

STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH

DOCKET NO. E-7, SUB 1304

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	)	
Application of Duke Energy Carolinas, LLC	)	<b>REBUTTAL TESTIMONY</b>
Pursuant to G.S. 62-133.2 and NCUC Rule	)	<b>OF SIGOURNEY CLARK AND</b>
R8-55 Relating to Fuel and Fuel-Related	)	<b>BRYAN SYKES FOR</b>
Charge Adjustments for Electric Utilities	)	<b>DUKE ENERGY CAROLINAS, LLC</b>
	)	

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1 **Q. MRS. CLARK PLEASE STATE YOUR NAME, BUSINESS ADDRESS,**  
2 **AND CURRENT POSITION.**

3 A. My name is Sigourney Clark. My business address is 5413 Shearon Harris  
4 Road, New Hill, North Carolina. I am a Rates and Regulatory Strategy Manager  
5 for Duke Energy Carolinas, LLC (“DEC” or the “Company”).

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

7 A. I am a Rates and Regulatory Strategy Manager for Duke Energy Carolinas,  
8 LLC (“DEC” or the “Company”).

9 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**  
10 **QUALIFICATIONS.**

11 A. I received my Bachelor of Science, focused on Finance and Accounting, from  
12 North Carolina State University, and I received a Master of Business  
13 Administration degree from East Carolina University. I began my career in  
14 2013 with Duke Energy at the Shearon Harris Nuclear Power Plant, and I have  
15 held various roles, most recently Senior Project Controls Specialist. I joined the  
16 Rates Department in 2022 as Rates and Regulatory Strategy Manager.

17 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS**  
18 **PROCEEDING?**

19 A. Yes, on February 27, 2024, I caused to be pre-filed with the Commission my  
20 direct testimony and 7 exhibits and 12 supporting workpapers. On May 8, 2024,  
21 I caused to be pre-filed with the Commission supplemental testimony and 4  
22 revised exhibits and 1 revised workpaper.



1 Page 1: Calculation of the Proposed Composite Experience  
2 Modification Factor (“EMF”) rate.

3 Page 2: Calculation of the EMF for residential customers.

4 Page 3: Calculation of the EMF for general service/lighting  
5 customers.

6 Page 4: Calculation of the EMF for industrial customers.

7 Exhibit 4: MWh Sales, Fuel Revenue, and Fuel and Fuel-Related Expense,  
8 as well as System Peak for the test period.

9 Exhibit 7: Voltage Differential Calculation Proposed Base Rate Decrement  
10 Adjustment Related to Voltage Differential

11 Exhibit 8: Proposed Industrial Mitigant EMF Interest Calculation

12 **Q. MR. SYKES, PLEASE STATE YOUR NAME AND BUSINESS**  
13 **ADDRESS.**

14 A. My name is Bryan L. Sykes, and my business address is 525 South Tryon Street,  
15 Charlotte, North Carolina 28202.

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

17 A. I am employed by the Company as a Director of Rates and Regulatory Planning.  
18 My current role includes the oversight of numerous annual rider proceedings,  
19 including the annual fuel adjustment rider in accordance with N.C.G.S. § 62-  
20 133.2, on behalf of both DEC and Duke Energy Progress, LLC (“DEP”)  
21 (together with DEC, the “Companies”).

22 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**  
23 **QUALIFICATIONS.**

1 A. I received my Bachelor of Science and Master of Science Degrees in  
2 Accounting from East Carolina University. I am a certified public accountant  
3 licensed in the State of North Carolina. I began my career in 2001 with Arthur  
4 Andersen, LLP as a staff auditor. From 2001 until 2006 I held various roles in  
5 public accounting firms, including Grant Thornton, LLP (successor to Arthur  
6 Andersen, LLP) and subsequently PricewaterhouseCoopers, LLP. In 2006, I  
7 began working at Progress Energy, Inc. as a financial auditor and subsequently  
8 held a variety of positions in the accounting organization before and after the  
9 merger with Duke Energy Corporation in 2012. I joined the Rates Department  
10 in 2019 as Manager, Rates and Regulatory Filings and was promoted to my  
11 current position as Director, Rates and Regulatory Planning in 2022.

12 **Q. PLEASE DESCRIBE YOUR DUTIES AS RATES DIRECTOR FOR**  
13 **DEC.**

14 A. I am responsible for providing regulatory support for retail rates, providing  
15 guidance on DEC's fuel and fuel-related cost recovery application in North  
16 Carolina and its fuel cost recovery application in South Carolina.

