 for the Joint Agency Asset Rider ("JAAR").

9 Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL
10 QUALIFICATIONS.

11 A. I graduated from the University of Virginia with a Bachelor of Science
12 degree in Commerce with a concentration in Accounting. I received my
13 Masters in Business Administration from Meredith College in Raleigh,
14 North Carolina. From September 1997 – November 2002, I worked as an
15 auditor with PricewaterhouseCoopers in Raleigh. I joined Duke Energy
16 (formerly Progress Energy) in November 2002. I have had various roles in
17 the Accounting Department during my tenure with the Company including
18 roles in SEC Reporting and Analysis, Financial Reporting and
19 Consolidations, Wholesale Contracts and Inventory Accounting, and Fuel
20 Accounting from November 2002 – September 2015. I joined the Rates and
21 Regulatory Strategy group in the Regulatory Filings Department in
22 September 2015.

1 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS
2 COMMISSION?

3 A. Yes, I provided testimony in Docket No. E-2, Sub 1143 on DEP's 2017
4 JAAR cost recovery application.

5 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

6 A. The purpose of my testimony is to provide support for proposed rate
7 updates to the JAAR approved by the Commission in Docket No. E-2, Sub
8 1143. The proposed rate updates will address the over recovery of costs that
9 has occurred through the end of the calendar year test year ending
10 December 31, 2017, as well as estimated costs for the rate period December
11 2018 through November 2019.

12 Q. PLEASE GENERALLY DESCRIBE THE PROCESS OUTLINED IN
13 COMMISSION RULE R8-70 FOR THE JOINT AGENCY ASSET
14 RIDER.

15 A. Commission Rule R8-70 provides for the establishment of a Joint Agency
16 Asset rider that will remain in effect, subject to annual updates, and
17 continue until the end of the useful life of the acquired generating plants.
18 The annual updates, subsequent to the initial rider, are handled much like
19 other riders through an annual proceeding during which the Company
20 makes a filing and the Commission conducts a hearing prior to rendering an
21 order regarding the Company's request. The timing of the Joint Agency
22 Asset annual proceeding is aligned with the timing of DEP's fuel cost
23 recovery proceeding as established in Rule R8-55. Therefore, the annual

1 filing is made in June, a hearing is scheduled in September, and the
2 Company will request that the Commission render its order so rate changes
3 can become effective December 1. Each annual filing addresses actual
4 costs incurred during a historical test period (which will be the calendar
5 year that precedes the June filing for purposes of Rule R8-70) and any
6 resulting over or under recovery of costs that has occurred, as well as costs
7 expected to be incurred in the next rate period of December through
8 November of the following year. The Rule provides for an over or under
9 recovery component as a rolling recovery factor (“RRF”), or a “Joint
10 Agency Asset RRF.” As provided in the Rule, the Company uses deferral
11 accounting and maintains a cumulative balance of costs incurred but not
12 recovered through the Joint Agency Asset rider. This cumulative balance
13 accrues a monthly return as prescribed by the Rule. In determining the
14 annual amount of the rider, the Commission shall allow the Company to
15 recover acquisition costs as reasonable and prudent, and will also decide
16 whether the capital additions and operating costs that the Company seeks to
17 include in its rider are reasonable and prudent and should be recovered in
18 the rider.

19 **Q. I SHOW YOU WHAT HAS BEEN MARKED AS JIGGETTS**
20 **EXHIBITS “SUMMARY RATE” AND A THROUGH L. WOULD**
21 **YOU PLEASE TELL US WHAT THESE ARE?**

22 A. Yes. Accompanying my testimony are a rate summary exhibit and two sets
23 of supporting exhibits that are similar in nature. The set of exhibits labeled

1 A through K “E” addresses “estimated” costs expected to be incurred during
2 the future rate period December 2018 through November 2019. These
3 estimated costs will be adjusted to actual in subsequent annual rider
4 proceedings through the Joint Agency Asset RRF. The set of exhibits
5 labeled A through K “TU” addresses the “true-up” of costs incurred versus
6 revenues realized during the calendar year 2017 test period, and supports
7 the over collection experienced during the test period. The over collection
8 associated with the test period corresponds to the Joint Agency Asset RRF
9 provided for in Rule R8-70(b)(1)(vi). Finally, Exhibit L shows the total test
10 period fuel savings by customer class as required under Rule R8-
11 70(e)(1)(vi.).

12 **Q. WERE THESE EXHIBITS PREPARED BY YOU OR AT YOUR**
13 **DIRECTION AND SUPERVISION?**

14 A. Yes.

15 **Q. PLEASE PROVIDE A SUMMARY DESCRIPTION OF THESE**
16 **EXHIBITS.**

17 A. The following is a high level summary of the purpose of the exhibits;
18 several of the exhibits are discussed in greater detail later in my testimony:
19 SUMMARY RATE – Summarizes the rates for which the Company is
20 requesting approval.
21 Exhibit A series – Computes proposed rates by customer rate schedule for
22 the Joint Agency Asset RRF and for the prospective rate period.

1 Exhibit B series – Summarizes the key components of revenue requirements
2 on which customer rates are based.

3 Exhibit C series – Includes schedules showing the computation of the
4 revenue requirement for the initial acquisition cost of the joint agency
5 assets, by unit, including identification of the portion of the purchase price
6 that is above book value. These schedules compute a revenue requirement
7 amount that is levelized over the remaining life of the assets, in accordance
8 with N.C. Gen. Stat. §62-133.14.

9 Exhibit D series – Includes schedules providing computation of revenue
10 requirements for assets purchased and included as acquisition costs, but
11 which are not included in the acquisition costs to be levelized in Exhibit C.
12 These assets are not depreciated and include minor items such as nuclear
13 fuel, dry cask storage and materials and supplies inventory.

14 Exhibit E series – Includes schedules that compute revenue requirements
15 related to capital additions completed after acquisition of the joint agency
16 assets.

17 Exhibit F series – Shows incremental operating costs that would have been
18 reimbursed by NCEMPA but for the acquisition of the joint agency assets.

19 Exhibit G series – Computes the reduction in retail revenue requirements
20 resulting from a change in jurisdictional allocation of costs of existing
21 generation facilities owned at the time of the asset acquisition in accordance
22 with N.C. Gen. Stat. §62-133.14.

