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October 26, 2023

VIA ELECTRONIC FILING

Ms. A. Shonta Dunston
Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

**RE: Duke Energy Carolinas, LLC's Application to Adjust Retail Base
Rates and for Performance-Based Regulation, and Request for an
Accounting Order
Docket No. E-7, Sub 1276**

Dear Ms. Dunston:

Pursuant to the Commission's Order Responding to Second Motion to Strike and Establishing Hearing Procedures issued on October 24, 2023, enclosed for filing with the North Carolina Utilities Commission in the above referenced docket is Duke Energy Carolinas, LLC's Corrected Supplemental Rebuttal Testimony of Jonathan L. Byrd and Morgan D. Beveridge and Rate Design Panel's Supplemental Rebuttal Testimony Summary.

The corrections are being made so as to avoid further motion activity that would impede the Commission's substantive considerations of these matters. Specifically, the Public Staff contacted the Company and indicated a plan to file a motion to strike with respect to the portions of the Supplemental Rebuttal testimony that are being removed based on a perceived conflict with the Commission's prior rulings in this docket. Because the Company's witnesses have previously addressed such topics in prior testimony and in order to allow the Commission to focus on the substantive issues at hand, the Company has elected to correct the testimony in order to remove the portions in question.

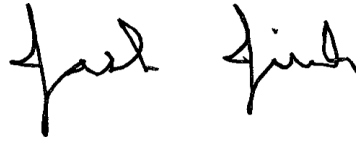
Thank you for your assistance in this matter. If you have any questions, please do not hesitate to contact me.

OFFICIAL COPY

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Shonta A. Dunston Chief Clerk
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Sincerely,

A handwritten signature in black ink, appearing to read "Jirak", written in a cursive style.

Jack E. Jirak

cc: Parties of Record
Christopher J. Ayers, Executive Director, Public Staff
Lucy Edmondson, Chief Counsel, Public Staff

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Oct 26 2023

CLEAN
Corrected Supplemental Rebuttal
Testimony of Jonathan L. Byrd and
Morgan D. Beveridge

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1276

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-7, SUB 1276

In the Matter of:)	CORRECTED SUPPLEMENTAL
)	REBUTTAL TESTIMONY OF
Application of Duke Energy Carolinas, LLC)	JONATHAN L. BYRD
For Adjustment of Rates and Charges)	AND MORGAN D. BEVERIDGE
Applicable to Electric Service in North)	FOR DUKE ENERGY
Carolina and Performance-Based Regulation		CAROLINAS, LLC

1 **Q. MR. BYRD, PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Jonathan L. Byrd, and my business address is 525 South Tryon
3 Street, Charlotte, North Carolina 28202.

4 **Q. BEFORE INTRODUCING YOURSELF FURTHER, PLEASE**
5 **INTRODUCE THE PANEL.**

6 A. I am appearing on behalf of Duke Energy Carolinas, LLC (“DEC” or “the
7 Company”) together with Morgan Beveridge on the “Rate Design Panel.”

8 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

9 A. I am the Managing Director of Rate Design and Regulatory Solutions for Duke
10 Energy Business Services, LLC (“DEBS”). DEBS is a service company
11 subsidiary of Duke Energy Corporation (“Duke Energy”) that provides services
12 to Duke Energy and its subsidiaries, including DEC and its affiliated utility
13 operating companies.

14 **Q. MR. BEVERIDGE, PLEASE STATE YOUR NAME AND BUSINESS**
15 **ADDRESS.**

16 A. My name is Morgan D. Beveridge, and my business address is 525 South Tryon
17 Street, Charlotte, North Carolina 28202.

18 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

19 A. I am a Manager of Rates and Regulatory Strategy for DEBS.

1 **Q. HAS THE RATE DESIGN PANEL PREVIOUSLY SUBMITTED**
2 **TESTIMONY IN THIS PROCEEDING?**

3 A. Yes. We each submitted direct testimony and exhibits on January 19, 2023. Mr.
4 Beveridge filed supplemental direct testimony and exhibits on May 19, 2023
5 and settlement testimony and exhibits on August 24, 2023. Additionally, we
6 submitted joint rebuttal testimony on August 4, 2023 and joint settlement
7 testimony on August 25, 2023.