17 **Q. DID YOU SUBMIT DIRECT TESTIMONY IN THIS PROCEEDING?**

18 A. No. However, I have testified before the North Carolina Utilities Commission  
19 ("Commission") in the Company's 2021 and 2022 fuel adjustment riders, and I  
20 most recently testified in the Company's 2022 general rate case proceeding in  
21 Docket No. E-7, Sub 1276.



1 (1) The City of Orangeburg wholesale contract not being included in direct  
2 testimony as raised by Witness Lawrence,

3 (2) The use of projected sales to determine the Industrial customer EMF rider  
4 as raised by Witness Brown, and

5 (3) The Public Staff's opposition to the Company's request to true-up recovery  
6 of its Experience Modification Factor (EMF) as approved by the Commission  
7 in Docket No. E-7, Sub 1282 (the 2023 fuel proceeding) as raised by Witnesses  
8 McLawhorn and Boswell.

9 **City of Orangeburg Wholesale Contract**

10 **Q. DO YOU AGREE WITH WITNESS LAWRENCE'S CONCERNS**  
11 **ABOUT THE COMPANY'S INTERNAL CONTROLS GIVEN THAT**  
12 **THE CITY OF ORANGEBURG WAS NOT INCLUDED IN THE FUEL**  
13 **FORECAST USED TO SET RATES IN THIS FILING. PLEASE**  
14 **EXPLAIN WHY THE CITY OF ORANGEBURG WAS EXCLUDED**  
15 **FROM THE CALCULATION IN THIS PROCEEDING.**

16 **A.** The Company updates its load forecast semi-annually in the Spring and Fall. The  
17 rates calculated in this fuel proceeding utilized the Fall 2023 fuel forecast, which  
18 was the most recent fuel forecast based upon the most current load forecast  
19 available to the Company at the time of filing on February 27, 2024. The update  
20 to the Fall load forecast was finalized in early October 2023 and did not include  
21 the load associated with the City of Orangeburg because the contract was not yet  
22 executed.

1 The City of Orangeburg contract was executed on October 31, 2023.  
2 Subsequently, the next available fuel forecast for the Company – Spring 2024 –  
3 included the load associated with the City of Orangeburg, and the Company has  
4 updated the proposed fuel factors with the Spring load and fuel forecasts. As  
5 evidenced in my revised exhibits being filed with my rebuttal testimony, the  
6 update yielded minimal rate changes compared to Supplemental testimony.  
7 The Company disagrees that the exclusion of the City of Orangeburg load was  
8 an error or failure of internal controls as the Company’s process is to not include  
9 unexecuted contracts. The Company anticipated this load but recognized that the  
10 Fall fuel forecast did not include the contract because the contract was not yet  
11 executed.

12 **Use of Normalized Sales to Determine Industrial EMF Rider**

- 13 **Q. IN HIS DIRECT TESTIMONY, WITNESS BROWN RAISES**  
14 **CONCERNS ABOUT THE COMPANY’S USE OF PROJECTED**  
15 **BILLING PERIOD SALES TO DETERMINE THE PROPOSED**  
16 **INDUSTRIAL CUSTOMER CLASS’S EMF RIDER. PLEASE EXPLAIN**  
17 **WHY THE COMPANY PROPOSED USING PROJECTED BILLING**  
18 **PERIOD SALES TO DETERMINE THE INDUSTRIAL EMF RIDER.**
- 19 **A.** In supplemental testimony, the Company offered a mitigant to help reduce bill  
20 impacts for a 4-month period where fuel factors from this proceeding and the  
21 2023 fuel proceeding would be in place at the same time. This mitigant would  
22 postpone recovery of the current Industrial class’s EMF balance of  
23 \$56,017,539 over an 8-month period, starting January 1, 2025, and continuing



1 through August 31, 2025. By delaying the recovery of the current EMF,  
2 Industrial customers will experience less volatility in their bill - a smaller  
3 temporary increase on a typical bill on September 1, 2024, and a smaller  
4 decrease on a typical bill on January 1, 2025.

