

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-7, SUB 1304

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

Jonathan Ly

On Behalf of the

CAROLINA UTILITY CUSTOMERS ASSOCIATION, INC.

May 23, 2024



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GLOSSARY OF ACRONYMS

Term	Definition
Billing Period	September 2024 through August 2025
CUCA	Carolina Utility Customers Association, Inc.
DEC	Duke Energy Carolinas, LLC
EMF	Experience Modification Factor
kWh	Kilowatt-Hour

DIRECT TESTIMONY OF JONATHAN LY

Introduction and Qualifications

1 Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A Jonathan Ly, 1314 Welch Street, Unit A, Houston, TX 77006.

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

4 A I am a regulatory consultant affiliated with J. Pollock, Incorporated.

5 Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

6 A I have a Bachelor of Arts degree in Integrative Biology from the University of
7 California, Berkeley and a Master's degree in Energy and Earth Resources from
8 the University of Texas at Austin. Since joining J. Pollock, Incorporated in 2018, I
9 have participated in numerous regulatory proceedings regarding the ratemaking
10 process, resource planning, certificates of convenience and necessity, and
11 assessments of planned new resources in Arkansas, Georgia, Michigan, New
12 Mexico, New York, Texas, and Wyoming. My qualifications are documented in
13 **Appendix A**. A list of my appearances is provided in **Appendix B**.

14 Q ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

15 A I am testifying on behalf of the Carolina Utility Customers Association, Inc. (CUCA).
16 CUCA members include large industrial customers of Duke Energy Carolinas, LLC
17 (DEC) who purchase electricity service primarily for manufacturing on various
18 industrial rate schedules.

1 **Q WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

2 A I address DEC's proposal to reset the fuel and fuel-related cost factors. My
3 testimony does not endorse or otherwise address the correctness of DEC's actual
4 or projected fuel costs and sales.

5 **Q ARE YOU SPONSORING ANY EXHIBITS WITH YOUR TESTIMONY?**

6 A Yes. I am sponsoring **Exhibit JL-1** and **JL-2**. These exhibits were prepared by
7 me or under my supervision and direction.

8 **Q DOES THE FACT THAT YOU ARE LIMITING YOUR TESTIMONY TO THE**
9 **AFOREMENTIONED ISSUE MEAN THAT YOU ARE ENDORSING DEC'S**
10 **OTHER PROPOSALS IN THIS CASE?**

11 A No.

DEC Proposal

12 **Q HOW IS DEC PROPOSING TO RESET THE FUEL AND FUEL-RELATED COST**
13 **FACTORS?**

14 A DEC's proposal as described in the Supplemental Direct Testimony of Sigourney
15 Clark is illustrated in **Exhibit JL-1**, lines 2 through 5. DEC is not proposing to fully
16 reset the fuel factor until January 2025. Instead, consistent with the Commission's
17 determination in the 2023 fuel rider proceeding (Docket No. E-7, Sub 1282), DEC
18 is proposing to maintain the current Experience Modification Factor (EMF) through
19 December 2024. As a result, the total fuel charge as of September 1, 2024 would
20 increase by between 4.6% and 11.2% as shown in Table 1.

Table 1 Total Fuel Factor Charged: DEC Proposal (in ¢ per kWh)			
Description	Residential	General & Lighting	Industrial
9/1/24 to 12/31/24			
Base Fuel Costs	2.3061	2.3045	2.2951
EMF Increment	0.4751	0.3221	0.0000
EMF + Interest (E-7 Sub 1282)	1.2663	1.2424	1.3094
EMF Increment (E-7 Sub 1282 Under-Recovery)	0.0285	-0.0003	0.0000
Total Fuel Charged	4.0760	3.8687	3.6045
Existing Total Fuel Factor	3.8950	3.5020	3.2422
Percent Increase	4.6%	10.5%	11.2%
1/1/2025 to 8/31/2025			
Base Fuel Costs	2.3061	2.3045	2.2951
EMF Increment	0.4751	0.3221	0.6519
EMF Increment (E-7 Sub 1282 Under-Recovery)	0.0285	-0.0003	0.0205
EMF Interest Increment	0.0000	0.0000	0.006
Proposed Total Fuel Factor	2.8097	2.6263	2.9735
Percent Increase	-31.1%	-32.1%	-17.5%
Source: Clark Revised Exhibit 1.			

