PLACE: Dobbs Building, Raleigh, North Carolina

DATE: Monday, October 30, 2023

TIME: 1:01 p.m. - 4:15 p.m.

DOCKET: E-7, Sub 1134 and E-7, Sub 1276

BEFORE: Commissioner Kimberly W. Duffley, Presiding

Chair Charlotte A. Mitchell

Commissioner ToNola D. Brown-Bland

Commissioner Jeffrey A. Hughes

Commissioner Floyd B. McKissick, Jr.

Commissioner Karen M. Kemerait

IN THE MATTER OF:

Duke Energy Carolinas, LLC

Application for Approval to Construct a 402 MW Natural Gas-Fired Combustion Turbine Electric Generating Facility in Lincoln County

and

Application for Adjustment of Rates and Charges Applicable to Electric Service in North Carolina and for Performance-Based Regulation

VOLUME 17

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T A B L E O F C O N T E N T S

E X A M I N A T I O N S

E X H I B I T S

	IDENTIFIED/ADMITTED
Supplemental Revenue Requirement ..... Stipulation, filed October 13, 2023	-/20
Q. Bowman Supplemental Revenue .... Requirement Stipulation Exhibits 1 and 2	21/21
DEC Late-Filed Exhibits 1 through 6...	-/27
Public Staff Supplemental and .... Settlement Accounting Exhibits 1 through 3 (Confidential - filed under seal)	35/35
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Williamson Corrected Supplemental .... Exhibits 1 and 2	53/140
CIGFUR III Williamson Supplemental ... Cross Exhibit 1	60/138
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NC League of Municipalities .... Williamson Supplemental Cross Exhibit 1	89/139
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P R O C E E D I N G S

COMMISSIONER DUFFLEY: Good afternoon. Let's please come to order.

I am Commissioner Kimberly W. Duffley of the North Carolina Utilities Commission. With me this afternoon are Chair Charlotte A. Mitchell and Commissioners ToNola D. Brown-Bland, Jeffrey A. Hughes, Floyd B. McKissick, Jr. and Karen M. Kemerait.

I now call for Hearing Docket Number E-7, Sub 1276, which is the Application of Duke Energy Carolinas, LLC or DEC for Adjustment of Rates and Charges Applicable to Electric Service in North Carolina and Performance-Based Regulation.

And Docket Number E-7, Sub 1134, which concerns DEC's Petition to Amend its Certificate of Public Convenience and Necessity for a 204 Megawatt Combustion Turbine at its Existing Lincoln County CT site in Lincoln County, North Carolina.

The Commission consolidated Docket Number E-7, Sub 1134 with DEC's rate adjustment proceeding by Order, dated July 11, 2023.

On March 16, 2023, the Commission issued an Order ordering, among other things, the direct testimony and exhibits of Intervenors and the Public Staff shall be filed on or before Wednesday, July 19, 2023.

On July 19, 2023, consistent with the scheduling Order, the Public Staff, along with certain intervening parties, prefiled expert witness testimony and exhibits.

On August 1, 2023, the Public Staff filed a letter with the Commission stating that it was undertaking its investigation an audit of DEC's May 2023 and June 2023 updates as expeditiously as possible.

However, the letter further explained that DEC's May 2023 and June 2023 updates comprise $350 million and $750 million of capital spend respectively, for a total capital spend of $1.1 billion for those two months.

The letter continued, the magnitude of this spend requires thorough diligence on the part of the Public Staff. Therefore, the Public Staff anticipates filing its supplemental testimony on the Company's May 2023 and June 2023 updates after the start of the hearing, which is scheduled to begin on Monday, August 28, 2023.

Beginning on August 28, 2023, and continuing until September 5, 2023, the Commission conducted a hearing for the purpose of receiving expert witness testimony regarding the aforementioned proceedings.

During the hearing on August 29, 2023, counsel for the Public Staff advised the Commission of its intent to file supplemental testimony pertaining to its investigation of DEC's May and June update filings by October 13, 2023.

At the close of the evidentiary hearing on September 5, 2023, I, as Presiding Commissioner, stated the record would be held open for the purpose of receiving the late-filed exhibits requested by the Commissioners and the supplemental testimony and exhibits of the Public Staff on DEC's May and June updates.

DEC filed its late-filed Exhibits 1 through 6 between August 30 and October 20, 2023. On October 13, 2023, the Public Staff filed its late-filed Exhibits 1 and 2.

On October 11, 2023, multiple parties to this proceeding, including DEC, the Public Staff and the Carolina Industrial Group for Fair Utility Rates III or CIGFUR III or CIGFUR filed post-hearing posed Orders and briefs, as they had been requested to do at the close of the expert witness hearing on September 5, 2023.

On October 13, 2023, following the completion of the Public Staff's audit of DEC's May and June updates, the Public Staff filed the joint supplemental and settlement testimony and exhibits of witnesses Michelle Boswell, Fenge Zhang and Dustin R. Metz, as well as the supplemental testimony and exhibits of witness David M. Williamson.

Also on October 13, 2023, DEC filed a supplemental revenue requirement stipulation between it and the Public Staff, as well as the second supplemental settlement testimony and exhibits of witness Quynh P. Bowman.

On October 17, 2023, Intervenors Blue Ridge EMC, Haywood EMC, Piedmont EMC and Rutherford EMC, collectively Blue Ridge, and CIGFUR III filed a joint motion to strike and request for procedural relief, which requested that the Commission strike the supplemental testimony and exhibits of Public Staff Williamson, or, in the alternative, that the Commission allow discovery on the testimony and opportunity to present rebuttal testimony, to reconvene the expert witness testimony to allow for cross examination of Witness Williamson and to supplement previously-filed proposed Orders and briefs.

To date no party has objected to the Public Staff's other supplemental testimony and exhibits. Also, no party has objected to DEC's October 13, 2023, settlement filings.

On October 18, 2023, the Carolina Utility Customers Association, or CUCA, filed comments in support of the motion to strike.

On October 19, 2023, the Public Staff filed comments in opposition to the motion to strike. Also on October 19 DEC filed a request for leave to file supplemental rebuttal testimony responsive to Witness Williamson's supplemental testimony and exhibits.

On October 20, 2023, the Public Staff

filed an errata sheet and corrected supplemental exhibits of Witness Williamson.

On October 23, 2023, the Commission issued an Order denying the motion to strike and reconvening this hearing for the purpose of allowing for the cross examination of Witness Williamson on his supplemental testimony and exhibits and providing leave for DEC to file supplemental rebuttal testimony, responsive to Witness Williamson's supplemental testimony and exhibits.

On October 23, 2023, Blue Ridge and CIGFUR III filed a second joint motion to strike and request for relief, which the Commission denied by Order, dated October 24, 2023.

On October 24, 2023, consistent with the Commission's directive, DEC filed the supplemental rebuttal testimony of Witnesses Jonathan L. Byrd and Morgan D. Beveridge.

On October 26, 2023, pursuant to the Commission's October 24, 2023, directive, the Public Staff filed Witness Williamson's original prefiled supplemental testimony, corrected supplemental exhibits and errata.

On October 26, 2023, DEC filed corrected supplemental rebuttal testimony of Witnesses Byrd and Beveridge.

Pursuant to the State Government Ethics Act I remind all members of the Commission of our duty to avoid conflicts of interest and inquire at this time if any member of the Commission has a known conflict of interest with respect to the matters coming before us this afternoon?

(No audible response was given.)

COMMISSIONER DUFFLEY: Let the record reflect that no conflicts have been identified. So we will proceed.

Also, one Commissioner is not present this afternoon. Are there any objections to that Commissioner reading into the record, reading the transcript?

MR. JIRAK: No objections from DEC.

MR. FELLING: No objections from the Public Staff.

MR. SNOWDEN: No objections from the League of -- League of Municipalities.

MR. TYNAN: No objection from CUCA.

MS. CRESS: No objection from

CIGFUR III or Blue Ridge, et al.

COMMISSIONER DUFFLEY: Okay. Let the record reflect no objections have been identified. So we will proceed.

The Commission would like to start the Public Staff's presentation of Witness Williams [sic]. So we'll begin in that manner.

Before we begin, are there any preliminary matters that we need to address?

MR. JIRAK: Yes. Presiding Commissioner Duffley, DEC does have three preliminary matters, if this would be the appropriate time for those.

COMMISSIONER DUFFLEY: It would. Please, proceed.

MR. JIRAK: Thank you very much.

Commissioner Duffley, at this time I would like to formally request that the Company's Supplemental Revenue Requirement Stipulation, reached between the Company and Public Staff, and filed on October 13, 2023, be entered into the record at the appropriate time.

COMMISSIONER DUFFLEY: Okay. This is the appropriate time. Without objection the supplemental revenue requirement stipulation, filed on October 13, 2023, consisting of ten pages is entered into the record.

MR. JIRAK: Thank you very much.

(Supplemental Revenue Requirement Stipulation, filed on October 13, 2023, was admitted into evidence.)

MR. JIRAK: Now turn to the supplemental settlement testimony and exhibits of Witness Quynh Bowman. Ms. Bowman filed six pages of prefiled testimony and two exhibits that were filed in this Docket October 13, 2023.

The Company has polled all parties, and no party objects to her -- the entry of her prefiled testimony into the record.

And so at this time the Company would move that her testimony be entered into the record at the appropriate time.

COMMISSIONER DUFFLEY: Okay. Without objection the second supplemental settlement testimony and exhibits of Q. Bowman, filed on October 13, 2023, consisting of six pages, shall be copied into the record as if given orally from the stand, and the two exhibits will be marked for identification as they were prefiled and shall be admitted into the record.

(Q. Bowman Supplemental Revenue Requirement Stipulation Exhibits 1 and 2 were identified as they were marked when prefiled and admitted into evidence.)

(Whereupon, the Prefiled Second Supplemental Settlement Testimony of QUYNH PHAM BOWMAN was copied into the record as if given orally from the stand.)

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND CURRENT POSITION.

A. My name is Quynh Pham Bowman, and my business address is 525 South Tryon Street, Charlotte, North Carolina 28202. I have been temporarily assigned to support this rate proceeding for Duke Energy Carolinas, LLC ("DEC" or the "Company") as the revenue requirement witness.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS DOCKET?

A. Yes. I filed direct testimony and exhibits on January 19, 2023, supplemental direct testimony and exhibits on May 19, 2023, second supplemental testimony and exhibits on June 19, 2023, and third supplemental direct testimony on July 18, 2023. I also filed rebuttal testimony and exhibits on August 4, 2023. On August 24, 2023, I filed settlement testimony and exhibits in support of the Agreement and Stipulation of Partial Settlement between the Company and the Public Staff, and on August 28, 2023, I filed supplemental settlement testimony and exhibits in support of the Amended Agreement and Stipulation of Partial Settlement between the Company and the Public Staff (as so amended, the "Revenue Requirement Stipulation").

Q. WHAT IS THE PURPOSE OF YOUR SECOND SUPPLEMENTAL SETTLEMENT TESTIMONY?

A. On October 13, 2023, the Public Staff and the Company executed and filed the Supplemental Agreement and Stipulation of Settlement regarding the

Company's May and June Supplemental Updates ("Supplemental Revenue Requirement Stipulation"). The purpose of my testimony is to support updated exhibits reflecting the terms of the Supplemental Revenue Requirement Stipulation.

Q. PLEASE COMMENT GENERALLY ON THE CHANGES AGREED TO THROUGH THE SUPPLEMENTAL REVENUE REQUIREMENT STIPULATION.

A. The Revenue Requirement Stipulation specified that it "does not prevent the Public Staff from completing its audit of DEC's Second and Third Supplemental Updates filed in this docket or making proposed adjustments to the updated revenue requirements based on such audit, which will be presented in the Public Staff's Supplemental Testimony to be filed in this docket." The Public Staff has now completed its audit of all supplemental filings, and the Public Staff and DEC agreed to additional adjustments identified in the Supplemental Revenue Requirement Stipulation as full resolution of such audit (with the continuing exception of the Unresolved Issues previously identified in the Revenue Requirement Stipulation).

Q. DOES YOUR SECOND SUPPLEMENTAL SETTLEMENT TESTIMONY INCLUDE ANY EXHIBITS?

A. Yes. I have included two exhibits. Q. Bowman Supplemental Revenue Requirement Stipulation Exhibit 1 presents the impact of the updates to the traditional revenue requirement and the incremental revenue requirement for the MYRP projects for each year of the proposed MYRP. In addition, it presents the impact of adjustments to the EDIT-4 Rider, as well as the new Over Amortization Rider resulting from the Revenue Requirement Stipulation, which partially offsets the proposed base revenue increase.

Q. Bowman Supplemental Revenue Requirement Stipulation Exhibit 2 presents the impact of the Supplemental Revenue Requirement Stipulation upon the Company's operating income, rate base, and revenue requirement. Q. Bowman Supplemental Revenue Requirement Stipulation Exhibit 2, Pages 1 through 4.4 reflect changes to certain accounting and pro forma adjustments. Q. Bowman Supplemental Revenue Requirement Stipulation Exhibit 2, Page 5 summarizes the revenue requirement impact of the changes that are explained later in my testimony. This exhibit starts with the original revenue increase as filed in the Company's January 19, 2023 filing in the proceeding and incorporates adjustments included in the Company's three supplemental filings. This adjusted total is further modified by adjustments that reflect settled issues to compute the Company's revised requested revenue increase in this proceeding.

Q. WERE Q. BOWMAN SUPPLEMENTAL REVENUE REQUIREMENT STIPULATION EXHIBITS 1 AND 2 PREPARED BY YOU OR UNDER YOUR DIRECTION AND SUPERVISION?

A. Yes, they were.

Q. DOES THE COMPANY BELIEVE THE SUPPLEMENTAL REVENUE REQUIREMENT STIPULATION REPRESENTS A BALANCED COMPROMISE THAT PROVIDES AN EQUITABLE RESOLUTION FOR CERTAIN ITEMS IN THIS PROCEEDING FOR ITS SHAREHOLDERS, CUSTOMERS AND OTHER STAKEHOLDERS?

A. Yes. The Company believes the Supplemental Revenue Requirement Stipulation reflects a fair, just, and reasonable resolution of the issues it addresses. The Supplemental Revenue Requirement Stipulation is the result of negotiations between the Stipulating Parties and resolves all of the issues relating to the Public Staff's audit of DEC's Second and Third Supplemental Updates without the necessity of contentious litigation. Therefore, we respectfully request that the Commission approve the Supplemental Revenue Requirement Stipulation in its entirety.

Q. DO YOUR SUPPLEMENTAL REVENUE REQUIREMENT STIPULATION EXHIBITS REFLECT A CHANGE IN THE REVENUE REQUIREMENT SOUGHT BY THE COMPANY IN THIS PROCEEDING?

A. Yes. The Company requests a revenue increase from base rates of $368.5 million. In addition, the Company requests that customer rates be reduced by $10.4 million through its proposed EDIT rider and by $0.5 million through the Over Amortization Rider. This net proposed increase in revenue is $357.7 million. This is a $97.5 million reduction from the amount supported in my third supplemental update exhibits.

Q. DOES THIS CONCLUDE YOUR SECOND SUPPLEMENTAL SETTLEMENT TESTIMONY?

A. Yes.

MR. JIRAK: Thank you very much.

And our last matter pertains to the late-filed exhibits that you referenced just a bit ago. At this time DEC would move that the six late-filed exhibits, filed between August 30, 2023, with the last one being filed on October 20, 2023, that all six of those late-filed exhibits be entered into the record at the appropriate time.

COMMISSIONER DUFFLEY: Without objection the six late-filed exhibits filed by DEC in the Docket between August 30, 2023, and October 20, 2023, shall be entered into the record.

(DEC Late-Filed Exhibits 1 through 6 were admitted into evidence.)

MR. JIRAK: Thank you very much. That's all that we have at this time.

COMMISSIONER DUFFLEY: Public Staff?

MR. FELLING: Thank you, Presiding Commissioner Duffley. Perhaps just to seek clarification, the Public Staff panel of Michelle Boswell, Fenge Zhang and Dustin Metz are here and are willing to testify.

If any party has questions or if all parties are able to waive cross examination, perhaps as a procedural matter, we can move their testimony and exhibits into the record.

COMMISSIONER DUFFLEY: Okay. Are there questions by the parties? Cross examination? Are there questions from any Commissioner?

(No audible response was given.)

COMMISSIONER DUFFLEY: Okay. Let's go ahead --

MR. FELLING: Okay.

COMMISSIONER DUFFLEY: -- and move that in.

MR. FELLING: Thank you, Presiding Commissioner Duffley.

The Public Staff would move that the prefiled joint supplemental and settlement testimony of Michelle Boswell, Fenge Zhang and Dustin Metz, filed on October 13, 2023, and consisting of six pages, be entered into the record, as if given orally from the stand.

COMMISSIONER DUFFLEY: Okay. The joint supplemental and settlement testimony of Boswell, Zhang and Metz, filed on October 13, 2023, consisting of six pages, will be copied into the record, as if given orally from the stand.

(Whereupon, the Prefiled Joint Supplemental and Settlement testimony of FENGE ZHANG, MICHELLE BOSWELL, and DUSTIN R. METZ was copied into the record as if given orally from the stand.)

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

A. My name is Fenge Zhang. My business address is 430 North Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am the Public Utility Regulatory Supervisor – Electric Section with the Accounting Division Public Staff – North Carolina Utilities Commission (Public Staff).

Q. Are you the same Fenge Zhang who filed direct testimony on behalf of the Public Staff in this proceeding on July 19, 2023?

A. Yes.

Q. Are your qualifications and duties the same as stated in your direct testimony?

A. Yes.

Q. Ms. Boswell, please state your name, business address, and present position.

A. My name is Michelle Boswell. My business address is 430 North Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am the Director of the Accounting Division of the Public Staff.

Q. Are you the same Michelle Boswell who filed direct testimony on behalf of the Public Staff in this proceeding on July 19, 2023?

A. Yes.

Q. Are your qualifications and duties the same as stated in your direct testimony?

A. Yes.

Q. Mr. Metz, please state your name, business address, and present position.

A. My name is Dustin R. Metz. My business address is 430 North Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am an engineer with the Energy Division of the Public Staff.

Q. Are you the same Dustin R. Metz who filed direct testimony on behalf of the Public Staff in this proceeding on July 19, 2023?

A. Yes.

Q. Are your qualifications and duties the same as stated in your direct testimony?

A. Yes.

Q. What is the purpose of your supplemental and settlement testimony in this proceeding?

A. The purpose of our supplemental and settlement testimony is to: (1) support the Supplemental Agreement and Stipulation of Settlement filed on October 13, 2023 (Supplemental Revenue Requirement Stipulation), entered into between Duke Energy Carolinas, LLC (DEC or the Company) and the Public Staff (Stipulating Parties), as it relates to the Base Case (test year as updated) capital projects placed into service from May 1, 2023, through June 30, 2023; and (2) provide the Public Staff's final recommended revenue requirement inclusive of the updates through June 30, 2023.

