



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

November 5, 2021

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Docket No. E-22, Sub 605 Application by Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina, for Authority to Adjust its Electric Rates and Charges and Revise its Fuel Factor Pursuant to N.C.G.S. § 62-133.2 and Commission Rule R8-55

Dear Ms. Dunston:

Attached for filing on behalf of the Public Staff in the above-referenced docket are the following:

1. Testimony and Exhibit of Evan D. Lawrence, Engineer, Public Staff Energy Division; and
2. Joint Testimony of Michael C. Maness, Director, Public Staff Accounting Division, and June Chiu, Staff Accountant, Electric Section, Public Staff Accounting Division.

By copy of this letter, I am forwarding a copy to all parties of record by electronic delivery.

Sincerely,

Electronically submitted
s/William E. H. Creech
Staff Attorney
zeke.creech@psncuc.nc.gov

Attachments

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BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-22, SUB 605

In the Matter of
Application by Virginia Electric and
Power Company, d/b/a Dominion
Energy North Carolina, for Authority
to Adjust its Electric Rates and
Charges and Revise its Fuel Factor
Pursuant to G.S. 62-133.2 and
Commission Rule R8-55

) TESTIMONY OF
) EVAN D. LAWRENCE
) PUBLIC STAFF – NORTH
) CAROLINA UTILITIES
) COMMISSION
)

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
DOCKET NO. E-22, SUB 605

TESTIMONY OF EVAN D. LAWRENCE
ON BEHALF OF THE PUBLIC STAFF
NORTH CAROLINA UTILITIES COMMISSION

NOVEMBER 5, 2021

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

3 A. My name is Evan D. Lawrence. My business address is 430 North
4 Salisbury Street, Raleigh, North Carolina.

5 Q. WHAT IS YOUR POSITION WITH THE PUBLIC STAFF?

6 A. I am an engineer with the Energy Division of the Public Staff
7 representing the using and consuming public.

8 Q. WOULD YOU BRIEFLY DISCUSS YOUR EDUCATION AND
9 EXPERIENCE?

10 A. A summary of my education and experience is outlined in detail in
11 Appendix A of my testimony.

12 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
13 PROCEEDING?

14 A. The purpose of my testimony is to present the Public Staff's findings
15 regarding the proposed fuel and fuel-related cost factors for the
16 Residential, Small General Service and Public Authority, Large

1 General Service, Schedule NS, Schedule 6VP, Outdoor Lighting,
2 and Traffic Retail customer classes of Virginia Electric and Power
3 Company, d/b/a Dominion Energy North Carolina (DENC, or the
4 Company), as set forth in the Company's August 10, 2021
5 Application and October 28, 2021 supplemental filing and update.

6 **Q. WHAT ARE THE TEST AND BILLING PERIODS FOR THIS**
7 **PROCEEDING?**

8 A. For this proceeding, the test period is July 1, 2020 through June 30,
9 2021, and the billing period is February 1, 2022 through January 31,
10 2023.

11 **Q. PLEASE DESCRIBE THE SCOPE OF YOUR INVESTIGATION.**

12 A. I have reviewed DENC's application, prefiled testimony and exhibits,
13 supplemental filing, fuel costs, test period baseload power plant
14 performance reports, and various documents related to test year
15 power plant outages. I have also reviewed the joint testimony of
16 Public Staff witnesses June Chiu and Mike Maness.

17 **Q. DID THE COMPANY MEET THE STANDARDS OF COMMISSION**
18 **RULE R8-55(K) FOR THE TEST YEAR?**

19 A. Yes. Commission Rule R8-55(k) requires that either (a) the test year
20 system-wide nuclear capacity factor or (b) the system-wide capacity
21 factor based upon a two year average, be greater than or equal to
22 the national average capacity factor for nuclear production facilities

1 based on the most recent 5-year period available as reflected in the
2 most recent North American Electric Reliability Corporation's
3 (NERC) Generating Availability Report (GAR) appropriately
4 weighted for the size and type of plant. For the test year, the
5 Company met the benchmark set forth in Commission Rule R8-
6 55(k)(a). The Company reported a single year system-wide nuclear
7 capacity factor of 93.5%, which is greater than the NERC weighted
8 average nuclear capacity factor of 92.8%.

