

**BEFORE  
THE NORTH CAROLINA UTILITIES COMMISSION**

**DOCKET NO. E-2, SUB 1300**

In the Matter of:	)	
	)	
Application of Duke Energy Progress,	)	<b>DIRECT TESTIMONY OF</b>
LLC For Adjustment of Rates and	)	<b>LAURA A. BATEMAN AND</b>
Charges Applicable to Electric Service in	)	<b>PHILLIP O. STILLMAN FOR</b>
North Carolina and Performance-Based	)	<b>DUKE ENERGY PROGRESS, LLC</b>
Regulation	)	
	)	

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1                                   **I. INTRODUCTION AND PURPOSE**

2   **Q. MS. BATEMAN, PLEASE STATE YOUR NAME AND BUSINESS**  
3   **ADDRESS.**

4   A. My name is Laura A. Bateman, and my business address is 411 Fayetteville  
5   Street, Raleigh, North Carolina 27601.

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

8   A. I am appearing on behalf of Duke Energy Progress, LLC (“DEP” or “the  
9   Company”) together with Phillip Stillman on the “Performance Based  
10   Regulation (“PBR”) Policy Panel.”

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

12   A. I am employed by Duke Energy Carolinas, LLC (“DEC”) as Vice President of  
13   Carolinas Rates and Regulatory Strategy.

14   **Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**  
15   **EXPERIENCE.**

16   A. I obtained a Bachelor’s degree from the University of Massachusetts at Amherst  
17   and a Master of Business Administration degree from the University of North  
18   Carolina at Chapel Hill. Since 2003, I have worked for the Company in a  
19   variety of roles in Risk Management, Treasury, and Regulatory. I have been in  
20   the Rates & Regulatory Strategy group since 2007. I assumed my current  
21   position in April 2020.

1   **Q.     PLEASE BRIEFLY DESCRIBE YOUR DUTIES AS VICE PRESIDENT**  
2       **OF CAROLINAS RATES AND REGULATORY STRATEGY.**

3   A.    I lead teams responsible for rate cases, annual rider filings, cost of service  
4       studies, surveillance reporting, and regulatory strategy and planning for North  
5       and South Carolina for DEP and DEC.

6   **Q.     HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

7   A.    Yes. I have testified before this Commission in connection with the Carbon  
8       Plan in Docket No. E-100, Sub 179, and with DEP's general rate case  
9       proceedings in Docket Nos. E-2, Sub 1142 and E-2, Sub 1023. I have also  
10      testified before this Commission or submitted written testimony in The  
11      Investigation of Proposed Net Metering Rule (Docket No. E-100, Sub 83),  
12      Standards for Electric Utilities Relating to IRP, Rate Design Modifications to  
13      Promote Energy Efficiency Investments, Smart Grid Investments & Smart Grid  
14      Information Per Independence/Security Act 2007 (Docket No. E-100, Sub 123),  
15      and Application for Approval of Demand-Side Management and Energy  
16      Efficiency Cost Recovery Rider (Docket No. E-2, Sub 931).

17  **Q.     MR. STILLMAN, PLEASE STATE YOUR NAME AND BUSINESS**  
18       **ADDRESS.**

19  A.    My name is Phillip O. Stillman, and my business address is 400 South Tryon  
20       Street, Charlotte, North Carolina 28202.

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

22  A.    I am employed by Duke Energy Business Services, LLC as Managing Director  
23       of Load Forecasting and Corporate Strategic Regulatory Initiatives.

1   **Q.     PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**  
2       **EXPERIENCE.**

3   A.     I am a graduate of Catawba College, where I received a Bachelor of Arts Degree  
4       in Accounting and Business. I have also received a Master of Business  
5       Administration degree from the McColl Graduate School of Business at Queens  
6       University of Charlotte. I am a certified public accountant licensed in the state  
7       of North Carolina. I began my career with Duke Power Company (now known  
8       as DEC) in 1986 as a staff accountant, and have held a variety of positions in  
9       the finance, regulatory, and planning organizations. From 1992 to 2004, I  
10      served in various roles in the Financial Budgeting, Strategic Planning, and Load  
11      Forecasting areas. During this time, I was named Director Financial Modeling  
12      and Load Forecasting. In 2004, I was appointed Director Financial and  
13      Regulatory Accounting. In this role, I was responsible for the general  
14      accounting functions and the books and records of DEC. I joined the Rates &  
15      Regulatory Department in 2007 as Director Regulatory Strategy & Research.  
16      In 2014, I entered my current role as Director Load Forecast, which was  
17      expanded in 2020 to include supporting various strategic regulatory initiatives.

18   **Q.     PLEASE BRIEFLY DESCRIBE YOUR DUTIES AS MANAGING**  
19       **DIRECTOR OF LOAD FORECASTING AND CORPORATE**  
20       **STRATEGIC REGULATORY INITIATIVES.**

21   A.     I oversee the development of the long-term electric load forecasts for each of  
22       Duke Energy's electric service territories, as well as the long-term gas forecast  
23       for the Ohio and Kentucky operations. I am also responsible for supporting

1 enterprise-wide regulatory initiatives across all of Duke Energy's six electric  
2 utility jurisdictions and assisting with the execution of the company's regulatory  
3 strategy.

4 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

5 A. Yes. I have testified before this Commission in support of DEC's general rate  
6 case proceedings in Docket Nos. E-7, Sub 909, E-7, Sub 989, and E-7, Sub  
7 1026. I also provided testimony in support of DEC's application for a  
8 certificate of public convenience and necessity in Docket No. E-7, Sub 1134.

9 **Q. MS. BATEMAN, PLEASE DESCRIBE THE PURPOSE OF YOUR**  
10 **JOINT TESTIMONY.**

11 A. Our testimony supports DEP's Performance-Based Regulation Application  
12 ("PBR Application" or the "Application"). In particular, I provide an overview  
13 of the Company's proposed PBR Application, including the policy and public  
14 interest reasons supporting approval of the Application. Mr. Stillman describes  
15 DEP's proposed Performance Incentive Mechanisms ("PIMs") and tracking  
16 metrics, for which the Company is seeking Commission approval.

17 **Q. DO YOU HAVE ANY EXHIBITS TO YOUR DIRECT TESTIMONY?**

18 A. Yes. PBR Policy Panel Exhibit 1 provides the design detail for the Company's  
19 proposed Peak Load Reduction PIM. PBR Policy Panel Exhibit 2 provides the  
20 design detail for the Company's proposed Low-Income/Affordability PIM.  
21 PBR Policy Panel Exhibit 3 provides the design detail for the Company's  
22 proposed Reliability PIM. PBR Policy Panel Exhibit 4 provides the design

1 detail for the Company's proposed Renewables Integration and Encouragement  
2 PIM.

3 **Q. MR. STILLMAN, WERE PBR POLICY PANEL EXHIBITS 1**  
4 **THROUGH 4 PREPARED OR PROVIDED HEREIN BY YOU, UNDER**  
5 **YOUR DIRECTION AND SUPERVISION?**

6 A. Yes. They were.

7 **II. OVERVIEW OF PBR APPLICATION**

8 **Q. MS. BATEMAN, PLEASE PROVIDE BACKGROUND FOR THE**  
9 **COMPANY'S PBR APPLICATION.**

10 A. Traditional ratemaking presents inherent limitations and disadvantages under  
11 today's business conditions. Utilities are shifting from construction of large-  
12 scale power plants to smaller, more frequent investments, such as for grid  
13 improvements, and to meet clean energy goals. In the meantime, cost growth  
14 is accelerated by inflation. Traditional ratemaking would address these  
15 challenges with frequent rate cases that raise regulatory cost. Modernized  
16 regulatory models can improve regulatory efficiency, provide more timely rate  
17 recognition of changes in costs, and better align utility revenues and  
18 performance with customer and public policy goals.

19 At the end of 2019, North Carolina Governor Roy Cooper issued a Clean  
20 Energy Plan report, and one of the recommendations was to convene a  
21 stakeholder process to look at ways to modernize the electric utility cost  
22 recovery mechanisms in the State to better align with the goals of the Clean  
23 Energy Plan. In 2020, the Company participated in the stakeholder process –

1 the North Carolina Energy Regulatory Process (“NERP”) – along with a diverse  
2 group of participants, including regulators, environmental and low-income  
3 advocates, industrial customers, solar developers, and utility representatives.

4 At the end of that year, the NERP recommended that North Carolina adopt a  
5 PBR model for ratemaking that features:

6 1. A Multiyear Rate Plan (“MYRP”) – a mechanism under which  
7 the Commission sets base rates for a multi-year period, along with an Earning  
8 Sharing Mechanism (“ESM”) that shares earnings with customers if the utility’s  
9 earnings exceed a certain level;

10 2. Revenue Decoupling – a mechanism to break the link between a  
11 utility’s revenue and the volume of consumption of electricity; and

12 3. PIMs – a mechanism that uses metrics to link a portion of the  
13 revenue or earnings of a utility to its performance on measurable customer,  
14 utility system, or public policy outcomes.

15 According to NERP, “PBR offers a suite of reforms that, together, can  
16 resolve limitations of [traditional cost of service] ratemaking while encouraging  
17 utilities to better serve state policy goals and customer interests.”<sup>1</sup>

18 On October 13, 2021, the Governor signed into law House Bill 951<sup>2</sup>  
19 (“HB 951”), which largely adopted the NERP recommendations, including the  
20 three features listed above, and added customer protections and more specifics  
21 on the mechanisms. HB 951 puts North Carolina at the forefront of the clean

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<sup>1</sup> NERP PBR – Study Group Work Products, PBR Regulatory Guidance, at 6 (2020) (available at <https://deq.nc.gov/media/17684/download>).

<sup>2</sup> Session Law 2021-165 (Oct. 13, 2021).

1 energy transition and modernizes the regulatory framework by authorizing the  
2 use of PBR. HB 951's PBR provisions – codified in N.C. Gen. Stat. §62-133.16  
3 (“PBR Statute”) – update the ratemaking paradigm with a balanced approach  
4 that will streamline regulation, strengthen utility performance incentives, and  
5 better align the regulatory framework with customer benefits and public policy  
6 goals.

7 In this case, DEP is seeking approval of its first PBR Application. The  
8 PBR Application provides clear evidence that it is in the public interest to  
9 implement PBR at this time and that proposed rates are just and reasonable.<sup>3</sup>  
10 We believe that our PBR Application provides a clear basis for the Commission  
11 to make this finding.

12 **Q. WHAT ARE THE COMPONENTS OF THE COMPANY'S PBR**  
13 **PROPOSAL?**

14 A. The Company's PBR proposal includes the following three components:

- 15 1. A three-year MYRP with an ESM;
- 16 2. A revenue per customer decoupling mechanism for the residential customer  
17 class;
- 18 3. Four PIMs and three tracking metrics.

