

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-2, SUB 1250

In the Matter of: )
Application of Duke Energy Progress, )
LLC Pursuant to N.C. Gen. Stat. § 62- )
133.2 and Commission Rule R8-55 )
Relating to Fuel and Fuel-Related )
Charge Adjustments for Electric )
Utilities )

DIRECT TESTIMONY OF
JOHN A. ROSENKRANZ
ON BEHALF OF
THE SIERRA CLUB

1 I. INTRODUCTION AND QUALIFICATIONS

2 Q. Please state your name, position, and business address.

3 A. My name is John A. Rosenkranz. I am Principal with North Side Energy, LLC.
4 My business address is 56 Washington Drive, Acton, MA 01720.

5 Q. Please describe your professional background and experience.

6 A. I have more than 30 years of experience in the areas of natural gas supply
7 planning, utility regulation, and natural gas and electric project development. I
8 have been an independent consultant since 2006. Previously, I was responsible
9 for negotiating and managing long-term natural gas supply and transportation
10 contracts for power generation, and prepared market and rate studies for interstate
11 pipeline and natural gas storage projects. I received a BA degree in economics
12 from George Washington University, and completed all course and examination
13 requirements for a doctorate in economics at Northwestern University. My
14 Experience Statement is attached as Rosenkranz Exhibit 1.

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1 **Q. Have you previously testified before the North Carolina Utilities**  
2 **Commission?**

3 A. Yes. I submitted testimony in the most recent Duke Energy Carolinas, LLC  
4 (“DEC”) fuel and fuel-related cost proceeding, Docket No. E-7, Sub 1228.

5 **Q. Have you also testified before other state, provincial, or federal regulators?**

6 A. Yes, I have. I have testified before the Maine Public Utilities Commission, the  
7 New Hampshire Public Utilities Commission, the Massachusetts Department of  
8 Public Utilities, the Arizona Corporation Commission, and the Ontario Energy  
9 Board. I have also submitted testimony in proceedings before the New Jersey  
10 Board of Public Utilities and the Federal Energy Regulatory Commission  
11 (“FERC”).

12 **Q. Please describe your experience with natural gas supply for electricity**  
13 **generation.**

14 A. From 2000 to 2006, I was responsible for negotiating natural gas transportation  
15 and storage services agreements for new natural gas-fired generation facilities  
16 developed by Calpine Corporation in the U.S. and Canada. From 2006 to 2016,  
17 I advised the Ontario Power Authority on power generators’ proposals to contract  
18 for natural gas transportation and storage services that were eligible for cost  
19 reimbursement under electricity purchase contracts.

20 **Q. Please describe your recent experience with natural gas utility cost recovery**  
21 **proceedings.**

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1 A. Over the last decade, I have reviewed natural gas utility cost recovery filings as a  
2 consultant to the Maine Public Advocate and New Jersey Division of Rate  
3 Counsel.

4 **Q. On whose behalf are you sponsoring testimony in this proceeding?**

5 A. I am testifying on behalf of the Sierra Club.

6 **Q. What is the purpose of your testimony?**

7 A. The purpose of my testimony is to examine the natural gas supply costs that Duke  
8 Energy Progress, LLC (“DEP”) is seeking to recover in this proceeding.

9 **Q. Please summarize your findings and recommendations.**

10 A. Natural gas supply costs account for roughly 40 percent of DEP’s total fuel and  
11 fuel-related costs for the twelve months ending March 2020 (the “test period”).  
12 A significant portion of these natural gas costs are fixed charges associated with  
13 long-term contracts for firm transportation service on Transcontinental Gas Pipe  
14 Line (“Transco”). Because commitments to natural gas transportation and storage  
15 services affect the cost of natural gas for DEP generating plants, DEP should  
16 separate transportation and storage costs from natural gas purchase and hedging  
17 costs in its fuel cost reporting. In addition, future fuel and fuel-related cost  
18 applications should include testimony describing the changes that were made to  
19 natural gas transportation and storage services since the previous filing.

