

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)	POST-HEARING BRIEF OF THE SOUTHERN ALLIANCE FOR CLEAN ENERGY

PURSUANT to North Carolina Utilities Commission (Commission or NCUC) Rule R1-25 and the Commission’s *Notice of Due Date for Proposed Orders and/or Briefs*, issued June 20, 2023, in this docket, the Southern Alliance for Clean Energy (SACE) respectfully submits this post-hearing brief in the above-captioned docket.

LEGAL STANDARD

Pursuant to N.C.G.S. § 62-133.2 and Commission Rule R8-55, an electric utility may charge an increment or decrement as a rider to its rates to account for certain fuel and fuel-related costs that the utility incurred during the test period.¹ The utility, however, may recover only those costs that were incurred prudently and reasonably under efficient management and economic operations.² Importantly, according to the Commission, a “prudent utility strives to minimize its total cost of service.”³

¹ N.C.G.S. § 62-133.2(a); Commission Rule R8-55(d).

² N.C.G.S. § 62-133.2(d); Commission Rule R8-55(k).

³ *Order Approving Fuel Charge Adjustment*, Docket No. E-2, Sub 833, at 17 (Sept. 25, 2003).

The utility bears the burden of proof as to whether its fuel and fuel-related costs were incurred prudently and reasonably and as to whether the proposed charge is correct.⁴ The Commission will approve an increment or decrement as a rider to rates—which will remain in effect until the next general rate case or annual fuel rider proceeding—only if it determines that such rider is “just and reasonable.”⁵ In making its determination, the Commission must consider all evidence required by statute, “as well as any and all other competent evidence that may assist the Commission in reaching its decision.”⁶

In short, the Commission has two primary questions to answer: (1) whether Duke Energy Carolinas’ (DEC or the Company) fuel costs were prudently and reasonably incurred during the test period and (2) whether DEC’s proposed increment to be applied to customers’ rates is just and reasonable.

ARGUMENT

I. DEC’s reliance on fossil fuels exposes customers to significant fuel price volatility risks.

Fossil fuel prices are inherently volatile. In fact, significant increases in the price of coal and natural gas during the past year led to DEC’s unprecedented \$999 million under-recovery in this proceeding.⁷ As a result, rates are set to increase dramatically, which should come as no surprise given DEC’s largely insufficient attempts to mitigate rate shock. The impact of this rate hike will

⁴ N.C.G.S. § 62-133.2(d); Commission Rule R8-55(k).

⁵ N.C.G.S. § 62-133.2(d).

⁶ *Id.*

⁷ Tr. vol. 2, 141.

disproportionately harm low-income customers, who on average have a higher energy burden and energy intensity than other customers.⁸

A. Rising fossil fuel prices led to DEC’s billion-dollar under-recovery.

DEC reported a nearly \$1 billion under-recovery during the current test period for one primary reason: fossil fuel commodity prices skyrocketed.⁹ Fossil fuel price volatility is nothing new, and unpredictable supply and demand dynamics often prevent utilities from correctly estimating fuel and fuel-related expenses. This can have dire consequences, as in this case, where actual fuel costs far surpassed price forecasts.

Ultimately, however, these consequences fall not on a utility but rather on its customers. Absent cost disallowance, all fuel and fuel-related costs are collected from utility customers. When actual fuel costs surpass fuel cost forecasts, customers pay an extra surcharge to cover the difference between those actual costs and forecasted costs. In this case, to recover its exorbitant fuel costs, DEC initially proposed cost factors that would have resulted in a nearly 18% increase on customers’ bills.¹⁰ While these circumstances are extraordinary, the risk of rate shock due to rising coal and natural gas prices is not.

Given this volatility, the under-recovery in this proceeding should come as no surprise. Although COVID-19 era supply constraints and the war in Ukraine undoubtedly contributed to the coal and natural gas spikes during the test period,¹¹

⁸ See Low-Income Affordability Collaborative (LIAC) Final Report, Docket Nos. E-7, Sub 1187, 1213, and 1214 and E-2, Sub 1219 and 1193, at 11, 83-84 (Aug. 12, 2022) (hereinafter, LIAC Final Report).