1 Exhibit H – Computes the monthly revenue requirement to cover the costs
2 incurred in the four-month period between the date of acquisition and the
3 implementation of the Initial Rider (August through November 2015) that
4 the Company is deferring. DEP is amortizing these deferred costs over a
5 three-year period beginning December 1, 2015. The amortization period
6 ends November 30, 2018.

7 Exhibits I, J and K – Includes schedules showing derivation of various
8 factors used to support the calculations in the other exhibits.

9 Exhibit L – Computes total fuel savings for the test period, by customer
10 class, related to the acquisition of the joint power agency generating
11 facilities as required by Rule R8-70(e)(1)(vi.).

12 **Q. WHAT COST RECOVERY ELEMENTS HAS THE COMPANY**
13 **INCORPORATED INTO ITS PROPOSED NEW RATES?**

14 A. The proposed rider incorporates the cost recovery elements identified in
15 N.C. Gen. Stat. §62-133.14(b), which consist of 1) acquisition costs
16 levelized over the useful life of the assets, 2) financing costs using the
17 weighted average cost of capital approved in DEP's most recent general rate
18 case, 3) estimated operating costs and projected capital investments, 4)
19 adjustments to reflect updated jurisdictional allocation factors and 5)
20 customer allocation methods approved in DEP's last general rate case.

21 **Q. PLEASE EXPLAIN ITEM 4 -- THE ADJUSTMENTS TO REFLECT**
22 **UPDATED JURISDICTIONAL ALLOCATION FACTORS.**

1 A. The adjustments in item 4 must be included in the JAAR until retail and
2 wholesale cost allocations are adjusted in a North Carolina retail rate case to
3 reflect the change in jurisdictional allocation factors resulting from the
4 additional NCEMPA load that will be served by the Company's portfolio of
5 generating facilities. As a consequence of the joint agency asset purchase, a
6 greater portion of the cost of the Company's other generating facilities
7 reflected in DEP's existing base rates, should be allocated to its wholesale
8 jurisdiction, while a lesser portion should be allocated to its retail
9 jurisdictions. On Exhibits G-TU and G-1-TU the Company shows the
10 decrease in amounts that would be allocated to North Carolina retail
11 jurisdiction in DEP's general rate case in Docket No. E-2, Sub 1023 if
12 additional wholesale sales to NCEMPA had been reflected. In this filing,
13 the annual revenue reduction to North Carolina retail revenue requirements
14 for the test period January 2017 through December 2017 totals \$87 million.
15 However, for the prospective period December 2018 through November
16 2019, the jurisdictional reallocation credit (revenue reduction) is not
17 applicable. The reallocation between retail and wholesale jurisdictions is
18 reflected in the base rates approved as a part of DEP's base rate filing in
19 Docket No. E-2, Sub 1142. As such, the annual revenue reduction will not
20 be included in the JAAR revenue requirements beyond March 16, 2018 (the
21 effective date for new base rates under DEP's most recent rate case).

22 **Q. HOW CAN THE COSTS ALLOWABLE FOR RECOVERY BY THE**
23 **STATUTE BE FURTHER SUBDIVIDED?**

1 A. There are two broad categories of cost that the Company seeks to recover
2 through its JAAR rates. First, the Company seeks to recover its acquisition
3 costs, which are the amounts DEP paid to NCEMPA to acquire the
4 proportional ownership interest in the joint agency assets. The assets
5 purchased include net generating plant and land, construction work in
6 progress associated with the generating plants, net nuclear fuel, and
7 materials and supplies inventory. Within this first category of acquisition
8 costs there are also two subgroups: costs for which the recovery is levelized
9 and costs for which the recovery is not levelized. The recovery of the net
10 nuclear fuel costs, and materials and supplies inventory acquired is not
11 levelized, while all other acquisition costs are recovered as levelized
12 revenue requirements. Later in my testimony I provide more detail about
13 the levelized revenue requirements.

14 Second, the Company seeks to recover the cost incurred to own and
15 operate the purchased assets after the acquisition date. These costs would
16 previously have been paid by NCEMPA, but now will be recovered by DEP
17 through this rider. The items in this category include the cost of capital
18 additions and non-fuel operating costs from the closing date forward. These
19 represent incremental costs related to ownership of the acquired assets and
20 include the categories of return (i.e., financing cost) and
21 depreciation/amortization expense related to capital additions and nuclear
22 fuel, operating and maintenance cost, nuclear decommissioning expense,
23 current and deferred income taxes, property taxes, and Commission

1 regulatory fees. This group of costs does not include any costs recoverable
2 under N.C. Gen. Stat. §62-133.2 (i.e., fuel and fuel-related cost).

3 The total of all acquisition costs and non-fuel operating costs post-
4 acquisition for a given period is the revenue requirement that DEP must
5 collect from its North Carolina retail customers through this rider.

6 **Q. WHAT DO YOU MEAN BY “LEVELIZED REVENUE**
7 **REQUIREMENT”?**

8 A. In general terms, levelized requirement represents recovery of certain
9 acquisition costs for the NCEMPA assets, spread evenly over the life of the
10 assets. The revenue requirement associated with the acquisition costs
11 includes financing costs on the investment in generating facilities. The
12 financing costs, comprised of debt and equity return, decline over the life of
13 the facilities as the book value or investment, on which the financing costs
14 are computed, declines through recognition of depreciation. A levelized
15 amount represents an even amount of revenue requirement, rather than an
16 unlevel amount, computed such that the present value of the even revenue
17 requirement stream and the present value of the unlevel revenue
18 requirement stream are equal. N.C. Gen. Stat. §62-133.14 requires that the
19 acquisition costs be levelized over the useful life of the assets at the time of
20 acquisition, for the benefit of consumers. The Company’s calculation of
21 financing costs also reflects the benefit of accumulated deferred income
22 taxes related to accelerated tax depreciation, which represent cost-free funds

1 associated with the purchased assets that reduce the Company's financing
2 costs.

