

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

**DOCKET NO. E-7, SUB 1276**

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

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**I. INTRODUCTION**

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

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

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

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

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

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

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

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

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

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 both submitted direct testimony and exhibits on January 19, 2023, and  
4 Mr. Beveridge filed supplemental direct testimony and exhibits on May 19,  
5 2023.

6 **Q. IS THE RATE DESIGN PANEL SPONSORING ANY EXHIBITS WITH**  
7 **ITS REBUTTAL TESTIMONY?**

8 A. No.

9 **Q. WHAT IS THE PURPOSE OF THE RATE DESIGN PANEL'S**  
10 **REBUTTAL TESTIMONY?**

11 A. The purpose of the Rate Design Panel's rebuttal testimony is to respond to  
12 various points and issues raised by intervenors in this docket regarding:

13 1) REDUCTION IN SUBSIDIES as discussed in the testimony of the  
14 Carolina Industrial Group for Fair Utility Rates III ("CIGFUR III")  
15 Witness Brian Collins, Carolina Utility Customers Association  
16 ("CUCA") Witnesses Jeffry Pollock and David Lyons, and Public Staff  
17 Witness David Williamson;

18 2) TIME-OF-USE ("TOU") PERIODS as discussed in the testimony of the  
19 North Carolina Attorney General's Office ("AGO") Witness Caroline  
20 Palmer and CUCA Witness Pollock;

21 3) NON-RESIDENTIAL RATE DESIGNS as discussed in the testimony  
22 of Public Staff Witnesses Jordan Nader and Williamson, AGO Witness

1 Palmer, Kroger Co. and Harris Teeter LLC (“Harris Teeter”) Witness  
2 Justin Bieber, Commercial Group Witness Steve Chriss, CUCA  
3 Witnesses Pollock and Lyons, and CIGFUR III Witness Collins;  
4 4) RESIDENTIAL TOU RATE DESIGN as discussed in the testimony of  
5 AGO Witness Palmer;  
6 5) COMMUNICATION OF THE CHANGES TO LIGHTING  
7 SERVICES, RATE SCHEDULES, AND SERVICE REGULATIONS  
8 as discussed in the testimony of Public Staff Witness Williamson;  
9 6) RIDERS as discussed in the testimony of Public Staff Witnesses Nader  
10 and Williamson, AGO Witness Palmer, and NC WARN Witnesses  
11 William Powers and Rao Konidena;  
12 7) INCLUSION OF INCREMENTAL ELECTRIC VEHICLE (“EV”)   
13 REVENUES IN AN ADJUSTMENT TO THE DECOUPLING  
14 DEFERRAL CALCULATION (“INCREMENTAL EV REVENUE  
15 ADJUSTMENT”) as discussed in the testimony of Public Staff Witness  
16 Nader;  
17 8) THE FEASIBILITY OF A MULTI-SITE AGGREGATE  
18 COMMERCIAL RATE AND PILOT PROGRAM as discussed in the  
19 testimony of the Harris Teeter Witness Bieber; and  
20 9) ABILITY OF THE PUBLIC STAFF TO PROVIDE A CUSTOMER  
21 CLASS REVENUE REQUIREMENT APPORTIONMENT

1 RECOMMENDATION as discussed in the testimony of Public Staff  
2 Witness Williamson.

3 **II. RESPONSE TO PROPOSED REDUCTION IN SUBSIDIES**

4 **Q. CIGFUR III WITNESS COLLINS AND CUCA WITNESSES POLLOCK**  
5 **AND LYONS CHALLENGE THE COMPANY’S PROPOSED 10%**  
6 **SUBSIDY REDUCTION. DO YOU AGREE?**

7 A. No. The proposed 10% subsidy reduction balances the rate increases requested  
8 in this proceeding so that no rate class receives a disproportionate increase,  
9 particularly considering the proposed changes to the cost of service (“COS”)  
10 methodology which results in a shift of costs among rate classes. Additionally,  
11 the Company notes Public Staff Witness Williamson agrees with the Company’s  
12 proposal, stating specifically, “My review of witness Beveridge’s exhibits and  
13 revenue calculations and workpapers suggests that the use of 10% is appropriate  
14 to mitigate the potential for significant rate shock in the MYRP.”<sup>1</sup>

15 **Q. WHY DID THE COMPANY PROPOSE A 10% SUBSIDY REDUCTION**  
16 **IN THIS RATE PROCEEDING VERSUS A 25% SUBSIDY**  
17 **REDUCTION, AS PROPOSED IN PREVIOUS RATE CASES?**

18 A. In this rate proceeding, the Company is proposing a 10% subsidy reduction  
19 because the rate increase to the Lighting class was disproportionately high when  
20 the Company evaluated a subsidy reduction of 25%. If the Company had

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<sup>1</sup> Direct Testimony of Public Staff Witness D. Williamson at page 37.

1 employed a 25% subsidy reduction, the proposed rate increase to the Lighting  
2 class would have increased from 28.0% to 38.0%.

3 **Q. DOES THE COMPANY BELIEVE IT IS IMPORTANT TO REDUCE**  
4 **INTERCLASS SUBSIDIES GRADUALLY OVER TIME?**

5 A. Yes. Consistent with the Company's previous rate case proceedings, the  
6 Company is applying the concept of gradualism to align revenues collected  
7 from each class with cost causation from the Company's cost of service.  
8 However, it is not the Company's intent to signal that the subsidy reduction  
9 would be limited to 10% in the future.

10 **Q. IS THE COMPANY'S PROPOSED VARIANCE REDUCTION**  
11 **CONSISTENT WITH HOUSE BILL 951?**

12 A. Yes. House Bill 951 provides that the Commission is authorized to approve a  
13 utility's PBR application "so long as the Commission allocates the electric  
14 public utility's total revenue requirement among customer classes based upon  
15 the cost causation principle . . . and interclass subsidization of ratepayers is  
16 minimized to the greatest extent practicable by the conclusion of the MYRP  
17 period."<sup>2</sup> While House Bill 951 requires the Company to minimize interclass  
18 subsidization, the Company is only required to do so "to the greatest extent  
19 practicable," which is what the Company has done in this case. This is  
20 particularly true given that the Commission is also required by House Bill 951

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<sup>2</sup> N.C. Gen. Stat. § 62-133.16(b).

1 to consider whether a PBR application would result in rate shock.<sup>3</sup> As noted  
2 above, Witness Williamson agrees that 10% is appropriate for purposes of  
3 mitigating significant rate shock. In sum, the Company appropriately  
4 considered competing priorities under House Bill 951, such as cost causation,  
5 rate shock, and gradualism in proposing the 10% variance reduction.

6 **III. RESPONSE TO PROPOSALS REGARDING TOU PERIODS**

7 **Q. AGO WITNESS PALMER RECOMMENDS THAT THE PROPOSED**  
8 **SUMMER ON-PEAK PERIOD BE SHIFTED ONE HOUR EARLIER TO**  
9 **5 TO 8 P.M. DO YOU AGREE?**

10 A. No. The proposed TOU periods have been carefully designed to reflect current  
11 system realities while also being forward-looking to 2030, as described in  
12 Witness Byrd's direct testimony.

13 **Q. ON WHAT BASIS DOES WITNESS PALMER ARGUE THAT THE**  
14 **SUMMER ON-PEAK PERIOD SHOULD BE SHIFTED?**

15 A. Witness Palmer claims that the Summer On-Peak period would better reflect  
16 system costs during each year of the Cost Duration Model ("CDM") if it were  
17 shifted one hour earlier to 5–8 p.m. While Witness Palmer correctly observes  
18 that the CDM values 5-6 p.m. higher than the 8-9 p.m. hour in 2021, the  
19 difference becomes very narrow by 2026 and certainly 2030. The Company  
20 included 2021 to demonstrate a clear trend – as more solar is added to the  
21 system, the afternoon peak continues shifting later and later. With new resource

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<sup>3</sup> *Id.* at § 62-133.16(d)(1)c.

