

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

**DOCKET NO. E-7, SUB 1304**

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

**TESTIMONY OF  
DARRELL BROWN  
PUBLIC STAFF –  
NORTH CAROLINA  
UTILITIES COMMISSION**

**May 23, 2024**

1 **Q. Mr. Brown, please state your name, business address, and**  
2 **present position.**

3 A. My name is Darrell Brown. My business address is 430 North  
4 Salisbury Street, Raleigh, North Carolina. I am a Public Utility  
5 Regulatory Analyst with the Accounting Division of the Public Staff –  
6 North Carolina Utilities Commission (Public Staff). A summary of my  
7 qualifications, duties, education, and experience is attached to this  
8 testimony as Appendix A.

9 **Q. Mr. Brown, what is the purpose of your testimony in this**  
10 **proceeding?**

11 A. The purpose of my testimony is to present the results of the Public  
12 Staff's investigation of the Experience Modification Factor (EMF)  
13 riders proposed by Duke Energy Carolinas, LLC (DEC or the  
14 Company), in this proceeding. The EMF riders are utilized to "true-  
15 up," by customer class, the recovery of fuel and fuel-related costs  
16 incurred during the test year. DEC's test year in this fuel proceeding  
17 is the twelve months ending December 31, 2023.

18 **Q. What are the incremental EMF riders proposed by the Company**  
19 **in this proceeding?**

20 A. In its initial application, filed with supporting testimony and exhibits  
21 on February 27, 2024, DEC proposed EMF increment riders in cents

1 per kilowatt-hour (kWh), excluding the North Carolina regulatory fee,  
2 for each North Carolina retail customer class, as follows:

3 Residential	0.4819 cents per kWh
4 General Service/Lighting	0.2460 cents per kWh
5 Industrial	0.3892 cents per kWh

6 In the February 27, 2024 filing, Company witness Clark's Exhibit 3  
7 details DEC's proposed underrecovery of fuel and fuel-related costs  
8 for each of the North Carolina retail customer classes as follows:

9 Residential	\$109,907,112
10 General Service/Lighting	\$ 60,201,409
11 Industrial	\$ 45,548,101

12 **Q. Did the Company file supplemental testimony and exhibits in**  
13 **this proceeding?**

14 Yes. On May 8, 2024, DEC filed the Supplemental Testimony of  
15 Sigourney Clark with revised exhibits and supporting workpapers.  
16 Witness Clark's supplemental testimony and revised exhibits mainly  
17 reflect the following updates:

18 1) An update to the EMF increment to incorporate the fuel and  
19 fuel-related cost recovery balances for the period January 1,  
20 2024, through March 31, 2024. Although included in this

1 proceeding, the reported recoveries included in the update will  
2 be reviewed as part of next year's fuel and fuel-related cost  
3 proceeding.

4 2) An update to the EMF increment to incorporate proposed  
5 mitigation for industrial class bill impacts. The proposed  
6 mitigation will delay recovery of the current EMF  
7 underrecovery amount of \$54,309,707<sup>1</sup> from a typical 12-  
8 month billing period to an 8-month period starting January 1,  
9 2025, and continuing through August 31, 2025. The  
10 Company's proposed mitigation plan for the industrial class  
11 includes a 5.5% interest rate on the underrecovery amount.

12 3) The Company proposed a new EMF increment to recover the  
13 shortage of revenue collected from September 1, 2023,  
14 through March 31, 2024, that related to the 2022 fuel and fuel-  
15 related costs in the 2023 fuel proceeding in Docket No. E-7,  
16 Sub 1282. The Company asserted that it has net  
17 underrecovery for this period of approximately \$8.1 million

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<sup>1</sup> This is the sum of the underrecovery of \$45,548,101 set forth in the February 27, 2024 initial filing plus the underrecovery of \$8,761,606 set forth in the May 8, 2024 supplemental filing.

1 and is requesting a new EMF increment factor to recover each  
2 customer class's portion of this cumulative net underrecovery.