⁹ Tr. vol. 2, 141 (stating that “the trend of increasing fuel commodity prices that continued throughout 2022 [...] led to the \$999 million under-recovery” (emphasis added)).

¹⁰ *Id.*

¹¹ *Id.* at 346.

there will always be the risk that the Company experiences another enormous under-recovery so long as it continues to rely on coal and natural gas to fuel a significant portion of its generation.

i. Coal Price Volatility

Currently, coal markets continue to face “a high degree of market volatility” due in part to (1) coal suppliers’ inability to meet increasing demand during the past two years, (2) increased global market demand for steam and metallurgical coal, (3) suppliers’ limited operational flexibility due to labor and resource constraints, and (4) the continued volatility of natural gas prices.¹² As DEC witness John Swez explained in his direct testimony, “[t]hese factors combined to drive both domestic and export coal prices to record levels by late 2021.”¹³ Furthermore, throughout 2022, “coal commodity costs remained at historically high levels,” given rising production costs and rising demand expectations due to higher natural gas prices, which “continue[d] to put pressure on coal production.”¹⁴

Coal prices remain high, as producers grapple with the impacts of inflation. The costs associated with mining operations—such as labor and equipment costs—continue to rise, “putting additional pressure on [coal producers’] ability to respond to changes in market demand.”¹⁵ Furthermore, in 2021 and 2022, DEC experienced rapidly rising coal delivery delays due to transportation labor and resource constraints, “increasing the average cycle time from mine to plant and

¹² *Id.* at 22-23, 49-51.

¹³ *Id.* at 23.

¹⁴ *Id.*

¹⁵ *Id.*

decreasing actual rail deliveries versus scheduled deliveries by [approximately] 30%”¹⁶—raising concerns about reliability in addition to customer bill impacts.

Due to the fundamental supply and demand dynamics that drive fossil fuel price volatility, the cost of coal increased substantially during the test period: “[t]he Company’s average delivered cost of coal per ton for the test period was \$99.86 per ton, compared to \$78.22 per ton in the prior test period, representing an increase of approximately 28%.”¹⁷ Even the cost of coal transportation increased by approximately 6% compared to the prior test period.¹⁸ And these costs are expected to increase even more.

In its initial fuel filing, DEC estimated the average delivered coal costs to be roughly \$105.86 per ton for the billing period, an increase from \$99.86 per ton during the test period. Limited coal supply and increased demand have led to increased coal commodity costs, which in turn led to this increase in delivered costs.¹⁹ In witness Swez’s rebuttal testimony, he notes that since DEC’s initial fuel filing, “the projected average delivered coal costs [...] have increased from approximately \$105.86 per ton to \$111.63 per ton for the billing period.”²⁰ Not only is the cost of coal increasing, DEC also expects to use even more of it: “DEC’s coal burn projection for the billing period is 3.7 million tons, compared to 3.2 million tons consumed during the test period.”²¹

¹⁶ *Id.* at 23-24.

¹⁷ *Id.* at 21.

¹⁸ *Id.*

¹⁹ *Id.* at 25.

²⁰ *Id.* at 39-40.

²¹ *Id.* at 25.

ii. Natural Gas Price Volatility

Like coal prices, natural gas prices are inherently volatile, changing significantly based on supply and demand dynamics.²² In 2021 and 2022, several supply and demand factors influenced gas price volatility: (1) the growth in export demand, (2) lower-than-average storage inventory balances, and (3) seasonal weather demand.²³ Furthermore, according to witness Swez, “[g]as production’s slow response to rising prices and the uncertainty of future coal deliveries placed continued stress on gas storage replenishment through much of 2022.”²⁴

As a result, the price of gas skyrocketed. During the test period, the average price of gas that DEC purchased was \$6.94 per Million British Thermal Units (MMBtu), compared to only \$4.22 per MMBtu during the prior test period—an increase of roughly 65%, even with the Company’s financial hedging.²⁵ Although DEC’s coal burn decreased by 40% compared to the prior test period, the Company’s natural gas burn increased by approximately 34%.²⁶ And it will continue to increase: “DEC’s current natural gas burn projection for the billing period is approximately 260.9 million MBtu, which is an increase from the 253.5 million MBtu consumed during the test period.”²⁷ Luckily, since DEC’s initial fuel filing, the average price of gas for the billing period decreased from \$3.99 to \$3.14 per MMBtu.²⁸ Still, this projection should be taken with a grain of salt, given that

²² *Id.* at 49-51.