1 When the current EMF is finally terminated on January 1, 2025, the total fuel factor
2 would then be reduced by between 17.5% and 32.1%. Thus, DEC's proposal
3 would result in significant and unnecessary rate swings.

4 **Q WHY DO YOU ASSERT THAT DEC'S PROPOSED FUEL FACTOR RATE**
5 **SWINGS ARE UNNECESSARY?**

6 **A**As a policy matter, rates should be stable. Overly abrupt changes (either up or
7 down) should be avoided to the extent possible. For industrial customers, these
8 rate swings are especially harmful as even relatively small volumetric charges
9 (such as the fuel charge here) have significant impact on actual rates paid by

1 industrial customers due to the size and scale of their operations. Rapidly
2 fluctuating energy charges make budgeting and planning extremely difficult and
3 exacerbate business challenges. This fuel rider proceeding allows DEC to recover
4 its fuel and fuel-related costs incurred during the 12-month test period, including
5 any experienced under-recovery. However, mathematically, there is no reason for
6 the fuel rates to change more than once during the course of a year to accomplish
7 this purpose. As proposed, rates are going up and down over the fuel recovery
8 period — there is no reason why DEC’s fuel rates cannot be designed to avoid the
9 dramatic rate swings that would occur under DEC’s proposal.

CUCA’s Alternative Proposal

10 **Q HAS CUCA OFFERED A PROPOSAL THAT WOULD SMOOTH THE FUEL**
11 **RATE PATH, THEREBY AVERTING THE DRAMATIC RATE SWINGS UNDER**
12 **DEC’S PROPOSED FUEL RATE PATH?**

13 **A** Yes. CUCA is proposing to smooth the fuel rate path by delaying the impact of the
14 fuel rider increase from September 2024 to January 2025. The Fuel Cost Factors
15 that would be implemented in January 2025 would be slightly higher than DEC is
16 proposing — this would ensure that DEC recovers the same amount of revenues
17 during the period of September 2024 through August 2025 (Billing Period).

18 **Q HAVE YOU DEVELOPED A SPECIFIC FUEL RATE PATH THAT WOULD**
19 **PROVIDE REVENUE NEUTRALITY THROUGH THE BILLING PERIOD?**

20 **A** Yes. CUCA’s proposed fuel rate path is shown in **Exhibit JL-1**, beginning on line
21 6. The proposed Fuel Cost Factors are summarized in Table 2.

Table 2 Total Fuel Factor Charged: CUCA Proposal (in ¢ per kWh)			
Description	Residential	General & Lighting	Industrial
9/1/24 to 12/31/24			
Base Fuel Costs	2.6287	2.2596	1.9328
EMF + Interest	1.2663	1.2424	1.3094
Total Fuel Factor	3.8950	3.5020	3.2422
Percent Increase	0.0%	0.0%	0.0%
1/1/2025 to 8/31/2025			
Proposed Total Fuel Factor	2.8888	2.8044	3.1482
Percent Increase	-25.9%	-19.8%	-2.5%

1 As Table 2 demonstrates, the total fuel factor would remain unchanged through
2 December 31, 2024. Lower fuel factors would then become effective on January
3 1, 2025.

4 Under CUCA's proposal, DEC would recover the same amount of revenue
5 during the Billing Period, but ratepayers would avoid the significant increases
6 followed by significant decreases proposed by DEC, as demonstrated in **Exhibit**
7 **JL-2**. As can be seen, both DEC's and CUCA's proposals would recover the same
8 amount of revenue (\$1.869 billion) over the Billing Period.