3 Clark Revised Exhibit 1, filed May 8, 2024, sets forth the Company's  
4 revised proposed EMF increment riders in cents per kWh, excluding  
5 the North Carolina (NC) regulatory fee, for each NC retail customer  
6 class, as follows:

7 EMF Increment:

8 Residential	0.4751 cents per kWh
9 General Service/Lighting	0.3221 cents per kWh
10 Industrial (8 months)	0.6519 cents per kWh

11 EMF Interest Increment:

12 Residential	0.0000 cents per kWh
13 General Service/Lighting	0.0000 cents per kWh
14 Industrial (8 months)	0.0060 cents per kWh

15 EMF Increment - Docket E-7, Sub 1282:

16 Residential	0.0285 cents per kWh
17 General Service/Lighting	(0.0003) cents per kWh
18 Industrial	0.0205 cents per kWh

1 In witness Clark's revised exhibits, DEC's proposed revised  
2 underrecovery of fuel and fuel-related cost for the current fuel case  
3 for each of the NC retail customer classes is as follows:

4	Residential	\$108,362,791
5	General Service/Lighting	\$ 78,834,162
6	Industrial	\$ 54,309,707

7 DEC proposed the new EMF underrecovery of revenue collection  
8 shortage related to the 2022 fuel and fuel-related costs addressed in  
9 the 2023 fuel proceeding in Docket No. E-7, Sub 1282, for each of  
10 the NC retail customer classes as follows:

11	Residential	\$ 6,508,910
12	General Service/Lighting	\$ (67,379)
13	Industrial	\$ 1,707,832

14 For residential and general service/lighting customers, the riders  
15 were calculated by dividing the fuel cost underrecovery amounts for  
16 each customer class by DEC's normalized test year NC retail sales,  
17 being 22,807,302 megawatt-hours (MWh) for the residential class  
18 and 24,474,032 MWh for the general service/lighting class. For  
19 industrial customers, the rider was calculated based on projected

1 (not normalized, as with the other classes) NC retail sales for the  
2 period January 1, 2025, to August 31, 2025, of 8,330,385 MWh.

3 **Q. Did the Company propose a new EMF increment related to the**  
4 **2023 fuel proceeding in Docket No. E-7, Sub 1282, in its**  
5 **supplemental filing?**

6 A. Yes. In its May 8, 2024 supplemental filing, the Company requested  
7 that the Commission allow it to recover through a new EMF factor  
8 the shortage of revenue collected from September 1, 2023, through  
9 March 31, 2024, that related to fuel and fuel-related costs that  
10 occurred in 2022 in the 2023 fuel proceeding in Docket No. E-7, Sub  
11 1282. Public Staff witnesses Boswell and McLawhorn provide  
12 testimony regarding the Public Staff's position on this request.

13 **Q. Please describe the scope of your investigation.**

14 A. The Public Staff's investigation included evaluating whether the  
15 Company properly determined its per books fuel and fuel-related  
16 costs and revenues during the test period. These procedures  
17 included a review of the Company's filing, prior Commission orders,  
18 the Monthly Fuel Reports filed by the Company with the Commission,  
19 and other Company data provided to the Public Staff. The Public  
20 Staff also reviewed specific types of expenditures impacting the  
21 Company's test year fuel and fuel-related costs, including reagents

1 (limestone, ammonia, urea, etc.), renewable energy, and purchased  
2 power, as well as reviews of source documentation of fuel and fuel-  
3 related costs for certain selected Company generation resources.  
4 Performing the Public Staff's investigation required the review of  
5 numerous responses to written and verbal data requests, and  
6 several video conferences with Company representatives.

