STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-7, SUB 1305

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	)	
Application of Duke Energy Carolinas, LLC	)	
for Approval of Demand-Side Management	)	**DIRECT TESTIMONY OF**
and Energy Efficiency Cost Recovery Rider	)	**CAROLYN T. MILLER FOR**
Pursuant to N.C. Gen. Stat. § 62-133.9 and	)	**DUKE ENERGY CAROLINAS,**
Commission Rule R8-69	)	**LLC**

I. INTRODUCTION AND PURPOSE

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TITLE.

A. My name is Carolyn T. Miller, and my business address is 525 South Tryon Street, Charlotte, North Carolina, 28202. I am a Rates and Regulatory Strategy Manager for Duke Energy Carolinas, LLC ("DEC" or the "Company"). I support both DEC and Duke Energy Progress, LLC ("DEP").

Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL QUALIFICATIONS.

A. I graduated from The College of New Jersey in 1994 with a Bachelor of Science degree in Accounting. I started my career in 1994 at Ernst & Young as a Senior Auditor. Subsequently, from 1997-1999, I worked for Duke Energy Global Asset Development as a Business Analyst. From 1999-2001, I worked for Duke Engineering & Services as a Senior Business Analyst. I then joined Duke Energy in 2001 and served in various roles, including as Senior Business Analyst, Manager of General Accounting, Manager of Emerging Issues, and Manager of Tax Accounting. Since 2016, I have worked for DEC as Manager of Rates and Regulatory Strategy.

Q. WHAT ARE YOUR CURRENT RESPONSIBILITIES FOR DEC?

A. I am responsible for providing regulatory support and guidance on DEC's demand-side management ("DSM") and energy efficiency ("EE") cost recovery process.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE NORTH CAROLINA UTILITIES COMMISSION ("COMMISSION")?

A. Yes. I provided testimony in support of the DEC DSM/EE Rider Application in Docket No. E-7, Sub 1285 and the DEP DSM/EE Rider Application in Docket No. E-2, Sub 1322.

Q. **WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

A. The purpose of my testimony is to explain and support DEC's proposed DSM/EE cost recovery rider ("Rider 16")—including prospective and Experience Modification Factor ("EMF") components—and provide information required by Commission Rule R8-69.

Q. PLEASE DESCRIBE THE EXHIBITS ATTACHED TO YOUR TESTIMONY.

A. Miller Exhibit 1 summarizes the individual rider components for which DEC requests approval in this filing. Miller Exhibit 2 shows the calculation of revenue requirements for each vintage, with separate calculations for non-residential DSM and EE programs within each vintage. Miller Exhibit 3 presents the return calculations for Vintages 2019, 2020, 2021, 2022, and 2023. Miller Exhibit 4 shows the actual and estimated prospective amounts collected from customers in Riders 10 through 15 pertaining to Vintages 2019 through 2024. Miller Exhibit 5 provides the calculation of the allocation factors used to allocate system DSM and EE costs to DEC's North Carolina retail jurisdiction. Miller Exhibit 6 presents the forecasted sales for the rate period (2025) and the actual and estimated sales related to customers that have opted out of various vintages. These amounts are used to determine the forecasted sales to which the Rider 16 amounts will apply. Miller Exhibit 7 is the proposed tariff sheet for Rider 16.

Q. WERE MILLER EXHIBITS 1-7 PREPARED BY YOU OR AT YOUR DIRECTION AND SUPERVISION?

A. Yes.

II. GENERAL STRUCTURE OF RIDERS

Q. PLEASE DESCRIBE THE STRUCTURE OF RIDER 16.

A. Rider 16 was calculated in accordance with the Company's portfolio of programs and cost recovery mechanism first approved in the Commission's *Order Approving DSM/EE Programs and Stipulation of Settlement*, issued on October 29, 2013 ("the Stipulation"), in Docket No. E-7, Sub 1032 and the cost recovery and incentive Mechanism ("2020 Mechanism" and collectively, the "Mechanisms") approved in the Commission's *Order Approving Revisions to Demand-Side Management and Energy Efficiency Cost Recovery Mechanisms,* issued on October 20, 2020, in Docket Nos. E-2, Sub 931 and E-7, Sub 1032 ("2020 Sub 1032 Order").

