



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

August 19, 2019

Ms. Janice H. Fulmore, Deputy Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Docket No. E-2, Sub 1205 – Application of Duke Energy Progress, LLC pursuant to G.S. 62-133.8 and Commission Rule R8-67 for Approval of REPS Compliance Report and REPS Cost Recovery Rider

Dear Ms. Fulmore:

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

1. Notice of Affidavits;
2. Affidavit of Evan D. Lawrence, Utilities Engineer, Electric Division; and
3. Affidavit of Michelle M. Boswell, Staff Accountant, Accounting Division.

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

Sincerely,

/s/ Heather D. Fennell
Staff Attorney
heather.fennell@psncuc.nc.gov

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Legal
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**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-2, SUB 1205

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application of Duke Energy Progress, LLC, for)
Approval of Renewable Energy and Energy) NOTICE OF
Efficiency Portfolio Standard Cost Recovery Rider) AFFIDAVITS
Pursuant to N.C.G.S. § 62-133.8 and Commission)
Rule R8-67)

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

Evan D. Lawrence, Utilities Engineer, Electric Division
Michelle M. Boswell, Staff Accountant, Accounting Division
Public Staff - North Carolina Utilities Commission
430 North Salisbury Street - Dobbs Building
4326 Mail Service Center
Raleigh, North Carolina 27699-4326

will be used in evidence at the hearing in this docket scheduled for September 9,
2019, pursuant to N.C. Gen. Stat. § 62-68. The affiants will not be called to testify
orally and will not be subject to cross-examination unless an opposing party or the
Commission demands the right of cross-examination by notice mailed or delivered
to the proponent at least five days prior to the hearing, pursuant to N.C. Gen.
Stat. § 62-68.

THEREFORE, the Public Staff moves that the Affidavits of Evan D.
Lawrence, and Michelle M. Boswell, be admitted into evidence in the absence of
notice pursuant to N.C. Gen. Stat. § 62-68.

Respectfully submitted this the 19th day of August, 2019.

PUBLIC STAFF
Christopher J. Ayers
Executive Director

David T. Drooz
Chief Counsel

Electronically submitted
/s/ Heather D. Fennell
Staff Attorney

430 North Salisbury Street - Dobbs Building
4326 Mail Service Center
Raleigh, North Carolina 27699-4300
Telephone: (919) 733-6110
Email: heather.fennell@psncuc.nc.gov

CERTIFICATE OF SERVICE

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

This the 19th day of August, 2019.

Electronically submitted
/s/ Heather D. Fennell

DOCKET NO. E-2, SUB 1205

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)	
Application of Duke Energy Progress, LLC, for)	<u>AFFIDAVIT</u>
Approval of Renewable Energy and Energy Efficiency)	<u>OF</u>
Portfolio Standard Cost Recovery Rider Pursuant to)	<u>EVAN D. LAWRENCE</u>
G.S. 62-133.8 and Commission Rule R8-67)	

STATE OF NORTH CAROLINA

COUNTY OF WAKE

I, Evan D. Lawrence, first being duly sworn, do depose and say:

I am an Engineer with the Electric Division of the Public Staff - North Carolina Utilities Commission. A summary of my education and experience is attached to this affidavit as Appendix A.

The purpose of my affidavit is to make recommendations to the Commission on the Renewable Energy and Energy Efficiency Portfolio Standard (REPS) Compliance Report filed by Duke Energy Progress, LLC (DEP or the Company), on June 11, 2019, and on the proposed REPS cost recovery rider filed by the Company on the same day, and revised on July 16, 2019. These recommendations are based on a review of DEP's application, DEP's filed testimony and REPS Compliance Report, DEP's newly signed renewable energy contracts, DEP responses to Public Staff data requests, reports generated from within the North Carolina Renewable Energy Tracking System (NC-RETS), and the affidavit of Public Staff witness Michelle Boswell.