Q. Please briefly describe the capital projects addressed in the Supplemental Revenue Requirement Stipulation.

A. The Supplemental Revenue Requirement Stipulation addresses specific items relating to the Company's overall revenue requirement for the Company's test year costs, including, but not limited to, capital projects completed from May 1, 2023, through June 30, 2023. The Supplemental Revenue Requirement Stipulation sets forth the following areas of agreement between the Stipulating Parties:

1. Shifting of the Allen 230kV transformer project from the Base Case to Rate Year 1;
2. Reclassification of costs initially incorrectly booked to distribution plant to transmission plant;
3. Removal of distribution equipment improperly closed to plant in service;

4. Removal of the Misenhiemer Solar project from transmission plant in service as it qualified for a lump sum payment from the developer;

5. An increase in annual revenue from additional extra facility charges for projects closed to plant in the update period;

6. Inclusion of actual rate case expense through the supplemental proposed order; and

7. Tracking of costs and savings related to the E&Y contract annually through the filing of the Company's next rate case.

Q. What ratepayer benefits does the Supplemental Revenue Requirement Stipulation provide?

A. From the perspective of the Public Staff, the most important benefits provided by the Supplemental Revenue Requirement Stipulation are as follows:

a. An aggregate reduction in the Company's proposed revenue increase in this proceeding resulting from the adjustments agreed to by the Stipulating Parties; and

b. The avoidance of protracted litigation between the Stipulating Parties before the Commission and possibly the appellate courts on the settled issues and associated increased accumulation of rate case expense recovery from rate payers.

Based on these ratepayer benefits, as well as the other provisions of the Supplemental Revenue Requirement Stipulation, the Public Staff believes the Supplemental Revenue Requirement Stipulation is in the public interest and should be approved.

Q. Please briefly describe the Public Staff's presentation of the revenue requirement aspects of the Supplemental Revenue Requirement Stipulation.

A. Supplemental and Settlement Accounting Exhibits 1-3 contain the Public Staff's updated schedules supporting the Public Staff's recommended revenue requirement and incorporates the accounting and ratemaking adjustments to which DEC and the Public Staff have agreed through June 30, 2023.

Additionally, we note that it is not until the Commission makes its determinations regarding the unresolved issues in this proceeding that the settled accounting and ratemaking adjustments can be finalized, and the resulting rate base, net operating income, return, and rate increase can be calculated.

Q. Does this conclude your testimony?

A. Yes.

COMMISSIONER DUFFLEY: The three exhibits will be marked for identification as they were prefiled and shall be admitted into evidence at this time.

(Public Staff Supplemental and Settlement Accounting Exhibits 1 through 3 were identified as they were marked when prefiled and admitted into evidence.)(Confidential - filed under seal)

MR. FELLING: Thank you, Presiding Commissioner Duffley, that takes care of that next motion I was going to make.

So our last motion would be that the Public Staff Late-Filed Exhibits Number 1 and 2, that were filed on October 13, 2023, be accepted into the record as premarked.

COMMISSIONER DUFFLEY: Okay. Without objection the Public Staff's late-filed exhibits, Exhibit 1 and Exhibit 2, both filed on October 13, 2023, shall be entered into the record.

(Public Staff Late-Filed Exhibits 1 and 2 were admitted into evidence.)

MR. FELLING: To the extent that it's necessary, I'd move that those witnesses be excused.

COMMISSIONER DUFFLEY: And those witnesses -- Witnesses Boswell, Zhang, and Metz, are excused.

MR. FELLING: Thank you, Presiding Commissioner.

The Public Staff, if it's appropriate to do so now, will call David Williamson to the stand.

COMMISSIONER DUFFLEY: Please, do so.

Whereupon,

DAVID M. WILLIAMSON

having first been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION BY MR. FELLING:

Q. Tom Felling, for the Public Staff.

Mr. Williamson, would you please restate your name, business address and current position for the record?

A. My name is David M. Williamson, and my business address is 430 North Salisbury Street, Raleigh, North Carolina, and I'm an engineer with the

Public Staff's energy division.

Q. Mr. Williamson, on October 13, 2023, did you prepare and cause to be prefiled in this Docket supplemental testimony in question-and-answer format and two exhibits consisting combined of 32 pages?

A. That's right.

Q. And on October 20, 2023, did you prepare and cause to be prefiled in this Docket an errata, making corrections to your prefiled supplemental exhibits, together with the corrected supplemental exhibits consisting of 26 pages?

A. That's right.

Q. Do you have any additional corrections to your prefiled supplemental testimony or exhibits?

A. No, I do not.

Q. And if you were asked those same questions today while testifying from the witness stand under oath, would your answers be the same?

A. They would.

Q. On October 26, 2023, in compliance with the Commission's October 24, 2023, Order responding to second motion to strike and establishing hearing procedures, did you cause your supplemental testimony, corrected Exhibit 1 and 2 and errata to be re-filed in this Docket?

A. Yes, I did.

Q. And on October 27, 2023, did you prepare and cause to be prefiled in the Sub 1276-A Docket a summary of your supplemental testimony consisting of one page?

A. I did.

MR. FELLING: Okay. Presiding Commissioner Duffley, at this time I move thatthe prefiled supplemental testimony, errata and summary of the supplemental testimony of Public Staff Witness David Williamson be entered intothe record, as if given orally from the stand,and that his exhibits be marked foridentification as prefiled.

MS. CRESS: Presiding Commissioner Duffley --

COMMISSIONER DUFFLEY: Yes.

MS. CRESS: -- my apologies for the interruption. And recognizing that the Commission has already ruled on CIGFUR III and Blue Ridge's joint motions to strike, we would, just for the record, simply renew our objections.

COMMISSIONER DUFFLEY: And the

objection is duly noted. As you know, it has been overruled.

And, so with that note, the supplemental testimony of Witness Williamson, filed on -- let's see -- October 26, 2026 [sic], consisting of 14 pages will be copied into the record as if given orally from the stand.

(Whereupon, the Prefiled Supplemental Testimony and Errata of DAVID M. WILLIAMSON was copied into the record as if given orally from the stand.)

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

A. My name is David M. Williamson. My business address is 430 North Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am an Engineer with the Energy Division of the Public Staff – North Carolina Utilities Commission.

Q. Are you the same David M. Williamson who previously filed direct testimony in this proceeding on July 19, 2023?

A. Yes.

Q. What is the purpose of your supplemental testimony?

A. The purpose of my supplemental testimony is to present the Public Staff's recommended distribution of revenues to retail customer classes based on the results of the Modified Average and Excess (MAE) cost-of-service methodology.[1] My calculations are based on the request of Duke Energy Carolinas, LLC (DEC or the Company) for a base revenue increase, which includes an update to the Company's current Excess Deferred Income Tax rider (EDIT-4) and the Public Staff's adjustments to that request.

The Company's request covers a historical base period (Base Case)

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[1] The application of this cost-of-service study (COSS) methodology was determined as part of an "Agreement and Stipulation of Partial Settlement" between Carolina Industrial Group for Fair Utility Rates II and III, DEC, and the Public Staff, and filed on September 12, 2022, in this proceeding and in DEP's general rate case, Docket No. E-2, Sub 1300 (Sub 1300) (COS Agreement).

and three forecasted periods (Rate Years), with each Rate Year spanning 12 months beginning January 1, 2024, and continuing through December 31, 2026. Additionally, each Rate Year builds on the previous Rate Year to determine the new incremental revenue requirement to be used in determining customer rates that will change on January 1 of each Rate Year. The update to EDIT-4 is applied to the Base Case revenue requirement as a $10.394 million dollar credit.

The Public Staff's recommended total revenue change (in 000s) by Rate Year is as follows:

	Public Staff Recommended Revenue Requirement under Present Rates (Base)	Public Staff Recommended Change in Revenue Requirement (Incremental)	Public Staff Recommended Change in Revenue Requirement (Cumulative)
Base Case	$5,427,913	$146,502	$5,574,415
Rate Year 1		$117,126	$5,691,541
Rate Year 2		$164,650	$5,856,191
Rate Year 3		$151,235	$6,007,425

The dollar amounts in the table above are taken from the joint supplemental and settlement testimony and exhibit of Public Staff witnesses Zhang, Boswell, and Metz filed in this same docket on this same date. I have used this information to assign the revenues and credits to the individual customer classes.

Q. Do you have any exhibits to your testimony?

A. Yes. My testimony includes two exhibits. D. Williamson Supplemental Exhibit 1 provides the rates of return (ROR) on rate base, the percentage change in base revenues, and the impact of the additional EDIT-4 credits for the MAE cost-of-service methodology. D. Williamson Supplemental Exhibit 2 provides the Public Staff's recommended revenue distribution for this case and several other scenarios that illustrate how the base revenue and updated EDIT-4 credit assignments could be assigned for each Rate Year. The other scenarios include revenue assignments under a "no change in revenue" scenario, an "equal rate of return" scenario, and an "equal percentage increase" scenario for the MAE cost-of-service methodology.

Q. Briefly explain how you distributed the base revenue change.

A. I utilized the Company's E-1, Item 45A, which is the per books MAE COSS, to develop a distribution framework that incorporates the overall base revenues, expenses, net income, and rate base for the test year. I applied this framework to the adjusted present and proposed revenues, expenses, and rate base provided by Public Staff witnesses Zhang, Boswell, and Metz, to develop the Public Staff's recommended revenue changes by retail rate class for each Rate Year of the multi-year rate plan (MYRP). Additionally, while this framework is used as a guide to understand how costs were incurred during the test year, I did not rely exclusively on the MAE COSS. I also applied and balanced the Public Staff's four basic revenue assignment principles, which I outlined in my direct testimony, to influence the way revenue apportionment is applied to each retail rate class. Those principles are:

1. Any revenue increase assigned to any customer class is limited to no more than two percentage points greater than the overall jurisdictional revenue percentage increase, thus avoiding undue rate shock;

2. Class RORs are maintained within a +/- 10% band of reasonableness relative to the overall NC retail ROR;

3. All class RORs move closer to parity with the overall NC retail ROR; and

4. Subsidization among the customer classes is minimized.

The supplemental exhibits filed herewith present my results and are based on the application of these four principles. To the greatest extent practicable, the Public Staff's assignment of the base revenue increase and Rate Years 1, 2, and 3 adheres to each of these principles.

Q. Did you encounter any challenges when apportioning revenues based on these guiding principles?

A. Yes, I did. As I discussed in my direct testimony, the COS Agreement requires utilization of the MAE COSS methodology for class rate design in this case. However, DEC's last general rate case allocated costs utilizing the Summer Coincident Peak (SCP) COSS methodology. While this shift in COSS methodologies is appropriate, as it results in a better alignment in the way that the electric utilities are planning, building, and operating their systems, it does present certain challenges with respect to adhering to the Public Staff's apportionment principles. I discuss those considerations in more detail below.

When developing a COSS, the first step is to determine the methodology that will be used to conduct the study. The methodology takes each input (e.g., demand, energy, number of customers, revenues), and determines how those inputs will inform the functionalization and classification of costs to identify cost causation for each customer class through the development of specific allocation factors. A change in methodology may change the allocation of certain costs from how they have been historically allocated. Second, the change in methodology may require adjustments to resolve the resulting differences in the rate design. As an example, the lighting class was previously allocated limited production-related costs under the SCP methodology. Under the proposed MAE methodology, the lighting class is allocated a larger portion of production-related costs that is more reflective of the class's cost to serve, resulting in the class producing less revenue compared to its allocated plant and costs from an ROR perspective. To realign the revenues to plant and costs going forward, a larger rate increase over time would be required for the lighting class to move back into alignment.

While the shift in COS methodology has created a challenge in assigning class revenue responsibility that aligns with the Public Staff's guiding rate principles, it is important to remember that rates and rate design should be based on the overall design, operation, and use of the utility's system such that all customer classes pay for the utility's plant and other costs according to each class's use of the plant and causation of costs. The revenue apportionment illustrated in my exhibits shows a reasonable level of progress toward achieving all the guiding principles, without introducing the risk of rate shock. Additionally, the fact that the Company will likely file rate cases in a more cyclical manner moving forward fosters a higher level of confidence that the customer classes will make positive strides going forward to address their revenue responsibility. This was not the case prior to the establishment of Session Law 2021-165 (HB 951), when it was unknown how long a utility would wait before it filed a new general rate case, delaying the ability to adjust revenue responsibility.

Another consideration relates to the impact that an MYRP and resulting changes in revenue requirements over the term of the MYRP will have on class RORs and the apportionment of revenue requirement in each year of the MYRP. Decoupling only the residential class revenue requirement from energy sales but not doing the same for non-residential class revenue requirements makes application of the revenue assignment principles even more difficult, particularly for the MYRP annual changes. This change could lead to a dichotomy between class RORs and the percentage changes in revenues that would be assigned to all customer classes in the next rate case. In future rate case proceedings, if residential RORs remain consistent with the targeted class ROR in the base case of an MYRP and the non-residential RORs diverge over the 36 months of the MYRP, resolving those differences and adhering to the Public Staff's revenue assignment principles will be a challenge when assigning future revenue changes, as larger increases may need to be issued to the non-residential classes in the effort to move them closer to the band.

Q. Given these challenges, how did you assign revenues in this case?

A. Noting the considerations above, I was able to apply the Public Staff's revenue assignment principles as practicably as possible. Moreover, given the shift in COSS methodology, customer classes that were far outside of the band of reasonableness made substantial movement toward the band, without creating issues with rate shock.

Q. How did you assign the Public Staff's recommended EDIT-4 credit?

A. The Company, in this case, has assigned the EDIT-4 credit across four customer classes. Similar to the approach taken in the last DEC general rate case, I have reassigned the EDIT-4 credit revenues to reflect five customer classes to include the OPT class, instead of the four broad customer classes presented in witness Beveridge's Exhibit 7.[2] My recommended spread of revenues and energy sales is consistent with the method recommended by the Public Staff in the Company's previous general rate case proceeding.

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[2] Witness Beveridge merges the impacts of the OPT class with the General Service and Industrial classes.

Q. Is the Public Staff's method for apportioning revenues the same approach that DEC has supported in its proposed rate design?

A. No, it is not. The Company in its proposal has applied a fixed 10% cross subsidy adjustment as part of the class rate design process. While the Public Staff acknowledges that the Company's method is an approach to dealing with class cross-subsidization, I focused primarily on the Public Staff's four rate design principles as articulated in my July 19, 2923, direct testimony in this proceeding. My approach to apportioning revenues independently moves each rate class closer to ROR parity (the band of reasonableness index between 0.9 and 1.1). Because some classes are already within the band, there is no need for additional movement toward the band, while other classes may need more movement toward the band.

Q. What is your recommendation regarding the assignment of base revenues and the updated EDIT-4 credit?

A. I recommend that the Commission approve the Public Staff's assignment of revenues contained within my attached exhibits as the appropriate level of revenue apportionment for each class.

Q. Does this conclude your testimony?

A. Yes.

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-7, SUB 1134
DOCKET NO. E-7, SUB 1276

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-7, SUB 1134 In the Matter of Application of Duke Energy Carolinas, LLC for Approval to Construct a 402 MW Natural Gas-Fired Combustion Turbine Electric Generating Facility in Lincoln County DOCKET NO. E-7, SUB 1276 In the Matter of Application of Duke Energy Carolinas, LLC, for Adjustment of Rates and Charges Applicable to Electric Service in North Carolina and Performance-Based Regulation	**ERRATA SHEET: CORRECTIONS TO THE PREFILED SUPPLEMENTAL EXHIBITS OF PUBLIC STAFF WITNESS DAVID M. WILLIAMSON**

Pursuant to the North Carolina Utilities Commission's Order Rescheduling Hearing and Providing Additional Hearing Procedures issued July 26, 2023 (Order), the Public Staff hereby files this Errata Sheet showing corrections that should be made to the prefiled supplemental exhibits of witness David M. Williamson (witness Williamson).

The Public Staff recognized errors in witness Williamson's Supplemental Exhibit 1 and 2 some of which resulted from the incorrect use of values related to the Operating Expenses of the projected portions of the MYRP, specifically, the application of cumulative Operating Expenses was used rather than the correct use of incremental Operating Expenses for each projected rate year. The incorrect use of these Operating Expense values led to errors flowing through to some of the figures contained in witness Williamson's Supplemental Exhibit 1 and 2.

The corrections are as follows:

1. The asterisk that appears after "Rate of Return" on each page of Supplemental Exhibit 1 was included in error and should be removed.
2. Figures on Pages 2, 3, and 4 of Supplemental Exhibit 1 should be corrected to reflect the use of the Operating Expense figures described above.
3. Figures on Pages 2, 3, and 4 of Supplemental Exhibit 2.2, 2.3, and 2.4, respectively, should be corrected to reflect the use of the Operating Expense figures described above.

In accordance with the Order, a complete copy of witness Williamson's corrected Supplemental Exhibit 1 and 2 will also be contemporaneously filed.

Respectfully submitted this 20th day of October, 2023.

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CERTIFICATE OF SERVICE

I certify that copies of the following have 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.

Documents served: (1) Errata Sheet for witness Williamson; and (2) complete copies of witness Williamson's corrected Supplemental Exhibit 1 and 2.

This the 20th day of October, 2023.

/s/ Thomas J. Felling, by electronic filling
Thomas J. Felling
Staff Attorney

Summary of Supplemental Testimony
Public Staff Witness David M. Williamson
Docket No. E-7, Sub 1276A

My supplemental testimony in this docket presents the Public Staff's final recommendation for the distribution of revenues to retail customer classes based on the results of the Modified Average and Excess cost-of-service methodology, and the Public Staff's adjustments and agreed to partial stipulations with Duke Energy Carolinas, LLC's (DEC or Company) as part of this general rate case application. My testimony includes an analysis and discussion of the individual class returns on rate base in the context of the Public Staff's four rate principles as applied to each Rate Year projected within the Company's Multi-Year Rate Plan.

I was able to apply the Public Staff's revenue assignment principles as practicably as possible, given the change in COSS methodology and impacts to customer classes that were significantly outside the band of reasonableness, without causing issues that would lead to undue rate shock.

My recommendation is that the Commission approve the Public Staff's assignment of revenues contained within my attached exhibits as the appropriate level of revenue apportionment for each class based on the Public Staff's final revenue requirement in this case.

MR. FELLING: Thank you, Presiding Commissioner.

Mr. Williamson is now available for cross examination.

COMMISSIONER DUFFLEY: Okay. Ms. Cress?

MS. CRESS: Thank you, Presiding Commissioner Duffley.

CROSS EXAMINATION BY MS. CRESS:

Q. I have some questions first on behalf of Blue Ridge, and then I have some questions on behalf of CIGFUR.

First, with respect to Blue Ridge, Mr. Williamson, the Public Staff has indicated that it considers revenue apportionment to be a theoretical exercise in the absence of a final revenue requirement; is that correct?

