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BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20220001-EI

In re: Fuel and purchased power  
cost recovery clause with generating  
performance incentive factor.

---

VOLUME 3  
PAGES 336 - 516

PROCEEDINGS: HEARING

COMMISSIONERS  
PARTICIPATING:

CHAIRMAN ANDREW GILES FAY  
COMMISSIONER ART GRAHAM  
COMMISSIONER GARY F. CLARK  
COMMISSIONER MIKE LA ROSA  
COMMISSIONER GABRIELLA PASSIDOMO

DATE:

*Friday*  
*At* ~~Thursday~~, November 18, 2022  
*11/18/22*

TIME:

Commenced: 9:30 a.m.  
Concluded: 4:57 p.m.

PLACE:

Betty Easley Conference Center  
Room 148  
4075 Esplanade Way  
Tallahassee, Florida

REPORTED BY:

DEBRA R. KRICK  
Court Reporter

APPEARANCES:

(As heretofore noted.)

PREMIER REPORTING  
112 W. 5TH AVENUE  
TALLAHASSEE, FLORIDA  
(850) 894-0828

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## 1 P R O C E E D I N G S

2 (Transcript follows in sequence from Volume  
3 2.)

4 CHAIRMAN FAY: All right. Good morning,  
5 everyone. What I am going to do it first is give a  
6 little structure to our day just so we can plan  
7 accordingly with counsel and witnesses as to how we  
8 are going to move forward.

9 The plan is to take up our four witnesses this  
10 morning and go through cross and any redirect on  
11 those. And then depending on where those end at  
12 some point, we will probably take a break at that  
13 time after some discussion about the best way to  
14 proceed, either formally, as mentioned kind of in  
15 the Prehearing Order, or potentially through the  
16 closing argument process. So at that time we can  
17 take that up and just be prepared to do that. And  
18 then as we come back this afternoon, we would  
19 either be making a decision at that point, or  
20 potentially moving forward with either a briefing  
21 or a recommendation process.

22 So that's our plan for the day. I wish I  
23 could give you sort of a more general time as to  
24 when lunch will be, but it will depend on when we  
25 break for those witnesses.

1           Also with that, I want to make sure that we  
2           have our colleague, Commissioner Passidomo, on the  
3           line just to confirm that she's present for this  
4           part of the hearing.

5           MS. PASSIDOMO: I am on the line. Thanks, Mr.  
6           Chairman.

7           CHAIRMAN FAY: Okay. Great. Good to hear  
8           you, Commissioner Passidomo.

9           All right. With that, Commissioners, let me  
10          make sure that we don't have any preliminary  
11          matters, Ms. Brownless, at this time.

12          Okay. Duke, if you can bring your witness  
13          back up.

14          MR. BERNIER: Thank you, Mr. Chairman. We  
15          call Gary Dean to the stand, please.

16          MR. REHWINKEL: Mr. Chairman, while he is  
17          coming up, would you like to identify these  
18          exhibits?

19          CHAIRMAN FAY: Sure. Let's go ahead and do  
20          that.

21          MR. REHWINKEL: So I have the first exhibit to  
22          give a number to would be the, what I have entitled  
23          Midcourse Correction Letter, and this is the four  
24          midcourse correction letters filed by the  
25          companies.

1 CHAIRMAN FAY: Okay.

2 MR. REHWINKEL: Would 70 be the next number?

3 Okay.

4 MS. BROWNLESS: Yes.

5 CHAIRMAN FAY: I also have 70. Is that  
6 correct, Ms. Brownless?

7 MS. BROWNLESS: Yes, sir.

8 CHAIRMAN FAY: Okay.

9 (Whereupon, Exhibit No. 70 was marked for  
10 identification.)

11 MR. REHWINKEL: Then the next one would be the  
12 Midcourse Correction Rule, 25-6.0424.

13 CHAIRMAN FAY: Okay. 71.

14 MR. REHWINKEL: That's 71.

15 (Whereupon, Exhibit No. 71 was marked for  
16 identification.)

17 MR. REHWINKEL: And then I have an exhibit  
18 that is just the petition without all the  
19 attachments for July 27th, 2022, for the four  
20 companies.

21 CHAIRMAN FAY: Okay.

22 MR. REHWINKEL: We will make that 72?

23 CHAIRMAN FAY: Yep.

24 MR. REHWINKEL: Thank you.

25 CHAIRMAN FAY: Great. Sure.



1 Q Welcome back, Mr. Dean.

2 Will you please state your name and provide  
3 your business address for the record?

4 A My name is Gary Dean. Business address is 299  
5 1st Avenue North, St. Petersburg, Florida, 33701.

6 Q And you were just sworn in as a witness,  
7 correct?

8 A Yes.

9 Q Thank you.  
10 And for whom do you work and what is your job  
11 title?

12 A I work with Duke Energy Florida, LLC. My job  
13 title is Rates and Regulatory Strategy Manager.

14 Q And thank you.

15 And have you prepared and caused to be filed  
16 in this proceeding amended true-up testimony and  
17 exhibits on May 18th, 2022?

18 A Yes, I have.

19 Q Thank you.

20 And have you caused to be filed prepared  
21 direct testimony on July 27th, 2022, along with an  
22 exhibit?

23 A Yes.

24 Q Thank you.

25 And have you also caused to be prepared and



1 filed on September 2nd, 2022, direct testimony and an  
2 exhibit?

3 A Yes.

4 Q And do you have those testimonies and exhibits  
5 with you today?

6 A I do.

7 Q Thank you.

8 Do you have any corrections to make?

9 A No.

10 Q Thank you.

11 And if I were to ask you the same questions  
12 here today, would your answers be the same?

13 A They would. Yes.

14 Q All right. Thank you very much.

15 MR. BERNIER: Mr. Chairman, we would ask that  
16 those testimonies be read into the record.

17 CHAIRMAN FAY: Okay. Without objection, show  
18 that testimony entered into the record as though  
19 read.

20 MR. BERNIER: Thank you.

21 (Whereupon, prefiled direct testimony of Gary  
22 P. Dean was inserted.)

23

24

25

**DUKE ENERGY FLORIDA, LLC****DOCKET No. 20220001-EI****Fuel and Capacity Cost Recovery  
Actual True-Up for the Period  
January 2021 - December 2021****DIRECT TESTIMONY OF  
Gary P. Dean****April 1, 2022**

1 **Q. Please state your name and business address.**

2 A. My name is Gary P. Dean. My business address is 299 First Avenue North,  
3 St. Petersburg, Florida 33701.

4

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by Duke Energy Florida, LLC (“DEF” or the “Company”), as  
7 Rates and Regulatory Strategy Manager.

8

9 **Q. What are your responsibilities in that position?**

10 A. I am responsible for regulatory planning and cost recovery for DEF. These  
11 responsibilities include completion of regulatory financial reports and  
12 analysis of state, federal and local regulations and their impacts on DEF. In  
13 this capacity, I am responsible for DEF’s Final True-Up, Actual/Estimated  
14 Projection and Projection Filings in the Fuel Adjustment Clause, Capacity  
15 Cost Recovery Clause and Environmental Cost Recovery Clause.

16

17 **Q. Please describe your educational background and professional  
18 experience.**

1 A. I joined DEF on April 27, 2020 as the Rates and Regulatory Strategy  
2 Manager. Prior to working at DEF, I was the Senior Manager, Optimization  
3 for Chesapeake Utilities Corporation (“CUC”). In this role, I was  
4 responsible for all pricing related to the company’s natural gas retail  
5 business. Prior to working at CUC, I was the General Manager, Electric  
6 Operations for South Jersey Energy Company (“SJEC”). In that capacity I  
7 held P&L and strategic development responsibility for the company’s  
8 electric retail book. Prior to working at SJEC I had various positions  
9 associated with rates and regulatory affairs. In these positions I was  
10 responsible for all rate and regulatory matters, including tariff and rate  
11 design, financial modeling and analysis, and ensuring accurate rates for  
12 billing. I received a Master of Business Administration from Rutgers  
13 University and a Bachelor of Science degree in Commerce and  
14 Engineering, majoring in Finance, from Drexel University.

15  
16 **Q. What is the purpose of your testimony?**

17 A. The purpose of my testimony is to provide DEF’s Fuel Adjustment Clause  
18 final true-up amount for the period of January 2021 through December 2021,  
19 and DEF’s Capacity Cost Recovery Clause final true-up amount for the same  
20 period.

21

22 **Q. Have you prepared exhibits to your testimony?**

1 A. Yes, I have prepared and attached to my true-up testimony as Exhibit No.  
2 \_\_\_\_(GPD-1T), a Fuel Adjustment Clause true-up calculation and related  
3 schedules; Exhibit No. \_\_\_\_(GPD-2T), a Capacity Cost Recovery Clause true-  
4 up calculation and related schedules; Exhibit No. \_\_\_\_(GPD-3T), Schedules A1  
5 through A3, A6, and A12 for December 2021, year-to-date; and Exhibit No.  
6 \_\_\_\_(GPD-4T), with DEF's capital structure and cost rates. Schedules A1  
7 through A9, and A12 for the year ended December 31, 2021, were filed with  
8 the Commission on January 20, 2022.

9  
10 **Q. What is the source of the data that you will present by way of testimony**  
11 **or exhibits in this proceeding?**

12 A. Unless otherwise indicated, the actual data is taken from the books and  
13 records of the Company. The books and records are kept in the regular  
14 course of business in accordance with generally accepted accounting  
15 principles and practices, and provisions of the Uniform System of Accounts  
16 as prescribed by the Federal Energy Regulatory Commission, and any  
17 accounting rules and orders established by this Commission. The Company  
18 relies on the information included in this testimony and exhibits in the conduct  
19 of its affairs.

20  
21 **Q. Would you please summarize your testimony?**

22 A. Per Order No. PSC-2022-0061-PCO-EI, the total estimated 2021 period-  
23 ending fuel under-recovery is \$415.46 million. The actual under-recovery for

1 2021 is \$412.52 million, resulting in a final fuel adjustment true-up over-  
2 recovery amount of \$2.94 million. Exhibit No. \_\_ (GPD-1T).

3

4 Per Order Nos. PSC-2021-0442-FOF-EI and PSC-2021-0442A-FOF-EI, the  
5 estimated 2021 capacity cost recovery true-up amount was an over-recovery  
6 of \$2.7 million. The actual amount for 2021 was an over-recovery of \$6.0  
7 million, resulting in a final capacity true-up over-recovery amount of \$3.3  
8 million. Exhibit No. \_\_ (GPD-2T).

9

10

#### FUEL COST RECOVERY

11 **Q. What is DEF's jurisdictional ending balance as of December 31, 2021**  
12 **for fuel cost recovery?**

13 A. The actual ending balance as of December 31, 2021 for true-up purposes is  
14 an under-recovery of \$412,524,152, as shown on Exhibit No. \_\_ (GPD-1T).

15

16 **Q. How does this amount compare to DEF's estimated 2021 ending**  
17 **balance included in the Company's December 17, 2021 Midcourse**  
18 **Filing?**

19 A. The actual true-up amount for the January 2021 - December 2021 period is  
20 an under-recovery of \$412,524,152, which is \$2,934,170 lower than the re-  
21 projected year end under-recovery balance of \$415,458,323, as shown on  
22 Exhibit No. \_\_ (GPD-1T).

23

1 **Q. How was the final true-up ending balance determined?**

2 A. The amount was determined in the manner set forth on Schedule A2 of the  
3 Commission's standard forms previously submitted by the Company monthly,  
4 updated to reflect the True-Up WACC as prescribed in Order No. PSC-2020-  
5 0165-PAA-EU.

6

7 **Q. What factors contributed to the period-ending jurisdictional net over-**  
8 **recovery of \$2,934,170 shown on your Exhibit No. \_\_ (GPD-1T)?**

9 A. The \$2.9 million is driven primarily by increased generation and purchased  
10 power costs of \$7.1 million and \$2.3 million, respectively, offset by \$9.2  
11 million higher sales.

12

13 **Q. Please explain the components shown on Exhibit No. \_\_ (GPD-1T),**  
14 **sheet 6 of 6, which helps to explain the \$3.5 million unfavorable system**  
15 **variance from the projected cost of fuel and net purchased power**  
16 **transactions.**

17 A. Exhibit No. \_\_ (GPD-1T), sheet 6 of 6 is an analysis of the system dollar  
18 variance for each energy source in terms of three interrelated components;  
19 (1) changes in the amount (mWh's) of energy required; (2) changes in the  
20 heat rate of generated energy (BTU's per kWh); and (3) changes in the  
21 unit price of either fuel consumed for generation (\$ per million BTU) or energy  
22 purchases and sales (cents per kWh). The \$3.5 million unfavorable system  
23 variance is mainly attributable to higher natural gas generation and firm

1 purchases, partially offset by lower coal generation and qualifying facilities  
2 costs.

3

4 **Q. Does this period ending true-up balance include any noteworthy**  
5 **adjustments to fuel expense?**

6 A. Yes. Noteworthy adjustments are shown on Exhibit No. \_\_\_\_(GPD-3T) in the  
7 footnote to line 6b on page 1 of 2, Schedule A2.

8

9 Consistent with Order No. PSC-2018-0240-PAA-EQ dated May 8, 2018, DEF  
10 included an adjustment of approximately \$13.20 million system (\$13.13  
11 million retail) for amortization of the Florida Power Development, LLC  
12 qualifying facility regulatory asset partially offset by a credit of approximately  
13 \$7.21 million system (\$7.21 million retail) related to Crystal River 4  
14 replacement power costs approved in Order No. PSC-2021-0466-FOF-EI.  
15 These adjustments are shown on Exhibit No. \_\_\_\_ (GPD-3T), in the footnotes  
16 to Line 6b on page 1 of 2, Schedule A2, and on line 3, page 1 of 2, Schedule  
17 A1.

18

19 **Q. Did DEF make an adjustment for changes in coal inventory based on an**  
20 **Aerial Survey?**

21 A. Yes. DEF included an adjustment of \$4.7 million to coal inventory attributable  
22 to the semi-annual aerial surveys conducted on May 4, 2021 and October 26,  
23 2021, in accordance with Order No. PSC-1997-0359-FOF-EI, Docket No.

1 19970001-EI. This adjustment represents 2.85% of the total coal consumed  
2 at the Crystal River facility in 2021.

3

4 **Q. Did DEF exceed the economy sales threshold in 2021?**

5 A. Yes. DEF did exceed the gain on economy sales threshold of \$1.7 million in  
6 2021. As reported on Schedule A1-2, Line 11a, the gain for the year-to-date  
7 period through December 2021 was \$2.9 million. Consistent with Order No.  
8 PSC-01-2371-FOF-EI, shareholders retain 20% of the gain in excess of the  
9 three-year rolling average. For 2021, that amount is approximately \$0.2  
10 million.

11

12 **Q. Has the three-year rolling average gain on economy sales included in**  
13 **the Company's filing for the November 2021 hearings been updated to**  
14 **incorporate actual data for all of year 2021?**

15 A. Yes. DEF has calculated its three-year rolling average gain on economy  
16 sales, based entirely on actual data for calendar years 2019 through 2021,  
17 as follows:

18

	<u>Year</u>	<u>Actual Gain</u>
	2019	\$ 1,649,136
	2020	\$ 1,223,709
	2021	<u>\$ 2,855,389</u>
23	Three-Year Average	<u>\$ 1,909,411</u>



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## CAPACITY COST RECOVERY

**Q. What is the Company's jurisdictional ending balance as of December 31, 2021 for capacity cost recovery?**

A. The actual ending balance as of December 31, 2021 for true-up purposes is an over-recovery of \$6,031,782, as shown on Exhibit No. \_\_ (GPD-2T).

**Q. How does this amount compare to the estimated 2021 ending balance included in the Company's Actual/Estimated Filing?**

A. When the estimated 2021 over-recovery of \$2,718,273 is compared to the \$6,031,782 actual over-recovery, the final capacity true-up for the twelve-month period ended December 2021 is an over-recovery of \$3,313,509, as shown on Exhibit No. \_\_ (GPD-2T).

**Q. Is this true-up calculation consistent with the true-up methodology used for the other cost recovery clauses?**

A. Yes. The calculation of the final net true-up amount follows the procedures established by the Commission.

**Q. What factors contributed to the actual period-end capacity over-recovery of \$3.3 million?**

1 A. Exhibit No. \_\_ (GPD-2T, sheet 1 of 3) compares actual results to the original  
2 projection for the period. The \$3.3 million over-recovery is primarily due to  
3 lower capacity costs.

4

5

#### OTHER MATTERS

6

7 **Q. What capital structure and cost rates did DEF rely on to calculate the**  
8 **revenue requirement rate of return for the period January 2021 through**  
9 **December 2021?**

10 A. DEF used the capital structure and cost rates consistent with the language in  
11 Order No. PSC-2020-0165-PAA-EU. The capital structure and cost rates  
12 relied on to calculate the revenue requirement rate of return for the period  
13 January 2021 through December 2021 are shown on Exhibit No. \_\_ (GPD-  
14 4T).

15

16 **Q. Does this conclude your direct true-up testimony?**

17 A. Yes.

18

19

20

21

22

23

**DUKE ENERGY FLORIDA, LLC****DOCKET No. 20220001-EI****Fuel and Capacity Cost Recovery  
Actual True-Up for the Period  
January 2021 - December 2021****AMENDED DIRECT TESTIMONY OF  
Gary P. Dean****May 18, 2022**

1 **Q. Please state your name and business address.**

2 A. My name is Gary P. Dean. My business address is 299 First Avenue North,  
3 St. Petersburg, Florida 33701.

4

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by Duke Energy Florida, LLC (“DEF” or the “Company”), as  
7 Rates and Regulatory Strategy Manager.

8

9 **Q. What are your responsibilities in that position?**

10 A. I am responsible for regulatory planning and cost recovery for DEF. These  
11 responsibilities include completion of regulatory financial reports and  
12 analysis of state, federal and local regulations and their impacts on DEF. In  
13 this capacity, I am responsible for DEF’s Final True-Up, Actual/Estimated  
14 Projection and Projection Filings in the Fuel Adjustment Clause, Capacity  
15 Cost Recovery Clause and Environmental Cost Recovery Clause.

16

17 **Q. Please describe your educational background and professional  
18 experience.**

1 A. I joined DEF on April 27, 2020 as the Rates and Regulatory Strategy  
2 Manager. Prior to working at DEF, I was the Senior Manager, Optimization  
3 for Chesapeake Utilities Corporation (“CUC”). In this role, I was  
4 responsible for all pricing related to the company’s natural gas retail  
5 business. Prior to working at CUC, I was the General Manager, Electric  
6 Operations for South Jersey Energy Company (“SJEC”). In that capacity I  
7 held P&L and strategic development responsibility for the company’s  
8 electric retail book. Prior to working at SJEC I had various positions  
9 associated with rates and regulatory affairs. In these positions I was  
10 responsible for all rate and regulatory matters, including tariff and rate  
11 design, financial modeling and analysis, and ensuring accurate rates for  
12 billing. I received a Master of Business Administration from Rutgers  
13 University and a Bachelor of Science degree in Commerce and  
14 Engineering, majoring in Finance, from Drexel University.

15  
16 **Q. What is the purpose of your testimony?**

17 A. The purpose of my testimony is to provide DEF’s Fuel Adjustment Clause  
18 final true-up amount for the period of January 2021 through December 2021,  
19 and DEF’s Capacity Cost Recovery Clause final true-up amount for the same  
20 period.

21

22 **Q. Have you prepared exhibits to your testimony?**

1 A. Yes, I have prepared and attached to my true-up testimony as Exhibit No.  
2 \_\_\_\_(GPD-1T), a Fuel Adjustment Clause true-up calculation and related  
3 schedules; Exhibit No. \_\_\_\_(GPD-2T), a Capacity Cost Recovery Clause true-  
4 up calculation and related schedules; Exhibit No. \_\_\_\_(GPD-3T), Schedules A1  
5 through A3, A6, and A12 for December 2021, year-to-date; and Exhibit No.  
6 \_\_\_\_(GPD-4T), with DEF's capital structure and cost rates. Schedules A1  
7 through A9, and A12 for the year ended December 31, 2021, were filed with  
8 the Commission on January 20, 2022.

9  
10 **Q. What is the source of the data that you will present by way of testimony**  
11 **or exhibits in this proceeding?**

12 A. Unless otherwise indicated, the actual data is taken from the books and  
13 records of the Company. The books and records are kept in the regular  
14 course of business in accordance with generally accepted accounting  
15 principles and practices, and provisions of the Uniform System of Accounts  
16 as prescribed by the Federal Energy Regulatory Commission, and any  
17 accounting rules and orders established by this Commission. The Company  
18 relies on the information included in this testimony and exhibits in the conduct  
19 of its affairs.

20  
21 **Q. Would you please summarize your testimony?**

22 A. Per Order No. PSC-2022-0061-PCO-EI, the total estimated 2021 period-  
23 ending fuel under-recovery is \$415.46 million. The actual under-recovery for

1 2021 is \$412.52 million, resulting in a final fuel adjustment true-up over-  
2 recovery amount of \$2.94 million. Exhibit No. \_\_ (GPD-1T).

3

4 Per Order Nos. PSC-2021-0442-FOF-EI and PSC-2021-0442A-FOF-EI, the  
5 estimated 2021 capacity cost recovery true-up amount was an over-recovery  
6 of \$2.7 million. The actual amount for 2021 was an over-recovery of \$5.6  
7 million, resulting in a final capacity true-up over-recovery amount of \$2.9  
8 million. Exhibit No. \_\_ (GPD-2T).

9

10

#### FUEL COST RECOVERY

11

**Q. What is DEF's jurisdictional ending balance as of December 31, 2021  
12 for fuel cost recovery?**

13

A. The actual ending balance as of December 31, 2021 for true-up purposes is  
14 an under-recovery of \$412,524,152, as shown on Exhibit No. \_\_ (GPD-1T).

15

16

**Q. How does this amount compare to DEF's estimated 2021 ending  
17 balance included in the Company's December 17, 2021 Midcourse  
18 Filing?**

19

A. The actual true-up amount for the January 2021 - December 2021 period is  
20 an under-recovery of \$412,524,152, which is \$2,934,170 lower than the re-  
21 projected year end under-recovery balance of \$415,458,323, as shown on  
22 Exhibit No. \_\_ (GPD-1T).

23

1 **Q. How was the final true-up ending balance determined?**

2 A. The amount was determined in the manner set forth on Schedule A2 of the  
3 Commission's standard forms previously submitted by the Company monthly,  
4 updated to reflect the True-Up WACC as prescribed in Order No. PSC-2020-  
5 0165-PAA-EU.

6

7 **Q. What factors contributed to the period-ending jurisdictional net over-**  
8 **recovery of \$2,934,170 shown on your Exhibit No. \_\_ (GPD-1T)?**

9 A. The \$2.9 million is driven primarily by increased generation and purchased  
10 power costs of \$7.1 million and \$2.3 million, respectively, offset by \$9.2  
11 million higher sales.

12

13 **Q. Please explain the components shown on Exhibit No. \_\_ (GPD-1T),**  
14 **sheet 6 of 6, which helps to explain the \$3.5 million unfavorable system**  
15 **variance from the projected cost of fuel and net purchased power**  
16 **transactions.**

17 A. Exhibit No. \_\_ (GPD-1T), sheet 6 of 6 is an analysis of the system dollar  
18 variance for each energy source in terms of three interrelated components;  
19 (1) changes in the amount (mWh's) of energy required; (2) changes in the  
20 heat rate of generated energy (BTU's per kWh); and (3) changes in the  
21 unit price of either fuel consumed for generation (\$ per million BTU) or energy  
22 purchases and sales (cents per kWh). The \$3.5 million unfavorable system  
23 variance is mainly attributable to higher natural gas generation and firm

1 purchases, partially offset by lower coal generation and qualifying facilities  
2 costs.

