STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-7, SUB 1304

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Duke Energy Carolinas, LLC, Pursuant to G.S. 62-133.2 and NCUC Rule R8-55 Relating to Fuel and Fuel-Related Charge Adjustments for Electric Utilities	**DIRECT TESTIMONY AND EXHIBITS OF BRIAN C. COLLINS FOR CIGFUR III**

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Brian C. Collins. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q WHAT IS YOUR OCCUPATION?

A I am a consultant in the field of public utility regulation and a Managing Principal of Brubaker & Associates, Inc., energy, economic, and regulatory consultants.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A I am testifying on behalf of a group of intervenors designated as the Carolina Industrial Group for Fair Utility Rates III ("CIGFUR III"), a group of large industrial customers that purchase power from Duke Energy Carolinas, LLC ("DEC" or "Company").

Q HAVE YOU FILED TESTIMONY IN PRIOR PROCEEDINGS BEFORE THE NORTH CAROLINA UTILITIES COMMISSION ("COMMISSION")?

A Yes.

Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A I am filing testimony on behalf of CIGFUR III's member companies to recommend that certain changes be made by the Commission to the Company's proposal in this fuel factor proceeding.

Q WHAT ARE YOUR SPECIFIC FINDINGS AND RECOMMENDATIONS?

A My findings and recommendations are as follows:

1. The Company's proposed total fuel factors for the billing period in both its direct and supplemental testimonies result in inappropriate and unnecessary rate instability and volatility for customers. This rate instability increases budget planning and operational challenges for industrial customers. My proposal for the industrial fuel factors described below results in a more levelized industrial fuel factor over the billing period and lessens the rate instability and volatility for industrial customers as compared to the Company's proposals.

2. The Company's proposal in its direct testimony increases the total fuel factor for the Industrial class from the current rate of 3.2422 cents per kWh to 3.9937 cents per kWh beginning September 1, 2024, through December 31, 2024, followed by a decrease to 2.6843 cents per kWh for the period January 1, 2025 through August 31, 2025.

3. The Company's direct testimony proposal results in a significant increase in the Industrial total fuel factor of 0.7515 cents per kWh or 23.2% on a per unit basis beginning September 1, 2024, through December 31, 2024; followed by a significant decrease of 1.3094 cents per kWh or 32.8% on a per unit basis four months later, beginning January 1, 2025, through August 31, 2025. This causes rate instability and results in budgeting challenges for large industrial customers, for whom electricity costs are a significant percentage of their overall operational expenses.

4. In its Supplemental Testimony filing, the Company has updated its total fuel factors to reflect an extended test period of 15 months ending March 31, 2024 for fuel cost recovery. The Company now recommends a total fuel factor of 3.6045 cents per kWh beginning September 1, 2024, through December 31, 2024, followed by a decrease to 2.9735 cents per kWh for the Industrial class for the period January 1, 2025 through August 31, 2025.

5. While the Company's Supplemental Testimony provides some moderation to the change in total fuel factors over the billing period September 1, 2024

through August 31, 2025 for the Industrial class, I recommend a more appropriate alternative that creates more rate certainty for Industrial customers. Specifically, I recommend that a more levelized total fuel factor be developed for the billing period for the Industrial class.

6. The total fuel factors under my proposal for the Industrial class would be as follows:

   a. September 1, 2024 to December 31, 2024: 3.2422 cents per kWh

   b. January 1, 2025 to August 31, 2025: 3.1422 cents per kWh

7. My proposal would result in no increase as of September 1, 2024 for Industrial customers, followed by a decrease of 0.1000 cents per kWh or approximately 3.1% on a per unit basis on January 1, 2025.

8. I also recommend that the Company update its total fuel factors for all classes to reflect its most recent fuel forecast as of ***BEGIN CONFIDENTIAL [redacted] ***END CONFIDENTIAL*** for the period January 1, 2025 to August 31 2025.

Q DOES YOUR TESTIMONY ADDRESS DEC'S NEED FOR AN INCREASE IN FUEL RATES?

