



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

September 18, 2023

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

Re: Docket No. E-2, Sub 1322 – Application by Duke Energy Progress, LLC, for Approval of Demand-Side Management and Energy Efficiency Cost Recovery Rider Pursuant

Dear Ms. Dunston:

Attached for filing on behalf of the Public Staff in the above-referenced docket is the testimony of Michelle Boswell, Director of the Accounting Division of the Public Staff – North Carolina Utilities Commission. This testimony is being filed consistent with the Public Staff's September 15, 2023 Motion for Substitution of Witness and Adoption of Testimony.

By copy of this letter, I am forwarding a copy to all parties of record by electronic delivery.

Sincerely,

Electronically submitted
/s/ Anne M. Keyworth
Staff Attorney
anne.keyworth@psncuc.nc.gov

Attachment

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Transportation
(919) 733-7766

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(919) 733-5610

CERTIFICATE OF SERVICE

I certify that I have served a copy of the following testimony on all parties of record in accordance with Commission Rule R1-39, by United States mail, postage prepaid, first class; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 18th day of September, 2023.

Electronically submitted
/s/ Anne M. Keyworth

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-2, SUB 1322

In the Matter of
Application of Duke Energy Progress,)
LLC, for Approval of Demand-Side)
Management and Energy Efficiency Cost)
Recovery Rider Pursuant to N.C.G.S. §)
62-133.9 and Commission Rule R8-69)

**TESTIMONY OF
MICHELLE BOSWELL
PUBLIC STAFF –
NORTH CAROLINA
UTILITIES COMMISSION**

September 18, 2023

1 **Q. Please state your name, business address, and present**
2 **position.**

3 A. My name is Michelle Boswell. My business address is 430 North
4 Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am the
5 Director of Accounting for the Accounting Division of the Public Staff.

6 **Q. Briefly state your qualifications and duties.**

7 A. My qualifications and duties are attached as Appendix A.

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

9 A. The purpose of my testimony is to present my review of the
10 Application submitted by Duke Energy Progress, LLC (DEP or the
11 Company) regarding the Demand-Side Management (DSM) and
12 Energy Efficiency (EE) cost and incentive recovery rider (DSM/EE
13 Rider)¹ filed in this docket on June 13, 2023, and supplemented on
14 August 24, 2023. The DSM/EE Rider is authorized by N.C. Gen. Stat.
15 § 62-133.9 and is implemented pursuant to Commission Rule R8-69.

16 **Q. Please describe the basis for the Company's filing.**

17 A. North Carolina General Statute § 62-133.9(d) allows a utility to
18 petition the Commission for approval of an annual rider to recover:
19 (1) the reasonable and prudent costs of new DSM and EE measures;

¹ The DSM/EE Rider is comprised of various class-based DSM, EE, DSM Experience Modification Factor (EMF), and EE EMF billing rates.

1 and (2) other incentives to the utility for adopting and implementing
2 new DSM and EE measures. However, N.C.G.S. § 62-133.9(f)
3 allows industrial and certain large commercial customers to opt out
4 of participating in the power supplier's DSM/EE programs and paying
5 the DSM/EE rider, if each such customer notifies its electric power
6 supplier that it has implemented or will implement, at its own
7 expense, alternative DSM and EE measures. Commission Rule
8 R8-69, which was adopted by the Commission pursuant to N.C.G.S.
9 § 62-133.9(h), sets forth the general parameters and procedures
10 governing approval of the annual rider, including, but not limited to:
11 (1) provisions for both (a) a DSM/EE rider to recover the estimated
12 costs and utility incentives applicable to the "rate period" in which that
13 DSM/EE rider will be in effect, and (b) a DSM/EE EMF rider to
14 recover the difference between the DSM/EE rider in effect for a given
15 test period (plus a possible extension) and the actual recoverable
16 amounts incurred during that test period; and (2) provisions for
17 interest or a return on amounts deferred and on refunds to
18 customers.

