STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-7, SUB 1282

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	)	
Application of Duke Energy Carolinas, LLC	)	**REBUTTAL TESTIMONY**
Pursuant to G.S. 62-133.2 and NCUC Rule	)	**OF SIGOURNEY CLARK AND**
R8-55 Relating to Fuel and Fuel-Related	)	**CHRIS BAUER FOR**
Charge Adjustments for Electric Utilities	)	**DUKE ENERGY CAROLINAS, LLC**
	)	

Q. MRS. CLARK PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND CURRENT POSITION.

A. My name is Sigourney Clark. My business address is 5413 Shearon Harris Road, New Hill, North Carolina. I am a Rates and Regulatory Strategy Manager for Duke Energy Carolinas, LLC ("DEC" or the "Company").

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

A. I am a Rates and Regulatory Strategy Manager for Duke Energy Carolinas, LLC ("DEC" or the "Company").

Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL QUALIFICATIONS.

A. I received my Bachelor of Science, focused in Finance and Accounting, from North Carolina State University, and I received a Master of Business Administration degree from East Carolina University. I began my career in 2013 with Duke Energy at the Shearon Harris Nuclear Power Plant, and I have held various roles, most recently Senior Project Controls Specialist. I joined the Rates Department in 2022 as Rates and Regulatory Strategy Manager.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

A. Yes, on February 28, 2023, I caused to be pre-filed with the Commission my direct testimony and 6 exhibits and 13 supporting workpapers. On May 4, 2023, I caused to be pre-filed with the Commission supplemental testimony and 3 revised exhibits.

Q. YOUR REBUTTAL TESTIMONY INCLUDES TWO REVISED EXHIBITS AND NINE SUPPORTING WORKPAPERS. WERE THESE SUPPLEMENTAL EXHIBITS AND WORKPAPERS PREPARED BY YOU OR AT YOUR DIRECTION AND UNDER YOUR SUPERVISION?

A. Yes. These exhibits and workpapers were prepared by me and consist of the following:

Clark Rebuttal Revised Exhibit 1: Summary Comparison of Fuel and Fuel-Related Costs Factors.

Clark Rebuttal Revised Exhibit 2:

Schedule 1: Fuel and Fuel-Related Costs Factors - reflecting a 93.60% proposed nuclear capacity factor and projected megawatt hour ("MWh") sales.

Schedule 2: Fuel and Fuel-Related Costs Factors - reflecting a 93.60% nuclear capacity factor and normalized test period sales.

Schedule 3: Fuel and Fuel-Related Costs Factors - reflecting a 91.87% North American Electric Reliability Corporation ("NERC") five-year national weighted average nuclear capacity factor for pressurized water reactors and projected billing period MWh sales.

Q. MR. BAUER, PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Chris R. Bauer and my business address is 525 South Tryon Street, Charlotte, North Carolina 28202.

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

A. I am employed by Duke Energy Business Services, LLC ("DEBS") as Director, Corporate Finance and Assistant Treasurer. DEBS provides various administrative and other services to DEC and other affiliated companies of Duke Energy Corporation ("Duke Energy").

Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL QUALIFICATIONS.

A. I received a Bachelor of Arts degree from Flagler College in 2003 and an MBA degree from the University of North Florida in 2004. I am a licensed Certified Public Accountant in the state of Florida. From 2004 to 2010, I worked in Deloitte's Audit and Enterprise Risk Services unit, providing financial statement and internal control services across various industries. In 2010, I joined Duke Energy as a Lead Audit Consultant in the Internal Audit Department. In 2015, I moved to Duke Energy's Investor Relations group where I served as a manager responsible for communicating the Company's strategic, operating and financing plan to debt and equity investors and external stakeholders. In 2017, I moved to the Treasury department and served as both a Treasury Director and the Director of Credit & Capital Markets before assuming my current role in early 2021.

Q. HAVE YOU PREVIOUSLY TESTIFIED OR SUBMITTED TESTIMONY BEFORE THE NORTH CAROLINA UTILITIES COMMISSION?

A. No.

Q. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN SUPPORT OF THE COMPANY'S APPLICATION IN THIS DOCKET?

A. No.

Q. YOUR TESTIMONY INCLUDES FOUR EXHIBITS. WERE THESE EXHIBITS PREPARED BY YOU OR AT YOUR DIRECTION AND UNDER YOUR SUPERVISION?