A No. In order to make my presentation consistent with the revenue levels requested by DEC, I have used the Company's proposed figures for fuel cost. Use of these numbers should not be interpreted as an endorsement of them for purposes of determining the total dollar amount of fuel increase to which DEC may be entitled. For the sole purpose of providing an apples-to-apples comparison, my testimony relies upon DEC's updated total fuel factors, as reflected in the Company's supplemental testimony filing.

Q CAN YOU PLEASE PROVIDE A BRIEF OVERVIEW OF THE LAST DEC FUEL PROCEEDING?

A In the last fuel factor proceeding, Docket No. E-7, Sub 1282, the total fuel factor approved by the Commission for the Industrial class was 3.2422 cents per kWh. This resulted in an increase in the total Industrial fuel factor of 0.83 cents per kWh on a per unit basis. This equated to an approximate 34.4% increase in the total fuel factor for the Industrial class previously approved by the Commission in Docket No. E-7, Sub 1263.

Q WHAT WAS THE DRIVER OF THE INCREASE IN THE TOTAL FUEL FACTOR IN THE LAST FUEL FACTOR PROCEEDING, DOCKET NO. E-7, SUB 1282, FOR THE INDUSTRIAL CLASS?

A The increase in the Industrial total fuel factor was primarily related to elevated commodity prices which resulted in an under-recovery of approximately $998 million on a total Company basis for the 2022 test year.

Q WAS THERE A PARTIAL STIPULATION IN THE LAST FUEL FACTOR PROCEEDING, DOCKET NO. E-7, SUB 1282?

A Yes. In order to mitigate the increase to all customer classes, DEC and the Public Staff entered into a partial stipulation. The $998 million under recovery for the 2022 test year was agreed to be recovered over 16 months, from September 1, 2023, through December 31, 2024.

Q WHAT DID THE COMPANY RECOMMEND IN ITS DIRECT TESTIMONY FILING IN THE INSTANT PROCEEDING?

A In its direct filing, DEC uses a test period of calendar year 2023 with a billing period of September 1, 2024 through August 31, 2025.

The following numbers reflect the Company's direct testimony position. For the billing period, DEC proposes new base fuel factors of 2.3061 cents per kWh for Residential customers, 2.3045 cents per kWh for General Service customers, and 2.2951 cents/kWh for Industrial customers. DEC is also proposing adjustments to the base fuel factors to account for the experience modification factor ("EMF") and EMF interest. This results in proposed total fuel factors of 2.7880 cents per kWh for Residential customers, 2.5505 cents per kWh for General Service customers, and 2.6843 cents per kWh for Industrial customers.

Because of the partial stipulation in the Sub 1282 fuel factor proceeding to recover the 2022 under-recovery over 16 months, the total rate for the Industrial class for the period September 1, 2024 through December 31, 2024 is 3.9937 cents per kWh. This reflects the addition of the EMF under-recovery for 2022 of 1.3094 cents per kWh. The Industrial class rate beginning January 1, 2025 is 2.6843 cent per kWh as indicated above, which reflects the expiration of the 2022 EMF recovery factor.

Q WHAT CONCERNS DO YOU HAVE WITH THE COMPANY'S RECOMMENDATION IN ITS DIRECT TESTIMONY FILING?

A I have concerns that the Company's proposal results in rate instability for customers. For the Industrial class, the current total fuel factor is 3.2422 cents per kWh. Based on the Company's proposal, the per unit increase is 0.7515 cents per kWh, or a 23.2% increase, for the period September 1, 2024, through December 31, 2024, resulting in a total fuel factor of 3.9937 cents per kWh. This is followed by a per unit decrease of

1.3094 cents per kWh, or a 32.8% decrease for the period January 1, 2025, to August 31, 2025.

This rate instability presents a challenge for large industrial customers for budget planning and operational purposes. This is especially challenging because many industrial customers' electric costs comprise a large portion of their overall operational expenses.

Q HAS THE COMPANY SUPPLEMENTED ITS DIRECT TESTIMONY FILING?

