May 18 2023

#### 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	)	<b>REBUTTAL TESTIMONY OF</b>
Pursuant to G.S. 62-133.2 and NCUC Rule	)	JEFFREY FLANAGAN
R8-55 Relating to Fuel and Fuel-Related	)	DUKE ENERGY CAROLINAS, LLC
Charge Adjustments for Electric Utilities	)	

# May 18 2023

### Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION WITH THE COMPANY.

- A. My name is Jeffrey Flanagan and my business address is 8320 East Highway 150,
  Terrell, North Carolina. I am employed by Duke Energy and am the General
  Manager III of the Carolinas Dispatchable Generation West Zone including
  Marshall, Allen, Asheville, and W.S. Lee stations.
- 7 Q. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN SUPPORT OF
  8 THE COMPANY'S APPLICATION IN THIS DOCKET?
- 9 A. Yes.

### 10 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

11 A. The purpose of my rebuttal testimony is to: (1) respond to Public Staff Witness 12 Evan Lawrence's testimony that certain outages that occurred at Duke Energy 13 Carolina, LLC's ("DEC" or the "Company") Belews Creek Steam Station Unit 14 2 and W.S. Lee Combined Cycle Plant during the test-period were preventable; 15 (2) Witness Lawrence's suggestion that the Company has not been responsive 16 to Public Staff's Fossil-Hydro Semi-Annual Data Request; and (3) Mr. 17 Lawrence's request to keep the above-mentioned outages, and corresponding replacement power costs, open beyond the test-period. 18

### 19 Q. WAS THE COMPANY'S MANAGEMENT OF ITS FOSSIL FLEET 20 DURING THE TEST-PERIOD PRUDENT?

A. Yes, the Company's management of its fossil fleet during the test-period was
 reasonable and prudent, as demonstrated by its longstanding history of
 executing outages in a prudent manner, following prescribed processes and
 operating experience to maintain its fleet reliably for DEC's customers.

#### 1 Q. WHAT IS THE STANDARD OF REVIEW FOR DETERMINING THE

### PRUDENCE OF THE COMPANY'S MANAGEMENT OF ITS FLEET?

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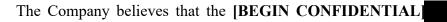
3 A. While I am not an attorney, it is my understanding that the Commission has 4 determined that the appropriate standard for prudence turns on the question 5 whether management decisions were made in a reasonable manner and at an 6 appropriate time on the basis of what was known or reasonably should have been known at the time.<sup>1</sup> The Commission further determined that "this standard is one 7 8 of reasonableness that must be based on a contemporaneous view of the action or 9 decision under question. Perfection is not required. Hindsight analysis -- the 10 judging of events based on subsequent developments -- is not permitted."<sup>2</sup> 11 Contrary to witness Lawrence's testimony, the question in fuel cases is not 12 whether an outage was or was not "preventable" but instead whether the 13 Company's decisions in connection with such outage were prudent.

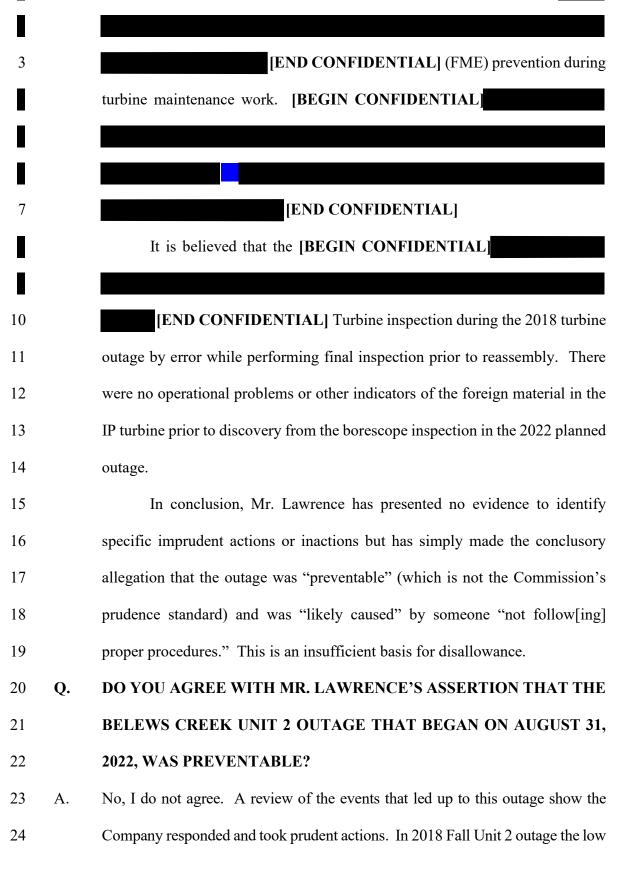
## 14 Q. THE PUBLIC STAFF ASSERTS THAT CERTAIN OUTAGES, 15 IDENTIFIED BELOW, WERE PREVENTABLE EQUIPMENT 16 FAILURES. DO YOU AGREE WITH THAT ASSERTION?