3 The C series exhibits illustrate the calculation of the levelized
4 revenue requirements related to acquisition costs.

5 **Q. YOUR FILED EXHIBITS INCLUDE SEVERAL VERSIONS OF THE**
6 **"C EXHIBITS." PLEASE EXPLAIN THE NEED FOR THESE**
7 **EXHIBITS.**

8 A. For the true-up calculations, the Company intends to file two versions of the
9 C Exhibits each year. One set of Exhibits will support the estimated
10 levelized revenue requirement for the test period. This version of the
11 Exhibits may be revised/restated at the beginning of the year to reflect
12 changes in certain key inputs (e.g., changes that impact the after-tax cost of
13 capital). For test year 2017, there were no revisions to the estimated
14 levelized calculations (as filed on Exhibits C-1-E through C-6-E under
15 Docket No. E-2, Sub 1143). A second set of C Exhibits is included in the
16 C-TU set of work papers to compute the true-up for the difference between
17 the estimated unlevelized revenue requirements for the test period compared
18 to the actual requirements for the test period.

19 For prospective period December 2018 through November 2019, the
20 levelization schedules (C-1-E through C-6-E) have been recast to reflect the
21 new capital structure and returns as approved in DEP's most recent rate case
22 and the new composite tax rate based on the Tax Cuts and Jobs Act of 2017.

1 **Q. WHAT IS THE COMPANY'S APPROACH TO COMPUTING**
2 **TRUE-UPS TO THE LEVELIZED ACQUISITION COSTS?**

3 A. Each year, in order to determine whether a true-up is needed related to the
4 test period being presented, the Company will compare the actual unlevel
5 revenue requirement for the test period year to the original unlevel revenue
6 requirement for the test period year. If there is a difference in the unlevel
7 amounts for the test period, then the Company will include the difference in
8 its determination of the test period true-up (or Joint Agency Asset RRF).
9 For example, in this proceeding the Company has compared the actual
10 unlevel revenue requirement for test period year 2017 to the estimated
11 unlevel revenue requirement for test period 2017 to determine the test
12 period true-up amount that is part of the proposed Joint Agency Asset RRF.
13 In its next annual proceeding in 2019, the Company will compare the actual
14 unlevel revenue requirements for test period 2018 to the original unlevel
15 revenue requirement for 2018 to compute a true-up for the 2018 test period.
16 In this manner, the Company will continue to use the original level revenue
17 requirements for initial billing purposes, accompanied by a subsequent true-
18 up based on the unlevel revenue requirement for each annual test period.

19 **Q. ARE THERE ACQUISITION COSTS NOT INCLUDED IN THE**
20 **LEVELIZED REVENUE REQUIREMENT?**

21 A. Yes. As mentioned previously in my testimony, there are a few cost items
22 included in the original purchase price that are not included in the levelized
23 revenue requirement computations noted above. These items include

1 inventory amounts that are part of the asset acquisition costs, including
2 nuclear fuel inventory, dry cask storage and materials and supplies
3 inventory. Because these assets are not depreciated, the financing costs for
4 these amounts are calculated on the basis of the investment balances for the
5 test period or rate period.

6 **Q. HOW ARE ACQUISITION COSTS AND INCREMENTAL COSTS**
7 **ALLOCATED TO NORTH CAROLINA RETAIL JURISDICTION?**

8 A. Costs are allocated to the North Carolina retail jurisdiction using the
9 production demand allocation factor from the Company's cost of service
10 studies filed annually with the Commission. This allocation method is
11 consistent with that used in DEP's last general rate case. In most cases the
12 peak demand allocation factor from the 2017 cost of service study has been
13 used to allocate costs to North Carolina retail in this rider filing. In the case
14 of the levelized acquisition costs, the C1 – C6 Estimate TU schedules use
15 the factor from the 2016 cost of service study. As of the beginning of the
16 2017 test period, the 2016 cost of service study was the latest one available.

17 **Q. WHAT ARE THE IMPACTS OF DEP'S MOST RECENT RATE**
18 **CASE ON THE JAAR?**

19 A. DEP filed for a base rate case adjustment in Docket No. E-2, Sub 1142 in
20 the summer of 2017. The Commission approved new rates in its February
21 23, 2018 *Order Accepting Stipulation, Deciding Contested Issues and*
22 *Granting Partial Rate Increase*, and the new rates became effective March
23 16, 2018. The terms of the approved new rates resulted in the following

1 changes which impact the prospective revenue calculations in JAAR: 1)
2 new debt and equity return rates as well as a revised capital structure were
3 approved; 2) new depreciation rates for capital assets were approved; and 3)
4 the reallocation of the cost of generating facilities in rate base between retail
5 and wholesale jurisdictions was incorporated into base rates.

6 The new return rates and capital structure impact the weighted
7 average cost of capital which is used to calculate the return needed on
8 incremental investments in rate base (including assets subject to levelized
9 recovery, other assets acquired and capital additions). In addition, the
10 changes in weighted average cost of capital impact the calculation of the
11 levelized annuity payments on assets subject to levelization.

12 A new depreciation study was filed and approved in connection with
13 the rate case. In addition to new depreciation rates, the plant retirement date
14 for Roxboro Fossil Unit 4 and Roxboro Common was updated. Updated
15 composite depreciation rates based on the new study were used to estimate
16 depreciation expense on capital additions for the prospective period. In
17 addition, the levelization recovery period for Roxboro was updated to
18 reflect the new retirement date.

19 Composite depreciation rates were previously used to estimate
20 future depreciation expense for assets subject to levelized recovery.
21 Composite rates are established such that they can be applied to the total
22 amount of depreciable base for generating plant assets, taking into
23 consideration the total amount of accumulated depreciation to-date and the

1 remaining balance that must be depreciated in the future using the
2 composite rates. Use of the new composite rates in the levelization
3 calculations resulted in over recovery of the acquisition costs. The portion
4 of the assets acquired from NCEMPA were more depreciated than the
5 portion of the assets owned by DEP. As a result, the application of
6 composite depreciation rates to the subset of acquired assets produces an
7 inappropriate over recovery. Effective with this filing, depreciation expense
8 for assets subject to levelization has been computed such that it will recover
9 the acquisition cost plus the latest cost of removal estimate. See Exhibit C-
10 11-E.