A. Yes. My exhibits consist of: Bauer Rebuttal Exhibit 1: Moody's November 1, 2022, Sector In-Depth: Delays in fuel cost recovery pressuring utility credit quality, Bauer Rebuttal Exhibit 2: Moody's May 11, 2023, Credit Opinion: Duke Energy Carolinas, LLC Update to credit analysis, Bauer Rebuttal Exhibit 3: Moody's November 10, 2022, Outlook: 2023 outlook negative due to higher natural gas prices, inflation and rising interest rates, and Bauer Rebuttal Exhibit 4: Moody's April 24, 2023, Rate Action: Moody's affirms Duke Energy and subsidiary ratings; changes outlook of Duke Energy Kentucky to negative.

Q. WHAT IS THE PURPOSE OF THIS JOINT REBUTTAL TESTIMONY?

A. The purpose of this rebuttal testimony is to respond to Public Staff Witness Evan D. Lawrence regarding (1) the forecast used to propose fuel rates, and (2) the differentiation between the intent of concurrent filings before the Commission. Additionally, the purpose of this joint rebuttal testimony is to respond to both

Public Staff Witness Lawrence and Carolina Industrial Group for Fair Utility Rates III Witness Brian C. Collins as their direct testimonies refer to (3) deferring cost recovery beyond the twelve-month period specified in the North Carolina fuel statute and the assertion that deferring the fuel balance would not impact the Company's credit metrics. Finally, the purpose of this testimony is to (4) describe mitigation options proposed by the Company to reduce the proposed fuel rate increase.

Q. IN HIS DIRECT TESTIMONY, PUBLIC STAFF WITNESS LAWRENCE REFERS TO THE COMPANY'S ABILITY TO WAIT UNTIL MID-JANUARY TO PRODUCE A TIMELY FUEL COST FORECAST FOR ITS LATE FEBRUARY APPLICATION FILING. PLEASE DESCRIBE THE ELEMENTS OF THE FORECAST INCORPORATED IN THE COMPANY'S PROPOSED PROSPECTIVE BILLING RATE.

A. North Carolina Utilities Commission Rule R8-55(f) requires: "The electric public utility shall file the information required under this rule, accompanied by workpapers and direct testimony and exhibits of expert witnesses supporting the information filed herein, and any changes in rates proposed by the electric public utility (if any), according to the following schedule: Duke Energy Carolinas, LLC, and Progress Energy Carolinas, Inc., not less than 90 days prior to the hearing". For this proceeding, 90 days prior to the hearing, was March 1, 2023. The Company complied with this requirement by filing the annual Application Relating to Fuel and Fuel-Related Charge Adjustments under this docket on

February 28, 2023.

The Company's practice is to produce quarterly forecasts for multiple internal purposes including corporate planning, budgeting, fuel procurement, and ratemaking. The Company's Fuels & Fleet Analytics team produces a monthly commodity generation volumetric forecast (resulting information in coal tons, oil gallons, gas MBTUs, etc.) for the Fuel Procurement team mid-month each month for subsequent calendar month gas scheduling and coal transportation planning. The optimal way to utilize the most current forecast data for North Carolina annual fuel rate-making, in compliance with the filing requirements set forth in R8-55 (b) and (f), is to adopt the timing of the mid-month forecast currently in place for fuel procurement, then refresh the fixed costs and weighted average cost of inventory closer to the annual fuel filing deadlines. In other words, based on the timing of the Company's forecasting process, DEC's February 28, application included the most updated information possible.

Q. PUBLIC STAFF WITNESS LAWRENCE FURTHER REQUESTS THE COMMISSION "REQUIRE THE COMPANY TO RE-CALCULATE THE PROSPECTIVE RATE IN THIS CASE BASED ON CURRENT COMMODITY COSTS AND REFILE THESE RATES AND EXHIBITS AS SOON AS POSSIBLE FOR REVIEW BY THE PUBLIC STAFF AND OTHER INTERVENORS AND FOR CONSIDERATION BY THE COMMISSION." IS THE COMPANY ABLE TO RECALCULATE THE PROSPECTIVE RATE IN THIS CASE BASED ON INFORMATION MORE CURRENT THAN THAT WHICH WAS AVAILABLE FOR USE

TO MEET THE COMPANY'S FILING DEADLINE?