REPS COMPLIANCE REPORT

DEP is legally obligated to acquire renewable energy certificates (RECs) in accordance with N.C. Gen. Stat. § 62-133.8. DEP no longer provides any REPS compliance services to any wholesale customers as of January 1, 2018.

For 2018 compliance, DEP obtained a sufficient number of general RECs,¹ energy efficiency certificates (EECs), and RECs derived from other eligible sources so that the total equaled 10% of the 2017 North Carolina retail electricity sales. As part of the 10%, DEP needed to pursue retirement of sufficient solar RECs to match 0.2% of retail sales in 2017 (solar set-aside), and sufficient poultry waste RECs to match their pro-rata share of the 300,000 poultry waste RECs required by N.C. Gen. Stat. § 62-133.8(f). This total number of poultry waste RECs was determined by the Commission in its October 8, 2018, *Order Modifying the Swine and Poultry Waste Set-Aside Requirements and Providing Other Relief* in Docket No. E-100, Sub 113 (October 8 Order). The October 8 Order also reduced DEP's swine waste REC requirement under N.C. Gen. Stat. § 62-133.8(e) to 0.02% of 2017 retail sales.

Based on its review, the Public Staff has determined that DEP's REPS Compliance Report meets the requirements of N.C. Gen. Stat. § 62-133.8 and Commission Rule R8-67(c). Accordingly, the Public Staff recommends that the Commission approve DEP's 2018 REPS Compliance Report.

¹ General RECs include all RECs other than those used to meet the solar, swine waste, and poultry waste set-asides. General RECs and EECs are interchangeable for REPS compliance purposes, with the exception that EECs are limited to 25 percent of the total compliance requirement for 2018.

PROPOSED REPS RIDER CHARGES

The proposed REPS rider is based on the projected costs and projected number of accounts subject to a REPS charge in the billing period (December 1, 2019 through November 30, 2020). The Experience Modification Factor (EMF) is based on the incremental costs in the EMF period (April 1, 2018 through March 31, 2019) and the average number of accounts subject to a REPS charge in the billing period. The EMF is discussed more fully in the affidavit of Public Staff witness Michelle Boswell.

In its revised filing on July 16, 2019, DEP requested the following monthly charges for the REPS and EMF billing components of its REPS rider for the billing period:

Customer Class	REPS Rider	EMF	Total	Total Including Regulatory Fee
Residential	\$ 1.39	\$ 0.06	\$ 1.45	\$ 1.45
General Service	\$ 8.84	(\$ 0.60)	\$ 8.24	\$ 8.25
Industrial	\$ 63.07	\$ (3.57)	\$ 59.50	\$ 59.58

To collect the utility regulatory fee established by N.C. Gen. Stat. § 62-302, the total REPS charge (including the prospective charge and the EMF) must be multiplied by a factor reflecting the current regulatory fee. The Public Staff notes that the Commission on June 18, 2019 issued its *Order Decreasing Regulatory*

Fee Effective July 1, 2019, in Docket No. M-100, Sub 142, which reduced the regulatory fee from 0.14% to 0.13%. Applying the updated regulatory fee factor to DEP's requested REPS and EMF billing components results in the industrial class EMF and billing period rates increasing/(decreasing) by \$0.01 and (\$0.01), respectively, resulting in no net change to the combined Monthly Rider. To clarify this point, however, the Public Staff recommends that DEP make a supplemental filing to update Revised Williams Exhibit No. 4 to reflect the current regulatory fee multiplier and the offsetting adjustments to the Monthly EMF Rider and Monthly REPS Rider amounts that include the regulatory fee.

The Public Staff has reviewed the costs that produce the above proposed rates and, other than the revision to reflect the current regulatory fee, takes no issue with DEP's proposed rates. Accordingly, the Public Staff recommends approval of DEP's proposed REPS rider for residential, general service, and industrial customers, adjusted to reflect the current regulatory fee.

