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September 10, 2020

VIA ELECTRONIC FILING

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

**RE: Duke Energy Progress, LLC's Rebuttal Testimony
Docket No. E-2, Sub 1250**

Dear Ms. Campbell:

Enclosed please find the Rebuttal Testimony of Dana M. Harrington and James J. McClay, III. Certain information contained in the testimony of Mr. McClay is a trade secret, and confidential, proprietary, and commercially sensitive information. For that reason, it is being filed under seal pursuant to N.C. Gen. Stat. § 132-1.2 and should be protected from disclosure. Parties to the docket may contact the Company to obtain copies pursuant to an appropriate confidentiality agreement.

If you have any questions, please do not hesitate to contact me. Thank you for your assistance with this matter.

Sincerely,

Jack E. Jirak

Enclosure

cc: Parties of Record

OFFICIAL COPY

Sep 10 2020

CERTIFICATE OF SERVICE

I certify that a copy of Duke Energy Progress, LLC's Rebuttal Testimony of Dana M. Harrington and James J. McClay, III, in Docket No. E-2, Sub 1250, has been served by electronic mail, hand delivery, or by depositing a copy in the United States mail, postage prepaid to parties of record.

This the 10th day of September, 2020.

A handwritten signature in black ink, appearing to read "Jack Jirak". The signature is written in a cursive style with a horizontal line above it.

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BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-2, SUB 1250

In the Matter of)
Application of Duke Energy Progress, LLC)
Pursuant to G.S. 62-133.2 and NCUC Rule R8-)
55 Relating to Fuel and Fuel-Related Charge)
Adjustments for Electric Utilities)
)
)
)

**REBUTTAL TESTIMONY
OF DANA M. HARRINGTON**

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

2 A. My name is Dana M. Harrington, and my business address is 550 South Tryon
3 Street, Charlotte, North Carolina 28202.

4 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?**

5 A. Yes. On June 9, 2020, I caused to be pre-filed with the Commission my direct
6 testimony and exhibits. On August 21, 2020, I caused to be pre-filed with the
7 Commission my supplemental direct testimony and revised exhibits.

8 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

9 A. The purpose of my rebuttal testimony is to respond to the testimony of John A.
10 Rosenkranz on behalf of the Sierra Club.

11 **Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.**

12 A. The fuel rider application, including the supporting testimony, exhibits, and
13 workpapers of Duke Energy Progress, LLC (“DEP” or the “Company”), fully
14 complies with applicable law and provides sufficient information to demonstrate
15 the reasonableness and prudence of the Company’s fuel costs, including its natural
16 gas costs. The sufficiency of the Company’s application should be evaluated based
17 on the requirements of applicable law and not on the subjective judgment of
18 intervenors, particularly given that intervenors have the right to request any
19 information they believe to be necessary through the well-established discovery
20 process. The scope and level of detail contained in the Company’s application,
21 testimony, exhibits, and workpapers in the form as filed in this proceeding, have
22 been relied upon by the Company to substantiate prudence and have been accepted

1 by the Commission as a sufficient basis to judge prudence in recent fuel
2 proceedings.

3 Furthermore, it should be noted that Sierra Club is essentially recycling
4 substantial portions of its recommendations from the Duke Energy Carolinas, LLC
5 (“DEC”) fuel proceeding in Docket No. E-7, Sub 1228, none of which were adopted
6 by the Commission. Therefore, the Commission should similarly reject such
7 recommendations in this proceeding, as well. In addition, as will be explained
8 below, each piece of information identified by Mr. Rosenkranz was provided to
9 Sierra Club during discovery in this proceeding. The Company does not believe it
10 is in the interest of judicial efficiency to re-litigate issues already decided,
11 particularly where the requested information has already been provided through the
12 established processes.

13 **Q. HAS WITNESS ROSENKRANZ RECOMMENDED ANY CHANGES TO**
14 **THE FUEL RATES PROPOSED BY THE COMPANY?**

15 A. No. Witness Rosenkranz has not recommended any changes to the Company’s
16 proposed fuel rates.

17 **Q. WITNESS ROSENKRANZ ALLEGES DEFICIENCIES IN THE**
18 **COMPANY’S MONTHLY FUEL REPORTS AND THE ANNUAL FUEL**
19 **AND FUEL-RELATED COST FILING. PLEASE COMMENT ON THESE**
20 **ALLEGATIONS.**

21 A. Witness Rosenkranz combines two related but separate issues: (1) the required
22 contents of the Company’s fuel rider application as required under Commission
23 Rule R8-55(e) and (2) the required contents of the Monthly Fuel Reports under

1 Commission Rule R8-52. The Company’s fuel rider application conforms in all
2 respects with the requirements of Commission Rule R8-55(e). Likewise, the
3 Company’s Monthly Fuel Reports, filed in Docket No. E-2, Sub 1225, comply with
4 all requirements under Commission Rule R8-52.