9 **Q WHAT DO YOU RECOMMEND?**

10 A The Commission should approve CUCA's alternative fuel rate path so customers
11 are not required to experience significant fuel rate increases so soon after the very
12 significant base revenue increases authorized in DEC's last rate case.

13 **Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

14 A Yes.

APPENDIX A
Qualifications of Jonathan Ly

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

2 A Jonathan Ly. My business mailing address is 1314 Welch Street, Unit A, Houston,
3 TX 77006.

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

5 A I am a regulatory consultant affiliated with J. Pollock, Incorporated.

6 **Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

7 A I received a Bachelor of Arts degree in Integrative Biology from the University of
8 California, Berkeley in 2013 and a Master's degree in Energy and Earth Resources
9 from the University of Texas at Austin in 2017. In addition, I have completed a
10 course in utility accounting and finance.

11 I joined J. Pollock, Incorporated in 2018 as an energy analyst assisting
12 consultants in the preparation of financial and economic studies of investor-owned,
13 cooperative, and municipal utilities on revenue requirements, cost of service and
14 rate design, tariff review and analysis, integrated resource planning, and
15 certificates of convenience and necessity. I began working as a regulatory
16 consultant affiliated with J. Pollock, Incorporated in 2021 expanding upon my
17 responsibilities and assignments in matters I had previously worked on as an
18 energy analyst. I have been involved in various projects in multiple states including
19 Alabama, Arkansas, Georgia, Iowa, Michigan, New Mexico, Texas, and Wyoming.

1 **Q PLEASE DESCRIBE J. POLLOCK, INCORPORATED.**

2 A J. Pollock assists clients to procure and manage energy in both regulated and
3 competitive markets. The J. Pollock team also advises clients on energy and
4 regulatory issues. Our clients include commercial, industrial and institutional
5 energy consumers. J. Pollock is a registered broker and Class I aggregator in the
6 State of Texas.

APPENDIX B
Testimony Filed in Regulatory Proceedings
by Jonathan Ly

UTILITY	ON BEHALF OF	DOCKET	TYPE	STATE / PROVINCE	SUBJECT	DATE
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-21490	Rebuttal	MI	Uncollectible Expense Allocation; Economic Breakeven Points	5/17/2024
SOUTHWESTERN PUBLIC SERVICE COMPANY	Occidental Permian Ltd.	23-00384-UT	Stipulation Support	NM	Stipulation Support regarding Long-Term Purchased Power Agreement and Ratemaking Treatment	5/10/2024
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-21490	Direct	MI	Class Cost-of-Service Study; Revenue Allocation; Rate Design	4/22/2024
SOUTHWESTERN PUBLIC SERVICE COMPANY	Occidental Permian Ltd.	23-00384-UT	Direct	NM	Long-Term Purchased Power Agreement; Ratemaking Requests	4/1/2024
LCRA TRANSMISSION SERVICES CORPORATION	Texas Industrial Energy Consumers	55867	Direct	TX	Wholesale Transmsision Rate	3/18/2024
MINNESOTA POWER	Large Power Intervenors	E-015/GR-23-155	Direct	MN	Advanced Metering Infrastructure; Class Revenue Allocation; Rider for Voluntary Renewable Energy	3/18/2024
NATIONAL FUEL GAS DISTRIBUTION CORPORATION	Multiple Intervenors	23-G-0627	Direct	NY	Class Revenue Allocation; Rate Design	3/1/2024
SOUTHWESTERN PUBLIC SERVICE COMPANY	Occidental Permian Ltd.	23-00252-UT	Direct	NM	Certificate of Convenience and Necessity	12/1/2023
EL PASO ELECTRIC COMPANY	Texas Industrial Energy Consumers	54929	Direct	TX	Certificate of Convenience and Necessity	10/24/2023
SOUTHWESTERN PUBLIC SERVICE COMPANY	Texas Industrial Energy Consumers	54634	Direct	TX	Revised Class Cost-of-Service Study; Class Revenue Allocation; Energy Assistance Program	8/4/2023
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc.	22-082-U	Surrebuttal	AR	Additional Sum associated with Power Purchase Agreements	7/20/2023
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc.	22-082-U	Direct	AR	Additional Sum associated with Power Purchase Agreements	6/8/2023
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-21308	Rebuttal	MI	Uncollectible Expense Allocator	5/8/2023
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-21308	Direct	MI	Class Cost-of-Service Study, Allocation of Other Distribution Plant; Average & Peak Versus Average & Excess Methods	4/17/2023
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc.	20-049-U	Surrebuttal	AR	Capacity Need and Capacity Value; Risk to Non-Participants; Negative Impacts on Competition; Best Practices	8/1/2022
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc.	20-049-U	Direct	AR	Capacity Need and Capacity Value; Risk to Non-Participants; Negative Impacts on Competition; Best Practices	6/22/2022