19 MYRP

20 The Company is proposing a three-year MYRP with the following Rate  
21 Years: October 2023-September 2024 (Rate Year 1); October 2024-September  
22 2025 (Rate Year 2); and October 2025-September 2026 (Rate Year 3). As

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<sup>3</sup> N.C. Gen. Stat. §62-133.16(d)(1).



1 described in the testimony and exhibits of Witness Kathryn Taylor, the MYRP  
2 revenue requirement for each Rate Year will build on the revenue requirement  
3 established using the historical test year (2021) using base rate “step-ups” that  
4 reflect the projected revenue requirements associated with MYRP capital  
5 spending projects that will be used and useful during the course of the MYRP.

6 Detailed information about the projects included in the MYRP,  
7 including timing, scope, and cost estimates, are provided by DEP’s witnesses  
8 as follows:

- 9 • Witnesses Daniel Maley and Brent Guyton discuss the Company’s  
10 proposed transmission and distribution investments;
- 11 • Witness Justin LaRoche supports the proposed solar projects;
- 12 • Witnesses Laurel Meeks and Evan Shearer discuss the proposed energy  
13 storage projects;
- 14 • Witness Julie Turner supports the proposed fossil and hydro capital  
15 investments; and
- 16 • Witness Tom Ray addresses the proposed nuclear investments.

17 With respect to the ESM, if the Company’s adjusted earnings exceed the  
18 authorized return on equity (“ROE”) determined in this proceeding plus 50  
19 basis points, the excess earnings above this threshold will be distributed to  
20 customers in the annual ESM Rider.

1        Decoupling

2                The Company is proposing a residential revenue per customer  
3        decoupling mechanism. The mechanism is intended to break the link between  
4        the Company's profits and usage per customer in the residential class. This link  
5        is already broken for reductions in usage resulting from the Company's  
6        Demand-Side Management ("DSM") and Energy Efficiency ("EE") programs  
7        through the recovery of net lost revenues through the DSM/EE rider.  
8        Decoupling goes a step further and removes any financial incentive related to  
9        increased usage per customer and any financial disincentive related to  
10       decreased usage per customer outside of the Company's DSM/EE programs,  
11       such as reduced sales from (1) deployment of distributed energy resources  
12       ("DER"), (2) customer efficiency and conservation efforts that are not part of a  
13       utility program, and (3) certain rate designs or other utility programs that may  
14       not qualify as an approved DSM/EE program. The decoupling mechanism  
15       would true-up any difference between actual residential revenue per customer,  
16       excluding variable costs, and the target residential revenue per customer,  
17       excluding variable costs, established in this case. Any net lost revenues  
18       collected through the Company's DSM/EE rider are subtracted from this  
19       balance so as to not double count, and increases in sales from electric vehicle  
20       ("EV") charging are excluded from the mechanism, as allowed by the PBR  
21       Statute, in order to continue to incent adoption of EVs. After each rate year, the  
22       decoupling mechanism balance is collected from or distributed to residential  
23       customers through the Residential Decoupling Mechanism rider (Rider RDM).

1        PIMs and Tracking Metrics

2                Finally, the Company's PBR Application includes four proposed PIMs  
3        and three tracking metrics. The annual PIMs rider is designed to distribute or  
4        collect penalties and rewards based on DEP's performance with respect to  
5        Commission-approved PIMs during the Rate Year. Following this section, the  
6        remainder of our testimony is devoted to describing the Company's proposed  
7        PIMs and how they effectuate certain policy goals in the PBR Statute.

8        PBR Riders

9                In accordance with the PBR Statute, the Company's PBR Application  
10       includes three new riders associated with these mechanisms: (1) Residential  
11       Decoupling Mechanism rider (Rider RDM), (2) Earnings Sharing Mechanism  
12       rider (Rider ESM), and (3) the Performance Incentive Mechanism rider (Rider  
13       PIM). Witness Taylor describes the methodology for calculating each of these  
14       mechanisms and explains that the rider associated with each mechanism is set  
15       at \$0 for Rate Year 1 and will be updated thereafter as part of the annual review  
16       process prescribed by Commission Rule 1-17B. Witness Teresa Reed provides  
17       the rate schedules for these riders.

18    **Q.    HOW DO CUSTOMERS BENEFIT FROM THE COMPANY'S PBR**  
19    **PROPOSAL?**

20    A.    Many customers do not want to see their electricity rates increase, even where  
21       such increases are caused by reasonable and prudent investments needed to  
22       ensure reliable service. However, the Company has invested over \$3 billion in  
23       our generation, transmission, and distribution systems since the last rate case

1 and is entering a period of significant new reliability and clean energy  
2 investments. The PBR approach to ratemaking is better than frequent rate cases  
3 for addressing these challenges. Cost containment incentives would be  
4 reinforced under the Company's PBR proposal, and the proposed PIMs will  
5 strengthen incentives for reliability and other performance areas that customers  
6 care about. The Company's PBR proposal also has several customer  
7 protections. In particular, the statutory cap on rate escalation in years two and  
8 three of the MYRP and the statutory asymmetrical sharing of earnings surpluses  
9 (but not deficits) are significant benefits to customers.

10 Finally, PBR better aligns customer and state policy goals with utility  
11 revenues and performance than traditional ratemaking. Other Company  
12 witnesses discuss the customer benefits and achievement of policy goals that  
13 will result from the specific projects, programs, and rate designs contained in  
14 this case. I provide several examples in my testimony below.

15 **Q. DOES A MYRP DECREASE RISK FOR THE UTILITY AT THE**  
16 **EXPENSE OF CUSTOMERS?**

17 A. Not on balance. While the proposed MYRP would result in more timely rate  
18 increases, and revenue decoupling reduces the risk of residential revenue  
19 erosion and volatility, other provisions of the plan that conform to the PBR  
20 Statute actually increase utility risk. For instance, projected increases in interest  
21 rates, inflationary increases in operations and maintenance ("O&M") expenses  
22 and future capital spending not related to the discrete MYRP projects cannot be  
23 included in the MYRP revenue increases and therefore must be managed by

1 DEP during the MYRP. For example, if inflation is expected to be unusually  
2 high over the MYRP, DEP cannot factor expected increases in overall O&M  
3 into its Rate Year 2 and 3 rates. Again, this adds more risk to the Company,  
4 especially when the country is experiencing a period of anticipated increasing  
5 inflationary cost pressures. Similarly, the Company bears all the execution risk  
6 for MYRP projects in that it must manage unforeseen increases in project costs.  
7 For instance, if the costs of the authorized capital spending projects  
8 unexpectedly increase, DEP would not be allowed to true-up those costs and  
9 recover more from customers. As such, the utility retains all of the same cost  
10 containment incentives of traditional ratemaking. The utility must continue to  
11 manage cost increases in O&M, general taxes, material and supplies, and  
12 depreciation, and attempt to ensure that such costs do not exceed increases in  
13 revenue from load growth, decreases in rate base from depreciation of existing  
14 assets, and other cost decreases.

15 Finally, the ESM allows the Commission to “reach back” and require  
16 sharing of past utility earnings with customers, which it never has been able to  
17 do under traditional ratemaking. Moreover, this sharing is asymmetrical – the  
18 ESM distributes to customers 100% of earnings in excess of 50 basis points  
19 above the authorized ROE (if any) on an annual basis; whereas, there is no  
20 corresponding ability for DEP to automatically collect additional revenue from  
21 customers if the utility is underearning. The Company’s only remedy would be  
22 to file another rate case. The asymmetrical, narrow ESM, therefore, puts all the  
23 downside risk on the utility.

1    **Q.     WHY IS DEP’S PBR APPLICATION IN THE PUBLIC INTEREST?**

2    A.     The Company’s PBR Application balances DEP’s need for modernized cost  
3           recovery mechanisms to address smaller, more frequent investments (such as  
4           for grid improvements and DER enablement) with enhanced customer benefits  
5           to align the Company’s performance with customer expectations. As discussed  
6           above, the proposed MYRP encourages effective cost management and affords  
7           customers a number of special protections.

8           Importantly, as demonstrated throughout the testimony and exhibits of  
9           DEP’s witnesses in this case,<sup>4</sup> the Company’s PBR Application furthers the  
10          majority of the 11 public policy goals that the Commission may consider in  
11          evaluating a PBR application:

- 12           a. Encourages peak load reduction or efficient use of the system.
- 13           b. Encourages utility-scale renewable energy and storage.
- 14           c. Encourages DERs.
- 15           d. Reduces low-income energy burdens.
- 16           e. Encourages energy efficiency.
- 17           f. Encourages carbon reductions.
- 18           g. Encourages beneficial electrification, including electric vehicles.
- 19           h. Supports equity in contracting.
- 20           i. Promotes resilience and security of the electric grid.

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<sup>4</sup> For ease of reference, I have included summaries of witness testimony and exhibits that support various policy goals below. The descriptions of the projects and initiatives and the conclusions tying the project or initiative to specific policy goals are supported by each referenced witness. What I have included is not intended to be an exhaustive list, but rather some examples of how the Company’s PBR Application furthers these goals and is in the public interest.

1 j. Maintains adequate levels of reliability and customer service.

2 k. Promotes rate designs that yield peak load reduction or beneficial  
3 load-shaping.<sup>5</sup>

4 For example, as described by Witness Guyton and detailed in Guyton  
5 Exhibit 6, the Company's proposed distribution MYRP projects fulfill many of  
6 these objectives. As outlined in Guyton Exhibit 6, capacity upgrades and  
7 improvements enhance reliability and support future load growth from  
8 electrification and integration of DERs, such as rooftop solar and battery  
9 storage. The self-optimizing grid program improves system reliability and  
10 resiliency, restores outages faster, and manages the dynamic two-way power  
11 flows that expansion of DERs will bring. Distribution hardening and resiliency  
12 programs will improve grid strength and ability to rapidly restore power, which  
13 promotes resilience and security of the electric grid, maintains adequate levels  
14 of reliability and customer service, and promotes DER adoption by providing  
15 consistent power flow. Targeted undergrounding, which reduces the number of  
16 outages experienced by customers, results in improved reliability, reduced  
17 outage costs, and improved customer experience.

18 The transmission projects described by Witness Maley, and included in  
19 Maley Exhibit 4, provide a similar array of benefits. As discussed in Maley  
20 Exhibit 4, the transmission system is an essential part of the Company's power  
21 delivery network, and any disruption in the flow of electricity across the system  
22 can interrupt service for thousands of customers across entire regions. The

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<sup>5</sup> N.C. Gen. Stat. § 62-133.16(d)(2).