5 **Q. PLEASE PROVIDE BACKGROUND ON THE COMPANY’S MONTHLY**
6 **FUEL REPORT.**

7 A. The contents of the Monthly Fuel Report are established by Commission Rule R8-
8 52. Importantly, the format of the Monthly Fuel Report was also established by the
9 Commission in its May 1, 1984 Order in Docket No. E-100, Sub 47 (“Monthly Fuel
10 Report Order”). The report has served the parties and the Commission very well for
11 many years.

12 **Q. HAS THE COMPANY COMPLIED WITH COMMISSION RULE R8-52**
13 **AND THE COMMISSION’S MONTHLY FUEL REPORT ORDER?**

14 A. In all material respects, yes. The Company has elected to provide information that
15 is not confidential or sensitive in nature within its publicly filed Monthly Fuel
16 Report. In the Monthly Fuel Report Order, the Commission noted that the
17 confidentiality of source of purchases, FOB mine costs of coal, and freight costs of
18 coal should be protected to the extent reasonable and that such information should
19 be made available to intervenors on an as-needed basis, and subject to non-
20 disclosure requirements. Consistent with this direction, the Company has not
21 historically included confidential information in the Monthly Fuel Report but has
22 made it available for review during the annual fuel filing discovery process.

1 **Q. PLEASE PROVIDE A HIGH-LEVEL DESCRIPTION OF WHAT**
2 **INFORMATION CONCERNING NATURAL GAS IS PROVIDED IN THE**
3 **COMPANY'S MONTHLY FUEL REPORT.**

4 A. The Company's Monthly Fuel Report includes summary information about
5 monthly fuel costs, purchases, and consumption. Schedule 2 of the Monthly Fuel
6 Report details fuel costs at the general ledger account level. The total cost of gas
7 burned by type of generating plant is shown under the subheading: Other
8 Generation – Account 547. Schedule 5 is the Fuel and Fuel-related Cost Report,
9 which presents the total delivered cost of purchases of natural gas, the average cost
10 per Mbtu purchased, the total delivered cost of gas burned, total Mbtus burned, and
11 average cost per Mbtu burned on a per plant basis as well as the related megawatt
12 hours generated. Schedule 6 is the Fuel and Fuel-related Consumption and
13 Inventory Report. The Company does not maintain an inventory of natural gas, and
14 thus, the report shows all amounts received during the period as burned during the
15 period.

16 **Q. TURNING NOW TO THE SPECIFIC INFORMATION DEFICIENCIES**
17 **ALLEGED BY WITNESS ROSENKRANZ, WHERE DOES THE**
18 **COMPANY IDENTIFY THE COST OF NATURAL GAS**
19 **TRANSPORTATION IN ITS FUEL APPLICATION AND MONTHLY**
20 **FUEL REPORT?**

21 A. The cost of natural gas transportation is included in the total cost of natural gas
22 consumed. In the Company's fuel application, this information is contained in

1 Exhibit 6, Report 1, Schedules 2 and 5 by generating type and in the Monthly Fuel
2 Report on the same schedules.

3 **Q. PLEASE COMMENT ON WITNESS ROSENKRANZ'S**
4 **RECOMMENDATION THAT THE COMPANY AUGMENT THE**
5 **ANNUAL FUEL ADJUSTMENT APPLICATION TO DEMONSTRATE**
6 **THAT ITS TEST PERIOD FUEL AND FUEL-RELATED COSTS WERE**
7 **REASONABLE AND PRUDENTLY INCURRED.**

8 A. I strongly disagree with this assertion. The Company's application conformed in
9 all respects with the requirements outlined in Commission Rule R8-55, including
10 the specific information required to be included in a fuel rider application under
11 R8-55(e). Rule R8-55 was adopted through a rule-making proceeding in which
12 interested parties could participate, and the Commission decided the information it
13 would need to make decisions in fuel clause proceedings. Compliance with the
14 Commission's clear and objective information requirements is the appropriate
15 standard for evaluating the sufficiency of the Company's application and not
16 Witness Rosenkranz's subjective judgment regarding what he believes constitutes
17 "sufficient" information.