11 **Q. HOW IS THE NORTH CAROLINA RETAIL REVENUE**
12 **REQUIREMENT ALLOCATED AMONG CUSTOMER CLASSES?**

13 A. The North Carolina retail revenue requirement is allocated among customer
14 classes, as shown on Exhibits A-E and A-TU, using the production demand
15 allocation factors from the Company's 2017 cost of service study. The
16 allocated revenue requirement for each North Carolina retail customer class
17 is then divided by estimated billing units, either kWh or kW, to produce a
18 billing factor per unit.

19 **Q. WHAT IS THE SOURCE OF THE INFORMATION USED TO**
20 **COMPUTE THE COMPANY'S PROPOSED RATES?**

21 A. The information to compute the rider comes from three sources. The
22 acquisition costs for the generating assets purchased are based on the actual
23 amounts paid to NCEMPA to complete the purchase. For actuals associated

1 with nuclear fuel, dry cask storage, materials and supplies inventory, capital
2 additions and operations and maintenance expenses, the primary source of
3 data is DEP's internal accounting records, including records from the
4 general ledger as well as records from its asset accounting sub ledger. The
5 Company's books, records and reports are subject to review and audit by
6 regulatory agencies, as well as periodic audits by independent auditors to
7 provide assurances that, in all material respects, internal accounting controls
8 are operating effectively and the Company's financial statements are
9 accurate. The estimated costs for the December 2018 through November
10 2019 rate period are based on information from the Company's financial
11 budget. In most cases the data gathered is recorded and captured at a
12 generating unit level, and then multiplied by the unit ownership percentage
13 purchased by DEP to determine the incremental amounts that should be
14 recovered through this rider.

15 **Q. WHAT IS THE RESULT OF THE COMPANY'S CALCULATION**
16 **OF ACTUAL TEST PERIOD COSTS COMPARED TO REVENUES**
17 **REALIZED IN THE TEST PERIOD?**

18 A. During the test period, calendar year 2017, the Company collected more
19 revenue than its revenue requirement, resulting in an over collection. The
20 key drivers of the over collection were lower operating expenses and lower
21 revenue requirement associated with capital additions. With respect to
22 operating expenses, the reduction is attributable to lower outage costs which
23 were offset partially by higher administrative and general expenses. The

1 increase in administrative and general expenses is due to the expiration of a
2 credit that was given to NCEMPA based on previous contract terms through
3 2016. Capital additions placed in service through December 31, 2017 are
4 lower than estimated, resulting in less depreciation expense and lower
5 returns being recovered.

6 The Company has computed the amount of over collection,
7 including an appropriate return, at the North Carolina retail level and
8 allocated the amount among all customer classes based on the peak demand
9 of the classes. These calculations are part of the Joint Agency Asset RRF,
10 shown on Exhibit A-TU.

11 **Q. HOW DO THE ESTIMATED COSTS FOR THE RATE PERIOD**
12 **DECEMBER 2018 THROUGH NOVEMBER 2019 COMPARE TO**
13 **THE LEVEL OF ESTIMATED COSTS IN CURRENT RATES?**

14 A. The estimated costs in this filing for the rate period December 2018 through
15 November 2019 are lower than the costs that were estimated for the prior
16 rate period December 2017 through November 2018 which are reflected in
17 current rates. The key drivers of the decrease are reductions in the levelized
18 revenue requirement and the amortization of deferred costs. The levelized
19 revenue requirement associated with assets in service at the time of
20 acquisition decreased due to the changes in the weighted average cost of
21 capital as a result of new debt and equity returns approved under DEP's
22 most recent rate case and the decrease in the corporate federal tax rate due
23 to the Tax Cuts and Jobs Act of 2017. The revenue requirement related to

1 the deferred costs for the four-month period between the date of acquisition
2 and the Initial Rider (August – November 2015) is no longer applicable.
3 DEP amortized these costs over a three-year period which ends November
4 30, 2018. In addition, estimated operating expenses decreased due to lower
5 operation and maintenance costs as a result of reduced outage expenditures.

6 The decreases in the estimated revenue requirement were partially
7 offset by increases for capital additions and the jurisdictional reallocation
8 credit. The estimated operating expenses (depreciation) and return on
9 capital additions increased due to more assets going into service. Base
10 rates as approved and effective March 16, 2018 in Docket No. E-2, Sub
11 1142 reflect an updated allocation of generating facilities in rate base
12 between retail and wholesale jurisdictions. As such, the jurisdictional
13 reallocation credit (revenue reduction) is no longer needed in this rider.

14 **Q. WHAT WAS THE IMPACT OF THE TAX CUTS AND JOBS ACT**
15 **OF 2017 ON THE JOINT AGENCY ASSET RIDER?**

16 A. The Tax Cuts and Jobs Act of 2017 contains several provisions that
17 impacted the JAAR revenue requirements. First and foremost, the
18 corporate federal tax rate decreased to 21% from 35%; the manufacturing
19 deduction was eliminated, and bonus depreciation for future periods was
20 limited.

21 The decrease in the corporate tax rate impacted the amount of rate
22 base, the amount of return on rate base and the amount of levelized revenue
23 requirements. The reduction in the corporate federal tax rate impacted the

1 deferred tax balances included in rate base associated with assets subject to
2 levelization, nuclear fuel assets and capital additions. Adjustments to
3 restate deferred tax balances to reflect the amount that will be realized by
4 the Company using the new income tax rate and the elimination of the
5 manufacturing deduction were made in December 2017. The adjustments
6 are reflected as separate lines on the applicable schedules. The excess
7 deferred taxes associated with this adjustment will be returned to customers
8 in conjunction with other excess deferred tax amounts in DEP's next rate
9 case, or as otherwise directed by the Commission.

10 In addition to the impact on deferred tax balances, the tax rate
11 reduction impacted the amount of income tax associated with the equity
12 return and also impacted the after-tax cost of capital. Both items decreased
13 with the implementation of the 21% tax rate and the elimination of the
14 manufacturing deduction. The estimated levelized revenue calculations
15 reflect both the lower taxes due on the equity return starting in 2018 and the
16 lower after-tax cost of capital used to determine the level payment. The
17 prospective revenue requirement for other assets acquired and capital
18 additions also reflect the reduced taxes due on the pre-tax cost of capital.

19 Limitations on bonus depreciation related to the third provision
20 discussed above are reflected in the estimates of tax amortization for
21 nuclear fuel and depreciation of capital additions for the prospective
22 revenue calculations.