8 **Q. IS THE RATE DESIGN PANEL SPONSORING ANY EXHIBITS WITH**
9 **ITS SUPPLEMENTAL REBUTTAL TESTIMONY?**

10 A. No.

11 **Q. WHAT IS THE PURPOSE OF THE RATE DESIGN PANEL'S**
12 **SUPPLEMENTAL REBUTTAL TESTIMONY?**

13 A. The purpose of the Rate Design Panel's supplemental rebuttal testimony is to
14 respond to Public Staff witness David Williamson's supplemental testimony
15 and exhibits, which were filed October 13, 2023, and corrected on October 20,
16 2023, in this docket.

17 **Q. WHAT DID PUBLIC STAFF WITNESS WILLIAMSON RECOMMEND**
18 **IN HIS SUPPLEMENTAL TESTIMONY?**

19 A. Witness Williamson utilized the Company's cost of service study to develop a
20 distribution framework incorporating base revenues, expenses, net income, and
21 rate base for the test year. Witness Williamson applied this framework to the
22 adjusted present and proposed revenues, expenses, and rate base to develop the

1 Public Staff's recommended allocation of revenues by detail rate class for each
2 year of the multiyear rate plan ("MYRP").

3 Witness Williamson testified that he also "applied and balanced the
4 Public Staff's four basic revenue assignment principles . . . to influence the way
5 revenue apportionment is applied to each retail rate class."¹ These principles
6 are outlined in Witness Williamson's direct and supplemental testimony.
7 According to Witness Williamson, "[t]o the greatest extent practicable, the
8 Public Staff's assignment of the base revenue increase and Rate Years 1, 2, and
9 3 adheres to each of these principles."

10 **Q. PLEASE RESPOND TO WITNESS WILLIAMSON'S**
11 **RECOMMENDATION.**

12 A. The Company disagrees with Witness Williamson's recommendation regarding
13 the allocation of revenue to the retail classes.

14 **Q. WAS THE COMPANY SURPRISED BY THE RECOMMENDED**
15 **REVENUE ALLOCATION REFLECTED IN WITNESS**
16 **WILLIAMSON'S SUPPLEMENTAL TESTIMONY AND EXHIBITS?**

17 A. Yes. Witness Williamson stated in his direct testimony that his review of
18 Witness Beveridge's testimony and exhibits suggests that the Company's
19 proposal to use a 10% variance reduction is appropriate to mitigate rate shock
20 in this case.² Moreover, the Public Staff applied its same four basic revenue
21 assignment principles in the Duke Energy Progress, LLC ("DEP") rate case in

¹ See Supplemental Testimony of David M. Williamson, at 4.

² Tr. vol. 11 at 40–41, 43.

1 Docket No. E-2, Sub 1300, to arrive at exactly the same allocation methodology
2 as DEP, despite not agreeing on the proposed revenues.³ While the Public Staff,
3 of course, is not required to use the same approach in both cases, from a rate
4 design perspective, there is no basis in the record in the DEC case that would
5 support the use of a different methodology than that recommended by Public
6 Staff and ultimately approved by the Commission in the DEP proceeding.
7 Further, the Company reasonably relied on Witness Williamson's direct
8 testimony in this case, which was consistent with the Public Staff and DEP's
9 proposed variance reduction in Docket No. E-2, Sub 1300. Nevertheless,
10 Witness Williamson's recommended allocation of the revenue requirement in
11 this case differs from that of the Company (as well as any other intervenor),
12 resulting in substantially different percentage increases to the various customer
13 classes than any of the rate design approaches litigated during the course of the
14 evidentiary hearing in this case.