7 **Q. What EMF riders does the Public Staff recommend for this**  
8 **proceeding and why?**

9 A. As a result of the Public Staff's investigation, I recommend that  
10 DEC's EMF riders for each customer class be based on net fuel and  
11 fuel-related cost underrecoveries of \$108,362,791 for the residential  
12 class, \$78,834,162 for the general service/lighting class, and  
13 \$54,309,707 for the industrial class. I also recommend usage of  
14 normalized test year NC retail sales of 22,807,302 MWh for the  
15 residential class and 24,474,032 MWh for the general  
16 service/lighting class. For the industrial class, I recommend usage  
17 of normalized NC retail sales for the period January 1, 2023, to  
18 August 31, 2023, of 7,872,667 MWh. Historically, the Company has  
19 calculated its proposed EMF riders using normalized test year NC  
20 retail sales. However, in its supplemental filing in this proceeding,  
21 the Company used normalized test year NC retail sales to



1 calculate its proposed residential and general service/lighting  
2 EMF riders, and projected NC retail sales to calculate its  
3 proposed industrial EMF rider.

4 The Public Staff is opposed to the Company's usage of projected NC  
5 retail sales to calculate its proposed industrial EMF rider in the  
6 current proceeding for several reasons. First, a change of this  
7 magnitude should not simply appear in schedules appended to  
8 supplemental testimony without a discussion of any reasons for the  
9 change. Second, the Public Staff disagrees with the Company  
10 using different approaches for different customer classes and  
11 recommends that the Company use the same methodology for all  
12 customer classes to calculate its proposed EMF riders,  
13 specifically, normalized test year NC retail sales. Third, the  
14 change in the methodology used to determine NC retail sales for  
15 only the industrial class is an unexplained deviation from the  
16 methodology utilized in the prior rate case, and such a change  
17 should only be considered after a thorough investigation of the  
18 implications.

19 **Q. What is the result of the Public Staff's computations?**

20 A. The Public Staff has computed the EMF (1) using normalized (not  
21 projected) sales for the industrial EMF rider (for the reasons

1 discussed above) and (2) removing the Company's proposed new  
2 EMF as discussed in the joint testimony of witnesses McLawhorn  
3 and Boswell. These amounts produce EMF increment riders for  
4 each North Carolina retail customer class as follows, excluding  
5 the regulatory fee:

6	<u>EMF Increment:</u>	
7	Residential	0.4751 cents per kWh
8	General Service/Lighting	0.3221 cents per kWh
9	Industrial (8 months)	0.6899 cents per kWh
10	<u>EMF Interest Increment:</u>	
11	Residential	0.0000 cents per kWh
12	General Service/Lighting	0.0000 cents per kWh
13	Industrial (8 months)	0.0060 cents per kWh

14 I have provided the recommended EMF rider amounts to Public Staff  
15 witness Lawrence for incorporation into his recommended final  
16 fuel factors. Public Staff witness Lawrence will provide testimony  
17 regarding the Public Staff's position on the Company's proposed  
18 rate mitigation plans.

19 **Q. Does this conclude your testimony?**

20 A. Yes, it does.



**QUALIFICATIONS AND EXPERIENCE**

**DARRELL BROWN**

I graduated from North Carolina State University with a Bachelor of Science degree in Accounting.

Prior to joining the Public Staff, I was employed by Lumen (FKA CenturyLink, Inc.) as a Regulatory Operations Manager. My duties included preparation and review of federal and state regulatory financial and compliance report filings; analyzing and interpreting federal and state commission and legislative policies, rulemakings, and statutes; providing analytical support and guidance necessary for federal and state regulatory policy development, investigations, and internal and external audit requests; coordination of regulated accounting and reporting policy changes; and managing accounting and pricing functions.

I joined the Public Staff in May 2021 as a Public Staff Accountant. Since joining the Public Staff, I have performed investigations and prepared testimony and exhibits in support of electric, natural gas, and water utility rate cases and performed various other investigations and compliance reviews related to electric, gas, telecommunications, and water utilities.



**CERTIFICATE OF SERVICE**

I certify that I have served a copy of the foregoing on all parties of record or to the attorney of record of such party in accordance with Commission Rule R1-39, by United States mail, postage prepaid, first class; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 23<sup>rd</sup> day of May, 2024.

Electronically submitted  
/s/William S. F. Freeman