3

4 **Q. Does this period ending true-up balance include any noteworthy**  
5 **adjustments to fuel expense?**

6 A. Yes. Noteworthy adjustments are shown on Exhibit No. \_\_\_\_(GPD-3T) in the  
7 footnote to line 6b on page 1 of 2, Schedule A2.

8

9 Consistent with Order No. PSC-2018-0240-PAA-EQ dated May 8, 2018, DEF  
10 included an adjustment of approximately \$13.20 million system (\$13.13  
11 million retail) for amortization of the Florida Power Development, LLC  
12 qualifying facility regulatory asset partially offset by a credit of approximately  
13 \$7.21 million system (\$7.21 million retail) related to Crystal River 4  
14 replacement power costs approved in Order No. PSC-2021-0466-FOF-EI.  
15 These adjustments are shown on Exhibit No. \_\_\_\_ (GPD-3T), in the footnotes  
16 to Line 6b on page 1 of 2, Schedule A2, and on line 3, page 1 of 2, Schedule  
17 A1.

18

19 **Q. Did DEF make an adjustment for changes in coal inventory based on an**  
20 **Aerial Survey?**

21 A. Yes. DEF included an adjustment of \$4.7 million to coal inventory attributable  
22 to the semi-annual aerial surveys conducted on May 4, 2021 and October 26,  
23 2021, in accordance with Order No. PSC-1997-0359-FOF-EI, Docket No.



1 19970001-EI. This adjustment represents 2.85% of the total coal consumed  
2 at the Crystal River facility in 2021.

3

4 **Q. Did DEF exceed the economy sales threshold in 2021?**

5 A. Yes. DEF did exceed the gain on economy sales threshold of \$1.7 million in  
6 2021. As reported on Schedule A1-2, Line 11a, the gain for the year-to-date  
7 period through December 2021 was \$2.9 million. Consistent with Order No.  
8 PSC-01-2371-FOF-EI, shareholders retain 20% of the gain in excess of the  
9 three-year rolling average. For 2021, that amount is approximately \$0.2  
10 million.

11

12 **Q. Has the three-year rolling average gain on economy sales included in**  
13 **the Company's filing for the November 2021 hearings been updated to**  
14 **incorporate actual data for all of year 2021?**

15 A. Yes. DEF has calculated its three-year rolling average gain on economy  
16 sales, based entirely on actual data for calendar years 2019 through 2021,  
17 as follows:

18

	<u>Year</u>	<u>Actual Gain</u>
	2019	\$ 1,649,136
	2020	\$ 1,223,709
	2021	<u>\$ 2,855,389</u>
	Three-Year Average	<u>\$ 1,909,411</u>

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## CAPACITY COST RECOVERY

**Q. What is the Company's jurisdictional ending balance as of December 31, 2021 for capacity cost recovery?**

A. The actual ending balance as of December 31, 2021 for true-up purposes is an over-recovery of \$5,568,698, as shown on Exhibit No. \_\_ (GPD-2T).

**Q. How does this amount compare to the estimated 2021 ending balance included in the Company's Actual/Estimated Filing?**

A. When the estimated 2021 over-recovery of \$2,718,273 is compared to the \$5,568,698 actual over-recovery, the final capacity true-up for the twelve-month period ended December 2021 is an over-recovery of \$2,850,425, as shown on Exhibit No. \_\_ (GPD-2T).

**Q. Is this true-up calculation consistent with the true-up methodology used for the other cost recovery clauses?**

A. Yes. The calculation of the final net true-up amount follows the procedures established by the Commission.

**Q. What factors contributed to the actual period-end capacity over-recovery of \$2.9 million?**

1 A. Exhibit No. \_\_\_ (GPD-2T, sheet 1 of 3) compares actual results to the original  
2 projection for the period. The \$2.9 million over-recovery is primarily due to  
3 lower capacity costs.

4

5

#### OTHER MATTERS

6

7 **Q. What capital structure and cost rates did DEF rely on to calculate the**  
8 **revenue requirement rate of return for the period January 2021 through**  
9 **December 2021?**

10 A. DEF used the capital structure and cost rates consistent with the language in  
11 Order No. PSC-2020-0165-PAA-EU. The capital structure and cost rates  
12 relied on to calculate the revenue requirement rate of return for the period  
13 January 2021 through December 2021 are shown on Exhibit No. \_\_\_(GPD-  
14 4T).

15

16 **Q. Does this conclude your direct true-up testimony?**

17 A. Yes.

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1  
2 **DUKE ENERGY FLORIDA, LLC**

3 **DOCKET No. 20220001-EI**

4 **Fuel and Capacity Cost Recovery**  
5 **Actual/Estimated True-Up Amounts**  
6 **January 2022 through December 2022**

7 **DIRECT TESTIMONY OF**  
8 **GARY P. DEAN**

9 **July 27, 2022**

10

11 **Q. Please state your name and business address.**

12 A. My name is Gary P. Dean. My business address is 299 1<sup>st</sup> Avenue North,  
13 St. Petersburg, Florida 33701.

14

15 **Q. Have you previously filed testimony before this Commission in**  
16 **Docket No. 20220001-EI?**

17 A. Yes. I provided direct testimony on April 1, 2022 and amended direct  
18 testimony on June 8, 2022.

19

20 **Q: Has your job description, education, background and professional**  
21 **experience changed since that time?**

22 A. No.

23

24 **Q. What is the purpose of your testimony?**

1 A. The purpose of my testimony is to present for Commission approval the  
2 actual/estimated fuel and capacity cost recovery true-up amounts of Duke  
3 Energy Florida, LLC (“DEF” or the “Company”) for the period of January  
4 2022 through December 2022.

5  
6 **Q. Do you have an exhibit to your testimony?**

7 A. Yes. I have prepared Exhibit No. \_\_ (GPD-2), which is attached to my  
8 prepared testimony, consisting of two parts. Part 1 consists of Schedules  
9 E1-B through E9, which include the calculation of the 2022  
10 actual/estimated fuel and purchased power true-up balance, and a  
11 schedule to support the capital structure components and cost rates relied  
12 upon to calculate the return requirements on all capital projects recovered  
13 through the fuel clause as required per Order No. PSC-2020-0165-PAA-  
14 EU. Part 2 consists of Schedules E12-A through E12-C, which include the  
15 calculation of the 2022 actual/estimated capacity true-up balance. The  
16 calculations in my exhibit are based on actual data from January through  
17 June 2022 and estimated data from July through December 2022.

18  
19 **FUEL COST RECOVERY**

20  
21 **Q. What is the amount of DEF’s 2022 estimated fuel true-up balance and**  
22 **how was it developed?**

23 A. DEF’s estimated fuel true-up balance is a \$1,308,956,670 under-  
24 recovery. The calculation begins with the actual under-recovered

1 balance of \$749,621,955 taken from Schedule A2, page 2 of 2, line 13,  
2 for the month of June 2022. This balance plus the estimated July  
3 through December 2022 monthly true-up calculations comprise the  
4 estimated \$1,308,956,670 under-recovered balance at year-end. The  
5 increase in the currently projected 2022 under-recovery is primarily due  
6 to sizable increases in natural gas prices. The projected December 2022  
7 true-up balance includes interest which is estimated from July through  
8 December 2022 based on the average of the beginning and ending  
9 commercial paper rate applied in June. That rate is 0.120% per month.

10  
11 **Q. How does the current forecast of fuel costs on Schedule E3 for July**  
12 **through December 2022 compare with the same period forecast used**  
13 **in the Company's 2022 Mid-Course Correction Filing approved in**  
14 **Order No. PSC-2022-0061-PCO-EI?**

15 A. Light oil increased \$1.91/mmbtu (10%). Coal and natural gas increased  
16 \$1.04/mmbtu (30%) and \$4.87/mmbtu (93%), respectively.

17  
18 **Q. Have any adjustments been made to estimated fuel costs for the**  
19 **period January 2022 through December 2022?**

20 A. Yes. Consistent with Order No. PSC-2018-0240-PAA-EQ dated June 8,  
21 2018, DEF included an adjustment of approximately \$12.43 million  
22 (grossed up to approximately \$12.45 million from retail to system) for the  
23 amortization of Florida Power Development, LLC qualifying facility  
24 regulatory asset from January 2022 through December 2022. This

1 adjustment is included on Schedule E1-B, line A5, columns Jan Actual  
2 through Dec Estimated. There was no coal inventory adjustment  
3 attributable to the semi-annual aerial survey conducted on May 9, 2022 in  
4 accordance with Order No. PSC-1997-0359-FOF-EI in Docket No.  
5 1997001-EI.

6

7 **Q. Does DEF expect to exceed the three-year rolling average gain on**  
8 **non-separated power sales in 2022?**

9 A. Yes. DEF estimates the total gain on non-separated sales during 2022  
10 will be \$3,059,660 which exceeds the three-year rolling average of  
11 \$1,909,411. Consistent with Order No. PSC-2000-1744-PAA-EI,  
12 shareholders retain 20% of the gains in excess of the three-year rolling  
13 average. For 2022, this is estimated to be \$230,050.

14

#### 15 **CAPACITY COST RECOVERY**

16

17 **Q. What is DEF's 2022 estimated capacity true-up balance and how was**  
18 **it developed?**

19 A. DEF's estimated capacity true-up balance is an \$6,747,100 over-recovery.  
20 The estimated true-up calculation begins with the actual under-recovered  
21 balance of \$1,847,396 as of June 2022. This balance plus the estimated  
22 July through December 2022 monthly true-up calculations comprise the  
23 estimated \$6,747,100 over-recovered balance at year-end. The projected  
24 December 2022 true-up balance includes interest which is estimated from

1 July through December 2022 based on the average of the beginning and  
2 ending commercial paper rate applied in June. That rate is 0.120% per  
3 month.

4

5 **Q. What are the primary drivers of the estimated year-end 2022 capacity**  
6 **over-recovery?**

7 A. The \$6.7 million over-recovery is primarily attributable to additional SoBRA  
8 credits in May 2022 through August 2022 per the Rate Mitigation Plan  
9 approved in Order No, PSC-2021-0425-FOF-EI.

10

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

12 A. Yes.

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2 **DUKE ENERGY FLORIDA, LLC**

3 **DOCKET No. 20220001-EI**

4 **Fuel and Capacity Cost Recovery**  
5 **Actual/Estimated True-Up Amounts**  
6 **January 2022 through December 2022**

7 **DIRECT TESTIMONY OF**  
8 **GARY P. DEAN**

9 **July 27, 2022**

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16 **Docket No. 20220001-EI?**

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18 testimony on June 8, 2022.

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21 **experience changed since that time?**

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2 actual/estimated fuel and capacity cost recovery true-up amounts of Duke  
3 Energy Florida, LLC (“DEF” or the “Company”) for the period of January  
4 2022 through December 2022.

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10 actual/estimated fuel and purchased power true-up balance, and a  
11 schedule to support the capital structure components and cost rates relied  
12 upon to calculate the return requirements on all capital projects recovered  
13 through the fuel clause as required per Order No. PSC-2020-0165-PAA-  
14 EU. Part 2 consists of Schedules E12-A through E12-C, which include the  
15 calculation of the 2022 actual/estimated capacity true-up balance. The  
16 calculations in my exhibit are based on actual data from January through  
17 June 2022 and estimated data from July through December 2022.

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19 **FUEL COST RECOVERY**

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22 **how was it developed?**

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24 recovery. The calculation begins with the actual under-recovered

1 balance of \$749,621,955 taken from Schedule A2, page 2 of 2, line 13,  
2 for the month of June 2022. This balance plus the estimated July  
3 through December 2022 monthly true-up calculations comprise the  
4 estimated \$1,308,956,670 under-recovered balance at year-end. The  
5 increase in the currently projected 2022 under-recovery is primarily due  
6 to sizable increases in natural gas prices. The projected December 2022  
7 true-up balance includes interest which is estimated from July through  
8 December 2022 based on the average of the beginning and ending  
9 commercial paper rate applied in June. That rate is 0.120% per month.

10  
11 **Q. How does the current forecast of fuel costs on Schedule E3 for July**  
12 **through December 2022 compare with the same period forecast used**  
13 **in the Company's 2022 Mid-Course Correction Filing approved in**  
14 **Order No. PSC-2022-0061-PCO-EI?**

15 A. Light oil increased \$1.91/mmbtu (10%). Coal and natural gas increased  
16 \$1.04/mmbtu (30%) and \$4.87/mmbtu (93%), respectively.

17  
18 **Q. Have any adjustments been made to estimated fuel costs for the**  
19 **period January 2022 through December 2022?**

20 A. Yes. Consistent with Order No. PSC-2018-0240-PAA-EQ dated June 8,  
21 2018, DEF included an adjustment of approximately \$12.43 million  
22 (grossed up to approximately \$12.45 million from retail to system) for the  
23 amortization of Florida Power Development, LLC qualifying facility  
24 regulatory asset from January 2022 through December 2022. This

1 adjustment is included on Schedule E1-B, line A5, columns Jan Actual  
2 through Dec Estimated. There was no coal inventory adjustment  
3 attributable to the semi-annual aerial survey conducted on May 9, 2022 in  
4 accordance with Order No. PSC-1997-0359-FOF-EI in Docket No.  
5 1997001-EI.

6

7 **Q. Does DEF expect to exceed the three-year rolling average gain on**  
8 **non-separated power sales in 2022?**

9 A. Yes. DEF estimates the total gain on non-separated sales during 2022  
10 will be \$3,059,660 which exceeds the three-year rolling average of  
11 \$1,909,411. Consistent with Order No. PSC-2000-1744-PAA-EI,  
12 shareholders retain 20% of the gains in excess of the three-year rolling  
13 average. For 2022, this is estimated to be \$230,050.

14

15 **CAPACITY COST RECOVERY**

16

17 **Q. What is DEF's 2022 estimated capacity true-up balance and how was**  
18 **it developed?**

19 A. DEF's estimated capacity true-up balance is an \$6,747,100 over-recovery.  
20 The estimated true-up calculation begins with the actual under-recovered  
21 balance of \$1,847,396 as of June 2022. This balance plus the estimated  
22 July through December 2022 monthly true-up calculations comprise the  
23 estimated \$6,747,100 over-recovered balance at year-end. The projected  
24 December 2022 true-up balance includes interest which is estimated from

1 July through December 2022 based on the average of the beginning and  
2 ending commercial paper rate applied in June. That rate is 0.120% per  
3 month.

4

5 **Q. What are the primary drivers of the estimated year-end 2022 capacity**  
6 **over-recovery?**

7 A. The \$6.7 million over-recovery is primarily attributable to additional SoBRA  
8 credits in May 2022 through August 2022 per the Rate Mitigation Plan  
9 approved in Order No, PSC-2021-0425-FOF-EI.

10

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

12 A. Yes.

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**DUKE ENERGY FLORIDA, LLC****DOCKET No. 20220001-EI****Fuel and Capacity Cost Recovery Factors  
January 2023 through December 2023****DIRECT TESTIMONY OF  
GARY P. DEAN****September 2, 2022**

1 **Q. Please state your name and business address.**

2 A. My name is Gary P. Dean. My business address is 299 1<sup>st</sup> Avenue North, St.  
3 Petersburg, Florida 33701.

4

5 **Q. Have you previously filed testimony before this Commission in Docket**  
6 **No. 20220001-EI?**

7 A. Yes, I provided direct testimony on April 1, 2022 and July 27, 2022, and  
8 amended direct testimony on June 8, 2022.

9

10 **Q. Has your job description, education, background and professional**  
11 **experience changed since that time?**

12 A. No.

13

14

1 **Q. What is the purpose of your testimony?**

2 A. The purpose of my testimony is to present for Commission approval the fuel and  
3 capacity cost recovery factors of Duke Energy Florida, LLC (“DEF” or the  
4 “Company”) for the period of January 2023 through December 2023.

5  
6 **Q. Do you have an exhibit to your testimony?**

7 A. Yes. I have prepared Exhibit No.\_\_(GPD-3), consisting of Parts 1, 2 and 3. Part  
8 1 contains DEF’s fuel cost forecast assumptions. Part 2 contains fuel cost  
9 recovery (“FCR”) schedules E1 through E10, H1 and the calculation of the  
10 inverted residential fuel rate. I have also included a schedule to support the capital  
11 structure components and cost rates relied upon to calculate the return  
12 requirements on all capital projects recovered through the fuel clause as required  
13 by Order No. PSC-2020-0165-PAA-EU. Part 3 contains capacity cost recovery  
14 (“CCR”) schedules.

15

16

### **FUEL COST RECOVERY CLAUSE**

17

18 **Q. Please describe the fuel cost factors calculated by the Company for the**  
19 **projection period.**

20 A. Schedule E1 shows the calculation of the Company's jurisdictional fuel cost  
21 factor of 6.257 ¢/kWh. This factor consists of a fuel cost for the projection

1 period of 5.7335 ¢/kWh (adjusted for jurisdictional losses), an estimated prior  
2 period under-recovery true-up of 0.4446 ¢/kWh, a GPIF penalty of 0.0005  
3 ¢/kWh, and a Clean Energy Connection (“CEC”) Program bill credit of 0.0793  
4 ¢/kWh. Using this factor, Schedule E1-D shows the calculation and supporting  
5 data for the Company's levelized fuel cost factors for service taken at  
6 secondary, primary and transmission metering voltage levels. To perform this  
7 calculation, effective jurisdictional sales at the secondary level are calculated  
8 and 1% and 2% metering reduction factors are applied to primary and  
9 transmission sales, respectively (forecasted at meter level). This is consistent  
10 with the methodology used in the development of the CCR factors.

11  
12 Schedule E1-D, lines 11-12 show the Company's proposed tiered rates of 5.961  
13 ¢/kWh for the first 1,000 kWh and 7.031 ¢/kWh above 1,000 kWh. These rates  
14 are developed in the “Calculation of Inverted Residential Fuel Rates” schedule  
15 in Part 2 of my exhibit.

16  
17 Schedule E1-E develops the Time of Use (“TOU”) multipliers of 1.228 On-Peak,  
18 1.006 Off-Peak and 0.746 Super Off-Peak, consistent with paragraph 15 of DEFs  
19 2021 Settlement Agreement approved in Order No. PSC-2021-0202-AS-EI. The  
20 multipliers are then applied to the levelized fuel cost factors for each metering



1 voltage level which results in the final TOU fuel factors to be applied to customer  
2 bills during the projection period.

3  
4 **Q: What is the amount of the 2022 net true-up balance that DEF has included**  
5 **in the fuel cost recovery factor for 2023?**

6 A. DEF has included a projected under-recovery of \$175,789,361. This amount  
7 includes \$123,418,788 from the Rate Mitigation Plan approved in Order No.  
8 PSC-2021-4025-FOF-EI and \$52,370,573 of the midcourse correction amount  
9 approved in Order No. PSC-2022-0061-PCO-EI that are to be recovered in 2023.

10  
11 **Q. What is the change in the levelized residential fuel factor for the projection**  
12 **period from the fuel factor currently in effect?**

13 A. The 2023 projected levelized residential fuel factor of 6.266 ¢/kWh is an increase  
14 of 1.479 ¢/kWh or 30.9% from the 2022 revised levelized residential fuel factor  
15 of 4.787 ¢/kWh from DEF's mid-course filing.

16  
17 **Q. Please explain the increase in the 2023 fuel factor compared with the 2022**  
18 **fuel factor.**

19 A. The primary drivers of the increase in the 2023 fuel factor are an increase in  
20 jurisdictional fuel and purchased power expense of \$679M and a decrease in  
21 the prior period true-up of \$209.5M.

1

2 **Q. Have you made any adjustments to your estimated fuel costs for the period**  
3 **January through December 2022?**

4

A. Yes. Consistent with Order No. PSC-2018-0240-PAA-EQ, dated May 8, 2018,  
5 DEF included a retail adjustment of \$12.26M (grossed up to approximately  
6 \$12.27M from retail to system) for the January through December 2023  
7 amortization of the Florida Power Development, LLC, qualifying facility  
8 regulatory asset.

9

10

Per the Stipulation approved in Order No. PSC-2021-0059-S-EI, issued on  
11 January 26, 2021, DEF has included \$31.4M of costs associated with the 2023  
12 projected bill credits for the DEF CEC Program as shown on Exhibit GPD-3,  
13 Schedule E1, line 25. As approved by this Order, bill credits are recovered  
14 through DEF's fuel and purchased power cost recovery clause.

15

16

**Q. Will DEF continue the tiered rate structure for residential customers?**

17

A. Yes, DEF will continue to use inverted rate design for residential fuel factors to  
18 encourage energy efficiency and conservation. Specifically, the Company will  
19 use a two-tiered fuel charge whereby the charge for a residential customer's  
20 monthly usage in excess of 1,000 kWh (second tier) is priced 1.07 cents per  
21 kWh higher than the charge for the customer's usage up to 1,000 kWh (first

1 tier). The 1,000-kWh price change breakpoint is reasonable in that  
2 approximately 71% of all residential energy is consumed in the first tier and  
3 29% in the second tier. The Company believes the 1.07 cent higher per unit  
4 price, targeted at the second tier of the residential class energy consumption,  
5 will promote energy efficiency and conservation. This inverted rate design was  
6 incorporated in the Company's base rates per the 2021 Settlement Agreement  
7 approved by the Commission in Order No. PSC-2021-0202-AS-EI.

8  
9 **Q. How was the inverted fuel rate calculated?**

10 A. Exhibit GPD-3, Inverted Fuel Rates, shows the calculation of the fuel cost factors  
11 for the two tiers of the residential rate. The two factors are calculated on a  
12 revenue neutral basis so that the Company will recover the same fuel costs as it  
13 would under the traditional levelized approach. The two-tiered factors are  
14 determined by first calculating the amount of revenues that would be generated  
15 by the overall levelized residential factor of 6.266 ¢/kWh shown on Schedule E1-  
16 D. The two factors are then calculated by allocating the total revenues to the  
17 two tiers for residential customers based on the total annual energy usage for  
18 each tier.

19  
20  
21

1 **Q. How do DEF's projected gains on non-separated wholesale energy sales**  
2 **for 2023 compare to the incentive benchmark?**

3 A. The total gain on non-separated sales for 2023 is estimated to be \$3,524,270  
4 which is above the benchmark of \$2,379,586. 100% of gains below the  
5 benchmark and 80% of gains above the benchmark will be distributed to  
6 customers based on the sharing mechanism approved by the Commission in  
7 Order No. PSC-2000-1744-PAA-EI. Therefore, since the total gain on non-  
8 separated sales is above the benchmark, \$228,937 of the gains will be retained  
9 for shareholders. The benchmark was calculated based on the average of actual  
10 gains for 2020 and 2021 of \$1,223,709 and \$2,855,389, respectively, and  
11 estimated gains for 2022 of \$3,059,660 in accordance with Order No. PSC-2000-  
12 1744-PAA-EI.

13  
14 **Q. Please explain the entry on Schedule E1, line 11, "Fuel Cost of Stratified**  
15 **Sales."**

16 A. DEF has several wholesale contracts with SECI. One contract provides for the  
17 sale of supplemental energy to supply the portion of their load in excess of  
18 SECI's own resources. The fuel costs charged to SECI for supplemental sales  
19 are calculated on a "stratified" basis in a manner which recovers the higher cost  
20 of intermediate/peaking generation used to provide the energy. There are other  
21 contracts with SECI and Reedy Creek for fixed amounts of base, intermediate,

1 peaking, solar and plant-specific capacity. DEF is crediting average fuel cost of  
2 the appropriate strata in accordance with Order No. PSC-1997-0262-FOF-EI.  
3 The fuel costs of wholesale sales are normally included in the total cost of fuel  
4 and net power transactions used to calculate the average system cost per kWh  
5 for fuel adjustment purposes. However, since the fuel costs of the stratified and  
6 plant-specific sales are not recovered on an average system cost basis, an  
7 adjustment has been made to remove these costs and related kWh sales from  
8 the fuel adjustment calculation in the same manner that interchange sales are  
9 removed from the calculation.