15 **Q. IS PUBLIC STAFF'S PROPOSED METHODOLOGY REPLICABLE?**

16 A. No, and this is one of the key concerns the Company has with Witness
17 Williamson's approach. The Company's revenue allocation methodology is
18 clear and replicable – meaning that the Company's recommended methodology
19 can be easily applied to the final revenue requirement approved by the
20 Commission and requires no further subjective determinations. In contrast,
21 Witness Williamson's recommended revenue allocation is opaque and not

³ See Tr. Vol. 24, at 100-101, 104-105 (Docket No. E-2, Sub 1300).

1 replicable and appears to employ a level of subjective determination that is
2 simply unreasonable.

3 More specifically, Public Staff manually adjusted the rate increase for
4 each rate class independently to “apply the Public Staff’s revenue assignment
5 principles as practicably as possible.”⁴ Thus, this “methodology” relies on the
6 subjective determination of optimal rate increase percentages by the Public
7 Staff, independently for each customer class. The Public Staff did not define or
8 employ a precise or replicable process that can be applied to any revenue
9 requirement other than the specific result that they recommend.⁵ Accordingly,
10 the Company has no clear guidance on how to apply Witness Williamson’s
11 allocation principles to any other revenue requirement that the Commission
12 may order. Regardless of the specific methodology for which any party may
13 advocate, the Company believes it is crucial to utilize a precisely defined and
14 scalable process for revenue allocation to provide transparency into the
15 direction and range of potential outcomes and to allow for informed debate
16 within the normal course of rate case proceedings. Witness Williamson’s
17 “methodology” does not meet these criteria.

⁴ See Supplemental Testimony of David M. Williamson, at 9.

⁵ This is evidenced by the fact that the Public Staff employed the same four rate design principles to come to materially different allocations in this case versus in the DEP rate case, as discussed above.

1 **Q. PLEASE REITERATE WHY THE COMPANY CONTINUES TO**
2 **SUPPORT ITS RECOMMENDED ALLOCATION METHODOLOGY.**

3 A. As explained in our rebuttal testimony, the Company's proposed allocation
4 methodology, which employs a 10% subsidy reduction, balances the rate
5 increases requested in this proceeding so that no rate class receives a
6 disproportionate increase, particularly considering the proposed changes to the
7 cost of service methodology, which results in a shift of costs among rate classes.
8 Consistent with the Company's previous rate case proceedings, the Company is
9 applying the concept of gradualism to align revenues collected from each class
10 with cost causation from the Company's cost of service. Moreover, the
11 Company's proposed allocation methodology is consistent with House Bill 951
12 in that it allocates the revenue requirement based upon the cost causation
13 principle, minimizes interclass subsidization "to the greatest extent
14 practicable," and considers rate shock. Finally, as explained above, the
15 allocation methodology recommended by the Company is identical to that
16 methodology approved by the Commission in the DEP rate case proceeding in
17 Docket No. E-2, Sub 1300, and there is no reason to depart from such
18 methodology in this proceeding.

19 **Q. DOES THIS CONCLUDE THE RATE DESIGN PANEL'S PRE-FILED**
20 **SUPPLEMENTAL REBUTTAL TESTIMONY?**

21 A. Yes.

REDLINE
Corrected Supplemental Rebuttal
Testimony of Jonathan L. Byrd and
Morgan D. Beveridge

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1276

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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Application of Duke Energy Carolinas, LLC)	JONATHAN L. BYRD
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4 Beveridge filed supplemental direct testimony and exhibits on May 19, 2023
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8 **Q. IS THE RATE DESIGN PANEL SPONSORING ANY EXHIBITS WITH**
9 **ITS SUPPLEMENTAL REBUTTAL TESTIMONY?**

10 A. No.

11 **Q. WHAT IS THE PURPOSE OF THE RATE DESIGN PANEL'S**
12 **SUPPLEMENTAL REBUTTAL TESTIMONY?**

13 A. The purpose of the Rate Design Panel's supplemental rebuttal testimony is to
14 respond to Public Staff witness David Williamson's supplemental testimony
15 and exhibits, which were filed October 13, 2023, and corrected on October 20,
16 2023, in this docket.