20 **Q. Please explain how your testimony is organized.**

21 A. Section II describes the natural gas supply costs that DEP seeks to recover  
22 through the fuel cost adjustment. Section III describes the long-term

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1 transportation contracts that DEP and DEC hold on Transco, and explains why  
2 these contracts may not be needed. Section IV presents my findings and  
3 recommendations.

4 **II. ANNUAL FUEL CHARGE ADJUSTMENT**

5 **Q. What is the purpose of the annual fuel charge adjustment?**

6 A. North Carolina electric public utilities that use fossil fuels to generate electricity  
7 for retail electric service are permitted to adjust their rates each year to reflect  
8 changes in the cost of fuel and fuel-related costs. The fuel cost adjustment is  
9 based on the projected costs for the billing period, and actual costs that were over-  
10 recovered or under-recovered during the test period. The utility has the burden of  
11 proof to show that test period costs were reasonable and prudently incurred.

12 **Q. What are the fuel and fuel-related costs?**

13 A. N.C. Gen. Stat. § 62-133.2 and Commission Rule R8-55 define “cost of fuel and  
14 fuel-related costs” to mean the cost of fuel burned and the cost of fuel  
15 transportation, adjusted for any net gains or losses from sales of fuel and other  
16 fuel-related costs components.

17 **Q. What information are utilities required to include with the fuel cost filings?**

18 A. Commission Rule R8-55(e) defines the minimum information and data  
19 requirements for the annual fuel cost adjustment application. This information  
20 includes:

- 21 • Procurement practices and inventories for fuel burned;
- 22 • The cost of fuel burned;

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- 1 • Net gains or losses resulting from sales of fuel or other fuel-related costs
- 2 components; and
- 3 • The monthly fuel report for the last month in the test period and
- 4 information required by Rule R8-52 which has not already been filed.

5 Commission Rule R8-52 requires electric utilities to file a Monthly Fuel Report  
6 that includes:

- 7 • Details of cost of fuel burned;
- 8 • Details of cost of fuel transportation;
- 9 • Details of fuel consumption and inventories; and
- 10 • Details of net gains or losses resulting from sales of fuel or other fuel-
- 11 related costs components.

12 **Q. What costs does DEP propose to recover in the fuel charge adjustment?**

13 A. In its June 9, 2020 application, DEP seeks to recover \$1,547 million of fuel and  
14 fuel-related costs for the 2019-20 test period. Natural gas supply costs amounted  
15 to \$623 million, or 40 percent of the total.<sup>1</sup> The test period natural gas costs  
16 include approximately [REDACTED] for natural gas commodity purchases, [REDACTED]  
17 [REDACTED] for transportation and storage services, and a [REDACTED] reduction for  
18 natural gas that was resold.<sup>2</sup>

19 **Q. How do the Duke Energy utilities manage natural gas supplies for their**  
20 **North Carolina and South Carolina plants?**

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<sup>1</sup> *Direct Testimony of Dana Harrington*, Docket No. E-2, Sub 1250 (June 9, 2020) at Exhibit 6, Report 1, page 2.

<sup>2</sup> Duke Energy Progress Confidential Response to Sierra Club Data Request 1-11 (Rosenkranz Confidential Exhibit 1).

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1 A. Under the “Asset Management and Delivered Supply Agreement” that went into  
2 effect in 2013, DEC, as asset manager, procures and manages natural gas supplies  
3 for both itself and DEP. Natural gas costs are allocated between the two  
4 companies based on actual natural gas use.

5 **III. NATURAL GAS TRANSPORTATION SERVICES**

6 **Q. How is natural gas delivered to the DEP generating plants?**

7 A. In most cases DEP has transportation service contracts with the local distribution  
8 companies (“LDCs”) that are connected to the plants. The LDCs deliver gas from  
9 their interconnections with upstream transmission pipelines (often called “city  
10 gates”) to the DEP generating plants.