A. No. The Public Staff reviewed post-outage documentation to make their
determination that these outages were preventable. Hindsight information, i.e.,
post-outage documentation, does not give an accurate view of whether an outage
was preventable. None of the outages discussed later in this testimony presented
pre-outage indicators that there were problems that would have caused forced
outages and required immediate attention. Witness Lawrence has failed to offer

<sup>&</sup>lt;sup>1</sup> North Carolina Utilities Commission *Order Approving Fuel Charge Adjustment* at 24, Docket No. E-7, Sub 1163 (August 20, 2018) <sup>2</sup> Id.

1		evidence sufficient to establish that management decisions concerning pre-outage
2		activities were unreasonable given what was known at the time. Therefore, the
3		Public Staff's assertions that these outages were preventable are unfounded.
4	Q.	DO YOU AGREE WITH WITNESS LAWRENCE'S CONTENTION
5		THAT THE BELEWS CREEK UNIT 2 OUTAGE EXTENSION THAT
6		BEGAN ON APRIL 22, 2022, "WAS PREVENTABLE AND LIKELY
7		CAUSED BECAUSE SOMEONE WORKING ON THE TURBINE DID
8		NOT FOLLOW PROPER PROCEDURES?
9	A.	No, I do not believe that the Belews Creek Unit 2 outage extension that began
10		on April 22, 2022, was preventable. By way of background, the March 17 <sup>th</sup>
11		planned outage was scheduled to perform boiler maintenance, technology
12		updates, and turbine valve work. Part of the planned scope also included a
13		routine borescope inspection of the intermediate pressure (IP) turbine to inspect
14		general condition and look for any issues that may need to be addressed in
		future planned maintenance. [BEGIN CONFIDENTIAL]
16		[END
17		CONFIDENTIAL] routine borescope inspection performed on April 1, 2022
18		during the planned outage.
		[BEGIN CONFIDENTIAL]
22		[END CONFIDENTIAL]. The scope of
23		work to disassemble and reassemble the IP turbine extended the outage end date
24		from April 22, 2022 to May 8, 2022 (16 days).





pressure (LP) turbine crossovers were sent offsite to a specialty vendor for expansion joint replacement. The crossovers are shipped to the vendor fully assembled and return fully assembled. The turbine was reassembled, and no problems were noted until September 4, 2019 [BEGIN CONFIDENTIAL]

**CONFIDENTIAL]**. The crossover presented no other abnormal indications until returning to service after a brief outage on August 31, 2022 [BEGIN

### CONFIDENTIAL

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[END CONFIDENTIAL]

END

Throughout the events [BEGIN CONFIDENTIAL]

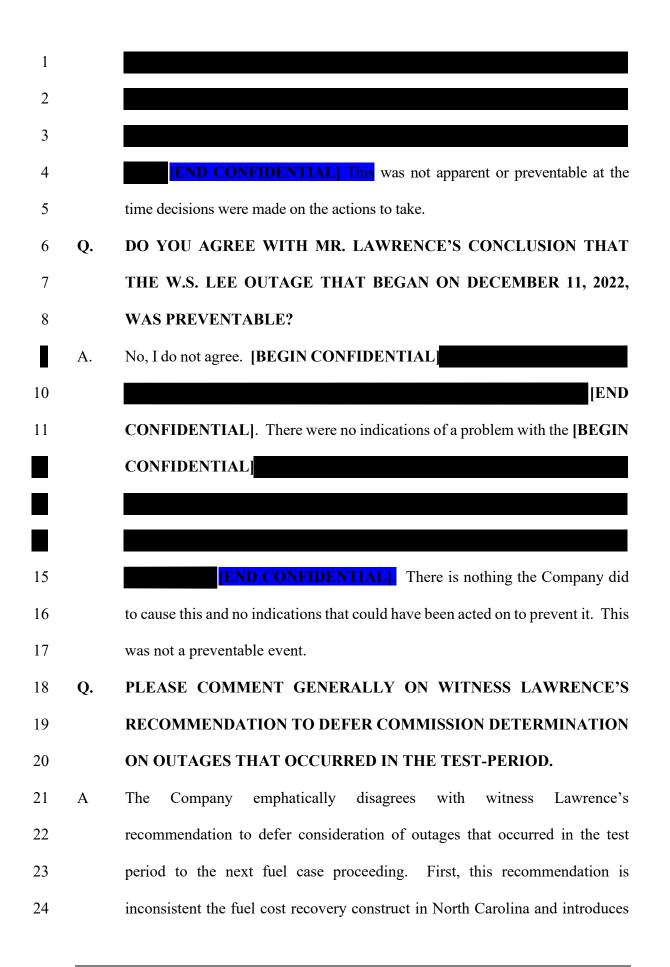
[END CONFIDENTIAL] the Company consulted with subject

matter experts and took the recommended steps. [BEGIN

**CONFIDENTIAL**]

[END CONFIDENTIAL], was the design and associated margin fully

understood. [BEGIN CONFIDENTIAL]



