



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

May 9, 2023

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

Re: Docket No. E-7, Sub 1282 – Application of Duke Energy Carolinas, LLC, Pursuant to N.C.G.S. § 62-133.2 and Commission Rule R8-55 Relating to Fuel and Fuel-Related Charge Adjustments for Electric Utilities

Dear Ms. Dunston:

Attached for filing on behalf of the Public Staff in the above-referenced docket please find the Joint Testimony of Darrell Brown, Public Utility Regulatory Analyst, Accounting Division; and Fenge Zhang, Public Utility Regulatory Manager, Accounting Division.

By copy of this letter, we are forwarding a copy to all parties of record by electronic delivery.

Sincerely,

Electronically submitted
/s/ William S.F. Freeman
Staff Attorney
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/s/ William E. H. Creech
Staff Attorney
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Attachments

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Economic Research
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Energy
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Transportation
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Water/Telephone
(919) 733-5610

CERTIFICATE OF SERVICE

I certify that a copy of this Joint Testimony has been served on all parties of record or their attorneys, or both, in accordance with Commission Rule R1-39, by United States Mail, first class or better; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 9th day May, 2023.

Electronically submitted
/s/ William S.F. Freeman
Staff Attorney

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-7, SUB 1282

In the Matter of
Application of Duke Energy Carolinas,)
LLC, Pursuant to N.C.G.S. § 62-133.2 and)
Commission Rule R8-55 Relating to Fuel)
and Fuel-Related Charge Adjustments for)
Electric Utilities)
) **JOINT TESTIMONY OF**
) **DARRELL BROWN AND**
) **FENGE ZHANG**
) **PUBLIC STAFF –**
) **NORTH CAROLINA**
) **UTILITIES COMMISSION**

May 9, 2023

1 **Q. Mr. Brown, please state your name, business address, and**
2 **present position.**

3 A. My name is Darrell Brown. My business address is 430 North
4 Salisbury Street, Raleigh, North Carolina. I am a Public Utility
5 Regulatory Analyst with the Accounting Division of the Public Staff –
6 North Carolina Utilities Commission (Public Staff). A summary of my
7 duties, education, and experience is attached to this testimony as
8 Appendix A.

9 **Q. Ms. Zhang, please state your name, business address, and**
10 **present position.**

11 A. My name is Fenge Zhang. My business address is 430 North
12 Salisbury Street, Raleigh, North Carolina. I am the Public Utility
13 Regulatory Manager - Electric Section with the Accounting Division
14 of the Public Staff. A summary of my duties, education, and
15 experience is attached to this testimony as Appendix B.

16 **Q. Mr. Brown and Ms. Zhang, what is the purpose of your**
17 **testimony in this proceeding?**

18 A. The purpose of our testimony is to present the results of the Public
19 Staff's investigation of the Experience Modification Factor (EMF)
20 riders proposed by Duke Energy Carolinas, LLC (DEC or the

1 Company) in this proceeding. The EMF riders are utilized to “true-
2 up,” by customer class, the recovery of fuel and fuel-related costs
3 incurred during the test year. DEC’s test year in this fuel proceeding
4 is the twelve months ending December 31, 2022. Additionally, the
5 Company excluded the amount of under-recovery for January 2022
6 as the amount was included in the EMF factors approved in Docket
7 E-7, Sub 1263.

8 **Q. What are the incremental EMF riders proposed by the Company**
9 **in this proceeding?**

10 A. In its application, filed with supporting testimony and exhibits on
11 February 28, 2023, DEC proposed EMF increment riders in cents per
12 kilowatt-hour (kWh), excluding the North Carolina regulatory fee, for
13 each North Carolina retail customer class, as follows:

14	Residential	1.6644 cents per kWh
15	General Service/Lighting	1.6649 cents per kWh
16	Industrial	1.7267 cents per kWh

17 Company witness Clark’s Exhibit 3 details DEC’s proposed under-
18 recovery of fuel and fuel-related costs for each of the North Carolina
19 retail customer classes is as follows:

1	Residential	\$381,027,497
2	General Service/Lighting	\$407,032,042
3	Industrial	\$210,983,421

4 On May 04, 2023, DEC filed the Supplemental Testimony of
5 Sigourney Clark with Revised Exhibits and supporting workpapers.
6 Witness Clark's supplemental testimony and revised exhibits reflect
7 the impact of a \$613,775 reduction to the numbers presented in the
8 direct exhibits and workpapers. Clark Revised Exhibit 1 sets forth the
9 Company's revised proposed EMF increment riders in cents per
10 kWh, excluding the North Carolina regulatory fee, for each North
11 Carolina retail customer class, as follows:

12	Residential	1.6635 cents per kWh
13	General Service/Lighting	1.6638 cents per kWh
14	Industrial	1.7256 cents per kWh

15 In witness Clark's Revised Exhibits, DEC's proposed revised under-
16 recovery of fuel for each of the North Carolina retail customer classes
17 is as follows:

18	Residential	\$380,810,058
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1 General Service/Lighting \$406,768,116

2 Industrial \$210,851,011

3 The riders were calculated by dividing the fuel cost under-recovery
4 amounts for each customer class by DEC's normalized test year
5 North Carolina retail sales, being 22,892,401 megawatt-hours
6 (MWh) for the residential class, 24,448,017 for the general
7 service/lighting class, and 12,219,040 MWh for the industrial class.