10  
11 **Q. Please give a brief overview of the procedure used in developing the**  
12 **projected fuel cost data from which the Company's fuel cost recovery**  
13 **factor was calculated.**

14 A. The process begins with a fuel price forecast and a system sales forecast.  
15 These forecasts are input into the Company's production cost simulation model  
16 along with purchased power information, generating unit operating  
17 characteristics, maintenance schedules, incremental delivered fuel prices and  
18 other pertinent data. The model then computes system fuel consumption and  
19 fuel and purchased power costs. This information is the basis for the calculation  
20 of the Company's fuel cost factors and supporting schedules.

21

1 **Q. What is the source of the system sales forecast?**

2 A. System sales are forecasted by the DEF Load Forecasting and Fundamentals  
3 Department using inputs including a sales-weighted 30-year average of weather  
4 conditions at the St. Petersburg, Orlando and Tallahassee weather stations,  
5 population projections from the Bureau of Economic and Business Research at  
6 the University of Florida, and State of Florida economic assumptions from  
7 Moody's Analytics. The Energy Information Agency (EIA) surveys of class  
8 energy consumption for the South Atlantic Region are incorporated as well.

9

10 **Q. What is the source of the Company's fuel price forecast?**

11 A. The fuel price forecasts are based on a combination of third-party forecasts and  
12 forward contracts currently in place. Additional details and forecast assumptions  
13 are provided in Part 1 of my exhibit.

14

15 **Q. Are current fuel prices the same as those used in the development of the  
16 projected fuel factor?**

17 A. No. Fuel prices can change significantly from day to day. Consistent with past  
18 practices, DEF will continue to monitor fuel prices and update the Projection  
19 Filing prior to the November Hearing if changes in fuel prices warrant such an  
20 update.

21

1 **Q. Is the 2021 GPIF penalty discussed in the March 16, 2022 direct testimony**  
2 **of Mary Ingle Lewter included in 2023 rates?**

3 A. Yes. The GPIF penalty of \$206,463 is included on Schedule E1, line 24.  
4

5 **CAPACITY COST RECOVERY CLAUSE**  
6

7 **Q. Please explain the schedules that are included in Exhibit\_\_ (GPD-3) Part 3.**

8 A. The following schedules are included in my exhibit:

9 Schedule E12-A – Calculation of Projected Capacity Costs – Year 2023

10 Schedule E12-A, page 1, includes estimated 2023 calendar year system  
11 capacity payments to Qualifying Facilities (“QF”) and other power suppliers. The  
12 retail portion of the capacity payments is calculated using separation factors  
13 consistent with the 2021 Settlement Agreement approved by the Commission in  
14 Order No. PSC-2021-0202-AS-EI.  
15

16 The recovery of estimated Dry Casket Storage costs, also referred to as  
17 Independent Spent Fuel Storage Installation (“ISFSI”) costs, are included  
18 Schedule E12-A, page 1, line 35. The calculation of Total Recoverable Capacity  
19 & ISFSI costs are shown on line 36.  
20

1 Schedule E12-A, page 2, provides the dates and MWs associated with the QF  
2 and purchase power contracts.

3  
4 Schedule E12-B – Calculation of Estimated/Actual True-Up - Year 2022

5 Schedule E12-B calculates the estimated true-up capacity over-recovered  
6 balance for the calendar year 2022 of \$6,747,100. This schedule was also  
7 included in Exhibit GPD-2, Schedule E12-A to my direct testimony filed on July  
8 27, 2022. The balance on Schedule E12-B is carried forward to Schedule E12-  
9 A, page 1, line 33 to be refunded to customers from January through December  
10 2023.

11  
12 Schedule E12-D – Calculation of Energy and Demand Percent by Rate Class

13 Schedule E12-D is the calculation of the 12CP and 25% average demand  
14 allocators for each rate class. Schedule E12-D also includes the uniform  
15 percentage calculation and allocation of the ISFSI revenue requirement to the  
16 rate classes.

17  
18 Schedule E12-E – Calculation of Capacity Cost Recovery Factors by Rate Class

19 Schedule E12-E calculates the CCR factors for capacity costs for each rate class  
20 based on the 12CP and 25% annual average demand allocators and ISFSI costs  
21 from Schedule E12-D. The factors for the Residential, General Service Non-



1 Demand, General Service (GS-2) and Lighting secondary delivery rate class in  
2 cents per kWh are calculated by multiplying total recoverable jurisdictional  
3 capacity from Schedule E12-A by the class demand allocation factor, and then  
4 dividing by estimated effective sales at the secondary metering level. The factor  
5 for ISFSI in cents per kWh is calculated by dividing recoverable costs allocated  
6 on Schedule E12-D by estimated effective sales at the secondary metering level.  
7 The factors for primary and transmission rate classes reflect the application of  
8 metering reduction factors of 1% and 2% from the secondary factor, respectively.  
9 The factors allocate capacity costs to rate classes in the same way as would be  
10 allocated if recovered in base rates. ISFSI costs are allocated to rate classes by  
11 applying a uniform percent increase as approved in Order No. PSC-2016-0425-  
12 PAA-EI. Pursuant to the 2013 Revised and Restated Stipulation and Settlement  
13 Agreement approved in Order No. PSC-13-0598-FOF-EI, DEF has prepared the  
14 billing rates for the demand (General Service Demand, Curtailable, and  
15 Interruptible) rate classes to be on a kilo-watt (kW) rather than a kilo-watt-hour  
16 (kWh) basis. These changes are reflected on Schedule E12-E in columns 11  
17 through 13.

1 **Q. Has DEF used the most recent load research information in the**  
2 **development of its capacity cost allocation factors?**

3 A. Yes. The 12CP load factor relationships from DEF's most recent load research  
4 conducted for the period April 2020 through March 2021 are incorporated into the  
5 capacity cost allocation factors. This information is included in DEF's Load  
6 Research Report filed with the Commission on July 31, 2021.

7  
8 **Q. What is the 2023 projected average retail CCR factor?**

9 A. The 2023 average retail CCR factor is 1.162 ¢/kWh, made up of capacity of  
10 1.145 ¢/kWh and ISFSI costs of 0.017 ¢/kWh.

11  
12 **Q. Please explain the change in the CCR factor for the projection period**  
13 **compared to the CCR factor currently in effect.**

14 A. The total projected average retail CCR rate of 1.162 ¢/kWh is 0.126 ¢/kWh, or  
15 12%, higher than the current 2022 factor of 1.036 ¢/kWh. This increase is  
16 primarily due higher Qualifying Facility capacity costs and recovery of the DOE  
17 spent fuel claim as approved in the 2021 Settlement Agreement approved in  
18 Oder No. PSC-2021-0202-AS-EI.

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

21 A. Yes

1 MR. BERNIER: And we will waive summary and  
2 tender the witness for cross.

3 CHAIRMAN FAY: Okay. Great. Thank you, Mr.  
4 Bernier.

5 OPC, you are recognized, whenever you are  
6 ready, Mr. Rehwinkel.

7 MR. REHWINKEL: Thank you, Mr. Chairman.

8 EXAMINATION

9 BY MR. REHWINKEL:

10 Q And good morning, Mr. Dean.

11 A Good morning.

12 Q I'm only going to be asking you questions from  
13 your September 2nd testimony --

14 A Okay.

15 Q -- and attachments.

16 So you are the witness provided to support the  
17 actual estimated true-up for 2022 period, is that  
18 criteria right?

19 A Yes.

20 Q Okay. And if you are also available to  
21 explain the basis for the forecast fuel cost amount that  
22 you have included in your filing for your projected 2023  
23 costs?

24 A Yes, I can explain that.

25 Q Okay. You are here today to support the 2022

1 recovery amount that was filed on September 2nd, is that  
2 right?

3 A Can you say that again?

4 Q You are here to support the 2022 portion of  
5 the recovery amount for -- that was included in your  
6 September 2nd petition true-up?

7 A We filed an estimated number at that time on  
8 the recovery for the December --

9 Q Okay.

10 A -- projected balance. That was part of the  
11 actual estimate filing.

12 Q All right. So the actual estimated is taking  
13 the projection from 2021 as adjusted for the midcourse  
14 correction and then updating that with more with actual  
15 information, is that right, 2022?

16 A Can you restate that?

17 Q Let me -- I will just withdraw the question.

18 There are three pieces to the fuel factor.  
19 There is the true-up from the past year, there is the  
20 actual estimated, which trues up the prior year's  
21 projection for the current year, right?

22 A Right.

23 Q And then there is the projection for the  
24 coming year?

25 A Yes. There is a -- there is a true-up from

1 2021, and then there is an actual estimate, which is six  
2 months of actuals and six months of estimates for 2022,  
3 and then we have a projected year for '23.

4 **Q Right. Now, you projected '22 this time last**  
5 **year in the fuel hearing, right?**

6 A We would have projected, yes, it would have  
7 been part of our '22 projection filing last year.

8 **Q All right. But that projection got amended by**  
9 **a midcourse correction, correct?**

10 A Yes. We filed an update in, I believe it was  
11 in December of '21 for a midcourse correction.

12 **Q Okay. So your actual estimated is refining**  
13 **that projection as amended by the midcourse correction**  
14 **for the 2022 portion of this three-part fuel factor**  
15 **determination, is that right?**

16 A Yeah. The actual estimate is providing an  
17 update for the projected year-end balance of '22.

18 **Q Okay. And that projected year-end balance**  
19 **was -- was revised, if you will, by the midcourse**  
20 **correction?**

21 A The -- I am sorry, I am not sure I understand  
22 the question.

23 **Q Okay. In 2021, in the hearing cycle, you**  
24 **projected a 2022 fuel cost, right?**

25 A Right.

1           **Q     Right after that, the -- you filed an update**  
2 **to projection that became the midcourse correction,**  
3 **correct?**

4           A     Maybe I am misunderstanding you, but let me  
5 say it this way and see if this helps. We filed our  
6 projection filing in 2021, we made a '22 projection  
7 filing. It would have been around early September --

8           **Q     Right?**

9           A     -- of '21. And then my recollection is, I  
10 don't have it with me, but near the end in December we  
11 filed a middle course correction, and that was for a  
12 rate implementation, I believe, in March of '22. And  
13 then we again made our normal, our typical annual actual  
14 estimate filing earlier this year in July, I think it  
15 was July 27th, providing an updated balance projection  
16 for December of '22.

17          **Q     Okay. What you filed in December that went**  
18 **into effect, I think it was -- was it April 1st**  
19 **midcourse correction?**

20          A     I believe it was March 1st.

21          **Q     March 1st, okay. And that was, what three --**  
22 **what was the amount, 314,000?**

23          A     I think it was approximately 314 million.

24          **Q     Okay. That was a revision to the projection**  
25 **for fuel costs for 2022, was it not?**

1           A     It was an update to our projection.

2           Q     Okay. All right. I am sorry about that. I  
3 think we are on the same --

4           A     I do too.

5           Q     -- and then this actual -- this actual  
6 estimated filing that you have made in this hearing  
7 cycle is an update to that revised projection for 2022,  
8 correct?

9           A     It's -- it's an update for the -- I wouldn't  
10 say it was an update for the midcourse projection, but  
11 it's our annual actual estimate filing to provide the  
12 Commission and the parties with where we are estimating  
13 at that point in time where we will be at the end of  
14 this year.

15          Q     Okay. Let me do one more try at this.

16                    If there are no midcourse corrections in the  
17 normal fuel hearing cycle, your AE, or actual estimated  
18 filing is just going to be an update with more current  
19 actual information of the projection that was made in  
20 the prior year's fuel cycle for the current year, is  
21 that right?

22          A     Yes, essentially. It's providing an update of  
23 the projection for the year.

24          Q     And what was different about the AE filing  
25 this year is that that 2021 projection of 2022 had been

1 revised by the midcourse correction, correct?

2 A It was an update to that projection. I see  
3 where you are going. Yes, it was an update from our  
4 midcourse as part of our annual process.

5 Q Okay. Do you have Exhibit 70? This is the --  
6 it's the IOU midcourse correction letter. It may be in  
7 that pile that's on your right there.

8 A Oh, I think I have it here in my folder.

9 Q Okay.

10 A You are talking about our midcourse  
11 notification?

12 Q Your letter dated March 29, 2022.

13 A Yes, I have it here.

14 Q Okay. And you are familiar with this letter,  
15 are you not?

16 A I am.

17 Q Okay. In this -- this letter is what you  
18 filed with the Commission pursuant to Rule 25-6.0424 --

19 A That is correct.

20 Q -- correct?

21 And this letter says that you have identified  
22 a under-recovery in excess of 10 percent, in the first  
23 paragraph there it says: Nonetheless, for the reasons  
24 explained below, DEF does not believe a midcourse  
25 correction is warranted or practical at this time, but



1 believes it is more appropriate for the company to  
2 continue to monitor the under-recovery balance. Did I  
3 read that right?

4 A Yes.

5 Q Okay. And then the next two paragraphs are  
6 what the company provided to explain why they would not  
7 be seeking a midcourse correction, is that right?

8 A Yes, it is.

9 Q Okay. In this letter, you say -- if you look  
10 in the second paragraph, about a little past halfway  
11 down, it says: While DEF cannot predict whether natural  
12 gas prices will decrease enough to avoid a midcourse  
13 correction, it does not believe there is a chance -- it  
14 does believe there is a chance that waiting and  
15 analyzing the natural gas price forecast at a future  
16 date may mitigate, parentheses, although not entirely  
17 avoid, close parentheses, the amount of costs it must  
18 recover from customers in this request. DEF believes  
19 that volatility of natural gas prices warrants the  
20 maintaining of the current fuel clause recovery factors  
21 as established by the Commission in Order No.  
22 PSC-2022-0061-PCO-EI, is that right?

23 A Yes, that's right.

24 Q Okay. Is it your testimony or opinion that  
25 this statement here meets the -- the rule requirement

1    **that you demonstrate that a midcourse correction is not**  
2    **practical?**

3           MR. BERNIER:  Mr. Chairman, I am going to  
4           object to the extent he is asking for a legal  
5           conclusion.

6           MR. REHWINKEL:  May I respond?

7           CHAIRMAN FAY:  Yeah, Mr. Rehwinkel, go ahead.

8           MR. REHWINKEL:  We -- we have this legal  
9           conclusion objection all the time, but we are -- we  
10          are in this room with professionals who that deal  
11          with these things daily, and the Commission rules  
12          are not some sort of tax code that only lawyers  
13          implement.

14          All these professionals read the rules and  
15          they -- we can go through a voir dire of what of  
16          this man knows about how midcourse correction rules  
17          work, but it is just simply not the case that  
18          lawyers are the only ones that can read a rule and  
19          take the steps to implement it.  So I -- I can ask  
20          him if he understands the rule and he understands  
21          and implements it in his job.

22          CHAIRMAN FAY:  Yeah.  So to this point, Mr.  
23          Bernier, because I know this -- I presume, Mr.  
24          Rehwinkel, this might not be the last time this  
25          question comes up.  I agree with Public Counsel on

1           this. I mean, I think the witness is fully capable  
2           of, within their expertise, answering the question.

3           I said this before. We talk about not being  
4           lawyers. Mr. Rehwinkel's point is well taken. We  
5           are not asking for an interpretation of a legal  
6           opinion. If you can state based on the document in  
7           front of you how you believe what that language  
8           means, but it's also appropriate to say that that's  
9           beyond the scope of what you may or may not know.  
10          I just -- I can't speak to your expertise of that.

11          So if that's the case for all the witnesses,  
12          they can respond that way, but I am going to  
13          overrule the objection and go ahead and let you ask  
14          the question, Mr. Rehwinkel.

15          MR. BERNIER: Mr. Chairman.

16          CHAIRMAN FAY: Yeah.

17          MR. BERNIER: Could I ask, though, if he is  
18          going to ask him about the rule that he put the  
19          rule in front of him?

20          CHAIRMAN FAY: Yeah, I think that's fair. I  
21          presume his exhibit -- next exhibit is the -- is  
22          that correct?

23          MR. REHWINKEL: Yes. So Exhibit 72 -- I mean  
24          71, I think it is, is the midcourse correction  
25          rule.

1 THE WITNESS: If I have a copy with me.

2 MR. REHWINKEL: Okay.

3 THE WITNESS: Thank you.

4 CHAIRMAN FAY: Do you have a copy of that,  
5 Mr. Dean?

6 THE WITNESS: I do.

7 CHAIRMAN FAY: Okay. Great.

8 BY MR. REHWINKEL:

9 Q So -- and I appreciate the spirit of Mr.  
10 Bernier's objection and request. So let me -- let's --  
11 let me withdraw the last question and ask this: Are you  
12 familiar with the midcourse correction rule?

13 A I am familiar with it. Yes.

14 Q Okay. In and your job, it's something you  
15 have to be familiar with and be able to implement, or  
16 participate in the implementation of?

17 A It's helpful to be familiar with the rule.  
18 Yes.

19 Q Okay. So let's go to paragraph two of the  
20 midcourse correction rule, and I am going to read the  
21 rule and ask you a question about it, I will read this  
22 paragraph.

23 It says: In the event that the absolute value  
24 of the overrecovery or under-recovery either of fuel --  
25 either for fuel cost recovery or capacity cost recovery

1 is 10 percent or greater, the utility shall promptly  
2 notify the Commission by letter delivered to the  
3 Commission Clerk, the notification of a 10-percent or  
4 greater estimated overrecovery or under-recovery shall  
5 include a petition -- petition for midcourse correction  
6 to the fuel cost recovery or capacity cost recovery  
7 factors, or shall include an explanation of why a  
8 midcourse correction is not practical. This section in  
9 no way precludes a utility from requesting a midcourse  
10 correction prior to reaching the 10-percent threshold  
11 requiring Commission notification.

12 Does it look like I read that right?

13 A Yes.

14 Q And is this your -- you are familiar with this  
15 provision?

16 A I -- I am. Yes.

17 Q Okay. And this letter, the March 29 letter,  
18 was filed as a means of complying with this  
19 subparagraph, or this paragraph of the rule, is that  
20 right?

21 A Yes. It's my understanding of this rule that  
22 when an IOU, DEF in this case, reaches the 10 percent  
23 threshold, they are to provide a notification to the  
24 Commission, in which case we did, as well as notifying  
25 the parties. And then we can file a letter as well

1 explaining why we do not think it's practical at this  
2 time to file a midcourse correction, or we could file a  
3 petition for a midcourse correction.

4 So Duke Energy complied with the rule by  
5 filing its letter explaining -- that's the letter before  
6 you, the March 29th -- explaining why it was not  
7 practical at this time.

8 **Q When you -- what -- what is your understanding**  
9 **of what practical means in the context of the rule and**  
10 **your letter? What would be impractical about making a**  
11 **midcourse correction?**

12 A I would -- I don't -- obviously, as we've  
13 already said, I am not an attorney. I may not have a  
14 legal definition of it. But to me, I look at this as my  
15 understanding of explaining what would be a reasonable  
16 explanation for not filing for a midcourse correction.

17 And in this case, as we cited in the letter,  
18 there was a, you know, in a way, in a sense, 2022 has  
19 been, to some extent, a very unique year, as we pointed  
20 out in this letter. There was an ongoing war. A lot of  
21 other events such as heightened inflation as the year  
22 progressed, increasing LNG exports, increasing domestic  
23 demand, supply chain issues, a lot of events, to name a  
24 few, that created a lot of volatility in 2022. And we  
25 saw a lot of volatility in the natural gas pricing as

1 well.

2           So to me, that was a -- seeing this volatility  
3 was a practical reason to file this letter and say that  
4 our approach, at that time and today, is to kind of wait  
5 and see if the market stabilizes and get more actual  
6 data together to provide a more accurate price for our  
7 customers.

8           **Q**    Okay. On September 2nd, the petition that  
9 contained your testimony -- and that's Exhibit 72, if  
10 you have a copy of that.

11          A    I do.

12          **Q**    Oh, I am sorry. I apologize. Exhibit 72 is  
13 your July 27th petition.

14          A    I have that also.

15          **Q**    Okay. In -- on -- in your September 2nd  
16 petition -- do you have that with you in your -- that  
17 was what your September 2nd testimony was supporting, is  
18 that right?

19          A    Yes, I had the September 2nd one here also.

20          **Q**    Okay. So on July 27th, you filed a midcourse  
21 correction with a -- an actual estimated under-recovery  
22 of \$1,308,956,670, is that right?

23          A    I think you may have said midcourse  
24 correction, but we filed -- that's our actual estimated  
25 filing.

1 Q Yeah.

2 A It was approximately 1.3 billion that we were  
3 estimating --

4 Q Okay.

5 A -- for the under-recovery at the end of '22  
6 that includes approximately 176 million that was  
7 previously approved by the Commission. So that nets to  
8 about a 1.1 billion --

9 Q Right.

10 A -- figure.

11 Q So the amount applicable to 2022 was 1.1  
12 billion, right?

13 A Yes.

14 Q All right. So when I talk to you today, I am  
15 going to talk about 175 million and a 1.1 billion, but  
16 you know what I am talking about, is that right?

17 A I do. Yes.

18 Q Okay. So this 1.3 billion that was shown as  
19 an overall under-recovery in your July 27th petition,  
20 that -- you asked the Commission in this petition to  
21 make -- to approve that for recovery in January of 2023  
22 as part of the recovery, is that right?

23 A We talked about both. Are you talking about  
24 the actual estimate? I want to make sure I am looking  
25 at the right --



1 Q Well, let's do this. Let's go to that  
2 July 27th petition, and go to the second page. In the  
3 wherefore clause, do you see that?

4 A Yes.

5 Q It says: Wherefore, Duke Energy Florida, LLC,  
6 respectfully requests the Commission: 1, approve the  
7 \$1,308,956,670 under-recovery as the actual estimated  
8 fuel cost recovery true-up amount for the period January  
9 '22 through December '22 -- 2022, right?

10 A Give me one minute. I am just reading it.

11 Q Okay.

12 A We did in the actual estimate, yes, that's  
13 what it says. And then we came back in our September  
14 projection filing in the petition noting -- and I will  
15 read it from the projection filing: regarding the  
16 remaining '22 -- 2022 under-recovered amount, DEF  
17 proposes to provide an updated calculation closer to the  
18 end of 2022 or early in 2023 to be considered by the  
19 Commission in early '23, and implemented following  
20 appropriate customer notice.

21 Q Right. But I want to focus on the time  
22 between your March 29 letter, where you said it wouldn't  
23 be practical to make a midcourse correction, and  
24 July 27th, where you ask the Commission to include the  
25 identified under-recovery, the 175 plus the 1.1 billion,

1 in the factor beginning January 1, isn't that what the  
2 July 27th petition asks?

3 A What it says here is to approve the  
4 approximate 1.3 billion under-recovery as the actual  
5 estimated fuel cost recovery true-up amount for the  
6 period January 2022 through December 2022. I think what  
7 you are asking is does it say to include that in rates?  
8 I know that may be typical, but again, we came back in  
9 our projection filing --

10 Q Right.

11 A -- with an update to that.

12 Q I will get to September 2nd. But as of July  
13 -- July 27th, year in and year out, as a part of this  
14 three-part process to develop the levelized fuel factor  
15 for the coming year, the company has already filed a  
16 true-up from the prior year, right? That's the May --  
17 April filing.

18 A Right.

19 Q And then when you get to the AE filing in  
20 July, you say, here's the amount. That's the next one.  
21 It's put on the shelf with the first amount. And then  
22 you get a projected filing in September and say,  
23 here's what we think it's going to be in the third year.  
24 Put those three together, that becomes your factor.  
25 Year in and year out, that's the way it's done, right?

1           A     That is my understanding that has the -- that  
2     is how the process has been in the past, is my  
3     understanding, and that's typical. But as I said  
4     earlier, I think most of us would agree, or if not  
5     everyone, that 2022 has not been a typical year in the  
6     natural gas market. As I cited earlier, there are many  
7     events that have taken place this year that all happened  
8     in one year that caused an extreme volatility in the  
9     natural gas, ma.