1 **Q. FILED EXHIBIT A-1-TU REFLECTS A CUMULATIVE**
2 **REGULATORY FEE ADJUSTMENT. EXPLAIN THE NATURE OF**
3 **THIS ADJUSTMENT.**

4 A. While preparing the exhibits for the current year filing, it was determined
5 that the Revenue Collected amounts reported in column B inadvertently
6 excluded the regulatory fee which is being collected through the rider. The
7 adjustment line calculates the regulatory fee associated with revenue
8 collected from December 2015 – December 2016 and the impact on the
9 required returns and the rolling recovery factor balance. Revenue collected
10 amounts for test year 2017 appropriately reflect the regulatory fee.

11 **Q. HOW ARE FUEL-RELATED BENEFITS ASSOCIATED WITH THE**
12 **ACQUISITION OF THE JOINT AGENCY ASSETS REFLECTED IN**
13 **CUSTOMER RATES?**

14 A. The fuel-related benefits arise from the reduction in system average fuel
15 costs per kilowatt-hour which results from the addition of lower cost
16 generation to DEP's generation portfolio. The actual fuel savings continue
17 to be reflected in DEP's fuel costs and in its subsequently proposed fuel
18 rates. In compliance with Rule R8-70(e)(1)(vi), the Company has included
19 as Exhibit L a report of the actual fuel savings experienced during the test
20 period from January 2017 – December 2017. The exhibit shows a total of
21 \$41 million in savings for the test period.

22 **Q. WHAT IS THE NET IMPACT TO CUSTOMERS OF THE**
23 **PROPOSED CHANGE IN RATES?**

1 A. The requested rate decrease represents a 0.4%, 0.5% and 0.5% decrease in
 2 rates for the average residential, commercial and industrial customer,
 3 respectively. The impact of the rate change for a residential customer
 4 consuming 1,000 kWh per month is a decrease of \$0.49.

5 **Q. WHAT SPECIFIC REQUEST IS BEING MADE OF THE**
 6 **COMMISSION?**

7 A. The Company requests that the Commission approve the following Joint
 8 Agency Asset Rider rates, to become effective December 1, 2018. The
 9 estimated costs recovered in these rates will be subject to true-up in
 10 subsequent annual rider proceedings.

Rate Class	Applicable Schedule(s)	Incremental Rate*
Non-Demand Rate Class (dollars per kilowatt-hour)		
Residential	RES, R-TOUD, R-TOUE, R-TOU	0.00427
Small General Service	SGS, SGS-TOUE	0.00513
Medium General Service	CH-TOUE, CSE, CSG	0.00382
Seasonal and Intermittent Service	SI	0.00383
Traffic Signal Service	TSS, TFS	0.00219
Outdoor Lighting Service	ALS, SLS, SLR, SFLS	
Demand Rate Classes (dollars per kilowatt)		
Medium General Service	MGS, GS-TES, AP-TES, SGS-TOU	1.27
Large General Service	LGS, LGS-TOU	1.30

11 * Incremental Rates, shown above, include North Carolina regulatory fee of 0.140%.

12 **Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

13 A. Yes, it does.

1 MR. SOMERS: In addition, Ms. Jiggetts, with
2 her direct testimony, filed numerous exhibits
3 beginning with a Summary of Rates and continuing with
4 Exhibits labeled A-E through Exhibit L. And we would
5 ask that those be admitted into the record at this
6 time.

7 COMMISSIONER MITCHELL: Without objection,
8 the exhibits shall be marked as prefiled and shall be
9 admitted into evidence.

10 MR. SOMERS: Thank you.

11 (WHEREUPON, Jiggetts Summary Rate
12 and Jiggetts Exhibits A-E through
13 K-E and A-TU through L are
14 identified and admitted into
15 evidence.)

16 MR. SOMERS: Moving on to the supplemental
17 testimony of Ms. Jiggetts that was filed on August 31,
18 2018, consisting of some five pages, I would ask that
19 that be entered into the record as if given orally
20 from the stand.

21 COMMISSIONER MITCHELL: Without objection,
22 that motion is allowed.

23 MR. SOMERS: Thank you.

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(WHEREUPON, the prefiled
supplemental testimony of LAWANDA
M. JIGGETTS is copied into the
record as if given orally from the
stand.)

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-2, SUB 1176

In the Matter of)	
Application of Duke Energy Progress, LLC)	SUPPLEMENTAL
Pursuant to N.C. Gen. Stat. §62-133.14 and)	TESTIMONY OF
Rule R8-70 to Establish a Joint Agency)	LAWANDA M. JIGGETTS
Asset Rider for Recovery of Costs Related to)	
Facilities Purchased from Joint Power Agency)	

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 Aug 31 2018
 Oct 11 2018

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

2 A. My name is LaWanda M. Jiggetts. My business address is 410 South
3 Wilmington Street, Raleigh, North Carolina.

4 **Q. DID YOU PREVIOUSLY FILE TESTIMONY AND EXHIBITS IN**
5 **THIS MATTER?**

6 A. Yes.

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

9 A. The purpose of my supplemental testimony is to propose revisions to
10 certain Joint Agency Asset Rider (“JAAR” or “Rider”) rates for which
11 Duke Energy Progress, LLC (“DEP” or the “Company) requested
12 Commission approval in its June 20, 2018 filing in this docket.

13 In support of this testimony, I am filing two revised exhibits to reflect
14 changes in certain calculations from what was originally filed. For

1 convenience, I am only resubmitting the impacted exhibits that were
2 originally filed on June 20, 2018.

3 **Q. PLEASE DESCRIBE THE GENERAL NATURE OF THE**
4 **ADJUSTMENT FOR WHICH REVISIONS ARE BEING**
5 **PROPOSED.**

6 A. The adjustment is related to the calculation of rates associated with the Joint
7 Agency Asset rolling recovery factor (“RRF”) provided for in Rule R8-
8 70(b)(1)(vi). As provided in the Rule, the Company will use deferral
9 accounting and maintain a cumulative balance of costs incurred but not
10 recovered through the Joint Agency Asset rider. This cumulative balance
11 will accrue a monthly return as prescribed by the Rule. Any over/under
12 collection of revenues associated with the test period corresponds to the
13 Joint Agency Asset RRF. The North Carolina retail revenue requirement
14 was allocated among customer classes, as shown on Exhibit A-TU as filed
15 on June 20, 2018, using the production demand allocation factors from the
16 Company’s 2017 cost of service study. The Joint Agency Asset RRF rates,
17 as initially filed on Exhibit A-TU, used production demand allocation
18 factors to split the revenue requirement between two customer groups,
19 customers billed by kW and customers billed by kWh. This approach
20 resulted in one common rate being applied to all customer classes within the
21 respective groups.

