BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-7, SUB 1230

In the Matter of	)	
Application of Duke Energy Carolinas, LLC	)	**DIRECT TESTIMONY OF**
for Approval of Demand-Side Management	)	**CAROLYN T. MILLER**
and Energy Efficiency Cost Recovery Rider	)	**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 AND BUSINESS ADDRESS.

A. My name is Carolyn T. Miller, and my business address is 550 South Tryon Street, Charlotte, North Carolina, 28202.

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

A. I am a Rates Manager for Duke Energy Carolinas, LLC ("DEC" or the "Company" supporting 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 Trenton, New Jersey with a Bachelor of Science in Accountancy. I am a certified public accountant licensed in the State of North Carolina. I began my career in 1994 with Ernst & Young as a staff auditor. In 1997, I began working with Duke Energy as a Senior Business Analyst and have held a variety of positions in the Finance organization. I joined the Rates Department in 2014 as Manager, Rates and Regulatory Strategy.

Q. WHAT ARE YOUR PRESENT 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 THIS COMMISSION?

A. Yes. I have provided testimony in support of DEC's previous applications for approval of its DSM/EE cost recovery riders as well as DEP's applications for approval of its DSM/EE cost recovery riders.

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 12), 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 2017, 2018, and 2019. Miller Exhibit 4 shows the actual and estimated prospective amounts collected from customers via Riders 8-11 pertaining to Vintages 2017 through 2020. 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 (2021) and the 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 12 amounts will apply. Miller Exhibit 7 is the proposed tariff sheet for Rider 12.

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 12.

A. Rider 12 was calculated in accordance with the Company's cost recovery mechanism described in the Agreement and Stipulation of Settlement DEC reached with the Public Staff, the North Carolina Sustainable Energy Association, Environmental Defense Fund, Southern Alliance for Clean Energy ("SACE"), the South Carolina Coastal Conservation League, Natural Resources Defense Council, and the Sierra Club, which was filed with the Commission on August 19, 2013 (the "Stipulation"), and approved in the Commission's *Order Approving DSM/EE Programs and Stipulation of Settlement* issued on October 29, 2013 ("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.

[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.

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, and 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 cost recovery mechanism employs a vintage year concept based on the calendar year.[2] 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, SACE, and the 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").

The Company has implemented deferral accounting for over- and under-recoveries of costs that are eligible for recovery through the annual DSM/EE rider. Under the Stipulation, 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 then most recent general rate case. The methodology used for the calculation of interest shall be the same as that typically utilized for DEC's Existing DSM Program rider proceedings. Pursuant to Commission Rule R8-69(c)(3), DEC will not accrue a return on net lost revenues or the PPI.

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

Miller Exhibit 3, pages 1 through 12, shows the calculation performed as part of the true-up of Vintage 2017, Vintage 2018, and Vintage 2019.

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. If any EM&V results for a vintage are not available in time for inclusion in DEC's annual rider filing, however, then 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.

Finally, in its *Order Approving DSM/EE Rider, Revising DSM/EE Mechanism, and Requiring Filing of Proposed Customer Notice* issued on August 23, 2017 in Docket No. E-7, Sub 1130, the Commission approved certain revisions to the Company's cost recovery mechanism relating to the methodology for determining avoided costs for purposes of the PPI calculation and determination of program cost-effectiveness.

Q. WHAT ARE THE COMPONENTS OF RIDER 12?

A. The prospective components of Rider 12 include: (1) a prospective Vintage 2021 component designed to collect program costs and the PPI for DEC's 2021 vintage of DSM programs; (2) a prospective Vintage 2021 component to collect program costs, PPI, and the first year of net lost revenues for DEC's 2021 vintage of EE programs; (3) a prospective Vintage 2020 component designed to collect the second year of estimated net lost revenues for DEC's 2020 vintage of EE programs; (4) a prospective Vintage 2019 component designed to collect the third year of estimated net lost revenues for DEC's 2019 vintage of EE programs; and (5) a prospective Vintage 2018 component designed to collect the fourth year of estimated lost revenues for DEC's 2018 vintage of non-residential EE programs. The EMF components of Rider 12 include: (1) a true-up of Vintage 2017 lost revenues; (2) a true-up of Vintage 2018 PPI and participation for DSM/EE programs based on additional EM&V results received; (3) a true-up of Vintage 2019 program costs, PPI, and lost revenues 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.