The approved cost recovery mechanism is designed to allow DEC to collect revenue equal to its incurred program costs[1] for a rate period plus a Portfolio Performance Incentive ("PPI") based on shared savings achieved by DEC's DSM/EE programs and to recover net lost revenues for EE programs only. In addition, per the 2020 Mechanism, as of 2022, the Income-Qualified

[1] Program costs are defined under Rule R8-68(b)(1) as all reasonable and prudent expenses expected to be incurred by the electric public utility, during a rate period, for the purpose of adopting and implementing new DSM and EE measures previously approved pursuant to Rule R8-68.

EE and Weatherization programs are eligible to receive a Program Return Incentive ("PRI") based on shared savings achieved by these programs. Company witness Casey Fields's testimony provides additional information on this matter.

The Company is allowed to recover net lost revenues associated with a particular vintage of an EE measure for the lesser of 36 months or the life of the measure, provided that the recovery of net lost revenues shall cease upon the implementation of new rates in a general rate case to the extent that the new rates are set to recover net lost revenues.

The Company's Mechanisms employ a vintage year concept based on the calendar year.[2] Each vintage year represents an identified 12-month period in which a specific DSM or EE measure is installed for an individual participant or group of participants. In each of its annual rider filings, DEC performs an annual true-up process for the prior calendar year vintages. The true-up will reflect actual participation and verified Evaluation, Measurement and Verification ("EM&V") results for completed vintages, applied in the same manner as agreed upon by DEC, the Southern Alliance for Clean Energy, and the Public Staff - North Carolina Utilities Commission ("Public Staff"), and approved by the Commission in its *Order Approving DSM/EE Rider and Requiring Filing of Proposed Customer Notice* issued on November 8, 2011, in Docket No. E-7, Sub 979 ("EM&V Agreement"). In accordance with the 2020

[2] Each vintage is referred to by the calendar year of its respective rate period (*e.g.*, Vintage 2020).

Sub 1032 Order, DEC continues to apply EM&V in accordance with the EM&V Agreement.

The Company has implemented deferral accounting for over- and under-recoveries of costs that are eligible for recovery through the annual DSM/EE rider. The balance in the deferral account(s), net of deferred income taxes, may accrue a return at the net-of-tax rate of return rate approved in DEC's most recent general rate case. The methodology used for the calculation of interest is required to be the same as that typically utilized for DEC's Existing DSM Program Rider. Pursuant to Commission Rule R8-69(c)(3), DEC will not accrue a return on net lost revenues or the PPI/PRI. Miller Exhibit 3, pages 1 through 20, shows the interest calculation performed as part of the true-up of Vintages 2019, 2020, 2021, 2022 and 2023.

The Company expects that most EM&V will be available in the time frame needed to true-up each vintage in the following calendar year. However, if any EM&V results for a vintage are not available in time for inclusion in DEC's annual rider filing, the Company will make an appropriate adjustment in the next annual filing.

DEC calculates one integrated (prospective) DSM/EE rider and one integrated DSM/EE EMF rider for the residential class, to be effective each rate period. The integrated residential DSM/EE EMF rider includes all true-ups for each applicable vintage year. Given that qualifying non-residential customers can opt out of DSM and/or EE programs, DEC calculates separate DSM and EE billing factors for the non-residential class. Additionally, the non-residential DSM and EE EMF billing factors are determined separately for each applicable vintage year, so that the factors can be appropriately charged to non-residential customers based on their opt-in/out status and participation for each vintage year.

Q. WHAT ARE THE COMPONENTS OF RIDER 16?

A. The prospective components of Rider 16 include: (1) a prospective Vintage 2025 component designed to collect estimated program costs and the PPI for DEC's 2025 vintage of DSM programs; (2) a prospective Vintage 2025 component to collect estimated program costs, PPI, PRI, and the first year of estimated net lost revenues for DEC's 2025 vintage of EE programs; (3) a prospective Vintage 2024 component designed to collect the second year of estimated net lost revenues for DEC's 2024 vintage of EE programs; (4) a prospective Vintage 2023 component designed to collect the third year of estimated net lost revenues for DEC's 2023 vintage of EE programs; and (5) a prospective Vintage 2022 component designed to collect the fourth year of estimated net lost revenues for DEC's 2022 vintage of EE programs.