19 In this proceeding, DEP has calculated its proposed DSM/EE Rider
20 (incorporating both prospective and EMF DSM and EE billing rates)
21 using, for vintage years prior to 2022, the Cost Recovery and
22 Incentive Mechanism for DSM/EE Programs approved by the
23 Commission in Docket No. E-2, Sub 931 (Sub 931), on January 20,

1 2015, in its Order Approving Revised Cost Recovery and Incentive
2 Mechanism and Granting Waivers, as subsequently revised by the
3 Commission in its November 27, 2017 Order Approving DSM/EE
4 Rider and Requiring Filing of Proposed Customer Notice, issued in
5 the Company's 2017 DSM/EE rider proceeding in Docket No. E-2,
6 Sub 1145 (2017 Mechanism).² For vintage years 2022 and after, the
7 Company utilized a revised mechanism, which was also approved by
8 the Commission on October 20, 2020, in Sub 931, in its Order
9 Approving Revisions to Demand-Side Management and Energy
10 Efficiency Cost Recovery Mechanisms, and which took effect on
11 January 1, 2022 (2020 Mechanism).

12 The Public Staff detailed the development and major components of
13 the 2017 and 2020 Mechanisms in the testimony of Michael C.
14 Maness in Docket No. E-2, Sub 1273.

² Certain billing factor components consisting of costs incurred or incentives earned prior to January 1, 2016, but being carried forward to or amortized as part of the billing factors proposed in this proceeding, were determined pursuant to the Cost Recovery and Incentive Mechanism for Demand-Side Management and Energy Efficiency Programs (Initial Mechanism) approved by the Commission on June 15, 2009, in its Order Approving Agreement and Stipulation of Partial Settlement, Subject to Certain Commission-Required Modifications, in Docket No. E-2, Sub 931, as modified by the Commission's November 25, 2009 Order Granting Motions for Reconsideration in Part, in the same docket.

1 **Q. Please describe the billing factors, vintage years, rate period,**
2 **and test period being considered in this proceeding.**

3 A. In its Application in this proceeding, DEP requested approval of
4 prospective and EMF DSM and EE billing rates that would result in
5 annual North Carolina retail revenue of \$142,274,032. These
6 proposed billing factors are set forth in DEP witness Carolyn T. Miller
7 Exhibit 1. The factors (rates), as applicable to each class, are
8 proposed by the Company to be charged to all participating North
9 Carolina retail customers (i.e., those that have not opted out pursuant
10 to N.C.G.S. § 62-133.9(f)) served during the rate period.

11 The decrease in the monthly bill of a residential customer using 1,000
12 kilowatt-hours (kWh) of energy resulting from this revenue
13 requirement decrease would be \$0.11. The change in a non-
14 residential customer's bill would depend on the particular vintage
15 years of DSM and/or EE rates for which the customer is opted out or
16 opted in.

17 The rate period for this proceeding is the 12-month period from
18 January 1, 2024, through December 31, 2024. This is the period over
19 which the prospective DSM and EE billing rates and the DSM and
20 EE EMF billing rates determined in this proceeding will be charged.

21 It is also the period for which the estimated revenue requirements
22 (program costs, net lost revenues (NLR), Program Performance

1 Incentive (PPI) and Program Return Incentive (PRI)) to be recovered
2 through the prospective DSM/EE rates are determined.

3 The test period applicable to this proceeding is the 12-month period
4 ended December 31, 2022. This is the period for which the under- or
5 over-recovery of DSM/EE revenue requirements as compared to
6 actual DSM/EE rider revenues is measured for purposes of
7 determining the DSM and EE EMF billing rates (although
8 Commission Rule R8-69(b) allows the true-up to be extended to
9 cover additional months, subject to review and adjustment in the
10 following year's proceeding). Actual program costs considered for
11 true-up in this proceeding are either costs actually incurred during
12 the test period, or further true-ups or corrections related to previous
13 test periods. For purposes of recovery, actual program costs may be
14 amortized over periods ranging from one to 10 years. A return is also
15 calculated on program costs deferred during the test year and on
16 over-recoveries of total revenue requirements after the date the rates
17 change. NLR and PPI reflected in the EMF revenue requirements
18 being set in this proceeding are associated with kilowatt-hours (kWh)
19 and dollar savings achieved during Vintage Year 2022 (which is also
20 the test year), as well as true-ups associated with prior vintage years.
21 The PPI revenue requirement may also be amortized on a levelized
22 basis over several years.

