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October 25, 2021

VIA ELECTRONIC FILING

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
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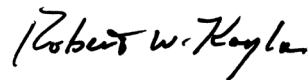
**RE: Duke Energy Carolinas, LLC's Post-Hearing Brief
Docket Nos. G-9, Subs 722, 781 and 786**

Dear Ms. Dunston:

Pursuant to the Commission's *Order Granting Motion for Extension of Time*, issued on October 1, 2021 in the above-referenced dockets, I enclose Duke Energy Carolinas, LLC's Post-Hearing Brief. Terms of the underlying contract at issue in these proceedings were filed under seal because they contain confidential, proprietary cost information. Accordingly, portions of DEC's Post-Hearing Brief are being filed under seal. If this commercially sensitive business information were to be publicly disclosed, it would allow competitors, vendors and other market participants to gain an undue advantage, which may ultimately result in harm to customers. DEC respectfully requests that this information be treated confidentially pursuant to N.C. Gen. Stat. §132-1.2. An electronic copy of the Brief is being emailed to briefs@ncuc.net.

If you have any questions, please let me know.

Sincerely,



Robert W. Kaylor

cc: Parties of Record

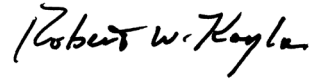
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Oct 25 2021

CERTIFICATE OF SERVICE

I certify that a copy of Duke Energy Carolinas, LLC's Post-Hearing Brief, in Docket Nos. G-9, Subs 722, 781 and 786, has been served by electronic mail, hand delivery or by depositing a copy in the United States mail, postage prepaid to parties of record:

This the 25th day of October, 2021.



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STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 722
DOCKET NO. G-9, SUB 781
DOCKET NO. G-9, SUB 786

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of the)	
Consolidated Natural Gas Construction and)	
Redelivery Services Agreement Between)	DUKE ENERGY CAROLINAS,
Piedmont Natural Gas Company, Inc. and)	LLC’S POST-HEARING BRIEF
Duke Energy Carolinas, LLC)	
)	

NOW COMES Duke Energy Carolinas, LLC (“DEC” or the “Company”), by and through counsel, and submits this Post-Hearing Brief (“Brief”) to the North Carolina Utilities Commission (“Commission”) in the above-captioned docket. DEC, an intervenor in this docket pursuant to the Commission’s June 10, 2020 *Order Granting Petition to Intervene*, provides the following brief in opposition to the Public Staff’s recommendations regarding a volumetric component to DEC’s and Piedmont Natural Gas Company, Inc.’s (“Piedmont”) Consolidated and Redelivery Services Agreement (“Redelivery Service Agreement”) related to DEC’s Lincoln County Combustion Turbine facility (“Lincoln CT Plant”).

BACKGROUND

As set forth in DEC’s Petition to Intervene, on April 23, 2018 Piedmont filed a Redelivery Services Agreement between Piedmont and DEC related to the construction of new incremental natural gas facilities and the provision of additional redelivery service by Piedmont to DEC through these facilities at the Lincoln CT Plant. For the purpose of administrative efficiency, the Redelivery Service Agreement would consolidate the respective rights of Piedmont and DEC and supersede, replace, and expand upon a

previously filed agreement, filed in Docket No. G-9, Sub 491, for similar service at the Lincoln CT Plant. To address concerns of the Public Staff, Piedmont subsequently filed a revised Redelivery Service Agreement on November 16, 2018, which also included an updated construction schedule and cost projections for the incremental facilities involved in the project. Piedmont witness Bruce P. Barkley provided eighteen pages of direct testimony explaining the pricing to DEC for the Redelivery Service Agreement, and Piedmont witness Kenneth A. Sosnick provided twenty-eight pages of direct testimony in support of the Redelivery Service Agreement. In contrast, Public Staff witness Julie G. Perry did not file any testimony in opposition to the testimony of Piedmont witnesses Barkley and Sosnick but adopted the Public Staff's recommendations filed on June 1, 2020 in response to the Commission's order granting extension on interim authority to operate under the second revised agreement as her testimony in this proceeding.