5 Because the Company offered to postpone recovery over the upcoming  
6 8-month period beginning January 1, 2025, the Company used projected  
7 billing period sales for that 8-month period to determine the Industrial  
8 customer class's EMF rider rate. Note that projected billing period sales were  
9 similarly used in the Company's 2023 fuel rider proceeding for all customer  
10 classes when the EMF balances were spread over a 16-month recovery period  
11 to help mitigate typical bill impacts due to the magnitude of the 2023 fuel  
12 factor increases. The reason for these deviations is that normalized test period  
13 sales are not always available for non 12 month periods. As a result, the  
14 Company used an alternative to accommodate the non-standard recovery  
15 periods in both situations.

16 **Q. DOES THE COMPANY OPPOSE UPDATING THE INDUSTRIAL**  
17 **CUSTOMER CLASS'S EMF RIDER TO REFLECT NORMALIZED**  
18 **TEST PERIOD SALES INSTEAD OF PROJECTED BILLING PERIOD**  
19 **SALES?**

20 A. No. The Company has been able to determine the normalized test period sales  
21 for the 8-month recovery period and recalculated the Industrial customer  
22 class's EMF rider. As a result of the recalculation, the EMF rider rate will  
23 increase from 0.6519 cents/kWh to 0.6890 cents/kWh. This increase is



1 prudently incurred during the test period...in fixing an increment or decrement  
2 rider...” Similarly, Commission Rule R8-55(d)(1)(3) provides that “[t]he EMF  
3 rider will reflect the differences between reasonable and prudently incurred cost  
4 of fuel and fuel-related costs and the fuel-related revenues that were actually  
5 realized during the test period under the cost of fuel and fuel-related cost  
6 components of rates then in effect.” The EMF rider is essentially a true up that  
7 addresses either an over-recovered balance or an under-recovered balance  
8 resulting from a difference between the fuel cost and fuel revenues. Once the  
9 over-recovered or under-recovered balance is determined and an EMF rate is  
10 placed in effect, the EMF rate will *generally* remain in effect for a fixed 12-  
11 month period under Rule R8-55(d)(5). Importantly, exceptions to this 12-month  
12 period have been required in numerous fuel cases filed by the Companies over  
13 the past two decades in cases involving large under-recovered balances such as  
14 was the case in the prior DEC fuel proceeding (“2023 Fuel Proceeding”).

15 **Q. HOW WAS THE EMF RATE DETERMINED IN THE 2023 FUEL**  
16 **PROCEEDING?**

17 A. The EMF rate established in the 2023 Fuel Proceeding was established  
18 utilizing: (1) the Company’s actual under-recovered balance for the calendar  
19 test year 2022 and (2) projected customer usage. More specifically, the  
20 Company experienced a large under-recovered fuel balance as fuel commodity  
21 prices increased significantly compared to historic norms, resulting in an under-  
22 recovered balance of approximately \$998 million. To determine projected  
23 customer usage, the Company utilized its 2023 Spring load forecast, which

1 represents a 5-year view of customer usage the Company expects given the  
2 information it has at its disposal at the time a load forecast is prepared. The  
3 Company requested its EMF fuel factors, by customer class, in its May 19, 2023  
4 rebuttal testimony, based on the 2023 Spring load forecast.

5 Typically, a load forecast is used to develop only the prospective fuel  
6 rate (*i.e.*, the forecasted fuel costs), rather than the EMF rate, which is consistent  
7 with Rule R8-55(e)(2). However, in the *Agreement and Stipulation of Partial*  
8 *Settlement* (“Agreement”) reached with the Public Staff, the Company proposed  
9 a mitigant to recover the unprecedented \$998 million in under-recovered fuel  
10 costs over a period of 16 months instead of the statutorily provided 12-month  
11 recovery period. Because the Company’s test period covered a period of 12  
12 months versus 16 months, the Company did not have 16 months of normalized  
13 sales over which to recover the \$998 million balance. Therefore, the only  
14 available option to determine the EMF rate was to use projected sales for the  
15 16-month billing period based on the 2023 Spring load forecast.