17 **Q. WHAT DID PUBLIC STAFF WITNESS WILLIAMSON RECOMMEND**
18 **IN HIS SUPPLEMENTAL TESTIMONY?**

19 A. Witness Williamson utilized the Company's cost of service study to develop a
20 distribution framework incorporating base revenues, expenses, net income, and
21 rate base for the test year. Witness Williamson applied this framework to the
22 adjusted present and proposed revenues, expenses, and rate base to develop the

1 Public Staff's recommended allocation of revenues by detail rate class for each
2 year of the multiyear rate plan ("MYRP").

3 Witness Williamson testified that he also "applied and balanced the
4 Public Staff's four basic revenue assignment principles . . . to influence the way
5 revenue apportionment is applied to each retail rate class."¹ These principles
6 are outlined in Witness Williamson's direct and supplemental testimony.
7 According to Witness Williamson, "[t]o the greatest extent practicable, the
8 Public Staff's assignment of the base revenue increase and Rate Years 1, 2, and
9 3 adheres to each of these principles."

10 ~~Q. PLEASE EXPLAIN YOUR PROCEDURAL CONCERNS WITH~~
11 ~~WITNESS WILLIAMSON'S SUPPLEMENTAL REBUTTAL~~
12 ~~TESTIMONY.~~

13 ~~A. The Company shares the procedural concerns expressed by many other parties~~
14 ~~regarding Witness Williamson's approach to this issue. Specifically, the~~
15 ~~Company does not agree with Witness Williamson that it is necessary to wait~~
16 ~~until a final revenue requirement recommendation is reached before a revenue~~
17 ~~allocation methodology recommendation is provided. In fact, the Company~~
18 ~~itself recommended a revenue allocation methodology as part of its Application~~
19 ~~in this case, which was filed more than 10 months ago, and continues to support~~
20 ~~that revenue allocation methodology as applied to its final revenue requirement~~
21 ~~recommendation and to the final revenue requirement ultimately determined by~~

¹ See Supplemental Testimony of David M. Williamson, at 4.

1 ~~the Commission. This is precisely the same approach taken in the companion~~
2 ~~Duke Energy Progress, LLC (“DEP”) rate case proceeding in Docket No. E-2,~~
3 ~~Sub 1300, in which DEP similarly recommended a revenue requirement~~
4 ~~allocation methodology at the time of its application (the same methodology~~
5 ~~that the Company proposed in this proceeding) that was then ultimately~~
6 ~~supported by Public Staff and approved by the Commission. It is fundamentally~~
7 ~~unfair and unnecessary for the Company and all parties to be deprived of Public~~
8 ~~Staff’s final recommendation for revenue allocation methodology until this late~~
9 ~~stage of a proceeding given the critical importance of the issue.~~

10 ~~Q. PLEASE ELABORATE.~~

11 ~~A. As we explained in our joint rebuttal testimony, it is not necessary to wait until~~
12 ~~a final revenue requirement is determined in order to recommend a~~
13 ~~methodology for allocating revenues to the customer classes. Indeed, as Witness~~
14 ~~Byrd testified at the evidentiary hearing in this case on August 30, 2023, even~~
15 ~~if the Public Staff did not yet have a final revenue requirement value~~
16 ~~determined, the Public Staff could instead apply an allocation methodology to~~
17 ~~a range of revenues to demonstrate the appropriateness of an allocation~~
18 ~~methodology. Under this approach, Witness Williamson could have provided a~~
19 ~~proposed allocation methodology earlier in this case, allowing for the parties to~~
20 ~~weigh in on the Public Staff’s recommended rate design during the course of~~
21 ~~the proceeding without the need to file supplemental testimony or reconvene~~
22 ~~the hearing.~~

1 **Q. ~~TURNING FROM THE PROCEDURAL ISSUES,~~ PLEASE RESPOND**
2 **TO WITNESS WILLIAMSON'S SUBSTANTIVE**
3 **RECOMMENDATION.**

4 A. The Company disagrees with Witness Williamson's substantive
5 recommendation regarding the allocation of revenue to the retail classes.