8 **Q. Please describe the scope of your investigation.**

9 A. The Public Staff's investigation included evaluating whether the
10 Company properly determined its per books fuel and fuel-related
11 costs and revenues during the test period. These procedures
12 included a review of the Company's filing, prior Commission orders,
13 the Monthly Fuel Reports filed by the Company with the Commission,
14 and other Company data provided to the Public Staff. The Public
15 Staff also reviewed specific types of expenditures impacting the
16 Company's test year fuel and fuel-related costs, including reagents
17 (limestone, ammonia, urea, etc.), renewable energy, and purchased
18 power, as well as reviews of source documentation of fuel and fuel-
19 related costs for certain selected Company generation resources.
20 Performing the Public Staff's investigation required the review of

1 numerous responses to written and verbal data requests, and
2 several telephone conferences with Company representatives.

3 **Q. What updated EMF riders does the Public Staff propose for this**
4 **proceeding?**

5 A. As a result of the Public Staff's investigation, we recommend that
6 DEC's EMF riders for each customer class be based on net fuel and
7 fuel-related cost under-recoveries of \$380,810,058 for the residential
8 class, \$406,768,116 for the general service/lighting class, and
9 \$210,851,011 for the industrial class, and normalized North Carolina
10 retail sales of 22,892,401 MWh for the residential class, 24,448,017
11 MWh for the general service/lighting class, and 12,219,040 MWh
12 for the industrial class, as proposed by the Company in the
13 supplemental filing. These amounts produce EMF increment
14 riders for each North Carolina retail customer class as follows,
15 excluding the regulatory fee:

16	Residential	1.6635cents per kWh
17	General Service/Lighting	1.6638 cents per kWh
18	Industrial	1.7256 cents per kWh

19 We have provided the recommended EMF rider amounts to Public
20 Staff witness Lawrence for incorporation into his recommended
21 final fuel factors.

1 **Q. Are your numbers final?**

2 A. Our calculations are subject to revision depending upon the
3 Public Staff's investigation of outages as referenced in witness
4 Lawrence's testimony.

5 **Q. Do you have any other concerns that you want to bring to the**
6 **Commission's attention?**

7 A. Yes. As stated in Public Staff witness Lawrence's testimony, the
8 Public Staff has concerns regarding rate shock to the customers due
9 to the magnitude of the under recovery of fuel costs incurred in the
10 test period. The Public Staff recommends the Company look into all
11 possible mitigation options that reduce rate shock to the customers.

12 **Q. Does this conclude your testimony?**

13 A. Yes, it does.

QUALIFICATIONS AND EXPERIENCE

DARRELL BROWN

I graduated from North Carolina State University with a Bachelor of Science degree in Accounting.

Prior to joining the Public Staff, I was employed by Lumen (FKA CenturyLink, Inc.), as a Regulatory Operations Manager. My duties included preparation and review of federal and state regulatory financial and compliance report filings; analyzing and interpreting federal and state commission and legislative policies, rulemakings, and statutes; providing analytical support and guidance necessary for federal and state regulatory policy development, investigations, and internal and external audit requests; coordination of regulated accounting and reporting policy changes; and managing accounting and pricing functions.

I joined the Public Staff in May 2021 as a Public Staff Accountant. Since joining the Public Staff, I have performed investigations and prepared testimony and exhibits in support of natural gas and water utilities rate cases and performed various other investigations and compliance reviews related to electric, gas, telecommunications, and water utilities.

QUALIFICATIONS AND EXPERIENCE

FENGE ZHANG

I graduated from North Carolina State University with a Bachelor of Science degree and a Master's degree in Accounting. I am a Certified Public Accountant. I am the Public Utility Manager – Electric Section of the Accounting Division with the Public Staff – North Carolina Utilities Commission.

As the Utility Manager – Electric Section of the Accounting Division with the Public Staff, I am responsible for the performance, supervision, and management of the following activities: (1) the examination and analysis of testimony, exhibits, books and records, and other data presented by utilities and other parties under the jurisdiction of the Commission or involved in Commission proceedings; and (2) the preparation and presentation to the Commission of testimony, exhibits, and other documents in those proceedings.

I was first employed by the Public Staff in March 2012. In 2016, I worked for the Commission until I returned to Public Staff in May 2022. Throughout this time, I have been involved in audit and review of various topics related to the regulated telephone, water, sewer, electric, and natural gas industries, including the 2022 general rate cases for Carolina Water Service, Inc. of North Carolina and Aqua North Carolina, Inc. I have also filed and assisted with the Demand Side Management and Energy Efficiency riders, electric fuel rider cases, gas annual

reviews, and lead lag studies. Most recently, I filed an affidavit on Duke Energy Progress, LLC's 2022 fuel proceeding in Docket No. E-2, Sub 1292.