1 transmission hardening and resiliency project works to create a stronger  
2 transmission grid capable of withstanding (or quickly recovering from) extreme  
3 external events, natural or man-made. In addition, the system intelligence  
4 project provides grid operators with enhanced information to respond to  
5 changing conditions that challenge reliability, which can promote efficient use  
6 of the system and resilience and security of the grid, as well as maintain  
7 reliability. Planned upgrades of breakers and transformers are expected to  
8 improve reliability, strengthen the grid, and increase operational efficiency.  
9 Transmission expansion projects will facilitate the connection of additional  
10 utility-scale renewable generation sources and encourage beneficial  
11 electrification and DERs.

12 Additional MYRP projects included in this case also encourage utility-  
13 scale renewable development and storage. In his testimony and LaRoche  
14 Exhibit 1, Witness LaRoche describes the Company's proposed Asheville Solar  
15 Project, as well as the 2026 Solar Procurement Program Investment, both of  
16 which will advance utility-scale solar deployment and encourage carbon  
17 reductions. As detailed by Witnesses Meeks and Shearer, the Company is also  
18 proposing to place in service over the course of the MYRP the Riverside,  
19 Warsaw, Lake Julian, Elm City, Knightdale, and Craggy battery energy storage  
20 projects. In addition to furthering the goal of encouraging utility-scale storage,  
21 these witnesses explain that DEP's battery energy storage portfolio is expected  
22 to benefit customers by reducing carbon emissions, encouraging DERs,



1 maintaining grid reliability, and promoting local community clean energy  
2 investment.

3           Witness Ray testifies that DEP is seeking subsequent license renewal  
4 (“SLR”) for all of its nuclear plants. He explains that due to its zero carbon  
5 emissions, the Company’s nuclear fleet represents a crucial piece of achieving  
6 a successful energy transition in the Carolinas, and seeking SLR for the fleet is  
7 therefore in the best interest of customers continuing to benefit from affordable  
8 and reliable electric energy as well as from reduced carbon emissions. In  
9 addition, he notes that 26 nuclear projects are included in the Company’s  
10 proposed MYRP, which will enable DEP to maintain safe and reliable operation  
11 of the nuclear stations as DEP continues to transition into a cleaner energy  
12 future.

13           Witness Jonathan Byrd describes how the Company’s rate designs with  
14 refreshed time-of-use (“TOU”) periods benefit customers and advance several  
15 policy goals. He explains that the new TOU periods properly align price signals  
16 to the cost differences that exist across seasons and hours, encouraging peak  
17 load reduction and efficient system usage. He notes that the proposed on-peak  
18 periods of three-hour duration provide the opportunity for economic use of  
19 battery storage in a manner aligned with system cost. Superior price signals to  
20 customers encourage adoption of new technologies, such as smart energy  
21 management devices, energy storage, and EVs. Higher on-peak prices  
22 encourage customers to improve insulation and invest in more efficient HVAC  
23 systems by providing price signals to use such technology to push energy

1 consumption away from the peak. The proposed discount periods encourage  
2 EV charging or other flexible consumption during times of low system costs,  
3 providing incentives for DER adoption. Moreover, the exclusion of EV loads  
4 from revenue decoupling strengthens the Company's incentive to encourage  
5 EVs.

6 Witnesses Bradley Harris and Lesley Quick discuss how DEP supports  
7 our low-income customers and describe new program proposals that will  
8 provide additional support and resources to address their needs. For example,  
9 the Company's Payment Navigator program provides tailored  
10 recommendations to assist struggling customers in becoming current on  
11 payments and provides longer-term guidance for how to ease their electric  
12 energy burden, *e.g.*, by connecting customers to assistance funding, referring  
13 customers to DSM/EE options, or enrolling them in programs like Budget  
14 Billing. The proposed Customer Assistance Program will directly benefit low-  
15 income customers by reducing their monthly electric energy burden through a  
16 bill discount. The Tariffed On-Bill Program offers customers an option to  
17 finance EE investments.

18 Finally, the Company's proposed PIMs and tracking metrics would  
19 strengthen DEP's incentives to advance several additional goals of the PBR  
20 Statute, as Mr. Stillman describes in the next section of our testimony.

1                   **III.     PERFORMANCE INCENTIVE MECHANISMS**

2     **Q.     MR. STILLMAN, PLEASE EXPLAIN WHAT PIMS AND TRACKING**  
3     **METRICS ARE.**

4     A.     Generally speaking, PIMs are a rate-making mechanism that links utility  
5             revenue or earnings to utility performance in targeted areas consistent with  
6             policy goals. They include specific performance metrics and targets against  
7             which utility performance is measured. PIMs were discussed extensively in the  
8             NERP PBR Working Group and are a key and required component of PBR  
9             under HB 951. A particular advantage of PIMs is their ability to align utility  
10            financial incentives with policy goals.

11           Tracking metrics are useful for monitoring and quantitatively measuring  
12           utility outcomes or performance and are reported to demonstrate progress  
13           toward a particular outcome without financial impacts. Tracking metrics can  
14           also be used to measure and develop an approach that can serve as a basis to  
15           inform future PIMs.

16    **Q.     WHAT GUIDELINES DOES HB 951 PROVIDE FOR METRICS AND**  
17    **PIMS?**

18    A.     Under HB 951, a PBR application shall include one or more PIMs and may also  
19             include proposed tracking metrics. A PIM must be consistent with a policy  
20             goal, which is defined in N.C. Gen. Stat. §62-133.16(a)(8) as “the expected or  
21             anticipated achievement of operational efficiency, cost-savings, or reliability of  
22             electric service” that is greater than existing federal, state, or Commission law,  
23             regulation, or standards, except that an environmental policy goal cannot be

1 more stringent than state or federal standards. Policy goals targeted by a PIM  
2 must be clearly defined, measurable with a defined performance metric, and  
3 solely or primarily within the utility's control pursuant to N.C. Gen. Stat. §62-  
4 133.16(c)(3).

5 N.C. Gen. Stat. §62-133.16(c)(4) provides that the total of all potential  
6 and actual PIM incentives or penalties cannot exceed 1% of the utility's total  
7 annual revenue requirement that is used to fix rates during the first year of a  
8 MYRP, excluding any revenue requirement for the capital projects to be placed  
9 in service during the first Rate Year. DSM and EE incentives are excluded from  
10 the 1% cap and shall continue to be recovered through the utility's DSM/EE  
11 rider. Any utility-proposed PIM must include one or more of the following: (1)  
12 rewards based on the sharing of savings achieved by meeting or exceeding a  
13 specific policy goal; (2) rewards or penalties based on differentiated authorized  
14 rates of return on common equity, with a maximum of 25 basis points, to  
15 encourage utility investments or operational changes to meet a specific policy  
16 goal; and (3) fixed financial rewards to encourage achievement of specific  
17 policy goals, or fixed financial penalties for failure to achieve policy goals  
18 pursuant to N.C. Gen. Stat. §62-133.16(c)(5).

19 In its February 10, 2022 *Order Adopting Rule R1-17B* in Docket No. E-  
20 100, Sub 178 ("PBR Rule Order"), the Commission declined to open a separate  
21 docket to establish policy goals and declined to adopt rules requiring specific  
22 PIMs or outlining specific guidelines for designing PIMs outside of what is  
23 prescribed in the statute. In declining to prescribe specific policy goals or PIMs

1           that must be included in a PBR application, the Commission sought “to preserve  
2           flexibility and the ability for the Commission and all parties to learn and adapt  
3           as policy issues evolve.” PBR Rule Order, at p. 24. The Commission further  
4           explained that “its decision on PIMs proposed within the context of a PBR  
5           application filed by a utility will be made based on the record in that specific  
6           case.” *Id.* Commission Rule R1-17B requires additional details and  
7           explanation about proposed PIMs, which I will address later in my testimony  
8           and exhibits. Consistent with these requirements, and after taking into  
9           consideration diverse stakeholder feedback and interests across numerous  
10          forums, DEP has developed four proposed PIMs and three proposed tracking  
11          metrics to advance important policy goals as part of its initial PBR Application.

12   **Q.   HOW DID THE COMPANY CONSIDER STAKEHOLDER FEEDBACK**  
13   **WHEN DEVELOPING ITS PROPOSED PIMS?**

14   A.   The Company participated in the pre-HB 951 NERP PBR Working Group,  
15          whose work product contained policy goal and PIM recommendations from the  
16          diverse stakeholders who participated in that process. In written comments  
17          submitted as part of the Commission’s Rule R1-17B rulemaking process, some  
18          intervenors advocated for a separate policy goals docket and/or proposed  
19          specific PIMs and PIMs criteria. Subsequent to the issuance of the PBR Rule  
20          Order, DEP voluntarily invited stakeholders who intervened in the PBR  
21          Rulemaking Docket and/or participated in the NERP PBR Working Group and  
22          also historically have intervened in DEP general rate cases to participate in a  
23          PIMs stakeholder engagement process. In July 2022, DEP hosted two

1 stakeholder sessions to discuss policy goals and PIMs, which were attended by  
2 representatives from the Public Staff, the Attorney General’s Office, Carolinas  
3 Clean Energy Business Association, Carolina Industrial Group for Fair Utility  
4 Rates II (“CIGFUR II”), Carolina Utility Customers Association, ElectriCities,  
5 Southern Environmental Law Center (“SELC”) (on behalf of North Carolina  
6 Justice Center, North Carolina Housing Coalition, Southern Alliance for Clean  
7 Energy and Sierra Club), North Carolina Sustainable Energy Association,  
8 Appalachian Voices, Commercial Group/Walmart, North Carolina Electric  
9 Membership Corporation, the Tech Customers (Apple Inc., Google LLC, and  
10 Meta Platforms, Inc.), and North Carolina Waste Awareness and Reduction  
11 Network (“NC WARN”). As part of the first meeting, participants reviewed the  
12 11 PIM policy goal areas recommended by the NERP PBR Working Group as  
13 well as the essentially identical 11 policy goal areas contained in N.C. Gen. Stat.  
14 §62-133.16(d)(2), in addition to additional policy goals proposed by  
15 participants. In the second stakeholder meeting, SELC, NC WARN, CIGFUR  
16 II, and Appalachian Voices proposed PIMs and/or tracking metrics, and DEP  
17 presented potential PIMs and tracking metrics for stakeholder discussion.  
18 Following the stakeholder sessions, DEP considered the feedback received and  
19 finalized the proposed PIMs and tracking metrics it is including in its PBR  
20 Application. In particular, based upon stakeholder feedback, DEP has added a  
21 reliability PIM and PIM metrics related to customer renewable programs for  
22 consideration by the Commission.

1   **Q.     PLEASE PROVIDE AN OVERVIEW OF THE PIMS THE COMPANY IS**  
2       **PROPOSING IN ITS PBR APPLICATION.**

3   **A.     DEP is proposing the following four PIMs as part of its PBR Application:**

4       (1) Peak Load Reduction: This PIM encourages the Company to reduce peak  
5       load and is based on the estimated winter peak kilowatt (“kW”) reduction  
6       associated with new customer enrollment in DEP’s dynamic and time-  
7       differentiated rate programs. This PIM has a shared savings-like structure that  
8       will distribute 30% of the total peak reduction joint benefit to the Company and  
9       70% to customers. This PIM is upside-only to the Company.