MR. FELLING: And, Presiding Commissioner Duffley, I'd object -- object to this line of questioning, to the extent that it is getting to the issues of whether Mr. Williamson's revenue apportionment could have been filed earlier in this hearing.

That matter has been resolved. And the

Commission's Order rescheduling this hearing was to allow cross examination on the matters contained in his supplemental testimony, and the issue of the timeliness of his revenue apportionment was not a topic that he addressed in that.

COMMISSIONER DUFFLEY: Okay. Ms. Cress?

MS. CRESS: Presiding Commissioner Duffley, Mr. Williamson does address in his supplemental testimony that the revenue requirement -- in the absence of a final revenue requirement it is not possible, according to the Public Staff, for them to provide their revenue apportionment recommendations.

And Blue Ridge has some questions about how that might work in the event that the Commission approves a final revenue requirement in this case that is different from the revenue requirement numbers utilized by the Public Staff in developing Mr. Williamson's recommendations and in utilizing the methodology that -- that he is proposing.

COMMISSIONER DUFFLEY: Okay.

Overruled.

Mr. Williamson, answer the question, please, best you can.

THE WITNESS: Sure.

Could you restate the question?

MS. CRESS: Sure.

Q. It's the Public Staff's position that in the absence of a final revenue requirement number revenue apportionment is simply a theoretical exercise; is that fair to say?

A. It's definitely the preference of the Public Staff to have the final revenue requirement. And the reason for that is that once a final revenue requirement is determined, then whenever we're doing the revenue apportionment, we are able to accurately be able to discern whether or not we're able to adhere to the four guiding principles and law as practically as possible.

Until we have a final revenue requirement we really -- we have no idea if we're able to be in compliance with or adhere as best as possible to our four guiding principles, because if the revenue requirement is a relatively low number, then it becomes a little easier to handle those apportionment principles. But if the revenue requirement number is much larger, then that introduces some challenges.

Q. And what does the Public Staff believe should happen if the final revenue requirement approved by the Commission in this case is different than the revenue requirement numbers that you used in developing your revenue apportionment recommendations?

A. Sure. So if the Commission uses its discretion to approve a revenue requirement number that is not the same as the Public Staff, then we would run that revenue requirement number through the revenue apportionment model that was created, and that would produce an updated set of rate of return numbers and percent -- revenue percent increases.

Q. Am I interpreting your answer correctly by assuming that that means the Public Staff would potentially file additional supplemental testimony in this Docket after the Commission has already issued a final Order in this case?

A. That's a legal question. I'm not sure after the Commission issues its final Order if we're able to file any update. My presumption is that when the Commission rules it will determine, not only the revenue requirement, but how that revenue requirement will get apportioned, whether it's the position -- the -- the ultimate position of the Company or another party, and then that revenue requirement will just flow through the model that's selected, and those will turn into rates for customers going into effect.

Q. And so when you say that the Public Staff will update the inputs that it used in its model, what does the Public Staff intend to do with those updated outputs?

A. The updated outputs will ultimately be as whatever is produced. The methodology, the levels of discretion that the Public Staff has put into the model in the -- as a means of producing this model for the exhibits, that portion is complete for this case.

And so the updated revenue requirement would be whatever the Commission determines the final revenue requirement to be, but the Public Staff believes that our revenue requirement is the most reasonable and appropriate.

Q. And so, just to be clear for the record, the Public Staff does not plan to file additional supplemental testimony if the Commission approves a revenue requirement number that is different than the numbers relied upon in your revenue apportionment recommendations?

A. I do not believe we intend to file any updated testimony in this case after this hearing.

MS. CRESS: Thank you. Those are all of my questions for Blue Ridge. I do have a few for CIGFUR III as well.

Mr. Williamson, I'm going to go ahead and ask my colleague if he may approach the witness, Presiding Commissioner Duffley?

COMMISSIONER DUFFLEY: He may.

MS. CRESS: And, Presiding Commissioner Duffley, if I may request that this be marked CIGFUR III D. Williamson's Supplemental Direct Cross Examination Exhibit Number 1.

COMMISSIONER DUFFLEY: Let's mark it -- let's mark it CIGFUR III Witness Williamson's Supplemental Cross Exhibit 1.

MS. CRESS: Thank you.

(CIGFUR III Williamson Supplemental Cross Exhibit 1 was marked for identification.)

Q. Mr. Williamson, are these Public Staff's responses to CIGFUR III's first data requests served in this rate case?

A. The packet is actually the responses to, not only the first set of data requests, but the third set of data requests.

Q. Thank you. I was getting there, but I appreciate you clarifying.

And you -- you had a hand in responding to these data requests; is that right?

A. That's right.

Q. Okay. If you could, please, sir, turn with me to page 4 of 11 of the first set of data requests for Data Request 1-9. Do you still agree with the assertion that cross subsidization can be viewed as a dollar of revenue that is applied to a class that is above or below the level needed to achieve a 1.0 rate-of-return index?

A. That's right.

Q. And do you also still agree with the assertion that the Public Staff notes its preference is to allow for flexibility when determining how revenue should be apportioned and has historically advocated for a plus or minus 10 percent band of reasonableness for such determinations, which it considers to be a reasonable approximation of rate parity?

A. That's right. And then the -- I guess to add a little bit of clarity to that, the reason that we try to incorporate this level of flexibility with the band of reasonableness is because the rate of returns that are going to be experienced by each class is going to be different every single year.

It's going to be dependent on how each class -- how many customers have been added or taken away, and how those customers are actually using that energy. And so that's going to have an impact on the amount of revenues that the Company collects for each year.

And so while a rate of return might be fixed for purposes of rate design, how that class of customers is going to be experiencing that rate of return in each rate year is going to be different.

And I think that's very evident in the Company's Witness Beveridge, his Exhibit -- Direct Exhibit 10, which shows a historical timeline of rate of returns for a number of rate classes over the last decade or so.

And, as you can see, no rate of return is the same from year over year.

MS. CRESS: Thank you for that.

At this time I'd like to ask for another exhibit to be passed around, if I may.

COMMISSIONER DUFFLEY: Please, proceed.

MS. CRESS: And if I may, Presiding Commissioner Duffley, request that this exhibit be marked CIGFUR III Williamson Supplemental Cross Examination Exhibit Number 2.

COMMISSIONER DUFFLEY: It shall be so marked.

MS. CRESS: Thank you.

(CIGFUR III Williamson Supplemental Cross Exhibit 2 was marked for identification.)

Q. Mr. Williamson, do you recognize the exhibit in front of you?

A. I do.

Q. Can you identify it for the record?

A. Sure. So this is one of the -- I guess the collection of pages is some of the tabs associated with my supporting work paper that generated my Supplemental Exhibits 1 and 2.

And what this set of tabs specifically are representing are the Public Staff's equivalent to the Company's Item E-1 -- or E-1, Item 45-B.

And so what that is is the test year -- test year accounting with the Public Staff's adjustments under present revenues.

Q. And so, if you could, Mr. Williamson, there are four pages to this document. Can you just confirm for us that it begins with rate year zero and continues through rate year one, two and three?

A. So there is no -- I don't see any indications on here which rate year it actually is, but I will attest that it's rate years zero, one, two and three.

Q. Thank you.

And, if you could, there's a line near the bottom of each sheet of paper here that says, "Class rate-of-return index between 0.9 and 1.1?"

And then there are boxes indicating either true or false.

Can you please explain what that means for the record and indicate what the results are for each rate class and each rate year?

A. Sure. So this section, it's -- the true and false is in reference to the line that is titled, "Index of Rate of Return." And basically what it is trying to -- what it is showing is which customer class actually falls within the range of .9 to 1.1, which is the Public Staff's band of reasonableness, and the target for rate of return when setting rates.

And so this being the -- E-1, Item 45-B. This is essentially the starting place for what the Public Staff's true representation of the test year, as far as the dollars that are being recovered for each class. And that's the revenues, expenses, operating income and the rate base associated with that.

And that is going to be a reflection of the Item -- E-1, Item 45-A, which is the Company's per books, which is based off the cost of service study of the modified average in excess.

Q. Thank you.

A. So I --

Q. Sorry.

A. I guess to -- you asked a question to make me say all of these. The residential class at this point in the rate design process falls within the band of reasonableness, the .9 to 1.1, but the general service, lighting, industrial and the OPT classes do not.

And some of the classes are lower than the band, and some are -- some of the classes are above the band at this point.

MS. CRESS: Thank you for that.

And if we could turn your attention to one final exhibit, with Presiding Commissioner Duffley's approval.

COMMISSIONER DUFFLEY: Yes. Please, proceed.

MS. CRESS: And if I could, Presiding Commissioner Duffley, request that this document be marked CIGFUR III Williamson Supplemental Cross Examination Exhibit Number 3.

COMMISSIONER DUFFLEY: It shall be so identified for the record.

MS. CRESS: Thank you.

(CIGFUR III Williamson Supplemental Cross Exhibit 3 was marked for identification.)

Q. Mr. Williamson, do you recognize this document?

A. I do.

Q. Can you identify this document for the record?

A. Sure. This tab is also another supporting tab in my -- my work papers that produced my Supplemental Exhibits 1 and 2.

And, like the top corner suggests, this is the Company's Item 45-A from their E-1 filing with every rate case. And it's a representation of the test year, which is 2021, calendar year 2021. And these inputs are directly pulled from the per books for the test year.

Q. And, if you could, identify for me the percentage of rate base that you recommend be allocated to the OPT rate class?

A. So this being Item 45-A, this is the cost of service study allocation -- directly pulled from the cost of service study for each of the classes. This is a -- the Public Staff did not change this tab. So -- but the percentage -- or, I guess, which column -- which -- which area did you want me to highlight?

Q. So, if you could, just confirm the percentage of rate base that you recommend be apportioned to the OPT class based on these work papers here?

A. So the cost of service study, using the modified average in excess, shows a 23.81 percent of the rate base category for NC retail -- or the -- yeah. NC jurisdiction.

Q. Is it your position that DEC's inputs and outputs as it pertains to percentage of rate base apportioned among customer classes should be identical to the Public Staff's?

A. In this stage of the game they should be. Yes.

Q. Do you have any reason to believe that they are not identical?

A. I would hope not, because, like I said, this 45-A was pulled from the Company's E-1 filing of the many E-1 items that they have to file with every rate case.

So it's based off the test year per books at that point in time. And then that should be identical for any party when they're making rate design proposals.

It's when you get into the Item 45-B and beyond, where the numbers will probably change based off of positions with certain investments.

MS. CRESS: Thank you. No further questions.

COMMISSIONER DUFFLEY: Okay. Who is up

next? Mr. Tynan?

MR. TYNAN: Yes. Thank you.

CROSS EXAMINATION BY MR. TYNAN:

Q. Matthew Tynan for CUCA. I just have a few questions, Mr. Williamson.

Could you just give a brief explanation of how you took the final revenue requirement and plugged it into your spreadsheet and came to your final recommendations?

A. So the final revenue requirements for each rate year, for rate year zero, one, two and three, that final number was provided by the accounting panel. And, unfortunately, if you need any support of how we got to that number, you'd have to ask them that question.

But once I received the accounting division's final set of work papers, I was able to pull the necessary numbers, which was more than just the revenue requirement, total increase.

There were a number of other operating income and expenses and rate base and revenues associated with each rate year that had to be taken into account.

And so once all of that information was

collected the spreadsheet that was developed basically walked it all the way through using the cost of service to a point, and then to allow for discretion amongst how to deal with the appropriate level of rate of return movement.

Because if you don't -- if you don't make any movements beyond what the original cost of service was, then you're not going to make any movements in the rate of return. And so classes that maybe well beyond whether it's higher or lower the band of reasonableness, might not be able to make any of the necessary movement to get closer to that -- to that point.

And so once we took the cost of service, and then we had the adjustments from accounting, which produced its own rate of returns for each of the rate years, I was able to use discretion with the -- the guiding principles and HB 951, specifically in 951, minimizing interclass cross substantiation, while also not causing undue rate shock.

And so using the two of those together I was able to incorporate a level of gradualism to arrive at the final revenue increases for each of the classes that allowed for rate of return movement. It allowed for not causing undue rate shock, and it would -- it added an ability to allow -- allow the Company the ability to recover -- or the opportunity to recover the revenue requirement that we believe is the appropriate revenue requirement in this case.

Q. So is it fair to say that if someone were to have -- to select a different revenue requirement, they couldn't just plug that number into your spreadsheet and generate what the Public Staff would recommend the revenue apportionment should be?

A. State your question again?

Q. I'll -- I'll restate it.

Suppose someone came up with a different revenue requirement.

A. Uh-huh.

Q. They would not be able to simply take that revenue requirement and put it into your spreadsheet to generate what the Public Staff believes would be a fair apportionment of the revenue requirement among the classes; is that fair?

A. Well, the revenue requirement -- and as long as you have all of the supporting fact -- the other -- because there's more than just the final revenue requirement whenever you're creating this spreadsheet.

You need to understand how the rate base is being added and the operating income is impacted. And the expenses are flowing for each rate year, because just adding in revenues and not updating those other categories, you might start to skew in one direction that may or may not be ideal, as far as what the rate of return actually is supposed to look like based off of those conditions.

And so different revenue requirements are going to produce different rate of returns in different percent increase changes. It just depends on how you're taking into account like those four categories that I was saying is the expenses and operating income and rate base.

Q. So is your answer, no, you could not simply take a new revenue requirement and plug it into the spreadsheet and find out what Public Staff's recommended apportionment is?

A. Well, the -- a different revenue requirement would produce a different result, but the -- the -- the level of discretion that the Public Staff applied in creating this model for this case, based off of the scenario that was in front of us, I believe that it would -- it would not produce the same rate of returns, but it would be reflective of that ultimate increase that is determined.

Q. But the new spreadsheet after that -- the new revenue requirement was put in wouldn't necessarily reflect the application of the Public Staff's discretion as to whether that -- the -- the revenue apportionment that was kicked out at the end met the Public Staff's four guiding principles to the extent that the Public Staff thought was necessary; is that fair?

A. Well, I mean, that kind of goes back to needing that revenue requirement, but ultimately, if we had that revenue requirement that another party wanted to offer, then we could plug it into the -- into that spreadsheet and could provide those results.

But, again, we would need a number of different supporting inputs to go along with that revenue requirement.

Q. Was part of the method that you used getting approval from Public Staff management about the final results that were kicked out?

A. Absolutely.

Q. And do you think that the Commission should seek the approval of Public Staff management before it approves final rate apportionment in this case?

A. I think me getting approval from Public Staff management on my exhibits should give confidence to the Commission that I've been given authority to sponsor those exhibits on behalf of the Public Staff.

And so if the Commission agrees with this methodology, then they also have the support of the Public Staff's management.

Q. But the Commission won't be able to apply the methodology that you did if they come up with a different revenue requirement; right?

A. So if the Commission determines that a different revenue requirement should be determined, then that revenue requirement would flow through this model.

Q. But the answer that it kicked out at the end wouldn't necessarily be one that the Public Staff supports; right?

A. I do not know the answer to that question, because the revenue requirement could be higher or lower. But the final revenue requirement that the Commission determines in this case will be the final revenue requirement.

Q. Is it fair to say that the recommendations from Public Staff in your exhibits are just exemplary of what the Public Staff thinks a fair apportionment would look like if the Commission were to adopt the Public Staff's revenue requirement calculation?

A. Could you say that again?

Q. Yeah.

Is it fair to say that your exhibits just show an exemplary calculation of what the Public Staff believes a fair revenue apportionment would look like if the Commission were to adopt the Public Staff's revenue requirement calculation?

A. So the model that is sponsored in my exhibits that produces the revenue requirement apportionment is based off of the Public Staff's approach to applying a level of discretion that adheres to, not only minimizing cross subsidization, but also not causing undue rate shock.

But, in addition to that, it's also doing -- adhering to our principles as best as possible. And so the model is currently set up to handle the revenue requirement.

The big picture -- the big picture is more of the rate-of-return movement that each class would be experiencing from rate year to rate year.

So, like I've stated in my testimony, there's some -- there's some classes that are much farther outside of the band than others. And so the Public Staff applied a little bit of a surgical approach to apportioning those revenues in order to create the movement necessary without causing undue rate shock for those classes that are far outside the band.

Q. What do you mean by, "a surgical approach"?

A. So, as opposed to the Company's approach, where it was a flat 10 percent cross subsidization percentage, the Public Staff did not apply a flat level.

Essentially the -- the discretion that we applied was more of, if you are farther outside of the band, then in order to make -- make reasonable movement toward the band, you needed more of a revenue requirement increase. And so that -- that's what I mean by a surgical approach.

Q. Did the Public Staff do anything to attempt to ensure that interclass subsidization is minimized to the greatest extent practical -- practicable by the conclusion of the MYRP period?

A. So we believe that the rate-of-return movement in this case for all of the classes is a reasonable movement toward the band.

Some classes are already within the band or some classes were able to make the movement to get within the band. But the classes that were far outside the band, we believe that it was necessary to take into consideration the cyclical approach of these multiyear rate cases in order to make that movement toward the parity line in future rate cases, because in -- because we are provided a little bit more of a certainty of rate cases, as opposed to the past, where we had no idea how long utilities would be out of a rate case.

And so in -- in this case the level of discretion that was applied, so that undue rate shock wouldn't be caused, we were satisfied with the rate-of-return movements from all the classes in -- in all the rate years.

Q. You've mentioned adherence to the -- the four principles. Is it true that not all of the classes adhere to all four of those principles in every rate year?

A. That's right.

Q. And who decided that the adherence to those principles was good enough to stop causing changes to the spreadsheet?

A. I'm not sure I understand your question.

Q. Right. At some point you stopped changing your spreadsheet that you used to produce your exhibits; right?

A. It's -- just like in every case, at some point there becomes a pencil-down moment, but -- and for purposes of apportioning out revenues, it -- it wasn't -- it wasn't a fine line, as far as --

The law doesn't dictate specifically on one singular constraint. There are a number of different constraints that all parties, even the utility, have to keep in mind when determining the appropriate revenue apportionment for the revenue requirement increase.

And so you kind of have to juggle a number of different -- a number of different points of measurement, whether it's the rate-of-return movement, whether it's the -- the total percent increase, taking into account the minimization piece of cross subsidization.

So it's -- it's -- it's a little bit of a juggling act. And so the Public Staff, through its discretion, ended up with the proposal that we filed.

Q. Right. At some point you got to an end result that the Public Staff thought was good enough; is that fair to say?

A. Reasonable.

Q. And how would someone else applying the methodology that the Public Staff used know when it got to a point that the Public Staff would consider reasonable?