²³ *Id.* at 24.

²⁴ *Id.*

²⁵ *Id.* at 21-22.

²⁶ *Id.* at 22.

²⁷ *Id.* at 26.

²⁸ *Id.* at 40.

the projections from last year's proceeding resulted in a billion-dollar under-recovery.

The net increase in the Company's overall burn projections, due in large part to an increase in projected load, means that fossil fuel price volatility poses an even greater risk to customers this billing period.²⁹ Even though natural gas prices have fallen recently, those prices may increase again. And the fact that DEC plans to burn more natural gas means that customers will face increased exposure to the risks of gas price volatility.³⁰

B. DEC's attempts to mitigate fuel price increases have proven insufficient.

DEC's current and proposed strategies to address fuel price volatility and thus protect customers from steep fuel rate increases are insufficient. The Company's existing cost containment strategies have failed, and its proposed dynamic dispatch model is untested. In addition, while the Agreement and Stipulation of Partial Settlement between DEC and the Public Staff – North Carolina Utilities Commission (Public Staff) provides needed short-term rate relief, it fails to meaningfully address the underlying problem of fuel price volatility going forward.

DEC claims that “[t]he Company continues to maintain a comprehensive coal and natural gas procurement strategy” that has successfully limited fuel price volatility and cost-effectively managed “the dynamic demands of its fossil fuel generation fleet.”³¹ The facts, however, prove otherwise. Despite DEC's cost-

²⁹ *Id.* at 26.

³⁰ *Id.* at 54-55.

³¹ *Id.* at 26.

containment strategies, including its decision to forgo a request for additional under-recovery through the date of the hearing, the Company ultimately reported a nearly \$1 billion under-recovery for the test period³²—by far the largest in recent memory.³³ While an under-recovery of this magnitude is unprecedented, DEC’s years-long trend of under-collecting tens—even hundreds—of millions of dollars is nothing new.³⁴ Over the previous 17 years, DEC has under-collected a total of nearly \$800 million,³⁵ more than \$550 million of which DEC reported within the past five years alone.³⁶ In short, DEC’s cost-containment strategies have done little to address fuel price volatility and prevent the substantial under-recovery of fuel and fuel-related costs for years.

DEC also notes that the Company has developed a dynamic dispatch model, “an updated model-driven approach” that incorporates a more accurate coal price input “while minimizing customer costs and ensuring fuel security.”³⁷ DEC’s dynamic dispatch model, however, is new and untested. It remains to be seen whether the Company’s new approach can meaningfully overcome the challenges associated with coal price volatility, such as “the inability of the coal supply chain to respond timely to changes in demand” or “the transition [...] away from coal as baseload generation,” as DEC witness Swez explains in his direct testimony.³⁸

³² *Id.* at 48, 52, 141.

³³ *Id.* at 293.

³⁴ CUCA Public Staff Panel Cross Exhibit 1, Official Ex. vol. 2, 343.

³⁵ Tr. vol. 2, 292.

³⁶ CUCA Public Staff Panel Cross Exhibit 1.

³⁷ Tr. vol. 2, 32.