The EMF components of Rider 16 include: (1) a true-up of Vintage 2019 net lost revenues, PPI and participation for DSM/EE programs based on additional EM&V results received; (2) a true-up of Vintage 2020 net lost revenues, PPI and participation for DSM/EE programs based on additional EM&V results received; (3) a true-up of Vintage 2021 net lost revenues, PPI and participation for DSM/EE programs based on additional EM&V results received; (4) a true-up of Vintage 2022 net lost revenues, program costs, PPI and PRI for DSM/EE programs and (5) a true-up of Vintage 2023 net lost revenues, program costs, PPI and PRI for DSM/EE programs.

Q. HOW DOES DEC CALCULATE THE PROPOSED BILLING FACTORS?

A. The billing factor for residential customers is computed by dividing the combined revenue requirements for DSM and EE programs by the forecasted sales for the rate period. For non-residential rates, the billing factors are computed by dividing the revenue requirements for DSM and EE programs separately by forecasted sales for the rate period. The forecasted sales exclude the estimated sales to customers who have elected to opt out of Rider EE. Because non-residential customers are allowed to opt out of DSM and/or EE programs separately in an annual election, non-residential billing factors are computed separately for each vintage.

III. COST ALLOCATION METHODOLOGY

Q. HOW DOES DEC ALLOCATE REVENUE REQUIREMENTS TO THE NORTH CAROLINA RETAIL JURISDICTION AND TO THE RESIDENTIAL AND NON-RESIDENTIAL RATE CLASSES?

A. The Company allocates the revenue requirements related to program costs and incentives for EE programs targeted at retail residential customers across North Carolina and South Carolina to its North Carolina retail jurisdiction based on the ratio of North Carolina retail kWh sales (grossed up for line losses) to total retail kWh sales (grossed up for line losses), and then recovers them only from North Carolina residential customers. The revenue requirements related to EE programs targeted at retail non-residential customers across North Carolina and South Carolina are allocated to the North Carolina retail jurisdiction based on the ratio of North Carolina retail kWh sales (grossed up for line losses) to total retail kWh sales (grossed up for line losses), and then recovered from only North Carolina retail non-residential customers. The portion of revenue requirements related to net lost revenues for EE programs is not allocated to the North Carolina retail jurisdiction, but rather is specifically computed based on the kW and kWh savings of North Carolina retail customers.

Historically, the Company has calculated the NC Revenue Requirement for Demand Response programs using both the state allocation factor and a second Residential/Non-Residential allocation factor, based on the percent of peak demand of each customer class. However, beginning with Vintage 2022, the Company is calculating the NC Revenue Requirement using only the state allocation and not the Residential/Non-Residential Peak Demand factor (as shown in Fields Exhibit 1, page 5 and 6, and reflected in Miller Exhibit 3, pages 14, 16, 18, and 20). This results in a more accurate representation of each customer class bearing the revenue requirement of the demand response programs offered to that class.

The allocation factors used in DSM/EE EMF true-up calculations for each vintage are based on the DEC Cost of Service study most recently filed with the Commission at the time that the Rider EE filing incorporating the initial true-up for each vintage is made. If there are subsequent true-ups for a vintage, DEC will use the same allocation factors as those used in the original DSM/EE EMF true-up calculations.

IV. UTILITY INCENTIVES AND NET LOST REVENUES

Q. HOW DOES DEC CALCULATE THE PPI AND PRI?

A. Pursuant to the Stipulation, DEC calculates the dollar amount of PPI by multiplying the shared savings achieved by the system portfolio of DSM/EE programs by 11.5% prior to 2022. Pursuant to the 2020 Mechanism and related 2020 Sub 1032 Order, starting in 2022, this percentage is lowered to 10.6%. In addition, as discussed above, Income-Qualified EE and Weatherization programs are eligible to receive a PRI.

Company witness Fields further describes the specifics of the PPI and PRI calculations in his testimony. In addition, Fields Exhibit 1, pages 1 through 5, shows the revised PPI Vintage 2019, Vintage 2020, Vintage 2021, Vintage 2022, and Vintage 2023 respectively, based on updated EM&V results, and Fields Exhibit 1, page 6, shows the estimated PPI and PRI by program type and customer class for Vintage 2025. The system amount of PPI and PRI is then allocated to North Carolina retail customer classes to derive customer rates.

