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January 29, 2021

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

**RE: Duke Energy Carolina LLC's CCR Settlement Testimony of  
Stephen G. De May  
Docket No. E-7, Sub 1146  
Docket No. E-7, Sub 819  
Docket No. E-7, Sub 1152  
Docket No. E-7, Sub 1110**

Dear Ms. Campbell:

Enclosed for filing in the above-referenced Dockets is Duke Energy Carolina LLC's CCR Settlement Testimony of Stephen G. De May.

If you have any questions, please let me know.

Sincerely,

/s/ Camal O. Robinson

Camal O. Robinson

Enclosures

cc: Parties of Record

OFFICIAL COPY

Jan 29 2021

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

**DOCKET NO. E-7, SUB 1146**  
**DOCKET NO. E-7, SUB 819**  
**DOCKET NO. E-7, SUB 1152**  
**DOCKET NO. E-7, SUB 1110**

In the Matter of: )  
)  
**DOCKET NO. E-7, SUB 1146** )  
Application of Duke Energy Carolinas, LLC )  
For Adjustment of Rates and Charges )  
Applicable to Electric Utility Service in North )  
Carolina )  
)  
**DOCKET NO. E-7, SUB 819** )  
Amended Application by Duke Energy )  
Carolinas, LLC for Approval of Decision to )  
Incur Nuclear Generation Project Development )  
Costs )  
)  
**DOCKET NO. E-7, SUB 1152** )  
Petition of Duke Energy Carolinas, LLC for an )  
for an Order Approving a Job Retention Rider )  
)  
**DOCKET NO. E-7, SUB 1110** )  
Joint Application by Duke Energy Progress, )  
LLC and Duke Energy Carolinas, LLC , for )  
Accounting Order to Defer Environmental )  
Compliance Costs )

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**CCR SETTLEMENT**  
**TESTIMONY OF**  
**STEPHEN G. DE MAY**  
**FOR DUKE ENERGY**  
**CAROLINAS, LLC**

**I. WITNESS IDENTIFICATION AND QUALIFICATIONS**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Stephen G. De May, and my business address is 410 South  
3 Wilmington Street, Raleigh, North Carolina, 27601.

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

5 A. I am the North Carolina President for Duke Energy Carolinas (“DEC” or the  
6 “Company”), which is a wholly owned subsidiary of Duke Energy Corporation,  
7 as well as Duke Energy Progress, LLC (“DEP”) and Progress Energy Inc., also  
8 wholly owned subsidiaries of Duke Energy.

9 **Q. DID YOU OFFER ANY TESTIMONY IN THIS PROCEEDING?**

10 A. Yes. I filed direct testimony in this docket on July 25, 2017 and rebuttal  
11 testimony on February 6, 2018. I also filed testimony in support of the  
12 Company’s partial settlement with the North Carolina Utilities Commission  
13 Public Staff (“Public Staff”) on March 1, 2018. Additionally, I testified before  
14 the Commission at the evidentiary hearing for this proceeding which  
15 commenced on March 5, 2018.

16 **II. PURPOSE AND OVERVIEW OF TESTIMONY**

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

18 A. The purpose of my testimony is to support the Commission’s approval and  
19 adoption of the coal combustion residuals (“CCR” or “coal ash”) settlement  
20 agreement resolving all major outstanding issues regarding the management  
21 and handling of CCRs, including costs to safely close and remediate the

1 Company’s coal ash basins (the “CCR Settlement Agreement” or “Agreement”)  
2 entered into by the Company, along with DEP, the Public Staff, the North  
3 Carolina Office of the Attorney General (“AGO”), and Sierra Club  
4 (collectively, the “Settling Parties”). The CCR Settlement Agreement, which  
5 was filed with the Commission on January 25, 2021, details a plan for coal ash  
6 management cost allocation for costs incurred from January 2015 through  
7 January 2030.

8 The CCR Settlement Agreement represents a balanced solution  
9 designed to resolve the coal ash cost recovery debate in North Carolina by  
10 providing immediate and long-term savings for our customers while providing  
11 the long-term certainty the Company and its investors need. Approval of this  
12 balanced solution by the Commission will allow the Company, the other  
13 Settling Parties, along with the Commission itself, to put this debate behind us,  
14 and allow all parties to move forward towards the cleaner energy future that the  
15 State, the Company, and its customers want and deserve. The CCR Settlement  
16 Agreement is therefore in the public interest and should be approved.