In the June 1, 2020 filing, the Public Staff restated its position that the purpose of the volumetric rate component included in special and electric generation contracts was to provide recovery of costs related to existing local distribution company ("LDC") infrastructure and operations and to prevent subsidization of the contract customer by the LDC's other customers. However, in prefiled testimony and cross examination by Piedmont counsel and questions by Commissioners at the hearing, Public Staff witness Perry provided no evidence that the Redelivery Service Agreement would impose any risk of subsidization by Piedmont's other customers.

Piedmont witness Barkley testified that Piedmont did not oppose system support surcharges associated with special contract arrangements that actually utilized the Piedmont system as advocated by the Public Staff for the Redelivery Service Agreement

but that “one very significant aspect of the Lincoln Service arrangement is that the facilities used to provide that service are 100% dedicated to serving the DEC Lincoln CT Plant and do not serve any other customer. Piedmont does not rely on any other part of its transmission or distribution system to serve DEC as the Lincoln facilities.” (Tr. Vol. 3, p. 465). In fact, if the Public Staff’s position to impose a volumetric component rate is adopted by the Commission, DEC would be subsidizing Piedmont’s other customers since the Lincoln Redelivery Service Agreement generates more revenue than the costs it imposes on the Piedmont system. In response to questions to DEC witness H. Lee Mitchell, IV by Chair Mitchell, witness Michell testified that the DEC/Piedmont contract at the Lincoln CT Plant since the original contract in 1993 (replacement contract in 2004) was for firm LDC transportation service and that Units 1-16 were used for peaking requirements. Witness Mitchell then testified that Lincoln Unit 17 is also a peaking facility that was connected to the Transcontinental Gas Pipeline Company LLC (“Transco”) pipeline and DEC was the only Piedmont customer being served by the Transco lateral line. Therefore, the redelivery service to DEC by Piedmont is firm since it would be the same cost for the dedicated incremental facilities regardless if the service is firm or interruptible. (Tr. Vol. 4, pp. 24-26).

DEC contends that gas transportation rate components, both fixed and volumetric, should combine to enable recovery of cost of service, a regulated return, and should minimize cross-subsidization. The Lincoln CT agreement shouldn’t provide support to the external Piedmont system (a System Contribution) since the pipelines and associated facilities that serve the Lincoln CTs are dedicated to serve that facility from Transco and do not serve any other customer on the Piedmont system. Piedmont witness Sosnick

testified that the “Public Staff believes when service to a generator customer creates costs from the use of other elements of the distribution system, a volumetric charge should be applied to prevent such costs from being borne by other customers.” (Tr. Vol. 3, p. 527). Witness Sosnick then testified that neither the existing Lincoln CT facilities (Units 1-16) nor the incremental facility (Unit 17) are connected with any other element of Piedmont’s system, making it impossible for Transco deliveries to the Lincoln CT Plant to cause cost increases for Piedmont’s other customers. (Tr. Vol. 3, p. 727).

Commissioner Brown-Bland asked Public Staff witness Perry if there was a concern that DEC would not be paying system costs that all customers pay, and witness Perry answered, yes. Commissioner Brown-Bland then asked “if the gas only passes through the pipes that were specifically installed to serve DEC, would you agree that the distribution and transmission plant that are included in the special contract is at the right level?” (Tr. Vol. 4, p. 452). In response witness Perry, after talking about an unrelated contract, eventually answered by saying that Piedmont still must manage its system, inferring that was justification for imposing a volumetric component rate to the Lincoln CT Agreement. (Tr. Vol. 4, pp. 453-455). Witness Perry failed to explain how a dedicated pipeline from Transco to the Lincoln CT Plant could impact the Piedmont system and impose system costs on other Piedmont customers when the total costs to serve the Incremental Facilities will be fully recovered in the fixed rate contract between Piedmont and DEC. In essence, the Public Staff presented no testimony to support its position that the Lincoln CT 2018 negotiated agreement between Piedmont and DEC would impose additional system costs for the Piedmont system to be borne by Piedmont customers other than DEC.