A. Yes. Once again, the forecast used for the application was the most current available. However, the Company has updated its fuel cost forecast to refine its estimate of costs to be incurred during the billing period and has recalculated the prospective rate component of the fuel rate. The Company utilized the most recent Spring 2023 load forecast, which was issued April 10, 2023, and the most recent generation and fuel cost forecast, with a close of business date of April 13, 2023, which was issued on May 3, 2023. This update differs from typical fuel proceeding practice but given the magnitude of the overall customer rate impact and at the request of Public Staff, the Company calculated this impact of updating the forecast. The results of such update are discussed further in this rebuttal testimony.

Q. HOW HAS THE COMPANY ALREADY BEEN IMPACTED BY THE UNDER-RECOVERED FUEL BALANCE?

A. The Company must finance the cost of the under-recovered fuel balance on behalf of customers but has not requested recovery of these financing costs from customer. Because the under-recovered fuel balance is significant, the Company has incurred substantial unrecovered financing costs and will continue to incur these financing costs until the amounts are recovered. Even with a 12-month recovery of the balance as specified in the statute, the average time between the test period, when the costs are incurred, and the billing period, when the under-recovered balance is recovered, is 20 months. The length of this period combined with the magnitude of the under-recovered balance leads to significant financing costs for which the Company has not requested recovery.

Q. IN HIS DIRECT TESTIMONY, WITNESS LAWRENCE REFERS TO THE PROPOSED FUEL RATE INCREASE AS "RATE SHOCK", WHICH IN HIS OPINION IS EXACERBATED BY INCREASES PROPOSED BY THE COMPANY IN ITS CURRENT APPLICATION TO ADJUST RETAIL BASE RATES IN DOCKET NO. E-7, SUB 1276. PLEASE COMMENT ON THIS ISSUE

A. The Company is well aware of the challenges faced by many of its customers and further understands the critical importance of maintaining competitive and affordable rates (which the Company has a long history of accomplishing). However, it also critical that the Company maintain its financial strength and be allowed to recover its prudent and reasonable costs in accordance with the regulatory structures established under North Carolina law.

Q. IN LIGHT OF THE MAGNITUDE OF THE INCREASE, HAS THE COMPANY IDENTIFIED MITIGATION OPTIONS THAT ARE CONSISTENT WITH THE 12 MONTH STATUTORY RECOVERY PERIOD THAT WILL EASE THE IMPACT ON CUSTOMERS WHILE STILL MAINTAINING FINANCIAL STRENGTH OF THE COMPANY?

A. Yes. The Company has thoroughly evaluated all options available to mitigate the impact of these increases on customers. Based on such evaluation, Company has identified three options to mitigate the impact on customer bills that should accomplish that aim without serious detrimental impacts to the Company's credit rating as further discussed in this rebuttal testimony.

Q. WITNESS LAWRENCE INCLUDED A QUOTE FROM A MOODY'S INVESTOR SERVICE ("MOODY'S") REPORT STATING THAT "MORE REGULATORS ARE LIKELY TO EXTEND FUEL COST RECOVERY PERIODS TO BETWEEN 18 AND 36 MONTHS…TO EASE THE IMPACT ON CUSTOMER ELECTRICITY RATES." COULD YOU PLEASE PROVIDE ADDITIONAL CONTEXT AROUND THIS QUOTE AND THE REPORT IN GENERAL?

A. Yes. I have included as Bauer Rebuttal Exhibit 1, the full Moody's report, titled *Delays in fuel cost recovery pressuring utility credit quality*, which witness Lawrence fails to include in his testimony. While Moody's acknowledges that regulators may seek to extend fuel cost recovery, Moody's also states that "[c]ompanies need to finance under-recovered fuel costs, leading to incremental debt and pressuring financial metrics and liquidity positions at a time when there are other cost pressures facing these organizations" and "…the incremental debt would be credit negative if it is in place for a longer period of time." Moody's clearly understands that some regulators may extend the recovery period for the collection of deferred fuel. However, it is the Company's opinion that there is the strong potential for long-term negative credit implications from delaying recovery over an extended period.

Q. WHAT IS THE COMPANY'S UNDERSTANDING OF MOODY'S EXPECTATION FOR THE RECOVERY OF DEFERRED FUEL IN THE CURRENT DUKE ENERGY CAROLINAS, LLC'S FUEL APPLICATION?