³⁸ *Id.*

Lastly, while SACE does not oppose the Agreement and Stipulation of Partial Settlement between DEC and the Public Staff (Partial Settlement) as it provides material rate relief in this proceeding, the Partial Settlement ultimately fails to address fuel price volatility in the long term. Under the Partial Settlement, DEC and the Public Staff have attempted to mitigate rate shock by incorporating the lower fuel price estimates from the April 2023 spring fuel forecast to establish the prospective component of the fuel rate and by agreeing that “[t]est period under-recovered fuel costs will be recovered over a 16-month period as opposed to a 12-month period.”³⁹ Nevertheless, DEC will recover an additional \$6.656 million from customers as interest on the “difference between what the Company is expected to recover over the 16-month stipulated period compared to what the Company would have expected to recover over the 12-month period.”⁴⁰

While the settlement provides much-needed rate relief, reducing the expected rate increase from roughly 18% to 13.31%,⁴¹ it is possible that customers still could be paying for this nearly billion-dollar under-recovery and, at the same time, be required to pay for an additional under-recovery in next year’s fuel rider proceeding.⁴² More importantly, it fails to address the impacts of fuel price volatility for customers in the long term.

Fossil fuel prices will always be volatile. And DEC customers’ exposure to fossil fuel price volatility will likely increase. Under the Carbon Plan, for example,

³⁹ Duke Energy Carolinas and the Public Staff’s Agreement and Stipulation of Partial Settlement (Partial Settlement) at 4, ¶ III.1.

⁴⁰ *Id.* at 4, ¶ III.2.

⁴¹ *Id.* at 4, ¶ III.4.1; tr. vol. 2 at 210.

⁴² Tr. vol. 2, 205.

Duke Energy intends to add 2,000 MW of new natural gas capacity, increasing customers' exposure to gas price volatility.⁴³ Furthermore, as the transition to clean energy continues in earnest, natural gas facilities may become stranded assets, which may further increase fuel costs and exacerbate fuel price volatility for DEC customers.

C. Rising rates due to increased fossil fuel prices present a significant challenge for many customers and disproportionately harm customers with low incomes.

DEC's proposed fuel rider will lead to significant rate shock. In his direct testimony, Public Staff witness Lawrence concluded that residential customers could face a 24% increase in their bills by December 2023 based on DEC's initial proposed fuel rate increase along with its proposed Multi-Year Rate Plan in Docket No. E-7, Sub 1276.⁴⁴ Even with the rate relief provided by the Partial Settlement, residential customers could still face a roughly 21% increase in their bills by the end of the year—an increase well above what witness Lawrence identified as constituting rate shock.⁴⁵

While a rate hike of this magnitude is harmful to all customers, it could be devastating to low-income residential customers. Households with low incomes will likely face much more severe bill impacts from the proposed fuel rider due in large part to their energy burden and energy intensity.

⁴³ *Order Adopting Initial Carbon Plan*, In the Matter of Duke Energy Progress, LLC, and Duke Energy Carolinas, LLC, 2022 Biennial Integrated Resource Plans and Carbon Plan, Docket No. E-100, Sub 179, at 79 (Dec. 30, 2022).

⁴⁴ Tr. vol. 2, 277-78.

⁴⁵ See *id.* at 277 (stating that “a one time increase of 16.5% does constitute rate shock”).

Energy burden refers to the percentage of household income devoted to paying energy bills, so a household with a high energy burden spends a larger-than-average percentage of income on energy bills than a household with a low energy burden.

Households with limited incomes typically face much higher energy burdens than the general population, and as such may be at much higher risk of not being able to pay utility bills on time—especially when they are higher than they could be due to inefficient structures, HVAC equipment, and appliances.⁴⁶

The electric energy burden of Duke Energy customers receiving Low Income Energy Assistance Program (LIEAP) and Crisis Intervention Program (CIP) bill assistance is more than double the electric energy burden of the utility’s average customer.⁴⁷ A fuel rate increase of 13.31% substantially increases the energy burden of low-income customers—and thus increases their risk of disconnection.

Unfortunately, needlessly high energy usage only adds to the problem. The term “energy intensity” refers to the number of kilowatt-hours that a household consumes per square foot. Due in large part to building envelope inefficiencies, high energy intensity “is a driving factor in low-income affordability challenges.”⁴⁸ On average, households with low incomes have a much higher energy intensity than other customers.⁴⁹ For example, compared to other households, “LIEAP/CIP recipient households experience an energy intensity that is 100% higher in the

⁴⁶ LIAC Final Report at 63.