18 **Q. HAS ANY OTHER PARTY TO THIS PROCEEDING IDENTIFIED ANY**
19 **ASPECT OF THE COMPANY'S FILING THAT DOES NOT CONFORM**
20 **TO THE COMMISSION'S FILING REQUIREMENTS?**

21 A. No. No other party in this proceeding, including Public Staff, has identified any
22 aspect of the Company's filing that is not in compliance with applicable law.

1 **Q. IS THE CONTENT AND STRUCTURE OF THE COMPANY'S**
2 **APPLICATION IN THIS CASE CONSISTENT WITH ITS FILING IN**
3 **RECENT FUEL CASES?**

4 A. Yes. The content and structure of the Company's application in this proceeding is
5 consistent with recent fuel rider applications.

6 **Q. IF SIERRA CLUB RECOMMENDS CHANGES TO THE FILING**
7 **REQUIREMENTS FOR THE COMPANY'S ANNUAL FUEL**
8 **PROCEEDING, WHAT IS THE APPROPRIATE ROUTE TO**
9 **IMPLEMENT SUCH CHANGES?**

10 A. While I am not an attorney, I have been advised by counsel that Sierra Club is free
11 to petition the Commission to initiate a rule-making proceeding to modify
12 Commission Rule R8-55 if it believes the existing rule is insufficient in any respect.

13 **Q. DOES SIERRA CLUB HAVE ANY OTHER AVENUES TO OBTAIN COST**
14 **AND PERFORMANCE INFORMATION?**

15 A. Yes. Sierra Club, like other parties, may submit discovery requests to the Company
16 for supporting information behind the Company's proposed fuel rates.

17 **Q. DURING DISCOVERY IN THIS PROCEEDING, WAS SIERRA CLUB**
18 **PROVIDED THE SPECIFIC INFORMATION IDENTIFIED BY WITNESS**
19 **ROSENKRANZ IN HIS TESTIMONY?**

20 A. Yes. With respect to Witness Rosenkranz's first recommendation, test period
21 transportation and storage costs for natural gas were provided separate from natural
22 gas purchase and hedging costs in Sierra Club DR 1-11.

1 With respect to Witness Rosenkranz's second recommendation, a table
2 listing of all natural gas pipeline capacity contracts held by the Company that were
3 in effect during the test period itemized by contract holder, transporter, contract
4 number, rate schedule, contract quantity, daily quantity entitlement at each receipt
5 point, daily quantity entitlement at each delivery point, contract start date, and
6 contract expiration date were provided in Sierra Club DR 1-4.

7 Finally, with respect to Witness Rosenkranz's third recommendation,
8 explanations of the changes to long-term commitments for natural gas
9 transportation and storage services that transpired since the previous annual filing
10 were provided to Sierra Club in DR 1-10 including descriptions of new service
11 agreements or precedent agreements that DEP or DEC entered into for
12 transportation or storage capacity, as well as actions taken to terminate or extend
13 existing agreements.

14 **Q. FINALLY, WITNESS ROSENKRANZ SEEKS TO IMPOSE CERTAIN**
15 **REQUIREMENTS ON THE COMPANY'S TESTIMONY IN FUTURE**
16 **FUEL PROCEEDINGS. PLEASE RESPOND.**

17 A. Once again, the Company reaffirms its position that its application complies in all
18 respects with applicable law and regulations. In addition, there is no basis for any
19 party to seek to dictate the contents of future direct testimony to be filed by another
20 party. If Sierra Club believes that more information is needed, it is free to pursue
21 that information through discovery rather than seek to impose additional testimony
22 requirements on the Company. In this proceeding, the Company provided the

1 information described in Sierra Club’s recommendations through the established
2 processes, which have served the Commission and other parties well.

3 **Q. HAS WITNESS ROSENKRANZ FILED SIMILAR TESTIMONY IN**
4 **OTHER FUEL ADJUSTMENT PROCEEDINGS?**

5 A. Yes. Mr. Rosenkranz filed testimony with substantially similar recommendations
6 in Docket No. E-7, Sub 1228, the most recent fuel adjustment proceeding for DEC.