1 plans calling for ever greater amounts of solar, the trend will continue. As the  
2 proposed rates will be effective in 2024 and several years will likely be required  
3 to increase TOU adoption and help customers adapt to being more price-  
4 responsive, the benefits of price-responsive loads will increase through the  
5 remainder of the decade. Thus, considering 2030 in development of the TOU  
6 periods is reasonable, certainly more than 2021 which was included for  
7 historical trend purposes.

8 **Q. WHAT OTHER FACTORS SUPPORT THE COMPANY'S PROPOSED**  
9 **TOU PERIODS RATHER THAN WITNESS PALMER'S**  
10 **ALTERNATIVES?**

11 A. There are several factors that influenced the Company's proposed TOU periods.  
12 First, the Company's proposed 6–9 p.m. Summer On-Peak period was  
13 discussed and evaluated at length with stakeholders during the Comprehensive  
14 Rate Design Study ("CRDS"); second, it is based on observations taken directly  
15 from the CDM; third, it balances several factors, including system costs through  
16 2030 and customer experience. Lastly, the 6–9 p.m. Summer On-Peak period  
17 has already been approved by the Commission for three of the Company's  
18 current tariffs – Rate Schedules RSTC, RETC, and SGSTC. These rates were  
19 approved by the Commission in Docket No. E-7, Sub 1253 effective October 1,  
20 2021. Notably, no party objected to the 6–9 p.m. Summer On-Peak period in  
21 Docket No. E-7, Sub 1253. As such, if the Commission adopts Witness Palmer's  
22 recommendation to shift the Summer On-Peak period to 5 to 8 p.m., customers



1 on Rate Schedules RSTC, RETC, and SGSTC would experience a change in  
2 TOU periods after having only been on these rate schedules for a short period.  
3 Given the recent approval of Rate Schedules RSTC, RETC, and SGSTC,  
4 shifting the Summer On-Peak period to 5 to 8 p.m. would presumably alter these  
5 customers' expectations of stability in the TOU periods. Moreover, increasing  
6 levels of solar generation on the system will shift the net peak to later in the  
7 afternoon, as shown in Byrd Direct Exhibits 4–5 for years 2026 and 2030. More  
8 rapid growth of solar, as contemplated in the Commission's Carbon Plan, would  
9 further accelerate this shift of net peak loads. With the proposed 6–9 p.m.  
10 Summer On-Peak period, the Company is seeking to balance system costs with  
11 stability and durability to give customers confidence in making investments in  
12 technology or establish behavioral modifications to conform to the new TOU  
13 periods.

14 **Q. DOES THE COMPANY AGREE WITH CUCA WITNESS POLLOCK**  
15 **THAT THE PROPOSED TOU PERIODS SHOULD BE REJECTED BY**  
16 **THE COMMISSION?**

17 A. No. Interestingly, Witness Pollock appears to mainly support his proposed  
18 design for TOU periods based on the relative convenience to manufacturers.  
19 Specifically, Witness Pollock criticizes the Company's proposed periods  
20 because "[m]anufacturers operating 8-hour shifts could not avoid paying On-  
21 Peak and Mid-Peak Demand charges, even if they were able to shift most of

1 their work hours to the Discount periods.”<sup>4</sup> Similarly, Witness Pollock proposes  
2 alternate TOU periods, stating that “Creating 8-hour rating periods would allow  
3 manufacturers to schedule entire work shifts to the Discount period, when costs  
4 are low, thereby avoiding the high-cost hours.”<sup>5</sup> The Company notes however,  
5 that an 8-hour discount period would be artificial and would not be comprised  
6 of all low-priced hours in terms of actual costs. TOU periods should be based  
7 on system costs as the Company has proposed.

8 **Q. DO YOU AGREE THAT TOU PERIODS SHOULD BE DESIGNED**  
9 **PRIMARILY TO ACCOMMODATE THE USAGE PATTERNS OF A**  
10 **PARTICULAR CLASS OF CUSTOMERS?**

11 A. No. It is true that the Company’s proposed rate designs and TOU periods  
12 balance efforts to align system costs with price signals while also providing  
13 reasonable opportunities for customers to respond. However, in an attempt to  
14 design TOU periods with the seeming primary goal of benefitting the  
15 manufacturing sector, Witness Pollock achieves neither. First, Witness  
16 Pollock’s proposed 1-9 p.m. summer on-peak period includes hours that, as  
17 demonstrated in Byrd Exhibits 4 and 5, would clearly be outside of the peak  
18 window. Importantly, the Company is seeking to implement TOU periods that  
19 are durable for a number of years, creating stability and confidence for both  
20 system planning and customer engagement. Second, Witness Pollock’s

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<sup>4</sup> Direct Testimony of CUCA Witness Pollock at page 5.

<sup>5</sup> *Id.* at 34.

1 proposed 8-hour periods are challenging for customer responses. As noted in  
2 the CRDS roadmap, the Company's proposed 3-hour on-peak period not only  
3 reflects the system cost reality but is also easier to avoid for customers with  
4 flexible loads. Witness Pollock's proposed on-peak period of 1-9 p.m. matches  
5 the Company's current on-peak period which was implemented many years ago  
6 and simply does not reflect the changes occurring on the grid nor aid in  
7 providing the potential for greater price-responsiveness in loads.

8 **Q. DOES WITNESS POLLOCK'S TESTIMONY ACTUALLY IMPLY**  
9 **THAT MANUFACTURERS WOULD BE ABLE TO BENEFIT FROM**  
10 **THE COMPANY'S PROPOSED TOU PERIODS?**

11 A. Yes, it does. Note that Witness Pollock suggests that manufacturers would be  
12 able to "schedule entire work shifts to the Discount period, when costs are low,  
13 thereby avoiding the high-cost hours."<sup>6</sup> Witness Pollock thus assumes that  
14 manufacturers would be able to schedule work during his proposed Discount  
15 period of "12 a.m. to 8 a.m. during the Summer months and 9 a.m. to 5 p.m.  
16 during the winter months."<sup>7</sup> A manufacturer with the ability to constrain  
17 operations to those periods, as suggested by Witness Pollock, would  
18 presumably be able to operate even more easily and avoid the Company's  
19 proposed on-peak hours of 6-9 a.m. in the winter and 6-9 p.m. in the summer –  
20 which is precisely the point. More manufacturing customers (for that matter,

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<sup>6</sup> *Id.*

<sup>7</sup> *Id.* at 6.

1 customers across all classes) would find avoidance of the Company's proposed  
2 on-peak periods far easier than Witness Pollock's proposed periods. Indeed, a  
3 manufacturer operating in Witness Pollock's proposed times (midnight-8 a.m.  
4 during the summer, and 9 a.m. to 5 p.m. during the winter) would already be  
5 operating entirely outside of the Company's proposed on-peak periods and  
6 would thereby benefit from lower average prices. The Company notes that a  
7 manufacturing customer operating year-round from 9 a.m. to 5 p.m.  
8 (presumably easier for manufacturing customers than Witness Pollock's  
9 proposed summer hours) would avoid the Company's on-peak period  
10 altogether. In short, the Company's proposed TOU periods actually might  
11 encourage operational adjustments for manufacturers, as compared to Witness  
12 Pollock's suggested night-shift summer operations.