A. On May 11, 2023, Moody's published an updated Credit Opinion on DEC, which is filed as Bauer Rebuttal Exhibit 2, and cites weakened financial metrics as a credit challenge. On page 4 of the same report, Moody's notes that "[t]he [C]ompany's 2022 credit metrics were particularly weak, including a ratio of CFO pre-WC/debt (Cash flow from operations pre working capital / debt) of 17%...primarily due to significant deferred fuel costs…, substantially all which we expect to be recovered by the end of 2024."

Q. WHAT CONTRIBUTION HAS DEFERRED FUEL COSTS HAD ON MOODY'S OUTLOOK FOR THE UTILITY SECTOR AND WHAT DOES THAT MEAN FOR UTILITIES?

A. Bauer Rebuttal Exhibit 3 is Moody's Regulated Electric and Gas Utilities Outlook piece, published on November 10, 2022, in which they revised their outlook on the entire utility sector to "negative" from "stable" citing "increasingly challenging business and financial conditions stemming from higher natural gas prices, inflation and rising interest rates." Moody's also states for the sector that "financial metrics [are] already under pressure with little cushion entering 2023" and that "[h]igh natural gas prices and inflation may persist into 2023, which could hurt cash flow recovery should regulators seek to limit the impact to customer bills by delaying recovery or approving lower rate increases."

Moody's change in the industry outlook to "negative" is a signal to investors that future downgrades may be forthcoming. These external factors included in Moody's sector outlook report certainly impact a utility's financial wherewithal, as well as customer bills, but are largely beyond the Company's control. Without continued support from regulatory commissions, the financial impacts to a utility's credit metrics will be challenged and could lead to a further downward revision in a utility's rating outlook, and ultimately, a downgrade if the issue is not cured timely or compounding issues arise. If recovery of deferred fuel is delayed, natural gas prices spike again, or severe storms impact DEC's service territory, then compounding issues such as these would negatively impact DEC's credit metrics. This pancaking effect is a real risk to the longer-term financial health of the utility. Furthermore, recovering carrying costs on a deferred balance does not resolve the negative consequences to the Company's credit quality from delaying recovery.

Q. PLEASE EXPLAIN CREDIT QUALITY AND CREDIT RATINGS, AND HOW THEY ARE DETERMINED.

A. Credit quality (or creditworthiness) is a term used to describe a company's overall financial health and its ability to repay all financial obligations in full and on time. An assessment of DEC's creditworthiness is performed by two major credit rating agencies, Standard & Poor's ("S&P") and Moody's, and results in DEC's credit ratings.

Many qualitative and quantitative factors go into this assessment. Qualitative aspects include DEC's regulatory climate, its track record for delivering on its commitments, the strength of its management team, its operating performance, and the economic vitality and customer profile of its service area. The primary quantitative metric the rating agencies use to assess

DEC's creditworthiness is Funds from Operations/Debt ("FFO/Debt"), also referred to as CFO pre-WC/debt by Moody's. FFO/Debt is primarily based on operating cash flows and focuses on the level at which DEC maintains debt leverage in relation to its generation of cash. The percentage of debt to total capital is another example of a quantitative measure. Creditors and credit rating agencies view both qualitative and quantitative factors in aggregate when assessing the credit quality of a company.

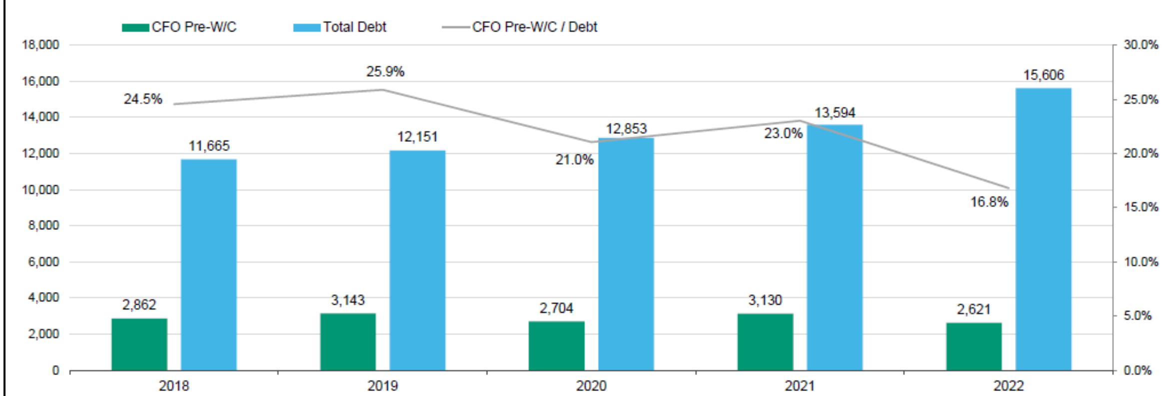
Q. YOU HAVE CITED MOODY'S CONCERNS FOR THE SECTOR. HAS MOODY'S CHANGED ANYTHING SPECIFIC TO HOW THEY VIEW DEC'S CREDIT PROFILE GOING FORWARD?