6 **Q. WAS THE COMPANY SURPRISED BY THE RECOMMENDED**
7 **REVENUE ALLOCATION REFLECTED IN WITNESS**
8 **WILLIAMSON'S SUPPLEMENTAL TESTIMONY AND EXHIBITS?**

9 A. Yes. Witness Williamson stated in his direct testimony that his review of
10 Witness Beveridge's testimony and exhibits suggests that the Company's
11 proposal to use a 10% variance reduction is appropriate to mitigate rate shock
12 in this case.² Moreover, the Public Staff applied its same four basic revenue
13 assignment principles in the Duke Energy Progress, LLC ("DEP") rate case in
14 Docket No. E-2, Sub 1300, to arrive at exactly the same allocation methodology
15 as DEP, despite not agreeing on the proposed revenues.³ While the Public Staff,
16 of course, is not required to use the same approach in both cases, from a rate
17 design perspective, there is no basis in the record in the DEC case that would
18 support the use of a different methodology than that recommended by Public
19 Staff and ultimately approved by the Commission in the DEP proceeding.
20 Further, the Company reasonably relied on Witness Williamson's direct
21 testimony in this case, which was consistent with the Public Staff and DEP's

² Tr. vol. 11 at 40-41, 43.

³ See Tr. Vol. 24, at 100-101, 104-105 (Docket No. E-2, Sub 1300).

1 proposed variance reduction in Docket No. E-2, Sub 1300. Nevertheless,
2 Witness Williamson's recommended allocation of the revenue requirement in
3 this case differs from that of the Company (as well as any other intervenor),
4 resulting in substantially different percentage increases to the various customer
5 classes than any of the rate design approaches litigated during the course of the
6 evidentiary hearing in this case.

7 **Q. IS PUBLIC STAFF'S PROPOSED METHODOLOGY REPLICABLE?**

8 A. No, and this is one of the key concerns the Company has with Witness
9 Williamson's approach. The Company's revenue allocation methodology is
10 clear and replicable – meaning that the Company's recommended methodology
11 can be easily applied to the final revenue requirement approved by the
12 Commission and requires no further subjective determinations. In contrast,
13 Witness Williamson's recommended revenue allocation is opaque and not
14 replicable and appears to employ a level of subjective determination that is
15 simply unreasonable.

16 More specifically, Public Staff manually adjusted the rate increase for
17 each rate class independently to “apply the Public Staff's revenue assignment
18 principles as practicably as possible.”⁴ Thus, this “methodology” relies on the
19 subjective determination of optimal rate increase percentages by the Public
20 Staff, independently for each customer class. The Public Staff did not define or
21 employ a precise or replicable process that can be applied to any revenue

⁴ See Supplemental Testimony of David M. Williamson, at 9.

1 requirement other than the specific result that they recommend.⁵ Accordingly,
2 the Company has no clear guidance on how to apply Witness Williamson's
3 allocation principles to any other revenue requirement that the Commission
4 may order. Regardless of the specific methodology for which any party may
5 advocate, the Company believes it is crucial to utilize a precisely defined and
6 scalable process for revenue allocation to provide transparency into the
7 direction and range of potential outcomes and to allow for informed debate
8 within the normal course of rate case proceedings. Witness Williamson's
9 "methodology" does not meet these criteria.

10 **Q. PLEASE REITERATE WHY THE COMPANY CONTINUES TO**
11 **SUPPORT ITS RECOMMENDED ALLOCATION METHODOLOGY.**

12 A. As explained in our rebuttal testimony, the Company's proposed allocation
13 methodology, which employs a 10% subsidy reduction, balances the rate
14 increases requested in this proceeding so that no rate class receives a
15 disproportionate increase, particularly considering the proposed changes to the
16 cost of service methodology, which results in a shift of costs among rate classes.
17 Consistent with the Company's previous rate case proceedings, the Company is
18 applying the concept of gradualism to align revenues collected from each class
19 with cost causation from the Company's cost of service. Moreover, the
20 Company's proposed allocation methodology is consistent with House Bill 951
21 in that it allocates the revenue requirement based upon the cost causation

⁵ This is evidenced by the fact that the Public Staff employed the same four rate design principles to come to materially different allocations in this case versus in the DEP rate case, as discussed above.