Q. HOW DOES DEC CALCULATE THE NET LOST REVENUES FOR THE PROSPECTIVE COMPONENTS OF RIDER EE?

A. For the prospective components of Rider EE, net lost revenues are estimated by multiplying the portion of DEC's tariff rates that represent the recovery of fixed costs by the estimated North Carolina retail kW and kWh reductions applicable to EE programs by rate schedule and reducing this amount by estimated found revenues. The Company calculates the portion of North Carolina retail tariff rates (including certain riders) representing the recovery of fixed costs by deducting the recovery of fuel and variable operation and maintenance costs from its tariff rates. The lost revenues totals for residential and non-residential customers are then reduced by North Carolina retail found revenues computed using the weighted average lost revenue rates for each customer class. The testimony and exhibits of Company witness Fields provide information on the actual and estimated found revenues which offset lost revenues.

Q. WERE NET LOST REVENUES IN RIDER 16 IMPACTED BY THE DECOUPLING RIDER APPROVED BY THE COMMISSION?

A. No. In the most recent DEC rate case in Docket E-7 Sub 1134, the Commission approved DEC's proposal for a residential revenue per customer decoupling mechanism to break the link between the Company's profits and usage per customer in the residential class. As proposed in the DEC rate case, net lost revenues continue to be calculated and collected in the DSM/EE rider.

Q. HOW IS THE COMPANY ENSURING THAT THERE IS NO DOUBLE RECOVERY OF LOST REVENUE?

A. Any net lost revenues attributable to residential customers through the Company's DSM/EE rider are subtracted from the residential decoupling mechanism balance to ensure no double recovery of these revenues from customers. On February 14, 2024, the Company submitted its first Quarterly Residential Decoupling Status Report for the DEP decoupling mechanism as part of Docket No. E-2 Sub 1300. That report outlines the components of the decoupling calculation, including the removal of net lost revenues. A similar report will be provided in May 2024 for the DEC decoupling mechanism approved in Docket No. E-7 Sub 1276.

Q. HOW DOES DEC CALCULATE THE NET LOST REVENUES FOR THE EMF COMPONENTS OF RIDER EE?

A. For the EMF components of Rider EE, DEC calculates the net lost revenues by multiplying the portion of its tariff rates that represent the recovery of fixed costs by the actual and verified North Carolina retail kW and kWh reductions applicable to EE programs by rate schedule. The Company then reduces this amount by actual found revenues.

V. OPT-OUT PROVISIONS

Q. PLEASE EXPLAIN THE OPT-OUT PROCESS FOR NON-RESIDENTIAL CUSTOMERS.

A. Pursuant to the Commission's *Order Granting Waiver, in Part, and Denying Waiver, in Part* ("Waiver Order") issued April 6, 2010, in Docket No. E-7, Sub 938 and the Sub 1032 Orders, the Company is allowed to permit qualifying non-residential customers[3] to opt out of the DSM and/or EE portion of Rider EE during annual election periods. If a customer opts into a DSM program (or never opted out), the customer is required to participate for three years in the approved DSM programs and rider. If a customer chooses to participate in an EE program (or never opted out), that customer is required to pay the EE-related

[3] Individual commercial customer accounts with annual energy usage of not less than 1,000,000 kWh and any industrial customer account.

program costs, shared savings incentive, and the net lost revenues for the corresponding vintage of the programs in which it participated. Customers that opt out of DEC's DSM and/or EE programs remain opted-out unless they choose to opt back in during any of the succeeding annual election periods, which occur from November 1 to December 31 each year, or any of the succeeding annual opt-in periods in March as described below. If a customer participates in any vintage of programs, the customer is subject to all true-up provisions of the approved Rider EE for any vintage in which the customer participates.

DEC provides an additional opportunity for qualifying customers to opt into DEC's DSM and/or EE programs during the first five business days of March. Customers who choose to begin participating in DEC's EE and DSM programs during the special "opt-in period" during March of each year will be retroactively billed the applicable Rider EE amounts back to January 1 of the vintage year, such that they will pay the appropriate Rider EE amounts for the full rate period.

Q. DOES DEC ADJUST THE RATE FOR NON-RESIDENTIAL CUSTOMERS TO ACCOUNT FOR THE IMPACT OF "OPT-OUT" CUSTOMERS?

A. Yes. The impact of opt-out results is considered in the development of the Rider EE billing rates for non-residential customers. Since the revenue requirements will not be recovered from non-residential customers that opt out of DEC's programs, the forecasted sales used to compute the rate per kWh for non-residential rates exclude sales to customers that have opted out of the vintage to which the rate applies. This adjustment is shown on Miller Exhibit 6.

