



5 July 2013

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Clerk's Office
N.C. Utilities Commission

To: Chief Clerk Gail Mount
The North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, NC 27699-4325

From: The North Carolina Sustainable Energy Association
P.O. Box 6465
Raleigh, NC 27628

Re: Duke Energy Carolinas, LLC's ("DEC") Application for Fuel and Fuel-Related
Cost Recovery
(Docket No. E-7, Sub 1033)

Clark
AL
7 Comm
Watson
Green
Duttley
Conrad
Hoover
Kite
Hilburn
Sessions
Ericson
Jones
Hodge
Ex Dir
315 Legal
315 Acctg
115 Econ
315 Elec

Honorable Clerk and Commissioners:

I serve as counsel and policy director for the North Carolina Sustainable Energy Association ("NCSEA"), an intervenor in this proceeding. NCSEA files this letter in lieu of a post-hearing brief.

NCSEA does not challenge the cost recovery DEC and the Public Staff have agreed to. NCSEA does, however, respectfully request that the North Carolina Utilities Commission ("Commission") final order in this proceeding incorporate DEC's commitment to file, by 4 January 2014, an updated fuel procurement practices report that includes its proposed natural gas hedging strategy. Based on the rationale that follows and on the fact that DEC does not oppose the relief being requested, NCSEA believes grant of the requested relief is appropriate.

A Commission Order Requiring DEC to File a Revised Fuel Procurement Practices Report in January 2014 Would Be Consistent With Commission Rule R8-52

Chapter R8 of the Commission's rules provides in pertinent part:

Each electric public utility which uses fossil and/or nuclear fuel in the generation of electric power shall file a Fuel Procurement Practices Report for review by the Commission *at least once every ten (10) years, plus each time the utility's fuel procurement practices change.* The Fuel Procurement Practices Report shall detail:

- (1) The process and/or methodology the utility uses to determine its fuel and fuel-related needs;
- (2) The process the utility uses to determine from which vendor it shall buy fuel and fuel-related inventories; and

(3) The inventory management practices the utility follows to maintain its fuel and fuel-related inventories.

Commission Rule R8-52(b) (emphasis added).

DEC files its fuel procurement practices reports in Commission Docket No. E-100, Sub 47A. DEC filed its last report in 2004 – almost 10 years ago. As such, DEC will already have to file a revised fuel procurement practices report at some point in 2014.

Beyond the fact that the 10-year requirement in Rule R8-52(b) looms, a solid argument can be made that DEC fuel procurement practices have changed since its 2004 filing and that Rule R8-52(b) requires a revised report be filed because of these changes. DEC's 2004 report indicated that “[g]as is burned only in peaking generation assets (simple-cycle combustion turbines) on the Duke system” *Duke Power Company Fossil Fuel Procurement Practices*, p. 4, Commission Docket No. E-100, Sub 47A (14 July 2004). DEC now makes use of combined cycle generation assets as well as peakers. “[T]he combined cycle facilities at Buck and Dan River are now online and operational[.]” *Transcript of Testimony Heard on 4 June 2013* (“Tr. at p. ___”), p. 78, Commission Docket No. E-7, Sub 1033 (13 June 2013) (Weintraub testimony), and DEC has reached a “critical mass enough that [it] can now discuss a hedging strategy because there is enough gas burn[.]” *Id.* The changes in DEC's generation assets has changed (and may continue to change) its fuel procurement practices.

For the foregoing reasons, it is appropriate for DEC to file a revised fuel procurement practices report in the early days of 2014. The filing of a revised fuel procurement practices report in early 2014 is doubly appropriate under Commission Rule R8-52(b) because 2014 marks 10 years since DEC last filed a report and, even if 10 years had not elapsed, DEC's fuel procurement practices have changed as a result of (i) the addition of combined cycle plants, (ii) the joint dispatch agreement (“JDA”), and (iii) the asset management and delivered supply agreement (“AMA”).

DEC Does Not Oppose the Relief Being Requested

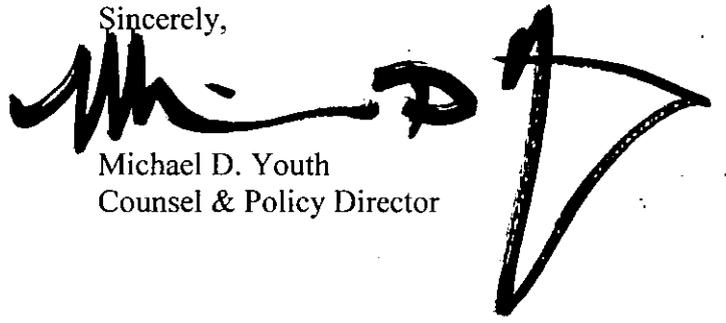
DEC does not oppose the relief that NCSEA requests be incorporated into the final order in this proceeding. At the hearing, DEC's counsel made the following statement:

[T]he Commission is aware in past fuel dockets North Carolina Sustainable Energy Association has asked questions of DEC regarding natural gas hedging practices. To that end, DEC's counsel and NCSEA's counsel have discussed, and we've committed that no later than six months as of today's date, the Company will file an updated Fuel Procurement Practices Report in Docket Number E-100, Sub 47[A], that will include DEC's proposed natural gas hedging strategy[.]

Tr. at p. 76.

For the foregoing reasons, NCSEA respectfully requests that the Commission's final order in this proceeding incorporate DEC's commitment to file an updated fuel procurement practices report that includes its proposed natural gas hedging strategy by 4 January 2014.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. D. Youth', with a large, stylized flourish extending to the right.

Michael D. Youth
Counsel & Policy Director