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1 During the course of its review, the Public Staff raised questions about
2 using the methodology above to develop uniform rates for two customer
3 groups, in light of the requirement in N.C. Gen. Stat. § 62-144.14(b)(5) to
4 utilize the customer allocation methodology approved in the most recent
5 general rate case. Those allocation methodologies set rates at the North
6 Carolina retail customer class level, as opposed to at a higher customer
7 grouping level.

8 The Public Staff recommended that the Joint Agency Asset RRF rates be
9 established at the customer class level instead of at the higher customer
10 group level. The Company is agreeable to this approach. As such, the
11 over/under collection for each retail customer class was determined, and
12 these amounts were then divided by estimated billing units, either kWh or
13 kW, to produce a billing factor per unit for each customer class. The
14 revised rates for the Joint Agency Asset RRF are submitted for approval in
15 this supplemental filing.

16 **Q. WHAT IS THE NET RESULT OF THE REVISIONS AND**
17 **ADJUSTMENTS DESCRIBED ABOVE?**

18 A. The total revenue requirement is unchanged as a result of this revision as
19 the total dollars needed for the Rolling Recovery Factor were not impacted.
20 The revision impacts how the Rolling Recovery Factor is recovered
21 between NC retail customers. All customer classes will still receive a rate
22 decrease compared to the JAAR rates currently in effect; however, with the

1 revisions proposed in this filing some customers will receive less of a
 2 reduction. The table below summarizes the originally proposed rates, the
 3 revised rates, and the difference. For a residential customer using 1,000
 4 kWh in a month, the reduction will be \$0.35 compared to a \$0.49 reduction
 5 in the originally proposed rates resulting in an increase in the monthly bill
 6 amount of \$0.14, when compared to the originally proposed rates.

Rate Class	Applicable Schedule(s)	Prospective Rate	Rolling Recovery Factor	Combined Rate*
Non-Demand Rate Class (dollars per kilowatt-hour)				
Residential	RES, R-TOUD, R-TOUE, R-TOU			
	As filed	0.00456	(0.00029)	0.00427
	Revised	<u>0.00456</u>	<u>(0.00015)</u>	<u>0.00441</u>
	Difference	(0.00000)	0.00014	0.00014
Small General Service	SGS, SGS-TOUE			
	As filed	0.00542	(0.00029)	0.00513
	Revised	<u>0.00542</u>	<u>(0.00044)</u>	<u>0.00498</u>
	Difference	(0.00000)	(0.00015)	(0.00015)
Medium General Service	CH-TOUE, CSE, CSG			
	As filed	0.00411	(0.00029)	0.00382
	Revised	<u>0.00411</u>	<u>(0.00039)</u>	<u>0.00372</u>
	Difference	(0.00000)	(0.00010)	(0.00010)
Seasonal and Intermittent Service	SI			
	As filed	0.00412	(0.00029)	0.00383
	Revised	<u>0.00412</u>	<u>0.00037</u>	<u>0.00449</u>
	Difference	(0.00000)	0.00066	0.00066
Traffic Signal Service	TSS, TFS			
	As filed	0.00248	(0.00029)	0.00219
	Revised	<u>0.00248</u>	<u>(0.00011)</u>	<u>0.00237</u>
	Difference	(0.00000)	0.00018	0.00018
Outdoor Lighting Service	ALS, SLS, SLR, SFLS			

Rate Class	Applicable Schedule(s)	Prospective Rate	Rolling Recovery Factor	Combined Rate*
Non-Demand Rate Class (dollars per kilowatt-hour)				
	As filed	0.00000	0.00000	0.00000
	Revised	<u>0.00000</u>	<u>0.00000</u>	<u>0.00000</u>
	Difference	-	-	-
Demand Rate Classes (dollars per kilowatt)				
Medium General Service	MGS, GS-TES, AP-TES, SGS-TOU			
	As filed	1.35	(0.08)	1.27
	Revised	<u>1.35</u>	<u>(0.18)</u>	<u>1.17</u>
	Difference	(0.00)	(0.10)	(0.10)
Large General Service	LGS, LGS-TOU			
	As filed	1.38	(0.08)	1.30
	Revised	<u>1.38</u>	<u>(0.02)</u>	<u>1.36</u>
	Difference	(0.00)	0.06	0.06

1 *Incremental Rates, shown above, include North Carolina regulatory fee of 0.14%.

2 The Company requests that the revised rates be approved as filed for
3 implementation effective December 1, 2018.

4 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?**

5 **A. Yes.**

1 MR. SOMERS: Lastly, in conjunction with
2 Ms. Jiggetts supplemental testimony, she also filed
3 two revised exhibits, a Revised Summary of Rates and a
4 Revised Exhibit labeled A-TU. We ask that those
5 exhibits be identified as premarked and entered into
6 the record at this time.

7 COMMISSIONER MITCHELL: Without objection,
8 those exhibits shall be identified as prefiled and
9 admitted into evidence.

10 MR. SOMERS: Thank you.

11 (WHEREUPON, Jiggetts Revised
12 Summary Rate and Jiggetts Revised
13 Exhibit A-TU are identified and
14 admitted into evidence.)

15 MR. SOMERS: That completes the Company's
16 case.

17 COMMISSIONER MITCHELL: Thank you,
18 Mr. Somers. Ms. Fennell.

19 MS. FENNELL: The Public Staff would like to
20 move for the Commission to admit into evidence the
21 prefiled testimony of Darlene P. Peedin, consisting of
22 eight pages and her Appendix A filed on September 4,
23 2018, as if given orally from the stand.

24 COMMISSIONER MITCHELL: Without objection,

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that motion is allowed.

(WHEREUPON, the prefiled direct testimony and Appendix A of DARLENE P. PEEDIN is copied into the record as if given orally from the stand.)