VI. PROSPECTIVE COMPONENTS

Q. WHAT IS THE RATE PERIOD FOR THE PROSPECTIVE COMPONENTS OF RIDER 16?

A. In accordance with the Commission's *Order on Motions for Reconsideration* issued on June 3, 2010, in Docket No. E-7, Sub 938 ("Second Waiver Order") and the 2020 Mechanism, DEC has calculated the prospective components of Rider 16 using the rate period January 1, 2025 through December 31, 2025.

Q. PLEASE DESCRIBE THE BASIS FOR THE RATE PERIOD REVENUE REQUIREMENTS RELATING TO VINTAGE 2022.

A. The Company determines the estimated revenue requirements for Vintage 2022 separately for residential and non-residential customer classes and bases them on the fourth year of net lost revenues for its Vintage 2022 EE programs. The amounts are based on estimated North Carolina retail kW and kWh reductions and DEC's rates approved in its most recent general rate case, which became effective September 1, 2023, adjusted as described above to recover only the fixed cost component.

Q. PLEASE DESCRIBE THE BASIS FOR THE RATE PERIOD REVENUE REQUIREMENTS RELATING TO VINTAGE 2023.

A. The Company determines the estimated revenue requirements for Vintage 2023 separately for residential and non-residential customer classes and bases them on the third year of net lost revenues for its Vintage 2023 EE programs. The amounts are based on estimated North Carolina retail kW and kWh reductions and DEC's rates approved in its most recent general rate case, which became effective September 1, 2023, adjusted as described above to recover only the fixed cost component.

Q. PLEASE DESCRIBE THE BASIS FOR THE RATE PERIOD REVENUE REQUIREMENTS RELATING TO VINTAGE 2024.

A. The Company determines the estimated revenue requirements for Vintage 2024 separately for residential and non-residential customer classes and bases them on the second year of net lost revenues for its Vintage 2024 EE programs. The amounts are based on estimated North Carolina retail kW and kWh reductions and DEC's rates approved in its most recent general rate case, which became effective September 1, 2023, adjusted as described above to only recover the fixed cost component.

Q. PLEASE DESCRIBE THE BASIS FOR THE RATE PERIOD REVENUE REQUIREMENTS RELATING TO VINTAGE 2025.

A. The estimated revenue requirements for Vintage 2025 EE programs include program costs, PPI, PRI, and the first year of net lost revenues determined separately for residential and non-residential customer classes. The estimated revenue requirements for Vintage 2025 DSM programs include program costs, PPI, and PRI. The program costs and shared savings incentive are computed at the system level and allocated to North Carolina based on the allocation methodologies discussed earlier in my testimony. The amounts are based on estimated North Carolina retail kW and kWh reductions and DEC's rates approved in its most recent general rate case, which became effective September 1, 2023, adjusted as described above to only recover the fixed cost component.

VII. EMF

Q. WHAT IS THE TEST PERIOD FOR THE EMF COMPONENT?

A. Pursuant to the Second Waiver Order and the Stipulation, the test period for the EMF component is defined as the most recently completed vintage year at the time of DEC's Rider EE cost recovery application filing date, which in this case is Vintage 2023 (January 1, 2023 through December 31, 2023). In addition, the Second Waiver Order allows the EMF component to cover multiple test periods, so the EMF component for Rider 16 includes Vintage 2019 (January 2019 through December 2019), Vintage 2020 (January 2020 through December 2020), Vintage 2021 (January 2021 through December 2021), and Vintage 2022 (January 2022 through December 2022) as well.

Q. WHAT IS BEING TRUED UP FOR VINTAGE 2023?

A. The chart below demonstrates which components of the Vintage 2023 estimate filed in 2022 are being trued up in the Vintage 2023 EMF component of Rider 16. Miller Exhibit 2, page 5 contains the calculation of the true-up for Vintage 2023. The second year of net lost revenues for Vintage 2023, which are a component of Rider 15 billings during 2024, will be trued up to actual amounts during the next rider filing.