For DSM programs, because residential and non-residential programs are similar in nature, the aggregated revenue requirement for all retail DSM programs targeted at both residential and non-residential customers across North Carolina and South Carolina are allocated to the North Carolina retail jurisdiction based on North Carolina's contribution to total retail peak demand. Both residential and non-residential customer classes are allocated a share of total system DSM revenue requirements based on each group's contribution to total retail peak demand.

The allocation factors used in DSM/EE EMF true-up calculations for each vintage are based on DEC's most recently filed Cost of Service studies 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?

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%. Company witness Evans further describes the specifics of the PPI calculation in his testimony. In addition, Evans Exhibit 1, pages 1 through 3, shows the revised PPI for Vintage 2017, Vintage 2018, and Vintage 2019, respectively, based on updated EM&V results, and Evans Exhibit 1, page 4, shows the estimated PPI by program type and customer class for Vintage

2021. The system amount of PPI is then allocated to North Carolina retail customer classes in order 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 ("O&M") 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 Evans provide information on the actual and estimated found revenues which offset lost revenues.

Residential lost revenues associated with participants enrolled during the test period (extended to January 31, 2020, as discussed further below) of the base rate case proceeding in Docket No. E-7, Sub 1214 have been adjusted based on specific enrollment dates, and a portion of these lost revenues have been removed from the prospective period as of August 1, 2020 and included in base rates. Non-residential lost revenues associated with the test period (twelve months ending December 31, 2018) of the Company's general rate case proceeding, Docket No. E-7, Sub 1214 , have been adjusted based on specific enrollment dates, and a portion of these lost revenues have been removed from the prospective period as of August 1, 2020 and included in base rates.

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, then reducing this amount by actual found revenues.

Q. HAVE EXCESS DEFERRED INCOME TAXES RESULTING FROM THE TAX CUTS AND JOBS ACT BEEN INCORPORATED INTO THE CALCULATION OF NET LOST REVENUES FOR YEAR 2020?

In the Commission's *Order Accepting Stipulation, Deciding Contested Issues, and Requiring Revenue Reduction* issued on June 22, 2018 in the Company's last base rate case (E-7, Sub 1146), the Commission directed the Company to maintain all of its excess deferred income taxes ("EDIT") resulting from the passage of the federal Tax Cuts and Jobs Act in a regulatory liability account pending flow back of that liability to DEC's ratepayers, with interest. Per that Order, DEC was directed to file its proposal to flow back the excess deferred taxes by June 22, 2021 or in DEC's next general rate case proceeding, whichever is sooner. In DEC's Petition for an Accounting Order to defer the incremental costs incurred in connection with the response to Hurricane Florence, Hurricane Michael and Winter Storm Diego filed on December 21, 2018 in Docket No. E-7, Sub 1187, the Company indicated that it planned to file a general rate case in 2019. As of February 26, 2019, when DEC filed for EE/DSM cost recovery in Rider 11, it was expected that the Commission would resolve the appropriate method to flow EDIT back to customers during the planned 2019 rate case, but the timing and methodology of that anticipated flowback of EDIT was yet to be determined. Due to that uncertainty, DEC decided to incorporate a placeholder for the return of EDIT into Rider 11 in an attempt to mitigate potential overcollection with respect to the Company's EE/DSM rider. To achieve this goal, for Rider 11 only, the Company included a reduction of $10 million to Year 2020 lost revenues collected from Vintage 2017, Vintage 2018, Vintage 2019, and Vintage 2020. This will be trued up to the actual EDIT impact on the lost revenue rate in the next DSM/EE rider filing after an order is issued in DEC's upcoming base rate case, Docket No. E-7, Sub 1214.

Q. **HAS EDIT RESULTING FROM THE TAX CUTS AND JOBS ACT BEEN INCORPORATED INTO THE CALCULATION OF NET LOST REVENUES FOR YEAR 2021?**

A. No. As of February 25, 2020, the Company has filed a general rate case in Docket No. E-7, Sub 1214 in which it has proposed that all excess deferred taxes be returned to customers through a separate rider. As such, there is no need in this current proceeding to include a placeholder to mitigate potential overcollections of lost revenues since the full balance of excess deferred taxes will be returned through the proposed EDIT-related rider. If the mechanism for returning EDIT to customers changes as part of the final outcome in Docket No. E-7, Sub 1214, the Company will file supplemental exhibits incorporating the appropriate adjustments.