9 **Q. PLEASE SUMMARIZE THE RESULTS OF YOUR**
10 **INVESTIGATION AND YOUR RECOMMENDATIONS.**

11 A. Based upon my investigation, I am recommending that the
12 Commission approve the Company's requested revised fuel rates as
13 filed in its October 28, 2021 update. There are two primary reasons
14 for the revised fuel rates: 1) the Commission's ruling that DENC
15 cannot recover costs associated with compliance with the Regional
16 Greenhouse Gas Initiative (RGGI), *Petition of Dominion Energy*
17 *North Carolina for a Declaratory Ruling*, No. E-22, Sub 601 (N.C.U.C.
18 Sept. 29, 2021), and 2) the Company's update to its filing to include
19 July, August, and September 2021 under-recoveries that have
20 resulted from a substantial increase in natural gas prices since the
21 Company made its initial filing.

1 Q. HAS THE RECENT INCREASE IN NATURAL GAS PRICES
2 IMPACTED YOUR REVIEW OF THE CURRENT APPLICATION?

3 A. Yes. In summary, the commodity price for natural gas has increased
4 substantially and the Company's initial application severely
5 understates the fuel costs that likely will be realized during the billing
6 period. Lawrence Exhibit 1 shows the daily average Henry Hub
7 natural gas spot price¹ from January 2, 2020 through October 28,
8 2021. During the test period, July 1, 2020 to June 30, 2021, natural
9 gas prices experienced some intra-year variation, which includes the
10 extreme cold weather event in the central United States in February
11 2021. The Henry Hub Daily Spot price was approximately
12 \$2.00/MMBTU on average for much of 2020, and
13 approximately \$3.00/MMBTU through the first half of 2021. Table 1
14 below, shows the daily average price (taken from the same source
15 as Lawrence Exhibit 1) for the last test year, the current test year,
16 and the start of the next test year. From July 1, 2021 to October 13,
17 2021, the average gas price jumped to an average \$4.51/MMBTU
18 with daily peaks at or above \$6.00/MMBTU.

¹ Source: <https://www.eia.gov/dnav/ng/hist/rngwhhdD.htm>

1 Table 1: Henry Hub Average Spot Price

Date Range	Average Natural Gas Price
July 1, 2019 – June 30, 2020	\$2.09/MMBTU
July 1, 2020 – June 30, 2021	\$2.74/MMBTU
July 1, 2021 – October 13, 2021	\$4.51/MMBTU

2 The Henry Hub natural gas price projections from the Energy
3 Information Administration (EIA) Short-Term Energy Outlook,²
4 published October 13, 2021, project gas prices increasing to a
5 monthly average peak of \$5.90/MMBTU in January 2022 with a
6 gradual decline to an average of \$4.01/MMBTU for all of 2022. Both
7 Duke Energy's and Dominion's confidential fuel forecasts trend to the
8 EIA's short term increase in gas pricing with a gradual decline
9 through 2022. It is noteworthy that the current gas price forecasts are
10 only estimates, and market conditions along with colder weather or
11 an active 2022 hurricane season in the Gulf of Mexico may impact
12 current projections.

13 **Q. WHAT IS THE IMPACT ON THE FUEL RATE WITH THESE**
14 **INCREASED PRICES?**

15 A. DENC Witness Jeffrey D. Matzen discusses the impact beginning on
16 page 2, line 12 of his supplemental testimony. The increase in fuel
17 prices results in an increase of approximately \$600 million (system)
18 when compared to the initially requested rates, excluding RGGI

²Source: <https://www.eia.gov/outlooks/steo/report/natgas.php>

1 costs. The Public Staff and the Company began discussing the
2 projected impacts and preferred path forward once it became
3 apparent that the higher natural gas prices would likely be sustained
4 for an extended period of time. Through discovery, the Company
5 provided its analysis of the expected under-recovery with updated
6 natural gas pricing. The Public Staff reviewed the expected under-
7 recovery amount which was similar to the amount that I determined
8 prior to receiving responses to the discovery. As a result, the
9 Company filed, and the Public Staff supports, its supplemental
10 testimony and rates on October 28, 2021, which results in an
11 increased EMF (Rider B) in this proceeding, in order to lessen the
12 customer impact of expected under-recovery of fuel costs in the
13 Company's 2022 fuel filing. The impact is shown in my Table 3
14 below.