16 **Q. HOW DOES THE COMPANY DEVELOP THE FUEL FORECASTS**  
17 **FOR ITS GENERATING UNITS?**

18 A. For this filing, DEC used an hourly stochastic dispatch model in order to  
19 generate its fuel forecasts. This hourly stochastic dispatch model considers the  
20 latest forecasted fuel prices, reflective of market supply chain dynamics,  
21 outages at the generating units based on planned maintenance and refueling  
22 schedules, forced outages at generating units based on historical trends,  
23 generating unit performance parameters, and expected market conditions

1 associated with power purchases and off-system sales opportunities. In  
2 addition, the model dispatches DEC's and DEP's generation resources via joint  
3 dispatch, which optimizes the generation fleets of DEC and DEP for the benefit  
4 of customers. This forecast of fuel expense is the basis for the prospective fuel  
5 factor (not the EMF fuel factor).

6 **Q. WILL THE COMPANY'S PROSPECTIVE FUEL RATE EVER**  
7 **PERFECTLY RECOVER THE COMPANY'S FUEL COSTS?**

8 A. No. As discussed, the Company must develop a fuel forecast based on the best  
9 available data at a given point in time. That data contains many assumptions  
10 such as potential planned outages, fuel commodity prices, and expected  
11 customer demand for electricity measured in kilowatt-hours ("kWh"). Many of  
12 these assumptions will not play out in actuality as conditions are changing real-  
13 time, daily. Therefore, the Company will always experience some form of over-  
14 recovery or under-recovery of its forecasted fuel and fuel-related costs as actual  
15 commodity prices and customer usage will differ from what was projected in  
16 establishing the fuel rate. As I previously noted, the fuel clause contemplates  
17 an EMF factor that allows the Company to collect or return the difference  
18 between fuel and fuel-related expenses and the associated revenues collected  
19 by the Company.

20 Each annual fuel and fuel-related cost proceeding seeks to do two things  
21 (1) collect from customers the projected fuel expense for the billing period and  
22 (2) collect from (or refund to) customers any deficit (or surplus) of the prior  
23 year's projected fuel and fuel-related costs. In the case of (2) above, the

1 Company will always know the amount of prior year fuel and fuel-related costs  
2 that are subject to additional recovery from (or refund to) customers. However,  
3 the Company does not know the actual kWh sales that will be demanded during  
4 the billing period as well as the actual commodity prices to be incurred. In this  
5 case, the Company computes a cents per kWh rate to bill customers based on  
6 its known fuel and fuel-related costs over normalized test period sales, as  
7 required by Rule R8-55(e)(2), which accounts for the impact of weather,  
8 customer growth and usage during the test period in a manner consistent with  
9 the utility's last general rate case. The kWh sales during the billing period will  
10 either be higher or lower than its normalized test period sales, which will always  
11 lead to some under- or over-recovery of the EMF balance.

12 **Q. WHAT HAS BEEN THE COMPANY'S EXPERIENCE OVER THE**  
13 **PAST DECADE REGARDING RECOVERY OF THE EMF BALANCE?**

14 A. As I noted previously, over the past 10 years, the Company has seen both  
15 instances of an over-recovery and under-recovery of its EMF balance once the  
16 billing period has ended. As we note in our comparison in Table 1, by year, the  
17 amount of under- or over-recovered EMF balance in the recent past has been *de*  
18 *minimis* and therefore, the Company did not seek to true-up the EMF balance.  
19 However, it is also worth noting that the Company experienced a cumulative  
20 net under-recovery of \$2,407,125 over that 10-year period.

21 **Q. IS THE COMPANY PROJECTING TO HAVE A MATERIAL UNDER-**  
22 **RECOVERY OF THE EMF BALANCE FROM THE 2023 FUEL**  
23 **PROCEEDING?**

1 A. Yes. To date, the Company is under-recovered on the EMF balance from the  
2 2023 Fuel Proceeding by approximately \$8 million and projects that the total  
3 under-recovery on the EMF balance will balloon to approximately \$17 million.

4 **Q. WHAT IS THE DRIVER FOR THE \$8 MILLION UNDER-RECOVERY**  
5 **AND THE PROJECTED \$17 MILLION UNDER-RECOVERY?**

6 A. The \$8 million under-recovery through March 31, 2024, is driven by  
7 approximately 645 million kWh (or 1.9%) sales that have not materialized  
8 compared to prior year kWh sales forecasted. The projected \$17 million under-  
9 recovery through the end of the billing period is driven by approximately 1.4  
10 billion kWh sales (or 1.6%) that are not expected to materialize compared to  
11 prior year kWh sales forecasted. The approximate projected under-recovery by  
12 customer class is as follows: Residential \$7.4 million, General Service/Lighting  
13 \$5.3 million and Industrial \$4.9 million.