For comparison, the table below provides the existing monthly EMF and REPS billing components approved in Docket No. E-2, Sub 1175, on November 8, 2018.

Customer Class	REPS Rider	EMF	Total	Total Including Regulatory Fee
Residential	\$ 1.30	\$ 0.12	\$ 1.42	\$ 1.42
General Service	\$ 8.61	(\$ 0.66)	\$ 7.95	\$ 7.96
Industrial	\$ 64.96	\$ 8.11	\$ 73.07	\$ 73.17

Competitive Procurement of Renewable Energy Program Costs

Although DEP has not included any costs related to the Competitive Procurement of Renewable Energy (CPRE) Program, enacted in 2017 as part of North Carolina House Bill 589 (HB 589), in this proceeding, DEP witness Payne states that since DEP will use the RECs acquired through CPRE for REPS compliance, DEP believes that CPRE program implementation costs could be recovered through the REPs Rider. As discussed in my May 20, 2019, testimony filed in the 2019 REPS cost recovery proceeding filed by Duke Energy Carolinas, LLC in Docket No. E-7, Sub 1191, the Public Staff does not agree with DEP's conclusion that CPRE costs can be recovered through the REPs Rider. However, the issue does not need to be addressed by Commission unless DEP requests to recover CPRE costs in a future REPS rider proceeding.

Combination of Multiple REC Types in Compliance Costs Exhibit

Payne Confidential Exhibit No. 2 provides actual and forecasted REPS compliance costs, by resource. The Company breaks the REC purchases down by REC type, and by supplier. REC suppliers with multiple REC sources (i.e. thermal and general biomass) are typically listed multiple times, however the Company has combined entries in this filing, such as is the case with line 234 in Payne Exhibit No. 2. While this does not alter the amounts paid for energy or RECs, it does create the need for additional discovery so that the Public Staff can verify calculations and payments made. The Public Staff requests that in future proceedings, each REC type be presented as a separate line item, similar to lines 232 and 233 in Payne Exhibit No. 2.

This completes my affidavit.

Evan Lawrence
Evan D. Lawrence

Sworn to and subscribed before me
this the 19th day of August, 2019.

Joanne M. Berube
Notary Public

Joanne M. Berube
NOTARY PUBLIC
WAKE COUNTY, N.C.
My Commission Expires 12-17-2022.

JOANNE M. BERUBE
Printed Name

My Commission Expires: 12/17/2022

Evan D. Lawrence

I graduated from East Carolina University in Greenville, North Carolina in May of 2016 earning a Bachelor of Science degree in Engineering and a concentration in Electrical Engineering. I started my current position with the Public Staff in September of 2016. Since that time my duties and responsibilities have focused around the review of renewable energy projects, rate design, and renewable energy portfolio standards (REPS) compliance. I have filed affidavits in Dominion Energy North Carolina's 2017 and 2018 REPS cost recovery proceeding, affidavits in the 2019 REPS cost recovery proceeding filed by Duke Energy Carolinas, LLC (DEC); testimony in New River Light and Power's (NRLP) most recent rate case proceeding, and testimony in additional small power producer and merchant electric generating facilities (EMPs). I have also assisted other Public Staff personnel with the review and investigation of REPS Compliance Plans filed by the electric power suppliers, previous DEC and DEP REPS cost recovery proceedings, and multiple other cases.

DOCKET NO. E-2, SUB 1205

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)	
Application of Duke Energy Progress, LLC, for)	<u>AFFIDAVIT</u>
Approval of Renewable Energy and Energy Efficiency)	<u>OF</u>
Portfolio Standard Cost Recovery Rider Pursuant to)	<u>MICHELLE BOSWELL</u>
G.S. 62-133.8 and Commission Rule R8-67)	

STATE OF NORTH CAROLINA

COUNTY OF WAKE

I, Michelle Boswell, first being duly sworn, do depose and say:

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

N.C. Gen. Stat. § 62-133.8(h) provides that the State's electric power suppliers may recover their reasonable and prudently incurred incremental costs of compliance with the Renewable Energy and Energy Efficiency Portfolio Standard (REPS) through an annual rider charge. Pursuant to Commission Rule R8-67, the REPS rider will be recovered over the same period as the utility's fuel and fuel-related cost rider. Rule R8-67 also provides for a REPS experience modification factor (REPS EMF) rider, which is utilized to "true-up" the recovery of reasonable and prudently incurred incremental REPS compliance costs incurred during the test period established for each annual rider proceeding.