15 **Q. HAS THE COMPANY INCLUDED ANY COSTS ASSOCIATED**
16 **WITH RGGI IN ITS UPDATED FILING?**

17 A. No. The Company has removed the costs associated with RGGI.
18 However, the Company is requesting the same amount of revenue
19 for the billing period (\$1,820,197,534 system) as in the original filing
20 to help offset the increase in fuel prices.

21 **Q. DO YOU AGREE WITH THE COMPANY'S UPDATED FUEL**
22 **RATES?**

1 A. Yes. The Public Staff believes the Company has appropriately
2 removed costs associated with RGGI, and given the current fuel
3 costs and estimated projections from multiple sources. The Public
4 Staff supports increasing the billing period fuel costs shown in the
5 Company's Supplemental filing.

6 **Q. WHAT COST WAS INCLUDED IN THE INITIAL APPLICATION**
7 **FOR COSTS ASSOCIATED WITH RGGI?**

8 A. Table 2 below shows the billing and test period system expenses for
9 RGGI and the NC retail allocation in the original filing.

10 Table 2: RGGI Expense and allocation per initial filing

	System RGGI Expense	NC Jurisdictional Allocation
Test Period	\$65,041,332	\$3,289,650
Billing Period	\$131,078,459	\$6,711,517

11 **Q. WHAT IS THE UNDER-RECOVERY THAT IS BEING INCLUDED**
12 **IN THE COMPANY'S UPDATED FILING?**

13 A. The system under-recovery for July, August, and September 2021
14 was \$146,386,824, and the NC Retail amount as shown in Campbell
15 Supplemental Exhibit RC-1, Schedule 2, is \$7,495,340. This is
16 derived from subtracting the Cumulative under-recovery shown in
17 the June 21 column from the total under-collection for the 15 month
18 period of \$8,217,462.

1 **Q. WHAT IS THE EXPECTED UNDER-RECOVERY FOR THE**
2 **BILLING PERIOD?**

3 A. Based on current projections, the total expected NC Jurisdictional
4 cost will be approximately \$14.66 million higher than the expected
5 revenues calculated in the updated filing.

6 **Q. IF YOU EXPECT AN UNDER-RECOVERY OF \$14.66 MILLION,**
7 **WHY IS THE PUBLIC STAFF, AND THE COMPANY, NOT**
8 **REQUESTING THAT RATES BE SET TO RECOVER THIS**
9 **AMOUNT?**

10 A. The Public Staff expects a large under-recovery next year with the
11 current fuel estimates. After discussions with the Company, the
12 Public Staff believes that the rates requested in the Company's
13 supplemental filing are appropriate. When reviewing these rates, the
14 Public Staff took into account that the markets may stabilize sooner
15 than expected, which could lead to an over-recovery if the fuel rate
16 is set too high. The Public Staff also considered the potential for rate
17 shock if an additional \$14.66 million was recovered in this case. The
18 Company's approach spreads out cost recovery over two years as
19 opposed to one. However, just as there is a chance the markets
20 stabilize, there is also a chance of severe weather during the winter
21 that causes a further increase in the gas prices and would cause a
22 larger under-recovery for next year's annual fuel rider.

1 Q. WHAT IS THE IMPACT ON THE RECOMMENDED BILLING
2 PERIOD RATES FOR EACH OF THE SCENARIOS DISCUSSED
3 ABOVE?

4 A. Table 3 below shows the rates required for certain scenarios.

5 Table 3: Billing Period Rates required under certain scenarios

Scenario	Rates	Percent increase from Current Rates
Current Rates	\$17.25/MWh	-
Initial Application Requested Rates	\$22.292/MWh	29%
Initial Application with RGGI Removed	\$19.998/MWh	16%
Updated Filing Request	\$23.257/MWh	35%
Amount needed to avoid projected under-recovery	\$29.216/MWh	69%

6 The Company's updated filing on October 28, 2021 provides the
7 following for the billing period: First, it removes RGGI costs, bringing
8 the rate down to \$19.998/MWh; next, it updates the billing period
9 expense to partially compensate for the projected increase in prices,
10 bringing the rate back up to \$22.292/MWh; finally, it includes an
11 update for three months of under-recoveries, which brings the rate
12 up further to the new requested amount of \$23.257/MWh. The rate
13 required for the Company to fully recover its projected costs would
14 be \$29.216/MWh.