11 **Q. Do DEP and DEC also hold long-term contracts for interstate transportation  
12 services?**

13 A. Yes. Transco is the principal interstate pipeline supplying natural gas to the North  
14 Carolina and South Carolina markets. DEP and DEC hold long-term contracts  
15 with Transco for 434,450 MMBtu/day of firm natural gas transportation service  
16 (Table 1).<sup>3</sup> During the test period, the fixed charges for these long-term contracts  
17 amounted to [REDACTED], of which [REDACTED] was allocated to DEP.<sup>4</sup>

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<sup>3</sup> Natural gas quantities are shown as million British Thermal Units (MMBtu) and billion Btu (BBtu).

<sup>4</sup> Duke Energy Progress Confidential Response to Sierra Club Data Request 1-8 (Rosenkranz Confidential Exhibit 2).

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1 **Table 1: Transco Long-Term Transportation Contracts<sup>5</sup>**

	Contract Holder	Contract Number	Quantity (MMBtu/day)	Start Date	Expiration Date
1	DEP	1040264	75,000	5/1/2002	4/30/2022
2	DEP	9100023	115,000	5/1/2011	4/30/2031
3	DEP	9128023	93,000	9/12/2012	9/11/2032
4	DEC	9109922	60,000	5/1/2011	4/30/2031
5	DEC	9139583	16,560	7/1/2013	10/31/2017
6	DEC	9172961	75,000	3/1/2016	1/31/2023
7		Total	434,560		

2

3 **Q. Please describe the Transco contracts.**

4 A. Most of the Transco capacity that DEP and DEC hold under long-term contracts  
5 came from pipeline expansion projects that were completed between 2002 and  
6 2013. In order to receive approval to build new facilities, pipeline developers  
7 need to demonstrate to the FERC that the project has support from the market.  
8 Pipeline developers typically do this by getting customers to commit to long-term  
9 contracts. DEP and DEC entered into several transportation contracts with  
10 Transco for initial terms of 20 years. For DEP, these contracts start to expire in  
11 2022.

12 Because of their vintage, all of these Transco long-term contracts have south-to-  
13 north transportation paths. In most cases, the primary receipt point is Transco  
14 Station 85, which is located near the Mississippi-Alabama border. More recent  
15 Transco expansions have north-to-south paths, to transport Marcellus shale gas  
16 produced in Pennsylvania to markets in the southeast U.S.

17 **Q. Do DEP and DEC have other long-term contracts with interstate pipelines?**

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<sup>5</sup> Transco Index of Customers Report, at <http://www.1line.williams.com/Transco/index.html>.

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1 A. Yes. In addition to the Transco agreements, DEP holds capacity on the East  
2 Tennessee Natural Gas pipeline, which provides access to Saltville Gas Storage.  
3 DEC also holds contracts with Panhandle Eastern and Trunkline Gas that is tied to  
4 biogas supply.

5 **Q. Do long-term contracts for natural gas transportation service create risks for**  
6 **utility customers?**

7 A. Yes. Interstate pipeline contracts generally require the contract holder (the  
8 “shipper”) to pay a fixed monthly reservation charge over the term of the  
9 agreement, whether the contract is actually used to transport natural gas or not. If  
10 the value of the pipeline capacity falls, either because the market price of natural  
11 gas at the receipt point(s) listed in the natural gas transportation agreement  
12 declines relative to the market price at the delivery point(s), or because there is an  
13 increase in the rates charged by the pipeline, the cost of the pipeline capacity may  
14 exceed the cost savings obtained from buying natural gas at an upstream location.

15 **Q. Are these long-term contracts for natural gas transportation service still**  
16 **needed?**

17 A. Perhaps not. There are several indicators that suggest that DEP and DEC may be  
18 holding long-term contracts for interstate transportation service that is no longer  
19 needed, and that additional upstream pipeline capacity will not be needed in the  
20 future.