1 **Q. Please explain the purpose of the Company's August 24, 2023**
2 **supplemental filing.**

3 A. The purpose of the Company's supplemental filing was to: (1) correct
4 the rates related to the EM&V adjustment for Smart \$aver Non-
5 Residential Prescriptive Program; (2) reflect updated regulatory fees;
6 and (3) revise the DSM/EE program/measures table in witness
7 Miller's testimony, and to update witness Miller Exhibits 1, 2, and 3
8 to reflect these changes. Based on the revisions set forth in the
9 Company's supplemental filing, its revised North Carolina retail
10 revenue request is approximately \$141 million.

11 The decrease in the monthly bill of a residential customer using 1,000
12 kWh of energy resulting from the revised revenue requirement in the
13 Company's supplemental filing is \$0.11 as compared to the revenue
14 requirement from Sub 1294. The change in a non-residential
15 customer's bill would depend on the particular vintage years of DSM
16 and/or EE rates for which the customer is opted out or opted in.

17 **Q. What are some of the characteristics of DEP's proposed**
18 **DSM/EE billing factors in this specific proceeding?**

19 A. The prospective DSM and EE billing rates incorporate several cost
20 recovery elements as estimated for the rate period, including
21 amortizations of operations and maintenance costs, administrative
22 and general (A&G) costs, carrying costs (return on deferred costs),

1 NLR, and levelized PPI incentives. The test period true-up DSM and
2 EE EMF billing rates contain test period actual amounts of the same
3 types of costs and incentives as the prospective rates. The DSM and
4 EE EMF billing rates may also include adjustments to any required
5 return on over- or under-collections of DSM/EE revenues.

6 **Q. Will there be future true-ups of the DSM/EE revenue**
7 **requirements?**

8 A. The finalization of the true-ups of NLR and PPI sometimes lags
9 behind the true-ups of program costs and A&G expenses subject to
10 amortization. This feature of the true-up process is due to the fact
11 that, while cost amounts are typically known and determinable very
12 soon after they are incurred, it can take several months or years to
13 complete the applicable EM&V process and to refine and adjust the
14 cost savings results for a given vintage year so that the final actual
15 incentives payable to the utility can be determined. Therefore, while
16 the cost amounts to be trued up as part of the test period DSM/EE
17 EMF revenue requirement typically correspond very closely to the
18 actual costs incurred during the test period, the test period revenue
19 requirement often contains incentives related to more than one
20 vintage year. Additionally, certain components of the revenue
21 requirements related to prior years will remain subject to prospective
22 update adjustments and retrospective true-ups in the future, as

1 participation and EM&V analyses are finalized, reviewed, and
2 perhaps refined.

3 **Q. Please describe your investigation of DEP's filing.**

4 A. The Public Staff's investigation of DEP's filing in this proceeding
5 focused on determining whether the proposed DSM/EE Rider: (1)
6 was calculated in accordance with the 2017 or 2020 Mechanism, as
7 applicable; and (2) otherwise adhered to sound ratemaking concepts
8 and principles. The procedures I utilized included a review of the
9 Company's initial and supplemental filings, relevant prior
10 Commission proceedings and orders, and workpapers and source
11 documentation used by the Company to develop the proposed billing
12 rates. Performing the investigation required the review of responses
13 to written data requests, as well as discussions with Company
14 personnel. As part of my investigation, I performed a review of the
15 actual DSM/EE program costs incurred by DEP during the 12-month
16 period ended December 31, 2022. To accomplish this, I selected and
17 reviewed samples of source documentation for test year costs
18 included by the Company for recovery through the DSM/EE Rider.
19 Review of this sample is intended to test whether the actual costs
20 included by the Company in the DSM and EE billing rates are either
21 valid costs of approved DSM and EE programs or administrative
22 costs supporting those programs.