10           So, yes, that may be the typical process in  
11     the past, but, again, this has certainly not been a  
12     typical year.

13           **Q     But in July 20 -- on July 27th, you filed this**  
14     **petition, and it was, as ordinarily done, part of the**  
15     **process to build the factor for the next year, July --**  
16     **for 2023, right?**

17           A     That is right. But given the type of year  
18     this was, and it not being typical, DEF, Duke Energy  
19     Florida, thought at that time, and continues to think at  
20     this time, that the best approach would be to wait and  
21     get more updated actual information, actual data, and be  
22     able to provide a more accurate price for our customers.

23           **Q     So in your September 2nd petition that**  
24     **contained your testimony and the supporting schedules,**  
25     **and using the exact same process that the company has**

1 used for many years, you identified a projected total  
2 under-recovery amount for 2022 of 1.3 billion, that  
3 included the 175 million deferred from 2021  
4 under-recovery balance, is that right?

5 A That's right. I think the schedule you are  
6 referring to is -- comes from the actual estimate  
7 schedule that we resubmit in our projection filing.

8 Q Yes.

9 A It's still a 1.3 billion in total.

10 Q I think that's E1-B, is that right?

11 A I am just taking a look.

12 Q Page two.

13 A Yes. It's E1-B, Exhibit GBD-3, part three,  
14 page two of two.

15 Q Okay. So as of September 2nd, did you believe  
16 that the best estimate of DEF's total 2020 fuel cost  
17 under-recovery for all of '22, including both actual  
18 data already known plus projected costs for the  
19 remainder of the year was 1.308,956,670?

20 A That was our estimate at the time, and we, as  
21 I stated a few minutes ago, we thought did was best to  
22 really to get a more accurate estimate would be to wait  
23 and holding more actual data. So I would not  
24 characterize it as a best estimate. It was an estimate  
25 at that time based on information we had at that time.

1           **Q**     **So in your letter, you said that you were**  
2     **going to monitor and -- the information and then update?**

3           **A**     Yes. With the volatility in the pricing that  
4     we were seeing, we felt that was the best approach.

5           **Q**     **Okay. Between July 27th and September 2nd,**  
6     **the number didn't change, though, right?**

7           **A**     That is correct. We submitted our actual  
8     estimate schedule --

9           **Q**     **Okay.**

10          **A**     -- and proposed that we wait until we get more  
11     updated actual data so we could provide a more accurate  
12     estimate.

13          **Q**     **So today, on, what is it, November 18th, do**  
14     **you have a better estimate?**

15          **A**     What's that? I am sorry.

16          **Q**     **Yeah. Today, November 18th, do you have a**  
17     **better estimate?**

18          **A**     For our projected year-end balance?

19          **Q**     **Yes, for 2022.**

20          **A**     We have not put together our information yet  
21     in filing for our midcourse correction. We will be  
22     filing that between now and the end of the year, or in  
23     January.

24                    I can tell you that as of the close for  
25     October, for our actuals, we were in the ballpark of 1.2

1 billion under-collected. And we do not see, at this  
2 time, November and December having a material impact.  
3 So we still think we will be somewhere in line in total  
4 with the 1.3 billion with our actual estimate filing.

5 **Q Okay.**

6 A Of course, that's sitting here today, and at  
7 this time. But, you know, back then, in the summer,  
8 there was a lot of volatility in the market. It was  
9 difficult to get a very accurate or great projection at  
10 that time.

11 For example, we know when -- when we looked  
12 back in the summertime, as we were making our actual  
13 estimate and our projection filings, the -- we looked at  
14 the -- when you look at June, July and August, at that  
15 time, we compare it back to January. June's price --  
16 the June pricing that we looked at was an increase of  
17 almost somewhere in the neighborhood of 134 percent  
18 compared to that same price back in January. In July,  
19 it was about 44 percent. So we had this extreme jump,  
20 and then it dropped down to 44 percent. And then in  
21 August, that went back up to about 139 percent.

22 So there was a lot of -- again, a lot of  
23 volatility, which is why we thought it was the best  
24 approach to wait and get more actual data together.

25 **Q Just so I understand your \$1.2 billion number,**

1 which is at the end of October, is that right? Is that  
2 relative to the 1.3 or the 1.1?

3 A The 1.2 billion is relative to the 1.3. In  
4 other words, the 1.2 billion -- I should have clarified,  
5 that. Thank you.

6 The 1.2 billion at the end of October was all  
7 in. So when you take out the previously approved 176  
8 million, that leaves us about one billion, which  
9 approximates our actual estimate filing. If you look in  
10 October balance, it's in that neighborhood.

11 Q Okay. Thank you.

12 By asking the Commission to approve the \$1.3  
13 billion in July 27th for recovery beginning in January  
14 1, 2023, would it be fair to say that Duke abandoned the  
15 option to receive quicker recovery using the midcourse  
16 correction rule?

17 A I am not clear on the question. Can you --

18 Q Okay.

19 A -- restate that? Thank you.

20 Q Yes.

21 So this July 27th petition, where you -- we  
22 went through the wherefore clause.

23 A Right.

24 Q This would indicate that you are not asking to  
25 recover this \$1.3 billion balance any sooner than

1 **January 1, 2023, would that be fair?**

2 A That -- the 1.3 billion you are referring to  
3 in that clause is, my understanding of that, is that is  
4 giving our estimate of what we were projecting for the  
5 under-recovery at the end of the year. I know typically  
6 that would roll into the rates for the beginning every  
7 to the year, but we, at that time, were requesting that  
8 number as our estimate at the time.

9 Q So under the normal fuel process, this is Step  
10 2, Step 3, this is September where you do your  
11 projection, and those three, we are sitting here today,  
12 you put those together and that's -- the intent is that  
13 that money will be with the true-up from '21, that  
14 number, and then the projection for '23, those will be  
15 recovered no sooner than January 1, 2023, is that right?

16 A Yes. That's my understanding. That's the  
17 typical process, again, 2022 not being a typical year,  
18 but that's the typical process.

19 Q So what I am trying to understand is by  
20 putting that number in the July 27th petition, has Duke,  
21 for all intents and purposes, decided that they are not  
22 going to seek a midcourse correction before -- to be  
23 effective more January 1, 2023?

24 A At this time, our plan is to make a midcourse  
25 correction filing sometime between now and the end of



1 this year, or in January.

2 Q I am asking back on July 27th, had you -- had  
3 the decision been made we are not going to try to  
4 recover this money any sooner than January 1, '23?

5 A I am not sure. I don't know if it was decided  
6 at that point --

7 Q Okay. Fair enough?

8 A -- or not.

9 Again, at that time, with the volatility in  
10 the market, we were trying to do what we felt was best  
11 for our customers and provide them with a very accurate  
12 price, and felt that the best approach was to wait and  
13 see if there would be some calming in the volatility in  
14 the markets, which is -- has been working out that way  
15 that we have been seeing. The markets today, in the  
16 natural gas area, are still volatile, but not as  
17 volatile as they were a few months AHCA.

18 Q So in your September 2nd petition, would it be  
19 fair to say that for the first time ever, the company  
20 reversed course from what was requested on July 27th,  
21 and did not ask the Commission to include a -- this  
22 significant \$1.1 billion amount in the recovery factor  
23 for January 1, 2023?

24 A I am not sure if it is or is not the first  
25 time.

1 Q Okay.

2 A I Am not aware if it is or is not.

3 Q All right. Are you aware of any other time  
4 when Duke said, we don't want to recover the AE amount  
5 in the upcoming fuel cost recovery factor?

6 A I am not aware if they have or have not done  
7 that.

8 Q Okay. How long have you been doing this?

9 A I have been with the company three years this  
10 April.

11 Q Okay. You would agree with me that the filing  
12 you made on July 27th, the AE filing in that petition,  
13 did not preclude or prevent the company from pursuing  
14 and filing a midcourse correction petition before the  
15 end of 2022?

16 A It's my understanding the company could have  
17 filed a midcourse petition, as well as a letter, like we  
18 did in March, explaining why it was not practical at  
19 that time.

20 Q Okay. You were not prevented from filing a  
21 midcourse correction at any time after filing your March  
22 29th notification letter, were you?

23 A That's correct. My understanding is we could  
24 have filed a midcourse correction had we opted to. But  
25 again, given the year and the not being a typical year,

1 all the events that occurred creating a lot of  
2 volatility in the natural gas market, Duke Energy was  
3 doing what it feels is best for its customers and  
4 waiting to get more actual data. It was really about  
5 providing an accurate price for our customers and price  
6 stability.

7 **Q Your customers have an accurate price signal**  
8 **now for what 2023 is going to look like?**

9 A They will when we file our -- our middle  
10 course. And they also had an idea, they have an idea,  
11 based on what our actual estimate filing was.

12 **Q Okay.**

13 A We -- we have been very transparent throughout  
14 the process. We filed our midcourse notification back  
15 in March, as per the rule, the midcourse rule. We  
16 complied with that. We notified the parties and the  
17 Commission. We gave our plan at the time, which was to  
18 wait and see if the markets and the volatility would  
19 calm down. We filed our typical annual filings, the  
20 actual estimate filing in July, and we filed in early  
21 September our projection filing.

22 The only exception I am aware of at this point  
23 is we did not propose to include a projected  
24 under-recovery in rates, as we made it known in our  
25 projection filings. So we have been very transparent

1 through the process, and the numbers have been out there  
2 in the filings.

3 Q By not including the numbers in rates, you are  
4 not collecting the under-recovered balance, though,  
5 right?

6 A The -- the numbers by not being in rates, we  
7 wouldn't be collecting the under-recovery right now  
8 anyway --

9 Q In January 1.

10 A -- if would be coming January. But we will  
11 be, like I said, filing a midcourse correction --

12 Q Okay.

13 A -- and proposing a rate recovery at that time.

14 Q On -- in your September 2nd petition, in  
15 paragraph six, you said this, when talking about  
16 basically not seeking recovery of the July 27th under --  
17 AE balance:

18 By doing so, the future fuel cost recovery  
19 filing will reflect actual gas prices, actual sales and  
20 actual revenues in order to substantially improve the  
21 accuracy of the FCR factor that will be used to recover  
22 the incurred fuel costs and mitigate the possibility  
23 that the company's forecast may result in a significant  
24 overrecovery should fuel prices moderate as the year  
25 progresses, is that right?

1           A     Yes, that's what I am reading in paragraph  
2     six.

3           **Q     Okay. Duke has received two midcourse**  
4     **corrections within the past 12 months, right?**

5           A     We had the midcourse correction in December  
6     of -- I think we filed in December of '21. And then,  
7     yes, I believe we had one other one that I recall.

8           **Q     Back in August or --**

9           A     Somewhere in that timeline, yes. I don't  
10    remember the exact date, but --

11          **Q     Maybe 12 months is wrong, but let's say the**  
12    **last 16 months?**

13          A     Somewhere in the neighborhood, yes.

14          **Q     Okay. And are -- is Duke proposing that, from**  
15    **what we just read from that petition in paragraph sixth**  
16    **on September 2nd, are you proposing that there be a new**  
17    **process of always waiting for actuals when truing up a**  
18    **prior estimated -- estimate or projection?**

19          A     No, no we are not proposing a new process.  
20    Again, we are just, given the type of year this has  
21    been, and the volatility in the natural gas pricing, we  
22    felt for this year, and at this time, this was the best  
23    approach for our customers.

24          **Q     Aren't actuals always superior to projections**  
25    **or estimates when it comes time to getting cost**

1 **recovery?**

2 A That's probably something I would have to give  
3 more thought to. I mean, it's going to provide you with  
4 a more accurate price. But the timing, if we are  
5 looking for a January rate change to take place, you  
6 would have to wait until after December, obviously, so  
7 it would be a change in the process.

8 But, again, we are not proposing a change in  
9 the process going forward. We are just saying that this  
10 year, given the events that have taken place and the  
11 volatility in the market, we just felt it would be best  
12 to get updated and actual information, provide the more  
13 accurate piece for our customers.

14 Again, you got to -- you know, looking back in  
15 -- earlier in the summer, there was a lot of volatility,  
16 like I gave you the percentages earlier. It -- it could  
17 have gone either way. We -- we -- nobody back then, I  
18 think, could have predicted where we would be today and  
19 where we will be at the end of the year, and the prices  
20 could have -- they could have dropped. They could have  
21 continued to go up. But we saw a lot of volatility and  
22 felt this was the best approach.

23 **Q Well, you don't have any visibility into**  
24 **whether these events could be repeat again in 2023, do**  
25 **you?**

1           A     I don't have that visibility, but there were  
2 -- there were a lot of events that all happened in one  
3 year. I would like to think that that would be  
4 unlikely, but I guess nobody can predict that.

5           **Q     So if we have something that approaches the**  
6 **volatility that we have next year, are we going to do**  
7 **this all over again, where are we going to wait and wait**  
8 **and wait until actuals come in?**

9           MR. BERNIER: I will object, Mr. Chairman.  
10           It's calls for speculation.

11           CHAIRMAN FAY: It does call for speculation,  
12 Mr. Rehwinkel. I don't know if he can predict  
13 what's going to happen next year.

14           MR. REHWINKEL: That's what we are --

15           CHAIRMAN FAY: I think -- I think your  
16 question point, though, of is this a repetitive  
17 action or not has been asked and answered.

18           MR. REHWINKEL: Okay.

19 BY MR. REHWINKEL:

20           **Q     So let's go to page two of your testimony, and**  
21 **I want to direct you to lines 20 through 21.**

22           **CHAIRMAN FAY: You are in the September**  
23 **testimony, Mr. Rehwinkel?**

24           MR. REHWINKEL: Yes, yes, Mr. Chairman.

25           THE WITNESS: Which page? I am sorry.

1 BY MR. REHWINKEL:

2 Q Page two.

3 You state there: Schedule E1 shows the  
4 calculation of the company's jurisdictional fuel cost  
5 factor of 6.257 cents per kilowatt hour, is that right?

6 A Yes.

7 Q Okay. Is 6.25 cents per kilowatt hour the  
8 correct and most accurate fuel cost factor to charge  
9 customers for the year 2023?

10 A That is for the price for customers reflected  
11 in the '23 projected costs. It does not include the  
12 projected under-recovery for '22.

13 Q So my -- the answer to my question would be  
14 no, and then your explanation, it's not the most correct  
15 and accurate one?

16 MR. BERNIER: I will object, Mr. Chairman.  
17 That's mischaracterizing his testimony.

18 CHAIRMAN FAY: Mr. Dean, are you able to  
19 answer a yes or no on that and then give an  
20 explanation?

21 THE WITNESS: I think the explanation was  
22 needed to provide clarification, that the '22  
23 under-recovery was not included in that price, Mr.  
24 Chairman.

25 MR. REHWINKEL: My question was: Is it the



1 most accurate fuel cost factor for the year 2023?

2 And I didn't get a yes or no to that. I got a --

3 CHAIRMAN FAY: Yeah. Mr. Dean, are you able  
4 to answer yes or no to that?

5 THE WITNESS: I would say, yes, for the  
6 projected 2023 costs that we put in the projection.

7 I think you need clarification around that.

8 BY MR. REHWINKEL:

9 Q Okay. So 6.257, we talked earlier about the  
10 three pieces that go into the factor for the coming  
11 year, and this 6.257 includes an accumulation of all  
12 three factors, doesn't it?

13 A It does not include the 2022 under-recovery.  
14 That will be included when we make our midcourse  
15 correction filing.

16 Q Okay. So it's -- on page four, lines six  
17 through nine, you state this, if you can -- I will let  
18 you get there.

19 A Okay. I am there.

20 Q DEF has included a projected under-recovery of  
21 \$175,789,361. This amount includes \$123,418,788 from  
22 the rate mitigation plan approved in Order No.  
23 PSC-2021-04 -- 4025-FOF-EI, and 52,370,573 of the  
24 midcourse correction amount approved in Order No.  
25 PSC-2022-0061-PCO-EI that ought to be recovered in 2023,

1 **is that right?**

2 A Yes.

3 **Q Okay. So when it says, projected**  
4 **under-recovery, that's not really accurate because these**  
5 **numbers don't have anything to do with 2022, do they?**

6 A I am sorry, where are you reading projected  
7 under-recovery in there?

8 **Q Well, it says --**

9 A Oh, the very beginning. Okay. Give my one  
10 minute to read this.

11 It is accurate, but the question that's being  
12 asked, the Q&A in here, is asking about the 2022 net  
13 true-up balance that is included in the fuel cost  
14 recovery factor for '23. And in this case, it is the  
15 176 million approximately that we included in our '23  
16 rates.

17 **Q It is a historical amount related to 2021,**  
18 **right, the 176?**

19 A It's -- it is a historical amount related to  
20 2021, right, the 176? It is an amount related to the  
21 rate mitigation plan, 123 million, which comes out of  
22 2021. And then the 52 million is the remaining amount  
23 from our midcourse correction filing in December --

24 **Q Okay.**

25 A -- of '21. That was a part of the 314

1 million.

2 Q Okay. So the 53 million is the only part that  
3 has any relationship to 2022, is that right?

4 A I believe so. Yes. I think the 123 was part  
5 of the rate mitigation plan that was part of a '21  
6 projection.

7 Q When you prepared your June 27th petition and  
8 derived that \$1.3 billion number, when would -- if you  
9 can recall, when -- when would you have prepared that of  
10 calculation?

11 A I am sorry, can you ask that again?

12 Q Yeah. We -- we talked about your July 27th  
13 petition?

14 A Yes.

15 Q And it had the \$1.3 billion number in it?

16 A Right.

17 Q As of what date would that number have been  
18 current prior to July 27th? Would it have been sometime  
19 in June?

20 A I am not sure. I -- can you clarify the  
21 question? I am not sure what you are asking.

22 Q Well, I mean, when -- when would that number  
23 have been developed, the 1.3 billion, to put it in the  
24 July 27th petition?

25 A It would have been leading up to the filing

1     itself.

2           **Q     Okay.**

3           A     We would have been preparing a filing, and at  
4     that time.

5           **Q     We talked here today, you gave -- you gave us**  
6     **an estimate of \$1.2 billion as of October 31st, is it**  
7     **that -- do I have that right?**

8           A     Yes.  It was approximately 1.2 billion as of  
9     October 31st --

10          **Q     So --**

11          A     -- and if you take out the previously approved  
12     176, you are about one billion --

13          **Q     Right.**

14          A     Approximately --

15          **Q     So what I am trying to understand is what's**  
16     **the correl -- what would be in the cutoff date for**  
17     **the -- the number that went into the 1.3 billion so you**  
18     **could put it in this petition?  Don't you usually have a**  
19     **couple off that's so many days back in the past?**

20          A     Oh, you mean in preparation for the filing?

21          **Q     Yes, sir.**

22          A     I -- I don't know that offhand.  I am sure it  
23     would be at least a few weeks, but I do not know the  
24     exact timeline.

25          **Q     Would it be -- would it be pretty accurate to**

1 say it's probably sometime in late June?

2 A I don't know for sure.

3 Q Okay. Was the -- the -- when you prepared  
4 the -- the \$18.3 billion number, would you have had an  
5 actual amount through the end of June?

6 A Yes. The -- the actual estimate is six months  
7 of actuals --

8 Q Okay.

9 A -- so that would have been January through  
10 June of '22 actuals.

11 Q What was that amount? Do you know how much  
12 was actual?

13 A The -- are you asking about the balance at  
14 that time?

15 Q Yes, sir.

16 A I am not sure. Oh, it would be in our filing.  
17 Let me take a look.

18 Q Would it be in that B3 schedule?

19 A The E1-B, yes.

20 Q Yeah, E1-B I mean.

21 A Yeah. The total balance at that time, as of  
22 the end of June of '22, was approximately 749 million.

23 Q Okay. That number was never going to change  
24 the more you waited through the year, is that right?

25 A That was an actual at that time.

1 Q Okay. On page eight, lines 14 through 20, you  
2 talk about the fuel forecast process, is that right?

3 A Yes.

4 Q Okay. And is there anything new or unusual  
5 about that, or is this this is how you do it each and  
6 every year?

7 A This is pretty much how it's done each year,  
8 yes.

9 Q Okay. And you have been doing this for about  
10 three years now?

11 A Approximately three years. Yes.

12 Q Okay. And so was it done this way -- I mean,  
13 you picked up the mantel from someone else and you just  
14 carried forward the process that was done before you got  
15 there?

16 A I have been -- I know I put in testimony last  
17 year, and this is a very similar paragraph and a similar  
18 process.

19 Q All right. And this was the process that  
20 derived last year's forecast for 2022, right?

21 A Yes. That's correct.

22 Q Okay. On page nine, lines 15 through 20, the  
23 question there says: Are current fuel prices the same  
24 as those used in the development of the projected fuel  
25 factors? And the answer is: No. Fuel prices can

1 change significantly from day-to-day. Consistent with  
2 the past practices -- I am sorry, consistent with past  
3 practices, DEF will continue to monitor fuel prices and  
4 update the projection filing prior to the November  
5 hearing if changes in fuel prices warrant such an  
6 update.

7 Do you see that?

8 A Yes, I see that.

9 Q Did you file any update before this -- this  
10 hearing?

11 A Let me see -- I am just reading it again.

12 We provided the projection filing obviously,  
13 which we are reading from. And we said we would provide  
14 a midcourse correction filing before the end of the year  
15 or in early 2023 at this time.

16 Q But as of the beginning of this hearing, fuel  
17 prices -- changes in fuel prices did not warrant an  
18 update to the \$1.3 billion number because you brought  
19 the same number?

20 A We were -- as I said, we were going to -- we  
21 are going to provide an update as part of our midcourse  
22 correction, so --

23 Q Okay.

24 A -- when that time comes, we will provide an  
25 update then.

1           Q     You -- you call it a midcourse correction, but  
2     is -- is a midcourse -- is a correction that occurs  
3     wholly outside of 2022, is it a midcourse correction to  
4     2022? I mean, your -- it sounds like an after-course  
5     correction.

6           A     I am not sure on the exact terminology, but --

7           Q     Okay.

8           A     -- that's how I have been referencing it.  
9     It's midcourse, I look at it that way. It's my  
10    understanding because we are doing it for the '22  
11    period.

12          Q     All right. When did you prepare the 2023  
13    projection that is incorporated in your September 2nd  
14    petition? What would that have been, as of what date?

15          A     The preparation for it would have been a  
16    similar process that I mentioned earlier with the actual  
17    estimate. It's -- there is not -- there is a process  
18    that we go through for putting all the schedules  
19    together. It's not a specific day, but we would have  
20    finalized it, obviously, at the time of the filing.

21          Q     So end of July is -- is when you file your --  
22    your mid -- your AE, and the beginning of September is  
23    when you file your projection? There is just basically  
24    a month, maybe a month and a week between those two,  
25    right?



1           A     Right.

2           **Q     Is there anything between the July 27th filing**  
3 **with respect to volatility and predictability of gas**  
4 **prices that's changed such that you have better**  
5 **confidence in your -- in your projection for '23 that**  
6 **allows you to say, we are going to put this number in,**  
7 **or we are going to charge this number to customers and**  
8 **put it in the 6.257 number?**

9           A     The -- between the two filings, the -- again,  
10 I will go back to this past summer, there was a lot of  
11 volatility, as I mentioned earlier. There is the prices  
12 we were seeing from when we looked at June, July and  
13 August, which is in that timeframe of our actual  
14 estimate filing and projection filing. The prices, when  
15 we compared them to early January, had gone in June up  
16 134 percent, July was 44 percent increase. So you had  
17 this big drop. And then the price went up again to  
18 139 percent.

19                     So it's -- that volatility is why, when we  
20 came out in your projection filing, we wanted to wait  
21 and get more updated actuals.

22           **Q     You say projection, but you meant the AE**  
23 **filing?**

24           A     In our projection filing is when we --

25           **Q     Okay.**

1           A     -- we made it -- I think in the petition  
2     there, we said we would be filing for a midcourse  
3     correction later in the year or in early '23. So we  
4     would be proposing our '22 balance at that time.