A. Yes. Bauer Rebuttal Exhibit4 is Moody's press release issued on April 24, 2023, affirming the ratings of Duke Energy and its subsidiaries, including DEC. However, within this same report, Moody's increased DEC's and Duke Energy Progress, LLC's ("DEP") FFO/Debt downgrade threshold by 100 basis points from 20% to 21%. This upward revision represents a tightening of credit, or a stricter threshold for DEC to maintain its current credit ratings. As noted previously, DEC ended 2022 with an FFO/Debt, as calculated by Moody's, of 17%, 400 basis points below the Company's increased downgrade threshold of 21%.

Q. HOW DOES DEC'S HISTORICAL FFO/DEBT COMPARE TO THE NEW 21% MOODY'S DOWNGRADE THRESHOLD, AND WHAT IS MOODY'S EXPECTATION OF DEC'S FFO/DEBT FOR 2023?

A. The chart below is included on page one of Moody's most recent DEC credit opinion, attached hereto as Bauer Rebuttal Exhibit2.

Historical CFO Pre-WC, Total Debt and CFO Pre-WC to Debt ($ MM)



Note: The 2022 CFO pre-WC to debt ratio, excluding the financial impact of storm cost securitization and the cash flow impact of deferred fuel costs which we expect to be recovered by the end of 2024, would have been 21.3%, see Exhibit 3 for details.
Source: Moody's Financial Metrics™

On page 4 of the same DEC credit opinion, Moody's states that "Duke Carolinas' historically strong financial coverage metrics have declined materially in recent years, including CFO pre-WC to debt falling from 25% in 2018 and 2019 to around 22% in 2020 and 2021 and 17% in 2023[2022]." Moody's notes that the drivers of this decline include "spending for coal ash remediation, new generation and grid modernization, as well as the negative cash flow impact of tax reform, the coronavirus pandemic and unusually severe storms."

As noted on page 7 of Bauer Rebuttal Exhibit 2, Moody's expects DEC's FFO/Debt to be within a range of 20% to 22% over the next 12 to 18 months. In order to meet Moody's expectation, the Company would need to recover the deferred fuel filed in this proceeding by the end of 2024 at the latest.

Q. WHAT WOULD BE THE IMPACT TO DEC'S CREDIT METRICS OF EXTENDING DEC'S RECOVERY OF 2022 DEFERRED FUEL BALANCE BY AN ADDITIONAL 12 MONTHS?

A. Extending the recovery of DEC's $998 million deferred fuel balance over 24 months versus the 12 months statutory allowance in North Carolina, would lower DEC's 2023 FFO by approximately $333 million. As shown in Table 1 below, this is the amount that per Generally Accepted Accounting Principles would be recorded as a non-current regulatory asset, which means it would be included as a use of cash in Moody's calculation of FFO.

Table 1: 2022 Deferred Fuel Balance as of 12/31/23 with Different Recovery Scenarios

($ in millions)	**12-Month Recovery**	**24-Month Recovery**	**Difference**
Non-current Regulatory Asset	$0	$333	$333
Current Regulatory Asset	$665	$499	($166)
Total 2022 Deferred Fuel Balance	$665	$832	$166

All else being equal, a reduction of $333 million to DEC's FFO would result in more than a 200 basis point decline to the Company's FFO/Debt metric for 2023. In a year when the Company's downgrade threshold at Moody's was increased to 21%, this would almost certainly result in DEC being under its downgrade threshold for a second consecutive year. As I mentioned before, this impact is before any possible but unmeasurable compounding issues may further impact 2023's metrics. If the Company were to be below its downgrade threshold for two years in a row, Moody's would most likely consider revising the ratings outlook on DEC to "negative." If that were to occur, 2024 would be a consequential year for achieving an FFO/Debt metric above the 21% downgrade threshold to hold the Company's current credit ratings.

