BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
DOCKET NO. E-7, SUB 1190

In the Matter of: Application of Duke Energy Carolinas, LLC Pursuant to N.C. Gen. Stat. § 62-133.2 and Commission Rule R8-55 Relating to Fuel and Fuel-Related Charge Adjustments for Electric Utilities	)))))))	**POST-HEARING BRIEF OF THE SIERRA CLUB**

In this annual fuel charge adjustment proceeding, the Commission establishes a rider to allow Duke Energy Carolinas, LLC ("DEC") to recover its reasonable and prudently incurred fuel and fuel-related costs from customers. N.C. Gen. Stat. § 62-133.2, NCUC Rule R8-55. An examination of DEC's fuel procurement practices is a key part of the Commission's review in this proceeding. Id.

As the Commission is aware, DEC has made gas-fired generation a central component of its resource plan, and has made the Atlantic Coast Pipeline ("ACP") a part of its fuel procurement strategy for this gas-centric future. DEC has entered into a precedent agreement for firm natural gas transportation service with Atlantic Coast Pipeline, LLC ("Atlantic"), a joint venture of Dominion Resources, Southern Company, and DEC's parent company Duke Energy.[1] Duke Energy and Dominion Resources have contracted with their own affiliates—including DEC—for the bulk of the capacity on the ACP, and Atlantic anticipates that eventually about 79% of the pipeline's total capacity

[1] Atlantic Coast Pipeline, LLC, *Abbreviated Application for a Certificate of Public Convenience and Necessity and Blanket Certificates*, FERC Docket No. CP15-554 (Sept. 18, 2015) at 4.

will go to fuel gas-fired generation.[2] If the ACP is completed and placed into service, DEC will ultimately ask this Commission, through a future fuel rider proceeding such as this one, to impose on its captive retail ratepayers the costs of shipping gas on the ACP.

In the current proceeding, DEC witness Eric S. Grant, Vice President, Fuels & Systems Optimization for Duke Energy Corporation ("Duke Energy"), testified regarding DEC's fuel procurement strategy. According to Witness Grant's testimony, DEC's projected natural gas burn for the September 1, 2019 through August 31, 2020 billing period, Tr. p. 15, l. 21-22, is approximately 147.2 Million British Thermal Units ("MMBtu"), Tr. p. 37, l. 10-11. In response to a data request from the Public Staff, DEC produced confidential spreadsheets showing the monthly natural gas burn projections for the billing period to support the 147.2 MMBtu figure, as well as a) a $/MMBtu breakdown by month and unit for natural gas use during the billing period, and b) how much of the 147.2 MMBtu will be served by firm pipeline capacity. Sierra Club Confidential Ex. 1.[3] The spreadsheets show the total gas cost for each unit in each month of the billing period, and note that the total gas cost equals the variable gas costs plus the fixed gas costs. DEC's response includes the assumption that the ACP will be placed into service during the billing period, in June 2020. Sierra Club Confidential Ex. 1.

In certain months during the billing period, DEC projects that no gas will be burned at certain units, but that there will nonetheless be a Total Gas Cost. In those months, the Total Gas Cost for each of those units necessarily must comprise only fixed

[2] Id. at 6.
[3] Public Staff Data Request No. 11-2. DEC's response and attachments thereto were entered into evidence at the hearing in this matter as Sierra Club Confidential Ex. 1. Pursuant to the terms of a confidentiality agreement, counsel for DEC has authorized public disclosure of the information in this post-hearing brief that was derived from Sierra Club Confidential Ex. 1.

gas costs: since no gas is projected to be burned, there could be no variable gas costs that month. By way of example, DEC projects that for May 2020, Lincoln CT Units 3, 5, 6, 9, 13, 15 and 16 will each have a gas burn of zero (0) MMBtu but a Total Gas Cost of $2,512. The sum of the May 2020 Total Gas Cost for those Lincoln CT units with no gas burn is $17,584. For August 2020—after the ACP is assumed to have come online—each of those same units is projected to again have a gas burn of zero (0) MMBtu, while the sum of the projected Total Gas Cost for those units increases to $227,143—a more than 1,000 percent increase. This example illustrates a projected increase in fixed gas costs at numerous DEC units that appears to be attributable, at least in part, to DEC passing on a portion of the multi-billion-dollar cost of the ACP to its ratepayers through the fuel clause. If this pattern holds, DEC's ratepayers will be paying significantly more in fuel costs after the ACP goes into service than they currently pay for gas shipped via the Transco pipeline.

The Sierra Club recognizes that DEC is, of course, not attempting to recover any ACP costs in this proceeding. Yet the Commission should be concerned that after the ACP comes online, DEC projects large increases in the fuel costs that it will seek to recover from its captive retail ratepayers. In light of this cost differential, any future requests to recover the cost of gas shipped on the ACP should be viewed with skepticism, and the reasonableness of those costs should be subjected to careful scrutiny.

Respectfully submitted this 29th day of July, 2019.

s/ Gudrun Thompson
N.C. Bar No. 28829
gthompson@selcnc.org

Southern Environmental Law Center
601 West Rosemary Street, Suite 220
Chapel Hill, NC 27516
Telephone: (919) 967-1450
Fax: (919) 929-9421

Attorney for the Sierra Club

CERTIFICATE OF SERVICE

I certify that the persons on the service list have been served with the foregoing *Post-Hearing Brief* of the Sierra Club either by electronic mail or by deposit in the U.S. Mail, postage prepaid.

This the 29th day of July, 2019.

s/ Gudrun Thompson
Gudrun Thompson