5           **Q     In June and July of 2022, when you are**  
6     **preparing the A -- AE petition, the -- you did not know**  
7     **or have more certainty about fuel prices for 2023 than**  
8     **you did for the rest of 2022, did you?**

9           A     The -- the pricing in 2023, the natural gas  
10    prices that we were seeing are volatile, but the pricing  
11    that we were observing, the ups and down increases and  
12    decreases in pricing in '23 were not as volatile as  
13    2022. So we were more comfortable, and comfortable with  
14    the '23 projection. So by us deferring the '22 numbers  
15    in under-recovery to get more actual data, we don't see  
16    that impacting 2023, because the volatility was not at  
17    the level that '22 was.

18          **Q     As of July 31st and August 30th of this year,**  
19    **how far out into the remainder of the year was DEF**  
20    **purchasing material amounts of fuel for the remainder of**  
21    **2022?**

22          A     Say those dates again.

23          **Q     Yeah, let -- the end of August -- the end of**  
24    **July and the end of August. I mean, how much -- how**  
25    **much your -- what percentage of your remaining natural**

1 **gas supply was not locked up in a contract as of the end**  
2 **of July?**

3 A That is not something I am familiar with. I  
4 -- it's my understanding, based on prior settlements,  
5 that DEF does not have a hedging program in place, but I  
6 am not familiar with the natural gas purchasing  
7 practices, not familiar enough that I could speak to it.

8 Q Okay. As of today, November 18th, how much  
9 could prices for the remainder of 2022 have actually  
10 changed to materially affect the company's estimated  
11 \$1.3 billion under-recovery for this year?

12 A The -- we are still seeing volatility in the  
13 natural gas market, but it is not to the extreme that we  
14 were seeing a few months ago, back in the summer. So at  
15 this point, we don't see November and December having a  
16 material impact on the balance.

17 So again, where we are seeing the balance now  
18 at, you know, net of the hundred -- approximate 176  
19 million, we are at about one billion, give or take, for  
20 end of October. And we see December coming kind of in  
21 line with what our actual estimate filing was showing as  
22 the estimate.

23 Q I am -- I have a long series of questions here  
24 that I want to see if I can shortcut by asking you a  
25 simple question.

1           If you -- well, let's go to your Schedule E1  
2 if we can. And this is GPD-3, Part 2, page one of one.

3           A     All right. In the projection filing, correct?

4           Q     Yes, sir.

5           A     Okay.

6           Q     Are you there?

7           A     Yes.

8           Q     So at the very, very bottom, on line 27,  
9 that's the 6.257, a number that we discussed in your  
10 testimony, right?

11          A     Yes.

12          Q     And if we go to the next page -- well, let's,  
13 before we go to the next page, on line 22, there is the  
14 prior period true-up Schedule E1-A, that's the EA  
15 portion of the factor, right, the .4446?

16          A     Yes, that equates to the 176 million we have  
17 been discussing.

18          Q     Okay. And if we go to E1-A, this shows the  
19 derivation of that .4446. It's rounded, I guess. It  
20 has .4455, right?

21          A     Yes.

22          Q     Okay. And what we see here on line four,  
23 that's the 1.308,956,670 number, right?

24          A     Yes. That's correct.

25          Q     And line five shows the -- that the 1.133,

1 that's the \$1.1 billion number that we've talked about  
2 in shortcut -- shorthand, right?

3 A Right.

4 Q It's being reversed out to leave just the 176  
5 to use to develop the 445 factor --

6 A Right.

7 Q -- right?

8 Okay. So would you agree with me that if you  
9 took the line four 1.308,956,670 number, and you put it  
10 on line six, and you then spread it over the sales for  
11 -- the projected sales for 2023, would you agree with me  
12 that if you flow that all the way through, you allocated  
13 it to the first and second tier usage, that you would  
14 come up with an additional \$27 a month for the average  
15 thousand-kilowatt-hour customer?

16 A That -- and that's taking line four, the 1.3  
17 billion --

18 Q Yes, sir.

19 A -- and putting that into line six?

20 Q Yes.

21 A I have not made that calculation.

22 Q Okay.

23 A But I can say you are probably in that  
24 ballpark.

25 Q Okay. All right. That would save a whole

1 lot. I can -- I can take you through the math where  
2 we --

3 A Your number again was 27?

4 Q \$27?

5 A Okay.

6 Q Yeah, because I --

7 A Ballpark.

8 Q Okay. All right. That will -- that will save  
9 us a lot of time.

10 So I got \$27.36 before applying the gross  
11 receipts tax and the RAF to it which is a kind of a  
12 fairly minor gross-up there?

13 A Okay.

14 Q So let's go to E-10 if we can. This is in  
15 your GPD-3, E-10.

16 A Okay. I am there.

17 Q All right. So right now, you have, in the  
18 fuel cost recovery line, this shows the build-up of a  
19 typical residential bill with the bottom line of \$170.68  
20 using the 6.257 factor for fuel, right?

21 A Yes.

22 Q And when we see \$59.61 for fuel, that's  
23 because it's been ratioed down a little bit for the  
24 first year?

25 A That's correct. Yeah, that's the first year.

1           Q     Okay.  So if we take my ballpark number of \$27  
2     and we -- we add it -- you would just take that \$27  
3     increment and add it to the 170, so your number now is  
4     196, 197 for the typical bill, if you put in the \$1.3  
5     billion to collect from customers, is that right?

6           A     Well, as I said earlier, I haven't made the  
7     calculation, but I -- I would have to look at it to get  
8     a more exact number, but I think you may have to still,  
9     I will say ratio that down for the first year possibly,  
10    but I would have to look at that closer.

11          Q     Okay.  All right.  Well, let's just go to E1-D  
12    if we can real quick.

13               MS. BROWNLESS:  And, Charles, what is that  
14    exhibit number?

15               MR. REHWINKEL:  It's still in -- it's Exhibit  
16    GPO in the -- in the --

17               MR. BERNIER:  Suzanne, it's Exhibit No. 7 on  
18    the comprehensive exhibit list, if that's what you  
19    are asking.

20               MS. BROWNLESS:  I am just trying to look at  
21    what it's labeled on the testimony.

22               MR. REHWINKEL:  Yeah.  It is -- it is Exhibit  
23    GPD-3, Part 2, Schedule E1-D.

24    BY MR. REHWINKEL:

25          Q     Are you there?

1 A Yep.

2 Q So what I did is on line 11, you have a fuel  
3 factor for to the first tier of 5.961?

4 A Correct.

5 Q You see that? And that's -- that's what you  
6 used for E-10, the fuel piece, right, for the  
7 thousand-kilowatt-hour?

8 A Yes. Yes. That's back on our -- that goes  
9 back to the E-10 that he would just looked at earlier.

10 Q So if -- it -- in cranking the number, the  
11 revised number that you took the 1.3 and you spread it  
12 over the units, I just took the relationship of line  
13 six, which is that 6257 and the 5961, which was .95 and  
14 a whole bunch of numbers after that, and I multiplied it  
15 by a new factor that you would get if you spread the 1.3  
16 billion over projected sales.

17 A Okay.

18 Q That -- would that relationship work?

19 A I think that may get you close. Like I said,  
20 I haven't done the calculation, and nobody -- during the  
21 discovery process, none of the parties asked for that  
22 calculation --

23 Q Okay.

24 A -- I have not performed it.

25 Q All right. So subject to check, would you



1 agree that if you put -- spread the \$1.3 billion -- if  
2 you put the \$1.3 billion in your total recovery, that  
3 you would be close to \$200 a month for a  
4 1,000-kilowatt-hour customer?

5 A Subject to check, I think you would probably  
6 be maybe a little below --

7 Q Okay?

8 A -- the 200.

9 Q All right. So -- now you are coming in  
10 sometime after this hearing and you are going to file,  
11 we will call it a midcourse correction after '22.

12 A Okay.

13 Q And there is no way that you could put that in  
14 probably in less than two months, is that right? So  
15 March 1st would be the earliest time you could get a  
16 correction if you file under the schedule you are  
17 talking about?

18 A If we filed in December, January, we would  
19 probably be looking at a March or April implementation,  
20 yes. There is a -- there is a process to it, not only  
21 putting the billing rates into the system, but also the  
22 notification to customers as well.

23 Q Right. You got to get to an agenda and  
24 everything like that?

25 A Yes.

1 Q Okay. So to the extent that that -- that that  
2 amount -- let's just use, subject to check, \$27 -- every  
3 month -- and if you are only going to recover the  
4 under-recovery for '22 in '23, every month you wait to  
5 recover that, the monthly balance goes up, all other  
6 things being equal, about eight percent, right, 1/12th?

7 A The monthly balance? Can you clarify what  
8 monthly balance.

9 Q I mean the monthly bill impact.

10 A So say that again. I am sorry, I was trying  
11 to think of balance --

12 Q Yeah, I apologize. I didn't say that right.  
13 So every month that you wait to implement  
14 that, and assuming you are only go to recover it within  
15 the calendar year of '23, every month you wait, the  
16 customer bill impact, assuming you spread it evenly --  
17 and I know sales fluctuate -- it would go up eight  
18 percent, right?

19 A I am not sure. I don't know where you are  
20 getting the eight percent from.

21 Q 1/12th.

22 A Oh. I would have to -- I haven't made that  
23 calculation honestly. I would have to think about that  
24 some more. But again, let's keep in mind, we are  
25 talking about the 1.3 billion is where you are coming

1 from, and that's the \$27?

2 Q Right.

3 A Okay. Yeah, I would have to -- I would have  
4 to make some sort of calculation, I think.

5 Q Whatever the number was, if you could -- if  
6 you started recovering a factor over a 12-month period,  
7 and you start on January 1, you are going to spread that  
8 based on your sales distribution and other weather  
9 factors, and it's going to be recovered 1/12th, give or  
10 take, for the year, right?

11 A Well, it will be recovered over the sales  
12 volumes --

13 Q Right. Yeah.

14 A -- not necessarily 1/12th exactly, but over  
15 the sales volumes over that period of time, that would  
16 be reflected in our rates.

17 Q Right. So every year -- every month that you  
18 don't collect that, then that amount has to be spread  
19 over the next 11 months. And then if you wait two  
20 months, then you only have 10 months to recover it, you  
21 got to take those two months and spread it over the  
22 remaining two months, is that -- do you understand what  
23 I am asking?

24 A It would depend on the period of time --

25 Q Okay.

1           A       -- that we would be spreading the recovery  
2 over.

3           **Q       So what is the plan for the company -- what is**  
4 **the recovery period that the company is going to propose**  
5 **for 2023 under this midcourse correction?**

6           MR. BERNIER:  And, Mr. Chairman, just for the  
7 record, I do have to object.  This was the exact  
8 issue that was deemed to be premature and was  
9 excluded.  So just for the record.

10          CHAIRMAN FAY:  Yeah.  Mr. Rehwinkel, you have  
11 done a pretty good job of not getting into the  
12 contested issues which were rejected for the  
13 carrying costs, but for the total number, it does  
14 sound like you are trying to be inclusive of what  
15 would be, and so --

16          MR. REHWINKEL:  I thought the ruling was that  
17 the Commission wasn't going to decide it as an  
18 issue but we could cross on it.

19          CHAIRMAN FAY:  Correct.  You can still cross  
20 on it, but the issue that's being raised is the  
21 inclusiveness of that number, and I think you can't  
22 get to a total number with some form of speculation  
23 that would include carrying costs.  And so I think  
24 your line of questioning has been appropriate up to  
25 this point, but maybe if you can not be inclusive

1 of what that total number is, I think he could  
2 answer the question appropriately. Otherwise, we  
3 are getting into those contested issues.

4 MR. REHWINKEL: Well, my question is, to the  
5 witness, is what is the period that they are going  
6 to propose regardless of what that -- the number  
7 is.

8 CHAIRMAN FAY: And that's a fair question.

9 THE WITNESS: In at this time, we feel it's  
10 best to collect the under-recovery for 2022 over a  
11 12-month period. It will help avoid any potential  
12 pancaking of rates should the costs increase in the  
13 future.

14 BY MR. REHWINKEL:

15 **Q Okay. So your thinking -- your best thinking**  
16 **right now is that you will not propose a period of less**  
17 **than 12 months?**

18 A Our proposed thinking -- our thinking at this  
19 time is proposing a 12-month recovery period.

20 **Q Okay. What carrying costs will you propose**  
21 **for that 12-month period?**

22 MR. BERNIER: Again, Mr. Chairman, we are  
23 right there.

24 CHAIRMAN FAY: Mr. Rehwinkel, that is getting  
25 into the contested issue. And I understand what

1           your argument is, but that ruling was clear, and as  
2           soon as you get into those numbers, it's a question  
3           of what the future would be.

4                     Do you have a different way of asking  
5           essentially what those -- if there would be a rate  
6           impact, if there would be a number impact without  
7           trying to ask specifically what number that would  
8           be? Because that requires speculation on his part  
9           as to exactly when that filing would be and what  
10          that total number would be.

11                    MR. REHWINKEL: I think -- well, Mr. Chairman,  
12          I think that we are going to have to do the proffer  
13          thing.

14                    MR. MOYLE: Can I jump in on this?

15                    CHAIRMAN FAY: Yeah, go ahead, Mr. Moyle.

16                    MR. MOYLE: We have the record of the  
17          conversation yesterday, and my recollection of that  
18          was when we were arguing those Issues A and B, it  
19          was analyzed under a motion for reconsideration, a  
20          legal standard, and it was ruled against for the  
21          consumer parties. But I also remember that  
22          Commissioner Clark asked staff the question with  
23          respect to the content, and could that content be  
24          the subject of cross-examination. And I think Ms.  
25          Brownless said, you know, that could be relevant to

1 other matters and should be fair game.

2 And I have some similar questions that I plan  
3 to ask, if permitted, again, to try to get at the  
4 overall issue of what are consumers looking at  
5 potentially for the upcoming year, and get the best  
6 information we can today. And, you know, it's that  
7 Issue 8 or 10 in there says what are the costs  
8 going forward. It's squared -- squared up as an  
9 issue in the case and --

10 CHAIRMAN FAY: And, Mr. Moyle, your questions  
11 are to that -- what that number would be, or just  
12 would that be a possible recovery that would  
13 increase that number? Because if you're -- that's  
14 what I am trying to understand. Are you trying to  
15 get at what that number would be if there is a  
16 decision made at a certain date --

17 MR. MOYLE: I think I am trying to --

18 CHAIRMAN FAY: -- or just a general.

19 MR. MOYLE: -- get at is to understand things  
20 like, okay, if they are going to do it over 12  
21 months, is it 12 months starting January 1, or  
22 March 1, and run for 12 months? Would it be 24  
23 months just so we have a picture as to what the  
24 principle amount is and what the interest is so we  
25 can make business decision from there.

1           CHAIRMAN FAY:  Yeah.  And I think with the  
2           witness' knowledge -- and I will let the utility  
3           respond -- with the witness' knowledge as to if  
4           that were to occur or what that would look like, I  
5           think, within his expertise, he could answer that.

6           But I do think, to your point, at some point  
7           it requires him to make a -- a affirmative  
8           statement as to this is what would happen in the  
9           future, and this is how it would be calculated, and  
10          I am not sure he can do that.  He is welcome if he  
11          feels he has the knowledge to do so, but I would  
12          imagine that's difficult at this point in time for  
13          him to do.

14          So let me let the utility respond, and then I  
15          think I have made my point clear as far as that  
16          carrying cost number and what's been thrown out.  I  
17          understand your argument, Mr. Rehwinkel, and I will  
18          -- I will tolerate, to a certain extent, you  
19          getting to the point as to what those changes would  
20          look like, and maybe what the impact would be to  
21          the ratepayer, which is what you previously --

22          MR. REHWINKEL:  Let me withdraw that question  
23          and try to do what you suggested, which is get at  
24          it a different way, and let me -- let me ask  
25          this --



1           CHAIRMAN FAY:  And just real quick, Mr.  
2           Rehwinkel, to be fair to the parties --

3           MR. REHWINKEL:  Okay.

4           CHAIRMAN FAY:  -- I am going to allow Mr.  
5           Bernier to weigh in on this before you, it sounds  
6           likes, cure this whole issue, which is it sounds  
7           like a positive way to go, but let me let Mr.  
8           Bernier weigh in additional.

9           MR. BERNIER:  And I appreciate that.  I was  
10          going to try to do the same.  I am not trying to  
11          get into a proffer situation here, or anything like  
12          that.  All I am trying to say if he has questions  
13          that Mr. Dean knows the answer to and can answer,  
14          you know, from his knowledge, that's one thing.  I  
15          just didn't want this to devolve into a debate that  
16          seemed had been set for another date when we  
17          actually make a filing on, you know, trying to make  
18          these arguments.

19          CHAIRMAN FAY:  Yeah.  And it sounds like  
20          everyone sort of agrees on that.  And, Mr.  
21          Rehwinkel, maybe you could sort of ask that in a  
22          different format where we don't require that sort  
23          of --

24          MR. REHWINKEL:  Thank you.

25          CHAIRMAN FAY:  -- calculation.  And he can

1 obviously say he doesn't know what that would be,  
2 but I am -- I think it's important for the  
3 Commission to have some information on this and so  
4 that's why I want to continue to allow it.

5 MR. REHWINKEL: Okay.

6 CHAIRMAN FAY: Be mindful of what's been  
7 excluded.

8 MR. REHWINKEL: I appreciate that Mr.  
9 Chairman.

10 BY MR. REHWINKEL:

11 Q And, Mr. Dean, let me -- let me take you to  
12 your Schedule B-3. I mean, I am -- I keep calling it  
13 B-3 -- GPD-3 E1-B.

14 MR. BERNIER: I am sorry, is that E1-B, bravo?

15 MR. REHWINKEL: Yes.

16 THE WITNESS: We are still in the projection  
17 filing, correct?

18 BY MR. REHWINKEL:

19 Q Yes. Yeah.

20 A All right. I am there.

21 Q All right. So if you go down to, you see  
22 there is Sections A, B and C, and in C there is line  
23 seven, it says, interest provision.

24 A Yes, I see that.

25 Q Okay. So the -- and then each month there is

1 an interest provision. And we then go to the next page  
2 that has all 12, the end of the 12 months. The -- in C,  
3 line seven, the interest provision is 9,317,092, do you  
4 see that?

5 A Yes. That's correct.

6 Q So you have carrying costs baked into the  
7 1.308 number, right?

8 A Yes.

9 Q Is that the commercial paper rate?

10 A That is.

11 Q Is that the same rate that you intend to  
12 propose for your 12-month recovery of this midcourse  
13 correction?

14 MR. BERNIER: Just for the record, again, Mr.  
15 Chairman, it's the exact question.

16 CHAIRMAN FAY: Yeah, it requires a  
17 speculation, but, Mr. Dean, you can either state if  
18 you do or don't know it otherwise.

19 MR. REHWINKEL: I can ask it this way: Do  
20 you -- do you -- well, I asked if they were going  
21 to use the same rate that they used for this.  
22 That's my question.

23 CHAIRMAN FAY: Yeah, I know, and that's --  
24 just so we don't sort of go around in a circle on  
25 this, Mr. Dean, if you know that information, you

1 are welcome to answer that question, otherwise, we  
2 are going to move on.

3 THE WITNESS: At this time, the company feels  
4 the best approach to be to collect that  
5 under-recovery, as I said a few minutes ago, over a  
6 12-month period, and that would help avoid any  
7 pancake of a rate if there should be future  
8 increases. And at this time, that proposal would  
9 be at the commercial paper rate.

10 BY MR. REHWINKEL:

11 Q Okay. Thank you very much.

12 You would agree, would you not, that DEF  
13 entirely on its own made an election to not begin  
14 recovery of the 2022 under-recovery balance from  
15 customers as soon as possible?

16 A I would say that DEF complied with the  
17 midcourse ruling that we talked about earlier, in that  
18 it filed notification to the Commission, as well as  
19 notifying the parties, and made everybody aware of their  
20 plan, and provided an explanation as to why it was not  
21 practical at that time for a midcourse correction.

22 Q Well, the decision to wait from March 29th to  
23 sometime after January 1, that was your decision, right?  
24 Your, meaning DEF's.

25 A That was a decision that came about with the

1 extreme volatility we were seeing in the market and the  
2 events that had taken place this year causing a lot of  
3 that volatility that we felt was in the best interest of  
4 customers to, again, provide, you know, to get more  
5 actual data, provide a more accurate price.

6 **Q Okay. Let me ask it this way: The Commission**  
7 **didn't tell you to wait, did they?**

8 A No.

9 **Q The customers didn't ask you to wait, did**  
10 **they?**

11 A The customers -- this is something, again,  
12 that we were doing in the -- what we felt was in the  
13 best interest of our customers.

14 **Q But the -- so the customers did not ask you to**  
15 **wait until after January 1, did they, to recover this**  
16 **amount? If you know.**

17 A Again, we were doing what was in the -- what  
18 we felt was in the best interest of the customers. We  
19 have -- you know, we have to keep in mind, DEF has  
20 somewhere in the neighborhood of 1.9 million customers  
21 that we are serving, so we are trying to look out for  
22 their best interest.

23 MR. BERNIER: Mr. Chairman.

24 CHAIRMAN FAY: Yeah.

25 MR. BERNIER: I apologize. Could I have just

1 a quick minute to confer with Mr. Rehwinkel?

2 CHAIRMAN FAY: Sure. Take a few minutes.

3 MS. BROWNLESS: While they are conferring, may  
4 we take a short break, please?

5 CHAIRMAN FAY: Sure. We will take a  
6 five-minute break.

7 MS. BROWNLESS: Thank you.

8 (Brief recess.)

9 CHAIRMAN FAY: Mr. Rehwinkel, you lost some or  
10 your intervenors over here. All right.

11 MR. REHWINKEL: They better come back, because  
12 I am almost done.

13 CHAIRMAN FAY: Mr. Bernier and Mr. Rehwinkel,  
14 are we --

15 MR. BERNIER: I appreciate it.

16 CHAIRMAN FAY: Yeah, absolutely. And just  
17 real quick, I understand the complexity of dealing  
18 with this issue and where we are in the legal  
19 posture, and so, Mr. Rehwinkel, I am not intending  
20 to keep you away from that questioning, but that  
21 ruling has been made, and so I will continue to  
22 affirmatively state that point, that we've -- we  
23 are in that posture.

24 MR. REHWINKEL: Yeah, i am -- I am out of  
25 those weeds.

1           CHAIRMAN FAY: Okay. Now, just to be clear,  
2           for the other witnesses, do you have similar lines  
3           of questioning, or you can maybe efficiently --

4           MR. REHWINKEL: I will probably address it the  
5           same way I did with him at that point on the  
6           interest provision.

7           CHAIRMAN FAY: On the interest component, or  
8           any sort of carrying cost component, okay.

9           MR. REHWINKEL: I am going to ask them if it's  
10          going to be anything different than what they've  
11          done here.

12          CHAIRMAN FAY: Got you. And that's a fair  
13          question.

14          Okay, Mr. Bernier, did you have anything you  
15          wanted to add before --

16          MR. BERNIER: I am good. Thank you.

17          CHAIRMAN FAY: Okay. Great.

18          Mr. Rehwinkel, you are recognized.

19          MR. REHWINKEL: Thank you, Mr. Chairman.

20          BY MR. REHWINKEL:

21           **Q     Mr. Dean, you made a fair point about the**  
22           **number of customers you have, and not knowing who asked**  
23           **you what, so I withdraw that question. I just want to**  
24           **make sure I understand this, and see if I can get a yes**  
25           **or no answer.**

1           **The decision to defer the cost was a decision**  
2   **that Duke made, right?**

3           A     It's a decision that Duke Energy made that it  
4   felt would help benefit its customers, by getting, yes,  
5   as I said, the more accurate information, better  
6   pricing.