1 uncertainty and delay to a process that is designed to be predictable and timely. 2 Second, the reasons given to justify the deferred consideration are insufficient. 3 **Q**. DID THE COMPANY PROVIDE THE REQUISITE SEMI-ANNUAL 4 **OUTAGE INFORMATION** TO THE **PUBLIC STAFF** FOR 5 **TEST-PERIOD 2022?** 

6 A. Yes. As background, the semi-annual provision of outage information is in itself 7 an accommodation agreed to by the Company that provides Public Staff with 8 information outside and in advance of the cadence of the actual fuel cost 9 proceedings. In this particular case, the Company did in fact provide all of 10 responsive information for the outages in question. Witness Lawrence identifies 11 a vague and unspecified "concern" that the documents provide by the Company 12 "do not satisfy the intent of this agreement as understood by the Public Staff." The 13 Company believes that it did provide all required information and moreover, 14 Public Staff has had ample time to issue further discovery or engage the Company 15 if it believed more information was needed. The Company is certainly willing to 16 discuss whether any changes are needed to this particular agreement but any 17 difference of opinion on this matter is an insufficient basis to defer outages that 18 occurred in this test period from this case to the next.

For all outages, the Company has provided any available outage reports. Consistent with past practice, the Company provides the requested outage reports, if the Company has created one. Where the Company has not created an outage report, the Company indicates as such and instead provides a summary of the outage. It should be noted that both DEC and DEP responded to the exact same semi-annual data request, in the same manner, for completed 1

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outages for calendar years 2020 through 2022. There have been no objections to the data provided over the past three years until now.

3 Once again, Public Staff should not be permitted to hold over any 4 test-period outages or corresponding replacement power costs. Public Staff has 5 had numerous opportunities to raise its concern and subsequently revise its own 6 data request, considering the number of years the semi-annual request has been in place. As the Company has indicated on many occasions, the Company is 7 8 available to meet (and will make every reasonable effort to accommodate Public 9 Staff's schedule) to discuss the Company's outage process and documentation 10 it now seeks to receive as part of its semi-annual data request going forward.

11 Certainly, the Public Staff is not limited to the semi-annual data request. 12 The Commission issued a scheduling order in this Docket wherein the 13 Commission establishes the discovery period. Separate and apart from the semi-14 annual data request or in response thereto, the Public Staff could have issued 15 discovery for additional outage documentation, explanation, and further 16 clarification to complete its investigation of test -period outages, and in fact, 17 Public Staff did issue substantial discovery regarding test-period outages, as 18 further detailed below.

### 19 Q. SHOULD THE PUBLIC STAFF BE ALLOWED TO KEEP ITS 20 INVESTIGATION OF OUTAGES OPEN BEYOND THE TEST PERIOD?

A. No. Company maintains that it was responsive to the semi-annual outage request
and subsequent- discovery, as the Public Staff was provided all outage information
it asked for within the discovery period. Public Staff propounded extensive outage
discovery including a request for *outage report, root cause analysis, contributory*

2 <i>documentation that provides context to the underpinnings of the outage/e</i>	vent for
3 eleven outages between Belews Creek and W.S. Lee. The Company p	rovided
4 requested documentation and detailed narratives. More specifically, due	ring the
5 discovery period for this fuel case, the Company provided the fo	llowing
6 information regarding outages to the Public Staff:	
7 Public Staff Data Request ("PSDR") Set No. 7, served on DEC 3/2"	7; DEC
8 responded on 4/7. Initial information on 11 outages at Belews Creek an	nd W.S.
9 Lee.	
10 <b>PSDR Set No. 8</b> , served on DEC 3/27; DEC responded on 4/6. Standard	outage
11 information on all DEC outages for the test-period.	
12 <b>PSDR Set No. 21</b> , served on DEC 4/20; DEC responded on 4/27. I	Detailed
13 information on the Belews Creek 2 outage that began on 4/22/22.	
14 <b>PSDR Set No. 22</b> , served on DEC 4/21; DEC responded on 4/28. I	Detailed
15 information on the Belews Creek 2 outage that began on 5/8/22.	
16 <b>PSDR Set No. 23</b> , served on DEC 4/24; DEC responded on 5/1. I	Detailed
17 information on the Belews Creek 2 outage that began on 8/31/22.	
18 There is no basis for the Public Staff to keep outages open beyond the test	t-period
19 when the Company has responded to all requests presented. All test	t-period
20 outages should be considered reviewed and complete at the end of this proc	eeding.
21 Accordingly, the Company's position is that Public Staff should not be all	owed to
22 extend its investigation.	