A Yes. The Company submitted Supplemental Testimony on May 8, 2024 and now proposes to extend the test period in this proceeding to the 15 months ending March 31, 2024 for fuel cost recovery from customers.

Q WHAT DOES THE COMPANY NOW RECOMMEND FOR THE INDUSTRIAL TOTAL FUEL FACTOR IN ITS SUPPLEMENTAL FILING?

A The Company proposes a total fuel factor for the Industrial class of 3.6045 cents per kWh for the period September 1, 2024 through December 31, 2024. This is an increase of approximately 0.3623 cents per kWh, or 11.2% as compared to the current total fuel factor. This is followed by a proposed total fuel factor for January 1, 2025 through August 31, 2025 of 2.9735 cents per kWh, which is a decrease of approximately 0.6310 cents per kWh or 17.5% on a per unit basis.

The Company's proposal for the Industrial class defers the 2023 EMF factor to January 1, 2025 and recovers the 2023 under recovery amount over 8 months, from

January 1, 2025 through August 31, 2025. The Company opines that its proposal results in some mitigation in fuel cost recovery for the Industrial class.

The table below summarizes the current total fuel factors, the Company's proposed total factors in its Direct Testimony filing, and its proposed total factors in its Supplemental Testimony filing.

TABLE 1

Summary of DEC Total Fuel Factors
(cents per kWh)

	Residential	General	Industrial	Industrial Factor Change	
Current Total Fuel Factors					
Docket No. E-7, Sub 1282	3.8950	3.5020	3.2422		
Company Proposed Total Fuel Factors Direct Testimony					
September 1, 2024 - December 31, 2024	4.0543	3.7829	3.9937	0.7515	23.2%
January 1, 2025 - August 31, 2025	2.7780	2.5505	2.6843	-1.3094	-32.8%
Company Proposed Total Fuel Factors Supplemental Testimony					
September 1, 2024 - December 31, 2024	4.0760	3.8687	3.6045	0.3623	11.2%
January 1, 2025 - August 31, 2025	2.8097	2.6263	2.9735	-0.6310	-17.5%

Q HOW DO YOUR RESPOND?

A While CIGFUR III appreciates the Company's proposal, the Supplemental Testimony filing factors still result in rate instability over the course of the billing period for Industrial customers. This is compounded by the fact that this is the first fuel proceeding in which the equal percentage allocation has been eliminated. These factors necessitate rate mitigation beyond that which the Company has proposed in its Supplemental Testimony filing.

Q DO YOU HAVE AN ALTERNATIVE TO THE COMPANY'S SUPPLEMENTAL FILING?

A Yes. I have a proposal that would go further to levelize the Industrial total fuel factors over the billing period and lessen the rate instability for the Industrial class. This proposal is shown in Exhibit BCC-1 and is compared to the Company's proposal in its Supplemental Testimony filing. My proposed factors are 3.2422 cents per kWh for the period September 1, 2024 through December 31, 2024, and 3.1422 cents per kWh for the period January 1, 2025 through August 31, 2025. My proposal results in the same fuel cost recovery to the Company, less the amount of interest proposed by the Company.

As a result of my proposed factors for the billing period, Industrial customers would see only one small rate change beginning January 1, 2025, a 3.1% decrease on a per unit basis.

Q WHY IS YOUR RECOMMENDATION MORE APPROPRIATE FOR THE INDUSTRIAL CLASS?

A My proposal allows for the Industrial total fuel factor to be more stable over the course of the billing period September 1, 2024 to August 31, 2025. My proposal better helps industrials with their budgets and planning while avoiding rate whipsaw. Large industrial customers need to accurately forecast and manage their expenses to ensure the smooth functioning of their operations. Electricity costs are a significant part of their overall operational expenses, and any fluctuations in these costs can have a significant impact on their budgeting and planning processes. Rate certainty and stability allows

industrial customers to have a clear understanding of their electricity costs and to more accurately incorporate them into financial projections and help to control costs and rate increases.

Electricity costs can be a significant differentiating factor for industrial customers, particularly in energy-intensive industries. Having rate certainty and stability allows large industrial customers to evaluate their energy costs accurately and helps them make informed decisions about their operations, such as optimizing energy usage. This, in turn, can provide them with a competitive advantage by reducing their overall operational expenses and improving their cost competitiveness in the market.