1 **Q. PLEASE DISCUSS THE PUBLIC STAFF’S INVESTIGATION OF**
 2 **THE TEST PERIOD EXPERIENCE MODIFICATION FACTOR**
 3 **(EMF).**

4 A. Witness Chiu describes the Public Staff’s review of the test period
 5 EMF in her testimony and I have incorporated her recommendations
 6 in Table 4 below.

7 Table 4- Total Proposed Fuel and Fuel-Related Cost Factors

(\$ per kWh)

Rate Class	Base	Rider A	Rider B	Total³
NC Jurisdiction	\$0.02092	\$0.000451	\$0.001886	\$0.023257
Residential	\$0.02118	\$0.000436	\$0.001908	\$0.023524
Small General Service & Public Authority	\$0.02115	\$0.000441	\$0.001906	\$0.023497
Large General Service	\$0.02098	\$0.000436	\$0.001890	\$0.023306
Schedule NS (Nucor Steel)	\$0.02036	\$0.000421	\$0.001834	\$0.02615
Schedule 6VP (Variable Pricing)	\$0.02065	\$0.000430	\$0.001861	\$0.022941
Outdoor Lighting	\$0.02118	\$0.000436	\$0.001908	\$0.023524
Traffic	\$0.02118	\$0.000436	\$0.001908	\$0.023524

8

³ Calculations reflect the application of the voltage differentiation factors used by the Company in its application, which the Public Staff accepts.

1 Q. DOES THIS COMPLETE YOUR TESTIMONY?

2 A. Yes.

APPENDIX A

QUALIFICATIONS AND EXPERIENCE

EVAN D. LAWRENCE

I graduated from East Carolina University in Greenville, North Carolina in May 2016, earning a Bachelor of Science degree in Engineering with a concentration in Electrical Engineering. I started my current position with the Public Staff in September 2016. Since that time, my duties and responsibilities have focused on reviewing 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, testimony in DEP's 2019 REPS cost recovery proceeding, an affidavit in DEC's 2019 REPS cost recovery proceeding, testimony in New River Light and Power's most recent rate case proceeding, testimony in Western Carolina University's most recent rate case proceeding, and testimony in multiple dockets for requests for CPCNs. Additionally, I am currently serving as a co-chair of the National Association of State Utility and Consumer Advocates (NASUCA) DER and EE Committee.

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-22, SUB 605

In the Matter of)	
Application by Virginia Electric and)	JOINT TESTIMONY OF
Power Company, d/b/a Dominion)	JUNE CHIU AND
Energy North Carolina, for Authority to)	MICHAEL C. MANESS
Adjust its Electric Rates and Charges)	PUBLIC STAFF – NORTH
and Revise its Fuel Factor Pursuant to)	CAROLINA UTILITIES
N.C. Gen. Stat. § 62-133.2 and NCUC)	COMMISSION
Rule R8-55)	

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-22, SUB 605

JOINT TESTIMONY OF JUNE CHIU AND MICHAEL C. MANESS

ON BEHALF OF THE PUBLIC STAFF

NORTH CAROLINA UTILITIES COMMISSION

NOVEMBER 5, 2021

1 **Q. MS. CHIU, PLEASE STATE FOR THE RECORD YOUR NAME,**
2 **ADDRESS, AND PRESENT POSITION.**

3 A. My name is June Chiu. My business address is 430 North Salisbury
4 Street, Raleigh, North Carolina. I am a Staff Accountant with the
5 Accounting Division of the Public Staff – North Carolina Utilities
6 Commission (Public Staff).