7           Q     You talked -- let's -- the reasons you gave  
8   for -- that we've gone through in your petition, where  
9   you said you were going to wait and get more actual  
10  sales information and see if you can mitigate the  
11  possibility that the forecast results that would  
12  moderate your number?

13          A     You are referring back to the notification --  
14  the midcourse notification?

15          Q     Well, that, and the language that you put in  
16  the petition, where you said -- it said: By doing so --  
17  yeah, it -- the future fuel cost recovery filing will  
18  reflect actual gas prices, actual sales and actual  
19  revenues in order to substantially improve. Do you  
20  remember that?

21          A     Parts of it. Can you point me to it in the  
22  petition?

23          Q     Yeah.

24          A     Is it the September 2nd petition?

25          Q     Yes. Let's go to paragraph six of your



1 September petition, and it starts, by doing so, which is  
2 the second --

3 A I am there.

4 Q -- line. And it goes all the way down to the  
5 end of that paragraph.

6 So my question I just want to ask you is if,  
7 instead, you were in the same position and you had an  
8 over -- you had \$1 billion of overrecovery, would you  
9 still sit and wait and see if prices went back up so --  
10 before you made a refund to the customers?

11 A I don't know the answer to that. I don't  
12 know. At that point, it's very possible we would file  
13 for a midcourse correction to decrease rates, but I  
14 don't know.

15 Q If the -- I am just asking if you were in --  
16 in the opposite position, and there was volatility and  
17 prices had precipitously dropped, would you do the exact  
18 same thing as wait and wait and wait and see what  
19 actuals were?

20 CHAIRMAN FAY: Mr. Rehwinkel --

21 MR. BERNIER: Mr. Chairman, he is asking --

22 MR. REHWINKEL: I will withdraw the question.

23 Thank you.

24 CHAIRMAN FAY: All right.

25 MR. REHWINKEL: That's all I have. Thank you.

1 Thank you, Mr. Dean.

2 THE WITNESS: Thank you.

3 MR. BREW: My turn?

4 CHAIRMAN FAY: Yeah. And, Mr. Brew, were you  
5 here earlier when we addressed how we are moving  
6 forward with the witness as related to the  
7 contested issues? Were you out of the room?

8 MR. BREW: Yes.

9 CHAIRMAN FAY: Okay. Go ahead.

10 MR. BREW: But I'm going to ask them all over  
11 again.

12 CHAIRMAN FAY: Great. You have nowhere to be,  
13 right?

14 MR. BREW: Right.

15 EXAMINATION

16 BY MR. BREW:

17 Q Good morning, Mr. Dean.

18 A Good morning.

19 Q Do you have your July filing with you?

20 A Are you talking about the actual estimate  
21 filing?

22 Q The actual estimated filing on July 27th.

23 A I do.

24 Q And your testimony and exhibits?

25 A I do.

1 Q Would you go to your Exhibit GPD-2, Part 1,  
2 the Schedule E1-B, which you talked about with Mr.  
3 Rehwinkel a while ago?

4 A Yes. Give me one minute.

5 Q Sure.

6 A I am there.

7 Q Okay. And if we can skip to line 13, the  
8 bottom line labeled, Total True-Up Balance, do you see  
9 that?

10 A Yes.

11 Q And it starts out in January with a balance of  
12 roughly 441 million?

13 A Yes.

14 Q And if we skip to June, that balance had grown  
15 to 749.6 million?

16 A That's correct.

17 Q And that's -- those are -- that's an actual  
18 number?

19 A Yes.

20 Q Okay. And if we flip the page to page two of  
21 two of that exhibit.

22 A Okay.

23 Q And am I correct that this page is the  
24 estimated portion for the year, 2022?

25 A Which line are you looking at?

1 Q Well, the table itself.

2 A Oh, okay. Yes, this is the estimate.

3 Q Estimated months.

4 And if we go back down to line 13 again, total  
5 true-up balance?

6 A Okay.

7 Q You show it growing from June to July up to  
8 858 million, is that right?

9 A Yes, from -- to 858 million is our estimate.

10 Q Okay. And then it grows until we get to  
11 December, and we see the 1.3 billion we talked about, is  
12 that right?

13 A Yes, that's right.

14 Q Okay. And is it correct that the true-up  
15 balance Duke estimated would grow every single month  
16 through that estimated period?

17 A For this six-month period?

18 Q That's correct.

19 A Yes. It shows it increasing from July through  
20 December.

21 Q Okay. So every month, that true-up balance  
22 gets larger?

23 A That's correct.

24 Q And between the June actual and the 1.3  
25 billion, the estimated under-recovery would be growing

1 by \$559 million, right?

2 A I don't have the number with me.

3 Q That's 1.3 billion minus the 749 actual.

4 A It seems like it would be in that ballpark,  
5 but I have not calculated it to be exact.

6 Q Okay. And if you could go, then, to your  
7 September testimony filing, and the exhibit that's now  
8 labeled GPD-3.

9 A I am to the exhibit.

10 Q Okay. If we could go to the Schedule E1-B  
11 again --

12 A Okay.

13 Q -- which shows January to June actuals,  
14 including the true-up balances, is that right?

15 A Yes. That's correct.

16 Q And it shows exactly the same numbers that you  
17 submitted in July, right?

18 A Yes, it does.

19 Q And if you flip the page to the estimated,  
20 where we -- again, we have the total true-up balance of  
21 1.3 billion, is that right?

22 A Yes.

23 Q And the estimated amounts are exactly the same  
24 as you submitted in July?

25 A Yes. That is correct.

1           **Q**     So you, effectively, as you said earlier, I  
2     **think you simply resubmitted that exhibit again?**

3           **A**     That is correct.

4           **Q**     Okay. And you did not provide actuals for  
5     **July or August, right?**

6           **A**     That's correct. They are estimates.

7           **Q**     Okay. So when you said earlier that the  
8     **company was looking to get more accurate information and**  
9     **data, what you are telling us is between July and**  
10    **September, your forecast for the under-recovery didn't**  
11    **change by a penny, right?**

12          **A**     What we were saying is we were getting more  
13    accurate data for our midcourse correction filing that  
14    we plan to make.

15          **Q**     But you -- you didn't say anything about a  
16    **midcourse filing, per se, in July, did you? You asked**  
17    **for approval of the 1.1 -- or 1.3 billion?**

18          **A**     We -- we did not talk about that our July  
19    filing, but it was in our projection filing, and I  
20    believe you were asking about July and August -- I  
21    thought that's what you were asking about -- which would  
22    have been after the July filing was made.

23          **Q**     No. Let me be clear.

24                    **In your July petition -- you went over this**  
25    **with Mr. Rehwinkel -- the company's petition actually**

1 asked for approval of the 1.3 billion under-recovery for  
2 2022, right?

3 A It does. We filed that as our estimate for  
4 approval. Yes.

5 Q Okay.

6 MR. BREW: Excuse me, Mr. Chairman, I am  
7 trying to do some triage so I don't reask the  
8 question that Mr. Rehwinkel asked.

9 CHAIRMAN FAY: Okay. That's fine, Mr. Brew.

10 BY MR. BREW:

11 Q I believe you said earlier, but I wanted to  
12 confirm, you told Mr. Rehwinkel that at this point right  
13 now, the company is reasonably confident in the \$1.3  
14 billion under-recovery for 2022, because its remaining  
15 fuel burn over the remaining months of the year is not  
16 likely to change that materially, is that right?

17 A What I was trying to say earlier is that our  
18 -- when we look at our October actual balance it  
19 approximates, which is about 1.2 billion. And if you  
20 exclude the 175 million, it puts you at about one  
21 billion. That approximates the estimated October  
22 balance that we had for our actual estimate. And with  
23 that, taken along with we don't expect November and  
24 December to be materially different. We expect to be  
25 somewhere in line, approximately, with our actual

1 estimate filing.

2 Q Okay. So your actual estimate filing from the  
3 exhibits we talked about earlier for October had  
4 estimated that the true-up balance for 2022 would have  
5 grown to 1.17 billion, is that right?

6 A Yeah. I was rounding to, like, 1.2 billion.  
7 And that's about where we are as of the end of October  
8 in actuals.

9 Q So that's what you told the Commission in  
10 July. In September you filed the exact same number, is  
11 that right --

12 A Yes --

13 Q -- for October?

14 A -- our projection filing.

15 Q And today you are telling us that number is  
16 about right?

17 A It's approximately in that ballpark. Yes.

18 Q And you don't see any change in the fuel costs  
19 over November or December that's going to materially  
20 reduce the estimated under-recovery?

21 A We -- there is still volatility in the market,  
22 but we don't see it materially impacting.

23 Q So the answer to my question is yes?

24 A Can you restate the question?

25 Q You are not projecting that the remaining fuel



1 **burn over November and December will materially reduce**  
2 **the under-recovery that you have shown on your exhibits?**

3 A I am saying it won't materially change the  
4 number. I don't know -- when you are talking about fuel  
5 burn, I am thinking there is recoveries and there is  
6 fuel burn for costs -- that's related to costs. I am  
7 netting that out -- netting it out and saying that we  
8 don't see the -- a material impact in the last few  
9 months.

10 Q **Are you expecting the under-recovery that you**  
11 **have shown in your exhibits to materially change what**  
12 **you know for the remainder of the year? Yes or no?**

13 A We don't see it materially changing from the  
14 estimate that we had in the actual estimate.

15 Q **Thank you.**

16 A You are welcome.

17 Q **So to sum up, then, the estimated**  
18 **under-recovery that you show today you are confident is**  
19 **the best information that you are going to have?**

20 A I think the best information we would have is  
21 if we continued with Duke Energy's plan, which is to  
22 obtain actual data. And as I said earlier, then we  
23 would make a filing that would provide the best estimate  
24 at that time for a midcourse correction between now and  
25 the end of the year, or in January.

1           Q     But you just said that you don't expect there  
2     to be a material change, isn't that right?

3           A     That's correct --

4           Q     All right.

5           A     -- I don't see it materially changing.  But  
6     again, it's DEF's proposal that we would wait, because  
7     the markets are still volatile and --

8           Q     Please stick to my question.

9           A     I thought I was doing that.

10          Q     All right.  Let's talk to your September  
11     testimony Exhibit E1-C, please.

12          A     Okay.  I am there.

13          Q     Okay.  On that page, under adjustment factors,  
14     which is item number three, item B, true-up factor, you  
15     show a true-up factor of 0.445 cents per kilowatt hour,  
16     do you see that?

17          A     I do.

18          Q     How accurate is that relative to what you now  
19     expect that factor will be?

20          A     The factor is accurate for the calculations  
21     shown on that page, which is based on the 175 million.  
22     I don't know how you are trying to make that relative to  
23     what --

24          Q     Well, if you are going to recover not the 175,  
25     but the 1.1 billion in addition to the 175 -- well, let

1 me step back.

2 Does the company plan to file to recover the  
3 remaining 1.1 billion?

4 A The company will be making a midcourse  
5 correction filing between now and the end of the year,  
6 or in January.

7 Q Okay. To recover the 1.1 billion?

8 A To recover the estimated under-recovery or  
9 actual under-recovery at that time, depending on when we  
10 make the filing.

11 Q Okay. And that number is currently 1.1  
12 billion?

13 A It's approximately 1.1 billion.

14 Q Okay. So you are going to -- the company is  
15 going to file that amount, or something very close to  
16 it, for recovery next year?

17 A That is our expectation at this point. It  
18 would be recovery over a 12-month period.

19 Q So when you propose to recover that, the  
20 true-up amount is the 4 point -- 0.445 going to double,  
21 triple, quadruple? Is it going to be 10 times higher?  
22 Do you know?

23 MR. BERNIER: Mr. Chairman, I think we went  
24 through this exercise with Mr. Rehwinkel, and we  
25 are getting repetitive.

1           CHAIRMAN FAY: Yeah, we did. This does call  
2           for speculation.

3           Mr. Brew, I respect your approach to the line  
4           of questioning, but to your point, we are going to  
5           ask Mr. Dean to answer yes or no, and so I would be  
6           mindful of adding additional context into that  
7           question that he feels he has to then go beyond his  
8           explanation after that yes or no.

9           MR. LAWSON: Okay. Let me try it this way  
10          then. Thank you.

11         BY MR. BREW:

12           **Q     The proposed true-up factor that you are**  
13           **showing on your Exhibit E1-C, how accurate is that**  
14           **relative to the information that you have regarding the**  
15           **actual under-recovery for 2022?**

16           A     I am not sure I am understanding the question.  
17           I feel like you are trying to relate apples and oranges.  
18           I am not following this. They are two different  
19           numbers. The .445 relates to the 175 million. And you  
20           are asking that relative -- if I am understanding your  
21           question, you are asking that in relationship to our  
22           projected under-recovery for '22.

23           **Q     Well, what you have been repeatedly saying is**  
24           **you wanted to focus on getting accurate data to give an**  
25           **accurate factor to consumers. What I am asking is how**

1 **accurate is the factor that you have shown on your**  
2 **exhibit compared to what you expect to recover?**

3 A Again, it's -- the projected under-recovered  
4 balance of the approximate 1.1 billion net of the 175 is  
5 not shown in the projection filing, as we stated in the  
6 filing. It will be coming up in the midcourse.

7 CHAIRMAN FAY: Mr. Dean, he is asking  
8 essentially, in your expertise, would that number  
9 change, or how different would that number be? If  
10 you can't answer that, say so. If you can, provide  
11 your explanation.

12 THE WITNESS: Oh, okay. Thank you, Mr. Chair.

13 I hadn't made that calculation, so I don't  
14 know how that number will be.

15 BY MR. BREW:

16 Q Okay. So you have not done that calculation  
17 yet?

18 A I have not, no. It's -- again, we could refer  
19 back to some questioning earlier with Mr. Rehwinkel, and  
20 I believe he provided a number that I told him was in  
21 the -- that seemed like it was in the ballpark, which  
22 was in the 27, or 28-dollar range, I believe.

23 Q That was -- as I understood it, that was the  
24 estimated bill impact for residential customer consuming  
25 a thousand kilowatt hours per month. I was asking if

1 about the proposed true-up factor generally. But  
2 basically it would go up also, wouldn't it?

3 A It will go up. Yes.

4 Q And you don't know how much because you  
5 haven't done that calculation yet?

6 A That is correct. I have not done that  
7 calculation, nor did it anybody during the discovery  
8 process ask us for that calculation.

9 Q Okay. I just wanted to clear up some  
10 uncertainties about what you said. You are relatively  
11 confident about the dollar amount, the 1.3 billion  
12 under-recovery, right?

13 A I think what I was saying is at this time, we  
14 feel that's reasonably -- that's our expectation.

15 Q Okay. And the company expects to file  
16 December, January, at some time, to recover that full  
17 amount, right?

18 A Somewhere between now and the end of the year  
19 or in January.

20 Q Okay. But you don't know yet when that will  
21 be?

22 A I do not.

23 Q Okay. You don't know exactly when recovery  
24 would start, but you think it might be in March or  
25 April?

1           A     That is correct. I think recovery would begin  
2     in March or April.

3           Q     And you don't know what the recovery period  
4     would be, but you think you are going to ask for 12  
5     months?

6           A     At this time, we are looking at a 12-month  
7     collection period.

8           Q     Okay. So from a consumer perspective, we have  
9     no idea what the dollar impact would be on our rates,  
10    when it would actually start, or how long it would  
11    actually persist, right?

12          A     Can you ask that again?

13          Q     In terms of, from a customer perspective, we  
14    know \$1.1 billion is coming. We are not sure exactly  
15    when. We are not sure exactly how long it's going to  
16    last, right?

17          A     The when, as I said, we will be filing between  
18    now and the end of the year, or in January. And the  
19    expectation is that that would begin in March or April.

20                I thought earlier, again, with the  
21    conversation, it was a residential impact was in the \$27  
22    ballpark. On top of that, as I said earlier, if, you  
23    know, the numbers have been out there, and you are  
24    citing them here today, as I am, the 1.3 billion, and we  
25    are still approximating that number. That could have

1 been asked -- you know, I wish it would have been asked  
2 in the discovery process, I could have provided a  
3 calculation during that time, but I don't have that  
4 calculation today.

5 **Q All right. Let's flip the page to page E1 --**  
6 **your Schedule GPD-3, Part 2, Schedule E1-D.**

7 A All right. I am there.

8 **Q All right. Looking at line four, the total**  
9 **amount to be recovered for your fuel, basically your**  
10 **fuel budget is roughly 2.5 billion?**

11 A Approximately.

12 **Q And that's not including the remaining 1.1**  
13 **billion 2022 under-recovery, right?**

14 A Correct. It does not include the '22  
15 under-recovery.

16 **Q So adding that 1.1 billion would add roughly**  
17 **another 40 percent to your fuel budget?**

18 A I am not sure a percentage that is, but it  
19 will add 1.1 billion, or whatever the number comes out  
20 to be to make the filing.

21 **Q All right. Would you agree with me that**  
22 **that's a sizable change from what you are showing on the**  
23 **-- on this sheet now in terms of the total fuel budget?**

24 A I think the approximate 1.1 billion is  
25 approximately 1.1 billion.



1 Q We can agree that 1.1 billion is a big number?

2 A It's 1.1 billion.

3 Q Okay. Your filing includes projections for  
4 next year, right?

5 A The projection filing?

6 Q Yeah.

7 A Yes, it includes projections for 2023.

8 Q Including estimated fuel costs and for your  
9 fleet by month, right?

10 A Where are you looking now? What schedule?

11 Q Well, actually I want to talk about -- there  
12 are a number of schedules, but I actually want to talk  
13 about your Schedule E1-E. Do you see it?

14 A Okay. I am there.

15 Q Okay. And just to be clear, this is part of  
16 your testimony, and you are responsible for the  
17 calculations on this exhibit?

18 A I put the schedule together, yes --

19 Q Okay.

20 A -- with some assistance, yes.

21 Q All right. Now, this is the schedule where  
22 the company takes its levelized factor and breaks it  
23 down into the time of use factors?

24 A I am on Schedule E1, did you say, or E1-E?

25 Q E1-E.

1           A     Oh, I am sorry. I misheard you. Bear with  
2 me. Okay, I am there.

3           Q     You got it?

4                     And so would you agree with me that this is  
5 the schedule in which the company breaks down its  
6 levelized factor by time of use?

7           A     Yes.

8           Q     Okay. And would you agree with me, for each  
9 of the periods that it breaks energy prices down to,  
10 which is on-peak, off-peak and super off-peak, the  
11 company has developed a adjustment factor, a multiplier?

12          A     Can you repeat that? That was a little fast.  
13 I am not sure.

14          Q     Let me try it again.

15                     The last line on the page shows a weighting  
16 multiplier for each of the factors, right?

17          A     Yes.

18          Q     Okay. And that factor is based on the  
19 company's estimated marginal cost by month for the year,  
20 right?

21          A     Yes. It's looking at the -- the marginal  
22 costs in total. It does the calculation there. Yes.

23          Q     And it's not only looking at the marginal cost  
24 by month, it's looking at the marginal cost by month for  
25 each of the periods, right?

1           A     It looks -- it shows the marginal cost by  
2 month, and it breaks it down between on-peak, off-peak  
3 and super off-peak.

4           Q     So the -- so is it fair to say that the  
5 company not only has forecasts of fuel prices for the  
6 year, but it's been able to break them down by the  
7 marginal cost of its units by its relevant peak periods?

8           A     It breaks it apart between three the different  
9 periods on the schedule.

10          Q     And the company has confidence in these  
11 exhibits -- these estimates?

12          A     These are the projections that were made at  
13 that time based on fuel prices at that time.

14          Q     Can you vouch for this exhibit?

15          A     Yes, I put this schedule together.

16          Q     Okay.

17          A     Some of this is provided -- the details and  
18 the -- that underlie all this are provided by another  
19 area in the company, our fuel and systems optimization  
20 team.

21                CHAIRMAN FAY: Mr. Brew, are you just -- are  
22 you trying to get validation if the company  
23 submitted this exhibit?

24                MR. BREW: I'm trying to establish that the  
25 company's exhibit shows in detail how they have

1 applied their fuel forecasts through the year.

2 CHAIRMAN FAY: Okay. You have established  
3 that, but you want validation that he is the one  
4 who --

5 MR. BREW: Well, yes. I mean --

6 CHAIRMAN FAY: Okay. Go ahead.

7 MR. BREW: -- it is his exhibit.

8 CHAIRMAN FAY: I agree. It seemed like a  
9 repetitive question, but go ahead.

10 BY MR. BREW:

11 **Q Mr. Dean, given the extent of the 1.1 billion**  
12 **2002 under-recovery, and the as yet unsettled questions**  
13 **regarding the timing of filing the amounts, the bill**  
14 **impacts and recovery period, wouldn't it make sense for**  
15 **the company to sit down with relevant consumers and try**  
16 **to sort those issues out?**

17 A I am not sure what you mean. Can you expand  
18 on that? What do you mean, sit down with consumers and  
19 point sort them out?

20 CHAIRMAN FAY: Mr. Brew, he prepared the  
21 projections for these numbers. For what he should  
22 do after that, it calls for significant speculation  
23 beyond his expertise.

24 MR. BREW: Okay. I will let it go.

25 Thank you, that's all I have.

1 CHAIRMAN FAY: Thank you.

2 Okay. Next, Nucor.

3 MR. BRISCAR: I have no questions.

4 CHAIRMAN FAY: Okay. Great.

5 Mr. Wright. Mr. Wright, you were in the room  
6 when we discussed previously the contested issues?

7 MR. WRIGHT: Yes, Mr. Chairman, I sure was.

8 CHAIRMAN FAY: Okay. Great. And I realize  
9 that some of your, if not a good portion of your  
10 questions, have probably been asked by OPC and PCS,  
11 and so just be mindful as to the repetitiveness of  
12 those questions.

13 MR. WRIGHT: I am working on it, Mr. Chairman.  
14 Thank you.

15 CHAIRMAN FAY: Thank you.

16 MR. WRIGHT: I promise.

17 EXAMINATION

18 BY MR. WRIGHT:

19 Q Good morning, Mr. Dean.

20 A Good morning.

21 Q My name is Schef Wright. I am an attorney. I  
22 used to work here a long time ago, and I represent  
23 customers. In this case, I represent the Florida Retail  
24 Federation, who serves a bunch of your -- you serve a  
25 bunch of our members.

1           A     Okay.

2           **Q     Okay.**

3           MR. WRIGHT:  Mr. Chairman, if it's okay, can  
4 we handle the housekeeping on my exhibits?

5           CHAIRMAN FAY:  Sure.

6           MR. WRIGHT:  That might make -- that makes  
7 some sense to me.

8           CHAIRMAN FAY:  So the first one labeled letter  
9 from, is that the --

10          MR. WRIGHT:  Yeah.

11          CHAIRMAN FAY:  That would be 73?

12          MR. WRIGHT:  That would be 73.  And we can  
13 call it --

14          CHAIRMAN FAY:  Okay.

15          MR. WRIGHT:  It is part of Exhibit 70, but I  
16 think it will -- I am going to have the same  
17 corresponding exhibit for each of the other  
18 utilities.  I think it may be easier just to have  
19 it.

20          CHAIRMAN FAY:  It won't hurt to enter it.

21          MR. WRIGHT:  So we call it Duke's Midcourse  
22 Correction Letter.

23          CHAIRMAN FAY:  Okay.

24                 (Whereupon, Exhibit No. 73 was marked for  
25 identification.)

1 MR. WRIGHT: 74 --

2 MS. BROWNLESS: I'm sorry, Schef, I -- what  
3 are you calling it? Letter from Matt Bernier, is  
4 that 73?

5 MR. WRIGHT: Yes. And would -- the short  
6 title I would give it would be Duke's MCC letter,  
7 or Duke's 2020 -- March 29.

8 MS. BROWNLESS: Yeah.

9 CHAIRMAN FAY: Mr. Wright's point was only  
10 that we already have a version of this on 70.

11 mr. bro: I have -- I just want to make sure  
12 we have the right -- I understand the right numbers  
13 from the right exhibit.