⁴⁷ *Id.* at 83-84, Appendix C at 20.

⁴⁸ *Id.* at 11.

⁴⁹ *Id.*

winter and approximately 40% higher in the summer.”⁵⁰ In other words, low-income customers have to pay more to heat and cool their homes, compared to non-low-income customers in homes of comparable sizes. As a result, any increase in rates has a disproportionate impact on low-income customers.

For these reasons, the proposed fuel rate increase puts a substantial number of customers at risk. According to Duke Energy’s analysis in the Low-income Affordability Collaborative (LIAC) Final Report, at least 29% of residential accounts—equivalent to roughly 900,000 households—served by DEC and Duke Energy Progress have a household income of 200% or less of the federal poverty level.⁵¹ Given that Duke Energy’s analysis relied on pre-COVID data, that number has likely risen in the wake of a global pandemic, ongoing economic uncertainty, and high inflation.

During the fuel adjustment hearing on May 30, 2023, the Reverend Beth McKee-Huger put it simply: “I have been, all my life, an advocate for people with lower incomes, and the additional fuel cost is going to be a substantial burden on people trying to pay their utility bills.”⁵² SACE urges the Commission to require DEC to take the following steps to prevent such an enormous, burdensome rate increase in the future.

II. DEC should pursue effective strategies to address the risks of fuel price volatility and rate shock.

DEC’s enormous under-recovery and substantial rate increase demonstrate the insufficiency of the Company’s existing strategies for addressing fuel price

⁵⁰ *Id.*

⁵¹ *Id.* at 9.

⁵² Tr. vol. 1, 11.

volatility. To effectively mitigate fuel price volatility and its consequences, the Company should implement additional strategies, such as (1) evaluating how it could optimize the deployment of solar, wind, other renewables, and energy efficiency to hedge against fossil fuel price volatility, (2) incorporating improved fuel price forecasting, and (3) facilitating stakeholder engagement to identify long-term strategies to protect customers from fuel price volatility and the risk of rate shock.

A. Physical hedging through the procurement of additional renewable energy resources and deployment of energy efficiency can help mitigate the impacts of fossil fuel price volatility.

Additional renewable energy and energy efficiency deployment would help mitigate fossil fuel price volatility. Because renewable energy and energy efficiency are fuel-free, they are not subject to fossil fuel price volatility.⁵³ Increasing the levels of renewables and energy efficiency would decrease customers' exposure to fuel price volatility. In this way, renewable energy and energy efficiency—which are prudent alternatives to fossil fuel generation—can serve as fuel hedges,⁵⁴ “immuniz[ing] the Company and its customers from gas price increases.”⁵⁵

The Commission has acknowledged that renewable energy resources can function as a physical hedge:

[R]enewable generation provides fuel price hedging benefits because a utility's purchase of energy from a [qualifying facility] reduces the amount of fuel the utility otherwise would need to purchase. In doing so, the Commission acknowledged that purchasing solar power can be seen as the

⁵³ Tr. vol. 2, 55.

⁵⁴ For reference, hedging typically refers to financial or physical measures designed to mitigate an individual's exposure to asset price volatility. In the utility context, physical hedging typically refers to a utility procuring a fuel commodity or generating asset at a fixed price. Renewable energy, such as solar or wind, can be a physical hedging product.

⁵⁵ *Order Approving Fuel Charge Adjustment*, Docket No. E-7, Sub 1263, at 11 (Aug. 16, 2022).

equivalent of buying natural gas forwards. [...] [T]he Commission finds that the evidence in this proceeding demonstrates again that there are fuel price hedging benefits associated with renewable generation. Purchases from [qualifying facilities] are substitutes for the purchase of fuels and reduce the amount of fuel that must be purchased and, therefore, the costs that the utilities would incur toward fuel procurement. [...] The Commission agrees [...] that the value of the hedge is to insulate ratepayers from fuel volatility, and that the hedge value is appropriate for inclusion in avoided cost rates.