7 **Q. DID THE COMMISSION ADOPT ANY OF WITNESS ROSENKRANZ’S**
8 **RECOMMENDATIONS IN THE ORDER ISSUED IN THAT DOCKET?**

9 A. No. It did not. The Commission’s Order Approving Fuel Charge Adjustment in
10 Docket No. E-7, Sub 1228, was issued on August 19, 2020 and the Commission
11 did not adopt any of the recommendations of Witness Rosenkranz.

12 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

13 A. Yes.

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-2, SUB 1250

In the Matter of)
Application of Duke Energy Process, LLC)
Pursuant to G.S. 62-133.2 and NCUC Rule)
R8-55 Relating to Fuel and Fuel-Related)
Charge Adjustments for Electric Utilities)

**REBUTTAL TESTIMONY OF
JAMES J. MCCLAY, III**



1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND CURRENT**
2 **POSITION.**

3 A. My name is James J. McClay, III. I am Director of Trading for Duke Energy
4 Corporation (“Duke Energy”), and my business address is 526 South Church Street,
5 Charlotte, North Carolina 28202.

6 **Q. PLEASE BRIEFLY SUMMARIZE YOUR EDUCATIONAL AND**
7 **PROFESSIONAL EXPERIENCE.**

8 A. I received a Bachelor’s degree in Business Administration from St. Bonaventure
9 University. I have worked in the energy industry for 21 years. Prior to that, I had
10 approximately 13 years of experience as a US Government Fixed Income Securities
11 Trader with various financial firms including Paribas Capital Markets and Cantor
12 Fitzgerald. I joined Progress Energy in 1998 as an Energy Trader. I was promoted
13 to Manager of Power Trading and held that position until 2003. From 2003 through
14 2007, I was Director of Power Trading and Portfolio Management for Progress
15 Energy Ventures, Progress Energy’s unregulated affiliate. March 2007 through late
16 2008, I was Director of Power Trading for Arclight Energy Marketing upon the sale
17 of Progress Energy Ventures to Arclight. Since returning to Progress Energy in
18 March 2009, I’ve held various managerial roles including Manager of Gas and Oil
19 Trading for both Progress Energy and subsequently Duke Energy following the
20 merger of Duke Energy Corp. and Progress Energy in 2012. I assumed my current
21 position as Director of Trading in May 2019. As Director of Trading, I manage the
22 organization responsible for the natural gas trading, optimization and scheduling
23 functions for the regulated gas-fired generation assets in the Carolinas, Duke Energy

1 Carolinas (“DEC”) and Duke Energy Progress (“DEP” or the “Company”), Duke
2 Energy Florida (“DEF”), Duke Energy Indiana (“DEI”) and Duke Energy Kentucky
3 (“DEK”) (collectively, the “Utilities”), as well as the organization responsible for
4 power trading for the Utilities. Additionally, I oversee the execution of the Utilities’
5 financial hedging programs, fuel oil procurement, and emissions trading.

6 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

7 A. The purpose of my rebuttal testimony is to respond to testimony offered by Mr. John
8 A. Rosenkranz on behalf of the Sierra Club (“SC”) as it relates to DEC and DEP
9 (together, “the Companies”) current and future needs for long-term firm transportation
10 (“FT”) interstate transportation services needed to supply natural gas to the
11 Companies’ generation facilities.

12 **Q. WHAT IS THE PURPOSE OF THIS PROCEEDING?**

13 A. It is my understanding that the purpose of this fuel proceeding is to review the
14 Company’s proposed fuel rates.

15 **Q. HAS WITNESS ROSENKRANZ RECOMMENDED ANY CHANGES TO
16 THE FUEL RATES PROPOSED BY THE COMPANY?**

17 A. No. Witness Rosenkranz has not recommended any changes to the Company’s
18 proposed fuel rates.

19 **Q. DO YOU AGREE WITH MR. ROSENKRANZ’S TESTIMONY AS IT
20 RELATES TO THE COMPANIES’ NEEDS FOR LONG TERM FT?**

21 A. No, my rebuttal testimony goes into further detail, but in summary, the Companies’
22 FT provides the underlying framework for the Companies’ to manage the natural gas
23 supply needed to provide reliable, cost-effective generation for its customers.