1 **Q. ON PAGE 33 OF WITNESS POLLOCK’S TESTIMONY, HE STATES**  
2 **THAT THE COMPANY’S PROPOSED DISCOUNT PERIODS ARE**  
3 **PROBLEMATIC BECAUSE THEY “MAKE IT IMPOSSIBLE FOR**  
4 **MANUFACTURERS WHO OPERATE IN 8-HOUR SHIFTS TO AVOID**  
5 **PAYING ON-PEAK AND MID-PEAK DEMAND CHARGES.” DO YOU**  
6 **AGREE THAT A PRINCIPLE OF RATE DESIGN SHOULD BE AIDING**  
7 **MANUFACTURING CUSTOMERS IN AVOIDANCE OF**  
8 **CONTRIBUTING TO THE FIXED COST RECOVERY OF SYSTEM**  
9 **ASSETS THEY UTILIZE?**

10 A. No. Importantly, the Peak and Mid-Peak charges were designed to reflect the  
11 use of production and transmission assets which are used in both on-peak and  
12 off-peak periods. Designing rates to shift the fixed costs of such assets away  
13 from a class of customers that use them would be contrary to sound rate design  
14 principles and unfairly burden all other customer classes.

15 **Q. WHAT WOULD HAPPEN IF THE COMPANY DESIGNED TOU**  
16 **PERIODS WITH THE PRIMARY GOAL OF OFFERING**  
17 **CONVENIENCE FOR A PARTICULAR CLASS OF CUSTOMERS?**

18 A. By way of example, consider the common practice in the restaurant industry of  
19 offering discounts or special promotions during the week when business is  
20 typically slow. Taco Tuesday is on Tuesday for a reason – the restaurant is trying  
21 to make use of excess mid-week capacity to generate at least some margin to  
22 cover fixed costs (e.g., rent). If Taco Tuesday were re-scheduled to Friday to

1 convenience the customers who prefer weekend dining, already crowded  
2 restaurants would be overloaded, employees would be overworked on Friday  
3 and underutilized on Tuesday, and revenue for the restaurant would drop on  
4 both days. Tailoring electric rate designs and pricing structures for the special  
5 benefit of a particular class of customers is similarly ill-conceived.

6 **Q. DID DUKE ENERGY PROGRESS (“DEP”) PROPOSE THE SAME TOU**  
7 **PERIODS AS THOSE PROPOSED BY THE COMPANY IN THIS**  
8 **PROCEEDING?**

9 A. Yes.

10 **Q. DID CUCA PROPOSE SIMILAR MODIFICATIONS TO THE TOU**  
11 **PERIODS IN DEP’S RECENTLY FILED RATE CASE?**

12 A. No.

13 **Q. DID THE COMPANY USE THE CDM IN THE SAME MANNER TO**  
14 **DESIGN TOU PERIODS AS DEP IN ITS RECENTLY PROPOSED TOU**  
15 **MODIFICATIONS?**

16 A. Yes.

17 **Q. DO YOU AGREE THAT THE TOU PERIODS SHOULD BE THE SAME**  
18 **FOR DEC AND DEP?**

19 A. Yes. In fact, as no witness in the DEP case proposed TOU periods at all similar  
20 to those proposed by Witness Pollock in this proceeding, if the Commission  
21 approves Witness Pollock’s proposed periods for DEC as compared to the  
22 Company’s proposed periods in the DEP proceeding, the result would be an



1 charges in Schedule OPT-V. As noted in Witness Byrd's direct testimony, the  
2 Company's analysis of alignment between pricing and cost causation indicated  
3 that a slight increase in demand charges, paired with a corresponding decrease  
4 in energy charges, could improve alignment in a meaningful way. However, the  
5 Company sought to balance such adjustments toward unit cost with bill impacts  
6 for customers. Importantly, the voltage classes for Schedule OPT-V had very  
7 different starting points: presently, demand revenues represent 38%, 29% and  
8 23% of total revenues for the Secondary, Primary and Transmission classes,  
9 respectively. Therefore, there is both more opportunity and priority to shift  
10 recovery to demand charges for the Primary and Transmission classes, as  
11 compared to the Secondary class, and such adjustments can be accomplished  
12 with minimal bill impacts for customers.

13 **Q. AGO WITNESS PALMER RECOMMENDS THAT THE COMPANY**  
14 **INCREASE COST RECOVERY THROUGH ENERGY CHARGES, AND**  
15 **CORRESPONDINGLY DECREASE DEMAND CHARGES, FOR RATE**  
16 **SCHEDULES OPT-V AND HLF. DO YOU AGREE?**

17 A. No. Contrary to Witness Palmer's recommendation, the Company proposed a  
18 modest increase in fixed cost recovery through demand charges relative to such  
19 recovery through energy charges. The Company's proposed modifications align  
20 with cost of service – indeed, much of the Company's costs to provide service  
21 are fixed. Demand charges serve an important two-fold function in rate design:  
22 they both improve alignment to cost causation across the range of customer load



1 factors and provide meaningful price signals to encourage system beneficial  
2 behavior.

3 **Q. HOW DOES INCREASING FIXED COST RECOVERY THROUGH**  
4 **DEMAND CHARGES IMPROVE ALIGNMENT TO COST OF**  
5 **SERVICE?**

6 A. Regarding cost causation, higher load factor customers more consistently use  
7 fixed assets, thereby driving down the average cost per unit of energy. Lower  
8 load factor customers use less energy per unit of demand, driving the need for  
9 more investment in fixed capacity assets per unit of energy, as compared to  
10 higher load factor customers. Dramatically lowering demand charges and  
11 increasing energy charges, as Witness Palmer suggests, would penalize higher  
12 load factor customers, who in fact require less costs to serve per unit of energy.  
13 Witness Palmer's proposal would thus create more subsidization between  
14 customers with varying load factors thereby rewarding inefficient use of system  
15 resources.

16 **Q. HOW DOES INCREASING FIXED COST RECOVERY THROUGH**  
17 **DEMAND CHARGES PROVIDE MEANINGFUL PRICE SIGNALS TO**  
18 **ENCOURAGE SYSTEM BENEFICIAL BEHAVIOR?**

19 A. Regarding the ability for demand charges to provide meaningful and beneficial  
20 price signals, Witness Palmer misses the primary objective of demand charges  
21 with respect to price signaling. In her direct testimony, Witness Palmer states  
22 that “[o]nce a customer has set a high monthly on-peak and mid-peak demand,

1           that level of demand acts as a ceiling and the demand charge fails to provide an  
2           incentive to lower demand below the threshold set earlier in the month.  
3           Volumetric TOU rates, in contrast, always provide a strong incentive to manage  
4           demand *throughout* the month and during each TOU period.”<sup>8</sup> Witness Palmer  
5           further correctly states that “[i]ncenting customers to modify their behavior . . .  
6           when the system is under severe stress creates a significant value to both the  
7           customer and system.”<sup>9</sup>

8           Witness Palmer’s proposal, however, is counterproductive to her  
9           intended outcome. The objective of demand charges is to discourage the  
10          customer from setting a high monthly on-peak or mid-peak demand in the first  
11          place. The Company’s proposed rate designs will provide material incentives to  
12          reduce demand during times of system strain, presumably when customers’  
13          operations are creating electric demands considerably higher than average. The  
14          Company’s design thus encourages targeted behavioral modification during the  
15          times when additional demand would drive more fixed cost investments.  
16          Witness Palmer’s proposed modifications would weaken the price signals for  
17          reduced consumption at peak times, increasing the strain on the grid and  
18          subsequently driving up investments and costs for all customers.