21 **Q. Please explain.**

22 First, transportation capacity on interstate natural gas pipelines is traded in  
23 capacity release markets operated by the pipelines under FERC rules. Shippers

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1 with contracts for transportation services that they do not currently need can resell  
2 the capacity to shippers that have use for the capacity.

3 DEC, on behalf of itself and DEP, currently obtains Transco capacity using short-  
4 term capacity release transactions, without having to enter into additional long-  
5 term contracts with the pipeline. During the 2019-20 test period, DEC contracted  
6 for 70,000 MMBtu/day of additional Transco firm transportation service during  
7 the summer months and 18,779 MMBtu/day during the winter.<sup>6</sup> For the 2020-21  
8 test period, the amount of Transco firm transportation service acquired through  
9 short-term capacity releases increased to [REDACTED] MMBtu/day in the summer and  
10 [REDACTED] MMBtu/day in the winter.<sup>7</sup>

11 Second, because natural gas producers and marketers transport their own natural  
12 gas to markets on the Transco pipeline system, DEC is able to buy “delivered”  
13 natural gas at LDC city gates in North Carolina and South Carolina. For example,  
14 in [REDACTED] DEC issued a Request for Proposals for firm natural gas supply  
15 with delivery at [REDACTED]<sup>8</sup> In all,  
16 about half of the natural gas that DEC purchased for DEP and DEC plants during  
17 the test period was delivered to LDC city gates by third parties, without using  
18 upstream pipeline capacity under contract to DEP or DEC.<sup>9</sup> With an active  
19 market for natural gas at the Transco delivery points that serve their plants, DEP

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<sup>6</sup> Duke Energy Carolinas Response to Sierra Club Data Request 1-3 (Rosenkranz Exhibit 2).

<sup>7</sup> Duke Energy Carolinas Confidential Response to Sierra Club Data Request 1-10 (Rosenkranz Confidential Exhibit 3).

<sup>8</sup> Duke Energy Carolinas Confidential Response to Sierra Club Data Request 1-1 (Rosenkranz Confidential Exhibit 4).

<sup>9</sup> Rosenkranz Exhibit 2.

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1 and DEC have less need to contract for pipeline transportation services in order to  
2 buy natural gas at upstream locations.

3 Finally, natural gas use at DEP plants has been declining. DEP purchased  
4 166,567.4 BBtu of natural gas during the 2019-20 test period, which is nine  
5 percent less than the 182,376.6 BBtu purchased during the previous year.<sup>10</sup> For  
6 the 2020-21 billing period, DEP forecasts a further reduction in natural gas use to  
7 135,000 BBtu.<sup>11</sup>

8 **IV. FINDINGS AND RECOMMENDATIONS**

9 **Q. What are the results of your review of DEP natural gas supply costs?**

10 A. Natural gas supply costs account for approximately 40 percent of DEP's total fuel  
11 and fuel-related costs for the test period. A significant portion of these costs are  
12 fixed charges associated with long-term contracts that DEP and DEC have entered  
13 into for firm pipeline transportation services. Based on information DEP has  
14 provided, it is not certain that all of this pipeline capacity will continue to be  
15 needed to supply natural gas to DEP and DEC plants.

16 **Q. What are your recommendations?**

17 A. DEP has the obligation to show that test period natural gas supply costs were  
18 reasonable and prudently incurred. DEP must demonstrate that the gas supply  
19 resources under contract were necessary to obtain a reliable supply fuel for  
20 electricity generation at a reasonable cost, and that gas supply resources were  
21 prudently managed to reduce the costs charged to electricity customers. To make

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<sup>10</sup> *Direct Testimony of Brett Phipps*, Docket No. E-2, Sub 1250 (June 9, 2020) at Exhibit 2, p. 2.

<sup>11</sup> *Phipps Testimony* at p. 5, lines 16-18.