Order Establishing Standard Rates and Contract Terms for Qualifying Facilities, Docket No. E-100, Sub 158, at 61 (April 15, 2020). By extension, energy efficiency would also serve as a hedge as it would reduce the amount of fuel DEC would need to purchase by reducing load.⁵⁶ Wind, solar, and other renewable energy resources purchased at fixed prices or provided by utility-owned facilities can mitigate the utility's exposure to fossil fuel price volatility, while providing additional capacity and energy, without greenhouse gas emissions. Similarly, both energy efficiency and demand-side management (EE/DSM) can provide comparable benefits to the system.

This approach is not inconsistent with the Company's existing cost-containment strategy. DEC witness Sigourney Clark testified that the Company's "diverse generating portfolio mix," which includes "hydro," is one of the "[k]ey factors in DEC's ability to maintain lower fuel and fuel-related rates for the benefit of customers."⁵⁷ Yet the Company, as evidenced by the following testimony given from the stand, does not appear to have meaningfully evaluated how it could

⁵⁶ See generally DAVID HOPPOCK & DALIA PATINO ECHEVERRI, NICHOLAS INSTITUTE FOR ENVIRONMENTAL POLICY SOLUTIONS, USING ENERGY EFFICIENCY TO HEDGE NATURAL GAS PRICE UNCERTAINTY (2013), https://nicholasinstitute.duke.edu/sites/default/files/publications/ni_wp_13-02.pdf (discussing in part energy efficiency's value as a fuel hedge and seeking to quantify that value).

⁵⁷ Tr. vol. 2, 146-47 (stating that "[k]ey factors in DEC's ability to maintain lower fuel and fuel-related rates for the benefit of customers include [...] its diverse generating portfolio mix of nuclear, coal, natural gas, and hydro").

optimize the deployment of solar and wind to hedge against fossil fuel price volatility:

Q. So[,] and all things being equal, increasing the levels of renewables I should say on the system would decrease customers' exposure to fuel price volatility?

A. I never really thought about it that way. I'm not sure if I agree on just the premise. Possibly but I -- **because I haven't really thought through that as much as I probably should have** so I don't do that.⁵⁸

Given that DEC has not identified energy efficiency as a potential fuel cost containment strategy at any point in this proceeding, it would be fair to conclude that DEC has not meaningfully evaluated how it could optimize energy efficiency deployment to hedge against fossil fuel price volatility either.

In light of DEC's billion-dollar under-recovery, and the substantial burden this will impose upon customers, increasing renewable energy resources and energy efficiency is urgently needed to address the significant risks of fossil fuel price volatility. To put it simply, in the words of witness Reverend McKee-Huger, "there's no point of paying for fuel when you can get it [for] free."⁵⁹

B. Additional strategies are necessary to mitigate the impacts of fuel price volatility.

The Commission should consider additional strategies to address fossil fuel price volatility, such as (1) requiring DEC to incorporate its spring fuel price forecasts when establishing the prospective component of the fuel rate in future proceedings, if doing so would result in material rate relief, and (2) directing DEC to meaningfully engage with stakeholders to identify long-term strategies that

⁵⁸ *Id.* at 55-56 (emphasis added).

⁵⁹ Tr. vol. 1, 12.

reduce customers' exposure to fuel price volatility moving forward, including expanding the use of energy efficiency programs to reduce demand and thus fuel costs.⁶⁰

i. Updated Fuel Price Forecasts

Under N.C.G.S. § 62-133.2 and Commission Rule R8-55, the Commission enjoys considerable flexibility in establishing the prospective billing period component of the fuel rate, as long as its methods are reasonable.⁶¹ Because DEC generally files its fuel rider application in late February or early March, the Company tends to incorporate its December fuel price forecasts to set the prospective fuel rate for the billing period. In light of the enormous under-recovery in this case, however, the Public Staff determined that DEC could provide customers with a degree of rate relief if it updated its fuel forecast with the lower fuel price estimates from the Company's April 2023 spring projection. As Public Staff witness Evan Lawrence noted in his direct testimony, because natural gas prices had decreased since the Company filed its application and exhibits, maintaining DEC's initial prospective fuel rate could lead to an over-collection during the billing period.⁶² Ultimately, as reflected in the joint rebuttal testimony of DEC witnesses Clark and Chris Bauer, as well as the Partial Settlement, DEC

