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April 17, 2017

M. L. Jarvis
Chief Clerk
North Carolina Utilities Commission
430 N. Salisbury Street
Raleigh, NC 27603 – 5918

Re: CORRECTED pages 77-79, Direct Testimony of Ben Johnson on behalf of the North Carolina Sustainable Energy Association, NCUC Docket No. E-100, Sub 148

Dear Ms. Jarvis:

Enclosed herewith, please find corrected pages 77-79 of the Direct Testimony of Ben Johnson to be filed in the above-referenced docket on behalf of the North Carolina Sustainable Energy Association. Should you have any questions or comments, please do not hesitate to call me. Thank you in advance for your assistance and cooperation.

Regards,

/s Charlotte Mitchell

4811-5167-2126, v. 1

Q. HAVE YOU COMPARED THESE BENCHMARK COST ESTIMATES TO THE CURRENT AND PROPOSED RATES?

A. Yes. This table compares the QF rates in the standard offer tariff approved in the 2014 biennial proceeding to the 2022-2026 levelized cost of the combined cycle unit:

Combined Cycle Energy-Related Cost per kWh	**Natural Gas Price Scenario**			
	Low	EIA 2017	Return to Trend	High
2022 - 2026 Levelized	3.78 ¢	4.59 ¢	4.80 ¢	6.13 ¢
DEP – 2014 Rates	4.77 ¢	4.77 ¢	4.77 ¢	4.77 ¢
DEC – 2014 Rates	4.85 ¢	4.85 ¢	4.85 ¢	4.85 ¢

The amount ratepayers will pay for obtaining power from QFs under the current QF energy rates will be approximately 1 cent per kWh more than the cost of obtaining power from a new combined cycle plant, assuming the "Low" fuel prices occur. If fuel prices match the most recent EIA projection during this five-year period, or if they return to the historical trend, the amount paid for QF power at the current rates will be very similar to (or slightly higher than) the cost of using the combined cycle plant. If "High" fuel prices were to occur, the combined cycle plant will be about 1 cent costlier than the current QF rates.

In contrast, under every scenario the proposed QF rates are below the estimated long run cost of generating electricity using a combined cycle plant, and the discrepancy will be quite extreme if "High" fuel prices prevail:

Combined Cycle Energy-Related Cost per kWh	**Natural Gas Price Scenario**			
	Low	EIA 2017	Return to Trend	High
2022 - 2026 Levelized	3.78 ¢	4.59 ¢	4.80 ¢	6.13 ¢
DEP – Proposed	3.41 ¢	3.41 ¢	3.41 ¢	3.41 ¢
DEC – Proposed	3.32 ¢	3.32 ¢	3.32 ¢	3.32 ¢

This next table compares the current QF rates to the 2027-2031 levelized cost of the combined cycle unit:

Combined Cycle Energy-Related Cost per kWh	**Natural Gas Price Scenario**			
	Low	EIA 2017	Return to Trend	High
2027 - 2031 Levelized	4.33 ¢	5.43 ¢	5.76 ¢	7.60 ¢
DEP – 2014 Rates	4.77 ¢	4.77 ¢	4.77 ¢	4.77 ¢
DEC – 2014 Rates	4.85 ¢	4.85 ¢	4.85 ¢	4.85 ¢

The 2014 QF energy rates are lower than the cost of obtaining power from a new combined cycle plant under most scenarios, with the discrepancy increasing the more fuel prices increase. Under the "High" fuel price scenario, ratepayers will be paying less than 5 cents per kWh for power obtained from

QFs while paying nearly 7.6 cents per kWh for power generated by a new combined cycle plant.

Needless to say, the discrepancy would be even larger if the proposed QF rates were compared to the combustion turbine costs:

Combustion Turbine Energy-Related Cost per kWh	**Natural Gas Price Scenario**			
	Low	EIA 2017	Return to Trend	High
2017 - 2021 Levelized	3.76 ¢	5.14 ¢	4.76 ¢	5.76 ¢
2022 - 2026 Levelized	5.13 ¢	6.39 ¢	6.72 ¢	8.80 ¢
DEP – Proposed	3.41 ¢	3.41 ¢	3.41 ¢	3.41 ¢
DEC – Proposed	3.32 ¢	3.32 ¢	3.32 ¢	3.32 ¢

Q. WILL RETAIL CUSTOMERS BENEFIT IF THE COMMISSION REDUCES QF RATES TO A LEVEL FAR BELOW WHAT IT COSTS TO OBTAIN POWER FROM A NEW COMBINED CYCLE PLANT?

A. No. Although low QF rates may be superficially appealing (on the assumption that lower QF rates will translate into lower retail rates through a fuel adjustment and purchased power mechanism), artificially suppressing QF rates does not benefit ratepayers. Any short-term benefit from low QF rates is of limited value, because low QF rates discourage QF investment, thereby reducing the amount of energy that the utility will actually obtain at the lower rates. Taken to the extreme, if QF rates are so low that no further QF

CERTIFICATE OF SERVICE

The undersigned certifies that she has served a copy of the foregoing **corrected pages 77-79 of the pre-filed direct testimony of Ben Johnson** upon the parties of record in this proceeding, or their attorneys, by electronic mail.

This 17t^{h} day of April, 2017.

/s Charlotte A. Mitchell