1 However, the Companies do not have sufficient firm capacity to serve their gas
2 generation requirements as they currently rely on a single source pipeline with an
3 inadequate amount of FT and increasing operational restrictions. Finally, the
4 Companies, as part of an overall gas supply strategy intended to benefit customers,
5 purposely maintain FT capacity throughout the gas day to address intraday needs, late-
6 cycle storage adjustments, and post cycle penalty mitigation in order to protect
7 customers from pipeline imbalance penalties of \$50 per dth.

8 **Q. PLEASE COMMENT GENERALLY ON THE SPECIFICITY AND**
9 **SUBSTANCE OF MR. ROSENKRANZ’S TESTIMONY.**

10 A. First, Mr. Rosenkranz’s testimony is non-specific regarding its recommendations as it
11 relates to the Companies’ pipeline capacity. Mr. Rosenkranz testifies that “these long-
12 term contracts for natural gas transportation” are “perhaps” not needed. That is, Mr.
13 Rosenkranz does not actually identify which specific long-term contract he is referring
14 to, nor does he definitively conclude that specific contracts are not needed. Later, Mr.
15 Rosenkranz states that “*it is not certain* that all of this pipeline capacity will continue
16 to be needed to supply natural gas to DEP and DEC plants.” (emphasis added). In
17 other words, Mr. Rosenkranz makes generalized statements but never actually renders
18 a specific recommendation that the Companies should exit a particular FT
19 arrangement. Therefore, in the context of this proceeding, there is no specific
20 recommended action for the Commission to consider.

21 Second, even if Mr. Rosenkranz was making a definitive recommendation
22 regarding specific FT arrangements of the Companies, his testimony is deficient in
23 terms of the rigor and depth of analysis that would be required to support such a

1 recommendation. Mr. Rosenkranz simply makes generalized observations regarding
2 capacity release markets and the Companies' ability to obtain capacity and delivered
3 gas historically, but makes no attempt to assess the Companies' needs and the
4 reliability risks associated with such market reliance. Mr. Rosenkranz also does not
5 assess the unique operational challenges that have arisen and are likely to worsen due
6 to the fully subscribed nature of the existing interstate pipelines, as I further describe
7 in my testimony.

8 **Q. HOW IS NATURAL GAS SUPPLY AND DAILY FT MANAGED BY THE**
9 **COMPANIES?**

10 A. Under the Affiliate Asset Management and Delivered Supply Agreement ("AMA")
11 implemented in January 2013, DEP assigns its gas transportation and storage assets to
12 DEC. As the designated Asset Manager, DEC manages transportation and
13 procurement activities and optimizes the value of gas supply resources on a combined
14 basis for both DEC and DEP. Each month the total costs, excluding station specific
15 fixed transportation costs, are allocated across the two utilities according to the
16 methodology prescribed under the AMA.