The purpose of my affidavit is to present the results of the Public Staff's investigation of the REPS EMF rider proposed by Duke Energy Progress, LLC (DEP or the Company), in this proceeding, based on incremental REPS compliance costs incurred and revenues recorded from April 2018 through March 2019 (REPS EMF period or test period).

On June 11, 2019, DEP filed its application, testimony, and exhibits related to the incremental costs incurred for compliance with the REPS. On July 16, 2019, DEP filed supplemental testimony and revised exhibits to correct an error that resulted in the understatement of incremental REPS rider costs. Revised Williams Exhibit No. 4 sets forth the revised proposed annual and monthly EMF increment or decrement riders for each of the North Carolina retail customer classes. The revised proposed annual EMF increment/(decrement) riders, excluding the North Carolina regulatory fee, for the residential, general, and industrial customers, respectively, are \$0.73, \$(7.15), and \$(42.81) per retail customer account. These rates are calculated by dividing the "Total EMF Costs/(Credits)" amount, as shown on Revised Williams Exhibit No. 4 for each customer class, by the "Total Projected Number of Accounts – DEP NC Retail" for that class. The revised proposed monthly EMF increment/(decrement) riders, excluding the regulatory fee, for residential, general, and industrial customers, respectively, are \$0.06, \$(0.60), and \$(3.57) per retail customer account.

The Public Staff's investigation included procedures intended to evaluate whether the Company properly determined its per books incremental compliance costs and revenues, as well as the annual revenue cap for REPS requirements,

during the test period. These procedures included a review of the Company's filing and other Company data provided to the Public Staff. Additionally, the procedures included a review of certain specific types of expenditures impacting the Company's costs, including labor and research and development costs. Performing the Public Staff's investigation required the review of numerous responses to written and verbal data requests, and discussions with Company personnel.

As a result of the Public Staff's investigation, I am recommending that DEP's revised proposed annual and monthly REPS EMF increment or decrement riders for each customer class be approved. These amounts produce annual increment/(decrement) REPS EMF riders of \$0.73, \$(7.15), and \$(42.81), and monthly increment/(decrement) REPS EMF riders of \$0.06, \$(0.60), and \$(3.57), per customer account, excluding the regulatory fee, for residential, general, and industrial customers, respectively.

This completes my affidavit.

Michelle Boswell

 Michelle Boswell

Sworn to and subscribed before me
 this the 19 day of August, 2019.

NR Patel

 Neha R. Patel
 Notary Public

My Commission Expires: 3/18/2024



Appendix A

MICHELLE M. BOSWELL

Qualifications and Experience

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

I am responsible for (1) examining and analyzing testimony, exhibits, books and records, and other data presented by utilities and other parties under the jurisdiction of the Commission or involved in Commission proceedings, and (2) preparing and presenting testimony, exhibits, and other documents for presentation to the Commission.

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 the Duke Energy Carolinas, LLC's 2010, 2015, 2017, and 2019 REPS Cost Recovery Rider; DEP's 2014, 2017, and 2018 REPS Cost Recovery Rider; 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; DEC's 2017 rate case, four recent Piedmont Natural Gas (Piedmont) rate cases; the 2016 rate case of Public Service Company of North Carolina (PSNC), the 2012 rate case for Dominion Energy North Carolina

(DENC, formerly Dominion North Carolina Power), the 2013 and 2017 DEP rate cases, 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.