A. So I guess that depends on the party. The Public Staff, when it was applying its discretion, it was taking in a viewpoint of, not just one customer class or two customer classes, but every customer class and how this model would impact each and every one of them.

Unfortunately, there's some parties that may push for -- for one particular class, but the Public Staff is representing the using and consuming public, and so we represent all customer classes. And so we have to take into account all of the different impacts across all customers.

Q. My question was a little different. It was: If -- if somebody wanted to use the methodology that you used, isn't it fair to say they -- they wouldn't know if they got to an answer the Public Staff thought was reasonable without asking the Public Staff?

A. Well, they might have a different level of discretion, and that's -- that's why we have different parties that advocate from different positions.

They'll have a different level of discretion than the Public Staff, but, again, the Public Staff is trying to advocate on behalf of the using and consuming public, and so we're not -- we're -- we're -- we're specifically looking at the impacts to this rate case across all customer classes.

MR. TYNAN: All right. No further questions.

COMMISSIONER DUFFLEY: Mr. Snowden?

MR. SNOWDEN: Thank you, Presiding Commissioner Duffley.

CROSS EXAMINATION BY MR. SNOWDEN:

Q. Good afternoon, Mr. -- Mr. Williamson. Ben Snowden, for the North Carolina League of Municipalities.

You testified a moment ago that the Public Staff represents the using and consuming public in its entirety; is that right?

A. That's right.

Q. And that includes all customer classes?

A. That's right.

Q. Okay. And that would include customers in the lighting class?

A. That's right.

Q. Okay. And you're aware that most of the customers in the lighting class -- or many of the customers in the lighting class are North Carolina municipalities; is that right?

A. I don't know specifically, but, subject to check, I'll take your word for it.

Q. Thank you.

And you have previously testified that the significant increases in lighting class rates that are proposed both by Duke and also by the Public Staff are driven in large measure by the changes in the cost of service methodology that was agreed to by Duke, the Public Staff and CIGFUR; is that right?

A. That's correct.

Q. Okay. Can you explain how -- how the interest of lighting class customers were represented by the Public Staff in the decision-making process that led to entering into that stipulation?

MS. CRESS: Presiding Commissioner

Duffley, I'm going to object to this line of questioning, as questions that could have been asked on cross examination earlier in the evidentiary hearing of this matter.

And this is not new evidence, nor new testimony or information that this witness provided in supplemental testimony, and it's inappropriate to be asked at this juncture.

MR. SNOWDEN: Mr. --

COMMISSIONER DUFFLEY: Okay. You're withdrawing?

MR. SNOWDEN: Yes, ma'am. Mr. Williamson is testifying about the Public Staff's exercise of discretion with respect to all rate classes, and he just testified that -- that the Public Staff is attempting to represent the interests of all -- all customer classes. So I'm just simply following up on that question.

COMMISSIONER DUFFLEY: Well, I'm going to sustain the objection. You can attempt to impeach the witness using different evidence, please.

MR. SNOWDEN: Okay. Thank you.

Q. Mr. Williamson, you have been talking, and you -- you testified a few minutes ago about customer classes that were far outside that plus or minus 10 percent band of reasonableness the Public Staff uses; is that right?

A. That's right.

Q. Okay. And what customer classes are far outside that band of reasonableness?

A. So it's -- it's actually in both directions. So you have the general service class, which is to the north of the -- the band, and then you have the lighting class, which is to the south of the band.

So that -- that was some of the -- the -- the rate design, was dealing with how to bring them -- bring the general service class back to within parity -- or within the band, and then also bringing the lighting closer to the band as well.

Q. Could you provide a little more specificity about how the Public Staff exercised its discretion with regard to allocating revenue requirements to the lighting class customers?

A. Sure. So utilizing the cost of service that was agreed to in this case by a few of the parties, including the Public Staff, using the modified average in excess, cost of service study gave us a -- and the test year results of the 45 -- E-1 Item 45-A, which is the results of that cost-of-service methodology applied to that test year.

We were able to see the results of where the rate of returns would be for each of those classes. And so that kind of creates a starting point for the rate-design process, as far as, all right. Directionally which classes need to go in which direction?

And so there may be some classes that are already within the band. And, to be honest, that makes it easier, but there are some classes when they're far outside the band, you know, north or south, now it becomes -- that's why the Public Staff applied the more surgical approach, is -- is trying to make those classes closer to the band by the conclusion of the -- the multiyear case.

And so I -- I feel like I have -- I've talked a little bit. I don't know if I've quite answered your question.

Q. Okay. I'll -- I'll -- I'll follow up. Thank you.

So what I'm hearing you say is that for a class that is far below the 1.0 -- or 1 -- or .9 rate of return, you need to have -- the Public Staff believes you need to have a more aggressive rate increase to make up the difference; is that fair?

A. As long as it doesn't cause undue rate shock, we believe that you can provide a reasonable level of rate-of-return movement to bring those classes that are far below the band closer towards the band.

Q. How do you know whether undue rate shock is going to result?

A. So it -- it kind of goes into that balance -- balancing act of rate-of-return movement versus this -- this level of rate shock. And so could we put a customer class and force them all the way to the band, where in the lighting class, in this instance, they are closer to zero than they are to one. They're on the lower end.

And so there was a lot of movement required in order to get them to the band. And so that would be a substantial increase. And so the Public Staff would view that jump and rate of return as potentially rate shock.

But, for purposes of this case, there were smaller incremental improvements to rate of return that the Public Staff was satisfied with would not cause rate shock.

Q. Mr. Williamson, you've testified in your supplemental testimony that, whereas, Duke used this 10 percent variance adjustment mechanism for determining allocation among retail classes, the Public Staff did not use that 10 percent; correct?

A. That's correct.

Q. Okay. How do the results of your revenue allocation model compare to a 10 percent subsidy reduction with respect to lighting class customers?

A. I don't have that information available to me at the moment.

Q. So let me ask it another way.

Would the surgical approach that the Public Staff has taken result in higher or lower rate increases to lighting class customers than Duke's approach, given the same revenue requirement?

A. I don't have a definitive number for you, as far as what that percent reduction would be.

Q. Okay. Well, let's not worry about definitive numbers. I can ask it another way.

If you had applied Duke's 10 percent variance reduction approach to the Public Staff's recommended revenue requirement, instead of the approach you did take --

A. Uh-huh.

Q. -- would that have resulted in a lower rate increase for lighting customers?

A. Like I said, I don't have that number available to me, but my -- my -- I believe my answer would be that, yes, it would be higher than the Company's rate-of-return percentage -- or not the rate-of-return percentage, but the cross subsidy of 10 percent.

Q. Okay. So the -- the Public Staff's methodology would result in a higher increase for lighting customers than the 10 percent variance reduction that Duke used; right?

A. So, yes. I believe that that is a correct statement. Again, I don't have that analysis in front of me, but the rate-of-return movement, which I think should be taken into consideration for this, the rate-of-return movement for that class, while it's still well outside the band by the conclusion of the multiyear case, there is good movement for that class on making its way toward parity.

And so the only reason that we did not

advocate to go all the way to the band was because we believe that that had the potential to cause undue rate shock.

Q. Okay. Thank you.

Did the Public Staff calculate what the results would have been for allocation using Duke's 10 percent variance-reduction method?

A. Did we calculate the -- the Company's proposed 10 percent cross subsidization reduction percentage as it applies to the Public Staff's model?

Q. Yes. Did you try the Duke approach on your revenue requirement and see what the results would have been?

A. No, we did not. And the reason for that is that the Public Staff traditionally applies a surgical approach to dealing with cross subsidization. We've done that in the last several journal rate cases for electric utilities.

MR. SNOWDEN: Presiding Commissioner Duffley, I would like to have marked for identification North Carolina League of Municipalities Witness Williamson's Supplemental Cross Examination Exhibit 1. Did I get that right?

COMMISSIONER DUFFLEY: Yes.

Did -- you said, "Williamson's Supplemental Cross Exhibit 1" --

MR. SNOWDEN: Yes, ma'am.

COMMISSIONER DUFFLEY: -- correct?

Yes. It shall be so marked.

(NC League of Municipalities Williamson Supplemental Cross Exhibit 1 was marked for identification.)

MR. SNOWDEN: Okay. Thank you.

And I will need to hand these out. Perhaps my co-counsel can.

Q. Okay. Mr. Williamson, do you have this exhibit?

A. Yes.

Q. Okay. And this is -- this is a document that is a demonstrative exhibit that I created. And what I've attempted to do here with the -- the top half of this page is to summarize the recommended revenue allocations that are in your supplemental testimony, Exhibits 1 and 2, the corrected versions.

Subject to check, does this top table appear to accurately reflect the recommended revenue allocations that are in your supplemental testimony and exhibits?

A. Just a moment, and I can check.

Q. And I'll represent to you that the -- that the second box is -- is not contained in your exhibit. That's just math that I did.

A. Yeah. Just checking the year three column.

Q. Uh-huh.

A. Yes. It's a representation of the percent increases from the top -- the top box, anyway, as a representation of the staff's recommended distribution.

Q. Okay. All right. Well, do you see -- yeah, we'll start with year zero here. You see in the second box here, where it says, "Ratio of lighting to NC retail"?

A. I see it.

Q. Okay. That, "7.99," that is my calculation of the ratio of the proposed increase in lighting rates to the overall retail rate increase. So that's a ratio. It's -- it's basically the lighting rate increase proposed by the Public Staff is eight times the overall NC retail rate. Do you see that?

A. I see that.

Q. Okay. Do you agree with that math, subject

to check?
A. I'm going to have to subject to check that.
Q. Okay. Yeah. I had to use a spreadsheet.
And do you see where it says, "Percent lighting over NC retail 18.86 percent"?
A. Yes.
Q. Okay. And that's just subtraction. I just subtracted the overall NC retail rate increase from the lighting percentage increase. Does that look right?
A. Subject to check.
Q. Okay. And do you recall that of the four revenue apportionment principles that you've articulated the Public Staff uses the first is that the Public Staff tries to prevent undue rate shock by limiting rate increases for a particular class to no more than 2 percent over the average retail rate increase?
A. That's right.
Q. Okay. And the recommended rate increase here is about 19 percent over the average rate increase; is that right?
A. Yes.
Q. Okay. And I'll just -- I'll just stick with

the -- the ratio. So, moving on, in year one the recommended rate increase for lighting is about five and a half times the overall rate increase; is that right?

A. Subject to check --

Q. Okay.

A. -- but, yes.

Q. And it's four -- four times the -- the -- the average retail rate increase for year two?

A. Yes.

Q. And then about 3.3 times the overall rate increase for year three; is that right?

A. Yes.

Q. Okay. Thank you.

So I'd like to look at the second half of this exhibit. Subject to check, and I know it was not your exhibit, I have drawn these other numbers from Duke Witness Beveridge's Exhibit 4, Column L, which you talk about in your -- in your direct testimony. Do you recall that?

A. Subject to check, yes.

Q. Okay. But these were Duke's recommended rate allocations as Witness Beveridge explained them.

A. Okay.

Q. Okay. But understanding that they are based on a different revenue requirement than the Public Staff's, so the numbers are going to be a bit different; right?

A. It's a different revenue requirement, and I guess the difference between a surgical and a flat cross subsidization reduction. So it's -- it's a couple of different things going on here.

Q. Yes. A different -- a different rate allocation methodology among retail classes?

A. Understood.

Q. And what I want to look at, though, is the -- the -- and -- and I'll just take a step back here and say, I'm trying to understand how the Public Staff's recommended rate allocation differs from what Duke has proposed and what that means for lighting class customers, because it is -- it is difficult to sort of assess this out.

A. Sure.

Q. So I'd like to look at just the -- the -- the relationship between lighting class rate increases and other class rate increases under Duke's allocation model and the Public Staff's allocation model as exemplified in your testimony. Are you with me?

A. Sure. Yeah.
Q. Okay. So, looking at the bottom half here, for year zero Witness Beveridge or -- or Duke recommended lighting rate increases that were about 3.2 times the overall retail rate increase. Do you see that?
A. Yes.
Q. Okay. As opposed to 8 percent for the Public Staff in -- I'm sorry -- eight times the overall rate increase in year zero for the Public Staff; is that right?
A. That's right.
Q. Okay. And, moving on in years one, two and three, the ratio between lighting class rate increases and overall rate increases for retail customers under Duke's apportionment are -- excuse me -- 2.9, 2.58, and 2.3. Do you see that?
A. Yes.
Q. Okay. And they're substantially higher for -- under the Public Staff's revenue allocation; is that right?
A. That's right. And -- so, I guess, to add a little bit of clarity, the percent changes that you're seeing here are -- I guess what I'm saying is that

there's not the same starting point, as far as the rate design process for both the Company and the Public Staff.

Like I was saying earlier, with CIGFUR's line of cross, we ultimately start at the cost of service with E-1, Item 45-A, but then we quickly move into the E-1, Item 45-B, which is the -- the representation of the adjustments being made to the test year, which ultimately impacts the levels of revenues and expenses and operating income for that period.

And so the -- the Company and the Public Staff are not in complete agreement on what that number is. And so while we do have a settlement on some items, there are a number of items that are still up for debate.

And so that's going to create a little bit of a different starting place. So it's -- it's -- it -- it's another factor that can add in and complicate why percentages may be off.

Q. Okay. Thank you for that.

Well, Mr. Williamson, just to speak generally, you would agree that under Duke's proposed allocation lighting class customers face significantly higher rate increases than other retail customers; is that -- would you agree with that?

A. There is a -- there is a larger increase for the lighting class compared to other classes, but the lighting class is -- has by far the highest hill to climb, as far as getting the rate of return closer toward parity.

What I mean by that is, like I was saying earlier, there -- the lighting class is -- is -- I don't -- I can't remember the exact number, as far as their rate of return parity number, but it was less than .2.

And so there's -- there's a lot of movement that needs to be made in order to get them to where a more representable portion of the -- their revenue responsibility.

And so the movement from where they were to the movement of where they ended up by the conclusion of the rate year, multiyear rate plan, the Public Staff believed that that was a substantial amount of movement, which justified the increase that was provided for that class.

So, like I said earlier, if the proposal would be to bring them to parity within the -- excuse me -- within the band, that would be a much larger increase than what was provided by the Public Staff.

But I don't know if it's lucky or unluckily, we have the ability to have a cyclical rate case every three years or so and deal with rate-of-return movement on a more consistent basis.

Q. I'd like to follow up on that in a moment, but, Mr. Williamson, you would agree that under the Public Staff's proposed allocation, the difference between lighting class customers and other North Carolina retail customers is much more pronounced than it is under Duke's proposed allocation?

A. It is. And I think -- whether it's the Company's version or the Public Staff's version, I think the primary driver for that is the use of the cost of service in this case.

Q. Thank you.

Mr. Williamson, will you, please, look at your direct testimony, pages 37 and 38?

I'm sorry. Yes. His prefiled direct testimony.

A. What page?

Q. It's at the end of 37 and the beginning of 38.

A. Okay. I am there.
Q. Okay. Thank you.
And do you see -- on page 38, at the top, you say, "My review of Witness Beveridge's exhibits and revenue calculations and work papers suggests that the use of 10 percent is appropriate to mitigate the potential for significant rate shock in the MYRP." Do you see that?
A. I do see that.
Q. Okay. So you testified on direct that Duke's 10 percent variance reduction is appropriate to mitigate the potential for significant rate shock; is that right?
A. In that point in time the Public Staff hadn't finalized its review. We didn't have a final revenue requirement number, and so there was -- there was no alternative provided.
And so ultimately -- and I -- I believe I corrected myself in my supplemental, discussing this, and basically it's acknowledging it as an approach to dealing with cross subsidization.
The -- the Company has applied its discretion to set the cross subsidization reduction to 10 percent. Whereas, the Public Staff has applied a

more surgical approach to dealing with cross subsidization.

Q. Understanding that you -- you take a different -- well, a somewhat different position, or at least took a different approach in your supplemental testimony, but in your direct testimony here I don't see any qualification to your statement that the use of 10 percent is appropriate to mitigate the potential for significant rate shock.

Is -- is there any such qualification here that I'm missing?

A. No.

Q. And what you testified here is that 10 percent was appropriate to mitigate the potential for significant rate shock; is that right?

MR. FELLING: Presiding Commissioner Duffley, I think at this point I'm -- I'm going to object. I've -- I've held -- held off on doing it, just to the extent that this was tied into other issues that were contained in his prefiled supplemental, but at this point it seems like this line of questioning that's dwelled now on this portion has -- has not, you know, been in compliance with the Commission's

Order that this be related to his prefiled supplemental testimony.

COMMISSIONER DUFFLEY: Mr. Snowden?

MR. SNOWDEN: Mr. Williamson has taken a very different approach in his -- in his prefiled supplemental testimony than he has taken in his direct testimony. So I think it's appropriate to probe the differences between those two things.

COMMISSIONER DUFFLEY: The --

MR. SNOWDEN: I will be very brief.

COMMISSIONER DUFFLEY: The objection is overruled.

Answer, if you can, to explain the -- the distinction between your direct testimony and your supplemental testimony.

THE WITNESS: Sure. So --

COMMISSIONER DUFFLEY: Do you need Mr. Snowden to re-ask the question?

MR. SNOWDEN: I can -- I can withdraw the question and ask -- I can ask a -- I can re-ask the question.

THE WITNESS: Sure.

MR. SNOWDEN: Okay. Thank you.

Q. So, Mr. Williamson, what you testified to on direct was that this 10 percent approach would mitigate, but not eliminate, simply mitigate the potential for significant rate shock; is that right?

A. Yes. So -- and I guess it -- so, I guess, to reread the sentence, it says, "My review of Witness Beveridge's exhibits and revenue calculations and work papers suggests that the use of 10 percent is appropriate to mitigate the potential for significant rate shock in the multiyear rate plan."

Well, I don't -- I don't believe that there's any, I guess, qualifiers to alternative -- alternatives. I'm kind of focusing on the word that it suggests that the use of 10 percent is appropriate.

And so I don't know if I would necessarily make that statement to be that it is the only way. It just suggests that it can deal with the -- with mitigating the potential for rate shock.

Q. Okay. Thank you.

Just one further question on this. You would agree, wouldn't you, that the higher allocation of revenue requirements to lighting class customers under the Public Staff's proposed allocation is more likely to cause rate shock to lighting class customers than the 10 percent variance reduction approach, wouldn't -- wouldn't you?

A. I don't believe so. I think the way the -- like I -- like I was saying earlier, the rate-of-return movements, I think for the lighting class in particular, I think that it's a reasonable level of movement.

Given where they were at the beginning of this case, to where they ended by the conclusion of the multiyear rate period, that that's a reasonable level of movement for them over that period, and the percent increases are a reflection -- reflection of that movement.

Q. Well, thank you for that, but I'm not asking whether the -- the increases are reasonable in some objective sense. I'm simply asking to compare the possible impacts -- or rate shock impacts of the Duke approach to 10 percent variance reduction and the Public Staff's approach.