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<sup>8</sup> Direct Testimony of AGO Witness Palmer at pages 19-20.

<sup>9</sup> *Id.*

- 1 **Q. AGO WITNESS PALMER ASSERTS THAT THE COMPANY’S**  
2 **PROPOSED TIME-VARYING DEMAND RATES DEMONSTRATE**  
3 **THAT “HIGH LOAD FACTOR CUSTOMERS ARE NOT CONSUMING**  
4 **IN A WAY THAT IS BENEFICIAL OR LESS COSTLY TO THE**  
5 **SYSTEM.” DO YOU AGREE?**
- 6 **A.** No. The Company agrees that load factor is not the single determining factor  
7 for distinguishing differences in cost causation between customers, but still  
8 maintains that, all else being equal, customers with higher load factors will have  
9 lower per unit costs than customers with lower load factors. For example, if  
10 Customer A and Customer B both have 60% load factors, but Customer A uses  
11 both on-peak and off-peak energy, while Customer B uses only off-peak energy,  
12 Customer B is lower cost to serve, despite the identical load factors. Similarly,  
13 if Customer A and Customer B both use energy split between 30% on-peak and  
14 70% off-peak, but Customer A has an 80% load factor while Customer B has a  
15 50% load factor, Customer A clearly requires fewer fixed asset investments to  
16 serve its energy consumption on a per-unit basis and therefore is lower cost to  
17 serve. Both load factor differences and consumption time differences contribute  
18 to cost of service differences. The Company’s proposed rate designs attempt to  
19 balance these and other rate design factors, while AGO Witness Palmer’s  
20 proposal ignores efficiencies associated with higher utilization of fixed assets.

1 **Q. DO ANY OTHER WITNESSES IN THIS PROCEEDING AGREE WITH**  
2 **THE COMPANY’S POSITION THAT HIGH LOAD FACTOR**  
3 **CUSTOMERS MORE EFFICIENTLY USE FIXED SYSTEM ASSETS, A**  
4 **VIEW WHICH WITNESS PALMER CALLS “OUT-OF-DATE”?**<sup>10</sup>

5 A. Yes.

- 6 • Commercial Group Witness Chriss states that recovering demand-  
7 related costs through “energy charges results in a shift in demand cost  
8 responsibility from lower load factor customers to higher load factors  
9 customers.”<sup>11</sup> Witness Chriss continues, “In other words, higher load  
10 factor customers are paying for a portion of the demand-related costs  
11 that the Company incurs to serve lower load factor customers simply  
12 because the Company collects those costs through an energy charge.”<sup>12</sup>  
13 Witness Chriss thus clearly asserts that high load factor customers  
14 require a lower level of fixed costs per unit of energy than lower load  
15 factor customers.
- 16 • Harris Teeter Witness Bieber states that “when demand charges are set  
17 below cost, and energy charges are set above cost, those customers with  
18 relatively higher load factors are required to subsidize the lower load  
19 factor customers within the class.”<sup>13</sup> Similarly, Witness Bieber asserts

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<sup>10</sup> Direct Testimony of AGO Witness Palmer at page 19.

<sup>11</sup> Direct Testimony of Commercial Group Witness Chriss at page 23.

<sup>12</sup> *Id.*

<sup>13</sup> Direct Testimony of Harris Teeter Witness Bieber at page 16.

1                   that higher load factor customers require relatively lower fixed costs to  
2                   serve per unit of energy than customers with lower load factors.

3 **Q.    WITNESS PALMER ALSO CLAIMS THAT THE COMPANY’S**  
4 **PROPOSED ENERGY PRICES ARE BELOW AVERAGE MARGINAL**  
5 **COSTS. DO YOU AGREE?**

6 A.    Witness Palmer utilized proposed (but not approved) fuel costs for 2023-2024  
7        to estimate energy prices for comparison to average marginal costs from 2021-  
8        2022. However, natural gas prices have sharply declined since 2021-2022, so  
9        the comparison is not valid. The Company performed a study of marginal  
10       energy costs for this proceeding as provided in Form E-1 Item 40 which shows  
11       lower marginal costs, better aligned with proposed pricing. However, the  
12       Company will review final pricing in compliance rates to address Witness  
13       Palmer’s general concern.

14 **Q.    WITNESS PALMER FURTHER RECOMMENDS THAT THE**  
15 **COMPANY PROPOSE CPP RATE OPTIONS FOR GENERAL**  
16 **SERVICE AND INDUSTRIAL CUSTOMERS WITH LOADS OVER 75**  
17 **KW. DO YOU AGREE?**

18 A.    No. The Company notes that non-residential rates were discussed at length in  
19        the CRDS, including the option for Critical Peak Pricing (“CPP”) for larger  
20        customers. On balance, the Company’s proposals in this case offer suitable and  
21        sufficient options for customers with loads above 75 kW. In short, the  
22        Company’s proposed OPT-V rates offer well designed price signals for

1 customers with flexible loads, and the addition of a CPP feature in such rate  
2 designs is unnecessary. Stakeholders participating in the CRDS generally  
3 favored new HP options (which the Company has proposed) relative to CPP  
4 options, based on discussions in the non-residential working group.

5 **Q. COMMERCIAL GROUP WITNESS CHRISS CLAIMS THAT THE**  
6 **COMPANY HAS NOT FULLY ALIGNED THE PROPOSED OPT-V**  
7 **DEMAND CHARGES WITH UNDERLYING DEMAND-RELATED**  
8 **COSTS. DO YOU AGREE?**

9 A. Yes. Directionally, the Rate Design Panel agrees with Witness Chriss that  
10 recovering demand-related costs through energy charges “results in a shift in  
11 demand cost responsibility from lower load factor customers to higher load  
12 factor customers,” as stated in Witness Chriss’s direct testimony.<sup>14</sup> Indeed,  
13 Witness Chriss’s position aligns with the Company’s rejection of AGO Witness  
14 Palmer’s proposal to increase energy charges and correspondingly decrease  
15 demand charges. Witness Chriss rightly points out that the Company has  
16 proposed greater recovery through demand charges than exists in current rates  
17 but has not fully aligned with DEC’s cost of service in this regard. The  
18 Company must balance the goal of alignment to cost causation with gradualism.  
19 In designing the proposed rates, the Company conducted an account-by-account  
20 analysis of the impacts of higher fixed cost recovery through demand charges.  
21 The Company determined that increasing demand charge recovery by the

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<sup>14</sup> Commercial Group Witness Chriss Direct Testimony at 23.

1 amount proposed resulted in improved alignment to cost of service while  
2 avoiding adverse impacts to lower load factor customers (i.e., rate shock). Thus,  
3 while the Company agrees with Witness Chriss in terms of the desired  
4 improvements to alignment with cost causation, the Company's proposed rates  
5 include necessary considerations for gradualism (i.e., balance) across the  
6 customers taking service under Schedule OPT-V.

7 **Q. DOES THE COMPANY ACCEPT PUBLIC STAFF WITNESS**  
8 **WILLIAMSON'S PROPOSAL THAT THE COMPANY NOTIFY**  
9 **CUSTOMERS OF THE CHANGE ALLOWING DETACHED**  
10 **STRUCTURES TO BE SERVED UNDER A RESIDENTIAL RATE**  
11 **SCHEDULE, AND OF THE 75 KW MINIMUM CONTRACT DEMAND**  
12 **THRESHOLD FOR SCHEDULE OPT-V, THROUGH BILL INSERT OR**  
13 **SEPARATE MAILING?**

14 A. Yes. The Company accepts Public Staff's proposal to notify affected customers  
15 of these changes through bill insert or separate mailing.