Q. PLEASE SUMMARIZE YOUR TESTIMONY ON THESE CREDIT ISSUES.

A. As described above, the Company's need to recover these prudent costs over 12 months is not only required under North Carolina law but is essential from a credit and financial strength perspective. And the ability of the Company to maintain financial health, in turn, provides direct benefits to customers.

Q. WITNESS LAWRENCE DISCUSSES OTHER DUKE ENERGY REGULATORY JURISDICTIONS THAT HAVE EXTENDED THE RECOVERY OF DEFERRED FUEL BALANCES LONGER THAN 12 MONTHS. PLEASE COMMENT ON THESE DECISIONS BY REGULATORS IN OTHER DUKE ENERGY JURISDICTIONS.

A. In Docket No. 20230001, Duke Energy Florida, LLC ("DEF") requested 12-month recovery of its 2022 deferred fuel balance as allowed by the regulatory recovery mechanism available to the utility. The Florida Public Service Commission ordered DEF to extend the recovery of deferred fuel and carrying costs over 21 months, with rates being effective in April 2023. As a result of the 21-month recovery beginning in April 2023, DEF will recover the full amount of its deferred fuel balance by year-end 2024. Full recovery of deferred fuel costs by the end of 2024 is important as it aligns with Moody's recovery expectations, as mentioned above. The distinction with DEF is that the 21-month recovery period will eliminate the negative impact of the under-recovered fuel on DEF's 2023 FFO/Debt metric. At the end of 2023, the remaining uncollected deferred fuel balance would be considered short-term and reflected in a current regulatory asset account (working capital). Moody's excludes changes in working capital from its calculation of Cash Flow from Operations pre-working capital ("CFO pre-WC"), which is also referred to as FFO.

In Docket No. 2022-3-E, DEC agreed to a settlement which was approved by the South Carolina Public Service Commission to recover 2021 deferred fuel balances and carrying costs over 24 months, with rates effective in October 2022. The deferred amount was $73 million, considerably less than the $998 million of deferred fuel contemplated in this case. As noted above, the magnitude of the balance in this proceeding has a material negative impact on DEC's cash flows and financial metrics. Further delaying recovery will continue to perpetuate those metrics lower for longer.

Q. IS THE COMPANY PROPOSING ANY ALTERNATE MEANS OF REDUCING THE PROPOSED FUEL RATE INCREASE ON CUSTOMERS' BILLS?

A. Yes. The Company is proposing three means of reducing the overall increase. First, the Company has recalculated the prospective component of the fuel rate using load, generation, and pricing forecasts made available after the Company's initial rate application. This update is reducing the equal percent rate increase for all customer classes from 17.98% to 17.10%. It is important to note that updating forecasted fuel prices results in the reordering of units being dispatched which, in turn, prompts changes in the volumes of natural gas being hedged and restatements of natural gas transportation costs respective to changes in volume. Thus, although natural gas spot prices have declined since the original rate application in this proceeding, the update to the proposed fuel rates using the most recent forecast is not as dramatic as might have been assumed.

Second, although the Company is allowed to update its under-recovery or over-recovery of fuel and fuel-related costs up to 30 days prior to the hearing date, according to Rule 8-55(d)(3), the Company elected to forego making this update to incorporate an additional under-recovery of approximately $120 million in fuel costs experienced during the months of January through March of 2023.

Third, the Company is proposing an expedited return of the EDIT Rider Credit balance as further described below.

Q. PLEASE PROVIDE BACKGROUND ON THE EDIT RIDER CREDIT BALANCE AND THE COMPANY'S PROPOSAL.

A. Independent of the fuel rider, the Company is returning $211,488,000 annually to North Carolina retail customers by way of the EDIT Rider Credit as ordered in Docket No. E-7, Sub 1214. This credit was the result of a stipulation between the Company and Public Staff that stated unprotected EDIT would be returned to customers through a levelized rider methodology and amortized over a period of five years. This decrement rider is scheduled to expire May 31, 2026. As of August 31, 2023 the remaining balance pending to be returned is $534,886,169.