7 **Q. WOULD YOU BRIEFLY DISCUSS YOUR EDUCATION AND**
8 **EXPERIENCE?**

9 A. My education and experience are summarized in Appendix A of this
10 testimony.

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

12 A. The purpose of my testimony is to present the results of the Public
13 Staff’s investigation of the Experience Modification Factor (EMF)
14 rider proposed by Dominion Energy North Carolina (DENC or the
15 Company) in this proceeding.

1 Additionally, I present the results of my review of the Marketer
2 Percentage update as proposed by the Company.

3 **Q. MR. MANESS, PLEASE STATE FOR THE RECORD YOUR NAME,**
4 **ADDRESS, AND PRESENT POSITION.**

5 A. My name is Michael C. Maness. My business address is 430 North
6 Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am the
7 Director of the Accounting Division of the Public Staff.

8 **Q. WOULD YOU BRIEFLY DISCUSS YOUR QUALIFICATIONS AND**
9 **DUTIES?**

10 A. A summary of my qualifications and duties is set forth in Appendix B
11 of this testimony.

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

13 A. The purpose of my testimony is to update the Commission as to the
14 status of a matter I raised in DENC's 2020 fuel and fuel-related cost
15 proceeding regarding off-system sales.

16 **Q. MS. CHIU, PLEASE DESCRIBE THE EXPERIENCE**
17 **MODIFICATION FACTOR.**

18 A. The EMF rider is utilized to "true-up," by customer class, the under-
19 or over-recovery of fuel and fuel-related costs (fuel costs)
20 experienced during the test year, which is determined by comparing
21 the revenues collected during the test year to recover previous
22 estimated fuel costs (fuel revenues) to the actual amount of fuel costs

1 incurred during the test year. DENC's test year in this fuel proceeding
2 is the twelve months ended June 30, 2021.

3 **Q. PLEASE DESCRIBE THE PUBLIC STAFF'S INVESTIGATION OF**
4 **THE FUEL EMF RIDERS.**

5 A. The Public Staff's investigation included procedures to evaluate
6 whether the Company properly determined its per books fuel costs
7 and fuel revenues during the test period. These procedures included
8 a review of the Company's original and supplemental filings, prior
9 Commission orders, the Monthly Fuel Reports filed by the Company
10 with the Commission, and other Company data provided to the Public
11 Staff. Additionally, the procedures included review of certain specific
12 types of expenditures affecting the Company's test year fuel costs,
13 payments to non-utility generators (NUGs), and payments for
14 purchases of power from the markets administered by PJM
15 Interconnection, LLC (PJM). The Public Staff's procedures also
16 included a review of source documentation of fuel costs for certain
17 selected Company generation resources. Finally, the Public Staff's
18 investigation included the review of numerous responses to written
19 data requests, as well as several telephone conferences with
20 Company representatives.

21 Furthermore, I verified that the Company continued utilizing the 71%
22 Marketer Percentage approved by the Commission in Docket No. E-

1 22, Sub 562 for power purchased through markets administered by
2 PJM and from dispatchable NUGs that did not provide DENC with
3 the actual fuel costs for the purchases to arrive at a fuel cost
4 component.

5 **Q. PLEASE EXPLAIN THE FUEL EMF RIDERS ORIGINALLY**
6 **PROPOSED BY DENC IN THIS PROCEEDING.**

7 A. In its application filed on August 10, 2021, DENC proposed an EMF
8 increment rider (Rider B) of \$0.000921 per kilowatt-hour (kWh), after
9 being adjusted for the North Carolina regulatory fee for all North
10 Carolina retail customer classes. To calculate this EMF increment
11 rider, DENC took its test year fuel cost under-recovery of \$4,011,772.
12 This amount was then divided by the Company's normalized North
13 Carolina retail sales of 4,360,969,262 kWh to produce the proposed
14 increment rider.

15 **Q. PLEASE DESCRIBE THE COMPANY'S SUPPLEMENTAL**
16 **TESTIMONY.**

17 A. On October 29, 2021, DENC filed supplemental testimony removing
18 the Regional Greenhouse Gas Initiative (RGGI) costs from the
19 Company's recovery request, and updating the EMF decrements to
20 incorporate the fuel and fuel-related cost recovery balances for July
21 through September 2021, pursuant to Commission Rule R8-55(d)(3).
22 The reported under-recovery included in the update, although

1 included in this proceeding, would be reviewed as part of next year's
2 fuel and fuel-related cost proceeding EMF period.