## Q. DID THE COMPANY PROVIDE ALL REQUESTED INFORMATION TO THE PUBLIC STAFF AND MADE ITSELF AVAILABLE FOR FOLLOW UP CONVERSATIONS FOR ISSUES?

4 A. Yes. The Company provided all requested information, as listed above in the 5 testimony, and made itself available for follow up discussions as requested. As 6 Mr. Lawrence states in his testimony on page 16, the Company had to reschedule 7 the April 14, 2023, phone call. The Company requested to reschedule that call 8 because a key subject matter expert was unavailable, in response to such request, 9 the Public Staff stated that they were "just too busy" to meet. The Public Staff did 10 not indicate that April 14, 2023, was the only time Public Staff would be available 11 to meet, nor did it provide alternative dates or times. The Company would suggest 12 that in lieu of a meeting, the Public Staff issued the additional discovery, which 13 again the Company responded to further explain the facts and circumstances regarding test period outages in question. 14

### 15 Q. WHAT OTHER REASONS WERE PROVIDED BY WITNESS 16 LAWRENCE FOR THE DEFERRAL OF CONSIDERATION?

17 A Witness Lawrence also refers to the ongoing investigation in Docket M-100 Sub
18 163 and the fact that one of the outages in question extended outside of the test
19 period.

### 20 Q. PLEASE COMMENT ON THESE ADDITIONAL REASONS.

A. While it is true that the Commission's cold weather investigation in Docket M100 Sub 163 remains open, that fact in itself does not alter the fuel recovery
construct in North Carolina, nor has the Commission provided any indication in
Docket M-100 Sub 163 that any further investigation in that docket obviates or

alters the scope of the annal fuel cost proceedings. Furthermore, while one of the
 outages did extend beyond the test period, the Company does not agree that this
 fact justifies deferral of consideration. The outage commenced in the test period,
 and the full replacement power cost have been determined and Public Staff has
 had a full opportunity to investigate the causes of that particular outage.

## 6 Q. PLEASE SUMMARIZE YOUR TESTIMONY REGARDING THE 7 PROVISION OF OUTAGE INFORMATION AND PUBLIC STAFF'S 8 DISCOVERY OPPORTUNITIES.

9 The Company has been fully responsive to all data requests and has made itself A. 10 available to Public Staff to answer any outstanding questions, including through 11 in-person meetings regarding outages occurring in the test period. The fuel cost 12 recovery construct in North Carolina establishes a timely process for the 13 consideration of fuel costs and it is the responsibility of Public Staff and intervenors to conduct any necessary audit within the time parameters established 14 15 under law as administered by this Commission. Absent any unusual 16 circumstances or the agreement of the Company, it is not appropriate to defer 17 consideration of outages occurring in the test period to a future case. Such a 18 deferral is harmful to the Company and undermines the intended certainty of the 19 process. Public Staff's vague concerns regarding information provided and 20 meeting schedules are an insufficient basis to warrant departure from the well-21 established practices on these issues.

## Q. IS THERE ANYTHING ELSE YOU WOULD LIKE TO ADD CONCERNING THE COMPANY'S EXECUTION AND REPORTING OF OUTAGES?

1	A.	Yes. Public Staff's findings rely heavily on outage documentation, which by
2		design is hindsight-based and self-critical in nature and are intended to identify
3		every direct and contributing cause of an incident, along with all potential avenues
4		for improvement. The reports are not designed to assess whether the actions of
5		management were reasonable and prudent given what was known at the time,
6		which is exactly what Public Staff is doing. As the Commission has determined,
7		hindsight analysis is not permitted when assessing prudency. Outside of hindsight
8		analysis, no evidence has been presented which supports Mr. Lawrence's claim
9		that these outages were preventable-i.e., the Company's actions or inactions were
10		imprudent. No evidence has been presented which supports leaving any
11		test-period outages open for further scrutiny after this case is litigated. The Public
12		Staff's hindsight conclusions are not reason enough to leave these outages, or any
13		outages, open beyond the test period. Regarding the Company's outage reporting,
14		we have provided all requested outage information to Public Staff, consistent with
15		recent practice, and provided extensive documentation and detailed responses to
16		all discovery issued in this proceeding.
17		Finally, overall, DEC has a long history of operating its fleet prudently to
18		provide safe and reliable service for the benefit of DEC's customers. We continue
19		to improve our processes and believe strongly in using lessons learned to improve

20 our operations going forward.

### 21 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes, it does.