So, Mr. Williamson, you would agree, wouldn't you, that by proposing a higher allocation of revenues to lighting class customers than Duke's approach, the Public Staff's approach is more likely to result in rate shock to lighting class customers, isn't it?

A. I don't -- I don't know if it's more likely to -- to produce rate shock. Like I said, it -- the Public Staff believes that the rate of return for that class is a reasonable rate of return, as far as a target in this case.

And, again, that's all based off of the -- the starting point, which is where the cost of service place them using the -- the modified average in excess cost of service model, which is different than the previous rate case, where the -- a nonmodified average in excess cost of service was used.

And so by default the lighting class was -- was -- provided more revenue responsibility as a result of the change. And while -- while it is -- the lighting class has more movement to go as a result of this cost of service change, the Public Staff believes in -- through the signing of a settlement agreement, other parties do as well, that this cost of service methodology is an appropriate methodology for use in this case.

And specifically the Public Staff believes that this methodology is a reasonable reflection of how the -- the utility is planning and building and operating its grid at this current time.

And so where the previous cost of service was based off of one singular hour, where the lighting class might not have been consuming electricity at that time as much as other classes, the introduction of an energy component, an average energy component, basically provides more revenue responsibility for that lighting class, because it takes into account the average usage of that class, instead of just the usage at one particular hour.

And so that's -- that's what's driving the rate-of-return movement. The need in that rate-of-return movement.

Q. Okay. Thank you.

Mr. Williamson, you're aware that on October 11 of this year Duke filed a joint proposed Order with the Public Staff in this Docket?

A. Yes.

Q. Okay. And you would agree, wouldn't you, that -- well, let me ask you this: Did you review the proposed Order?

A. My pertinent sections.

Q. Okay. You would agree, wouldn't you, that the joint proposed Order included a proposed finding that the 10 percent variance reduction is reasonable, and the 10 percent variance reduction approach moves towards eventual parity and minimization of interclass subsidies while balancing the other requirements of the PBR statute; would you agree with that?

MR. FELLING: Presiding Commissioner, I'd again just object to this as a different rate case. This was not a topic that was addressed in the supplemental testimony, and it's not consistent with the purposes of the hearing today.

COMMISSIONER DUFFLEY: Mr. Snowden?

MR. SNOWDEN: This -- this is -- this is the same case. This is the proposed Order, the joint proposed Order, filed by -- by Duke and the Public Staff in this Docket.

And, again, it sets out positions on the part of the Public Staff that are contrary to what is in Mr. Williamson's supplemental testimony.

COMMISSIONER DUFFLEY: Are you withdrawing your objection?

MR. FELLING: I am. I am withdrawing.

COMMISSIONER DUFFLEY: Thank you.

MR. SNOWDEN: All right. I --

MR. FELLING: Sorry for that.

MR. SNOWDEN: No, and I'm sorry if I was not clear. I'm -- I'm --

Q. Mr. Williamson, I'm referring to the proposed Order that was filed on October 11th in -- in this case. So I'll -- I'll just re-ask the --

A. Sure.

Q. I'll re-ask the question.

You would agree, wouldn't you, that the Public Staff in its joint proposed Order with Duke included a finding that the 10 percent variance reduction approach is appropriate, wouldn't you?

A. Subject to check, yes.

Q. Okay. Thank you.

A. So -- but the -- I guess for purposes of this proceeding, there is an ability to provide updated proposed Orders supplementing those pieces. I don't know the timeline of those in particular, but I know in the Commission's Order they did allow for updated proposed Orders.

Q. Is it your testimony that the -- well, let me -- let me withdraw that, please.

You don't testify either in your direct

testimony or your supplemental testimony that the 10 percent variance reduction methodology is unreasonable, do you?

A. I don't specifically say that it's unreasonable, but I do highlight in my supplemental that it is an approach to dealing with cross subsidization.

Again, that's the Company applying a level of discretion to deal with cross subsidization. And then the Public Staff applied a level of discretion when applying its principles and -- and the law to dealing with cross subsidization to get rate-of-return movements that we thought were reasonable and appropriate.

MR. SNOWDEN: Mr. Williamson, those are all of my questions. Thank you very much.

COMMISSIONER DUFFLEY: DEC?

MS. JAGANNATHAN: Good afternoon. Molly Jagannathan, here on behalf of DEC, and I don't have any questions for Mr. Williamson.

COMMISSIONER DUFFLEY: Okay. Redirect?

MR. FELLING: Yes. Thank you, Presiding Commissioner.

REDIRECT EXAMINATION BY MR. FELLING:

Q. Mr. Williamson, I want to first turn your attention to Exhibit 2, the CIGFUR III Witness Williamson's Supplemental Cross Exhibit 2. Do you have that in front of you?

A. Yes, yes.

Q. Okay. And can you, please, just -- well, this was, I think, identified as -- as a portion of your work papers. Can you state whether this is a complete -- your complete work paper, or is this an excerpt?

A. Yes. This is just one of the tabs within my workbook, my supporting workbook.

Q. Okay. And --

A. This is just the -- the -- the next step moving from Item 45-A, which is the cost-of-service results for the test year, and then moving into the Public Staff's version of 45-B, which is the Public Staff's adjustments to the test year, which impacts these values, as far as the dollar amount.

Q. Okay. And are the ROR indices that are reflected on the four pages here for each rate class the ROR indices that are being recommended by the public staff?

A. No, they're not.

Q. Okay. And where should the Commission or any other party look to determine what the Public Staff's recommended ROR indices are?

A. You can look specifically at both of my Supplemental Exhibits, 1 and 2, where it clearly states the percent increases in rate of return for that rate year.

And, unfortunately, I don't have a -- I guess, one picture or one page for the movement that's being experienced, but if you look at the rate of return for each rate year, you can see that each rate class is making an appropriate movement toward the band, if it's not already within the band.

Q. And so, just for the sake of that comparison, if you can look at page 4 of 4 of your Supplemental Exhibit 2.3. Do you have that in front of you?

A. Just one second.

Q. Yeah. Please, let me know when you're there.

A. My corrected supplemental exhibit?

Q. Yes. Thank you for the clarification.

A. 2.3, page 4 of 4?

Q. Correct. And are -- what are the -- and which line would the Public Staff's recommended ROR indices appear on this page?

A. So it's going to be line 11.

Q. And what -- what is this page of your exhibit reflective of?

A. So this page is a reflection of the conclusion. So it's rate year three, which is the revenue increase that would be attributable to the final year of the multiyear rate period.

Q. And if you could just compare the ROR indices for each of the classes, rate classes, there, and compare those to what was reflected potentially on what might have been the third year of the MYRP in the supplemental -- or in the cross exhibit that you were put in front of, can you compare the ROR indices between those two exhibits?

A. Sure. So, actually, the rate of returns in that exhibit are present on line 9. So you can see the movement and the differences between nine -- line 9 to line 11.

So that is the movement across the multiyear rate plan for all five of the individual rate classes as they move from where the Public Staff -- I guess I'm going to call it the starting point, it's 45-B, and where the resulting rate of returns at the end of the multiyear would land.

Q. Okay. And, looking at that, how many of the five rate classes that are reflected on your page 4 of 4 of your supplemental -- corrected supplemental Exhibit 3 are within the plus or minus 10 percent band of reasonableness by the conclusion of that MYRP?

A. So it's the residential class, the industrial class and the OPT class are all within the band by the conclusion of the multiyear period.

The general service class, while it did not make it into the band, moved from a 1.49 to a 1.27. And then on the other spectrum with the lighting class it moved from a negative .03 to a .45 of a rate -- rate-of-return value.

Q. And which classes get an increase above the overall revenue increase?

A. The residential class gets an increase above the NC retail, and the lighting class gets a percent increase above NC retail.

Q. Okay. All right. I think I can turn away from that cross exhibit.

And, Mr. Williamson, do you feel confident that any revenue requirement that's approved by the

Commission in this case can be apportioned using the methodology that you recommend in your testimony and exhibits?

A. I do.

Q. And why is that?

A. Because the level of discretion that was originally placed in the model I believe would be consistent for any revenue change that would be put forward.

Q. Would that require -- doing so require any further modification or -- to your framework or your exhibits?

A. No.

Q. Okay. I mean, other than inputting the new revenue requirement is, I guess, what I -- what I meant with -- with that question.

A. (No audible response was given.)

Q. Let me rephrase.

Would -- other than modifying the Commission's approved revenue requirement and inputting that into your workbook and your -- your methodology, would there need to be any additional changes to your -- to your methodology to yield rate-of-return indexes and -- and apportion the revenue that the Commission approves?

A. Sitting here today, not to my knowledge.

Q. Okay. Is it -- is it always possible to have rates or revenue apportionment that will fall within the band of reasonableness that would not have the potential to introduce rate shock?

A. Could you say that again?

Q. Yeah. Is it -- is it possible to apportion revenues and have those within the band of reasonableness that you've described, that plus or minus 10 percent band of -- band of reasonableness without the possibility to introduce rate shock?

A. So it depends really on where -- it's the same conversation I was having with Mr. Snowden, where it depends really on where the starting point for the rate of return that that class -- that particular class is experiencing.

To get them up to the band in their instance would require substantial increase for that class. And so moving a customer class to the band, it really depends on their starting point with the rate of return.

Q. And you were asked a question, I think, about kind of how you prioritize guiding principles.

And, just to clarify, is there a numerical order of the Public Staff's guiding principles based on the preference or weight that the Public Staff gives them? Is the order in which we list them indicative of an order of preference or weight?

A. No. And I think that's consistent with the law as well. If it were -- if the law specifically prescribed how to deal with rate design, it would be very clear.

But, instead, it allows for a level of discretion with applying certain constraints to the customer class -- to the customer classes through the rate-design process.

Q. And you were asked the question from Mr. Snowden about your prior testimony on the recommendation that was made by Duke Witness Beveridge and your determination that it was appropriate to mitigate the potential for rate shock. Do you recall that line of questions?

A. I do.

Q. Is there only one appropriate way to deal with the potential for significant rate shock?

A. No. There's going to be a number of different ways. And I believe that's why the Public

Staff provides a collection of scenarios in its -- in its exhibits, and that's to illustrate to the Commission the varying levels of what it would take in order to achieve complete parity of one point across the board or an equal level of percent change for each rate class.

And then there is no change, which is -- is if the Commission were to deny the rate case in its entirety. And then there's the -- ultimately the recommended change of the Public Staff, which generally falls somewhere in between that parity level and the equal percentage increased level.

It's -- it's not a fixed amount, but it's -- it's generally in between those, as far as percent increases.

Q. Is the Public Staff's recommendation that you've made in your supplemental testimony and in your exhibits on apportioning revenue a more appropriate way to deal with the potential for significant rate shock while also balancing issues of cross subsidization?

A. I think it is.

Q. Why is that?

A. Mainly because we have a new cost of service that's being introduced that, again, I believe, is a reasonable cost of service, mainly because of what it's targeting.

You know, it's -- it's -- it's a more representative picture of how the utility is building, planning and operating its grid. And so when you take that into consideration, and you take the -- the need to minimize cross subsidization throughout the multiyear rate period, while also not causing undue rate shock, they're balancing all of those items.

I believe that this -- the approach that the Public Staff has put forward is a reasonable and appropriate methodology.

Q. Okay. And to the extent that there still is any confusion about what -- what you -- this statement that you made in your prior testimony, just to resolve that, in your view is the 10 percent cross subsidy reduction that Duke has proposed in apportioning revenues appropriate in this case?

A. I believe that the surgical approach that the Public Staff puts forward is a more appropriate approach to dealing with cross subsidization, because it -- it allows for better movement capabilities for those rate of -- for those classes that are far outside the band.

MR. FELLING: No further questions. Thank you.

COMMISSIONER DUFFLEY: Okay. Good afternoon, Mr. Williamson.

We actually should probably take -- this is a good time to break for our afternoon break. We'll come back at 2:00 -- 2:50 -- or 2:55. Let's --

How long do you need?

THE COURT REPORTER: Five minutes.

COMMISSIONER DUFFLEY: Okay. So 2:00 -- 2:50 we'll come back on the record.

Let's go off the record.

(At this time, a recess was taken from 2:41 p.m. to 2:55 p.m.)

COMMISSIONER DUFFLEY: Okay. Let's go back on to the record.

EXAMINATION BY COMMISSIONER DUFFLEY:

Q. Mr. Williamson, I have a few questions for you this afternoon.

So, first, I want to make sure I heard what you said. Basically you're saying there's a level of subjectivity and cost allocation in rate design; is

that accurate?
A. So when you're -- when a rate design is being performed, I think any party that's developing a rate design is going to create a -- or -- or -- is going to propose levels of discretion between what they believe is in compliance with the law.
And so under -- in this process, dealing with the Public Staff's proposed revenue requirement, and the items listed out in HB 951, along with the Public Staff's longstanding four guiding principles, our levels of discretion have led us to the exhibits and revenue changes in this case.
Q. Okay. And let's -- let's talk about your exhibits. If I could turn your attention to Exhibit 2.3, page 4 of 4. Are you there?
A. I'm there. Yes.
Q. Okay. And we heard some discussion regarding an apples-to-oranges type comparison or -- and -- and we want to see a type of apples-to-apples comparison. So I've got a question for you on this -- on this exhibit and on this page.
A. Okay.
Q. Is it accurate that line 8 -- so just -- just tell me what line 8 is. Is that the

Company's ROR?

A. So that is going to be the Item 45-B, which is going to be the -- the Public Staff's version of the revenues and income and expenses for the test year.

Q. Okay. So that -- that's Public Staff's Item 45-B, and the Company's 45-B is different?

A. That's correct.

Q. Okay. So I'd like to make a request of the Public Staff and the Company to work together to provide just for illustrative purposes that apples-to-apples comparison, so that we can see, for example, Duke's numbers running through Public Staff's model and what the ROR is for each of the classes.

Do -- does both Duke -- the Company and, Mr. Williamson, do you understand the request?

A. I guess as -- as -- some clarifiers, are you assume -- are you asking for the Company's requested revenue requirement be run through this model?

Q. Correct. The Public Staff's model.

A. Just the revenue -- just the revenue requirement change, not the -- the 10 percent cross subsidization?

Q. Correct?

A. Okay. And -- okay. And so you're going to want that for each of the rate years that's presented in the corrected supplemental exhibits?

Q. Yes.

A. Okay. Sure.

Q. And it's for illustrative purposes.

And let's talk about this exhibit. And I'm assuming, because it is not numbered, and I just want to get it on the record, that page 4 of 4, this -- of Exhibit 2.3, that's rate year three?

A. That's correct.

Q. And then the prior page, page 3 of 4, is rate year two. Page 2 of 4 is rate year one, and then 1 of 4 is zero?

A. So what was -- what -- what the -- what was tried to accomplish here was that -- so we proposed four different scenarios. The no base change, the equal percent change, equal rate of return, and then the Public Staff's final recommended revenue apportionment.

And each one of these pages is a reflection of those four scenarios for each rate year. And so page 1 of 4 is the no base -- no revenue change. Page 2 is the equal rates of return for all classes.

And page 3 is the equal class revenue percent changes equal to the NC retail class change. And then page 4 is the Public Staff's proposed. And that is going to be reflected for 2.0, 2.1, 2.2 and 2.3.

Q. Okay. That makes sense.

A. We're still trying to figure out how to best represent each of the rate years.

Q. Okay. And for -- I have some staff questions -- well, let me -- let me ask the rest of my questions.

Moving to the sup -- corrected supplemental rebuttal testimony of Witness Byrd and Beveridge. Do you have that in front of you?

A. I do.

Q. Okay. On page 5, lines -- at the -- at the top of the page, lines 2 through 6. It says, "While the Public Staff, of course, is not required to use the same approach in both cases from a rate design perspective, there's no basis in the record in the DEC case that would support the use of a different methodology than what was approved in the debt proceeding."

Can you -- can you respond to this --

A. Sure.

Q. -- statement?

A. Sure. So in the DEP case, the Public Staff did originally propose a methodology -- a recommended methodology for rate design, and applied the same levels of discretion that has been discussed in this case.

However, there was an -- an obstacle of dealing with undue rate shock for a particular lighting class that had been pulled out and treated in the same manner as other retail classes, as opposed to being bundled up in other lighting classes.

And so the percent changes, the revenue requirement -- or the rate of return for that class and the respective percent changes for that class would have caused undue rate shock in our opinion. And so in the DEP case we believed it was more appropriate to utilize the Company's methodology.

In this case there is not a customer class dealing with that level of a rate of return need and is not at risk of -- in our opinion is not at risk of dealing with undue rate shock.

And ultimately it's always the Public Staff's preference to use our more surgical approach to dealing with rate design, but in that case, in the DEP case, it was more appropriate to use the company's.

Q. And how long has the Company used that -- you know, how long has the 10 percent band of reasonableness been employed by the Company and by the Commission?

A. The 10 percent cross subsidization reduction --

Q. No. Just --

A. -- or the band?

Q. The band?

A. So I think it's -- I think -- I think the Public Staff views that the Company has started to use the 10 percent as a guide. I think that can be evident in the Beveridge Direct Exhibit 10, where they actually have the dotted lines on that rate of return graph of -- of 1.1 and .9.

But as far as dealing with specifically a .9 and a 1.1 for rate of return to that 10 percent band, I can't -- I can't tell you how long they may have been using that.

Q. Okay. And now asking about this 10 percent cost recovery reduction methodology or model.

A. Uh-huh.

Q. How long -- has that been used in other cases, besides the DEP case?

A. So not 10 percent, but they have utilized the 25 percent. And so, I guess, more generally, they've applied a fixed percentage to deal with cross subsidization in their rate design for a number of rate cases.

But the Public Staff has traditionally always advocated for a more surgical approach. And in particular to this one, considering the change in cost of service, we believe that it was appropriate to -- to be more surgical with dealing with the rate-of-return movement, instead of just applying a flat percentage.

Q. Okay. Thank you for that answer.

And then moving to page 6. So it's footnote two. It talks about the four rate design principles, and can -- can you apply the same for rate design principles and the result is material? Like if the result when you apply this -- these four rate principles in a surgical manner, if the result is materially different in this case from the DEP case, is that a reasonable outcome?

A. To have differing rate designs for the two utilities; is that your question?

Q. Yes, and the fact that it may -- it may affect the customer classes in DEC versus DEP differently.

A. So I think ultimately the rate design should be focused on, at least to a degree, the rate of returns that are generated for each class. And so if the rate-of-return movement is a reasonable level of movement for those that are way outside of the band or if they're within the band, I believe that the -- ultimately the rate of return is a good indicator of whether or not the design is -- is appropriate in this case.

Q. Okay. Thank you.

And I have a few staff questions. The -- the first is: We would like some clarification on -- if you could turn to page 3 of your supplemental testimony?