3 **Q. WHAT DID COMPANY WITNESS STULLER PROPOSE IN HIS**
4 **SUPPLEMENTAL FILING?**

5 A. DENC Witness Stuller proposed a revised EMF increment rider
6 (Rider B) of \$0.001886 per kWh, including the North Carolina
7 regulatory fee, for all North Carolina retail customer classes. To
8 calculate this EMF increment rider, DENC took its cost under-
9 recovery of \$8,217,462. This amount was then divided by the
10 Company's normalized North Carolina retail sales of 4,360,969,262
11 kWh to produce the proposed revised increment rider of \$0.001886.

12 **Q. DOES THE PUBLIC STAFF HAVE ANY ADJUSTMENTS TO THE**
13 **COMPANY'S PROPOSED MARKETER PERCENTAGE?**

14 A. The Public Staff does not have an adjustment to the Company's
15 proposed marketer percentage of 72%. We reviewed the calculation
16 and supporting documentation, and have verified the Company
17 calculated the proposed marketer percentage in the same manner
18 the percentage was previously calculated in Docket No. E-22, Sub
19 562.

1 **Q. WHAT EMF INCREMENT RATES ARE YOU RECOMMENDING**
 2 **FOR THE UPDATED EMF PERIOD?**

3 A. As a result of the Public Staff's investigation, I am recommending
 4 that DENC's EMF increment rates for each customer class be based
 5 on total net fuel and fuel-related cost under-recoveries of
 6 \$8,217,462, and normalized North Carolina retail sales of 1,731,902
 7 MWh for the Residential class; 757,602 MWh for the SGS & PA class;
 8 648,375 MWh for the LGS class; 926,528 MWh for the Schedule NS
 9 class; 272,301 MWh for the 6VP class; 23,850 MWh for the Outdoor
 10 Lighting class; and 412 MWh for the Traffic class. These amounts
 11 produce the Jurisdictional Voltage Differentiated EMF rate by rate
 12 class (Rider B) as follows:

Rate Class	Total
Uniform EMF rate	\$0.001886
Residential	\$0.001908
Small General Service & PA	\$0.001906
Large General Service	\$0.001890
Schedule NS	\$0.001834
6VP	\$0.001861
Outdoor Lighting	\$0.001908
Traffic	\$0.001908

13

1 **Q. MR. MANESS, PLEASE PROVIDE AN UPDATE AS TO THE**
2 **STATUS OF THE MATTER YOU RAISED IN LAST YEAR’S FUEL**
3 **PROCEEDING.**

4 A. As I noted in my testimony in last year’s DENC fuel and fuel-related
5 cost proceeding, the Public Staff has been in the process of
6 reviewing a component of DENC’s intersystem sales component of
7 the fuel and fuel-related cost factor. More specifically, this matter
8 involves the quantification of the removal, for N.C. retail ratemaking
9 purposes, of fuel costs allocated to the N.C. retail jurisdiction that are
10 specifically associated with intersystem (also referred to as off-
11 system) sales of electricity, the rates for which are not regulated by
12 this Commission. In order to reach the appropriate final fuel costs
13 associated with N.C. retail jurisdictional kWh sales, the fuel costs
14 associated with intersystem sales must be removed from the
15 allocated N.C. retail portion of overall system fuel costs.

16 The specific concern being investigated by the Public Staff involves
17 the cost of intersystem sales as quantified in transactions involving
18 PJM. As in last year’s case, it appears to the Public Staff that the
19 costs being initially allocated to the N.C. retail jurisdiction for the
20 electricity used to supply these sales include a positive or negative
21 margin over/under fuel costs, while the costs then directly deducted
22 from the overall total as being associated with the intersystem sales
23 themselves do not include this margin, thus creating a mismatch