Given these extraordinary circumstances, the Company believes it would be appropriate to consider expediting this return in order to offset the requested fuel increase with the remaining EDIT Rider Credit balance as shown on Clark Rebuttal Revised Exhibit 2, Schedule 1, Page 3. The impact of the EDIT mitigation further reduces the equal percent rate impact for all customer classes from 17.10% to 6.80%. Additionally, the expiration of the $211,488,000 EDIT Rider Credit increases customer bill impacts by 4.07%, for a net increase from all updates to approximately 10.87%.

Q. WHAT ARE THE REVISED PROPOSED FUEL AND FUEL-RELATED COSTS FACTORS AFTER THE FORECAST AND EDIT MITIGATION UPDATES?

A. The revised proposed fuel and fuel-related cost factors by customer class, as shown on Clark Rebuttal Revised Exhibit 1, are as follows:

Description	Residential cents/kWh	General cents/kWh	Industrial cents/kWh	Composite cents/kWh
Total adjusted Fuel and Fuel Related Costs	1.5429	1.3224	1.1108	2.2566
EMF Increment (Decrement)	1.6635	1.6638	1.7256	1.6764
EMF Interest (Decrement)	-	-	-	-
Net Fuel and Fuel Related Costs Factors	3.2064	2.9862	2.8364	3.9330

Q. IS THE COMPANY REQUESTING COMMISSION APPROVAL TO TERMINATE THE EDIT RIDER AS OF AUGUST 31, 2023 UNDER THE CONDITION THAT THE COMMISSION ACCEPTS THE COMPANY'S PROPOSED REVISED FUEL RATES?

A. No. The Company has proposed additional amounts be included in the EDIT rider in Docket E-7 Sub 1276 beginning with new rates in that case. The Company requests to recover the EMF balance over the prescribed 12-month billing period. However, given the magnitude of the increase on customers, the Company would be willing to net the remaining EDIT balance as of August 31, 2023, against the fuel increase. This mitigation would lower the net impact on customers by 6.22% while lessening the negative impact on the Company's credit metrics. Since the EDIT rider was part of a settlement with the Public Staff in the most recently approved rate case, the Public Staff's consent may be required to implement this mitigation measure.

Q. WHAT WOULD BE THE IMPACT TO THE COMPANY IF THE COMMISSION WERE TO PARTIALLY OFFSET THE REQUESTED FUEL INCREASE WITH THE ACCELERATED RETURN OF THE REMAINING UNPROTECTED EDIT BALANCE OVER 12 MONTHS BEGINNING SEPTEMBER 2023?

A. As shown in Table 2 below, accelerating the return of EDIT to partially offset the impact to customer rates over the same 12-month period used to recover deferred fuel, would increase the return of EDIT available to customers by $108 million in 2023 and $145 million in 2024. The incremental EDIT return available to customers would directly reduce DEC's 2023 and 2024 cash flow from operations by the same amounts.

Table 2: Incremental Return of EDIT in 2023 and 2024

Periods	Return under Current Stipulation*	Accelerated return proposed	Total Return
9/1/23 - 12/31/23	($70)	($108)	($178)
1/1/24 - 12/31/24	($211)	($145)	($357)
Total			($535)

*Docket No. E-7, Sub 1214

As a result of the lower cash flows, DEC's FFO/Debt metrics would be reduced by approximately 80 basis points in 2023 and 100 basis points in 2024, which compares favorably to a reduction of greater than 200 basis points in 2023 if the Company were ordered to delay recovery beyond 2024. Simply stated, the Company's EDIT proposal strikes the right balance, providing benefits to customers that is commensurate with delayed recovery (which the Company opposes for the reasons discussed above) but in a manner that has only moderate and manageable impacts on the Company's credit metrics.

As demonstrated above, partially offsetting the recovery of deferred fuel with the accelerated return of the remaining EDIT balance over 12 months significantly mitigates the impact to customer rates, while also mitigating the impact to DEC's credit metrics from extending recovery beyond 2024. Furthermore, this proposal will allow the Company the opportunity to achieve an FFO/Debt measure within the 20% to 22% range that Moody's expects.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes, it does.