14 **Q. WERE ALL OF THOSE FUEL COSTS PRUDENTLY INCURRED?**

15 A. Yes, the \$998 million of fuel costs in the 2023 fuel proceeding were prudently  
16 incurred, and that \$998 million forms the basis of the \$17 million projected  
17 under-recovery.

18 **Q. ARE YOU AWARE OF ANY INSTANCES SINCE THE EMF WAS**  
19 **IMPLEMENTED WHERE THE COMPANY HAS BEEN DENIED**  
20 **RECOVERY OF SUCH A LARGE AMOUNT OF PRUDENTLY**  
21 **INCURRED FUEL COSTS?**

22 A. No. To the best, of our knowledge, the magnitude of this under-recovered EMF  
23 balance is unprecedented.

1     **Q.     DOES THE UTILITY MAKE A PROFIT ON ITS FUEL AND FUEL-**  
2     **RELATED COSTS?**

3     A.     No, unlike base rates established in a general rate case proceeding, where a  
4     utility seeks to recover both a “return of” and a “return on” its investments, the  
5     fuel and fuel-related costs requested by the Company are considered “pass  
6     through” costs. In layman’s terms, this means a utility expects to collect \$1  
7     dollar in revenue (a “return of”) from customers for each \$1 dollar it spends on  
8     fuel and fuel-related costs to meet customer demand.

9     **Q.     HOW LONG DOES IT TAKE FOR THE COMPANY TO BE MADE**  
10    **WHOLE FOR THE FUEL AND FUEL-RELATED COSTS INCURRED**  
11    **IN THE TEST PERIOD?**

12    A.     The Company recovers its under-recovery or refunds its over-recovery of fuel  
13    and fuel-related costs during the Commission established billing period, which  
14    for the Company is the 12-month period beginning September 1 of each year  
15    and concluding August 31 of the subsequent year. Thus, for costs incurred at  
16    the beginning of the test period, the Company may not be made whole on its  
17    reasonably and prudently incurred fuel and fuel-related costs for a period of 32  
18    months (for example, the recovery of January 1, 2023 fuel costs through as late  
19    as August 31, 2025).

20             In the Company’s 2023 fuel proceeding, the Company entered into the  
21    Agreement to recover its reasonably and prudently incurred under-recovered  
22    fuel costs (dating back to as far as January 1, 2022) over a 16-month period  
23    through December 31, 2024. To that end, the Company recognizes that it



1 currently is not being made whole on the \$998 million under-recovery and  
2 further projects that it will not be made whole by the end of the billing period  
3 on December 31, 2024.

4 **Q. ONCE AGAIN, WERE THE COMPANY'S COSTS IN THE 2023 FUEL**  
5 **PROCEEDING FOUND TO BE PRUDENT AND REASONABLE?**

6 A. Yes, in the 2023 Fuel Proceeding, the Commission "...notes that DEC's under-  
7 recovery of \$998 [million] of fuel and fuel-related costs during the test period  
8 is *substantial and unprecedented* (emphasis added) for both DEC and DEC's  
9 customers..."

10 **Q. ONCE AGAIN, HAS THE COMPANY GENERALLY SOUGHT TO**  
11 **RECOVER OR REFUND ANY UNDER- OR OVER-RECOVERED EMF**  
12 **BALANCE?**

13 A. No, the Companies have generally not sought to recover or refund under- or  
14 over-recovered EMF balance because such amounts have been *de minimis*. As  
15 shown in Table 1 below, over the last 10 years, there has been a range of over-  
16 and under-recoveries on the Companies' EMF balances, but such over- and  
17 under-recovery never exceeded \$5 million and generally was closer to \$1  
18 million. Because the amounts were *de minimis* (in the context of the fuel costs),  
19 the Companies have not sought to true up the EMF balances. Cumulatively, for  
20 the last 10 years, the DEC has written off \$2,407,125 to expense, and DEP has  
21 written off \$2,738,304 to expense as shown in the table below. In other words,  
22 on a net basis, the Companies have been under-recovered on their prudently  
23 incurred fuel costs.