16 **Q. WITNESS NADER ENCOURAGED THE COMPANY TO CONTINUE**  
17 **EXPLORING WAYS TO EXPAND MARGINAL ENERGY RATES TO**  
18 **CUSTOMERS WITH CONTRACT DEMANDS BELOW 1,000 KW. DO**  
19 **YOU AGREE?**

20 A. No, not at this time. However, the Company is open to continuing to explore  
21 new rate options or changes to availability or structure of existing rate options.  
22 Support for greater access to marginal prices during the CRDS was

1 predominantly from larger, more sophisticated customers and their  
2 representatives. However, the Company has concerns about potential  
3 downsides or unintended consequences of offering marginally priced energy,  
4 which can be volatile, to customers below one megawatt (“MW”). Importantly,  
5 the Company notes the presence of OPT-V as a well-designed option for  
6 customers in this size category with flexible loads. Nevertheless, noting these  
7 concerns, the Company is certainly open to exploring expanded availability  
8 options – for example, some Direct Current Fast Charge customers have load  
9 profiles that may be a good fit for HP but fall below the one MW threshold – in  
10 future proceedings.

11 **Q. DOES THE COMPANY AGREE WITH PUBLIC STAFF WITNESS  
12 NADER’S RECOMMENDATION THAT THE CHANGES TO  
13 SCHEDULE HP SHOULD BE EFFECTIVE ON JANUARY 1, 2024, OR  
14 FOLLOWING THE COMMISSION’S ORDER IN THIS  
15 PROCEEDING?**

16 A. Yes. This was the Company’s intention, as indicated in the effective date of the  
17 proposed Rate Year 1 tariff.

18 **Q. CUCA WITNESSES POLLOCK AND LYONS RECOMMEND A  
19 REJECTION OF THE COMPANY’S PROPOSED INCREASE IN THE  
20 INCENTIVE MARGIN ON SCHEDULE HP. DO YOU AGREE?**

21 A. No. The Company believes a modest increase of 0.1 cents per kWh is  
22 appropriate considering both inflation and alignment with DEP’s similar



1 proposal. The Schedule HP Incentive Margin has been set at 0.5 cents per kWh  
2 for nearly 30 years, since the original pilot was approved in 1993. The proposed  
3 increase would represent approximately a 0.6% compound annual growth rate  
4 over that period. Additionally, the Company sought to align Schedule HP across  
5 DEC and DEP where reasonable. In establishing an Incentive Margin for DEP  
6 Schedules LGS-RTP and HP, the Company reviewed historical prices for the  
7 Variable Adder under DEP Schedule LGS-RTP, which is analogous to the  
8 Incentive Margin. The Variable Adder was historically higher in DEP, averaging  
9 0.65 cents per kWh over 2018-2020. For these reasons, the Company proposed  
10 a 0.6 cents per kWh Incentive Margin across both DEC and DEP.

11 **Q. CUCA WITNESS POLLOCK DESCRIBES THE INCENTIVE MARGIN**  
12 **AS A FEATURE THAT IS DESIGNED TO ADDRESS “THE RISK THAT**  
13 **THE PROJECTED HOURLY PRICES [...] MIGHT VARY FROM THE**  
14 **ACTUAL MARGINAL ENERGY COSTS.”<sup>15</sup> WHAT IS THE PURPOSE**  
15 **OF THE INCENTIVE MARGIN?**

16 A. The Incentive Margin serves the dual purpose of offsetting the risk that hourly  
17 prices may vary from actual marginal energy costs due to forecasting error as  
18 well as providing some level of contribution towards fixed cost recovery by  
19 Schedule HP customers for usage above customer baseline load. Therefore, the  
20 Incentive Margin serves to ensure all customers in the rate class contribute

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<sup>15</sup> Direct Testimony of CUCA Witness Pollock at page 34.

1 appropriately to fixed cost recovery. Witness Pollock ignores this important  
2 benefit of the incentive margin.

3 **Q. CUCA WITNESS POLLOCK STATES THAT INCREMENTAL**  
4 **DEMAND CHARGES ON SCHEDULE HP ARE “DESIGNED TO**  
5 **RECOVER DISTRIBUTION RELATED COSTS” AND RECOMMENDS**  
6 **THAT THE COMPANY SET INCREMENTAL DEMAND CHARGES AT**  
7 **THE CORRESPONDING BASE DEMAND CHARGES IN SCHEDULE**  
8 **OPT-V. DO YOU AGREE?**

9 A. No. Incremental Demand Charges on Schedule HP are designed to recover both  
10 transmission and distribution plant costs, whereas Base Demand Charges on  
11 Schedule OPT-V are designed to recover only distribution costs. Therefore,  
12 these prices are not comparable. However, the Company does agree with  
13 Witness Pollock’s suggestion that pricing of Incremental Demand Charges  
14 should consider customers’ mode of delivery. The proposed Schedule HP tariffs  
15 reflect this by listing separate prices for transmission and distribution  
16 customers. In the long run, the Company intends to set Incremental Demand  
17 Charge prices at 50% of the unit cost of demand; this would include  
18 transmission plant costs for both transmission- and distribution-served  
19 customers and distribution plant costs only for distribution-served customers.  
20 At present, the Company’s proposed Schedule HP tariffs have equivalent  
21 Incremental Demand Charges in all rate years because the Company limited the  
22 increase of the charges (from the current price of 86.18 cents per kW) to the

1 class average percent increase, in consideration of gradualism. The Company  
2 does intend for these prices to diverge at some point in the future, once the  
3 Incremental Demand Charge for transmission customers reaches the target of  
4 50% of the unit cost of demand.

5 **Q. CUCA WITNESS POLLOCK ALSO RECOMMENDS THAT THE**  
6 **COMPANY’S PROPOSAL OF REESTABLISHING THE CUSTOMER**  
7 **BASELINE LOADS (“CBLs”) EVERY FOUR YEARS BE REJECTED.**  
8 **DO YOU AGREE?**

9 A. No. Witness Pollock states that reestablishing CBLs every four years “could be  
10 counter-productive to expanding access to marginal cost pricing.”<sup>16</sup> In fact, the  
11 proposed provision is specifically intended to expand access to marginal cost  
12 pricing by establishing a fair and durable framework that mitigates the potential  
13 for subsidization, which could otherwise occur if participating customers were  
14 able to avoid paying embedded costs indefinitely while contributing to the need  
15 for future capital investment. Witness Pollock also states that reestablishing  
16 CBLs every four years “would, effectively, remove the incentive to  
17 permanently commit to real-time price responsiveness.”<sup>17</sup> The Company  
18 designed the proposed Load Response Adjustment provision, in part, to address  
19 this concern. The Load Response Adjustment provides an opportunity for  
20 customers to maintain a lower CBL over time by demonstrating load response

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<sup>16</sup> Direct Testimony of CUCA Witness Pollock at page 6.

<sup>17</sup> *Id.* at 35-36.

1 during periods of capacity constraints. This provision gives Schedule HP  
2 customers more incentive to commit to real-time price responsiveness than the  
3 tariff provides for today.