DUKE ENERGY CAROLINAS
DEC Proposed Vs. CUCA Recommended Fuel Rate Path
(Amounts in ¢ per kWh)

<u>Line</u>	<u>Period</u>	<u>Residential</u>	<u>General & Lighting</u>	<u>Industrial</u>
		(1)	(2)	(3)
	Current Fuel Costs			
1	(Base + EMF)	3.8950	3.5020	3.2422
	DEC Supplemental Proposal:			
2	Sep. - Dec. 2024	4.0760	3.8687	3.6045
3	% Increase	4.6%	10.5%	11.2%
4	Jan. - Aug. 2025	2.8097	2.6263	2.9735
5	% Increase	-31.1%	-32.1%	-17.5%
	CUCA Proposal:			
6	Sep. - Dec. 2024	3.8950	3.5020	3.2422
7	% Increase	0.0%	0.0%	0.0%
8	Jan. - Aug. 2025	2.8871	2.8069	3.1602
9	% Increase	-25.9%	-19.8%	-2.5%

DUKE ENERGY CAROLINAS
Revenue Collection Under DEC Proposed
and CUCA Recommended Fuel Rate Paths
(Amounts in \$000)

<u>Line</u>	<u>Period</u>	<u>Residential</u>	<u>General & Lighting</u>	<u>Industrial</u>	<u>Total</u>
		(1)	(2)	(3)	(4)
DEC Proposal:					
Sep. - Dec. 2024:					
1	Applicable Sales	6,956,369	8,038,616	4,017,803	
2	Applicable Fuel Rate (¢/kWh)	4.0760	3.8687	3.6045	
3	Revenues	\$283,542	\$310,990	\$144,822	\$739,353
Jan. -Aug. 2025:					
4	Applicable Sales	15,914,022	16,552,311	8,330,385	
5	Applicable Fuel Rate (¢/kWh)	2.8097	2.6263	2.9735	
6	Revenues	\$447,136	\$434,713	\$247,704	\$1,129,554
7	Total Billing Period	\$730,678	\$745,703	\$392,526	\$1,868,907
CUCA Proposal:					
Sep. - Dec. 2024:					
8	Applicable Sales	6,956,369	8,038,616	4,017,803	
9	Applicable Fuel Rate (¢/kWh)	3.8950	3.5020	3.2422	
10	Revenues	\$270,951	\$281,512	\$130,265	\$682,728
Jan. -Aug. 2025:					
11	Applicable Sales	15,914,022	16,552,311	8,330,385	
12	Applicable Fuel Rate (¢/kWh)	2.8888	2.8044	3.1482	
13	Revenues	\$459,727	\$464,191	\$262,260	\$1,186,179
14	Total Billing Period	\$730,678	\$745,703	\$392,526	\$1,868,907