V. <u>OPT-OUT PROVISIONS</u>

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 Order, 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 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

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

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 in to 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. <u>PROSPECTIVE COMPONENTS</u>

Q. WHAT IS THE RATE PERIOD FOR THE PROSPECTIVE COMPONENTS OF RIDER 12?

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 Sub 1032 Order, DEC has calculated the prospective components of Rider 12 using the rate period January 1, 2021 through December 31, 2021.

Q. PLEASE DESCRIBE THE BASIS FOR THE RATE PERIOD REVENUE REQUIREMENTS RELATING TO VINTAGE 2018.

A. The Company determines the estimated revenue requirements for Vintage 2018 based on the fourth year of net lost revenues for non-residential customer classes and based on their participation in Vintage 2018 EE programs. The amount of lost revenue earned is 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 August 1, 2018, adjusted as described above to recover only the fixed cost component.

Certain non-residential lost revenues associated with vintages through the test period January 1, 2018 through December 31, 2018 of Docket No. E-7, Sub 1214, "*Application for General Rate Case*", have been removed from the prospective period as of August 1, 2020, assuming new base rates recover the net lost revenues associated with those specific kWh sales reductions. All amounts will be "trued up" pending resolution of Docket No. E-7, Sub 1214 during the next EMF period.

Q. PLEASE DESCRIBE THE BASIS FOR THE RATE PERIOD REVENUE REQUIREMENTS RELATING TO VINTAGE 2019.

A. The Company determines the estimated revenue requirements for Vintage 2019 separately for residential and non-residential customer classes and bases them on the third year of net lost revenues for its Vintage 2019 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 August 1, 2018, adjusted as described above to only recover the fixed cost component.

Certain residential lost revenues through the updated test period February 1, 2019 through January 31, 2020 of Docket No. E-7, Sub 1214, *"Application for General Rate Case"*, have been removed from the prospective period as of August 1, 2020, assuming new base rates recover the net lost revenues associated with those specific kWh sales reductions. All amounts will be "trued up" pending resolution of Docket No. E-7, Sub 1214 during the next EMF period.

Q. PLEASE DESCRIBE THE BASIS FOR THE RATE PERIOD REVENUE REQUIREMENTS RELATING TO VINTAGE 2020.

A. The Company determines the estimated revenue requirements for Vintage 2020 separately for residential and non-residential customer classes and bases them on the second year of net lost revenues for its Vintage 2020 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 August 1, 2018, adjusted as described above to only recover the fixed cost component.

Certain residential lost revenues through the updated test period February 1, 2019 through January 31, 2020 of Docket No. E-7, Sub 1214, *“Application for General Rate Case”*, have been removed from the prospective period as of August 1, 2020, assuming new base rates recover the net lost revenues associated with those specific kWh sales reductions. All amounts will be “trued up” pending resolution of Docket No. E-7, Sub 1214 during the next EMF period.

Q. PLEASE DESCRIBE THE BASIS FOR THE RATE PERIOD REVENUE REQUIREMENTS RELATING TO VINTAGE 2021.

A. The estimated revenue requirements for Vintage 2021 EE programs include program costs, PPI, and the first year of net lost revenues determined separately for residential and non-residential customer classes. The estimated revenue requirements for Vintage 2021 DSM programs include program costs and PPI. 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 net lost revenues for EE programs are based on estimated North Carolina retail kW and kWh reductions and the rates approved in DEC’s most recent general rate case, which became effective August 1, 2018.

VII. EMF

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

A. Pursuant to the Second Waiver Order and the Sub 1032 Order, 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 2019 (January 1, 2019 through December 31, 2019). In addition, the Second Waiver Order allows the EMF component to cover multiple test periods, so the EMF component for Rider 12 includes Vintage 2017 (January 2017 through December 2017) and Vintage 2018 (January 2018 through December 2018) as well.

Q. WHAT IS BEING TRUED UP FOR VINTAGE 2019?

A. The chart below demonstrates which components of the Vintage 2019 estimate filed in 2018 are being trued up in the Vintage 2019 EMF component of Rider 12. Miller Exhibit 2, page 3 contains the calculation of the true-up for Vintage 2019. The second year of net lost revenues for Vintage 2019, which are a component of Rider 11 billings during 2020, will be trued up to actual amounts during the next rider filing.