Write-off Year	Duke Energy Carolinas, LLC	Docket No.	Test Period (Over)/Under Recovered Balance	Duke Energy Progress, LLC	Docket No.	Test Period (Over)/Under Recovered Balance
2014	\$ 1,413,881	E-7, Sub 1033	\$ (51,555,143)	\$ 97,999	E-2, Sub 1031	\$ (10,922,481)
2015	\$ 182,587	E-7, Sub 1051	\$ (5,293,539)	\$ (710,342)	E-2, Sub 1045	\$ 118,942,422
2016	\$ 130,062	E-7, Sub 1072	\$ 9,980,917	\$ (1,018,853)	E-2, Sub 1069	\$ 68,706,211
2017	\$ (1,461,947)	E-7, Sub 1104	\$ (5,293,539)	\$ 1,210,435	E-2, Sub 1107	\$ (70,539,593)
2018	\$ (2,540,736)	E-7, Sub 1129	\$ (43,961,721)	\$ (1,615,889)	E-2, Sub 1146	\$ 32,521,056
2019	\$ (762,633)	E-7, Sub 1163	\$ 73,282,022	\$ 64,722	E-2, Sub 1173	\$ 224,334,099
2020	\$ 2,861,640	E-7, Sub 1190	\$ 78,194,400	\$ (4,537,584)	E-2, Sub 1204	\$ 109,550,954
2021	\$ 1,330,247	E-7, Sub 1228	\$ 57,140,548	\$ 3,076,648	E-2, Sub 1250	\$ 64,754,391
2022	\$ (2,010,687)	E-7, Sub 1250	\$ 20,494,879	\$ 3,877,321	E-2, Sub 1272	\$ 113,060,434
2023	\$ 3,264,711	E-7, Sub 1263	\$ 326,974,214	\$ 2,293,845	E-2, Sub 1292	\$ 255,408,714 (Note 1)
	\$ 2,407,125			\$ 2,738,304		
<b>Footnotes:</b>						
(1) DEP 2023 amount contains 2023 EMF write-off \$6.46M and 2022 EMF write-off (\$4.17M)						

1

2 **Q. DOES THE COMPANY BELIEVE THE CURRENT EMF UNDER-**  
3 **RECOVERY FROM THE 2023 FUEL PROCEEDING IS SIGNIFICANT**  
4 **AND WARRANTS APPROVAL OF THE COMPANY'S REQUEST TO**  
5 **PROVIDE RECOVERY?**

6 A. Yes, the Company believes it should be able to recover the approximate \$998  
7 million under-recovery based on the substantial and unprecedented magnitude  
8 of that balance.

9 **Q. DID THE COMMISSION AGREE THAT THE COMPANY UNDER-**  
10 **RECOVERED \$998 MILLION IN THE 2023 FUEL PROCEEDING?**

11 A. Yes, the Commission agreed the Company under-recovered \$998 million in  
12 the 2023 Fuel Proceeding and acknowledged the Agreement between the  
13 Company and Public Staff. Amongst other resolved issues, the Company  
14 agreed to mitigate the large under-recovery of approximately \$998 million  
15 experienced during the calendar year test period 2022 by extending the

1 recovery to a period of 16 months as opposed to the statutory 12-month  
2 recovery period provided in the fuel clause.

3 **Q. WAS THE INTENT OF THE SETTLEMENT, WHICH WAS**  
4 **SUBSEQUENTLY APPROVED BY THE COMMISSION, TO**  
5 **RECOVER THE \$998 MILLION?**

6 A. Yes, the Company entered into the Agreement with the intent to collect the  
7 \$998 million – no more, no less. The Company believes given the fuel and  
8 fuel-related costs are reasonable and prudent, the Company is statutorily  
9 entitled to be made whole on these fuel and fuel-related costs that the  
10 Company incurred in providing safe and reliable energy for its North Carolina  
11 retail customers. And due to differences between projected usage of electricity  
12 (in kwh) and actual usage of electricity (in kwh) over the recovery period,  
13 primarily due to mild winter weather, the \$998 million under-recovered  
14 balance has not been fully recovered compared to expectations as of March  
15 31, 2024.

16 **Q. IF THE COMPANY WERE TO OVER-RECOVER THE APPROXIMATE**  
17 **\$998 MILLION ON DECEMBER 31, 2024, WOULD IT RETURN THAT**  
18 **OVER-RECOVERY TO CUSTOMERS?**

19 A. Yes. The Company has nine months remaining in the billing period and when the  
20 Company prepares its 2025 fuel proceeding, if it finds the \$998 million has been  
21 over-recovered, the Company will seek to flow any over-recovery back to affected  
22 customers, which could differ by customer class. Conversely, if the Company  
23 finds it has further under-recovered this amount, it will seek to recover that from

1 customers. Again, the Company is seeking to fully recover its approved fuel  
2 expense of approximately \$998 million – no more, no less.