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1 this demonstration, DEP should augment the annual fuel adjustment application to  
2 include the following information:

3 1. DEP should report natural gas purchase and hedging costs separately from  
4 transportation and storage costs for natural gas in the Monthly Fuel Report  
5 and the annual fuel and fuel-related cost filing. This will allow natural gas  
6 purchase costs to be compared to published natural gas price indexes, and will  
7 show the impact that natural gas transportation and storage charges have on  
8 the delivered cost of natural gas.<sup>12</sup>

9 2. DEP should include a table listing all natural gas transportation and storage  
10 contracts held by DEP or DEC that were in effect during the test period. For  
11 each transportation agreement, DEP should identify the contract holder, the  
12 transporter, contract number, rate schedule, contract quantity, daily quantity  
13 entitlement at each receipt point, daily quantity entitlement at each delivery  
14 point, contract start date, and contract expiration date. This will identify the  
15 natural gas supply resources that are currently available, and the duration of  
16 existing commitments to pipeline and storage services.

17 3. Future DEP fuel and fuel-related cost applications should be supported with  
18 testimony and exhibits that document and explain the changes to long-term  
19 commitments for natural gas transportation and storage services that occurred  
20 since the previous annual filing. This testimony should include a description  
21 of new service agreements or precedent agreements that DEP or DEC entered

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<sup>12</sup> DEP currently breaks out transportation costs for coal (see *Harrington Testimony* at Exhibit 6, Report 1, page 12), but not for natural gas.

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1           into for transportation or storage capacity, as well as any actions taken to  
2           terminate or extend existing agreements. This information will help the  
3           Commission and other interested parties understand how DEP and DEC are  
4           managing the fuel and fuel-related costs that will be paid by customers.

5   **Q.   Do you have recommendations as to natural gas supply costs that the**  
6   **Commission should disallow?**

7   A.   No, not at this time.

8   **Q.   Does this complete your testimony?**

9   A.   Yes, it does.

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CERTIFICATE OF SERVICE

I certify that the parties of record on the service list have been served with the Direct Testimony of John A. Rosenkranz – *Public Version* on behalf of the Sierra Club either by electronic mail or by deposit in the U.S. Mail, postage prepaid.

This the 27<sup>th</sup> day of August, 2020.

s/ Tirrill Moore  
Tirrill Moore

**JOHN A. ROSENKRANZ**

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**PROFESSIONAL EXPERIENCE**

**North Side Energy, LLC, Acton, MA** 2006 – Present  
**PRINCIPAL**

Consultant to energy companies, government agencies and natural gas consumers. Project areas include:

- Gas distribution company resource planning and procurement practices.
- Fuel supply for power generation and electric-gas interface issues.
- Natural gas transmission and storage cost allocation.
- Market studies and avoided cost analysis.

**Calpine Corporation, Boston, MA** 2000 – 2006  
**DIRECTOR, GAS ORIGINATION**

Developed and implemented fuel supply plans for gas-fired power plants in the Northeast U.S. and Eastern Canada. Negotiated and managed contracts with natural gas suppliers and transporters.

- Testified on the availability of natural gas supply and pipeline delivery capacity to support the permitting of a gas-fired power plant in the Midwest.
- Supported arbitration cases to enforce long-term natural gas contracts.

**PG&E Gas Transmission, Boston, MA and Portland, OR** 1997 – 1999  
**DIRECTOR, BUSINESS DEVELOPMENT**

Identified and managed development projects and investment opportunities involving natural gas pipelines, underground storage and LNG peaking plants.

- Project manager for a natural gas storage feasibility study in the Pacific Northwest.
- Owner representative and management committee member for the Iroquois Gas Transmission System and Portland Natural Gas Transmission System partnerships.

**MANAGER, PROJECT DEVELOPMENT – J. Makowski Company, Boston, MA** 1992 – 1997  
Supervised a team that provided project management and marketing support for natural gas pipeline and storage projects. Conducted regional gas market studies for internal projects and outside clients.