10      (2) Low-Income/Affordability: This PIM provides incentives for the Company  
11      to encourage voluntary contributions to its existing Share the Light Fund, which  
12      provides financial assistance to customers who are struggling to pay their  
13      energy bills, through a structure that establishes graduated shareholder  
14      contributions and shareholder bonus matching contributions to fund health and  
15      safety repairs for low-income residences based upon target levels of  
16      contributions to the Share the Light Fund. This PIM is downside-only to the  
17      Company.

18      (3) Reliability: This PIM holds DEP accountable to maintain service reliability  
19      as measured by the System Average Interruption Duration Index (“SAIDI”)  
20      (excluding Major Event Days “MEDs”). This PIM is downside-only to the  
21      Company and features graduated penalties to be distributed to customers for  
22      failure to maintain SAIDI below tiered threshold levels that are to be based

1 upon historic averages adjusted for statistical confidence levels and increased  
2 outages due to additional grid work that is expected during the MYRP.

3 (4) Renewables Integration and Encouragement: This PIM is upside-only to  
4 the Company and has three subpart components to incent and reward the  
5 Company for (A) integrating additional DERs that are located on customer  
6 premises; (B) designing, obtaining regulatory approval for, and offering new  
7 renewable programs subscribed to by large customers; and (C) designing,  
8 obtaining regulatory approval for, and offering new shared solar programs  
9 subscribed to by residential customers.

10 As evidenced by these four PIMs, the Company has proposed a PIM  
11 portfolio that is designed to balance the upside and downside opportunities for  
12 the Company over the MYRP. The portfolio is designed to balance the per Rate  
13 Year upside reward opportunities of up to approximately \$8 million to the  
14 Company with the per Rate Year downside penalty opportunities of \$8 million.

15 **Q. WHAT ARE THE POLICY GOALS TARGETED BY EACH PIM AND**  
16 **HOW WILL EACH PROPOSED PIM SUPPORT OR ADVANCE EACH**  
17 **POLICY GOAL?**

18 A. DEP's proposed PIM portfolio is designed to link the utility's revenue or  
19 earnings to performance in targeted areas consistent with policy goals, as  
20 defined in N.C. Gen. Stat. §62-133.16(a)(8), as well as the policy goals listed  
21 in N.C. Gen. Stat. §62-133.16(d)(2) as factors the Commission may consider in  
22 reviewing a PBR application. In addition, the Company's proposed PIMs  
23 support and advance several policy goals that were discussed and recommended



1 as part of the pre-HB 951 NERP PBR Working Group (which are nearly  
2 identical to the policy goals listed in N.C. Gen. Stat. §62-133.16(d)(2)), as well  
3 as support certain policy goals and proposed PIM areas suggested by  
4 stakeholders during the Company's PIM stakeholder process. Although DEP's  
5 initial proposed PIMs do not address all potential policy goals referenced in the  
6 foregoing sources, nor all policy goals or PIM proposals advanced by  
7 stakeholders, the Company believes that its proposed PIM portfolio collectively  
8 reflects the Company's good faith efforts to incorporate diverse, and sometimes  
9 competing, stakeholder feedback and propose a thoughtful and measured set of  
10 PIMs that are reasonable and in the public interest.

11 The **Peak Load Reduction PIM** targets and advances operational  
12 efficiency and cost-savings per N.C. Gen. Stat. §62-133.16(a)(8) as well as  
13 encourages "peak load reduction or efficient use of the system" per N.C. Gen.  
14 Stat. §62-133.16(d)(2)a. In addition, this PIM "promotes rate designs that yield  
15 peak load reduction or beneficial load shaping" per N.C. Gen. Stat. §62-  
16 133.16(d)(2)k., and encourages carbon reductions per N.C. Gen. Stat. §62-  
17 133.16(d)(2)f. Peak load management has been a focus for the Company and  
18 will continue to play a key role in its efforts to contain the cost of service as  
19 beneficial electrification and reliance on solar and other intermittent renewable  
20 resources increase. For DEP, the winter peak is a recognized driver for system  
21 resource planning; therefore, system cost savings may be achieved through  
22 reduced need for investment. In addition, reduction in winter peak load directly  
23 enables the Company to operate with greater operational efficiency, via

1 improvement of the average load factor. Reducing peak load reduces reliance  
2 upon peaking generation needed to serve that load and delays the need for new  
3 resources, thereby reducing carbon emissions from fossil generation.

4 This PIM advances these policy goals by encouraging DEP to design  
5 and seek approval of innovative dynamic and time-differentiated rate designs,  
6 as well as increase customer participation in the existing rates that are designed  
7 to reduce system peak load. One reason for strengthening this incentive is that  
8 achieving this outcome will require substantial efforts to develop new ways to  
9 market and encourage additional customers to enroll in time-differentiated rate  
10 designs, particularly among residential customers whose current participation  
11 levels in these rates has been minimal. Additionally, while there are currently  
12 far greater percentages of General Service and Industrial Customer load  
13 enrolled in such rates, the Company plans to continue to explore opportunities  
14 to design new dynamic and time-differentiated rates and gain additional  
15 customer enrollment, as the proposed PIM would add further incentive to  
16 advance these policy goals, and is responsive to recommendations of the NERP  
17 PBR Working Group.

18 The **Low-Income/Affordability PIM** targets and advances cost-  
19 savings per N.C. Gen. Stat. §62-133.16(a)(8), as well as reduces low-income  
20 energy burdens per N.C. Gen. Stat. §62-133.16(d)(2)d., encourages EE per N.C.  
21 Gen. Stat. §62-133.16(d)(2)e., and encourages carbon reductions per N.C. Gen.  
22 Stat. §62-133.16(d)(2)f. As of February 2020, approximately 29% of DEP and  
23 DEC's residential customers qualify as low-income, with a household income

1 of 200% of the federal poverty guidelines.<sup>6</sup> This PIM advances the listed policy  
2 goals by providing the Company with an incentive to promote voluntary  
3 contributions to the Share the Light Fund, which are used to assist customers  
4 who are struggling to pay their electric bills, and also provides shareholder  
5 funds dedicated to make health and safety repairs to remedy issues that  
6 currently disqualify a significant number of low-income customers from  
7 program participation.<sup>7</sup> A need for health and safety repairs may also disqualify  
8 customers from participating in DEP's Residential Neighborhood Energy Saver  
9 Energy Efficiency program and would also disqualify customers from  
10 participating in DEP's pending Residential Income-Qualified Energy  
11 Efficiency and Weatherization Assistance for Individuals program, if approved  
12 by the Commission in Docket No. E-2, Sub 1299. The shareholder contribution  
13 to health and safety funds to be provided by this PIM will help to complete the  
14 non-EE-related work necessary to qualify otherwise ineligible homes for EE  
15 savings, which will provide a more permanent, or at least long-term benefit, to  
16 low-income customers and reduce low-income energy burdens. The dire need  
17 for additional health and safety repair funds is discussed at length in the Final  
18 Report and Recommendations of The North Carolina Low-Income  
19 Affordability Collaborative filed August 12, 2022 in Docket Nos. E-7, Subs  
20 1213, 1214 and 1187 and E-2, Subs 1219 and 1193. The health and safety  
21 repairs to be funded by this proposed PIM will enable more energy efficient

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<sup>6</sup> Final Report and Recommendations of The North Carolina Low-Income Affordability Collaborative filed August 12, 2022 in Docket Nos. E-7, Subs 1213, 1214 and 1187 and E-2, Subs 1219 and 1193 ("LIAC Final Report and Recommendations") at p. 9.

<sup>7</sup> LIAC Final Report and Recommendations at p. 29, and Appendix G – LIAC, LIAC Proposals at p. 13.

1 low-income residences, which will also lower carbon emissions. Support for  
2 low-income/affordability as a priority policy goal, and as an area for a PIM, was  
3 expressed by several participants in the Company's PIM stakeholder sessions,  
4 as well as by the NERP PBR Working Group.

5 The **Reliability PIM** targets and advances reliability of electric service  
6 per N.C. Gen. Stat. §62-133.16(a)(8) as well as encouraging the policy goal of  
7 "maintains adequate levels of reliability . . . " per N.C. Gen. Stat. §62-  
8 133.16(d)(2)j. Reliability of service is of great importance to customers. This  
9 proposed PIM advances the policy goal of reliability and is responsive to  
10 recommendations of the NERP PBR Working Group, as well as stakeholders  
11 who participated in the Company's PIM stakeholder sessions in the summer of  
12 2022. These stakeholders expressed support for a downside-only reliability  
13 PIM to advance policy goals to maintain current Company reliability levels to  
14 guard against those stakeholders' perceived risk that a utility may engage in  
15 detrimental cost-cutting in areas that impact reliability during a MYRP. DEP  
16 had proposed reliability as a tracking metric in its stakeholder sessions, but  
17 subsequently designed and added this proposed PIM based upon broad  
18 stakeholder support for a downside-only reliability PIM.

19 The **Renewables Integration and Encouragement PIM** targets and  
20 advances operational efficiency and cost-savings per N.C. Gen. Stat. §62-  
21 133.16(a)(8), as well as encourages DERs per N.C. Gen. Stat. §62-  
22 133.16(d)(2)c., encourages utility-scale renewables and energy storage per N.C.  
23 Gen. Stat. §62-133.16(d)(2)b., and encourages carbon reductions per N.C. Gen.

1 Stat. §62-133.16(d)(2)f. While cleaner power generation is a key goal of North  
2 Carolina energy policy and the Company, some customers want to reduce the  
3 impact of their carbon emissions by choosing a cleaner generation mix now.  
4 The proposed PIM furthers these policy goals by strengthening the Company's  
5 incentive to integrate DERs located on customer premises and to offer and  
6 subscribe customers to cost-competitive and convenient alternative green  
7 power programs. The three components of this PIM are described below.