**DUKE ENERGY PROGRESS, LLC
DOCKET NO. E-2, SUB 1176**

**TESTIMONY OF DARLENE P. PEEDIN
ON BEHALF OF THE PUBLIC STAFF
NORTH CAROLINA UTILITIES COMMISSION**

September 4, 2017

- 1 **Q. WILL YOU STATE FOR THE RECORD YOUR NAME, ADDRESS,**
2 **AND PRESENT POSITION?**
- 3 A. My name is Darlene P. Peedin. My business address is 430 North
4 Salisbury Street, Raleigh, North Carolina. I am the Accounting
5 Manager – Electric Section of the Accounting Division of the Public
6 Staff.
- 7 **Q. PLEASE BRIEFLY STATE YOUR QUALIFICATIONS AND**
8 **DUTIES.**
- 9 A. My qualifications and duties are included in Appendix A.
- 10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
11 **PROCEEDING?**
- 12 A. The purpose of my testimony is to present the results of the Public
13 Staff's investigation of the application of Duke Energy Progress, LLC
14 (DEP or the Company), to revise the Joint Agency Asset Rider
15 (JAAR) rates approved by the Commission in Docket No. E-2,
16 Sub 1143, pursuant to N.C. Gen. Stat. § 62-133.14 and Commission

1 Rule R8-70. N.C. Gen. Stat. § 62-133.14 allows DEP to recover the
2 North Carolina retail portion of all reasonable and prudent costs
3 incurred to acquire, finance, operate, and maintain the proportional
4 interest in the generating units purchased from the North Carolina
5 Eastern Municipal Power Agency, or NCEMPA (Joint Unit Costs).

6 **Q. PLEASE EXPLAIN THE PORTIONS OF GENERATION**
7 **FACILITIES THAT FALL UNDER THE JAAR.**

8 A. The portions of the generating facilities that can be recovered
9 through the JAAR are DEP's acquired percentages of NCEMPA's
10 ownership interests of 18.33% in the Brunswick Nuclear Plant,
11 12.94% in Unit No. 4 of the Roxboro Steam Plant, 3.77% in the
12 Roxboro Plant Common Facilities, 16.17% in Unit No. 1 of the Mayo
13 Steam Plant, and 16.17% in the Shearon Harris Nuclear Plant.

14 **Q. PLEASE DESCRIBE THE CURRENT JAAR RATES.**

15 A. DEP's current JAAR rates were approved by the Commission in its
16 *Order Approving Joint Agency Asset Rider Adjustment*, issued on
17 November 17, 2017, in Docket No. E-2, Sub 1143, which provided
18 for recovery during the period December 1, 2017, through November
19 30, 2018 of (a) estimated Joint Unit Costs applicable to or expected
20 to be incurred during that period (including the three-year
21 amortization of costs that were expected to be incurred from August

1 1, 2015, through November 30, 2015)¹, and (b) a Rolling Recovery
2 Factor (RRF) true-up of applicable costs actually incurred as
3 compared to JAAR revenues recovered.

4 **Q. PLEASE DESCRIBE THE COMPANY'S INITIALLY PROPOSED**
5 **JAAR RATES.**

6 A. The Company filed its initial application on June 20, 2018, and
7 requested approval of prospective JAAR rates to recover the
8 levelized acquisition costs and other estimated and annually
9 apportioned costs that are (a) associated with the acquired
10 ownership interests from NCEMPA and (b) applicable to or expected
11 to be incurred during the period December 1, 2018, through
12 November 30, 2019 (rate period). The application also requested
13 approval of a proposed RRF to return the over-recovery of the same
14 categories of costs as of December 31, 2017, which includes the
15 cumulative unrecovered RRF balance as of December 31, 2016 plus
16 the net over-recovery of costs that accrued during the test period in
17 this proceeding (January 1, 2017, through December 31, 2017). The
18 specific rates requested by the Company, including the North
19 Carolina regulatory fee (regulatory fee), to become effective for the
20 rate period, are as follows:

¹ DEP is amortizing these deferred costs over a three-year period beginning December 1, 2015, and ending November 30, 2018.

Rate Class	Prospective Incremental Rate	Rolling Recovery Incremental Rate	Combined Incremental Rate
Residential (\$/kWh)	0.00456	(0.00029)	0.00427
Small General Service (\$/kWh)	0.00542	(0.00029)	0.00513
Medium General Service (\$/kWh)	0.00411	(0.00029)	0.00382
Seasonal & Intermittent Svc. (\$/kWh)	0.00412	(0.00029)	0.00383
Traffic Signal Service (\$/kWh)	0.00248	(0.00029)	0.00219
Outdoor Lighting Service (\$/kWh)	0.00000	0.00000	0.00000
Medium General Service (\$/kW)	1.35	(0.08)	1.27
Large General Service (\$/kW)	1.38	(0.08)	1.30

- 1 **Q. PLEASE DESCRIBE THE COMPANY'S SUPPLEMENTAL**
2 **TESTIMONY AND REVISED EXHIBITS.**
- 3 A. On August 31, 2018, the Company filed the Supplemental Testimony
4 of Company witness Jiggetts with revised exhibits to reflect a change
5 in the calculation of the RRF. Initially, the Company proposed
6 spreading the RRF uniformly among the classes. The revised RRF
7 rates are calculated on a class-specific basis utilizing the Company's
8 approved customer allocation methodology. The revised rates
9 requested by the Company, including the regulatory fee, to become
10 effective for the rate period, are as follows:

Rate Class	Prospective Incremental Rate	Rolling Recovery Incremental Rate	Combined Incremental Rate
Residential (\$/kWh)	0.00456	(0.00015)	0.00441
Small General Service (\$/kWh)	0.00542	(0.00044)	0.00498
Medium General Service (\$/kWh)	0.00411	(0.00039)	0.00372
Seasonal & Intermittent Svc. (\$/kWh)	0.00412	0.00037	0.00449
Traffic Signal Service (\$/kWh)	0.00248	(0.00011)	0.00237
Outdoor Lighting Service (\$/kWh)	0.00000	0.00000	0.00000
Medium General Service (\$/kW)	1.35	(0.18)	1.17
Large General Service (\$/kW)	1.38	(0.02)	1.36

1 **Q. DOES THE PUBLIC STAFF AGREE WITH THE COMPANY'S**
2 **METHODOLOGY UTILIZED IN MS. JIGGETTS' SUPPLEMENTAL**
3 **TESTIMONY AND REVISED EXHIBITS?**

4 A. Yes. The calculation of the revised RRF on a class-specific basis
5 conforms with N.C. Gen. Stat. § 62-133.14(b)(5), which provides for
6 the utilization of the customer allocation methodology approved by
7 the Commission in the electric public utility's most recent general rate
8 case in determining the amount of the rider.