**VICE PRESIDENT - EnerPro, Inc., Chicago, IL** 1990 – 1992  
Consultant to gas distribution companies. Helped clients define gas portfolio objectives, draft requests for proposals, evaluate suppliers, and negotiate long-term gas purchase contracts.

**MANAGER, GAS MODELING GROUP - Planmetrics, Inc., Chicago, IL** 1986 – 1990  
Provided consulting support to gas distribution companies on gas dispatch modeling and cost forecasts.

**ADVISORY ECONOMIST - Chicago Board of Trade, Chicago, IL** 1983 – 1986  
Researched commodity markets for futures and options trading potential. Prepared a natural gas futures trading proposal that was submitted to the Commodity Futures Trading Commission.

## EDUCATION

**Graduate study in Economics** - Northwestern University, Evanston, IL  
Completed all course and examination requirements for Ph.D.

**Bachelor of Arts, Economics** - George Washington University, Washington, DC

## RECENT REGULATORY PROCEEDINGS

### *Natural Gas Supply Planning and Cost of Gas*

#### National Grid Denial of Service Investigation

Case #: New York Public Service Commission Case 19-G-0678

Client: Eastern Environmental Law Center

Scope: Comments on National Grid Long-Term Capacity Report

#### Liberty Utilities (EnergyNorth) Proposed Transportation Agreement with Tennessee Gas Pipeline

Case #: New Hampshire PUC Docket 14-380

Client: Pipe Line Awareness Network for the Northeast, Inc.

Scope: Testimony on alternatives to a proposed long-term pipeline transportation contract.

#### Liberty Utilities (EnergyNorth) Granite Bridge Project

Case #: New Hampshire PUC Docket 17-198

Client: Pipe Line Awareness Network for the Northeast, Inc.

Scope: Testimony on proposed intrastate pipeline and LNG peaking facility.

#### Berkshire Gas Company 2016 Integrated Resource Plan

Case#: Massachusetts DPU Docket 16-103

Client: Town of Montague

Scope: Testimony on alternatives for ending moratorium on new gas service.

#### Berkshire Gas Company Long Term Contract Approval

Case#: Massachusetts DPU Docket 15-178

Client: Town of Montague

Scope: Testimony on alternatives to a proposed long-term gas transportation contract.

#### Bangor Natural Gas Company Request for Contract Approvals

Case#: Maine PUC Docket 2019-00105

Client: Maine Public Advocate

Scope: Testimony on proposed long-term gas transportation contracts.

#### Northern Utilities, Inc. Integrated Resource Plans

Case #: Maine PUC Dockets 2015-00018 and 2011-00526

Client: Maine Public Advocate

Scope: Prepare discovery requests and participate in technical conferences.

#### Northern Utilities, Inc. Cost of Gas Factor Cases

Case #: Annual, 2012 to present.

Client: Maine Public Advocate

Scope: Review cost of gas filings. Prepare discovery requests and participate in technical conferences.

South Jersey Gas Company Basic Gas Supply Service Reviews

Case #: Annual. 2013 to present

Client: New Jersey Division of Rate Counsel

Scope: Draft discovery requests, prepare written report, and support settlement negotiations.

Elizabethtown Gas Capacity Management Plan

Case#: New Jersey BPU Docket GO13040272

Client: New Jersey Division of Rate Counsel

Scope: Prepare discovery requests and participate in settlement negotiations.

*Cost Allocation and Rates*

Union Gas 2014 Rate Case

Case #: Ontario Energy Board Case EB-2013-0365

Client: Canadian Manufacturers & Exporters and other consumer groups

Scope: Testimony recommending changes to the allocation of transmission costs.

Northern Utilities Approval of Affiliated Interest Transaction

Case #: Maine PUC Dockets 2011-00302, 2012-00393, and 2013-00259

Client: Maine Public Advocate

Scope: Review proposed contract with pipeline affiliate. Examine rate implications for sales customers.