	Vintage 2023 Estimate (2023) (Filed February 2022)	**Vintage 2023 True-Up (2023) (Filed February 2024)**
	Rider 14 Prospective	**Rider 16 EMF**
Participation	Estimated participation using half-year convention	Update for actual participation for January 2023 – December 2023
EM&V	Initial assumptions of load impacts	Updated according to Commission-approved EM&V Agreement
Lost Revenues	Estimated 2023 participation using half-year convention	Update for actual participation for January 2023 – December 2023and actual 2023 lost revenue rates
Found Revenues	Estimated according to Commission-approved guidelines	Update for actual according to Commission-approved guidelines
New Programs	Only includes programs approved prior to estimated filing	Update for any new programs and pilots approved and implemented since estimated filing

In addition, DEC has implemented deferral accounting for the under/over collection of program costs and calculated a return at the net-of-tax rate of return rate approved in DEC's most recent general rate case. The methodology used for the calculation of return is the same as that typically utilized for DEC's Existing DSM Program rider proceedings. Pursuant to Commission Rule R8-69(c)(3), DEC is not accruing a return on net lost revenues or the PPI. Please see Miller Exhibit 3, pages 1 through 20 for the calculation performed as part of the true-up of Vintage 2019, Vintage 2020, Vintage 2021, Vintage 2022, and Vintage 2023.

Q. HOW WERE THE LOAD IMPACTS UPDATED?

A. For DSM programs, the contracted amounts of kW reduction capability from participants are components of actual participation. As a result, the Vintage 2023 true-up reflects the actual quantity of demand reduction capability for the

Vintage 2023 period. The load impacts for EE programs were updated in accordance with the Commission-approved EM&V Agreement.

Q. HOW WERE ACTUAL NET LOST REVENUES COMPUTED FOR THE VINTAGE 2023 TRUE-UP?

A. Net lost revenues for year one (2023) of Vintage 2023 were calculated using actual kW and kWh savings by North Carolina retail participants by customer class based on actual participation and load impacts reflecting EM&V results applied according to the EM&V Agreement. The actual kW and kWh savings were as experienced during the period January 1, 2023 through December 31, 2023. The rates applied to the kW and kWh savings are the retail rates that were in effect for the period January 1, 2023, through December 31, 2023, reduced by fuel and other variable costs. The lost revenues were then offset by actual found revenues for year one of Vintage 2023 as explained by Company witness Fields. The calculation of net lost revenues was performed by rate schedule within the residential and non-residential customer classes.

Q. WHAT IS BEING TRUED UP FOR VINTAGE 2022?

A. Avoided costs for Vintage 2022 DSM programs are being trued up to update EM&V participation results. Avoided costs for Vintage 2022 EE programs are also being trued up based on updated EM&V results. The actual kW and kWh were savings experienced during the period January 1, 2022 through December 31, 2022. The rates applied to the kW and kWh savings are the retail rates that were in effect during each period the lost revenues were earned, reduced by fuel and other variable costs. In addition, lost revenues previously requested and collected are being adjusted to reflect the impact of the implementation of interim rates as of September 1, 2023.

Q. WHAT IS BEING TRUED UP FOR VINTAGE 2021?

A. Avoided costs for Vintage 2021 DSM programs are being trued up to update EM&V participation results. Avoided costs for Vintage 2021 EE programs are also being trued up based on updated EM&V results. The actual kW and kWh savings were as experienced during the period January 1, 2021, through December 31, 2021. The rates applied to the kW and kWh savings are the retail rates that were in effect during each period the lost revenues were earned, reduced by fuel and other variable costs. In addition, lost revenues previously requested and collected are being adjusted to reflect the impact of the implementation of interim rates as of September 1, 2023.

Q. WHAT IS BEING TRUED UP FOR VINTAGE 2020?

A. Net lost revenues for all years were trued up for updated EM&V results. The actual kW and kWh savings were as experienced during the period January 1, 2020, through December 31, 2020. The rates applied to the kW and kWh savings are the retail rates that were in effect during each period the lost revenues were earned, reduced by fuel and other variable costs. In addition, lost revenues previously requested and collected are being adjusted to reflect the impact of the implementation of interim rates as of September 1, 2023.

Q. WHAT IS BEING TRUED UP FOR VINTAGE 2019?

A. Net lost revenues for all years were trued up for updated EM&V results. The actual kW and kWh savings were as experienced during the period January 1, 2019 through December 31, 2019. The rates applied to the kW and kWh savings are the retail rates that were in effect during each period the lost revenues were earned, reduced by fuel and other variable costs.