4 **Q. CUCA WITNESS POLLOCK ALSO SUGGESTS THAT DEC SHOULD**  
5 **PROVIDE ACCESS TO SCHEDULE HP TO NEW CUSTOMERS**  
6 **WITHOUT A REQUIREMENT TO REESTABLISH THE CBL,**  
7 **PROVIDED THAT THE AMOUNT OF NEW SERVICE UNDER THE**  
8 **SCHEDULE IS CAPPED AT 15 MW. DO YOU AGREE?**

9 A. No. The Company's proposed changes to Schedule HP, including the  
10 requirement to reestablish the CBL, are intended to create a more equitable and  
11 durable rate design that would allow for broader participation and access to  
12 marginal pricing. As such, the Company is not proposing a cap in participation  
13 or load as suggested by Witness Pollock. Importantly and as described above,  
14 the four-year CBL reestablishment process is foundational to the more durable  
15 rate design with expanded access for customers.

16 **Q. CIGFUR III WITNESS COLLINS HAS CONCERNS WITH THE**  
17 **PROPOSED ENERGY AND DEMAND CHARGES REGARDING THE**  
18 **COMPANY'S SCHEDULE HLF. DO YOU AGREE?**

19 A. No. The Company designed Schedule HLF based on its unit cost study and with  
20 consideration for expected savings and migration. Regarding the validity of the  
21 rate design, Witness Collins states, "One test would be that a higher-than-  
22 average industrial load factor customer should see savings from the HLF rate

1 design as compared to its current tariff rate.”<sup>18</sup> The Company performed a  
2 migration analysis when setting HLF prices to ensure that higher-than-average  
3 load factor customers could achieve savings on the rate without resulting in  
4 major migration and cost shift to remaining OPT class customers. The  
5 Company’s analysis showed that 29 customers, with an average load factor of  
6 83%, could save at least 2% on Schedule HLF under proposed pricing for the  
7 base rate year. Based on Witness Collins’ proposed test for validity (which the  
8 Company references for illustrative purposes only), the Company’s proposed  
9 rate design is appropriate. The Company further notes that the HLF rate is newly  
10 proposed in this case and, as such, was designed considering a balance of factors  
11 including migration and cost of service. Such balance, including gradualism, is  
12 necessary to ensure against an unreasonable cost shift to the OPT class.

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<sup>18</sup> Direct Testimony of CIGFUR Witness Collins at page 20.

1           **V.    RESPONSE TO RESIDENTIAL TOU RATE DESIGN**

2   **Q.    AGO WITNESS PALMER ARGUES THAT THE COMPANY’S**  
3   **DEFAULT RESIDENTIAL RATE SCHEDULE INCLUDES A NON-**  
4   **TIME-VARYING ENERGY RATE THAT DOES NOT SEND**  
5   **ACCURATE PRICE SIGNALS TO RESIDENTIAL CUSTOMERS**  
6   **THEREBY CAUSING MORE COSTS TO BE INCURRED BY**  
7   **CUSTOMERS AND THE COMPANY DURING PEAK HOURS. DO YOU**  
8   **AGREE?**

9   A.    No. While the Company’s proposed Schedules RS and RE do not contain time-  
10   varying prices, they still provide meaningful incentives for customers to  
11   conserve energy or invest in energy efficiency through the Demand-Side  
12   Management and Energy Efficiency Programs offered by the Company. There  
13   are also several other Residential TOU rate options available to customers that  
14   provide meaningful and actionable price signals to encourage grid beneficial  
15   consumption and help customers reduce costs.

16   **Q.    WITNESS PALMER RECOMMENDS THAT THE COMMISSION**  
17   **EXPLORE MAKING TOU RATES DEFAULT FOR THE**  
18   **RESIDENTIAL CLASS. DO YOU AGREE?**

19   A.    Not at this time. The Company agrees that encouraging TOU rate adoption and  
20   supporting price-responsive consumption patterns is beneficial to participating  
21   customers and the grid more broadly. However, the Company prefers to  
22   encourage voluntary adoption at present, leaving the choice to switch to TOU

1 rates with the customer. The new TOU rate designs should be more appealing  
2 to customers because of more manageable TOU periods based on system needs,  
3 and transparency around the rates and potential savings opportunities is greater  
4 with the Company's newly available Rate Comparison Tool. Additionally,  
5 merely moving a customer to a TOU rate does not create system benefits.  
6 System benefits are only created when a customer responds to price signals and  
7 shifts load away from peak periods, for example. In short, the time when a  
8 customer decides to move to a TOU rate is a great opportunity to encourage  
9 new behaviors or technologies to increase price-responsiveness. Default TOU  
10 rates bypass that opportunity and thus may result in less beneficial grid  
11 behaviors though TOU adoption may be accelerated. Additional considerations  
12 for TOU adoption and encouraging price-responsiveness are best reserved for  
13 the future, after adoption trends and impacts of the newly proposed rate design  
14 can be better evaluated.

1 VI. RESPONSE TO COMMUNICATION OF THE CHANGES TO  
2 LIGHTING SERVICES, RATE SCHEDULES, AND SERVICE  
3 REGULATIONS

4 Q. PUBLIC STAFF WITNESS WILLIAMSON RECOMMENDS THAT  
5 THE COMPANY NOTIFY ALL LIGHTING CUSTOMERS OF THE  
6 CHANGE TO LIGHTING SERVICES, RATE SCHEDULES, AND  
7 SERVICE REGULATIONS VIA BILL INSERT OR SEPARATE  
8 MAILING. DO YOU AGREE?

9 A. Yes. The Company is willing to notify Lighting customers of these changes, via  
10 bill insert or separate mailing.

11 VII. RESPONSE TO RIDERS

12 Q. PUBLIC STAFF WITNESS NADER RECOMMENDS THAT THE  
13 COMMISSION REQUIRE ANNUAL REPORTING OF THE IMPACTS  
14 OF THE COMPANY’S PROPOSED NEW ECONOMIC  
15 DEVELOPMENT RIDER (“RIDER ED”). ARE YOU OPPOSED TO  
16 IMPLEMENTING AN ANNUAL REPORTING REQUIREMENT FOR  
17 RIDER ED?

18 A. Within certain limits, the Company agrees that some annual reporting is  
19 reasonable with respect to the impacts of Rider ED. For example, the Company  
20 could report on the total number of jobs, total capital investment, or other such  
21 characteristics contained in the applications for customers currently taking  
22 service under Rider ED, provided such information can be appropriately  
23 anonymized to preserve confidentiality.



1 **Q. PUBLIC STAFF WITNESS NADER RECOMMENDS THAT THE**  
2 **COMPANY MODIFY ITS PROPOSED NEW NON-RESIDENTIAL**  
3 **SOLAR CHOICE RIDER (“RIDER NSC”) TO ELIMINATE THE FIVE**  
4 **MW CAPACITY LIMIT ON NAMEPLATE CAPACITY. DO YOU**  
5 **AGREE?**

6 A. No. The proposed five MW limit strikes a reasonable balance between  
7 stakeholder requests for larger system sizes and considerations for grid  
8 operations and reliability as evidenced by the Company’s proposal to increase  
9 the current limit by 500%. During the CRDS, the Company received feedback  
10 from customers and stakeholders requesting larger system sizes under net  
11 energy metering (“NEM”), and the proposed increase to five MW is an  
12 appropriate response to those requests. For example, CIGFUR III Witness  
13 Collins acknowledges in his direct testimony that CIGFUR III’s “feedback is  
14 reflected in the new rate design changes being proposed by DEC in this rate  
15 case, including [...] increasing the net energy metering cap to 5MW.”<sup>19</sup>  
16 Additionally, large net metered systems require interconnection studies and  
17 present additional complexity because of the unpredictability of their output to  
18 the grid in terms of overall size. The Company’s proposed limit at the lesser of  
19 the contract demand or five MW is an appropriate balance of such concerns,  
20 including customer desires. Moreover, customer generating systems above five  
21 MW would be allowed under the Company’s proposed Schedule HP.

