

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-7, SUB 1282

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of:)

Application of Duke Energy Carolinas, LLC)
Pursuant to G.S. 62-133.2 and NCUC Rule)
R8-55 Relating to Fuel and Fuel-Related)
Charge Adjustments for Electric Utilities)

**REBUTTAL TESTIMONY
OF JOHN D. SWEZ FOR
DUKE ENERGY
CAROLINAS, LLC**

1 **Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.**

2 A. My name is John D. Swez, and I am Managing Director, Trading and Dispatch, by Duke
3 Energy Carolinas, LLC. My business address is 526 S. Tryon Street, Charlotte, North
4 Carolina.

5 **Q. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN SUPPORT OF DEC'S**
6 **APPLICATION IN THIS DOCKET?**

7 A. Yes, on February 28, 2023, I caused to be pre-filed with the Commission my direct
8 testimony and 4 exhibits and on May 5, 2023, I caused to be pre-filed with the Commission
9 supplemental testimony.

10 **Q. YOUR TESTIMONY INCLUDES ONE EXHIBIT. WAS THIS EXHIBIT**
11 **PREPARED BY YOU OR AT YOUR DIRECTION AND UNDER YOUR**
12 **SUPERVISION.**

13 A. Yes, this exhibit was prepared at my direction and under my supervision, and consists of
14 Swez Rebuttal Exhibit 1, which shows the calculation of the average forward NYMEX
15 Henry Hub price for the billing period as of Close of Business ("COB") January 12, 2023
16 and COB April 13, 2023.

17 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

18 A. The purpose of my rebuttal testimony is to update projected coal and natural gas burns and
19 costs for the billing period based on the April 2023 fuels forecast in support of the
20 recalculated prospective component of the fuel rate discussed in the Joint Rebuttal
21 Testimony of Sigourney Clark and Chris Bauer and to update the Commission on the latest
22 trends in coal and natural gas market conditions in support of the updated fuel costs the

1 Company expects in the estimated and forecasted periods for the period September 1, 2023,
2 through August 31, 2024.

3 **Q. PLEASE DESCRIBE THE CHANGES IN NATURAL GAS AND COAL MARKET**
4 **CONDITIONS IMPACTING THE APRIL FORECAST.**

5 A. Natural gas prices are dynamic, volatile and can change significantly based on market
6 fundamental drivers including supply, demand and projected storage inventory balances.
7 Since the January 2023 forecast—which was used to develop the February 28, 2023, fuel
8 filing—there continues to be downward pressure on natural gas prices due to; 1) increased
9 production; and 2) rapidly growing storage inventory as a result of moderate weather driven
10 demand in the first quarter of 2023. Coal supply markets are seeing similar downward
11 pressure on forward market prices due to decreasing electric generation demand as a result
12 of declining natural gas prices as well as softening export demand. Despite current market
13 conditions, however, coal producers are seeing the inflationary impacts of rising costs
14 associated with mining operations including, but not limited to, labor and equipment costs
15 putting additional pressure on their ability to respond to changes in market demand and
16 putting upward pressure on contracted coal costs.

17 **Q. WHAT ARE THE UPDATED PROJECTED COAL AND NATURAL GAS BURNS**
18 **AND COSTS FOR THE BILLING PERIOD?**

19 A. As of the April 2023 fuels forecast DEC's coal burn projection for the billing period
20 remained 3.7 million tons compared to the January 2023 forecast of 3.7 million tons.
21 DEC's billing period projections for coal generation will continue be impacted due to
22 changes from, but not limited to, the following factors: (1) delivered natural gas prices
23 versus the average delivered cost of coal; (2) volatile purchased power prices; and (3)

1 electric demand. Combining coal and transportation costs, the projected average delivered
2 coal costs since January 2023 have increased from approximately \$105.86 per ton to
3 \$111.63 per ton for the billing period. This includes an average total projected
4 transportation cost of \$34.53 per ton for the billing period, compared to \$30.48 per ton
5 from the January forecast. The change in the delivered coal costs is driven by increased
6 commodity and transportation costs over the billing period.

7 The projected average delivered coal cost, however, remains subject to change
8 based on, but not limited to, the following factors: (1) exposure to market prices and their
9 impact on open coal positions; (2) the amount of Central Appalachian coal DEC is able to
10 purchase and deliver and the non-Central Appalachian coal DEC is able to consume; (3)
11 changes in transportation rates; (4) performance of contract deliveries by suppliers and
12 railroads, which may not occur despite DEC's strong contract compliance monitoring
13 process; and (5) potential additional costs associated with suppliers' compliance with legal
14 and statutory changes.

15 DEC's natural gas burn projection for the billing period has decreased from 260.9
16 million MBtu to 254.7 million MBtu in the April 2023 forecast. The average forward
17 Henry Hub price for the billing period from the April 2023 forecast is \$3.14 per million
18 MBtu, compared to \$3.99 per million MBtu from the January 2023 forecast. Projected
19 burn volumes will continue to vary based on factors such as, but not limited to, changes in
20 commodity prices and weather driven demand.

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

22 A. Yes, it does.