Q. ARE THERE ANY OTHER TRUE UPS INCLUDED IN THIS FILING?

A. Yes. As discussed in my Supplemental Direct Testimony filed in Docket E-7 Sub 1285, there were various interest calculation corrections associated with Vintages 2018 through Vintage 2021. The Company discussed those changes with the Public Staff and did not incorporate those changes in Rider 15. Instead, the Company recommended addressing those corrections in Rider 16 as the corrections were varied in nature and resulted in both increases and decreases to rates. Adjustments have been made to Rider 16 for Vintages 2019 through Vintage 2022 in this filing. No adjustment has been made to Vintage 2018 as this vintage is now considered closed. In addition, Miller Exhibit 3 pages 1 through 20 as well as Miller Exhibit 4 have been redesigned for increased transparency in the interest calculations and to reduce the risk of human error.

VIII. PROPOSED RATES

Q. WHAT ARE THE PROPOSED INITIAL BILLING FACTORS APPLICABLE TO NORTH CAROLINA ELECTRIC CUSTOMERS FOR THE PROSPECTIVE COMPONENTS OF RIDER 16?

A. The Company's proposed initial billing factor for the Rider 16 prospective components is 0.5012 cents per kWh for DEC's North Carolina retail residential customers. For non-residential customers, the amounts differ depending upon customer elections of participation. The following chart depicts the options and rider amounts:

Non-Residential Billing Factors for Rider 16 Prospective Components	¢/kWh
Vintage 2022 EE participant	0.0079
Vintage 2023 EE participant	0.0369
Vintage 2024 EE participant	0.0929
Vintage 2025 EE participant	0.3591
Vintage 2025 DSM participant	0.1161

Q. WHAT ARE DEC'S PROPOSED EMF BILLING FACTORS APPLICABLE TO NORTH CAROLINA ELECTRIC CUSTOMERS FOR THE TRUE-UP COMPONENTS OF RIDER 16?

A. The Company's proposed EMF billing factor for the true-up components of Rider 16 is (0.0057) cents per kWh for DEC's North Carolina retail residential customers. For non-residential customers, the amounts differ depending upon customer elections of participation. The following chart depicts the options and rider amounts:

Non-Residential Billing Factors for Rider 16 EMF Components	¢/kWh
Vintage 2019 EE participant	0.0007
Vintage 2019 DSM participant	0.0000
Vintage 2020 EE Participant	(0.0047)
Vintage 2020 DSM Participant	(0.0016)
Vintage 2021 EE Participant	(0.0900)

Vintage 2021 DSM Participant	0.0003
Vintage 2022 EE Participant	(0.0767)
Vintage 2022 DSM Participant	(0.0020)
Vintage 2023 EE Participant	(0.1554)
Vintage 2023 DSM Participant	0.0143

Q. WHAT IS IMPACT OF THE COMPANY'S PROPOSED CHANGES TO THE BILLING FACTORS ON A CUSTOMER'S BILL?

A. If the Company's proposed billing factors are approved, a typical residential customer using 1,000 kWh would see an increase in their total monthly bill of $1.18, or 0.8%. The impact to an average non-residential customer's bill would depend on their opt-in/opt-out status for the various DSM and/or EE vintages.

IX. <u>CONCLUSION</u>

Q. PLEASE SUMMARIZE THE SPECIFIC RATE MAKING APPROVAL REQUESTED BY DEC.

A. DEC seeks approval of the Rider 16 billing factors to be effective throughout 2025. As discussed above, Rider 16 contains (1) a prospective component, which includes the fourth year of net lost revenues for non-residential Vintage 2022, the third year of net lost revenues for Vintage 2023, the second year of net lost revenues for Vintage 2024, and the revenue requirements for Vintage 2025; and (2) an EMF component which represents a true-up of Vintage 2019, Vintage 2020, Vintage 2021, Vintage 2022, and Vintage 2023. Consistent with the Stipulation, for DEC's North Carolina residential customers, the Company calculated one integrated prospective billing factor and one integrated EMF billing factor for Rider 16. Also, in accordance with the Stipulation, the non-residential DSM and EE billing factors have been determined separately for each vintage year and will be charged to non-residential customers based on their opt-in/out status and participation for each vintage year.

Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?

A. Yes.