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<sup>19</sup> Direct Testimony of CIGFUR III Witness Collins at page 22.

1 **Q. AGO WITNESS PALMER RECOMMENDS THAT NON-**  
2 **RESIDENTIAL NEM CUSTOMERS HAVE THE OPTION TO ENROLL**  
3 **IN RIDER NSC FOR A CONTRACT TERM UP TO FIVE YEARS, WITH**  
4 **THE OPTION FOR ANNUAL RENEWAL THEREAFTER. DO YOU**  
5 **AGREE?**

6 A. No. Witness Palmer supports this recommendation by stating “In Docket No.  
7 E-100, Sub 180, the Company sought, and the Commission approved, a ten-  
8 year term for its residential NEM tariffs.”<sup>20</sup> In Docket No. E-100, Sub 180, the  
9 Company stated that the basic design and structure of the residential NEM  
10 tariffs would not be changed for ten years to provide consistency and  
11 predictability for NEM customers. However, the Company sought, and the  
12 Commission approved, a minimum original contract term of one year,  
13 consistent with the proposed language in Rider NSC. In short, rate design  
14 stability is a separate matter from contract duration. The Company  
15 acknowledges that grandfathering provisions for impacted customers would be  
16 an important consideration should Rider NSC be closed or substantially altered  
17 for any reason in the future. For example, the Company proposed a 10-year  
18 grandfathering period for non-residential Rider NM customers in this  
19 proceeding. Witness Palmer’s proposal to extend the original contract term  
20 would not provide the benefits described in Witness Palmer’s testimony.

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<sup>20</sup> Direct Testimony of AGO Witness Palmer at page 32.

1 **Q. NC WARN WITNESSES POWERS AND KONIDENA PROPOSE A**  
2 **SEPARATE APPLICATION PROCESS FOR THE COMPANY’S**  
3 **PROPOSED NON-RESIDENTIAL NEM TARIFF REVISIONS. DO YOU**  
4 **AGREE?**

5 A, No. The docket proposed by Witnesses Power and Konidena is duplicative and  
6 postpones important modifications requested by customers during the CRDS.  
7 In its final order in the 2019 DEC Rate Case, the Commission specifically  
8 directed that Net Energy Metering be considered as part of the CRDS, and, as  
9 a result, NEM was extensively studied and discussed throughout the year-long  
10 process as further outlined below. NC WARN, along with a number of other  
11 intervenors in this case, participated in the CRDS. Moreover, to the extent that  
12 parties wish to litigate specific issues relating to NEM before the Commission,  
13 they have to the opportunity to do so in this rate case docket.

14 **Q. WAS THE CRDS A SUFFICIENT FORUM FOR DISCUSSING NEM**  
15 **AND CONSIDERING DIFFERENT VIEWPOINTS AND**  
16 **PERSPECTIVES ON RATE DESIGN?**

17 A. Yes. For example, CIGFUR III Witness Collins testifies that CIGFUR III  
18 “appreciated the opportunity to actively participate through Duke Energy’s  
19 Comprehensive Rate Design Study.”<sup>21</sup> CIGFUR III also appreciated that much  
20 of its feedback is reflected in the new rate design changes being proposed by

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<sup>21</sup> Direct Testimony of CIGFUR III Witness Collins at page 21.

1 DEC in this rate case, including the increase in the NEM cap to 5MW.<sup>22</sup>  
2 Additionally, Public Staff Witness Williamson agreed with Witness Byrd's  
3 summary of the CRDS and that the CRDS "informed the proposed  
4 modifications to the structure of existing rate schedules and the development of  
5 the new proposed rate designs."<sup>23</sup>

6 **Q. NC WARN WITNESSES POWERS AND KONIDENA SUPPOSEDLY**  
7 **QUOTE WITNESS BYRD REFERRING TO THE CRDS AS AN**  
8 **"INFORMAL STAKEHOLDER PROCESS."<sup>24</sup> IS THAT ACCURATE?**

9 A. No. Witnesses Powers and Konidena failed to provide a citation for the quoted  
10 language they attribute to Witness Byrd, which actually does not appear  
11 anywhere in Witness Byrd's testimony. "Informal stakeholder process" in no  
12 way describes the rigorous process initiated by Commission order and detailed  
13 in Witness Byrd's direct testimony, which required quarterly updates filed with  
14 the Commission and culminated in an in-depth 50-page Roadmap. The  
15 Company maintains that the CRDS was an open, collaborative, formal, and  
16 thorough process.

17 The NC WARN witnesses also dismiss the CRDS process on the  
18 grounds that the discussions were amongst "stakeholders of widely varying  
19 knowledge levels."<sup>25</sup> The Company disagrees with NC WARN's implication  
20 that participants were lacking in sufficient knowledge to address the rate design

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<sup>22</sup> Direct Testimony of CIGFUR III Witness Collins at pages 21-22.

<sup>23</sup> Direct Testimony of Public Staff Witness D. Williamson at page 42.

<sup>24</sup> Direct Testimony of NC WARN Witnesses Powers and Konidena at page 24.

<sup>25</sup> *Id.*

1 items discussed. The Company encourages the Commission to give proper and  
2 considerable weight to the product of the CRDS process, which is widely  
3 supported by several sophisticated and well-informed stakeholders in this  
4 proceeding.

5 **Q. THE COMPANY PROPOSES SEVERAL MODIFICATIONS TO NET**  
6 **ENERGY METERING FOR NON-RESIDENTIAL CUSTOMERS IN**  
7 **THIS PROCEEDING, INCLUDING A NEW RIDER NSC. IS THIS**  
8 **PROCEEDING THE FIRST TIME INTERVENORS HAVE HAD THE**  
9 **OPPORTUNITY TO REVIEW AND COMMENT ON THESE**  
10 **PROPOSALS?**

11 A. No. Customers and other stakeholders have had ample opportunity to consider  
12 the proposed changes, both through the CRDS process as well as in this litigated  
13 docket. During the CRDS, the Company discussed the proposed NEM changes  
14 during breakout sessions of the Non-Residential Working Group. On February  
15 10, 2022, a representative from the CRDS independent facilitator presented out  
16 at the stakeholder forum that Non-Residential NEM discussions were held and  
17 included “treatment of excess credits, standby charges vs. demand charges,  
18 system size limitations, and availability of green energy programs.” In addition,  
19 the third-party facilitator referenced discussions that included a non-residential  
20 NEM presentation by CIGFUR and NCSEA.

21 Stakeholder ideas presented during these discussions were not only  
22 made public through such forums, but were included directly in the Company’s

1 Roadmap, filed on March 31, 2022 in Docket No. E-7, Sub 1214. Non-  
2 residential NEM reform ideas in the Roadmap included “Expand Capacity  
3 Limits,” “Review Standby Charges for Solar Facilities,” “TOU Rate  
4 Participation,” “Revise Netting Periods,” “Renewable Energy Certificate  
5 (REC) Retention,” “Accommodate Energy Storage,” and “Minimum Bill.”  
6 While the Company has not proposed changes in all these categories in this  
7 proceeding, the majority have been addressed and stem directly from  
8 stakeholder conversations.