1 The investigation, including the sampling of source documentation,
2 concentrated primarily on costs and incentives related to the January
3 through December 2022 test period, which will begin to be trued up
4 through the DSM and EE EMF billing rates approved in this
5 proceeding. The Public Staff also performed a more general review
6 of the prospective billing rates proposed to be charged for Vintage
7 Year 2024, which are subject to true-up in future proceedings.

8 **Q. What is your recommendation in this proceeding?**

9 A. Based on the results of the Public Staff's investigation, I recommend
10 that the billing factors proposed by the Company, as set forth in
11 Revised Miller Exhibit 1, be approved by the Commission. These
12 factors should be approved subject to any true-ups in future cost
13 recovery proceedings consistent with the 2017 and 2020
14 Mechanisms and the Commission orders with which they are
15 associated, as well as other relevant orders of the Commission,
16 including the Commission's final order in this proceeding.

17 In making this recommendation, the Public Staff notes that reviewing
18 the calculation of the DSM/EE rider is a process that involves
19 reviewing numerous assumptions, inputs, and calculations, and that
20 its recommendation regarding this proposed rider should not
21 preclude the Public Staff from taking issue in future proceedings with
22 the same or similar assumptions, inputs, and calculations.

1 **Q. Does the Public Staff have any additional comments?**

2 A. In accordance with my testimony in DEP's 2022 DSM/EE rider
3 proceeding (Docket No.
4 E-2, Sub 1294), the Public Staff undertook a review of DSM/EE
5 advertising and promotion costs, including their relationship to
6 incentives directly or indirectly provided to DSM/EE program
7 participants, and believes them to be reasonable in the current
8 proceeding.

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

10 A. Yes, it does.

APPENDIX A**QUALIFICATIONS AND EXPERIENCE****MICHELLE BOSWELL**

I graduated from North Carolina State University in 2000 with a Bachelor of Science degree in Accounting. I am a Certified Public Accountant.

As Director of the Accounting Division of the Public Staff, I am responsible for the performance, supervision, and management of the following activities: (1) the examination and analysis of testimony, exhibits, books and records, and other data presented by utilities and other parties under the jurisdiction of the Commission or involved in Commission proceedings; and (2) the preparation and presentation to the Commission of testimony, exhibits, and other documents in those proceedings. I have been employed by the Public Staff since September 2000.

I have performed numerous audits and/or presented testimony and exhibits before the Commission regarding a wide range of electric, natural gas, and water topics. I have performed audits and/or presented testimony in DEC's 2010, 2015, 2017, 2019, and 2020 REPS Cost Recovery Rider proceedings; DEP's 2014, 2015, 2017, 2018, and 2019 REPS Cost Recovery Rider proceedings; the 2014 REPS Cost Recovery Rider proceeding for Dominion North Carolina Power; the 2008 REPS Compliance Reports for North Carolina Municipal Power Agency 1, North

Carolina Eastern Municipal Power Agency, GreenCo Solutions, Inc., and EnergyUnited Electric Membership Corporation; four recent Piedmont Natural Gas (Piedmont) rate cases; the 2016 rate case of Public Service Company of North Carolina; the 2012 and 2019 rate cases for Dominion Energy North Carolina (DENC, formerly Dominion North Carolina Power); the 2013, 2017, and 2019 DEP rate cases; the 2017 and 2019 DEC rate cases; the 2018 fuel rider for DENC; several Piedmont, NUI Utilities, Inc. (NUI), and Toccoa annual gas cost reviews; the merger of Piedmont and NUI; and the merger of Piedmont and North Carolina Natural Gas.