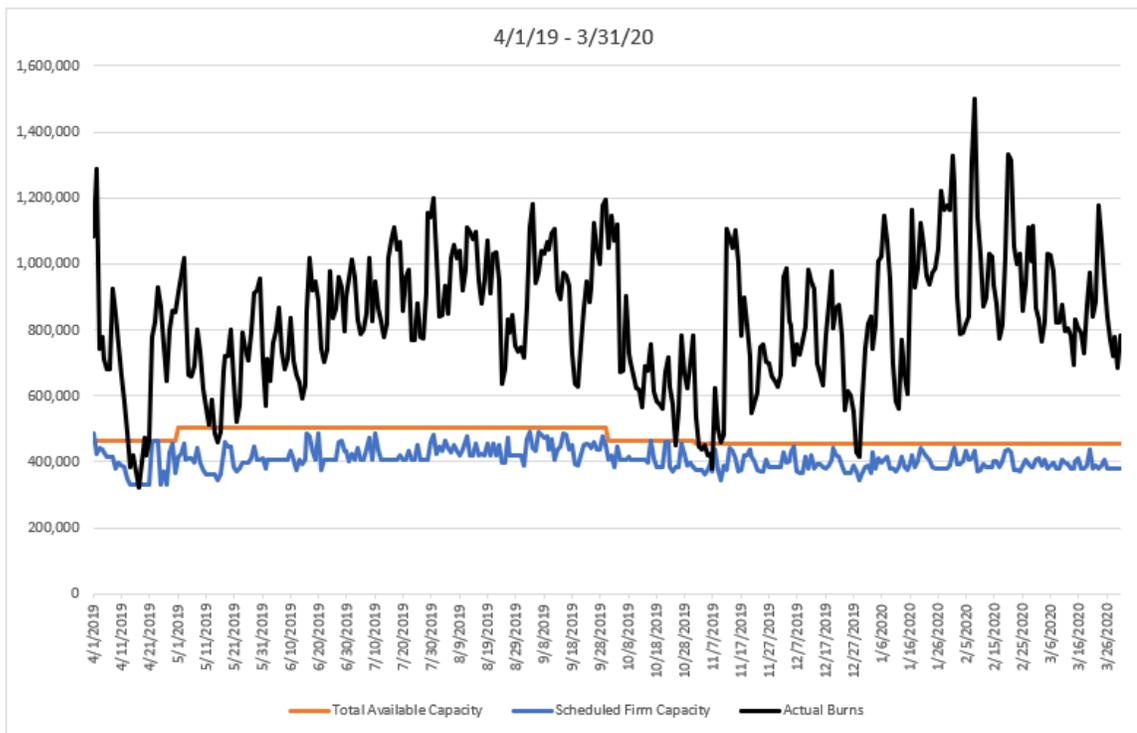
17 **Q. HOW IS NATURAL GAS DELIVERED TO THE COMPANIES'**
18 **GENERATING FACILITIES?**

19 A. The Companies procure long-term firm interstate and intrastate transportation to
20 provide natural gas to their generating facilities. It is important to note that in the
21 Carolinas, the Transcontinental Gas Pipe Line Company, LLC ("Transco") is the
22 sole source of interstate transportation capacity for the Companies' natural gas
23 generation portfolio and it is fully subscribed.

1 Given the Companies’ limited amount of contracted FT, the Companies
2 participate in the capacity release market in order to purchase shorter term firm
3 interstate pipeline capacity, if available and economic, but the Companies primarily
4 procure third party delivered gas to supplement their forecasted gas generation
5 demand.

6 **Q. WHAT WERE THE COMPANIES’ AVERAGE DAILY NATURAL GAS**
7 **BURNS FOR THE TEST PERIOD?**

8 A. The Companies’ average daily burns were 817,000 dths for the summer period (April
9 1, 2019 through October 31, 2019) and 848,000 dths for the winter period (November
10 1, 2019 through March 31, 2020).



11
12
13

Figure 1: Firm Transport vs. Actual Gas Burn April 1, 2019 - March 31, 2020

1 As pictured in Figure 1 above, the highest burn was 1.5Bcf on February 8, 2020. All
2 months had several days where burns exceeded 1Bcf/day, and the volume difference
3 between the high and low daily burn during any one month ranged between 431,000
4 and 869,000 dths. This range manifests itself in the daily burn volatility each day.
5 Additionally, during the period, several new units with additional gas demand were
6 tested and placed in service: 1) Belews Creek dual fuel unit with capacity up to
7 125,000 dth/day, 2) Clemson CHP with capacity up to 5,000 dth/day, and 3) Asheville
8 Combined Cycle with capacity up to 100,000 dth/day.

9 **Q. DO YOU AGREE WITH MR. ROSENKRANZ'S CONCLUSION THAT**
10 **LONG-TERM CONTRACTS FOR FT CREATE RISKS FOR UTILITY**
11 **CUSTOMERS?**

12 A. No, I do not. As noted by Mr. Rosenkranz, the Companies have 434,560 dths/day of
13 long-term FT capacity under contract with Transco. This FT capacity provides the
14 underlying framework for the Companies' strategy to manage the natural gas supply
15 needed for reliable, cost-effective generation in a number of ways. First, it allows the
16 Companies to procure lower cost natural gas supply from Transco Zones 3 and 4 and
17 transport it to Transco Zone 5 reducing customer exposure to Zone 5 price volatility.
18 Transco Zones 3 and 4 intersect with multiple pipelines and have excellent supply
19 liquidity and lower gas prices compared to Zone 5. Second, this FT capacity allows
20 the Companies to manage intraday supply adjustments on the pipeline through
21 injections or withdrawals of natural gas supply from storage, including on weekends
22 and holidays when the gas markets are closed and mitigate penalties associated with
23 pipeline imbalances. Customers receive the benefits of each of these aspects of the

1 Companies' FT in the form of lower cost gas supply, intraday supply adjustments at
2 minimal cost, and mitigation of punitive pipeline imbalance penalties. Mr.
3 Rosenkranz did not address or even consider any of these benefits in his testimony.