By providing stability and predictability in electricity pricing, rate certainty allows these customers to manage their operational expenses more efficiently and optimize their overall business performance.

Q DO YOU HAVE ANY ADDITIONAL RECOMMENDATIONS?

A Yes. The Company's fuel factors are based on fuel forecasts as of December 2023. Per the Company's response to CIGFUR Data Request 2-6, if the fuel factors were based on the most recent fuel forecast as of ***BEGIN CONFIDENTIAL*** [redacted] ***END CONFIDENTIAL*** As a result, I recommend that the Company update the calculation of its total fuel factors by using its most recent fuel forecast.

Q WHY IS THIS APPROPRIATE?

A It is important that customers, including CIGFUR III members, begin seeing the benefits of declining fuel costs sooner rather than later without unnecessary regulatory lag. This will provide some relief to customers that have been paying cost recovery factors on their electric bills reflecting elevated commodity fuel costs which resulted in a $998 million under recovery in 2022. A reduction in the fuel cost recovery factor will help mitigate potential adverse impacts resulting from increased electricity costs on employment and production for large customers such as CIGFUR III members that could significantly impact local communities, and will help them to continue to be competitive and maintain employment levels at their facilities.

The Company has updated its fuel factors to reflect most current data, including extending the test year by 3 months. The Company's fuel forecast should be updated as well. If updates are allowed, they should not only benefit the Company, but should also benefit customers as well.

Q HOW HAS THE INCREASE IN THE LAST FUEL RIDER CASE IMPACTED DEC'S INDUSTRIAL CUSTOMERS?

A The Company serves major industrial facilities including CIGFUR III's members. These large industrial customers use power for around-the-clock manufacturing operations and operate at high load factors. A high load factor means a customer is using relatively more energy in relation to the demand for power. Energy usage is a much larger portion of the total bill for a large high load factor customer as compared to a smaller, lower load factor customer. The increase in the fuel rate applies to energy usage

which translates into a higher-than-average increase to high load factor industrial customers.

The approved fuel increase in the last fuel rider case significantly increased the cost of energy for DEC's industrial base, including CIGFUR III members. Energy costs are essential to the manufacturing processes of these customers. In addition, energy costs are one of the most important factors considered when manufacturers are making business decisions such as where to locate new facilities, expand existing facilities, or where it may no longer be competitive to operate, or the difficult decision to potentially reduce operations or even close facilities. Along these lines, DEC customers in North Carolina have to compete not just regionally, but nationally and globally, for the siting or expansion of facilities that in turn employ North Carolinians, inject large revenues into the local tax base, and stimulate the local economy directly and indirectly through the economic multiplier effect. In my opinion, the proposed increase resulting from the last fuel factor proceeding has been a burden on DEC's industrial customers and has placed significant added pressure on industrial customers in North Carolina to remain competitive when doing business in this State.

Q WHY ARE INCREASES IN UTILITY COSTS LIKE THE INCREASE RESULTING FROM THE LAST FUEL FACTOR PROCEEDING BURDENSOME FOR CUSTOMERS LIKE CIGFUR III MEMBERS?

A Especially in light of global competitive concerns—both externally for customers and internally for capital—market forces increasingly dictate production decisions for large manufacturers. It is no surprise, then, that electricity-intensive industrial customers

show dramatic responses to changes in electricity prices. A material change in the cost of electricity such as that experienced by customers from the last fuel factor proceeding has the potential to impact employment, production, and investment levels for large customers such as CIGFUR III members, significantly impacting the local communities where they are located.

Q DO CIGFUR III'S MEMBER COMPANIES CONSTITUTE A SIGNIFICANT PORTION OF THE INDUSTRIAL BASE OF DEC'S SERVICE AREA?

A Yes. CIGFUR III members are major employers in the counties where they have manufacturing plants, and the jobs they provide are vital to the local economies. Together, CIGFUR III members provide thousands of direct jobs in the DEC service area. Remaining competitive and maintaining payrolls for CIGFUR III members are vital to the local economies where they are located.

Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A Yes, it does.

Qualifications of Brian C. Collins

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Brian C. Collins. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?

A I am a consultant in the field of public utility regulation and a Managing Principal with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE.

A I graduated from Southern Illinois University Carbondale with a Bachelor of Science degree in Electrical Engineering. I also graduated from the University of Illinois at Springfield with a Master of Business Administration degree. Prior to joining BAI, I was employed by the Illinois Commerce Commission and City Water Light & Power ("CWLP") in Springfield, Illinois.

My responsibilities at the Illinois Commerce Commission included the review of the prudence of utilities' fuel costs in fuel adjustment reconciliation cases before the Commission as well as the review of utilities' requests for certificates of public convenience and necessity for new electric transmission lines. My responsibilities at CWLP included generation and transmission system planning. While at CWLP, I

completed several thermal and voltage studies in support of CWLP's operating and planning decisions. I also performed duties for CWLP's Operations Department, including calculating CWLP's monthly cost of production. I also determined CWLP's allocation of wholesale purchased power costs to retail and wholesale customers for use in the monthly fuel adjustment.

In June 2001, I joined BAI as a Consultant. Since that time, I have participated in the analysis of various utility rate and other matters in several states and before the Federal Energy Regulatory Commission ("FERC"). I have filed or presented testimony before the Arkansas Public Service Commission, the California Public Utilities Commission, the Colorado Public Utilities Commission, the Delaware Public Service Commission, the Public Service Commission of the District of Columbia, the Florida Public Service Commission, the Georgia Public Service Commission, the Guam Public Utilities Commission, the Idaho Public Utilities Commission, the Illinois Commerce Commission, the Indiana Utility Regulatory Commission, the Kansas Corporation Commission, the Kentucky Public Service Commission, the Public Utilities Board of Manitoba, the Maryland Public Service Commission, the Michigan Public Service Commission, the Minnesota Public Utilities Commission, the Mississippi Public Service Commission, the Missouri Public Service Commission, the Montana Public Service Commission, the North Carolina Utilities Commission, the North Dakota Public Service Commission, the Public Utilities Commission of Ohio, the Oklahoma Corporation Commission, the Oregon Public Utility Commission, the Rhode Island Public Utilities Commission, the Public Service Commission of Utah, the Virginia State

Corporation Commission, the Washington Utilities and Transportation Commission, the Public Service Commission of Wisconsin, and the Wyoming Public Service Commission. I have also assisted in the analysis of transmission line routes proposed in certificate of convenience and necessity proceedings before the Public Utility Commission of Texas.

In 2009, I completed the University of Wisconsin – Madison High Voltage Direct Current ("HVDC") Transmission Course for Planners that was sponsored by the Midwest Independent Transmission System Operator, Inc. ("MISO").

BAI was formed in April 1995. BAI and its predecessor firm have participated in more than 1,000 regulatory proceedings in forty states and Canada.

BAI provides consulting services in the economic, technical, accounting, and financial aspects of public utility rates and in the acquisition of utility and energy services through RFPs and negotiations, in both regulated and unregulated markets. Our clients include large industrial and institutional customers, some utilities and, on occasion, state regulatory agencies. We also prepare special studies and reports, forecasts, surveys and siting studies, and present seminars on utility-related issues.

In general, we are engaged in energy and regulatory consulting, economic analysis and contract negotiation. In addition to our main office in St. Louis, the firm also has branch offices in Corpus Christi, Texas; Louisville, Kentucky and Phoenix, Arizona.

CERTIFICATE OF SERVICE

The undersigned attorney for CIGFUR III hereby certifies that she caused the foregoing *Direct Testimony and Exhibit of Brian C. Collins for CIGFUR III* to be served upon all parties of record to Docket No. E-7, Sub 1304, as set forth in the Service List for such docket maintained by the NCUC Chief Clerk's Office, by electronic mail.

This the 23rd day of May, 2024.

/s/ Christina D. Cress
Christina D. Cress