A. I'm there.

Q. Okay. Can you explain how this table relates to the Supplemental Exhibits 2.0 through 2.3? Can you just walk us through that?

A. Sure. So looking specifically at the middle column that's titled, "Public Staff recommended change in revenue requirement incremental."

And so that is the recommended increase in revenue requirement that each successive rate year will need to apportion -- or find a way to apportion to the customer classes.

And so as -- if -- if you combine the base case with rate year one, that would get you the total increase that's going to be experienced for the -- for the rate year one period. And then the same thing would apply to rate year two and rate year three.

Is that helpful.

Q. Yes. Thank you.

And then can you go to -- to the Exhibits 2.0, 2.1, 2.2 and 2.3?

A. So I'm at page 4 of 4 for Exhibit 2.0.

Q. Okay. And, in layman's terms, can you just walk us through page 4 of 4 of 2.0?

A. In its entirety or where that call -- that chart comes in?

Q. Yeah. Start -- start with line 8.

A. Okay. So the -- line 8 -- line 8 and 9 are both representations of the rate-of-return percentage and the rate-of-return index before the rate increases have occurred.

And so they're going back to that Item 45-B that I talked about before. And so that is the combination of the cost of service for the test year utilizing adjustments that the Public Staff has made in that same test year period.

And then -- so that's going to produce those results. And then moving on to lines 10 and 11, it's essentially going to be the same approach, but it's pulling the rate of return and the rate-of-return index changes based off of the values between lines one and seven.

I can't -- I can't remember off the top of my head what exactly it's pulling from, but I believe that it is just -- well, I can -- it's essentially -- it's essentially just pulling a rate-of-return calculation based off of the changes in revenues proposed for that rate year based off of the spread to the five customer classes.

And then that -- lines 10 and 11 then produces a percent change in base revenues. And so that is a reflection of the rate design that's up above.

And then lines 13 and 14, because this --

because this is the -- the base case, the EDIT credit, the additional EDIT credit needed to be applied in to get a real representation of that rate year's impacts.

And so there was the spread for EDIT for credit that was applied. And that EDIT for credit was just for that -- that -- that piece. It wouldn't be reflected in rate years two and three.

Q. Okay. And then what -- now go through 2.1, 2.2 and 2.3. What are each of those exhibits demonstrating?

A. Sure. So it is just an update based off of the incremental revenue requirement that would be needed based off the Public Staff's proposed revenue requirement for all four of those rate periods.

And so, as you can see, the lines 8 and 9 remain the same, but --

Q. What -- what -- where are you?

A. So I'm on page 4 of 4 on -- I guess I'm on 2.2, but I'll go to 2.1 for you.

So 2.1, page 4 of 4, lines 8 and 9 are the same as 2.0. And those two lines are going to be the same for 2.2 and 2.3. That's just the, where -- where-did-we-start conversation?

And so the -- lines 10 and 11 are the

changes in revenue -- rate of return and the rate-of-return index number based off the change in proposed revenue requirement for that rate year.

And so, like I was saying earlier, while there isn't a -- a one page document that shows the progression of rate-of-return index values, if you -- a line -- page 4 of 4 for both --

For all the 2.0, 2.1, 2.2 and 2.3 you can see the rate-of-return movement across the multiyear rate plan showing how the rate classes, if they're outside of the band, they're incrementally moving closer toward the band each rate year.

COMMISSIONER DUFFLEY: Okay. Thank you. That was very helpful.

Okay. I think that I am done with my questions.

Any Commissioner questions?

(No audible response was given.)

COMMISSIONER DUFFLEY: Okay. Questions on Commission questions?

Mr. Snowden -- oh, Mr. Tynan. We'll go in order.

MR. TYNAN: Thank you, Commissioner Duffley.

EXAMINATION BY MR. TYNAN:

Q. Mr. Williamson, I just wanted to ask you: You recall just a few minutes ago you were talking with Commissioner Duffley about generating a new -- the new output from your spreadsheet using -- by just changing the revenue requirement to Duke's proposed revenue requirement?

A. I -- yes. I remember that -- that line of questions.

Q. And if you were to take DEC's proposed revenue requirement and just put that into your spreadsheet, would the result that that kicks out be a result that the Public Staff would support if the Commission were to approve DEC's requested revenue requirement?

A. I believe that we're satisfied with the methodology that's been put forward. And so the revenue requirement change would be a reflection of that.

So, yes, I believe that we would be satisfied with it, but we would like to see the -- the final revenue requirement that would be ultimately approved.

Q. And can you say sitting here how DEC's revenue requirement going into the spreadsheet would adhere to the four principles that you've talked about in your testimony?

A. Well, I think the principles are ultimately going to be -- they're -- they're built into -- as far as underlying levels of discretion.

The revenue requirement change is, like I said, just -- it's -- it's -- it's what the -- the final revenue requirement that is determined. Unfortunately, the revenue requirements generally lead -- higher revenue requirements generally lead to higher results in -- in percent increases.

And so I don't know what the results will look like, but if the revenue requirement is higher than what was put into our model, then the results will be higher, but we believe that the rate-of-return movement will still exist.

Q. And -- and so when you say the -- the results will be higher, you mean, for example, the lighting class will see a bigger percent increase in its revenue; is that right?

A. I think all classes would see a different percent change increase, but, like I was saying, the rate-of-return movement should still be present. And the Public Staff would be accepting of that rate-of-return movement.

Q. And, for example, the lighting class would need to see a bigger increase in its -- in its revenues to reach the same level and increase in its index of the rate of return?

A. So all classes are -- if the rate of returns are ultimately going to be higher, all classes are going to experience an increase in the percent change.

Q. And it -- it may not be in the same proportion that occurred that was found when you ran through the Public Staff's revenue requirement; is that right?

A. I don't know what you mean by the same proportion.

Q. The -- the amount of increase for the lighting class, for instance, that would be required using DEC's proposed revenue requirement --

A. Uh-huh.

Q. -- might not be in the same proportion to the other classes as it is in -- when you used the Public Staff's revenue requirement?

A. I believe we will see that when we file the -- the -- the exhibit that's been requested.

Q. Right. Sitting here today you don't know the answer?

A. I don't know where that -- those final results are going to fall, but, again, ultimately, the rate-of-return movement that's built in, the Public Staff is satisfied with that movement.

Q. But you don't know if that will happen when you put in DEC's revenue requirement; is that right?

A. I don't know what will happen.

MR. TYNAN: Okay. No further questions.

COMMISSIONER DUFFLEY: Mr. -- Mr. Snowden.

MR. SNOWDEN: Thank you.

EXAMINATION BY MR. SNOWDEN:

Q. Mr. Williamson, I just want to follow up on Commissioner Duffley's questions about the approach that was taken in the DEP rate case in response to which you testified about movement of -- of rate of return in specific customer classes. Is that okay?

A. Okay.

Q. Okay. So in your -- the recommended rate allocations in your supplemental testimony, lighting gets to a .45 rate-of-return index by the end of the

MYRP; right?
A. That's correct.
Q. Okay. And presumably if the Commission were to approve a higher -- a higher revenue requirement, that would be even higher, wouldn't it?
A. I don't know if the actual rate-of-return percentages would be much different. I don't -- I don't know if they would even change at all, considering that you're just increasing the -- the total amount of money that needs to be collected.
Q. Oh, understood. Thank you for that, yeah, correction.
Mr. Williamson, do you recall providing supplemental testimony similar to the supplemental testimony you're providing here in the DEP case?
A. I did provide supplemental testimony --
Q. Okay.
A. -- in the DEP case.
Q. Okay. And would you agree that under the -- the allocation of retail revenues you proposed in that testimony the rate of return for street lighting never got over .3 by the end of the -- the MYRP?
A. Subject to check.
Q. Okay. So -- and -- and, in general, over

the course of the MYRP the rate-of-return index for the -- the revenue allocations you proposed for DEP for street lighting, they were generally lower than the -- than what you're recommending here for lighting in general; is that right?

A. Well, it's two different companies. They have two different revenues. Two different types of lighting customers. There's a couple different lighting classes. Differences between DEC and DEP. Each one of those are going to have different pricing structures, where those revenues might come into play.

So there's a number of differing factors between the two companies, to where rate of return, in my opinion, doesn't necessarily need to be the exact same.

So it's just dependent on -- when I'm looking at rate design in this instance, there's a lot of focus that's on moving rate of returns closer towards the band.

And so in both instances the lighting classes were significantly under the band. And so they had to have a reasonable level of movement made in order to put up a reasonable amount of revenue responsibility change.

Q. Okay. Thank you.

But in the DEP supplemental testimony the Public Staff was fine with rate increases that only got street lighting to a .3 index; is that right?

A. In that instance, with that -- that rate design, with those specifics, it did produce, subject to check, a rate of return of around .3 --

Q. Okay.

A. -- by the conclusion.

MR. SNOWDEN: Okay. Thank you very much.

EXAMINATION BY MS. JAGANNATHAN:

Q. Mr. Williamson, with respect to the request for the late-filed exhibit, is it your -- your testimony that you could take Duke's revenue requirement and put it into your revenue requirement model -- I'm sorry -- rate-design model and spit out the rate design without making any subjective adjustments of any kind?

A. So I believe I would need to confer with the Public Staff's accounting division on this in order to produce this -- this exhibit, because it would need to -- with respect to the Company, would need to have, not only the revenue require -- well, at that point it would be afterwards.

So I guess we would need the underlying figures that make up that revenue requirement, as far as the -- for each rate year, as far as the revenues and net operating income and operating expenses and rate base associated with that that make up that respective revenue requirement request.

Q. And once you had those numbers is it your testimony that you could put them into your model, and it would -- those inputs into your model, and the rate allocation would flow from that model without making any adjustments or subjective decisions?

A. Yes. It would flow through and produce results.

Q. And would you support those results?

A. I'd support them as an option for the Commission to -- to use with regards to the revenue requirement, but ultimately that model is -- ultimately we would support the revenue requirement that the Public Staff has put forth as the appropriate one, but for illustrative purposes we're going to be producing an exhibit to illustrate what that would look like based off of the Company's revenue requirement.

MS. JAGANNATHAN: Okay. I don't have any more questions. Thank you.

MR. FELLING: No questions from the Public Staff.

COMMISSIONER DUFFLEY: Okay. Thank you so much, Mr. Williamson, for coming. You are excused.

THE WITNESS: Thank you.

COMMISSIONER DUFFLEY: Do we have motions?

MS. CRESS: Presiding Commissioner Duffley, CIGFUR III would move its Williamson Supplemental Cross Exhibits 1, 2 and 3 into the record at this time.

COMMISSIONER DUFFLEY: Okay. Without objection that motion is allowed.

MS. CRESS: Thank you.

(CIGFUR III Williamson Supplemental Cross Exhibits 1 through 3 were admitted into evidence.)

MR. SNOWDEN: Presiding Commissioner Duffley, the North Carolina League of Municipalities. I would like to move its Williamson Supplemental Cross Examination

Exhibit 1 into the record at this time.

COMMISSIONER DUFFLEY: Without objection that motion is allowed.

(NC League of Municipalities Williamson Supplemental Cross Exhibit 1 was admitted into evidence.)

MR. SNOWDEN: And if I may make a quick clarification for purposes of the record?

Mr. Tynan helpfully pointed out to me that when I was asking Mr. Williamson about the -- the exhibit, the exhibit is labeled -- the second table is labeled as coming from Column L of Witness Beveridge's testimony.

That is incorrect. It comes from column W of Witness Beveridge's exhibits.

COMMISSIONER DUFFLEY: Okay. Thank you for that clarification and modification of North Carolina League of Municipalities Williamson's Supplemental Cross Examination Exhibit Number 1.

MR. FELLING: Presiding Commissioner Duffley, the Public Staff would move that the corrected exhibits attached to the prefiled supplemental testimony of Mr. Williamson beentered into the record and marked for identification as premarked.

COMMISSIONER DUFFLEY: And --

MS. CRESS: And -- and, Presiding Commission Duffley, I apologize, but recognizing the Commission has already ruled on my client's second joint motion to strike, we would just renew our objections for the record.

COMMISSIONER DUFFLEY: Okay. That objection is duly noted. The -- the Commission will allow the exhibits into the record at this time.

(Williamson Corrected Supplemental Exhibits 1 through 6 were admitted into evidence.)

COMMISSIONER DUFFLEY: Ms. Jagannathan.

MS. JAGANNATHAN: Thank you.

At this time DEC would like to call Mr. Jonathan Byrd and Mr. Morgan Beveridge to testify as a panel.

Whereupon,

JONATHAN L. BYRD and MORGAN D. BEVERIDGE
having first been duly sworn, were examined
and testified as follows:

DIRECT EXAMINATION BY MS. JAGANNATHAN:

Q. Mr. Byrd, can you please state your name and business address for the record?

A. (Jonathan L. Byrd) Jonathan Byrd, 525 South Tryon Street, Charlotte, North Carolina.

Q. And by whom are you employed and in what capacity?

A. I'm the managing director of rate design and pricing and regulatory solutions at Duke Energy.

Q. Thanks.

And, Mr. Beveridge, can you please state your name and business address for the record?

A. (Morgan D. Beveridge) Yes. Morgan Beveridge, 525 South Tryon Street, Charlotte, North Carolina.

Q. And by whom are you employed and in what capacity?

A. Duke Energy business services, as the manager of rates and regulatory strategy for DEC.

Q. And, Mr. Byrd, on October 24, 2023, did you and Mr. Beveridge cause to be prefiled in this Docket supplemental rebuttal testimony?

A. (Jonathan L. Byrd) We did.

Q. And on October 26, 2023, did you and Mr. Beveridge cause to be filed corrections to the rate design panels prefiled supplemental rebuttal testimony?

A. Yes.

Q. And, Mr. Byrd, if I ask you the same questions that are set forth in the rate design panel's prefiled supplemental rebuttal testimony as corrected on October 26, would your answers be the same?

A. They would.

Q. And, Mr. Beveridge, would your answers be the same?

A. (Morgan D. Beveridge) Yes.

MS. JAGANNATHAN: Commissioner Duffley, at this time DEC would ask that the corrected version of the rate design panel's prefiled supplemental rebuttal testimony, consisting of seven pages, that was filed on October 26, 2023, be entered into the record, as if given orally from the stand.

COMMISSIONER DUFFLEY: Okay. The corrected supplemental testimony -- rebuttal testimony of Byrd and Beveridge that was filed on October 26, 2023, consisting of seven pages, will be copied into the record, as if given orally from the stand.

MS. JAGANNATHAN: Thank you.

(Whereupon, the Prefiled Corrected Supplemental Rebuttal Testimony of JONATHAN L. BYRD and MORGAN D. BEVERIDGE was copied into the record as if given orally from the stand.)

Q. MR. BYRD, PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Jonathan L. Byrd, and my business address is 525 South Tryon Street, Charlotte, North Carolina 28202.

Q. BEFORE INTRODUCING YOURSELF FURTHER, PLEASE INTRODUCE THE PANEL.

A. I am appearing on behalf of Duke Energy Carolinas, LLC ("DEC" or "the Company") together with Morgan Beveridge on the "Rate Design Panel."

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am the Managing Director of Rate Design and Regulatory Solutions for Duke Energy Business Services, LLC ("DEBS"). DEBS is a service company subsidiary of Duke Energy Corporation ("Duke Energy") that provides services to Duke Energy and its subsidiaries, including DEC and its affiliated utility operating companies.

Q. MR. BEVERIDGE, PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Morgan D. Beveridge, and my business address is 525 South Tryon Street, Charlotte, North Carolina 28202.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am a Manager of Rates and Regulatory Strategy for DEBS.

Q. HAS THE RATE DESIGN PANEL PREVIOUSLY SUBMITTED TESTIMONY IN THIS PROCEEDING?

A. Yes. We each submitted direct testimony and exhibits on January 19, 2023. Mr. Beveridge filed supplemental direct testimony and exhibits on May 19, 2023 and settlement testimony and exhibits on August 24, 2023. Additionally, we submitted joint rebuttal testimony on August 4, 2023 and joint settlement testimony on August 25, 2023.

Q. IS THE RATE DESIGN PANEL SPONSORING ANY EXHIBITS WITH ITS SUPPLEMENTAL REBUTTAL TESTIMONY?

A. No.

Q. WHAT IS THE PURPOSE OF THE RATE DESIGN PANEL'S SUPPLEMENTAL REBUTTAL TESTIMONY?

A. The purpose of the Rate Design Panel's supplemental rebuttal testimony is to respond to Public Staff witness David Williamson's supplemental testimony and exhibits, which were filed October 13, 2023, and corrected on October 20, 2023, in this docket.

Q. WHAT DID PUBLIC STAFF WITNESS WILLIAMSON RECOMMEND IN HIS SUPPLEMENTAL TESTIMONY?

A. Witness Williamson utilized the Company's cost of service study to develop a distribution framework incorporating base revenues, expenses, net income, and rate base for the test year. Witness Williamson applied this framework to the adjusted present and proposed revenues, expenses, and rate base to develop the

Public Staff's recommended allocation of revenues by detail rate class for each year of the multiyear rate plan ("MYRP").

Witness Williamson testified that he also "applied and balanced the Public Staff's four basic revenue assignment principles . . . to influence the way revenue apportionment is applied to each retail rate class."[1] These principles are outlined in Witness Williamson's direct and supplemental testimony. According to Witness Williamson, "[t]o the greatest extent practicable, the Public Staff's assignment of the base revenue increase and Rate Years 1, 2, and 3 adheres to each of these principles."

Q. PLEASE RESPOND TO WITNESS WILLIAMSON'S RECOMMENDATION.

A. The Company disagrees with Witness Williamson's recommendation regarding the allocation of revenue to the retail classes.

Q. WAS THE COMPANY SURPRISED BY THE RECOMMENDED REVENUE ALLOCATION REFLECTED IN WITNESS WILLIAMSON'S SUPPLEMENTAL TESTIMONY AND EXHIBITS?

A. Yes. Witness Williamson stated in his direct testimony that his review of Witness Beveridge's testimony and exhibits suggests that the Company's proposal to use a 10% variance reduction is appropriate to mitigate rate shock in this case.[2] Moreover, the Public Staff applied its same four basic revenue assignment principles in the Duke Energy Progress, LLC ("DEP") rate case in

[1] *See* Supplemental Testimony of David M. Williamson, at 4.
[2] Tr. vol. 11 at 40–41, 43.

Docket No. E-2, Sub 1300, to arrive at exactly the same allocation methodology as DEP, despite not agreeing on the proposed revenues.[3] While the Public Staff, of course, is not required to use the same approach in both cases, from a rate design perspective, there is no basis in the record in the DEC case that would support the use of a different methodology than that recommended by Public Staff and ultimately approved by the Commission in the DEP proceeding. Further, the Company reasonably relied on Witness Williamson's direct testimony in this case, which was consistent with the Public Staff and DEP's proposed variance reduction in Docket No. E-2, Sub 1300. Nevertheless, Witness Williamson's recommended allocation of the revenue requirement in this case differs from that of the Company (as well as any other intervenor), resulting in substantially different percentage increases to the various customer classes than any of the rate design approaches litigated during the course of the evidentiary hearing in this case.