17 **III. THE CCR SETTLEMENT AGREEMENT**

18 **Q. PLEASE PROVIDE AN OVERVIEW OF THE MAJOR COMPONENTS**  
19 **OF THE CCR SETTLEMENT AGREEMENT.**

20 A. The CCR Settlement Agreement resolves among the Settling Parties, subject to  
21 the approval of the Commission, CCR cost recovery issues in a comprehensive  
22 fashion for the period beginning January 1, 2015 (when the Company first

1 incurred such costs) through January 31, 2030 – a period of over fifteen years. The  
2 Agreement resolves all coal ash cost recovery issues in this case, in the Company’s  
3 currently pending 2019 rate case, and for many years into the future. The  
4 Agreement requires the Company to reduce the amount of coal ash-related costs  
5 to be recovered from customers. The Agreement grants the Company the ability  
6 to earn a return upon the recovered costs at a negotiated cost of equity (“ROE”)  
7 that is lower than the Company’s actual ROE.

8 **Q. PLEASE DISCUSS THE BENEFITS PROVIDED BY THE CCR**  
9 **SETTLEMENT AGREEMENT.**

10 A. The CCR Settlement Agreement provides benefit to the Company’s customers  
11 through both immediate and future rate reduction – DEC and DEP will together  
12 absorb approximately \$1.1 billion (on a North Carolina system basis) in CCR-  
13 related costs over the time period covered by the Agreement, reducing the  
14 amounts they would otherwise seek from customers. On a North Carolina retail  
15 basis, the net present value of the savings to customers from forgone CCR cost  
16 recovery (including applicable financing costs) amounts to in excess of \$900  
17 million. Importantly, a large portion of the rate reduction will occur over the near  
18 term, during a period in which many customers are suffering severe economic  
19 hardship from the COVID-19 pandemic.

20 The Agreement also validates and affirms the reasonableness and  
21 prudence of the Company’s ash basin closure strategy, and provides the Company  
22 with more certainty and stability regarding cost recovery. Finally, by preserving

1 the Company's ability to recover financing costs – albeit at a reduced ROE – the  
2 Agreement seeks to preserve the Company's access to much needed capital on  
3 reasonable terms. Access to capital on reasonable terms ultimately benefits  
4 customers, who would otherwise have to absorb higher capital costs in rates.

5 A very important benefit of the CCR Settlement Agreement is that it puts  
6 a legacy issue – coal ash cost recovery – behind the Company and all of its  
7 stakeholders. This will allow our collective focus to shift to the future – to cleaner  
8 sources of energy, while maintaining our drive to keep electricity affordable and  
9 reliable.

10 **Q. PLEASE ELABORATE ON HOW THE CCR SETTLEMENT**  
11 **AGREEMENT BALANCES THE COMPANY'S NEED FOR RATE**  
12 **RELIEF WITH THE IMPACT OF SUCH RATE RELIEF ON**  
13 **CUSTOMERS.**

14 A. Most recently, I followed the consumer statement positions filed in the Company's  
15 2019 Rate Case in Docket No. E-7, Sub 1214 and attended public hearings held  
16 by the Commission in that matter where I personally heard from many of our  
17 customers who are concerned about the impacts of any rate increase on their  
18 families and businesses. We are very mindful of these concerns. Although we  
19 are pleased that our rates are competitive and below the national average, and will  
20 remain so with the CCR Settlement Agreement, we know that providing safe,  
21 reliable, increasingly clean electricity at competitive rates is key to powering the  
22 State's economy and the lives of our customers. Particularly in light of the current

1 economic conditions of many of our customers due to the COVID-19 pandemic,  
2 we believe that the concessions the Company has made in the CCR Settlement  
3 Agreement fairly balance the needs of our customers with the Company's need to  
4 recover substantial investments made in order to continue to comply with  
5 regulatory requirements and safely provide high quality electric service to our  
6 customers. Our electric rates need to be adjusted to reflect these investments.  
7 Moreover, given the size of the necessary capital and compliance expenditures we  
8 are facing, it is essential that DEC maintain its financial strength and credit quality  
9 so that we will be in a position to finance these needs on reasonable terms for the  
10 benefit of our customers. In my opinion, we have been able to strike that balance  
11 with the CCR Settlement Agreement.

12 **Q. DOES THIS CONCLUDE YOUR PRE-FILED SETTLEMENT**  
13 **TESTIMONY?**

14 A. Yes.

**CERTIFICATE OF SERVICE**

**DOCKET NO. E-7, SUB 1146**

**DOCKET NO. E-7, SUB 819**

**DOCKET NO. E-7, SUB 1152**

**DOCKET NO. E-7, SUB 1110**

I hereby certify that a copy of the foregoing **DUKE ENERGY CAROLINAS, LLC'S CCR SETTLEMENT TESTIMONY OF STEPHEN G. DE MAY** was served electronically or by depositing a copy in United States Mail, first class postage prepaid, properly addressed to the parties of record.

This the 29<sup>th</sup> day of January 2021.

/s/ Camal O. Robinson

Camal O. Robinson

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