8 The **DER Integration** Metric A advances Net Energy Metering  
9 ("NEM") DER projects, which helps to decrease total generation demand,  
10 thereby reducing the need for generation investment and reducing carbon  
11 emissions. NEM DERs allow customers to access zero-emitting generation,  
12 such as rooftop solar, at their homes and businesses, which reduces their  
13 electricity consumption from the grid. There has been a strong focus recently  
14 in North Carolina and South Carolina on net metering reform, tying net  
15 metering to TOU schedules, and developing new and innovative programs  
16 coupling rooftop solar, net metering, TOU, and EE offerings. As discussed in  
17 DEP's filed Carbon Plan, it is critical to carbon dioxide ("CO<sub>2</sub>") emission  
18 reduction efforts to continue exploring innovative net metering program  
19 structures that create incentives for customers to participate in net metering.  
20 DEP's proposed DER performance incentive encourages efforts to continue  
21 growth of DER adoption in the context of expected headwinds that may include  
22 cost, supply constraints, tapering of financial incentives, and regulatory  
23 uncertainty (*i.e.*, the Commission's pending decisions in Docket Nos. E-7, Sub

1 1214; E-2, Sub 1219; E-2, Sub 1076; and E-100, Sub 180, and Docket No. E-  
2 2, Sub 1287). This component of the PIM advances these policy goals and is  
3 responsive to recommendations of the NERP PBR Working Group, as well as  
4 some stakeholders who participated in the Company's PIM stakeholder sessions  
5 in the summer of 2022, which expressed support for a DER-related PIM.

6 The **Large Customer Renewable Program Encouragement** Metric B  
7 supports many large commercial and industrial ("C&I") customers, educational  
8 institutions, and local governments who have Environmental, Social, and  
9 Governance goals or other clean energy goals and are increasingly seeking  
10 access to renewable energy and programs as part of their business and  
11 operations. In addition, some large C&I customers are increasingly making  
12 access to clean energy a criterion as they consider expanding or relocating their  
13 operations. This component of the PIM provides an incentive for the Company  
14 to design, obtain regulatory approval of, and subscribe large customers to  
15 renewable programs that are responsive to and attractive to these customers'  
16 needs. This component of the PIM is proposed in response to feedback received  
17 from large customer representatives in the Company's summer 2022 PIM  
18 stakeholder process. In addition to advancing the policy goals discussed above,  
19 successfully developing and subscribing customers to new renewables  
20 programs supports customer satisfaction.

21 The **Residential Customer Shared Solar Program Encouragement**  
22 Metric C encourages increased options for residential customers to have access  
23 to additional clean energy resources and reduce carbon emissions. Some

1 residential customers want power from a cleaner mix of resources but seek an  
2 option other than a DER on their premises. Alternative green power options,  
3 such as residential shared solar programs, help residential customers achieve  
4 their clean energy goals.

5 This component of the PIM provides an incentive for the Company to  
6 design, obtain regulatory approval of, and subscribe residential customers to  
7 voluntary shared solar programs that are responsive to and attractive to these  
8 customers' needs while also providing benefits to non-participating customers.  
9 In addition to advancing the policy goals discussed above, successfully  
10 developing and subscribing residential customers to new shared solar programs  
11 supports customer satisfaction.

12 **Q. PLEASE EXPLAIN THE DESIGN OF THE PROPOSED PEAK LOAD**  
13 **REDUCTION PIM, INCLUDING THE METRICS AND TARGETS AND**  
14 **PROPOSED PIM REWARDS OR PENALTIES.**

15 A. The performance metric for the **Peak Load Reduction PIM** is the estimated  
16 winter peak kW reduction associated with customer enrollment in the  
17 Company's dynamic and time-differentiated rates. PBR Policy Panel Exhibit 1  
18 provides the design detail for the Peak Load Reduction PIM, and the calculation  
19 of the estimated winter peak reduction is based upon approved inputs utilized  
20 in the Company's DSM/EE Cost Recovery Mechanism to value the utility  
21 system benefits from reducing peak capacity. The PIM is prospective in nature  
22 and will only include and recognize peak load reductions from incremental  
23 customer participation and associated kW reductions after approval of this PIM

1 by the Commission, including any new applicable rate designs approved by the  
2 Commission during the MYRP Plan Period. Results will be reported annually  
3 after each Rate Year for program enrollment as of the preceding December 31.

4 This PIM is upside-only to the Company and is designed as a shared  
5 savings-like structure to distribute the total joint benefit created by the peak  
6 reduction efforts. PBR Policy Panel Exhibit 1 shows an example calculation  
7 demonstrating the estimated peak reduction due to the Company's dynamic and  
8 time-differentiated rates. Customers will retain 70% of the joint system benefit  
9 realized through long-term avoided system costs, which preserves low rates  
10 over time. The Company will recover 30% of the calculated joint system  
11 benefit as a reward, which is appropriate to provide a meaningful incentive for  
12 DEP to develop innovative dynamic and time-differentiated rates and drive  
13 customer enrollment in these rates, which otherwise reduce utility earnings and  
14 have the potential to erode the current DSM/EE incentive. Based upon assumed  
15 aggressive customer adoption of existing and future rate designs consistent with  
16 the Company's Carbon Plan modeling, the estimated potential PIM reward  
17 value (joint benefit recognition) by rate year is:

18 Rate Year 1: \$400,000  
19 Rate Year 2: \$700,000  
20 Rate Year 3: \$1.1 million

21 Table 1 in PBR Policy Panel Exhibit 1, shows an illustrative calculation  
22 of incentive value for a range for incremental customer participation. To the  
23 extent that additional new rate designs are approved and included within this  
24 PIM and/or additional customers enroll in existing or future new PIM-  
25 applicable rates after the date this PIM is approved, then the maximum potential



1 PIM reward could change. Conversely, if fewer customers than assumed in this  
2 calculation enroll in applicable rate designs, then the potential PIM reward  
3 value would be less.

4 **Q. PLEASE EXPLAIN THE DESIGN OF THE PROPOSED LOW-**  
5 **INCOME/AFFORDABILITY PIM, INCLUDING THE METRICS AND**  
6 **TARGETS AND PROPOSED PIM REWARDS OR PENALTIES.**

7 A. The performance metric for the **Low-Income/Affordability PIM** is a  
8 graduated shareholder contribution/bonus matching contribution structure that  
9 is tied to the Rate Year amount of voluntary contributions to the Company's  
10 Share the Light Fund, which provides bill paying assistance to customers in  
11 need. Customers, Company employees, or others who contribute to the Share  
12 the Light Fund can round up their bill to the next closest dollar, set up a  
13 recurring donation, or make a one-time donation. The Duke Energy Foundation  
14 matches contributions to the Share the Light Fund from customers, employees,  
15 or others within DEP North Carolina dollar-for-dollar up to \$375,000, and this  
16 Foundation match is unchanged and unrelated to the proposed PIM.

17 As discussed in PBR Policy Panel Exhibit 2, the PIM is downside-only  
18 to the Company and structured so that shareholders would pay a maximum \$2  
19 million contribution and a minimum of \$1.25 million to fund low-income  
20 residential health and safety repairs. As shown in Table 1 in PBR Policy Panel  
21 Exhibit 2, the target and shareholder contribution structure is based upon a  
22 formula of \$2 million – [0.75 x in-year Share the Light Fund contributions],  
23 with a bonus dollar-for-dollar shareholder matching contribution for in-year

1 contributions to the Share the Light Fund over \$1 million (up to a \$1 million  
2 shareholder bonus matching maximum). Similar to the existing process for how  
3 DEP utilizes a third-party administrator to distribute similar funds as part of  
4 prior Helping Home Fund (“HHF”) commitments resulting from previous  
5 regulatory proceedings, DEP plans to utilize a third party to administer the  
6 distribution of shareholder funds available pursuant to this PIM to  
7 weatherization trade allies to be used for health and safety repairs.

8 This PIM gives the Company added incentive to promote and encourage  
9 contributions to the Share the Light Fund to benefit customers in need, while  
10 providing a corresponding shareholder contribution to address needed health  
11 and safety repairs to address issues that currently prevent many low-income  
12 residences from qualifying for weatherization or other EE improvements.  
13 Because the shareholder contributions under this proposed PIM would not flow  
14 to all customers, but only to low-income residences through weatherization  
15 trade allies to implement health and safety repairs, the Company would not  
16 include any shareholder payments from this PIM in the PIM rider. The  
17 Company does propose to count the downside-only amounts as part of the 1%  
18 revenue requirement PIMs cap as it represents an obligation of the Company to  
19 advance important policy goals as part of its proposed PIM portfolio.

1   **Q.     PLEASE EXPLAIN THE DESIGN OF THE PROPOSED RELIABILITY**  
2       **PIM, INCLUDING THE METRICS AND TARGETS AND PROPOSED**  
3       **PIM REWARDS OR PENALTIES.**

4   A.    The performance metric for the **Reliability PIM** is calendar year SAIDI,  
5       excluding MEDs. The proposed incentive structure is detailed in PBR Policy  
6       Panel Exhibit 3 and is designed to establish penalties for failure to maintain  
7       expected reliability as measured by SAIDI. This PIM provides a downside-  
8       only penalty structure with graduated penalties for performance above (*i.e.*,  
9       worse than) SAIDI performance thresholds based upon the five-year historical  
10      average SAIDI for calendar years 2018-2022. As further explained in PBR  
11      Policy Panel Exhibit 3, the proposed three-tiered performance financial penalty  
12      is based upon exceeding the upper bound of an 80% confidence interval for the  
13      five-year historical average plus expected increase in outages attributable to  
14      increased grid work during the MYRP. Final 2022 SAIDI performance will not  
15      be known until sometime in early 2023 to establish the final five-year historical  
16      SAIDI average benchmark and tiers. Because SAIDI is an industry metric  
17      based on calendar year performance, DEP proposes to use annual calendar year  
18      SAIDI performance, rather than Rate Year SAIDI performance, to measure  
19      against the benchmark historical average. In addition, the Company proposes  
20      there be no penalty/metric applicable to Rate Year 1 (October 1, 2023 –  
21      September 30, 2024), as calendar year 2023 SAIDI data would only include  
22      three months of data during the MYRP. Accordingly, the proposed Reliability

1 PIM would begin in Rate Year 2 and be based on calendar year 2024 SAIDI  
2 data.

3 Table 1 in PBR Policy Panel Exhibit 3 illustrates how the PIM penalty  
4 structure would apply using estimated 2022 SAIDI data through the end of July  
5 2022 as the basis for the three tier target levels. This PIM provides a Tier 1  
6 penalty of \$1 million for exceeding the SAIDI historic five-year average (2018-  
7 2022) by ten minutes; a Tier 2 penalty of \$2 million for exceeding the SAIDI  
8 historic five-year average (2018-2022) by twenty minutes; and a Tier 3 penalty  
9 of \$6 million for exceeding the SAIDI historic five-year average (2018-2022)  
10 by thirty minutes. Again, the individual tier SAIDI thresholds are subject to  
11 change once the SAIDI historic five-year average is known.

12 **Q. PLEASE EXPLAIN THE DESIGN OF THE PROPOSED RENEWABLES**  
13 **INTEGRATION AND ENCOURAGEMENT PIM, INCLUDING THE**  
14 **METRICS AND TARGETS AND PROPOSED PIM REWARDS OR**  
15 **PENALTIES.**

16 **A.** As I previously noted, the **Renewables Integration and Encouragement PIM**  
17 consists of three components.