14 CHAIRMAN FAY: Okay. Your next one, Mr.  
15 Wright, estimated impact?

16 MR. WRIGHT: Thank you, Mr. Chairman. Yeah,  
17 the next one is the estimated impact of recovery.

18 CHAIRMAN FAY: Okay.

19 (Whereupon, Exhibit No. 74 was marked for  
20 identification.)

21 CHAIRMAN FAY: And then the last one I have is  
22 transcript.

23 MR. WRIGHT: Correct.

24 CHAIRMAN FAY: Okay.

25 MR. WRIGHT: And that's too long -- it's

1 Agenda Conference on August 3rd, 2021.

2 CHAIRMAN FAY: Okay.

3 (Whereupon, Exhibit No. 75 was marked for  
4 identification.)

5 CHAIRMAN FAY: All right. We have them  
6 labeled. Whenever you are ready, Mr. Wright, go  
7 ahead.

8 MR. WRIGHT: Thank you. I am trying to get my  
9 lists squared away. Thank you.

10 CHAIRMAN FAY: Sure.

11 BY MR. WRIGHT:

12 Q Okay. Ready, Mr. Dean?

13 A I am.

14 Q Good deal.

15 The company filed its midcourse notice letter  
16 on March 29th of this year, correct?

17 A Yes.

18 Q As of that date, was Duke already incurring  
19 more fuel costs than it was recovering through its fuel  
20 charges?

21 A I don't recall offhand.

22 Q Do you have a good idea in terms of a date as  
23 to when Duke began to experience in this year, in 2022,  
24 under-recoveries, which I would define as being at a  
25 point in time where you have spent more on fuel than you



1 **have recovered from your customers?**

2 A That's something we, I mean, we could refer  
3 too in our actual estimate filing.

4 Q **Was it, like, March, April, somewhere in**  
5 **there, May?**

6 A I could take a look at that. You are talking  
7 about the --

8 Q **If you can confirm that by looking at one of**  
9 **your exhibits, that would be great. Thank you.**

10 A Yep. When you look at the AE filing -- or I  
11 am sorry, the actual estimate filing we made, you will  
12 see that beginning in January we had an under-recovered  
13 balance. But I will say that I don't know offhand if  
14 that's typical, because there is some seasonality to the  
15 recovery -- the revenue recovery versus the cost and how  
16 that nets out, but --

17 Q **Can you tell us were you under -- was the**  
18 **company under-recovered as of the end of March?**

19 A Yes. As of the end of March, our actual  
20 balance was almost 500,000 -- or 500 million.

21 Q **Thank you.**

22 **These follow, but they are not numeric type --**  
23 **the next one is a not numeric type question. My next**  
24 **question is this: Is it a goal of Duke Energy Florida**  
25 **to have its fuel cost recovery factors and fuel charges**

1 to accurately recover fuel costs from customers as those  
2 costs are incurred?

3 A Could you repeat the question?

4 Q Sure.

5 Is it a goal of Duke Energy Florida to have  
6 fuel charges that accurately recover fuel costs from  
7 customers as those costs are incurred?

8 A I don't know if I can say that's a goal. I  
9 mean, it's -- the process we follow typically is going  
10 through the true-up filing, making our annual filings,  
11 which is a true-up filing, our actual estimate filing  
12 and our projection filing, with the exception, as I  
13 stated earlier with Mr. Rehwinkel, that this was an  
14 exceptional year, not such a typical year. But there is  
15 a process in place that we typically follow.

16 Q Well, let me ask it this way: Do you try to  
17 set your rates so that you recover the costs that you  
18 are incurring as the year goes along?

19 A Yes. A typical projection filing is to  
20 recover during that year those costs that we anticipate  
21 incurring, or estimating to incur.

22 Q These are kind of predicate questions, and I  
23 think we can handle them quickly.

24 Your total estimated under-recovery for 2022,  
25 per your filings, is about 1.3 billion, correct? And

1 that's -- I got that off E1-A, line four.

2 A Say that again. That's on E1-A?

3 Q Yeah. I think it's \$1.308 billion. That's  
4 the total under -- total estimated under-recovery per  
5 what you filed.

6 A Yes. That was our estimate at the time of our  
7 actual estimate filing.

8 Q And I think you responded to questions from  
9 Mr. Rehwinkel and Mr. Brew that you don't expect that to  
10 be materially different as we get to the end of 2022, is  
11 that fair?

12 A That's fair. Yes.

13 Q Thanks.

14 I believe that you answered Mr. Rehwinkel -- a  
15 question by Mr. Rehwinkel by saying that you were  
16 approximately \$1.2 billion under-collected as of the  
17 close of October. Did I hear of that correctly?

18 A Yes. That's correct.

19 Q And does that mean that -- do I -- do I  
20 understand that correctly to mean that that was the  
21 actual difference between fuel expenditures in '22  
22 versus recoveries through the fuel charges as of the end  
23 of October?

24 A That also included, I believe, the 175 million  
25 for prior period true-up as well. So when you take that

1 out, it's -- I think it's in the ballpark of one  
2 billion, or 1.1 billion.

3 **Q Just to be clear, isn't the one -- you were**  
4 **not recovering -- okay --**

5 A Yeah, so let me --

6 **Q You go ahead and tell me --**

7 A Okay.

8 **Q -- and clarify if you need to.**

9 A Let me make sure I am answering this  
10 correctly.

11 **Q Yeah.**

12 A Yeah, the -- clarify the 1.2 billion you are  
13 asking me about, that was the number for October ending  
14 balance. Is that what you are asking?

15 **Q Yes.**

16 A Okay. Yes, that's 1.2 billion, and that  
17 includes the 175 million as well.

18 **Q And the 175 million was a -- what was that?**  
19 **Was that a projected 2022 under-recovery that was put**  
20 **off for some reason?**

21 A That was a -- it was a combination of a  
22 previously approved 123 million --

23 **Q Right.**

24 A -- approximately from our rate mitigation  
25 plan, and the remaining amount of 52 million out of our

1 314 million request that was approved in our midcourse  
2 from last December.

3 Q Okay. You just mentioned your midcourse from  
4 last December. When did you file that, and when did  
5 those adjusted fuel charges go into effect, if you  
6 recall?

7 A Yes. I don't have the filing with me, but I  
8 am pretty sure it was around -- I think it was the  
9 middle of December, December 17th, somewhere in there.  
10 And I believe the rates, the billing rates went into  
11 effect in March of this year.

12 Q Thank you.

13 So continuing on, you still are looking at  
14 about one money -- well, your filing indicates you are  
15 looking at an additional 2022 under-recovery of about  
16 1.13 billion to be recovered in a future period,  
17 correct?

18 A About one -- approximately 1.1 billion to be  
19 recovered.

20 Q Right. And you think now that number is more  
21 like a billion?

22 A The one --

23 Q The 1.2 minus 175?

24 A Yeah. The one point -- so the 1.2 billion --  
25 let me try to get this -- see if I can clarify this.

1 What I was trying to say earlier was our actual, as of  
2 the end of October, including 175 million, was 1.2  
3 billion. That approximates what we estimated in our  
4 actual estimate for October. That was also about, I am  
5 rounding, but about 1.2 billion.

6 And given that we really don't see November  
7 and December being materially different, we are  
8 expecting that number to be -- our year end balance to  
9 be in line with our actual estimates. Somewhere in the  
10 neighborhood of 1.2 to 1.3 billion. Again, we -- and  
11 that's including the 175 million. But we have not  
12 prepared our midcourse yet, so we don't have all those  
13 numbers together. I am trying to give you some  
14 information how we see it as of right now.

15 Q I would like to -- putting a little more meat  
16 on the bones that have been assembled by Mr. Rehwinkel  
17 and Mr. Brew, I would like to ask you to look at what  
18 has now been marked as Exhibit 74. It's a simple little  
19 exhibit that I prepared that shows what the rate, or the  
20 impact on the levelized fuel cost recovery factor would  
21 be if you were to recover the 1.1 billion over 12 months  
22 worth of sales or 24 months worth of sales, if you  
23 assumed that sales remain constant. Can you look at  
24 that calculation?

25 CHAIRMAN FAY: Mr. Bernier, go ahead.

1           MR. BERNIER: Thank you, Mr. Chairman. I am  
2 going to object to this exhibit, and apparently the  
3 line of questioning that's about to follow. This  
4 is the exact issue that is being pushed and we've  
5 talked about more than one time over the last two  
6 days.

7           CHAIRMAN FAY: Mr. Wright, this is the exact  
8 issue that's been addressed multiple times. If you  
9 are able to point to some of his exhibit or  
10 testimony to ask him in general about the movement  
11 of these numbers, that's appropriate, but I am not  
12 going to have back and forth on these numbers that  
13 we've already --

14           MR. WRIGHT: The \$1.1 billion number is in his  
15 exhibits. The 39,534,801-megawatt hours is in his  
16 exhibits.

17           One of the issues in this case is what are the  
18 fuel factors, should -- what should the fuel  
19 factors be next year? And we -- I just want -- and  
20 he has also opened the door by claiming he has been  
21 transparent, the company has been transparent about  
22 telling customers what's what.

23           I don't think there is anything in the record,  
24 and we will come to this in a minute, that said --  
25 that -- where they have told residential customers

1           what their bills are going to be, and this goes  
2           directly to that.

3           CHAIRMAN FAY:  Yeah.  And that's -- and once  
4           again, Mr. Wright, I am fine with you asking the  
5           questions --

6           MR. WRIGHT:  Okay.

7           CHAIRMAN FAY:  -- this exhibit is not  
8           appropriate.

9           MR. WRIGHT:  It -- I will add that you --

10          CHAIRMAN FAY:  It's getting into these costs,  
11          and we've addressed it multiple times at this  
12          point.  I know you can ask it a way that doesn't  
13          get to all these numbers.

14          MR. WRIGHT:  Well, he was happy enough to  
15          answer Mr. Rehwinkel's question about what the  
16          ballpark impact would be of spreading it over 12  
17          months.  And he said it was about, you know, 24,  
18          five, seven, eight dollars, and he said that --  
19          Mr. Dean said that himself two or three times.

20          CHAIRMAN FAY:  Yeah, he -- he answered that  
21          question to the best of his ability with clarity  
22          that he does not know what that number is.  It was  
23          more than sufficient to answer that question.  If  
24          you have a similar question, you are welcome to ask  
25          him, and with his expertise, he can answer it.



1           MR. WRIGHT: Okay. I will try it that way and  
2 we will leave this aside for now. I am not  
3 abandoning it, but I will put it to the side.

4           CHAIRMAN FAY: Okay.

5           MR. WRIGHT: I generally believe it's relevant  
6 to issues in the case, but we will see where we  
7 get.

8           CHAIRMAN FAY: Okay.

9 BY MR. WRIGHT:

10           Q     In earlier cross-examination, Mr. Dean, you  
11 acknowledged that the -- didn't you acknowledge that the  
12 impact on the levelized fuel cost recovery factor would  
13 be about \$27 or so per megawatt hour of spreading the  
14 1.1 billion over your 2023 sales?

15           A     I believe that was a number Mr. Rehwinkel  
16 provided me, and I told him that that was in the  
17 ballpark.

18           Q     Okay. Thank you.

19           A     Yes.

20           Q     That's good.

21                   If you would, please, look at -- this is an  
22 exhibit in your testimony, it's GPD-3. We have looked  
23 at it some already. It's your Schedule E-10.

24           A     We are in the projection filing --

25           Q     Yes, sir.

1           A     -- September? Okay.

2           Q     Yes, sir.

3                     Your E-10 exhibit shows the company's  
4 projection of what residential customer charges on a per  
5 rate item, or per rate component basis will be for 2023  
6 as proposed by the company, correct?

7           A     That's correct.

8           Q     And it shows an estimated rate impact on the  
9 fuel cost recovery factor -- fuel cost recovery factor  
10 increase rate increase proposed by the company of \$16  
11 and change, \$16.23, and a total increase of 37 for --  
12 representing a percentage increase of 37.4 percent,  
13 correct?

14          A     That is correct, yes, on E-10.

15          Q     There is not anything in this table that shows  
16 any residential customer what the impact of the  
17 under-recovery would be, is there?

18          A     Not on this schedule.

19          Q     Is there anywhere else that the company has  
20 published to its residential customers what the likely  
21 rates they will be paying next year are?

22          A     There is a -- in one of these schedules we  
23 discussed earlier, it does show the approximate \$1.3  
24 billion.

25          Q     How does that translate to rate impacts?

1           A     The -- the company did not provide a rate  
2     impact specific to that number because it's planning to  
3     provide an updated number with more actuals, and at that  
4     time, we will have a rate impact that we will reflect.

5           **Q     So as we sit here today, the company has not**  
6     **told its residential customers what their likely fuel**  
7     **charges are going to be come, say, March of next year,**  
8     **have you?**

9           A     I am not aware. That's not in any of my  
10    schedules. And as I had mentioned earlier, in the  
11    discovery process, nobody even asked us that question to  
12    provide such a number.

13                    But, again, with the volatility, and the  
14    nature of the events this year, we felt it was best to  
15    provide a number at the time of our midcourse filing to  
16    provide a more accurate number. Had we provided the  
17    number at that time, again, in hindsight, I mean, it  
18    looks like we are on track and aligning with that actual  
19    estimate filing, but we didn't know that back at that  
20    time in the summer when we were making these filings.  
21    For all we know, the rates could have gone up more, or  
22    they could have dropped significantly, and --

23                    CHAIRMAN FAY: Mr. Dean, you answered the  
24    question.

25                    THE WITNESS: Okay.

1 BY MR. WRIGHT:

2 Q Just to confirm, I believe in response to a  
3 question by Mr. Rehwinkel, you agreed that the  
4 residential bill, when the 1.1 billion is rolled in per  
5 a company proposed 12-month recovery period is going to  
6 be in the vicinity of somewhere between \$190 and \$200  
7 per thousand kWh?

8 A It was a rough figure. I thought it would be  
9 somewhere, based on Mr. Rehwinkel's number he provided,  
10 a little under the \$200 mark, as an estimate.

11 Q Are you familiar with what is called sometimes  
12 the matching principle in utility rate setting?

13 A I think I have heard of it in the past.

14 Q Okay. I am going to ask you to look at  
15 Exhibit, what has now been marked as Exhibit 75. This  
16 is a transcript from the 2021 fuel docket hearing  
17 regarding Duke's midcourse correction proposal.

18 A Which one is it again? The --

19 Q It's the transcript.

20 A Oh, okay. Yep.

21 Q Thanks.

22 I am going to go ahead and read the statements  
23 from the transcript that were made by a mutual friend of  
24 ours. I am reading from page -- page three, line 20,  
25 through page four, line 12, and I am leaving out

1 unnecessary words, and names, and things like that.

2           The fuel clause exists to allow for the  
3 matching of fuel expenditures and revenues as they are  
4 being incurred. By its very nature, it depends on  
5 projections, and projections, of course, are never going  
6 to match actual costs completely. When that happens, we  
7 have the natural true-up in the clause. When we have an  
8 under- or overrecovery, such as we have here today with  
9 a 10-percent threshold, per the rule, when it's  
10 practical, we file a petition. That's the petition you  
11 have before you today. It exists to provide benefits to  
12 customers in the form of rate smoothing instability, and  
13 that's what we are hoping for here today.

14           Were you able to follow that through the  
15 transcript?

16           A     A little bit. I felt like you skipped some.

17           Q     I did.

18           A     Okay. I lost you when you skipped a little  
19 bit.

20           Q     We have the transcript, so everybody can read  
21 all the words if we they want to. I was trying to make  
22 it as sensible as possible.

23           A     Okay.

24           Q     And I am sure you recognize that those  
25 statements were made by your attorney and my friend Mr.

1     **Bernier, the company's attorney, in that proceeding. So**  
2     **let's go back to the first sentence.**

3             **The fuel clause exists to allow for the**  
4     **matching of fuel expenditures and revenues as they are**  
5     **being incurred. Do you agree that this is appropriate**  
6     **ratemaking policy?**

7             A     You are talking about the first phrase, where  
8     it says: The fuel clause exists to allow for the  
9     matching of fuel expenditures and revenues as they are  
10    being incurred?

11            Q     **Yes, sir. And my question is: Do you agree**  
12    **that's appropriate ratemaking policy?**

13            A     I -- I don't know if I am the expert on policy  
14    questions. I could tell you that we are providing and  
15    supporting the projections to provide a calculation of a  
16    rate for recovery that approximates the expenditures for  
17    the year.

18            Q     **Well, for -- you have agreed that you are**  
19    **under-collected by \$1.2 billion -- and I'm going to --**

20                    MR. WRIGHT: Mr. Chairman, I am going to take  
21    that as an I don't know, which is an acceptable  
22    answer and I will move on a little bit here.

23                    CHAIRMAN FAY: Okay.

24    BY MR. WRIGHT:

25            Q     **You acknowledge that the company is**

1 under-collected by about \$1.2 billion through October in  
2 its fuel charges, correct?

3 A That's correct.

4 Q Okay. Would you assert that putting off  
5 recovering that kind of money for most of a year is  
6 consistent with rate stability?

7 A I think providing that -- by holding off and  
8 waiting for a more stable market, where we can provide a  
9 more accurate price to our customers, and provide them  
10 with a stable price, it's giving them price stability.

11 Q Isn't what you really mean that it will  
12 provide a more accurate price once you get around to it,  
13 whenever that turns out to be?

14 A No.

15 Q Pardon?

16 A No. That's -- you are saying when we get  
17 around to it. No. We are obtaining more actual data.  
18 And I think we have -- I have been very clear here  
19 today, that we will be providing that number between now  
20 and the end of the year, or in January.

21 Q Your rates -- your fuel charges have been off  
22 by more than \$1 billion this year relative to the costs  
23 incurred, haven't they?

24 A The under-collected amount that we are  
25 anticipating, like I said earlier, as of the end of

1 October is \$1.2 billion, and that was based on  
2 projections from rates that are in place now from our  
3 midcourse filing. And as we have been talking about  
4 this morning, there has been a lot of volatility due to  
5 all of the events this year that caused the volatility  
6 and increases in natural gas prices, so it led us to an  
7 under-collection.

8 Q You have said a couple of times, I think in  
9 response to Mr. Brew, that whatever is going to change  
10 from November -- in November and December isn't going to  
11 have a material effect on the under-recovery for the  
12 total year, correct?

13 A That is accurate.

14 Q Okay. The Retail Federation's position, as  
15 articulated in our prehearing statement, is that you  
16 ought to start recovering sooner, rather than later, so  
17 that customers know what's going on and what to expect.  
18 My question for you is this: Could Duke include at  
19 least a part of the '22 actual estimated under-recovery  
20 beginning in January?

21 A At this time, it's the company's proposal that  
22 we continue to obtain actual data and provide for a  
23 filing. And like I said, we will file before the end of  
24 the year, or in January. And I think that's what we are  
25 here to decide during this process. If that's -- that's



1 what we think is in the best interest of our customers,  
2 but if the Commission were to choose to do otherwise, we  
3 would -- we would do so.

4 CHAIRMAN FAY: Mr. Dean, I think his question  
5 is: Could you idea it otherwise? So --

6 THE WITNESS: That was --

7 CHAIRMAN FAY: -- are you able to do it or  
8 not? So could you file it earlier or not? Not  
9 what has your company decided to do. Could you do  
10 it or not?

11 THE WITNESS: If we were asked to do it -- I  
12 am sorry, Mr. Chair, I am trying to understand.

13 CHAIRMAN FAY: Yeah. Correct. If you were  
14 asked to do it, could you --

15 THE WITNESS: Could we do it by January?

16 CHAIRMAN FAY: Yes, that's the question.

17 THE WITNESS: I think from a billing  
18 perspective, we could get it in place for January.  
19 Their may be some challenges. It's something I  
20 would have check-in internally just from a process  
21 standpoint more about the customer notification  
22 process. I think -- I can't recall the exact rule,  
23 but I think there is a 30-day notification process  
24 to customers. So we are -- we would have to know  
25 pretty soon. It's getting on a tight timeline.

1 I am sorry, I think I misunderstood the  
2 question before.

3 BY MR. WRIGHT:

4 Q Fair enough. There were a lot of words in it.

5 A Yeah.

6 MR. WRIGHT: And thank you, Mr. Chairman, for  
7 clarifying the question that I -- that I was  
8 asking.

9 BY MR. WRIGHT:

10 Q Would you agree that beginning recovery of  
11 some of the under-recovery in January, as opposed to  
12 waiting to later in 2023, would better follow the  
13 matching principle?

14 A When you -- when you talked about the matching  
15 principle earlier, it was about the -- I am trying to  
16 make sure I understand your question --

17 Q Sure.

18 A -- about the matching principle being --  
19 recovering the costs as they are incurring.

20 Q Correct.

21 A Right. So can you -- with that in mind, can  
22 you ask the question again --

23 Q Sure.

24 A -- because there is a distinction.

25 Q Would you agree that starting recovery of the

1 under-recovery, whatever part of it it might be, in  
2 January would provide a better matching of fuel  
3 expenditures as rev -- and revenues as they are being  
4 incurred as compared to a scenario of allowing the  
5 balance of the under-recovery to continue to grow?

6 A I think it would be matching, in a sense,  
7 closer to what it's incurred, but keeping in mind it's  
8 incurred during the '22 period, not in the '23 period.

9 Q Yeah. Well, I -- will you agree that that  
10 horse is already out of the barn? The '22 costs  
11 under-recovery has already been incurred, and we are  
12 trying to deal with it, right?

13 A We -- yes. We are at the 1.2 billion mark, as  
14 I said, for October, so we are in under-recovery, yes.

15 Q Thanks very much for taking my questions.

16 MR. WRIGHT: Thank you, Mr. Chairman.

17 CHAIRMAN FAY: Thank you, Mr. Wright.

18 Last but not least at all, Mr. Moyle, you are  
19 recognized.

20 MR. MOYLE: Thank you.

21 EXAMINATION

22 BY MR. MOYLE:

23 Q Good afternoon.

24 A Good afternoon, Mr. Moyle.

25 Q Have you testified before at the Commission

1 live like you are doing today?

2 A I have not.

3 Q Okay. There is a convention that's used that  
4 is in place to try to shorten cross-examination, where  
5 the witness is asked to answer the question yes or no,  
6 and if the witness feels an explanation is needed, he  
7 can move -- he or she can move on; but are you -- are  
8 you familiar with that convention? Hopefully I can get  
9 a yes or no to that.

10 A Yes. I have heard of that convention. It's  
11 just unfortunate some of the questions I have heard  
12 today were, I think, difficult for a yes or no because  
13 they needed an explanation.

14 Q And can you use your best efforts to comply  
15 with that convention as I ask my questions of you?

16 A I will do my best, as I have been all morning.

17 Q I would have felt better with a yes.

18 Do you consider that you have expertise in  
19 natural gas markets?

20 A No, I would not say I have the expertise in  
21 natural gas markets. We have a whole area that handles  
22 that with Duke Energy.

23 Q Okay. And with respect to comments about  
24 natural gas markets, and volatility, and inflation, are  
25 those your comments or are those of someone else that

1 you are parroting back to us when you are providing  
2 testimony?

3 A Some of it is based on internal discussions.  
4 You know, natural gas market is somewhat transparent,  
5 where you can see the NYMEX pricing for the settled  
6 prices, but I am not an expert in that area, but I can  
7 observe some of it.

8 Q Okay. I don't want to spend a lot of time  
9 retreading ground that's already been covered, but you  
10 were in the room yesterday, were you not?

11 A Yes.

12 Q And I think you had heard that one of the  
13 points that FIPUG members and others want to clearly  
14 understand is what the rate impacts will be beginning  
15 January 1, 2023. You were here when that was -- that  
16 point was made, correct?

