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January 29, 2021

Ms. Kimberly A. Campbell
Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

**RE: Duke Energy Progress LLC's CCR Settlement Testimony of
Stephen G. De May
Docket No. E-2, Sub 1131
Docket No. E-2, Sub 1142
Docket No. E-2, Sub 1103
Docket No. E-2, Sub 1153**

Dear Ms. Campbell:

Enclosed for filing in the above-referenced dockets is Duke Energy Progress LLC's CCR Settlement Testimony of Stephen G. De May.

If you have any questions, please let me know.

Sincerely,

/s/ Camal O. Robinson
Camal O. Robinson

Enclosures

cc: Parties of Record

OFFICIAL COPY

Jan 29 2021

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-2, SUB 1131

DOCKET NO. E-2, SUB 1142

DOCKET NO. E-2, SUB 1103

DOCKET NO. E-2, SUB 1153

In the Matter of:

DOCKET NO. E-2, SUB 1131

Application of Duke Energy Progress, LLC for an Accounting Order to Defer Incremental Storm Damage Expenses

DOCKET NO. E-2, SUB 1142

Application of Duke Energy Progress, LLC For Adjustment of Rates and Charges Applicable to Electric Utility Service in North Carolina

DOCKET NO. E-2, SUB 1103

Joint Application by Duke Energy Progress, LLC and Duke Energy Carolinas, LLC , for Accounting Order to Defer Environmental Compliance Costs

DOCKET NO. E-2, SUB 1153

Petition of Duke Energy Progress, LLC for an Order Approving a Job Retention Rider

**CCR SETTLEMENT
STIMONY OF STEPHEN
G. DE MAY FOR DUKE
ENERGY PROGRESS, LLC**

I. WITNESS IDENTIFICATION AND QUALIFICATIONS

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

2 A. My name is Stephen G. De May, and my business address is 410 South
3 Wilmington Street, Raleigh, North Carolina, 27601.

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

5 A. I am the North Carolina President for Duke Energy Progress (“DEP” or the
6 “Company”), which is a wholly owned subsidiary of Duke Energy Corporation,
7 as well as Duke Energy Carolinas, LLC (“DEC”) and Progress Energy Inc., also
8 wholly owned subsidiaries of Duke Energy.

9 **Q. DID YOU OFFER ANY TESTIMONY IN THIS PROCEEDING?**

10 A. Yes. I filed direct testimony in this docket on May 2, 2017 and rebuttal
11 testimony on November 6, 2017. I also filed testimony in support of the
12 Company’s partial settlement with the North Carolina Utilities Commission
13 Public Staff (“Public Staff”) on November 27, 2017. Additionally, I testified
14 before the Commission at the expert hearing for this proceeding which
15 commenced on November 27, 2017.

16 **II. PURPOSE AND OVERVIEW OF TESTIMONY**

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

18 A. The purpose of my testimony is to support the Commission’s approval and
19 adoption of the coal combustion residuals (“CCR” or “coal ash”) settlement
20 agreement resolving all major outstanding issues regarding the management
21 and handling of CCRs, including costs to safely close and remediate the

1 Company's coal ash basins (the "CCR Settlement Agreement" or "Agreement")
2 entered into by the Company, along with DEC, the Public Staff, the North
3 Carolina Office of the Attorney General ("AGO"), and Sierra Club
4 (collectively, the "Settling Parties"). The CCR Settlement Agreement, which
5 was filed with the Commission on January 25, 2021, details a plan for coal ash
6 management cost allocation for costs incurred from January 2015 through
7 January 2030.

8 The CCR Settlement Agreement represents a balanced solution
9 designed to resolve the coal ash cost recovery debate in North Carolina by
10 providing immediate and long-term savings for our customers while providing
11 the long-term certainty the Company and its investors need. Approval of this
12 balanced solution by the Commission will allow the Company, the other
13 Settling Parties, along with the Commission itself, to put this debate behind us,
14 and allow all parties to move forward towards the cleaner energy future that the
15 State, the Company, and its customers want and deserve. The CCR Settlement
16 Agreement is therefore in the public interest and should be approved.