Q. IS PUBLIC STAFF'S PROPOSED METHODOLOGY REPLICABLE?

A. No, and this is one of the key concerns the Company has with Witness Williamson's approach. The Company's revenue allocation methodology is clear and replicable – meaning that the Company's recommended methodology can be easily applied to the final revenue requirement approved by the Commission and requires no further subjective determinations. In contrast, Witness Williamson's recommended revenue allocation is opaque and not

[3] *See* Tr. Vol. 24, at 100-101, 104-105 (Docket No. E-2, Sub 1300).

replicable and appears to employ a level of subjective determination that is simply unreasonable.

More specifically, Public Staff manually adjusted the rate increase for each rate class independently to "apply the Public Staff's revenue assignment principles as practicably as possible."[4] Thus, this "methodology" relies on the subjective determination of optimal rate increase percentages by the Public Staff, independently for each customer class. The Public Staff did not define or employ a precise or replicable process that can be applied to any revenue requirement other than the specific result that they recommend.[5] Accordingly, the Company has no clear guidance on how to apply Witness Williamson's allocation principles to any other revenue requirement that the Commission may order. Regardless of the specific methodology for which any party may advocate, the Company believes it is crucial to utilize a precisely defined and scalable process for revenue allocation to provide transparency into the direction and range of potential outcomes and to allow for informed debate within the normal course of rate case proceedings. Witness Williamson's "methodology" does not meet these criteria.

[4] See Supplemental Testimony of David M. Williamson, at 9.

[5] This is evidenced by the fact that the Public Staff employed the same four rate design principles to come to materially different allocations in this case versus in the DEP rate case, as discussed above.

Q. PLEASE REITERATE WHY THE COMPANY CONTINUES TO SUPPORT ITS RECOMMENDED ALLOCATION METHODOLOGY.

A. As explained in our rebuttal testimony, the Company's proposed allocation methodology, which employs a 10% subsidy reduction, balances the rate increases requested in this proceeding so that no rate class receives a disproportionate increase, particularly considering the proposed changes to the cost of service methodology, which results in a shift of costs among rate classes. Consistent with the Company's previous rate case proceedings, the Company is applying the concept of gradualism to align revenues collected from each class with cost causation from the Company's cost of service. Moreover, the Company's proposed allocation methodology is consistent with House Bill 951 in that it allocates the revenue requirement based upon the cost causation principle, minimizes interclass subsidization "to the greatest extent practicable," and considers rate shock. Finally, as explained above, the allocation methodology recommended by the Company is identical to that methodology approved by the Commission in the DEP rate case proceeding in Docket No. E-2, Sub 1300, and there is no reason to depart from such methodology in this proceeding.

Q. DOES THIS CONCLUDE THE RATE DESIGN PANEL'S prefiled SUPPLEMENTAL REBUTTAL TESTIMONY?

A. Yes.

Q. (By Ms. Jagannathan) And, Mr. Byrd, has the rate design panel prepared a summary of your supplemental rebuttal testimony that was prefiled on October 26, 2023?

A. (Jonathan L. Byrd) I believe so.

MS. JAGANNATHAN: And, Commissioner Duffley, before I tender them for cross examination, I wanted to see if they could have the opportunity to address your request for late-filed exhibit, or would that be more appropriate to wait for Commission questions?

COMMISSIONER DUFFLEY: No. I think that that will be proper to address that right now. So we'll proceed with that, but the -- and the summary will be introduced into the record. Their summary that was filed on October 26, 2023, consisting of two pages.

MS. JAGANNATHAN: Thank you, Commissioner Duffley.

(Whereupon, the Prefiled Summary of Supplemental Rebuttal Testimony of JONATHAN L. BYRD and MORGAN D. BEVERIDGE was copied into the record as if given orally from the stand.)

Duke Energy Carolinas, LLC
Summary of Supplemental Rebuttal Testimony of
Jonathan L. Byrd and Morgan D. Beveridge
Docket No. E-7, Sub 1276

My name is Jonathan Byrd, and I am the Managing Director of Rate Design and Regulatory Solutions for Duke Energy Business Services, LLC ("DEBS"). I am appearing together on behalf of Duke Energy Carolinas, LLC ("DEC or the "Company") with Morgan D. Beveridge, Manager of Rates and Regulatory Strategy for DEBS, as part of the Rate Design Panel. Our supplemental rebuttal testimony responds to the supplemental testimony and exhibits of Public Staff witness David Williamson, which were filed in this docket on October 13, 2023.

Despite stating in his direct testimony that the Company's proposal to use a 10% variance reduction is appropriate to mitigate rate shock in this case, Witness Williamson's allocation recommendation in his supplemental testimony and exhibits differs substantially from the recommendations of the Company as well as any other intervenor that was litigated during the course of the evidentiary hearing. Additionally, unlike the Company's proposed methodology, the Public Staff's proposed methodology is not precise or replicable, as it relies on the Public Staff's subjective determination of optimal rate increase percentages independently for each customer class. This process cannot be applied to any revenue requirement other than the specific result they recommend. Accordingly, the Company has no clear guidance on how to apply this allocation methodology to any other revenue requirement that the Commission may order. It is crucial to utilize a precisely defined and scalable process for revenue apportionment to provide transparency into the range of potential outcomes, and to allow for informed debate within the normal course of rate case proceedings.

Witness Williamson's "methodology" does not meet these criteria, while the Company's approach balances requested rate increases, is consistent with previous proceedings, applies the concept of gradualism, and is consistent with House Bill 951. Moreover, in the Duke Energy

Progress ("DEP") case, the Public Staff arrived at the exact same allocation methodology as DEP despite not agreeing on proposed revenues. There is nothing in the record to support the use of a different methodology than what was used and approved in the DEP case.

This concludes the panel's supplemental rebuttal testimony summary.

Q. (By Ms. Jagannathan) And, Mr. Byrd, and, Mr. Beveridge, were you here when Commissioner Duffley asked Mr. Williamson for the Public Staff and the Company to work together to run Duke's numbers through the Public Staff's revenue apportionment model?

A. (Morgan D. Beveridge) Yes.

Q. And do you have any response to that request?

A. Any idea?

A. (Jonathan L. Byrd) It was my understanding that the request is to have an apples-to-apples comparison, and so I think if the request is that the Company's revenue requirements be run through the Public Staff's methodology, I'm not sure how to do that.

If the request was for Public Staff to make some adjustments to theirs to show some apples-to-apples comparison, I think Witness Williamson would agree that that would be possible.

COMMISSIONER DUFFLEY: Okay. Mr. Byrd, if I -- if I could jump in.

So what -- what the Commission is looking for, hence, suggested that the Public Staff and the Company work together is we heard testimony from Mr. Williamson about 45-A and then 45-B.

And he seemed to indicate that when -- upon cross examination that it was hard to compare the rate-of-return indices of -- of the Company versus the Public Staff because of the continued open issues that need to be decided by the Commission. So he suggested there's kind of an apples-to-oranges comparison, as I understood the testimony.

And so what the Commission was attempting to elicit for illustrative purposes is using whatever difference there is between the -- the Company and Public Staff running those -- the Company's differences, the Company's case through their methodology, through their kind of rate design.

And -- and we heard Mr. Williamson testify that it is a type of model that you could plug in and potentially obtain results. And so that is what the Commission is striving for.

If it -- if it's not possible, it's not possible, and -- and I'll withdraw the request. It's -- but I do think that the Company and

Public Staff need to get together to attempt to try to solicit or provide the Commission with that request.

THE WITNESS: Can -- can I just ask a clarifying question?

COMMISSIONER DUFFLEY: Sure.

THE WITNESS: Is the question to take the Public Staff's recommended revenues and run them through the Company's apportion model or to take the Company's recommended revenues and run it through the Public Staff's?

COMMISSIONER DUFFLEY: The -- the latter. The Company's through the Public Staff's model.

And I heard you just testify that you didn't think that was possible. And could you explain why?

THE WITNESS: I -- I will. So when I looked at his model, there are several hard coded sales in there, where he has used his discretion to manipulate the revenue apportionment by class.

And so it was my understanding that his position had been that that portion of methodology was directly linked, and it was necessary to have his revenue number before he came up with his apportionment methodology.

The Company's apportionment methodology, you can apply a wide range of revenue requirements through that apportionment methodology.

So we could do it from that way, but taking the Company's revenues and plugging it into his discretionary -- sort of toggling approach by class, I'm not sure how to do that.

COMMISSIONER DUFFLEY: I -- I understand your testimony, but the testimony of Mr. Williamson is that he does believe that -- that the Public Staff would be able to run your numbers through their methodology.

THE WITNESS: (Morgan D. Beveridge) If -- if I could add, so there's rates of return calculated at present rates, and there's also rates of return calculated for proposed rates, and that's based on the rate based and operating incomes in each of those.

So if the -- if the Public Staff ran DEC's operating income and rate based and all of those things through their model, I think our --

our starting point should look very similar.

And then for proposed rates, that's the point where I think Mr. Byrd and I are unclear, because I believe Ms. -- Witness Williamson's position was that he did not originally apportion the revenues based on DEC's proposed revenue requirement, because it required a sort of optimization.

And so if the Public Staff were to run their model through -- or run DEC's proposed operating income and -- and rate base through their model, would they re-optimize, sort of as they've done coming into this, as they did in supplemental, or would they keep the optimization that was done for Public Staff's revenue requirement?

So that -- I think that's sort of the question here, is that relative subjective optimization, my understanding was that Witness Williamson's testimony was that needs to be done on a specific revenue requirement.

And so if that couldn't have been done originally on DEC's revenue requirement, it's not completely clear how it could be done now on

DEC's revenue requirement.

COMMISSIONER DUFFLEY: Okay. I -- I understand that, and I'm going to take it under advisement for the time being.

Were there other questions you wanted to ask your witnesses on this issue?

MS. JAGANNATHAN: No, Commissioner Duffley. And we're happy to discuss with the Public Staff as well after the hearing.

COMMISSIONER DUFFLEY: Okay. Thank you.

MS. JAGANNATHAN: And so at this time Mr. Byrd and Mr. Beveridge are available for cross examination.

COMMISSIONER DUFFLEY: Ms. Cress.

MS. CRESS: Thank you.

CROSS EXAMINATION BY MS. CRESS:

Q. Good afternoon, gentlemen.

I'm going to ask Commissioner Duffley if I could have my colleague approach the witnesses for purposes of handing out an exhibit.

COMMISSIONER DUFFLEY: Please, proceed.

MS. CRESS: Thank you.

And I would request, Commissioner

Duffley, that this document be marked CIGFUR III Byrd and Beveridge Supplemental Rebuttal Cross Exhibit Number 1.

COMMISSIONER DUFFLEY: It shall be so marked.

MS. CRESS: Thank you.

(CIGFUR III Byrd and Beveridge Supplemental Rebuttal Cross Exhibit 1 was marked for identification.)

Q. Gentlemen, are these data request responses that DEC provided in response to CIGFUR III in this rate case?

A. They appear to be. Yes.

Q. And were you -- the two of you involved in responding to these requests?

A. (Morgan D. Beveridge) We were. Yes.

A. (Jonathan L. Byrd) Yes.

Q. Thank you.

If you could, turn with me to request and response 5-3. Do you see the first two lines of the Company's response to this data request, "State the Company believes Witness D. Williamson's approach is not formulaic, in that specific outcomes by rate class were based on subjective adjustments of the revenue apportionment amounts by class. As such, replicating the apportionment methodology for any other approved revenue requirement would be impossible."

Is there anything about what you heard from Witness Williamson earlier today that would change your response to this data request?

A. (Jonathan L. Byrd) No. I still believe that to be the case. And based on our review of what Witness Williamson did in his apportionment approach, there were subjective by class modifications that he made to apportion the revenue require -- the revenue recommendation from Public Staff.

And so taking those subjective, very unique changes and applying them to any other revenue amount, I -- I'm not sure how even to do that.

Q. And is that why the Company believes that Mr. Williamson's methodology is not able to be replicated?

A. That is correct.

Q. Okay. If you could, please, turn with me, sir, to the response to request 5-4.

A. Yes.

Q. Was there anything about Witness Williamson's testimony that you heard here today that changes the Company's response to this data request?

A. No. I -- I support our response to this data request.

Q. Thank you.

And if you could, turn with me to the Company's response to Data Request 5-5.

A. Yes.

Q. Is it correct that the last line of the first paragraph of the Company's response states, "The Company notes, however, that reasonable rate designers could apply the Public Staff's principles and reach multiple different conclusions, even if they all were using the same revenue requirement"?

A. Yes. And, if I may, the point that we're trying to make there is for a given revenue requirement, if multiple rate designers were asked to apply the approach Witness Williamson used, it's very reasonable to expect you would get five different answers from five different rate designers.

And so that's where all that discretion that Witness Williamson talked about comes into play. And so it would be introducing significant controversy to take the Commission's Order and then look at the apportionment methodology that the Company is required to do in the compliance process, and you could have one party say, yes, they comply with Commission Order, and another party disagree with that.

In contrast, the Company's approach is formulaic, and it's very easy for any party in the case to verify that we comply with the Commission's Order on that point.

Q. Mr. Beveridge, is there anything you would like to add?

A. (Morgan D. Beveridge) No, no. I agree with that.

Q. Okay. Thank you.

And then, if you could, Mr. Beveridge, take a look at your Direct Exhibit 4-3.

And, Presiding Commissioner Duffley, we do have copies of that, even though it's already been admitted into the record in this case. We're happy to distribute it, if it would be helpful.

COMMISSIONER DUFFLEY: Yes. If you'll distribute to the Commissioners, that would be helpful.

Q. Mr. Beveridge, did you hear a line of questioning earlier about the percentage of rate base that the Public Staff's methodology would apportion to the OPT class and whether that number should in theory be identical under the Public Staff's methodologies -- methodology versus the Company's methodology?

A. I did.

Q. And, if you could, indicate how that percentage, the total percentage of rate base being apportioned to the OPT class, would be calculated based on your Exhibit 4-3?

A. So based on Exhibit 4-3, so we're talking about rate year three, that would be Column A in that exhibit, showing the annualized rate base.

And so looking at the annualized rate base for the OPT class, divided by the NC retail annualized rate base would give that percentage before a rate increase, but under the rate base for that rate year.

Q. And would you agree, subject to check, that that calculation would result in a 21.7 percent total rate base being apportioned to the OPT class?

A. The annualized rate base here for OPT is roughly 5 million. For NC retail is just shy of 23 million. So that calculation sounds roughly correct, subject to check.

MS. CRESS: Thank you. No further questions.

COMMISSIONER DUFFLEY: Mr. Tynan?

MR. TYNAN: No questions from CUCA. Thank you.

MS. JAGANNATHAN: Mr. Snowden?

MR. SNOWDEN: Yes, ma'am.

CROSS EXAMINATION BY MR. SNOWDEN:

Q. Mr. -- I think this question is for Mr. Byrd -- or Mr. Byrd and Mr. Beveridge. I'd like you to look at page 7 of your supplemental testimony.

A. (Jonathan L. Byrd) Okay.

Q. Okay. Mr. Byrd, is this -- should I direct my questions about this to you?

A. I believe so. I'm looking --

Q. Okay.

A. -- at page 7 of our supplemental rebuttal testimony.

Q. Yeah. Starting on page 3.

It says, "As explained in our rebuttal testimony, the Company's proposed allocation methodology, which employees a 10 percent subsidy reduction, balances the rate increases requested in the proceeding, so that no rate class receives a disproportionate increase. Particularly considering the proposed changes to the cost-of-service methodology, which results in a shift of costs among rate classes."

Did I read that correctly?

A. You read it correctly.

Q. Okay. As I -- I read this testimony, I read you to be saying that the Commission should be particularly careful about rate shock in this rate case, given that the shift in costs among rate classes is being driven by the change in cost-of-service methodology. Would you agree with that?

A. That was our position in the -- all the direct and all the testimony we've had. It remains our position. And that's why we're -- we're proposing the 10 percent subsidy reduction, and that remains our proposal.

Q. Okay. Thank you.

Is it your understanding, based on your analysis of Mr. Williamson's allocations and -- and what you've heard today, that the Public Staff's approach would result in a greater than 10 percent variance reduction for lighting class customers?

A. (Morgan D. Beveridge) We have not done that calculation on Witness Williamson's numbers. I wouldn't be able to speak to that directly.

I can say that the allocation to lighting under Public Staff's recommendation appears to be higher than what we proposed here using the 10 percent variance reduction.

So, logically, I would assume that to be true, but we have not run those numbers. So I don't want to speak to anything directly.

Q. Okay. Thank you.

But, given that, would you agree that following the Public Staff's proposed allocation is more likely to result in rate shock to lighting class customers?

A. (Jonathan L. Byrd) Can -- can I ask you to clarify? Following the Public Staff's approach on the Public Staff's revenue --

Q. Given --

A. -- or on any other revenue number?

Q. Given -- we'll start with the Public Staff's revenue number. Following the Public Staff's allocation methodology, as opposed to following the 10 percent variance reduction, is more likely to result in rate shock to lighting class customers; would you agree with that?

A. (Morgan D. Beveridge) So we don't have an apples-to-apples comparison of these two yet, because they're different apportionment methodologies based on different revenue requirements. So there's some intuition or implication here, because we don't have those numbers directly.

But to the extent that under Public Staff's methodology the lighting class seems to be getting a larger apportionment of revenue, the -- using the same revenue requirement, logically I would assume that Public Staff's methodology will yield a higher percent increase.

So to the extent that a higher percent increase is in some way more likely to lead to rate shock, I think anytime a number is larger, you know, maybe it could lead to more rate shock, but I wouldn't necessarily say that Public Staff's proposal leads to rate shock.

Q. Okay. Thank you.

And you are aware that the Commission in its Order in the DEP rate case approved the 10 percent variance reduction just a few months ago; is that right?

A. (Jonathan L. Byrd) Correct.

Q. Okay. And you testified, I believe -- in your supplemental testimony it says that there is no reason in the record to deviate from that approach in this case. Would you agree with that?

A. I agree.

MR. SNOWDEN: Okay. Thank you. Those are all of my questions.

MR. FELLING: Thank you.

COMMISSIONER DUFFLEY: Mr. Felling.

CROSS EXAMINATION BY MR. FELLING:

Q. Yes. Tom Felling, with the Public Staff.

Rather than point you specifically to your page and line of your testimony, just paraphrasing, you generally state that Mr. Williamson's revenue apportionment methodology is not able to be replicated with another revenue requirement; is that fair? Am I paraphrasing there?