9 **Q. WHAT IS THE REVENUE REQUIREMENT UNDERLYING THE**
10 **COMPANY'S PROPOSED RATES?**

11 A. The prospective incremental rates reflected above were determined
12 by the Company based on an estimated North Carolina retail JAAR
13 revenue requirement of \$147,654,000 for the rate period, and the

1 RRF incremental rates were determined based on an over-recovery
2 of \$9,196,000 in test period Joint Unit Costs.

3 **Q. HOW HAS THE PROPOSED PROSPECTIVE JAAR REVENUE**
4 **REQUIREMENT CHANGED AS COMPARED TO THE CURRENT**
5 **PROSPECTIVE REVENUE REQUIREMENT?**

6 A. The Company's proposed prospective JAAR annual revenue
7 requirement in the current proceeding of \$147,654,000 is a decrease
8 of approximately \$3.9 million below the \$151,575,000 of costs
9 estimated for the JAAR rate period of December 2017 through
10 November 2018. Company witness Jiggetts states in her testimony
11 that the primary drivers of the decrease are: (1) reductions in the
12 levelized revenue requirement and (2) reductions in deferred costs.

13 **Q. WHAT FUEL SAVINGS WERE EXPERIENCED IN 2017 AS A**
14 **RESULT OF THE ACQUISITION OF THE OWNERSHIP INTEREST**
15 **IN THE GENERATING UNITS FROM NCEMPA?**

16 A. As required by Commission Rule R8-70(e)(1)(vi), Company witness
17 Jiggetts' Exhibit L sets forth the fuel savings associated the
18 repurchase of the NCEMPA undivided ownership interest for the
19 twelve-month period from January through December 2017.
20 The calculated North Carolina retail fuel savings set forth on
21 Exhibit L (approximately \$41,287,000) have been or will be (through
22 the fuel cost true-up process) flowed through to DEP's customers
23 through its fuel and fuel-related cost rider. Although flowed through

1 in that rider, those fuel savings are effectively an offset to the JAAR,
2 as they represent a benefit of the Company's acquisition of
3 NCEMPA's undivided ownership interest.

4 **Q. PLEASE DESCRIBE THE PUBLIC STAFF'S INVESTIGATION OF**
5 **THE COMPANY'S PROPOSED JAAR RATES.**

6 A. The Public Staff's investigation in this proceeding included a review
7 of DEP's application, testimony, and exhibits filed in this docket as
8 well as the JAAR monthly reports. Additionally, the Public Staff's
9 investigation included the review of responses to written and verbal
10 data requests, as well as discussions with the Company.

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

1 **Q. WHAT ARE THE RESULTS OF THE PUBLIC STAFF'S**
 2 **INVESTIGATION?**

3 A. Based on its investigation of the Company's original and revised
 4 filings, the Public Staff has not found any adjustments that should be
 5 made to the calculations of either the prospective or RRF revenue
 6 requirement. Therefore, the Public Staff recommends that the
 7 revised rates requested by the Company, including the regulatory
 8 fee, to become effective for the rate period are as follows:

Rate Class	Prospective Incremental Rate	Rolling Recovery Incremental Rate	Combined Incremental Rate
Residential (\$/kWh)	0.00456	(0.00015)	0.00441
Small General Service (\$/kWh)	0.00542	(0.00044)	0.00498
Medium General Service (\$/kWh)	0.00411	(0.00039)	0.00372
Seasonal & Intermittent Svc. (\$/kWh)	0.00412	0.00037	0.00449
Traffic Signal Service (\$/kWh)	0.00248	(0.00011)	0.00237
Outdoor Lighting Service (\$/kWh)	0.00000	0.00000	0.00000
Medium General Service (\$/kW)	1.35	(0.18)	1.17
Large General Service (\$/kW)	1.38	(0.02)	1.36

9 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

10 A. Yes, it does.

APPENDIX A

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.

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Sep 04 2018

Oct 11 2018

1 COMMISSIONER MITCHELL: Okay. Are there any
2 other matters for the Commission in this proceeding
3 this morning?

4 MS. FENNEL: (Shakes head no)

5 MR. SOMERS: (Shakes head no)

6 COMMISSIONER MITCHELL: Okay. Thank you.
7 So because we will hold a second public hearing in
8 this docket, the record will be held open until that
9 time, which is October 8th, and we will be adjourned
10 until then.

11 MR. SOMERS: Madam Chair.

12 COMMISSIONER MITCHELL: Yes, sir.

13 MR. SOMERS: If I might, just to address the
14 filing of post-hearing proposed orders.

15 COMMISSIONER MITCHELL: Okay. Please do so.

16 MR. SOMERS: I would propose that they be
17 filed 30 days from today's date, if that's acceptable
18 with the Commission and the other parties?

19 MS. FENNEL: Yes.

20 COMMISSIONER MITCHELL: That motion is
21 allowed.

22 MR. SOMERS: Thank you.

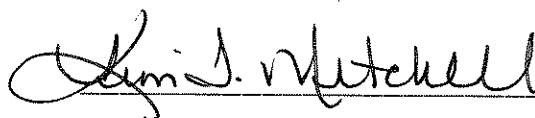
23 COMMISSIONER MITCHELL: Thank you. And we
24 shall be adjourned.

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(WHEREUPON, the proceedings were adjourned.)

C E R T I F I C A T E

I, KIM T. MITCHELL, DO HEREBY CERTIFY that
the Proceedings in the above-captioned matter were
taken before me, that I did report in stenographic
shorthand the Proceedings set forth herein, and the
foregoing pages are a true and correct transcription
to the best of my ability.



Kim T. Mitchell
Court Reporter II