4 **Q. HAVE THERE BEEN ANY CHANGES TO THE INTERSTATE PIPELINE**
5 **TARIFF THAT HAVE CONSTRAINED THE COMPANIES' ABILITY TO**
6 **MANAGE NATURAL GAS SUPPLY DELIVERIES TO THEIR GAS**
7 **GENERATION FLEETS?**

8 A. Yes, Transco recently implemented two-sided Operational Flow Orders ("OFOs") by
9 which pipeline tolerances for both high and low burns are simultaneously in effect.
10 Shippers' total gas day burns must stay between the bracketed tolerance levels or be
11 subject to a \$50 per dekatherm ("dth") penalty for volumes exceeding the tolerances.
12 Additionally, there have been several operational changes affecting daily imbalance
13 management. Effective July 1, 2019, Transco implemented a revised tariff, approved
14 in FERC Docket No. RP18-314-000,¹ that includes restrictions that further constrain
15 the Companies' operational flexibility by limiting intra-day swings that cause daily
16 imbalances, particularly during the overnight hours and weekend days when the
17 natural gas markets are closed, and the pipeline delivery schedule is fixed. In
18 particular, the tariff revises Transco's Priority Of Service ("POS"), updating
19 restrictions and charges and penalties for unauthorized daily overrun or "No Notice
20 Swing" services above a specified daily tolerance: 1) 0 – 3.5% of total delivered

¹ See FERC Docket No. RP19-1225-000, the docket in which Transco's compliance filing was filed and approved; see also FERC Docket No. RP18-314-000; *Transcontinental Gas Pipe Line Company, LLC*, 164 FERC ¶ 61,174 (Sept. 7, 2018) (approving Transco's proposed tariff revisions).

1 supply from the period October through April, and 2) 0 – 5% of total delivered supply
2 for the period May through September. The new charges and penalties for overruns
3 above a customer’s total contract quantity (“TCQ”) of FT are up to \$50 per dth or
4 three times the high Common Reference Spot Price for the month, whichever is
5 higher.

6 Prior to updating the POS, Transco had, over the last several years, increased
7 the use of daily OFOs to constrain and penalize customer swings that create daily
8 pipeline imbalances.

9 **Q. SINCE THE IMPLEMENTATION OF THE PRIORITY OF SERVICE**
10 **REVISIONS, HAS THE TRANSCO PIPELINE HAD FEWER**
11 **OPERATIONAL CONSTRAINTS IN ZONE 5 AND ISSUED FEWER**
12 **OPERATIONAL FLOW ORDERS THAN IN 2018?**

13 A. No, the number of OFO constrained days limiting the Companies’ intraday flexibility
14 has actually increased. In 2019, Transco issued 198 days of OFOs affecting Zones 4
15 and 5, compared to only 68 days in 2018. From the period July 1, 2019 through March
16 31, 2020—that is, the 8-month period following the implementation of the new
17 restrictions—Transco issued 223 OFO days out of 275 days (~81%). Prior to the
18 implementation of POS, most OFOs were limited to either over-burns or under-burns.
19 Now, the majority of the OFOs issued since the implementation of POS
20 simultaneously constrain both over- and under-burns.

21 **Q. DOES THE COMPANIES’ FT HELP TO MITIGATE POTENTIAL POS AND**
22 **OFO PENALTIES?**

23 A. Yes. One of the Companies’ strategies to reduce customers’ exposure to POS charges

1 and penalties is to maximize its intraday FT utilization while ensuring gas supply for
2 reliable electricity generation.

3 **Q. PLEASE EXPLAIN FURTHER.**

4 A. Using technology, operational data is used to monitor the daily gas supply, hourly
5 forecasted and actual gas burns, and OFO/POS volumetric limits. The gas desk utilizes
6 the Companies' contracted Transco FT to manage supply intra-day by adjusting
7 scheduled volumes as allowed by the Transco tariff's intraday scheduling deadlines.