17 A I did hear some discussion of that, yes.

18 Q Okay. I am just going to ask you in a  
19 narrative fashion to answer that question. And I don't  
20 think it would be dissimilar if the President of Duke  
21 was walking down the hall and grabbed you and said, hey,  
22 I am going to a meeting with a mid-box store. They  
23 wants t know about what their fuel bills are going to  
24 look like, or what their rates are going to look like  
25 for 2023. Could you, in a narrative fashion, answer the

1 question for what a customer -- customers can expect to  
2 see in 2023 with respect to rate increases?

3 A I am not sure what you are asking, actually.  
4 It's --

5 Q I am just asking -- asking you -- I mean, if  
6 you were at a cocktail party and said, are my rates  
7 going to go up next year, and if so, by how much? I  
8 mean, somebody would say -- you said that you are  
9 responsible for rate strategy and rates in one of the  
10 answers to your prior question. So if somebody just  
11 says, what are the rates going to do in 2023, how would  
12 you answer that?

13 A I would --

14 MR. BERNIER: Mr. Chairman, I am going to  
15 object. And one of the conventions that we follow  
16 is repetition that we are trying to avoid here.  
17 This is a question that has been asked and  
18 answered. The rates for 2023 that we are propping  
19 are in the filing. The rates that we anticipate  
20 when the later filing is going to be made have not  
21 been determined yet, and that is something that we  
22 have covered ad nauseam so far --

23 CHAIRMAN FAY: Yeah, so --

24 MR. BERNIER: -- so I think we are rereading.

25 CHAIRMAN FAY: And I would agree, Mr. Bernier.

1 I mean, Mr. Dean has been asked this question a  
2 number of ways for different customer classes, and  
3 for Mr. Rehwinkel, he did acknowledge some form of  
4 estimation for the number, but otherwise, he hasn't  
5 calculated and he can't answer that question.

6 MR. MOYLE: Right, but he hasn't -- he hasn't  
7 answered, except for Mr. Rehwinkel in a general  
8 Ray, so that someone can go, okay, my rates are  
9 going to go up by approximately two -- or up to 200  
10 bucks for residential in the Duke service  
11 territory.

12 CHAIRMAN FAY: Right. And if he can't answer  
13 that question, then that's -- that's the end of  
14 that. I don't understand what you are suggesting.

15 MR. MOYLE: That's right. No, he did -- he  
16 did answer that previously.

17 CHAIRMAN FAY: Right.

18 MR. MOYLE: So the question I am asking him --  
19 I gave him a chance to, in a narrative fashion,  
20 say, here's what's going on with rates. Are they  
21 similar for commercial and industrial? I mean, I  
22 can dig into it and ask him -- let me come at it  
23 another way.

24 CHAIRMAN FAY: Yeah, if you want to ask him if  
25 it's a similar impact --

1 MR. MOYLE: Right.

2 CHAIRMAN FAY: -- then I think that's a fair  
3 question. If you want to ask him what that number  
4 is walking down the hall, I don't think he can  
5 answer that question.

6 MR. MOYLE: Okay.

7 BY MR. MOYLE:

8 Q With respect -- with respect -- you answered  
9 approximately 200 bucks is what the typical residential  
10 customer for Duke would be seeing coming up based in  
11 response to a question from Mr. Rehwinkel, isn't that  
12 correct?

13 A I believe I said it would -- I thought it  
14 would be under \$200.

15 Q Yeah, ballpark?

16 A Ballpark.

17 Q Okay. Same question with respect to a  
18 commercial customer?

19 A Regarding commercial customer, I don't have  
20 that number.

21 Q Okay. And an industrial customer?

22 A I don't have that number. And as I mentioned  
23 earlier, you know, nobody had asked that during the  
24 discovery process, so I didn't make the calculation.

25 Q Right. But these Commissioners, you



1 understand, they can ask you questions. It doesn't have  
2 to be asked in discovery. You are the person most  
3 knowledgeable from Duke here today to talk about fuel,  
4 are you not?

5 A Right, but I do not have the calculation with  
6 me.

7 Q Yeah. If we take a lunch break, could you do  
8 the calculation?

9 CHAIRMAN FAY: Mr. Moyle.

10 MR. MOYLE: Mr. Chair, I mean, we are trying  
11 to get information about the future impacts of the  
12 rates for customer classes, and we are struggling,  
13 so --

14 CHAIRMAN FAY: I understand that, but the  
15 question has been asked and answered multiple  
16 classes. He has provided the same answer multiple  
17 times to you. I need you to move on.

18 BY MR. MOYLE:

19 Q If you could answer this question yes or no, I  
20 would appreciate it.

21 Do you agree that the fuel clause exists to  
22 allow for the matching of fuel expenditures and revenues  
23 as they are being incurred?

24 A Yes. That's my understanding.

25 Q Do you have an understanding of the phrase

1 **regulatory lag?**

2 A I do have an understanding to some extent.

3 **Q What is your understanding?**

4 A It's the -- give me a minute to just get my  
5 thoughts together, but essentially it's the lag between  
6 the time that a cost is incurred and the time it goes  
7 into rates, generally speaking.

8 **Q And isn't it true, as we sit here today, yes  
9 or no, that some of the monies that Duke is seeking  
10 recovery for were for costs incurred in calendar year  
11 2021?**

12 A There is. There is the 175 million that was  
13 prior period that we are talking about, yes.

14 **Q Okay. And you have testified that you have  
15 familiarity with the petition for midcourse correction  
16 rule, correct?**

17 A Yes.

18 **Q Okay. I am going to ask you some questions  
19 about that, if I could.**

20 **CHAIRMAN FAY: Mr. Moyle, do you need him to  
21 have the language in front of him?**

22 **MR. MOYLE:** If -- whatever he is most  
23 comfortable with, it probably wouldn't hurt.

24 **CHAIRMAN FAY:** Do you still have that exhibit?

25 **THE WITNESS:** I have it. Yes.

1 CHAIRMAN FAY: Okay. Go ahead.

2 BY MR. MOYLE:

3 Q And you are familiar with this rule. You have  
4 read it many times as part of your job and probably been  
5 briefed on it, is that right?

6 A I have read through it.

7 Q Do you have an understanding as to what  
8 midcourse refers to?

9 A It's my understanding, from reading through  
10 the rule, it's, during the year, filing for a  
11 correction, or at least a letter explaining why a  
12 midcourse correction is not necessary at that time.

13 Q Right. And you are familiar that the way --  
14 the way the fuel clause has worked historically is that  
15 the rates are set this time of year, we have hearings in  
16 November, and then decisions are made, and typically the  
17 rates go into effect in January of the upcoming year,  
18 correct?

19 A Yes.

20 Q Okay. And so the midcourse is referencing,  
21 just by its definition, something in the middle of a  
22 year, because fuel is done on an annual basis, correct?

23 A From me, I interpret it -- again, my  
24 interpretation is during the year, not necessarily  
25 middle of the year, but at some point during the year.

1           **Q     What's your understanding of mid?**

2           A     I am basing it on when we filed midcourse  
3 corrections in the past, I don't believe they were  
4 always in the middle of the year exactly, but it's  
5 during the year. But again, I am not an attorney. It's  
6 not my legal definition. It's just how I have  
7 interpreted it when I read the rule.

8           **Q     Yeah. Do you have an understanding of whether**  
9 **mid is short for middle?**

10          A     That's how I would take it under certain  
11 circumstances.

12          **Q     You would agree there is nothing in this rule**  
13 **that requires a utility to wait to seek a midcourse**  
14 **correction, and can only do it when there is a**  
15 **10-percent overrecovery or under-recovery, correct?**

16          A     The part I am more familiar with is the  
17 10 percent threshold, which is one of the reasons why it  
18 doesn't, to me, necessarily have to happen during the  
19 middle of the year. It's -- I think of it more as  
20 exceeding the 10 percent threshold.

21          **Q     Right. But my question was, did you -- don't**  
22 **you understand this rule to not require a utility to**  
23 **wait until there is a 10-percent threshold to make a**  
24 **midcourse filing?**

25          A     I would have to read it again. I have read it

1 before, but the part I am familiar with the most is the  
2 10-percent threshold.

3 Q Okay. Well, let me -- let's --

4 A It may or may not say that. I would have to  
5 read through it again.

6 Q Well, fortunately we have it right in front of  
7 us. And if you would look at paragraph two and read the  
8 last sentence into the record?

9 A This section in no way precludes a utility  
10 from requesting a midcourse correction prior to reaching  
11 the 10-percent threshold requiring Commission  
12 notification.

13 Q What does that mean to you?

14 A It sounds like we don't have to wait to reach  
15 the threshold, 10 percent.

16 Q Stated differently, the utility can come in  
17 and seek changes at any point in time with respect to  
18 the fuel?

19 A That's how I am reading it at this time.

20 Q When you seek to recover fuel costs -- you had  
21 this conversation with one of the other lawyers -- you  
22 seek to recover the fuel cost with an interest rate  
23 applied as well, do you not?

24 A Say that again. I am sorry.

25 Q When you are seeking to recover an

1 under-recovery of fuel, you also seek to have interest  
2 calculated and applied and collected from ratepayers of  
3 an interest rate associated with the under-recovery --

4 A Yes.

5 Q -- isn't that correct?

6 A Yes.

7 Q There is nothing in this rule that talks about  
8 an interest rate is, there?

9 A I don't believe so.

10 Q Are you aware of anything anywhere in the  
11 regulatory rules and regulations before this commission  
12 that talks about an interest rate being applied to the  
13 recovery of an under-collection?

14 A I am not aware of such a rule. I am not sure  
15 if there is or is not one. I know historically my  
16 understanding is that that's the, you know, the  
17 commercial paper rate has been what's been applied in  
18 our typical process.

19 Q And if -- if you are not aware of a rule,  
20 could -- could -- could there be another rate applied?

21 A I don't know if there could or could not.

22 Q While you all have been waiting and gathering  
23 information before actively seeking to recover your  
24 under-recovery -- let me just strike that and I will  
25 start over again on that.

1           You have -- you confirmed you have been  
2 waiting collecting data. You are not today, before this  
3 commission, asking that they act and start collecting  
4 rates for the under-recovery, correct?

5           A     Correct. We are pulling data together to make  
6 a filing.

7           Q     Okay. And you have been waiting for some time  
8 before collecting -- collecting rates from ratepayers,  
9 correct?

10          A     We have been waiting for the markets to become  
11 less volatile and/or provide us with more updated and  
12 accurate information.

13          Q     And the markets you are referencing there are  
14 the natural gas markets, correct?

15          A     Yes.

16          Q     What has been happening with respect to the  
17 markets relative to interest rates in that same period  
18 of time that you have been waiting?

19          A     I am not too familiar with interest rates. I  
20 do know the commercial paper rate has increased. I  
21 don't know the magnitude.

22          Q     Do you follow the press about what the federal  
23 funds rates have been doing in the last three or four  
24 months?

25          A     Generally speaking, I have seen some

1 information about it, but I do not follow it in-depth.

2 Q Okay. If you assume that they have been going  
3 up while you have been waiting, do you know would that  
4 be something that you would expect customers to pay, to  
5 pay the increased interest associated with the  
6 under-recoveries that have been prolonged?

7 A It's my understanding that's the process, that  
8 there is interest at the commercial paper rate, excuse  
9 me, for under-recoveries, and if there were  
10 over-recoveries, it would work the same way. That's my  
11 understanding.

12 Q And do you have an understanding, if this  
13 commission said, we want you to recover it offer a  
14 longer period than 12 months, say, 24 months, that that  
15 commercial paper rate would also apply?

16 MR. BERNIER: Mr. Chairman, this is --

17 CHAIRMAN FAY: Hold on one second.

18 MR. BERNIER: -- the exact, what's the  
19 carrying costs --

20 MR. MOYLE: You said if he knows, he can say I  
21 know or he can say I don't know.

22 CHAIRMAN FAY: It is -- it is repetitive. I  
23 do think you have answered essentially the  
24 commercial paper rate is the only thing that you  
25 have specific knowledge of as to what would apply.



1           The term -- that question has been asked and  
2           answered, and he state that he doesn't know. The  
3           12 months was the only thing that he presumed.

4           But to your point, Mr. Moyle, if you have a  
5           different answer than you did a few minutes ago on  
6           that question, you are welcome to provide it.

7           THE WITNESS: If I -- can you repeat the  
8           question? I want to make sure I understand.

9           BY MR. MOYLE:

10          Q     Sure. I will -- to save time, I won't ask for  
11          it to be read back. But just assume -- assume if the  
12          Commission told you, we want you to recover it over 24  
13          months, not 12 months, because that will spread it out,  
14          it won't be as much, you know, on a calendar year, would  
15          -- do you know, would the commercial paper rate also be  
16          applied to that 24-month period?

17          A     I think, at this time, it's premature, as the  
18          company will be putting its filing together.

19          Q     So do you -- you don't know?

20          A     There is -- at this time, like I said, I think  
21          it's premature. The company will be putting its filing  
22          together and --

23          CHAIRMAN FAY: Mr. Dean, your answer is that  
24          you do not know, correct?

25          THE WITNESS: Well, yes, I do not know.

1 CHAIRMAN FAY: Okay.

2 BY MR. MOYLE:

3 Q What's your definition of volatile?

4 A For me, volatile, I look at it as being the --  
5 the changes, the ups and downs, when I use it, it's the  
6 natural gas, I think of the increasing and decreasing in  
7 price.

8 Q Anything else?

9 A In general, it's the ups and downs in the  
10 pricing. And when I -- and to some extreme -- well, I  
11 am probably not doing a very good job describing it, but  
12 I am thinking about the ups and downs in the pricing.  
13 That's essentially it.

14 Q Right. But you are -- I assume you follow the  
15 natural gas markets?

16 A As I said earlier, I am not an expert in that  
17 market, but I do -- I see the pricing occasionally, the  
18 NYMEX is somewhat transparent.

19 Q Do you know what the natural gas markets move  
20 and fluctuate on a daily basis?

21 A They do. Yes.

22 Q And that would mean that natural gas markets,  
23 according to the definition you gave me, are volatile  
24 just in that price moves?

25 A Yes. The markets, they are moving every day,

1 and even during the day. What we have been talking  
2 about here, though, has been the more extreme for '22.

3 Q Okay. And in -- in -- I just want to  
4 understand, because you all have complied with this rule  
5 where you put in a letter that said, here, we are over  
6 10 percent, but here's a reason why we are not -- we are  
7 not seeking a midcourse correction, because it's not  
8 practical. You said it's not practical because of,  
9 quote, external events such as the Russian invasion of  
10 Ukraine -- and I am quoting that from your March 29th,  
11 2022 letter, correct?

12 A Yes. We -- we gave that as an example. That  
13 was one of the issues or events causing the volatility  
14 in the natural gas market.

15 Q Okay. But that -- that -- that -- the fact of  
16 incursion and bellicose activities taking place, war  
17 activities taking place in a foreign country, that --  
18 that happens with some frequency, does it not? Iraq,  
19 Iran, Africa, those are all countries that are --

20 CHAIRMAN FAY: Mr. Moyle, you are asking him  
21 to speak to the knowledge of other wars in other  
22 companies in comparison. I mean, he stated that he  
23 believes that and other variables are part of that  
24 volatility. He has answered that question.

25 MR. MOYLE: Right. But what I am trying to do

1 is explore, and he is saying this is a unique set  
2 of facts and conditions that warrant us handling  
3 the fuel clause in a completely different way, and  
4 the only one he identified specifically in the  
5 letter is the Russian invasion of Ukraine. I  
6 think, you know, it's in the evidence. I think I  
7 should be allowed to ask him about other foreign  
8 conflicts and how, you know, how they are different  
9 from this one with respect to the impact of natural  
10 gas markets.

11 CHAIRMAN FAY: I don't think he is has the  
12 expertise to speak on those other foreign  
13 conflicts, but --

14 MR. MOYLE: Okay.

15 CHAIRMAN FAY: -- if you feel it's necessary  
16 to show the non-uniqueness of the issue, you can  
17 give other examples. I just think he stated that  
18 he doesn't know.

19 MR. MOYLE: If he wants to tell me he doesn't  
20 have expertise in that area and can't answer the  
21 question, that would be fine.

22 CHAIRMAN FAY: I think that's basically what  
23 he's saying. Go ahead, Mr. Dean.

24 THE WITNESS: I don't expertise in that area,  
25 but there -- as I stated earlier, there were other

1 events, as, you know, inflation in the economy,  
2 heightened inflation --

3 BY MR. MOYLE:

4 **Q Right --**

5 A LNG exports increasing, increasing domestic  
6 demand, supply chain issues. So it's all that raveled  
7 up in one year.

8 **Q And you don't have expertise in any of those**  
9 **areas either, do you?**

10 A I do not.

11 **Q Tell me what you know about LNG demand, and**  
12 **how that's different in 2022 as compared to 2021?**

13 A I don't have those expertise, as I said  
14 earlier. But based on some conversations I have had  
15 head internally, I read on occasion about the increasing  
16 demand.

17 **Q Do you have any insight with respect to supply**  
18 **side issues, and how that's affecting the natural gas**  
19 **markets?**

20 A I don't have the expertise in that area. I  
21 was just trying to cite some examples.

22 **Q And same question with respect to inflation?**

23 A Same answer.

24 MR. MOYLE: May I just have a minute, please?

25 CHAIRMAN FAY: Sure. We will need to give our

1 court reporter a break here, depending on how much  
2 longer you have, Mr. Moyle.

3 MR. MOYLE: No, I am wrapping up.

4 BY MR. MOYLE:

5 Q Have you all started working on a filing yet  
6 for your midcourse correction?

7 A We have not. That will be prepared in the  
8 near future.

9 Q Is there a possibility that a decision could  
10 be made to continue to collect data, and that the  
11 midcourse correction not be forthcoming?

12 A As I said earlier, we are planning to file  
13 before the end of the year or in January.

14 Q Right. But plans change sometimes, do they  
15 not?

16 A Plans can change, but that's our timeline as  
17 of now.

18 Q Is it your decision to make?

19 A Excuse me?

20 Q Is it your decision to make to file the  
21 midcourse petition?

22 A No. That would not be my decision.

23 Q Who would make that decision?

24 A I don't know exactly who it would be. There  
25 would be others in the organization.

1 MR. MOYLE: Okay. That's all I have. Thank  
2 you.

3 CHAIRMAN FAY: Okay. Thank you.  
4 Staff?

5 MS. BROWNLESS: Yes, sir.

6 EXAMINATION

7 BY MS. BROWNLESS:

8 Q Good afternoon, Mr. Dean.

9 A Good afternoon.

10 Q Can you tell me when the actual December 2022  
11 fuel cost data will be available?

12 A The actuals for December?

13 Q Yes, sir.

14 A They typically are available, I would say  
15 probably in the second week of January. It's usually in  
16 the seventh, eighth, ninth, tenth business day, give or  
17 take.

18 Q Do you intend to wait until you have actual  
19 December 2022 fuel costs before you file for recovery?

20 A I am not sure at this point. That's why we --  
21 I have been saying between now and the end of the year,  
22 or in January. That hasn't been decided.

23 Q Okay. Would you anticipate you would file  
24 before the end of January?

25 A Did you say before the end of January?

1           **Q     End of January. Yes, sir.**

2           A     Yes, before the end of January.

3           **Q     Thank you so much.**

4           A     You are welcome. Thank you.

5                   CHAIRMAN FAY: Commissioners?

6                   COMMISSIONER CLARK: You know, all the  
7                   questions have been asked.

8                   CHAIRMAN FAY: Commissioner, I think they've  
9                   all been asked. That's a good point, Commissioner  
10                  Clark.

11                  Commissioner Passidomo, I didn't want to  
12                  forget about you. You better not be eating lunch,  
13                  Commissioner Passidomo. Are you there?

14                  All right. Well, okay, with that, redirect,  
15                  Mr. Bernier?

16                  MR. BERNIER: I will be very brief.

17                  CHAIRMAN FAY: Sure.

18                                 FURTHER EXAMINATION

19           BY MR. BERNIER:

20                   **Q     Mr. Dean, you have been asked an awful lot of**  
21                   **it questions about the midcourse correction letter that**  
22                   **we filed in the petition -- or excuse me, the midcourse**  
23                   **correction rule. You are familiar with those questions?**

24           A     Yes.

25           **Q     Are you aware of anything that would have**



1 prevented any intervenor from filing a petition for a  
2 midcourse correction to change our rates?

3 A I am not aware of anything.

4 Q Was any such filing made?

5 A No.

6 Q After the March 29th midcourse notification  
7 letter was filed by DEF, did you receive any discovery  
8 questions asking about any of the reasons that were  
9 provided for why a midcourse correction would not have  
10 been practical?

11 A I did not.

12 MR. BERNIER: Okay. That's all I have. Thank  
13 you?

14 CHAIRMAN FAY: Okay. We don't have any  
15 additional -- oh, no, we do have exhibits.

16 MR. BERNIER: I do have some exhibits. One  
17 second, I am buried here. There we go.

18 Mr. Chairman, we would ask for Exhibits 2  
19 through 7 to be admitted.

20 CHAIRMAN FAY: Okay. Without objection, show  
21 Exhibit 2 through 7.

22 (Whereupon, Exhibit Nos. 2-7 were received  
23 into evidence.)

24 CHAIRMAN FAY: And then for the intervenors, I  
25 want to make sure we get --

1           MR. REHWINKEL: I would move 70 through 72,  
2           please.

3           CHAIRMAN FAY: That's what I have, Mr.  
4           Rehwinkel. So 70 through -- make sure the  
5           utilities -- 70 through -- 70, 71, 72 for OPC  
6           without objection.

7           MR. BERNIER: No objection.

8           CHAIRMAN FAY: Okay. Show those entered into  
9           the record.

10           (Whereupon, Exhibit Nos. 70-72 were received  
11           into evidence.)

12           MR. WRIGHT: And, Mr. Chairman, I move 73, 74  
13           and 75.

14           MR. BERNIER: We will make the same objection  
15           to 74 we voiced earlier.

16           MR. WRIGHT: And my proffer is very, very  
17           simple. It relates directly to Issue 9, 10, 16 and  
18           20.

19           Thank you.

20           CHAIRMAN FAY: Okay. Yeah, and I am not going  
21           to object to it being in the record because that  
22           data is already available in the other exhibits,  
23           it's just compiled on this page, but let me make  
24           sure I have -- 73 -- you have 73, 74 and 75, Mr.  
25           Wright?

1 MR. WRIGHT: Yes, sir. Yeah.

2 CHAIRMAN FAY: Okay. With that, show 73, 74  
3 and 75 entered into the record.

4 (Whereupon, Exhibit Nos. 73-75 were received  
5 into evidence.)

6 CHAIRMAN FAY: And is any other --

7 MR. BERNIER: Can Mr. Dean be excused?

8 CHAIRMAN FAY: Mr. Dean, you are excused.

9 THE WITNESS: Thank you.

10 CHAIRMAN FAY: Thank you. Travel safe.

11 THE WITNESS: Thank you.

12 (Witness excused.)

13 CHAIRMAN FAY: All right. Commissioners, with  
14 that, we will plan on breaking for lunch. I know  
15 that -- I guess Mr. Dean drew the short straw, but  
16 as the first witness, potentially we have some of  
17 that same questioning that will be sufficiently  
18 produced for the other witnesses. We do plan on  
19 making sure we get through those witnesses by the  
20 end of the day. I don't know exactly what time  
21 that means we will end depending on how much  
22 questioning we have from the intervenors, but we  
23 will address that at the time, and then if we can  
24 do closing arguments, we will look that. If not,  
25 we will brief on it.

1                   So with that, plan on being back here -- I  
2                   have 12:30. Let's be back here at 1:30, and  
3                   continue then.

4                   Thank you.

5                   (Lunch recess.)

6                   (Transcript continues in sequence in Volume

7                   4.)

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## CERTIFICATE OF REPORTER

STATE OF FLORIDA     )  
COUNTY OF LEON     )

I, DEBRA KRICK, Court Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED this 28th day of November, 2022.



DEBRA R. KRICK  
NOTARY PUBLIC  
COMMISSION #HH31926  
EXPIRES AUGUST 13, 2024