3 **Q. IS THE COMPANY SEEKING ADDITIONAL CARRYING COSTS**  
4 **ASSOCIATED WITH THE APPROXIMATE \$8 MILLION UNDER-**  
5 **RECOVERY THROUGH MARCH 31, 2024?**

6 A. No, as I stated in my supplemental testimony, the Company is simply seeking  
7 recovery of its approved under-recovered fuel balance from its 2023 proceeding  
8 of approximately \$998 million. The Company is not seeking carrying costs on  
9 the under-recovery of \$8 million through March 31, 2024.

10 **Q. HAS THE COMPANY CONSIDERED THE IMPACTS TO ITS**  
11 **CUSTOMERS IN THE CURRENT AND PRIOR YEAR FUEL**  
12 **PROCEEDING?**

13 A. Yes, in the prior year fuel proceeding in Docket No. E-7, Sub 1282, the  
14 Company recognized the impacts to its customers during a time of rising fuel  
15 commodity prices during the 2022 calendar year test period. Again, the  
16 Commission even recognized the magnitude of the under-recovery by stating  
17 in its Order "...The Commission first notes that DEC's under-recovery of \$998  
18 [million] of fuel and fuel-related costs during the test period is *substantial and*  
19 *unprecedented* (emphasis added) for both DEC and DEC's customers..."  
20 Through its Agreement with the Public Staff, the Company agreed to seek  
21 recovery of the \$998 million under-recovered fuel balance over 16 months  
22 instead of the 12-month period provided for in the fuel statute. The recovery  
23 agreed to by the Company in this partial settlement lowered the impact to all

1 customer classes compared to the bill impacts proposed in my direct testimony  
2 in that proceeding.

3 In the current year fuel proceeding, the Company has again recognized the  
4 impacts to its customers as a result of the 16-month mitigation agreed to in the  
5 prior year fuel filing, where a certain rate would recover the \$998 million under-  
6 recovered fuel costs through December 31, 2024. Since the current year fuel  
7 filing would seek the normal 12-month statutory recovery period, there is a 4-  
8 month period where all customer classes will see a temporary bill increase.

9 In recognition of this temporary bill increase, particularly for the Industrial  
10 customer class, the Company proposed a mitigation offer in supplemental  
11 testimony to help minimize its Industrial customers' temporary bill impacts  
12 during the September 1, 2024, to December 31, 2024 period. The significance  
13 of the bill impact for Industrial customers is primarily due to the elimination of  
14 the uniform percent allocation methodology in this docket, as ordered by the  
15 Commission. Per Statute, the Company is not obligated to offer any mitigant,  
16 and it did so voluntarily as a gesture of goodwill. The Company did not offer a  
17 similar mitigant for its Residential or General Service/Lighting customers  
18 because the temporary bill increase was not as significant as it was for the  
19 Industrial customer class.

20 **II. Response to CIGFUR III and CUCA Witnesses**

21 **Q. IN THE DIRECT TESTIMONY OF CIGFUR III WITNESS BRIAN**  
22 **COLLINS, HE RECOMMENDS THAT THE COMPANY UPDATE ITS**  
23 **TOTAL FUEL FACTORS FOR ALL CLASSES TO REFLECT ITS**

1 **MOST RECENT FUEL FORECAST. PLEASE EXPLAIN WHY**  
2 **WITNESS COLLINS IS RECOMMENDING THE COMPANY UPDATE**  
3 **TO THE MOST RECENT SPRING 2024 FORECAST.**

4 A. Witness Collins refers to the Company’s response to CIGFUR Data Request 2-  
5 6, in which CIGFUR III asked the Company to “...provide the most current  
6 cost of gas and compare that cost to the gas used by DEC to calculate the fuel  
7 and fuel related cost factors proposed in this filing.”

8 The Company provided a response and indicated that natural gas fuel expense  
9 decreased from its direct filing. In the Company’s response, we indicated that  
10 natural gas fuel expense cannot be viewed in a vacuum and that other variables  
11 could change. In fact, the mid-March forecast Witness Collins references was a  
12 complete re-run of the Company’s economic dispatch model, so while natural  
13 gas fuel expense decreased, other fuel expenses increased such that the  
14 Company’s total system-level fuel expense increased by approximately \$17.6  
15 million.