Granite State Gas Transmission, Inc. Rate Case

Case #: FERC Docket No. RP10-896

Clients: Maine Public Advocate and MPUC Staff

Scope: Review rate case application. Participate in settlement negotiations.

Maritimes & Northeast Rate Case

Case #: FERC Docket No. RP04-360

Client: Calpine Corporation

Scope: Testimony on distance-based rates.

*Natural Gas Markets*

Merger of The Southern Company and AGL Resources, Inc.

Case #: New Jersey BPU Docket GM15101196

Client: New Jersey Division of Rate Counsel

Scope: Testimony on potential affiliate preference in asset management arrangement.

Union Gas 2016 Dawn Parkway Expansion Project

Case #: Ontario Energy Board Case EB-2014-0261

Client: Canadian Manufacturers & Exporters and other consumer groups

Scope: Testimony on market developments that may reduce Northeast U.S. companies' demand for Canadian gas transportation services.

Ontario Natural Gas Market Review

Case #: Ontario Energy Board Cases EB-2014-0289 and EB-2010-0199

Client: Canadian Manufacturers & Exporters and other consumer groups

Scope: Written and oral submissions on natural gas market issues.

Enbridge Gas Distribution GTA Project

Case #: Ontario Energy Board Case EB-2012-0451

Client: Green Energy Coalition

Scope: Prepare discovery requests on the need for a proposed expansion project.

Portland Natural Gas Transmission System Rate Case

Case #: FERC Docket RP10-729

Client: Maine Public Advocate

Scope: Rebuttal testimony on the market risks faced by the pipeline.

*Natural Gas for Power Generation*

Duke Energy Carolinas Fuel Charge Adjustment

Case #: North Carolina Utilities Commission Docket E-7, Sub 1228

Client: Sierra Club

Scope: Testimony on reporting requirements for natural gas supply costs.

New Jersey Natural Gas Service Agreement for Red Oak Power

Case #: New Jersey BPU Docket GO13010059

Client: New Jersey Division of Rate Counsel

Scope: Prepare discovery requests and participate in settlement negotiations.

Ontario Integrated Power System Plan

Case #: OEB Case EB-2007-0707

Client: Ontario Power Authority

Scope: Report on the implications of increased gas-fired power generation for the Ontario gas market.

Natural Gas Electricity Interface Review

Case #: OEB Case EB-2005-0551

Client: Association of Power Producers of Ontario

Scope: Written evidence on power generators' gas service needs. Expert witness at hearing.

Greenfield Energy Centre Leave to Construct

Case#: Ontario Energy Board Case EB-2005-0441

Client: Greenfield Energy Centre

Scope: Witness supporting application to construct a gas supply pipeline.

*Rulemakings*

Storage and Transportation Access Rules

Case #: Ontario Energy Board Case EB-2008-0052

Client: Ontario Energy Board Staff

Scope: Report on transporter and storage operator conduct and reporting requirements in other jurisdictions. Assist in drafting proposed rules and reviewing intervenor comments.

Guidelines for Pre-Approval of Long-Term Gas Supply Contracts

Case #: Ontario Energy Board Case EB-2008-0280

Client: Ontario Energy Board Staff

Scope: Assist Board Staff in evaluating policy options.

**Duke Energy Progress, LLC**  
**Docket No. E-2, Sub 1250**  
**Fuel and Fuel-Related Cost Proceeding**  
**Test Year Ended December 31, 2019**  
**SIERRA CLUB Data Request No. 1-3**  
**Date Sent: 8/20/2020**  
**Requested Due Date: 8/20/2020**

**REQUEST:**

Reference: Phipps Exhibit 2, page 2. For each month of the test period, please break out the total gas purchase quantity in Exhibit 2 to show:

- a) the gas quantity that was transported to plants using a Duke Energy Carolinas or Duke Energy Progress long term firm transportation agreement,
- b) the gas quantity that was transported to plants using a shorter term pipeline capacity purchase, and
- c) the gas quantity that was delivered to interstate pipeline delivery point by the gas seller.