1 between “inputs” and “outputs,” so to speak. This conceptual
2 mismatch has apparently existed since at least the Company’s most
3 recent general rate case, if not before. For the test year in this
4 proceeding, the Company has performed an analysis indicating that
5 the potential mismatch amounts to a relatively small amount. If the
6 mismatch is determined to have been reflected in the last general
7 rate case, the solution will be to remove any non-fuel dollars from the
8 base fuel rate and establish a non-fuel rider in the same amount, as
9 well as to prospectively cease including any non-fuel costs in annual
10 estimated and actual fuel costs and fuel revenues, so as to cease
11 measuring and truing up any differences between the actual non-fuel
12 amounts experienced each year and the base non-fuel amount set
13 in the last general rate case, while allowing the Company to continue
14 to recover the non-fuel amount in its non-fuel rates. Alternatively, it
15 could be determined to be reasonable to let the matter rest until the
16 next general rate case, particularly if the net amounts are
17 insubstantial.

18 Because the determination of the fuel and other costs associated
19 with intersystem sales is intertwined with the complex cost
20 calculations performed by PJM and set forth in its billings to DENC,
21 and because of time constraints imposed by work on other matters,
22 the Public Staff has still not been able to reach a definitive conclusion
23 regarding this matter. The Public Staff intends to continue working

1 with the Company to reach a resolution, and the Public Staff will
2 provide a further report in next year's fuel and fuel-related cost
3 proceeding. The Company has indicated to the Public Staff that it is
4 willing to consider changes in the next general rate case to resolve
5 this matter.

6 **Q. DOES THIS CONCLUDE YOUR JOINT TESTIMONY?**

7 **A.** Yes, it does.

QUALIFICATIONS AND EXPERIENCE

June Chiu

I graduated from Drake University with a master's degree in business administration. Prior to joining the Public Staff, I worked in state government in Iowa and for two Fortune 500 corporations. My duties varied from performing audit engagement to supervising accounting and internal controls and preparing SEC filings.

I joined the Public Staff in October 2017. 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 have performed audits and/or presented testimony and exhibits before the Commission for water cases for Ridgecrest, Water Resources, Aqua, Lake Junaluska, Carolina Water Service Inc. of NC, and JAARS. I have participated in electric cases such as the Dominion Energy North Carolina 2019 rate case, Duke Energy Carolinas, LLC's 2019 rate case and 2021 fuel case, and Duke Energy Progress' 2020 REPS and 2021 fuel case.

MICHAEL C. MANESS

I am a graduate of the University of North Carolina at Chapel Hill with a Bachelor of Science degree in Business Administration with Accounting. I am a Certified Public Accountant and a member of both the North Carolina Association of Certified Public Accountants and the American Institute of Certified Public Accountants.

As Director of the Accounting Division of the Public Staff, I am responsible for the performance, supervision, and management of the following activities: (1) the examination and analysis of 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) the preparation and presentation to the Commission of testimony, exhibits, and other documents in those proceedings. I have been employed by the Public Staff since July 12, 1982.

Since joining the Public Staff, I have filed testimony or affidavits in a number of general, fuel, and demand-side management/energy efficiency rate cases of the utilities currently organized as Duke Energy Carolinas, LLC, Duke Energy Progress, LLC., and Virginia Electric and Power Company (Dominion Energy North Carolina), 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, approval of self-generation deferral rates, approval of cost and incentive recovery mechanisms for electric utility demand-side management and energy efficiency (DSM/EE) efforts, and approval of cost and incentive recovery pursuant to those mechanisms.

I have also been involved in several other matters that have come before this Commission, including the investigation undertaken by the Public Staff into the operations of the Brunswick Nuclear Plant as part of the 1993 Carolina Power & Light Company fuel rate case (Docket No. E-2, Sub 644), the Public Staff's investigation of Duke Power's relationship with its affiliates (Docket No. E-7, Sub 557), and several applications for business combinations involving electric utilities regulated by this Commission. Additionally, I was responsible for performing an examination of Carolina Power & Light Company's accounting for the cost of Harris Unit 1 in conjunction with the prudence audit performed by the Public Staff and its consultants in 1986 and 1987.

I have had supervisory or management responsibility over the Electric Section of the Accounting Division since 1986, and also was assigned management duties over the Water Section of the Accounting Division during the 2009-2012 time frame. I was promoted to Director of the Accounting Division in late December 2016.

LAWRENCE EXHIBIT 1