In rebuttal testimony, Piedmont witness Barkley commented on the Public Staff's response to the Commission's Public Staff Question 1.b. that the "Public Staff's response frames various subsidy scenarios in terms of how the results differ from amounts calculated under Piedmont's Rate Schedule 113, Large General Transportation Service" by testifying that "I do not believe the Public Staff's response reflects a subsidy received by DEC because the results are divorced from the realities of providing natural gas transportation service to a special contract customer. If the Lincoln CT Plant was served under Piedmont Rate Schedule 113, Piedmont's investment in the incremental facilities would be repaid threefold every year during the life of the contract. That scenario represents a huge subsidy being paid by DEC, not to DEC. Further, DEC would not have agreed to such a pricing option and would have located this incremental investment elsewhere. Piedmont's original agreement with DEC included rates that recovered all incremental costs; therefore, no subsidy existed." (Tr. Vol. 3, p. 576). Witness Barkley then testified that Piedmont and DEC did agree to add a very small volumetric adder to the Redelivery Service Agreement as the parties sought a compromise with the Public Staff to avoid protracted litigation in order for Piedmont to continue providing service to the Lincoln CT Plant. Piedmont witness Sosnick summarized the Public Staff recommendation to [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] and described how that increase would arbitrarily transfer costs between gas and electric customers and would increase DEC's payments to Piedmont by [BEGIN CONFIDENTIAL] [REDACTED] [REDACTED] [REDACTED] [END CONFIDENTIAL] (Tr. Vol. 3, pp. 532, 535).

DEC contends that gas transportation rates, both fixed and volumetric should combine to enable recovery of the LDC’s cost of service, plus the LDC’s regulated return, and should minimize system cross-subsidization. In contrast to the Public Staff’s position in this proceeding, DEC believes that incremental “system support” or “system contributions” leads to the LDC overearning and electric company customers subsidizing natural gas company customers. As set forth in the testimony of DEC witness Mitchell and Piedmont witness Sosnick, the Lincoln CT agreements will not provide any support to the Piedmont system because the pipelines and associated facilities that serve the Lincoln CT Plant are dedicated to serve that facility only from Transco and do not provide natural gas service to any other customer on Piedmont’s system. Most historical variable (or volumetric) charges are designed to partially recover cost of service and a return to the LDC and are not exclusively for system contributions.

[BEGIN CONFIDENTIAL] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] **[END CONFIDENTIAL]**

Despite the fact that a large percentage of DEC/DEP CT and CC plants do not have a volumetric component rate, the Public Staff continues to maintain that its research has

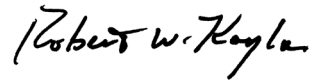
found that negotiated CT electric generation agreements usually include a demand charge component, as well as a volumetric component, with a range that is redacted due to confidentiality.

DEC contends that incremental LDC volumetric charges for LDC System Contributions are detrimental for DEC electric customers as the charges increase total costs to the customer with no commensurate benefit and create incentives for DEC to locate future gas generation facilities that could be needed to provide reliability for increased renewables to other states that do not impose volumetric charges for natural gas delivery via a small LDC investment from a pipeline supplier to the electric generation facility. In the case of Lincoln Unit 17, the Public Staff's suggested volumetric charge will make the energy from a new, more efficient CT less competitive versus a less efficient CT or coal plant in economic dispatch and versus wholesale power market prices.

SUMMARY

The Public Staff's position is that the rate proposed by DEC means that electric generators like the DEC Lincoln CT Plant on the Piedmont system will receive a better arrangement than electric generators are receiving on other LDC systems in North Carolina. DEC disagrees with the Public Staff's proposed volumetric charge for Lincoln Unit 17 based on the Staff position of "System Support" and "System Contribution." DEC believes that the filed Agreement in 2018 provides Piedmont with the appropriate reimbursement for Redelivery Services and is in the best interest of DEC customers.

Respectfully submitted, this the 25th day of October, 2021.



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