**RESPONSE:**

DR 1-3 requests information that is not reasonably available as it relates to tying the gas purchase quantity in Exhibit 2 to (a) the gas quantity that was transported to plants using a Duke Energy Carolinas or Duke Energy Progress long term firm transportation agreement, (b) the gas quantity that was transported to plants using a shorter term pipeline capacity purchase, and (c) the gas quantity that was delivered to plants by the gas seller.

Please see the attached Excel file showing the total natural gas purchases by month as well as the total 3rd party delivered natural gas purchases together with the daily firm long term and short term capacity available by month to transport non-3rd party delivered gas supply to the Transco Duke VAD.



2020 DEP NC SC DR  
1-3 NG Purchases\_Av

Response provided by:  
Tiffany Weir, Manager Regulatory Strategy

**Duke Energy Progress, LLC****Sierra Club 1-3 - Total gas purchase quantity, 3rd party delivered gas & available transportation capacity****Test Period: 4/1/19-3/31/20**

Note: E-2 Sub 1250- 2020 DEP NC Fuel - Phipps Exhibit 2 presents gas receipts by DEP Generating Stations only, excluding receipts by DEC Generation Stations and DEC tolling facilities as they are outside the scope of the DEP fuel proceeding and DEP tolling facilities as they are reviewed as purchased power expense. The following is a breakout of actual gas purchases for the test period 4/1/19-3/31/2020. DEC is the face to the market and purchases natural gas supply and transportation for both DEC and DEP on a combined basis. Given this, the purchased and available transportation capacity below are for DEC and DEP combined, including purchases necessary to support the generation output of the DEC and DEP tolling facilities. Costs and volumes are allocated based on actual burns according to the NCUC AMA approved methodology. The exception to this are gas purchase contracts for NC REPS requirements. The Seaboard Energy biogas contract was put in place to supply DEC and the Optima KV and Optima TH biogas contracts were put in place to supply DEP only.

	<b>Total Monthly Purchases (Mbtu/Month)</b>	<b>Monthly 3rd Party Deliveries to Duke VAD (Mbtu/Month)</b>	<b>Contracted Long Term Transportation Capacity (Mbtu/day)</b>	<b>Contracted Short Term Transportation Capacity (Mbtu/day)</b>	<b>Total Capacity (Mbtu/day)</b>
Apr-19	21,521,450	9,048,041	434,560	30,000	464,560
May-19	22,851,291	8,867,692	434,560	70,000	504,560
Jun-19	25,207,732	11,786,761	434,560	70,000	504,560
Jul-19	29,036,804	15,660,366	434,560	70,000	504,560
Aug-19	29,523,737	15,105,607	434,560	70,000	504,560
Sep-19	28,945,719	15,303,090	434,560	70,000	504,560
Oct-19	25,758,461	10,991,992	434,560	30,000	464,560
Nov-19	23,074,372	10,120,869	434,560	18,779	453,339
Dec-19	25,678,758	12,795,044	434,560	18,779	453,339
Jan-20	29,721,760	14,220,527	434,560	18,779	453,339
Feb-20	29,480,333	15,049,549	434,560	18,779	453,339
Mar-20	27,434,144	12,383,871	434,560	18,779	453,339

**ROSENKRANZ CONFIDENTIAL EXHIBIT ONE IS FILED AS CONFIDENTIAL**

**ROSENKRANZ CONFIDENTIAL EXHIBIT TWO IS FILED AS CONFIDENTIAL**

**ROSENKRANZ CONFIDENTIAL EXHIBIT THREE IS FILED AS CONFIDENTIAL**

**ROSENKRANZ CONFIDENTIAL EXHIBIT FOUR IS FILED AS CONFIDENTIAL**