A. (Jonathan L. Byrd) That's right. That's -- that's correct.

Q. And so have you-all tried to replicate his methodology using a different revenue apportionment?

Have you actually gone through that process using his work papers to see if it is able to spit out a result?

A. (Jonathan L. Byrd) I -- I would just reiterate that in his work papers there are -- there's a line that says, "Public Staff adjustments," with hard coded numbers in there.

And it is my understanding that Witness Williamson has testified that those values are based on discretion that was invoked after he received a specific revenue number, and that it was not possible to do that work without having the recommended revenue number from Public Staff.

I have no idea how to adjust that line item for any other revenue requirements number using the Public Staff discretionary subjective approach.

Q. Okay. Then hearing that response, is it fair for me to say that you just believe that it's not able to be replicated, rather than knowing from having tried that it's not able to be replicated?

A. (Morgan D. Beveridge) If I could speak to this.

So the fact that Witness Williamson did not set up this model and optimize it and provide an apportionment earlier in the trial, when -- when we had a proposed revenue requirement from DEC, our interpretation of that was that his model could not be optimized under a revenue requirement, other than what the Public Staff was proposing.

So it's my understanding that it's Witness Williamson's position that his model is optimized to a specific revenue requirement, and that that couldn't have been done at least as accurately as you would have wanted to to any other revenue requirement.

So I'm -- I think that's our position based on our understanding of what Witness Williamson has described his model to be and -- and how it's been optimized.

Q. Okay. And then just to get it clear on the record, but you -- you guys have not attempted to replicate it based on his methodology; is that correct?

A. We have -- we have looked at the spreadsheet and understood the methodology as best we could. Again, which has hard coded numbers.

You could put in a different revenue requirement or all of the inputs associated, as Witness Williamson described, of rate base and operating income and all those things. Revenue requirements in just a single number.

You could update those numbers, but the

spreadsheet would no longer be optimized to the original revenue requirement.

And it's our understanding, again, by the fact that Witness Williamson did not create this at the beginning of the case or -- or during the normal proceeding, that that would be inappropriate use of his model.

Q. Okay. I'll leave it at that.

Are -- are you aware of anything in Chapter 62 that prescribes a specific revenue apportionment methodology for the Commission to use?

A. (Jonathan L. Byrd) I'm not.

A. (Morgan D. Beveridge) I'm not.

Q. Okay. Would you agree with me that the Commission has discretion to determine what approach to apportion revenues is appropriate in -- in a particular rate case?

A. (Jonathan L. Byrd) I agree.

Q. And would you agree with me that the approach that the Commission uses to apportion revenues might vary from one rate case to another?

A. Sure.

Q. Okay. And I think either -- you know, in your prefiled testimony, you're testifying here today, your testimony was that Mr. Williamson used, you know, specific subjective approach in his methodology. Is that a fair summation of -- of some of your testimony?

A. That is fair, and I believe that we -- that is fair.

Q. Okay. And -- but it's also true that the Company itself in its revenue apportionment methodology used a subjective approach; isn't that right?

A. No.

Q. Okay. And -- but isn't it true that choosing a 10 percent cross subsidy reduction in itself is subjective?

A. So let me stress what we're talking about when we mean subjective and discretion.

So we have a formulaic approach that is applicable across a wide range of approved revenues. So you can take those revenues and put them through this 10 percent methodology and come out with a consistent answer.

It's -- it's very straightforward. So there is no discretion. When you say 10 percent approved methodology, different revenue numbers. There's --

there's not a level of discretion in there.

With Witness Williamson's approach, that's where the discretion comes. There's this toggling and tweaking between rate classes to optimize based on the Public Staff trying to optimize against these four principles.

And -- so there's a lot of -- that's where the discretion comes in. So there's a distinct difference. And, I stress, I'm talking about running the approved revenue requirement with the approved allocation methodology from the Order.

There is no discretion. The Company's approach appears to be wide discretion from what we understand in the Public Staff -- Staff's approach, and that's -- that's very concerning, and --

A. (Morgan D. Beveridge) And if I could just add to that, just to sort of summarize how I think of that.

DEC's method, the 10 percent value is discretionary certainly and something that -- that should be debated in -- in the proceeding. But then the process of impl- -- implementing that is formulaic.

There's no question. So if the Commission says 10 percent is approved, if they say 20 percent is approved, the application of that is in no way subjective, and, you know, would not be subject to interpretation.

Whereas, the process itself for Witness Williamson's apportionment, the process itself is subjective. So there would not be a way for -- if the Commission said, implement Witness Williamson's apportionment methodology, implementing that would require subjectivity that could then, you know, be called into question.

Q. Would you agree that when choosing how to balance the competing differences of minimizing cross subsidization to the greatest extent possible by the conclusion of the multiyear rate plan versus avoiding rate shock, that it can be appropriate to make specific class changes that maximize the balancing of both of those competing ideas?

A. (Jonathan L. Byrd) I think the Company's proposed allocation methodology is trying to balance all of those. And I do not know how from a process standpoint, taking the Order, the Commission's Order, and designing compliance rates, how we would perform that process with the -- if the process itself is discretionary. That's -- I think that's what we're --

we're saying.

MR. FELLING: Let me just check my notes. I think I might be done, but I want to give myself credit for anything I might have written down earlier.

THE WITNESS: (Morgan D. Beveridge) Could -- could I make one point in that last question? Benefitting from a pause here, but --

If -- if I could just add, I would say, I don't -- I don't think there's anything inherently wrong with moving one rate class faster than another inherently from cost of service or a fairness standpoint, but --

And if there was just one person running these whole proceedings, then that could be feasible, but I think when you have a proceeding with a Commission with a Public Staff, with the utility parties all trying to debate, trying to come up with an answer, the more variables you have, the more complex and subjective the process is.

Just the more difficult it is for -- for, you know, interested parties to be able to sort of predict outcomes, understand what they should advocate for.

And I think the -- the Company's proposal to apply a single 10 percent reduction to all variances may not be perfect, but it helps simplify that, and it helps the conversation, helps debate and predictability.

So there is a balancing there. But the -- the Company stands by using that fixed percentage across classes in part because for a proceeding as complex like this, it -- it is appropriate.

MR. FELLING: And while I've had additional time to reflect, I -- I have no further questions. So thank you.

THE WITNESS: Thank you.

THE WITNESS: (Jonathan L. Byrd) Thank you.

COMMISSIONER DUFFLEY: Okay. Redirect?

MS. JAGANNATHAN: I just have a couple of questions.

REDIRECT EXAMINATION BY MS. JAGANNATHAN:

Q. So, Mr. Byrd, and, Mr. Beveridge, is your team responsible for developing the compliance rates and tariffs after the Commission has issued its final

Order?

A. (Morgan D. Beveridge) We are.

Q. And what is the typical timeframe for developing those compliance rates?

A. It's a fairly short timeframe. I would say on the order of two weeks.

Q. And is that typically a controversial process?

A. It is not. No. We need to -- a rates team interprets the Order to develop the final revenue requirements. And then once those revenue requirements are approved, we would then, following stipulations, following the Order, and that ultimate revenue requirement, apply the -- or -- or, rather, design rates according to those.

And it's -- it's fairly straightforward, again, as the -- the cost-of-service methodology and the variance process that has been approved in past proceedings is, you know, formulaic. There -- there's no subjectivity left at that point.

Q. And in your opinion were the Commission to adopt the Public Staff's approach to revenue apportionment in this case, would the compliance tariff process become controversial?

A. Yes. Again, because the -- applying the variance reduction to the cost-of-service results, it is unclear to us as to how we would do that.

And even if we did settle on a way to do that, I don't think it would be -- I don't think all parties would necessarily agree that we've done it in the same way or in perfect compliance with the Order, because it's -- it's not formulaic and involves subjectivity.

MS. JAGANNATHAN: That's all I have. Thanks.

EXAMINATION BY COMMISSIONER DUFFLEY:

Q. Okay. So to follow up on the -- I've heard subjective, optimization and hard coded numbers. So -- and then I heard, Mr. Beveridge, you state -- you testified you could change those hard coded numbers. How would you change the -- and so, as a layperson, hard coded numbers, I assume, means a specific number was placed in -- into the model; right?

A. (Morgan D. Beveridge) Yes.

Q. Explain hard coded number. Is that an accurate --

A. Yes.

Q. -- statement?
A. Numbers typed into an Excel model.
Q. Yes.
A. So I think essentially the way I interpreted the spreadsheet is that it's following an initial process, but then, looking at those results, how can I move one up a little bit, move one down a little bit to -- to optimize against these, you know, different principles?
Q. So, for example, we'll take the lighting class to move that class into parity more quickly than Duke's approach; correct?
That hard coded number would -- would accomplish that goal?
A. That's an example. I don't recall if that's exactly --
Q. Yeah.
A. -- what was done, but, yes.
Q. For illustrative purposes?
A. Yeah.
Q. Okay. So -- so getting back to your testimony, you stated that once the revenue requirement for compliance purposes, you testified you could change those hard coded numbers. How -- how

could you change those?

A. I -- I don't recall saying you could change those numbers. I -- my -- my interpret -- my understanding of Public Staff's model is that you would need to change those hard coded numbers to then re-optimize the model to the final revenue requirement.

But what those hard coded numbers are right now is Witness Williamson's professional judgment. And so if we got a different revenue requirement and those numbers needed to change to optimize the new revenue requirement, well, Witness Beveridge's judgment is different than Witness Williamson's, is maybe different than the Commission. So what those numbers should be is unclear.

Q. Okay. Thank you for the answer to that.

So with respect to DEC and DEP pursuing a potential merger in the future, if there were inconsistent rate design methodologies, would that or could that impact or how would that impact merger discussions and a merger going forward, or would it not have any impact at all?

A. (Jonathan L. Byrd) To maybe look -- I'll say that through the two cases on the comprehensive rate design study, the Company spent a lot of time thinking about improving alignment between the two companies.

So from a rate design structure standpoint, it's very much been part of what -- what we were trying to do, was align DEC and DEP. And that was part of the Commission's Order and performing the comprehensive rate design study.

And I think we've done an effective job of -- of bringing them much closer together through the two cases, in terms of the -- the structure of the rate design.

Is that helpful?

Q. Yes. That -- that --

A. Okay.

A. (Morgan D. Beveridge) If I may add to that, is to say there has been a precedent of what the Company has proposed and what the Commission approved, in terms of this variance reduction methodology in our cost of service.

And so if that -- that 10 percent variance reduction was approved in DEP, if something different were approved here, I would -- I would just say that it would be unclear going forward into future rate cases or -- or what the appropriate or preferred methodology would be, because I would say the -- the Company doesn't see an obvious distinction between the two rate cases as to why there would be a different methodology applied.

Q. Okay. Thank you.

And has this methodology been used in prior rate cases before DEP?

A. When you say, "this methodology" --

Q. The -- the 10 percent rate reduction.

A. The -- the variance reduction approach of applying a fixed reduction -- a fixed percentage reduction in variance has been applied in the last three DEC rate cases, both proposed and approved.

Q. Okay. Thank you.

But the zone -- the -- the 10 percent zone, that's been used a longer period of time?

A. The -- the plus or minus 10 percent band of reasonableness, that's been, I think, a guiding principle, but it -- I think it's been a guiding principle for -- for a long period of time, but we -- it's -- it's somewhat separate from the percent reduction -- percent variance reduction.

Q. Agreed. Two different principles, but that --

A. Yeah.
Q. -- principle has been around probably since the 1980s?
A. To my knowledge, yes.
Q. Okay. Thank you.
Okay. Going to page 5 of your testimony, lines -- line 21 and then page 6, lines 1 and 2. In your rebuttal -- supplemental rebuttal testimony.
You assert that Williamson's recommended revenue allocation is opaque, not repeatable and appears to employ a level of subjectivity. Can you describe what a reasonable level of subjective judgment looks like when you're determining this revenue requirement allocation between the classes?
A. (Jonathan L. Byrd) I think -- well --
Q. So I think it starts on the last page, the last line of page 5. Are you looking at your --
A. Yes.
Q. -- corrected?
A. I see it.
Q. Okay.
A. Yes. I think I would say that we would not want any subjectivity in that apportionment methodology. So we're -- we're thinking about the

time period -- and this was discussed a moment ago.

There's a pretty truncated time period there between the Order and the compliance rates. We don't want a lot of guesswork or subjective processes in that.

And so we want a very clear process that can be followed, that's formulaic, that allows us to turn the approved revenues into revenue requirements by class and then do the rate design.

And so, yes, the subjective determination, we called it unreasonable. I think we would -- we would not like any subjectivity in there. That's why we proposed the 10 percent variance reduction, which is formulaic.

COMMISSIONER DUFFLEY: Okay. Thank you.

Any questions from Commissioners?

(No audible response was given.)

COMMISSIONER DUFFLEY: Okay. Questions on Commission questions?

MS. CRESS: Just briefly.

EXAMINATION BY MS. CRESS:

Q. Thank you, gentlemen.

Is it fair to say that what Witness

Williamson did, in terms of the hard coded cells, is not transparent?

A. (Jonathan L. Byrd) I -- I would say it's very clear what he did. What would not be transparent is how to perform that same approach using that same goal with a different revenue amount.

Q. Did -- did Witness Williamson provide any kind of explanation for how he arrived at the numbers that are contained in those hard coded cells?

A. (Morgan D. Beveridge) To -- to my knowledge, no. There -- there are the four guiding principles, of course, and I think that was part of the determination, but of how, you know, he may have chosen 2,000 versus 2,500 versus some other number or, again, earlier there was testimony on, well, where do you stop? What the exact balancing was and why a certain level was picked was not clear.

Q. So, in other words, he didn't say, I used a weighted allocation factor, assigning X percentage to this guiding principle, and Y percentage to that guiding principle, and this is how I arrived at this value in this cell. There was no explanation of the process?

A. (Jonathan L. Byrd) I believe that's true.

Q. Okay. And, Mr. Beveridge, just following up on something that you testified in response to Commissioner Duffley regarding the variance reduction being employed in previous rate cases.

Just to be clear, the amount of the variance reduction has been higher than 10 percent in the last three DEC rate cases; correct?

A. (Morgan D. Beveridge) That's true. Yes. Just -- I was referring to the methodology had been employed. The amount has changed.

MS. CRESS: Thank you. No further questions.

COMMISSIONER DUFFLEY: Any questions on this side?

MR. FELLING: Yes.

EXAMINATION BY MR. FELLING:

Q. I think there's been a lot of questions specifically talking about explain subjectivity. What is a reasonable amount of subjectivity.

So would you agree with me based -- you know, following up on that line of question, that no subjectivity at all in a rate design or revenue apportionment would be setting every rate class at parity? Would that take all the subjectivity out of this?

A. (Jonathan L. Byrd) I -- I think what we're emphasizing is no subjectivity in the process. So, of course, the Company proposed 10 percent reduction. That 10 percent number is absolutely discretionary.

There's no perfect calculation we could show that comes up with 10 percent. That's a weighing of different factors, like we've been talking about here today.

But then the application of that is in no way subjective. And I think that's what's very important, that the -- the application of a decision by the Commission is not subjective.

Q. So is it -- then is it your testimony today that the use of the 10 percent cross subsidy reduction on its own is what moves each rate class further away from or closer to parity and no other determination in -- in your methodology?

It's just the use of the 10 percent cross subsidy reduction that results in rates -- or revenues that are not at parity?

A. (Morgan D. Beveridge) Almost every aspect of this rate case moves things in one direction or another, including the -- the rate increase, the cost-of-service methodology.

Nearly everything has some impact on what the ultimate numbers are. This -- the variance reduction is a final adjustment after the cost-of-service methodology, specifically with the intent of reducing that cost optimization.

Q. I guess my question asked another way, is it your testimony today that DEC's revenue apportionment methodology uses nothing else that is subjective, other than choosing the 10 percent cross subsidy reduction?

A. (Jonathan L. Byrd) I think that what -- I think what we're saying is after the Order, it's very clear how to implement the 10 percent variance reduction approach. And so there's not a discretionary, subjective component to that implementation of the Order.

Q. Okay. Let me -- let me try the question one more time a different way.

Is there anything else in the Duke revenue that -- the revenue apportionment methodology that you-all have proposed in your testimony, other than the choice of the 10 percent cross subsidy reduction that requires the use of discretion?

A. Not in the application of the Order. For example, one example would be migration adjustments. Determining what that migration adjustment does ultimately affects revenue allocated to cost.

The -- the ultimate migration that is approved by the Commission. You know, to the extent that their approval involves some level of discretion.

There are dis -- you know, there is discretion within the case. But, in terms of from the point of the Commission's Order, to us implementing compliance rates, I would say there is virtually no subjectivity from the Order to us implementing compliance rates. Whereas, this methodology would introduce that, where it doesn't exist today.

MR. FELLING: Okay. I'll -- I'll move on. No further questions.

MS. JAGANNATHAN: Nothing from DEC. Thank you.

COMMISSIONER DUFFLEY: Okay. So nothing further. You gentle -- you gentlemen are excused. We thank you for your testimony today.

THE WITNESS: Thank you.

THE WITNESS: (Morgan D. Beveridge) Thank you very much.

COMMISSIONER DUFFLEY: I'll take motions.

MS. CRESS: Yes. Thank you, Commissioner Duffley.

CIGFUR III would move its Byrd and Beveridge Supplemental Rebuttal Exhibit Number 1 into the record at this time.

COMMISSIONER DUFFLEY: Without objection, that motion is allowed.

MS. CRESS: Thank you.

(CIGFUR III Byrd and Beveridge Supplemental Rebuttal Exhibit 1 was admitted into evidence.)

COMMISSIONER DUFFLEY: Okay. To address this exhibit, the Commission requested this exhibit for illustrative purposes only. I've continued to say that.

However, in the interest of judicial economy, the Commission has decided to withdraw that request for that illustrative exhibit. So no need to move forward on -- on that work.

So we've come to the end of the day. And the Order that reconstituted this hearing had that the -- any changes to proposed Orders and briefs would be filed within four days of the date of hearing.

I'm going to modify that, because we're not going to be able to do a 24 hour turnaround. So we're going to change it and have it replicate the DEP decision, DEP case, and we'll have it three days by the notice of the transcript.

Are there any other outstanding issues before we adjourn?

(No audible response was given.)

COMMISSIONER DUFFLEY: Okay. Hearing none, we are adjourned. Thank you-all.

(Hearing adjourned at 4:15 p.m. on Monday, October 30, 2023.)

CERTIFICATE OF REPORTER

STATE OF NORTH CAROLINA)
COUNTY OF DURHAM)

I, Lisa A. DeGroat, RPR, the officer before whom the foregoing proceedings were taken, do hereby certify that the proceedings were taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

This the 1st day of November, 2023.

Lisa A. DeGroat

LISA A. DeGROAT, RPR
Notary Public #19952760001