18 The **DER Integration** Metric A is an upside-only metric, which  
19 provides graduated rewards to the Company for exceeding targets for the  
20 number of net-metered DER customers interconnected to the DEP system. The  
21 baseline performance thresholds will be based upon historical three-year  
22 average interconnections for the 2020, 2021, and 2022 calendar years and will  
23 be fixed for the duration of the MYRP. The DER Integration Metric A proposed

1 performance metric is the total number of NEM projects connected by DEP  
2 during each Rate Year. PBR Policy Panel Exhibit 4 provides the design detail  
3 for Metric A and the baseline performance thresholds against which DEP's  
4 upside-only reward will be measured. DEP is proposing a three-tiered incentive  
5 metric. As noted in PBR Policy Panel Exhibit 4, there are two relevant matters  
6 pending before the Commission whose regulatory outcomes could have an  
7 impact upon the potential number of new net-metered interconnections to be  
8 achieved. Accordingly, we would look to adjust the targeted performance  
9 thresholds once the outcome of those matters are resolved.

10 As noted in PBR Policy Panel Exhibit 4, the three-year historic average  
11 number of net-metered interconnections for calendar year 2020-2022 is  
12 estimated to be 3,637. Importantly, however, the actual three-year historical  
13 average number of interconnections will not be known until after 2022 year-  
14 end (to be provided in early 2023) and is, therefore, subject to change. For the  
15 proposed targets, the Tier 1 performance threshold represents a 5% increase  
16 from the estimated three-year historical average number of annual net-metered  
17 interconnections and provides a performance reward of \$1 million. The Tier 2  
18 performance threshold represents a 15% increase from the estimated three-year  
19 historical average number of annual net-metered interconnections and provides  
20 a performance reward of \$2 million. The Tier 3 performance threshold  
21 represents a 25% increase from the estimated three-year historical average  
22 number of annual net-metered interconnections and provides a performance

1 reward of \$4 million. Table 1 in PBR Policy Panel Exhibit 4 illustrates these  
2 performance thresholds and rewards.

3           The **Large Customer Renewable Program Encouragement** Metric B  
4 is an upside-only metric that establishes tiered rewards for the Company based  
5 upon the cumulative share of commercial and industrial customer renewables  
6 program capacity subscribed by eligible customers for new C&I renewable  
7 customer programs approved by the Commission subsequent to the filing of this  
8 PBR Application. This metric provides an incentive for DEP to design, obtain  
9 approval of, and subscribe customers to new renewable programs that meet  
10 these customers' desires for access to clean energy resources. The graduated  
11 performance thresholds provide associated financial rewards to the Company  
12 for meeting or exceeding a cumulative share of new renewable program  
13 capacity subscribed by eligible commercial and industrial customers. As  
14 provided in PBR Policy Panel Exhibit 4, Tier 1 provides a \$667,000 reward if  
15 the programs are cumulatively subscribed at or above 30% of program capacity  
16 in a rate year; Tier 2 provides a \$1,333,000 reward if the programs are  
17 cumulatively subscribed at or above 50% of program capacity in a Rate Year;  
18 and Tier 3 provides a \$2 million reward if the programs are cumulatively  
19 subscribed at or above 70% of program capacity in a Rate Year. Performance  
20 will be assessed each Rate Year, independent of preceding Rate Years (*e.g.*, Tier  
21 1 financial reward could be earned in consecutive years, if cumulative  
22 subscription rate achieved is between 30% and 50%).

1                   The **Residential Customer Shared Solar Program Encouragement**

2           Metric C is an upside-only metric that establishes tiered rewards for the  
3           Company based upon the cumulative share of residential customer shared solar  
4           program capacity subscribed to by eligible customers for new residential shared  
5           solar customer programs approved by the Commission subsequent to the filing  
6           of this PBR Application. This metric provides an incentive for DEP to design,  
7           obtain approval of, and subscribe residential customers to new shared solar  
8           programs that meet these customers' desires for access to clean energy  
9           resources. The graduated performance thresholds provide associated financial  
10          rewards to the Company for meeting or exceeding a cumulative share of new  
11          renewable program capacity subscribed. As provided in PBR Policy Panel  
12          Exhibit 4, Tier 1 provides a \$333,000 reward if the programs are cumulatively  
13          subscribed at or above 30% of program capacity in a Rate Year; Tier 2 provides  
14          a \$667,000 reward if the programs are cumulatively subscribed at or above 50%  
15          of program capacity in a Rate Year; and Tier 3 provides a \$1 million reward if  
16          the programs are cumulatively subscribed at or above 70% of program capacity  
17          in a Rate Year. Performance will be assessed each Rate Year, independent of  
18          preceding Rate Years (e.g., Tier 1 financial reward could be earned in  
19          consecutive years, if cumulative subscription rate achieved is between 30% and  
20          50%).

1   **Q.   WHAT ARE THE MAXIMUM PIM DOWNSIDE AND UPSIDE**  
2   **OPPORTUNITIES UNDER THE COMPANY’S PROPOSAL?**

3   A.   The Company’s proposed maximum per Rate Year PIM penalty is \$6 million  
4       for the Reliability PIM (for Tier 3) and the maximum per Rate Year total  
5       shareholder contributions for the Low-Income/Affordability PIM is \$2 million,  
6       which again the Company proposes to count as downside toward the 1%  
7       revenue requirement PIMs cap although shareholder dollars would fund low-  
8       income health and safety repairs instead of being returned to customers through  
9       the PIM rider; for a total maximum downside PIM amount of \$8 million per  
10      Rate Year.

11           The Company’s estimated potential Peak Load Reduction PIM reward  
12      value is approximately \$400,000 in Rate Year 1, approximately \$700,000 in  
13      Rate Year 2, and approximately \$1.1 million in Rate Year 3, although as I noted  
14      earlier, this estimate is based upon aggressive assumed customer adoption of  
15      existing and future rate designs consistent with the Company’s Carbon Plan,  
16      and the reward value could increase or decrease depending on the number of  
17      new customers enrolled in applicable rate designs. The maximum per Rate Year  
18      PIM reward for the Renewables Integration and Encouragement PIM (all three  
19      components) is \$7 million. Accordingly, the maximum PIM reward opportunity  
20      is approximately \$8 million per Rate Year.



1   **Q.     PIMS FOR DSM AND EE ARE COMMON IN OTHER JURISDICTIONS**  
2         **AND WERE DISCUSSED IN THE NERP PROCESS AND THE**  
3         **COMPANY’S STAKEHOLDER SESSIONS. WHY ISN’T DEP**  
4         **PROPOSING A DSM/EE PIM IN THIS PROCEEDING?**

5   **A.**   DEP is proud of its DSM/EE achievements, having been consistently  
6         recognized as an EE savings leader among Southeast utilities. Stakeholder  
7         engagement through the long-standing DSM/EE Collaborative has been  
8         integral in developing and refining DSM/EE programs in the Carolinas over the  
9         past fifteen years.

10                 DEP’s DSM/EE Mechanism, which the Commission approved on  
11         October 20, 2020, in Docket No. E-2, Sub 931 which went into effect January  
12         1, 2022, effectively *is* a PIM through its incentive and penalty structure. The  
13         DSM/EE Mechanism features a Portfolio Performance Incentive (“PPI”) based  
14         on the sharing of net utility system benefits achieved through the energy and  
15         capacity savings from DSM/EE programs in the aggregate. The DSM/EE  
16         Mechanism also includes a Program Return Incentive (“PRI”), which is a  
17         payment to the Company for adopting and implementing programs that fail to  
18         pass the Utility Cost Test, but are approved by the Commission due to the  
19         societal benefit they provide, such as low-income programs. Finally, the  
20         DSM/EE Mechanism establishes an added incentive of \$500,000 in any year  
21         during the 2022-2025 period that DEP achieves annual energy savings of 1% of  
22         the prior year’s system retail electricity sales. During that same period, if the  
23         Company fails to achieve annual energy savings of 0.5% of retail sales, net of

1 sales associated with customers opting out of the Company's EE programs, that  
2 Company will reduce its EE revenue requirement by \$500,000.

3 In short, the Company's DSM/EE cost recovery mechanism already  
4 features a refined, established and effective incentive mechanism for DSM/EE  
5 that motivates the Company to offer a high-performing and cost-effective  
6 portfolio of programs. Furthermore, to avoid double recovery, N.C. Gen. Stat.  
7 §62-133.16(c)(4) provides that any DSM/EE incentives are excluded from the  
8 1% PIMs cap and shall continue to be recovered through the DSM/EE rider. As  
9 such, the Company has not proposed an additional DSM/EE PIM as part of the  
10 PIMs proposed in this PBR proceeding.

11 **Q. HOW WILL THE PROPOSED PENALTY OR REWARD FOR EACH**  
12 **PIM MINIMIZE ANY DUPLICATION OF OTHER REWARDS OR**  
13 **PENALTIES CREATED BY OTHER RATEMAKING MECHANISMS,**  
14 **INCLUDING DISTINGUISHING ACHIEVEMENT OF ANY DSM/EE**  
15 **PORTFOLIO INCENTIVES?**

16 A. In accordance with Commission Rule R1-17B(d)(3)e.iv., DEP does not have  
17 any rewards or penalties created by other ratemaking mechanisms that would  
18 overlap with any of its proposed PIMs, and, therefore, there would not be any  
19 duplication. Again, the Company has not proposed any DSM/EE PIMs, as  
20 these programs have an established performance incentive mechanism.

1   **Q.   WHAT ARE THE COMPANY'S PROJECTED COSTS TO BE**  
2       **INCURRED, ALONG WITH INFORMATION ON HOW THE**  
3       **COMPANY INTENDS TO EVALUATE, MEASURE, AND VERIFY**  
4       **COMPLIANCE OR ACHIEVEMENT WITH ITS PROPOSED PIMS?**

5   A.   PBR Policy Panel Exhibits 1 through 4 provide cost projections to support the  
6       Company's plans to support or advance the policy goals through each proposed  
7       PIM, including the proposed resources. In most cases, the Company proposes  
8       to utilize Company personnel and resources to evaluate, measure, and verify  
9       results for all PIMs. As discussed in PBR Policy Panel Exhibit 1, DEP does  
10      propose to use a third-party vendor to review the methodology utilized to  
11      calculate the kW reduction associated with the Peak Load Reduction PIM, but  
12      will perform the evaluation, measurement and verification with internal  
13      resources. As explained in PBR Policy Panel Exhibit 2, as part of its support  
14      for the Low-Income/Affordability PIM, DEP proposes to utilize a third party to  
15      administer the shareholder funds available pursuant to this PIM to  
16      weatherization trade allies to be used for health and safety repairs similar to the  
17      existing process for how DEP utilizes a third party administrator to distribute  
18      similar funds as part of prior HHF commitments resulting from prior regulatory  
19      proceedings. As with the existing HHF administration process, the vendor  
20      administrative costs will be established not to exceed 10% of the shareholder  
21      funds provided for health and safety repairs.