1 principle, minimizes interclass subsidization “to the greatest extent
2 practicable,” and considers rate shock. Finally, as explained above, the
3 allocation methodology recommended by the Company is identical to that
4 methodology approved by the Commission in the DEP rate case proceeding in
5 Docket No. E-2, Sub 1300, and there is no reason to depart from such
6 methodology in this proceeding.

7 **Q. DOES THIS CONCLUDE THE RATE DESIGN PANEL’S PRE-FILED**
8 **SUPPLEMENTAL REBUTTAL TESTIMONY?**

9 **A. Yes.**

Rate Design Panel's Supplemental
Rebuttal Testimony Summary

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1276

Duke Energy Carolinas, LLC
Summary of Supplemental Rebuttal Testimony of
Jonathan L. Byrd and Morgan D. Beveridge
Docket No. E-7, Sub 1276

My name is Jonathan Byrd, and I am the Managing Director of Rate Design and Regulatory Solutions for Duke Energy Business Services, LLC (“DEBS”). I am appearing together on behalf of Duke Energy Carolinas, LLC (“DEC or the “Company”) with Morgan D. Beveridge, Manager of Rates and Regulatory Strategy for DEBS, as part of the Rate Design Panel. Our supplemental rebuttal testimony responds to the supplemental testimony and exhibits of Public Staff witness David Williamson, which were filed in this docket on October 13, 2023.

Despite stating in his direct testimony that the Company’s proposal to use a 10% variance reduction is appropriate to mitigate rate shock in this case, Witness Williamson’s allocation recommendation in his supplemental testimony and exhibits differs substantially from the recommendations of the Company as well as any other intervenor that was litigated during the course of the evidentiary hearing. Additionally, unlike the Company’s proposed methodology, the Public Staff’s proposed methodology is not precise or replicable, as it relies on the Public Staff’s subjective determination of optimal rate increase percentages independently for each customer class. This process cannot be applied to any revenue requirement other than the specific result they recommend. Accordingly, the Company has no clear guidance on how to apply this allocation methodology to any other revenue requirement that the Commission may order. It is crucial to utilize a precisely defined and scalable process for revenue apportionment to provide transparency into the range of potential outcomes, and to allow for informed debate within the normal course of rate case proceedings.

Witness Williamson’s “methodology” does not meet these criteria, while the Company’s approach balances requested rate increases, is consistent with previous proceedings, applies the concept of gradualism, and is consistent with House Bill 951. Moreover, in the Duke Energy

**Duke Energy Carolinas, LLC
Summary of Supplemental Rebuttal Testimony of
Jonathan L. Byrd and Morgan D. Beveridge
Docket No. E-7, Sub 1276**

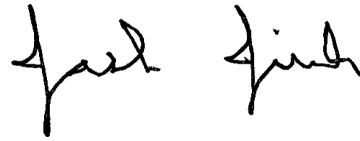
Progress (“DEP”) case, the Public Staff arrived at the exact same allocation methodology as DEP despite not agreeing on proposed revenues. There is nothing in the record to support the use of a different methodology than what was used and approved in the DEP case.

This concludes the panel’s supplemental rebuttal testimony summary.

CERTIFICATE OF SERVICE

I certify that a copy of Duke Energy Carolinas, LLC's Corrected Supplemental Rebuttal Testimony of Jonathan L. Byrd and Morgan D. Beveridge and Rate Design Panel's Supplemental Rebuttal Testimony Summary has been served by electronic mail, hand delivery or by depositing a copy in the United States mail, postage prepaid, to parties of record.

This the 26th day of October, 2023.

A handwritten signature in black ink, appearing to read "Jack Jirak", is written above the printed name and title.

Jack E. Jirak
Deputy General Counsel
Duke Energy Corporation
P.O. Box 1551/NCRH 20
Raleigh, North Carolina 27602
(919) 546-3257
Jack.jirak@duke-energy.com