17 **III. THE CCR SETTLEMENT AGREEMENT**

18 **Q. PLEASE PROVIDE AN OVERVIEW OF THE MAJOR COMPONENTS**
19 **OF THE CCR SETTLEMENT AGREEMENT.**

20 A. The CCR Settlement Agreement resolves among the Settling Parties, subject to
21 the approval of the Commission, CCR cost recovery issues in a comprehensive
22 fashion for the period beginning January 1, 2015 (when the Company first

1 incurred such costs) through February 28, 2030 – a period of over fifteen years.
2 The Agreement resolves all coal ash cost recovery issues in this case, in the
3 Company’s currently pending 2019 rate case, and for many years into the future.
4 The Agreement requires the Company to reduce the amount of coal ash-related
5 costs to be recovered from customers. The Agreement grants the Company the
6 ability to earn a return upon the recovered costs at a negotiated cost of equity
7 (“ROE”) that is lower than the Company’s actual ROE.

8 **Q. PLEASE DISCUSS THE BENEFITS PROVIDED BY THE CCR**
9 **SETTLEMENT AGREEMENT.**

10 A. The CCR Settlement Agreement provides benefit to the Company’s customers
11 through both immediate and future rate reduction – DEP and DEC will together
12 absorb approximately \$1.1 billion (on a North Carolina system basis) in CCR-
13 related costs over the time period covered by the Agreement, reducing the
14 amounts they would otherwise seek from customers. On a North Carolina retail
15 basis, the net present value of the savings to customers from forgone CCR cost
16 recovery (including applicable financing costs) amounts to in excess of \$900
17 million. Importantly, a large portion of the rate reduction will occur over the near
18 term, during a period in which many customers are suffering severe economic
19 hardship from the COVID-19 pandemic.

20 The Agreement also validates and affirms the reasonableness and
21 prudence of the Company’s ash basin closure strategy, and provides the Company
22 with more certainty and stability regarding cost recovery. Finally, by preserving

1 the Company's ability to recover financing costs – albeit at a reduced ROE –the
2 Agreement seeks to preserve the Company's access to much needed capital on
3 reasonable terms. Access to capital on reasonable terms ultimately benefits
4 customers, who would otherwise have to absorb higher capital costs in rates.

5 A very important benefit of the CCR Settlement Agreement is that it puts
6 a legacy issue – coal ash cost recovery – behind the Company and all of its
7 stakeholders. This will allow our collective focus to shift to the future – to cleaner
8 sources of energy, while maintaining our drive to keep electricity affordable and
9 reliable.

10 **Q. PLEASE ELABORATE ON HOW THE CCR SETTLEMENT**
11 **AGREEMENT BALANCES THE COMPANY'S NEED FOR RATE**
12 **RELIEF WITH THE IMPACT OF SUCH RATE RELIEF ON**
13 **CUSTOMERS.**

14 A. Most recently, I followed the consumer statement positions filed in the Company's
15 2019 Rate Case in Docket No. E-2, Sub 1219 and attended public hearings held
16 by the Commission in that matter where I personally heard from many of our
17 customers who are concerned about the impacts of any rate increase on their
18 families and businesses. We are very mindful of these concerns. Although we
19 are pleased that our rates are competitive and below the national average, and will
20 remain so with the CCR Settlement Agreement, we know that providing safe,
21 reliable, increasingly clean electricity at competitive rates is key to powering the
22 State's economy and the lives of our customers. Particularly in light of the current

1 economic conditions of many of our customers due to the COVID-19 pandemic,
2 we believe that the concessions the Company has made in the CCR Settlement
3 Agreement fairly balance the needs of our customers with the Company's need to
4 recover substantial investments made in order to continue to comply with
5 regulatory requirements and safely provide high quality electric service to our
6 customers. Our electric rates need to be adjusted to reflect these investments.
7 Moreover, given the size of the necessary capital and compliance expenditures we
8 are facing, it is essential that DEP maintain its financial strength and credit quality
9 so that we will be in a position to finance these needs on reasonable terms for the
10 benefit of our customers. In my opinion, we have been able to strike that balance
11 with the CCR Settlement Agreement.

12 **Q. DOES THIS CONCLUDE YOUR PRE-FILED SETTLEMENT**
13 **TESTIMONY?**

14 **A. Yes.**

CERTIFICATE OF SERVICE

DOCKET NO. E-2, SUB 1131

DOCKET NO. E-2, SUB 1142

DOCKET NO. E-2, SUB 1103

DOCKET NO. E-2, SUB 1153

I hereby certify that a copy of the foregoing **DUKE ENERGY PROGRESS, LLC'S CCR SETTLEMENT TESTIMONY OF STEPHEN G. DE MAY** was served electronically or by depositing a copy in United States Mail, first class postage prepaid, properly addressed to the parties of record.

This the 29th day of January 2021.

/s/ Camal O. Robinson

Camal O. Robinson

Assistant General Counsel

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