16 It is important to note that the North Carolina retail share of updating to the  
17 mid-March forecast would result in an additional \$22 of fuel expense, which is  
18 not material. This additional fuel expense would therefore not result in  
19 additional savings for North Carolina retail customers. Nevertheless, the  
20 Company is not opposed to providing revised exhibits and workpapers to  
21 update to this latest fuel forecast and is including said revised exhibits and  
22 workpapers along with its rebuttal testimony.

1 **Q. BOTH CIGFUR III AND CUCA WITNESSES RECOMMEND AN**  
 2 **ALTERNATIVE PROPOSAL TO HELP SMOOTH BILL IMPACTS**  
 3 **FOR INDUSTRIAL CUSTOMERS. HOW DO YOU RESPOND?**

4 A. As stated in supplemental testimony, the Company recognizes the larger bill  
 5 impacts to Industrial customers. As such, we proposed a mitigant to lessen the  
 6 bill impacts irrespective of the fact that we are entitled to recover our reasonably  
 7 and prudently incurred fuel costs over a statutory 12-month period. The  
 8 Company maintains that the mitigant offered in supplemental testimony is a  
 9 reasonable mitigation strategy in light of Industrial customer bill impacts.

10 **Q. WHAT ARE THE REVISED PROPOSED FUEL AND FUEL-RELATED**  
 11 **COSTS FACTORS THE COMPANY IS PROPOSING, INCLUSIVE OF**  
 12 **THE EMF INCREMENT RELATED TO DOCKET NO. E-7, SUB 1282?**

13 A. The proposed fuel and fuel-related cost factors by customer class, as shown on  
 14 Clark Revised Exhibit 1, are as follows:

Description	Residential cents/kWh	General cents/kWh	Industrial cents/kWh	Composite cents/kWh
Total Adjusted Fuel and Fuel Related Costs	2.3063	2.3044	2.2950	2.3032
EMF Increment (Decrement)	0.4751	0.3221	0.6890	0.4094
EMF Interest (Decrement)	-	-	0.0063	0.0008
EMF Increment (Decrement) Docket E-7, Sub 1282	0.0285	(0.0003)	0.0217	0.0138
Net Fuel and Fuel Related Costs Factors	2.8099	2.6262	3.0120	2.7272
Net Fuel and Fuel Related Costs Factors cents/kWh (9/1/2024 - 12/31/2024)	4.0762	3.8686	3.6044	
Net Fuel and Fuel Related Costs Factors cents/kWh (01/01/2025 - 8/31/2025)	2.8099	2.6262	3.0120	

15  
 16

17 **Q. WHAT IS THE IMPACT TO CUSTOMERS' BILLS IF THE PROPOSED**  
 18 **FUEL AND FUEL-RELATED COSTS FACTORS ARE APPROVED BY**  
 19 **THE COMMISSION?**

1 A. All customers will see a temporary bill increase on September 1, 2024, when new  
2 rates become effective. This temporary increase is solely the result of the customer  
3 mitigation agreed to in the 2023 fuel proceeding, which resulted in an extended  
4 recovery period of the under-recovery of approximately \$998 million through  
5 December 31, 2024. However, on January 1, 2025, when that prior year rate ceases  
6 to be billed, all customer classes will see a bill decrease.

7 For the four-month period September 1, 2024, through December 31, 2024, a  
8 typical Residential customer using 1,000 kWh per month would experience an  
9 increase of \$1.81, or 1.3%. The impacts for average General Service/Lighting  
10 customers and Industrial customers vary by customer, but are approximate  
11 increases of 3.6% and 4.3%, respectively.

12 Upon the expiration of the additional four-month billing of the EMF and EMF  
13 interest increment fuel factors from the 2023 fuel proceeding, customer bills are  
14 expected to decrease. A typical Residential customer using 1,000 kWh per month  
15 would experience a decrease of \$12.68, or 8.9% from fuel factors in effect at that  
16 time. The impacts for average General Service/Lighting customers and Industrial  
17 customers vary by customer, but are approximate decreases of 12.5% and 7.2%,  
18 respectively from fuel factors in effect at that time.

19 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

20 A. Yes, it does.