	Vintage 2019 Estimate (2019) As Filed (Filed 2018)	**Vintage 2019 True-Up (2019) (Filed March 2020)**
	Rider 10	**Rider 12 EMF**
Participation	Estimated participation using half-year convention	Update for actual participation for January – December 2019
EM&V	Initial assumptions of load impacts	Updated according to Commission-approved EM&V Agreement
Lost Revenues	Estimated 2019 participation using half-year convention	Update for actual participation for January – December 2019 and actual 2019 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

	Vintage 2019 Estimate (2019) As Filed (Filed 2018)	Vintage 2019 True-Up (2019) (Filed March 2020)
	Rider 10	**Rider 12 EMF**
		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 12 for the calculation performed as part of the true-up of Vintage 2017 Vintage 2018, and Vintage 2019.

Q. HOW WERE THE LOAD IMPACTS UPDATED?

A. For DSM programs, the contracted amounts of kW reduction capability from participants are considered to be components of actual participation. As a result, the Vintage 2019 true-up reflects the actual quantity of demand reduction capability for the Vintage 2019 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 2019 TRUE-UP?

A. Net lost revenues for year one (2019) of Vintage 2019 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, 2019 through December 31, 2019. The rates applied to the kW and kWh savings are the retail rates that were in effect for the period January 1, 2019 through December 31, 2019 reduced by fuel and other variable costs. The lost revenues were then offset by actual found revenues for year one of Vintage 2019 as explained by Company witness Evans. 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 2018?

A. Avoided costs for Vintage 2018 DSM programs are being trued up to update EM&V participation results. Avoided costs for Vintage 2018 EE programs are also being trued up based on updated EM&V results. Net lost revenues for all years were trued up for updated EM&V participation results and impacts of Docket No. E-7, Sub 1146. The actual kW and kWh savings were as experienced during the period January 1, 2018 through December 31, 2018. 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. WHAT IS BEING TRUED UP FOR VINTAGE 2017?

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, 2017 through December 31, 2017. 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 ANY TRUE-UPS FOR VINTAGE 2016 INCLUDED IN THIS FILING?

A. No. All EM&V received during the past year was for periods subsequent to December 31, 2016. In addition, all net lost revenues associated with Vintage 2016 were rolled into the most recently completed base rate case with rates effective August 1, 2018. No further true-ups for Vintage 2016 are deemed necessary.

VIII. PROPOSED RATES

Q. WHAT ARE DEC'S PROPOSED INITIAL BILLING FACTORS APPLICABLE TO NORTH CAROLINA ELECTRIC CUSTOMERS FOR THE PROSPECTIVE COMPONENTS OF RIDER 12?

A. The Company's proposed initial billing factor for the Rider 12 prospective components is 0.4184 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 12 Prospective Components	¢/kWh
Vintage 2018 EE participant	0.0137
Vintage 2019 EE participant	0.0687
Vintage 2020 EE participant	0.0612
Vintage 2021 EE participant	0.3522

Non-Residential Billing Factors for Rider 12 Prospective Components	¢/kWh
Vintage 2021 DSM participant	0.1200

Q. WHAT ARE DEC'S PROPOSED EMF BILLING FACTORS APPLICABLE TO NORTH CAROLINA ELECTRIC CUSTOMERS FOR THE TRUE-UP COMPONENTS OF RIDER 12?

A. The Company's proposed EMF billing factor for the true-up components of Rider 12 is 0.1046 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 12 EMF Components	¢/kWh
Vintage 2019 EE Participant	(0.0225)
Vintage 2019 DSM Participant	0.0018
Vintage 2018 EE participant	(0.0049)
Vintage 2018 DSM participant	(0.0014)
Vintage 2017 EE participant	0.0342
Vintage 2017 DSM participant	0.0000

IX. CONCLUSION

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

A. DEC seeks approval of the Rider 12 billing factors to be effective throughout 2021. As discussed above, Rider 12 contains (1) a prospective component, which includes the fourth year of net lost revenues for non-residential Vintage 2018, the third year of net lost revenues for Vintage 2019, the second year of net lost revenues for Vintage 2020, and the revenue requirements for Vintage 2021; and (2) an EMF component which represents a true-up of Vintage 2017, Vintage 2018, and Vintage 2019. 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 12. 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.