⁶⁰ SACE acknowledges that the Carolinas DSM/EE Collaborative (the Collaborative) seeks to provide a forum for stakeholders to evaluate existing EE/DSM programs and propose new ones. See *Carolinas DSM/EE Collaborative*, DUKE ENERGY, <https://www.duke-energy.com/our-company/environment/carolinas-collaborative> (last visited July 20, 2023). However, the existence of the Collaborative should not preclude DEC from convening additional stakeholder processes related to DSM/EE, especially when, as is the case here, the impact of DSM/EE programs on reducing fuel costs would need to be considered in concert with a range of other fuel cost containment strategies.

⁶¹ See N.C.G.S. § 62-133.2; Commission Rule R8-55; tr. vol. 2, 286.

⁶² Tr. vol. 2, 286-87.

agreed to incorporate the April 2023 spring fuel forecast,⁶³ “given the magnitude of the overall customer rate impact.”⁶⁴ However, it is unclear whether DEC would have incorporated an updated fuel forecast and modified its proposed fuel factors accordingly if the Public Staff had not requested it.

In future proceedings, the Commission should require DEC to incorporate spring fossil fuel price forecasts when establishing the prospective billing period component of the fuel rate if the updated forecasts would provide material rate relief to customers. As demonstrated in this proceeding, DEC has the capacity to provide updated forecasts after filing its initial application. In fact, the Company already “produces a monthly commodity generation volumetric forecast [...] for the Fuel Procurement team mid-month each month for subsequent calendar month gas scheduling and coal transportation planning.”⁶⁵ If projected fuel prices decrease after DEC has filed its initial application, the Company should be required to update its fuel forecast if doing so would provide customers with much-needed rate relief.

ii. Stakeholder Engagement

Moving forward, additional strategies may be necessary to address volatile fossil fuel prices and prevent an enormous increase in rates due to rising costs. The Commission should direct DEC to engage with stakeholders to develop and implement proposed measures to mitigate fuel price volatility in the long term. At a minimum, DEC should be required to engage meaningfully with low-income

⁶³ Partial Settlement at 4, ¶ III.3.

⁶⁴ Tr. vol. 2, 165.

⁶⁵ *Id.* at 164.

customers to identify strategies for achieving much-needed rate relief and explore how additional energy efficiency could be deployed to reduce demand and fuel costs.

RELIEF REQUESTED

For the foregoing reasons, the Southern Alliance for Clean Energy respectfully requests the following relief:

- (1) That DEC re-evaluate how it could optimize the deployment of solar, wind, and energy efficiency to hedge against fossil fuel price volatility;
- (2) That the Commission require DEC to incorporate its spring fuel price forecasts when establishing the prospective component of the fuel rate, if doing so would provide material rate relief;
- (3) That the Commission direct DEC to meaningfully engage with stakeholders to identify long-term strategies that reduce customers' exposure to fuel price volatility moving forward; and
- (4) Such further relief as the Commission deems proper.

Respectfully submitted this 24th day of July 2023.

/s/ Thomas Gooding
Thomas Gooding
N.C. Bar No. 59314
tgooding@selcnc.org

Munashe Magarira
N.C. Bar No. 47904
mmagarira@selcnc.org

Southern Environmental Law Center
601 West Rosemary Street, Suite 220
Chapel Hill, N.C. 27516
Telephone: (919) 967-1450
Fax: (919) 929-9421

*Attorneys for the Southern Alliance for
Clean Energy*

CERTIFICATE OF SERVICE

I certify that all parties of record have been served with the foregoing Post-Hearing Brief either by electronic mail or by deposit in the U.S. Mail, postage prepaid.

This the 24th day of July 2023.

/s/ Thomas Gooding _____

Thomas Gooding
Associate Attorney

Southern Environmental Law Center
601 West Rosemary Street, Suite 220
Chapel Hill, NC 27516
Telephone: (919) 967-1450