22               With regard to the proposed PIMs for Reliability, DER Integration  
23      Metric A, Large Customer Renewable Program Encouragement Metric B, and

1 Residential Customer Shared Solar Program Encouragement Metric C, the  
2 Company has internal resources to track and report key components of the  
3 metrics for each PIM and, therefore, projects at this time to incur minimal  
4 incremental costs associated with the respective PIM. As provided in PBR  
5 Policy Panel Exhibits 1 and 2, the Company anticipates incurring incremental  
6 marketing costs to promote the programs included in the Peak Load Reduction  
7 and Low-Income/Affordability PIMs.

8 In addition, the Company plans to utilize Duke Energy's IT department  
9 to develop a public web-based PIM dashboard which will allow the  
10 Commission, intervenors, and the public at large to view DEP's progress toward  
11 the PIM metrics and proposed tracking metrics. The PIM dashboard has a  
12 capital cost estimate of \$540,000, with estimated annual O&M costs of  
13 approximately \$100,000. The Company proposes to allocate the costs of the  
14 PIM dashboard based upon the number of North Carolina Retail customers –  
15 43.23% to DEP and 56.77% to DEC, as the PIM dashboard will support both  
16 DEP and DEC. Incremental O&M costs are proposed for deferral and future  
17 recovery as described by Witness LaWanda Jiggetts in her testimony.

18 **Q. DOES YOUR TESTIMONY ADDRESS THE ESTIMATED IMPACT TO**  
19 **THE ANNUAL AND TOTAL REVENUE REQUIREMENTS THAT**  
20 **WOULD RESULT FROM THE PROPOSED PIMS?**

21 A. No. The estimated impact to the Company's annual and total revenue  
22 requirements that would result from supporting or advancing the policy goals  
23 through the proposed PIMs is addressed in the testimony of Witness Taylor.

1   **Q.   PLEASE DESCRIBE THE TRACKING METRICS THAT THE**  
2       **COMPANY IS PROPOSING AND THE BASIS FOR THEIR**  
3       **SELECTION.**

4   A.   Pursuant to Commission Rule R1-17B(d)(4), DEP is proposing three tracking  
5       metrics, which were selected to quantitatively measure and monitor outcomes  
6       and/or utility performance that, although not tied to financial incentives or  
7       penalties, address the Company's progress in furthering important policy goals.  
8       These tracking metrics can also provide useful information in evaluating  
9       potential future PIMs.

10           The first is a customer service tracking metric, which will provide a  
11       quarterly update during the Rate Year of the rolling 12-month call center answer  
12       rate and the average speed of answer. The Company tracks this data on a system  
13       basis, so the information will be reported on a consolidated DEP basis, not DEP  
14       North Carolina only. This is an appropriate metric to include as a tracking  
15       metric because customers often communicate with the Company about service  
16       and billing issues by telephone. Also, it allows greater public access to the data  
17       and supports maintaining adequate levels of customer service per N.C. Gen.  
18       Stat. §62-133.16(d)(2)j. The Company currently reports and will continue to  
19       report this information to the Commission pursuant to Commission Rule R8-  
20       4A, which was adopted by the Commission's March 9, 2015 *Order Adopting*  
21       *New Service Quality Rules for Electric Utilities*.

22           Next, we propose a CO<sub>2</sub> emissions tracking metric, which will report  
23       progress toward compliance with the CO<sub>2</sub> reduction targets of HB 951 and the

1 Commission's forthcoming Carbon Plan, on a frequency as established by the  
2 Commission in Docket No. E-100, Sub 179. Because DEP and DEC's systems  
3 are jointly dispatched, and the HB 951 CO<sub>2</sub> reduction goals are joint between  
4 the two utilities, the Company will track and report the combined DEP and DEC  
5 reduction in CO<sub>2</sub> emissions by percentage as compared to the baseline 2005  
6 emission levels. Progress toward the HB 951 CO<sub>2</sub> reduction provisions is a  
7 matter of keen interest for North Carolina and making this data available in a  
8 tracking metric can provide broader public access. This tracking metric also  
9 supports encouraging carbon reductions per N.C. Gen. Stat. §62-133.16(d)(2)f.

10 Finally, we propose a tracking metric to report beneficial electrification  
11 from estimated incremental load from EVs. N.C. Gen. Stat. §62-133.16(c)(2)  
12 contains a provision to encourage EVs by excluding EV charging from the  
13 decoupling mechanism, as is discussed in Witness Taylor's testimony. In  
14 addition, Governor Cooper's Executive Order 246, signed on January 7, 2022,  
15 sets goals to increase the number of zero emission vehicles in our state by 2030.  
16 This tracking metric also supports encouraging beneficial electrification,  
17 including EVs, per N.C. Gen. Stat. §62-133.16(d)(2)g. Accordingly, this  
18 tracking metric will provide important data about an area with material policy  
19 interest.

20 In conclusion, and consistent with its approach for proposing its initial  
21 PIMs, the Company has proposed these three tracking metrics to address  
22 important policy goals as part of a deliberate approach to the number of tracking  
23 metrics in its initial PBR Application.

1   **Q.     WHY SHOULD THE COMMISSION ADOPT THE COMPANY'S**  
2   **PROPOSED PIMS AND TRACKING METRICS?**

3   A.     As discussed above, the Company's proposed PIMs and tracking metrics are  
4           consistent with the guidelines in HB 951. Consistent with the guidelines  
5           provided in N.C. Gen. Stat. §62-133.16(c)(3), the Company's four proposed  
6           PIMs are targeted, clearly defined, capable of being measured with a defined  
7           performance metric, and solely or primarily within DEP's control. The  
8           incentive provisions or structures are based upon fixed financial rewards, and  
9           the Peak Load Reduction PIM has a shared savings-like structure, consistent  
10          with the guidelines provided in N.C. Gen. Stat. §62-133.16(c)(5). As discussed  
11          in Witness Taylor's testimony, the total of all potential PIM rewards or penalties  
12          is well within the 1% revenue requirement cap provided for in N.C. Gen. Stat.  
13          §62-133.16(c)(4). All the proposed PIMs are consistent with policy goals as  
14          defined in N.C. Gen. Stat. §62-133.16(a)(8) and the PBR plan review criteria  
15          identified in N.C. Gen. Stat. §62-133.16(d)(2).

16                 DEP's choice of focus areas for the proposed PIMs was also informed  
17                 by Duke Energy's participation in the pre-HB 951 NERP process where several  
18                 PIMs were recommended; intervenor comments in the Commission's PBR  
19                 rulemaking process; stakeholder feedback during Low-Income Affordability  
20                 Collaborative stakeholder process; discussions during the PIMs stakeholder  
21                 sessions convened by the Company in the summer of 2022; and a review of  
22                 approved PIMs in other jurisdictions. In summary, the PIMs developed and  
23                 proposed in this initial PBR Application reflect diverse stakeholder input and

1 reflect a measured and thoughtful approach as the Company, interested  
2 stakeholders, and this Commission gain experience and obtain information on  
3 best practices to track certain information so that incentives are properly aligned  
4 with policy goals and consistently and correctly tracked.

5 Similarly, other jurisdictions have taken a deliberate and conservative  
6 approach in adopting PIMs in the initial years of PBR plans. As explained in  
7 the Company's filed PBR Rulemaking comments, this deliberate approach is  
8 appropriate as DEP and stakeholders tackle novel issues, gain experience with  
9 new legislative and regulatory tools, and implement lessons learned. As the  
10 NERP PBR group recommended, it also allows the Commission and utilities to  
11 adapt as policy goals and objectives change over time.

12 In summary of my testimony regarding the policy goals advanced by the  
13 Company's proposed PIMs and tracking metrics, of the 11 listed public policy  
14 goals that the Commission may consider in evaluating a PBR application under  
15 N.C. Gen. Stat. §62-133.16(d)(2), the Company's proposed PIMs and tracking  
16 metrics are responsive to 9 of the 11 (subparts a., b., c., d., e., f., g., j., and k.):

- 17 a. Encourages peak load reduction or efficient use of the system.
- 18 b. Encourages utility-scale renewable energy and storage.
- 19 c. Encourages DERs.
- 20 d. Reduces low-income energy burdens.
- 21 e. Encourages energy efficiency.
- 22 f. Encourages carbon reductions.
- 23 g. Encourages beneficial electrification, including electric vehicles.



1 h. Supports equity in contracting.

2 i. Promotes resilience and security of the electric grid.

3 j. Maintains adequate levels of reliability and customer service.

4 k. Promotes rate designs that yield peak load reduction or beneficial  
5 load-shaping.

6 Although DEP has not proposed a PIM or tracking metric in the area of  
7 supporting equity in contracting, the Company's reporting and overall efforts in  
8 support of the Hire North Carolina Rule, Commission Rule R25-1, advance  
9 such a policy goal. Similarly, although DEP has not proposed a PIM or tracking  
10 metric in the area of promoting resiliency and security of the electric grid, as  
11 discussed by Witnesses Maley and Guyton in their testimony and exhibits, the  
12 Company has detailed significant transmission and distribution investments in  
13 its PBR Application that will promote resiliency and security of the electric  
14 grid.

15 The Company's proposed PIMs address significant policy goals and  
16 provide meaningful financial incentives to encourage utility performance in  
17 areas of shared interest. The proposed PIM rewards and penalties are  
18 reasonable and appropriate, in addition to being consistent with Company's  
19 deliberate approach to PIMs in its first PBR Application. In addition, the  
20 Company has proposed a PIM portfolio in which the potential PIM rewards for  
21 performance are reasonably balanced against potential PIM penalties or  
22 downside based upon performance. The Company's proposal would balance  
23 upside reward opportunities of up to approximately \$8 million to the Company

1 with the downside opportunities of up to \$8 million, by Rate Years 2 and 3 when  
2 the proposed Reliability PIM would be effective. The Company has proposed  
3 tiers of rewards and penalties in most of its PIMs to encourage “stretch”  
4 behavior and refine the available rewards or penalties to targeted outcome  
5 results. The exception to this tiered approach is the Peak Load Reduction PIM  
6 which is based upon a shared savings-like structure. Accordingly, the  
7 Company believes that its proposed PIMs and incentive structures are  
8 reasonable and should be approved by the Commission.

9 Although the Company’s proposed PIMs have been offered in response  
10 to diverse stakeholder input, and the Company believes they are reasonable and  
11 appropriate under the framework of HB 951, DEP notes that the stakeholder  
12 views on such important policy goals are certainly not unanimous and in some  
13 instances are contradictory. DEP expects that the rate case process will provide  
14 opportunities for additional exchanges of information among intervenors and  
15 the Company about potential PIMs which may provide opportunities for  
16 additional engagement and alignment.