9 **Q. DID ANY STAKEHOLDERS OR PARTICIPANTS IN THE CRDS FILE**  
10 **COMMENTS IN OPPOSITION TO THE ROADMAP, OR MORE**  
11 **SPECIFICALLY, THE IDEAS PRESENTED CONCERNING NON-**  
12 **RESIDENTIAL NEM?**

13 A. No.

14 **Q. WAS THE CRDS SUCCESSFUL IN BUILDING STAKEHOLDER**  
15 **SUPPORT FOR NON-RESIDENTIAL NEM CHANGES?**

16 A. Yes. As evidence, and as stated above, Witness Collins of CIGFUR not only  
17 expressed appreciation for the CRDS process, but also indicated that CIGFUR  
18 III provided feedback that included “raising the net energy metering cap to  
19 5MW.”<sup>26</sup> Commercial Group Witness Chriss “recommends the Commission  
20 approve DEC’s proposal to eliminate standby charges for customers with  
21 resources with planning capacities below 60 percent.” Finally, Public Staff

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<sup>26</sup> Direct Testimony of CIGFUR III Witness Collins at page 22.

1 Witness Nader also fully supports the Company’s proposed Rider NSC, with  
2 the exception of the 5MW cap which he proposes to simply eliminate.<sup>27</sup>

3 **Q. SHOULD THE COMMISSION DELAY IMPLEMENTATION OF THE**  
4 **WIDELY SUPPORTED CHANGES PROPOSED FOR NON-**  
5 **RESIDENTIAL NEM?**

6 A. No. As mentioned above, the proposed changes represent the balanced outcome  
7 of a considerable and extended effort by numerous stakeholders. Creating a  
8 separate docket and repeating a process that only recently successfully  
9 concluded is inefficient and unnecessary. Additionally, the Commission should  
10 note that NEM issues are not entirely separable from other proposed rate design  
11 changes. For example, as described in Witness Byrd’s direct testimony, the  
12 proposed three-part demand charge structure and TOU periods allow for the  
13 elimination of standby charges for resources with planning capacity factors  
14 below 60 percent as well as raising of the system size limitation. Specifically,  
15 Witness Byrd states that the “three-part demand structure...will provide cost  
16 recovery assurance for fixed costs,”<sup>28</sup> enabling the stakeholder requested  
17 changes. Witness Williamson acknowledges and does not express disagreement  
18 with the Company’s position that the redesigned demand charge structure  
19 “accomplishes the effect of standby charges.”<sup>29</sup> In summary, the NEM changes  
20 were not only directly the product of the transparent and public Commission-

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<sup>27</sup> Direct Testimony of Public Staff Witness Nader at page 29.

<sup>28</sup> Direct Testimony of DEC Witness Byrd at page 21.

<sup>29</sup> Direct Testimony of Public Staff Witness D. Williamson at page 47.

1 ordered CRDS process, but also are importantly linked to other elements of  
2 proposed rate designs. Approval of some elements (e.g., redesigned demand  
3 charges) that were considered by CRDS participants as complementary and  
4 supportive of changes to NEM could be disheartening and possibly frustrate  
5 future collaborative efforts. Finally, to the extent that intervenors wish to  
6 present evidence or raise arguments challenging the Company's NEM  
7 proposals, they have the opportunity to do so in this rate case proceeding – aside  
8 from the recommendations by Witness Nader (relating to removing the 5 MW  
9 cap) and Witness Palmer (relating to extending the contract term) discussed  
10 herein, no party has challenged any aspect of the Company's proposed Rider  
11 NSC.



1 **VIII. RESPONSE TO INCREMENTAL EV REVENUE ADJUSTMENT**

2 **Q. PUBLIC STAFF WITNESS NADER RECOMMENDS THAT THE**  
3 **COMPANY REMOVE THE INCREMENTAL EV REVENUE**  
4 **ADJUSTMENT FROM THE DECOUPLING DEFERRAL**  
5 **CALCULATION UNTIL THE COMPANY IS ABLE TO PROVIDE**  
6 **METERED DATA FOR EVALUATION, MEASUREMENT, AND**  
7 **VERIFICATION OF EV SALES, OR UNTIL THE COMPANY**  
8 **PROPOSES SPECIFIC RATE SCHEDULES OR RIDERS FOR EV-**  
9 **RELATED SERVICE. DO YOU AGREE?**

10 A. No. As described in Company Witness Melissa Abernathy's direct testimony,  
11 the Company is permitted to exclude residential EV revenues from the  
12 decoupling mechanism and, as such, proposed a reasonable approach for  
13 estimating such sales in terms of both energy (kWh) and revenue. Witness  
14 Nader's proposal to prohibit such adjustments appears to be based solely on the  
15 need for a more defensible estimation approach than proposed by the Company,  
16 as reflected in his alternative recommendation described below.

- 1 **Q. AS AN ALTERNATIVE TO REMOVING THE INCREMENTAL EV**  
2 **REVENUE ADJUSTMENT FROM THE DECOUPLING DEFERRAL**  
3 **CALCULATION, WITNESS NADER RECOMMENDS THAT THE**  
4 **COMPANY’S METHOD FOR DISTINGUISHING KWH SALES**  
5 **ASSOCIATED WITH EV CHARGING BE MODIFIED SO THAT: 1)**  
6 **DEC USE ITS METERED DATA AS FILED IN DOCKET NO. E-2, SUB**  
7 **1197 TO ESTIMATE EV SALES; AND 2) DEC USE THE SCHEDULE**  
8 **RS kWh CHARGE. DO YOU AGREE THAT THIS IS AN ACCEPTABLE**  
9 **COMPROMISE?**
- 10 A. In part, yes. First, regarding the energy consumption estimate, Witness  
11 Abernathy proposed in her direct testimony to use 225 kWh per EV per month  
12 in calculating the total incremental monthly EV usage because it was used by  
13 the Commission to set the Make Ready Credit amount in the Commission-  
14 approved Make Ready Credit Program. As such, the use of 225 kWh per EV  
15 per month is reasonable for purposes of revenue decoupling. In contrast,  
16 Witness Nader suggests using an analysis from an interim report from the Make  
17 Ready Credit Program that was based on limited data and limited participation.  
18 As such, the Company’s method to distinguish kWh sales associated with EV  
19 charging is more appropriate. If the Commission decides to use an alternative  
20 estimate, such as that proposed by Witness Nader, the Company should be  
21 allowed to update this estimate over time as more refined estimation approaches  
22 become available.

1           Second, the Company proposed using the average of the RSTC and  
2           RETC off-peak rates for the revenue calculation with the expectation that EV  
3           owners would generally have incentives to charge off-peak and (all else equal)  
4           would be more likely to switch to a TOU rate and modify consumption to reduce  
5           costs. While the Company's original proposal is reasonable, the Rate Design  
6           Panel does not oppose Witness Nader's recommendation to use the Schedule  
7           RS kWh charge until such off-peak charges can be better demonstrated.

8           **IX.    RESPONSE TO FEASIBILITY OF A MULTI-SITE AGGREGATE**  
9           **COMMERCIAL RATE AND PILOT PROGRAM**

10          **Q.    HARRIS TEETER WITNESS BIEBER RECOMMENDS THAT THE**  
11           **COMPANY STUDY AND PROPOSE A MULTI-SITE COMMERCIAL**  
12           **RATE AGGREGATION PROGRAM. DO YOU AGREE?**

13          A.    No. The Company's proposed rate designs provide discounts for efficient use  
14           of system assets in several areas such as lower demand charges for larger  
15           customers in Schedule OPT-V. However, from a cost of service standpoint, no  
16           cost differences exist between serving two or more facilities under common  
17           ownership (e.g., Harris Teeter) as compared to similar facilities under different  
18           ownership (e.g., independent grocery stores). Accordingly, the Rate Design  
19           Panel does not support the multi-site commercial rate aggregation program as  
20           proposed by Witness Bieber.



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**XI. CONCLUSION**

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

**A. Yes.**