8 In order to meet intraday changes, the Companies utilize a combination of third-party
9 purchases and FT over the full gas day through 8:00 pm, the Transco Tariff "ID3"
10 scheduling deadline, to provide flexibility to the system and to avoid potential
11 overburn or underburn penalties on the pipelines. Over the test period, the Companies
12 made intraday supply transactions on [BEGIN CONFIDENTIAL] ██████████

13 ██████████ [END CONFIDENTIAL] to meet their changing forecasted needs as
14 permitted by Transco's nomination tariff, using the ID1 and ID2 scheduling cycles
15 including weekends and holidays when the gas market is closed. Prior to the ID3
16 scheduling deadline at 8:00 pm, the gas desk may schedule final supply adjustments
17 using reserved unscheduled FT to inject or withdraw supply from storage as the gas
18 markets are now closed. This is the last opportunity, per the Transco tariff nomination
19 schedule, for the Companies to schedule supply adjustments on the pipeline as the
20 remaining 14 hours of gas burns are subject to variability due to forecast limitations
21 and actual generation performance. During the period, in addition to the ID1 and ID2
22 intraday transactions mentioned above, the Companies utilized [BEGIN
23 CONFIDENTIAL] ██████████

█ [REDACTED]
█ [REDACTED]
3 [REDACTED] [END CONFIDENTIAL].

4 **Q. WHAT OTHER WAYS IS THE COMPANIES' FT UTILIZED TO**
5 **MITIGATE PENALTIES?**

6 A. At the end of the gas day at 10:00 AM, any of the Companies' remaining unscheduled
7 FT can be utilized to reduce the over-burn volumes that cause POS charges and
8 penalties. While retro nominations and post-cycle transactions may be available,
9 neither is guaranteed, neither may be enough to mitigate penalties, and both are subject
10 to market conditions where prices can be as much as 20% higher than the previous
11 day.

12 **Q. CAN THE COMPANIES USE THE FT FROM THIRD PARTY DELIVERED**
13 **GAS TO HELP MITIGATE DAILY POS AND OFO IMBALANCES TO**
14 **AVOID PENALTIES?**

15 A. No. Third party gas supply is delivered using the suppliers' FT. DEC does not own
16 and therefore does not have the rights to modify the suppliers' FT intraday to mitigate
17 pipeline imbalances. The third party delivered supply into the DEC system must be
18 burned, sold in the Zone 5 market or become an imbalance on the Transco pipeline.

19 **Q. UNDER THE COMPANIES' GAS SUPPLY STRATEGY, HAVE THE**
20 **COMPANIES INCURRED PENALTIES OF \$50 DTH?**

21 A. No, to date, the Companies have not incurred any penalties of \$50 per dth.

1 **Q. DID MR. ROSENKRANZ ADDRESS ANY OF THESE OPERATIONAL**
2 **CHALLENGES IN MAKING HIS GENERALIZED AND NON-SPECIFIC**
3 **RECOMMENDATIONS?**

4 A. No.

5 **Q. DO YOU AGREE WITH MR. ROSENKRANZ’S CONCLUSION THAT**
6 **LONG-TERM CONTRACTS FOR NATURAL GAS TRANSPORTATION**
7 **SERVICE ARE “PERHAPS” NOT NEEDED BY THE COMPANIES?**

8 A. No, the Companies currently rely on a single source pipeline with an inadequate
9 amount of contracted FT and increasing operational restrictions limiting the gas burn
10 flexibility that is needed by the Companies to respond to the plant burn deviations
11 seen in daily operations. Over the test period, Transco Pipeline declared OFOs on
12 approximately 70% of the gas days and permanently changed the tariff to severely
13 restrict daily overburns subject to \$50 per dth penalties. The Transco pipeline has been
14 and continues to be inflexible, requiring the Companies to reserve available FT to
15 manage its intraday swings in gas generation. This results in the Companies
16 purchasing [BEGIN CONFIDENTIAL] [REDACTED]
17 [REDACTED] [END CONFIDENTIAL] who are also transporting gas on Transco
18 subject to restrictions (See Figure 1 above). Transco Zone 5 does not have accessible
19 additional pipelines supplying the market area or accessible storage needed to manage
20 a large portfolio of gas generation on a long-term reliable basis.

21 **Q. DOES THIS CONCLUDE YOUR PRE-FILED REBUTTAL TESTIMONY?**

22 A. Yes, it does.

23