17 **Q. DOES THIS CONCLUDE THE PANEL’S PRE-FILED DIRECT**  
18 **TESTIMONY?**

19 **A. Yes.**

## Peak Load Reduction PIM

### Metric

The proposed metric for the peak load reduction PIM is the estimated Winter peak kW reduction associated with customer enrollment in the Company's dynamic and time-differentiated rates, including additional rates proposed and approved in the future.

Proposed metric would be calculated for each applicable rate as:

	Total enrolled customers (as of Dec. 31) less participants enrolled at the time of PIM approval
x	Average expected Winter peak reduction per enrolled customer (kW)
=	<b>Estimated Winter peak kW reduction</b>
x	Utility system benefit (\$ / kW) – <i>based on approved inputs from EE/DSM Cost Recovery Mechanism</i>
=	<b>Total Joint System Benefit</b>
x	Company allocation of Joint Benefit
=	<b>Company incentive value</b>

Estimated Winter peak reduction will be reported annually after the end of each rate year, calculated based on total enrollment in relevant rate programs as of the preceding December 31.

### Eligible programs

Calculation will only include and recognize peak load reductions from incremental customer participation and associated deemed kW reductions after approval of the PIM by the Commission, including any new applicable rate designs approved by the Commission during the PBR rate plan. Eligible rate programs include rates identified at the time of establishing the PIM and any new time-differentiated or dynamic rates that are identified for inclusion at the time of Commission approval.

Presently, there are limited residential eligible rate programs (R TOU, R TOU D and TOU-CPP) in DEP North Carolina. There are also existing non-residential time differentiated rates like RTP, but given the complexity associated with determining a deemed savings from such a heterogeneous customer group, the impact of any estimated incremental participation will be modeled and vetted on a case-by-case basis at the time of calculating the proposed incentive.

At the time of seeking approval for any additional rates that the Company identifies for inclusion in the performance metric calculation, the Company shall provide a proposed initial kW savings reduction to be utilized and supporting documentation/rationale.

### Incentive calculation

Based on a sharing of utility system savings structure, in each year during the MYRP Customers will retain 70% of the calculated joint benefit resulting from estimated Winter peak kW reduction. The Company can earn a payment equal to 30% of the calculated joint benefit resulting from estimated Winter peak kW reduction. Any earned payment would be recovered through the PIM rider established by the Commission upon authorization of the MYRP.

For existing eligible rate programs (R TOU, R TOU D, and R TOU CPP), the average expected Winter peak reduction per enrolled customer is approximately ~0.21-0.31 kW.

Based on approved inputs utilized in the Company's DSM/EE Cost Recovery Mechanism, as applied to the vintage year that aligns with the PIM period in the most recently approved DSM/EE rider filing, the current value of the utility system benefit is approximately \$70 to \$80 per kW of Winter peak reduction.

**Table 1: Illustrative calculation of incentive value for range of incremental customer participation in R TOU CPP time-differentiated rate program**

Customer enrollment	Approximate incentive value
10,000	\$60,000
50,000	\$300,000
100,000	\$600,000
150,000	\$900,000
200,000	\$1,200,000

### Projection of costs to be incurred and proposed resources (labor, contractors, materials, etc.) per Commission Rule R1-17B(d)(3)d.

The required resources to support advancement of this policy goal are limited to marketing and billing system efforts associated with approved dynamic and time-differentiated rate programs, as well as efforts to develop and gain approval of additional dynamic and time-differentiated rates

Additional costs associated with the proposed PIM include:

- Implementation of participation tracking (*estimated to be ~\$100-200k on approval of PIM*)
- Evaluation, measurement, and verification (EM&V) costs associated with each time differentiated or dynamic rate included in the PIM calculation, to update impacts for future calculations (*estimated to be ~\$50-\$200k per new rate design*)
- Incremental marketing costs for rate offerings (*estimated to be ~\$50-200k per year*)

### **Approach for evaluation, measurement, and verification**

The specific metric to assess performance will be the total number of enrolled customers in eligible rate programs as of December 31 occurring during the Rate Year.

The Company will use internal labor to analyze customer data, and an independent third party for validation. Third party review will also include approach and methodology to determine the value of savings. Additional EM&V sampling will occur at the point in time when there is a sufficient participant pool to yield statistically significant results.

## Low-Income/Affordability PIM

### Metric

The proposed metric for the low-income affordability PIM is annual Rate Year contributions (\$) to the DEP-NC Share the Light Fund program to support low-income customers through bill paying assistance. Results will be reported annually after the end of each Rate Year, for eligible contributions during the Rate Year period.

### Eligible contributions

The metric will include all voluntary contributions from customers, Company employees, and third parties to the existing DEP-NC Share the Light Fund.

All other contributions by the Company or its Foundation, including the current matching program (up to \$375,000 under the current program) would not be eligible for inclusion in the metric.

### PIM description

This PIM gives the Company added incentive to promote and encourage contributions to the Share the Light Fund to benefit customers in need, while providing a corresponding shareholder contribution to address needed health and safety repairs that currently prevent many low-income residences from qualifying for weatherization or other energy efficiency (“EE”) improvements.

The Company will make structured shareholder contributions to fund residential health and safety initiatives to enable low-income customer participation in weatherization and EE programs based upon the level of Rate Year contributions to the DEP-NC Share the Light Fund. Shareholder contributions are classified as either (a) **shareholder contribution**, or (b) **bonus shareholder matching**, with no differentiation of use for funds based on the contribution classification. The PIM structure incentivizes the Company to encourage Share the Light Fund contributions.

This PIM is “downside-only” to the Company. The maximum total of per Rate Year shareholder contributions pursuant to this PIM is \$2.0 million, with a minimum total shareholder contribution of \$1.25 million.

Formulas / approach for calculating structured contributions are as follows:

- **Shareholder contribution** = \$2.0 million – [ 0.75 x eligible contributions ]
- **Bonus shareholder matching** is dollar-for-dollar for eligible contributions over \$1 million (up to \$1 million bonus shareholder matching maximum)

For example:

- A) If eligible contributions to the Company’s Share the Light Fund in a given Rate Year equal \$241,000, the:
- **shareholder contribution** would be \$1,819,250:  $(2,000,000 - (241,000 * 75\%))$

- **bonus shareholder matching** would be \$0

B) If eligible contributions to the Company's Share the Light Fund in a given rate year equal \$1,241,000, the:

- **shareholder contribution** would be \$1,069,250:  $(2,000,000 - (1,241,000 * 75\%))$
- **bonus shareholder matching** would be \$241,000

The existing Foundation matching program is unchanged and unrelated to this PIM. Eligible contributions to the DEP-NC Share the Light Fund (and associated Foundation matching) will continue to directly fund programming for bill assistance to low-income customers.

Structured contributions associated with the PIM (both **shareholder contribution** and **bonus shareholder matching**) will to be used to fund residential health and safety initiatives to enable low-income customer participation in weatherization and EE programs.

Because the shareholder contribution structure of this proposed PIM would not flow to all customers, but only to low-income residences through weatherization trade allies to implement needed health and safety repairs, the Company would not include any shareholder payments from this PIM in the PIM rider, but does propose to count the "downside-only" amounts as part of the 1% revenue requirement PIMs cap as it represents an obligation of the Company to advance important policy goals as part of its proposed PIM portfolio.

**Table 1: Illustrative calculation of shareholder contributions by the Company, for range of Rate Year contributions to the Share the Light Fund**

Rate Year contributions to Share the Light Fund	Foundation matching (existing system)	Structured PIM contributions (for health and safety repairs)		Total funding
		Shareholder contribution	Bonus shareholder matching	
\$0	\$0	\$2,000,000	\$0	\$2,000,000
\$200,000	\$200,000	\$1,850,000	\$0	\$2,250,000
\$400,000	\$375,000	\$1,700,000	\$0	\$2,475,000
\$600,000	\$375,000	\$1,550,000	\$0	\$2,525,000
\$800,000	\$375,000	\$1,400,000	\$0	\$2,575,000
\$1,000,000	\$375,000	\$1,250,000	\$0	\$2,625,000
\$1,200,000	\$375,000	\$1,100,000	\$200,000	\$2,875,000
\$1,400,000	\$375,000	\$950,000	\$400,000	\$3,125,000
\$1,600,000	\$375,000	\$800,000	\$600,000	\$3,375,000
\$1,800,000	\$375,000	\$650,000	\$800,000	\$3,625,000
≥\$2,000,000	\$375,000	\$500,000	\$1,000,000	≥\$3,875,000

**Projection of costs to be incurred and proposed resources (labor, contractors, materials, etc.) per Commission Rule R1-17B(d)(3)d.**

The required resources to support advancement of this policy goal include marketing efforts associated with the Share the Light Fund program. The Company estimates an incremental \$15,000 in annual marketing costs for the Share the Light Fund as part of this PIM.

In addition, similar to the existing processes utilized as a result of previous regulatory proceedings involving the Company, a third-party administrator will be utilized to distribute funds consistent with the distribution of similar funds as part of prior Helping Home Fund (“HHF”) commitments. The Company plans to utilize a third party to administer the shareholder funds available pursuant to this PIM to weatherization trade allies to be used for health and safety repairs. As with the existing HHF administration process, the vendor administrative costs will be established not to exceed 10% of the shareholder funds provided for health and safety repairs.

Additional incremental costs are expected to be minimal at this point, as internal program management resources track Share the Light Fund contributions.



**Approach for evaluation, measurement, and verification**

The Company has existing internal resources and systems to track contributions to the Share the Light Fund and will use these existing resources to evaluate, measure, and verify compliance with or achievement of this PIM's terms.

## Reliability PIM

### Metric

The proposed metric for the reliability PIM is system average interruption duration index (“SAIDI”), excluding major event days (“MEDs”). Results will be reported annually after the end of each Rate Year, for performance during the 12-month period ending on the preceding December 31 (i.e., performance during calendar year 2024 will be reported at end of Rate Year 2). Because SAIDI is an industry metric based on calendar year performance, DEP proposes to use annual calendar year SAIDI performance, rather than Rate Year SAIDI performance, to measure against the benchmark historical average.

### Illustrative thresholds (pending update for 2022 data)

	RY1 (2023 data)	RY2 (2024 data)	RY3 (2025 data)
<b>SAIDI 5-year historic average (2018-2022)</b> <i>No penalty for SAIDI below Tier 1 threshold</i>	<b>150*</b>	<b>150*</b>	<b>150*</b>
<b>SAIDI threshold for Tier 1 penalty</b> <i>Financial <u>penalty</u> if SAIDI above threshold value</i>	<i>None</i>	<b>160*</b> <i>\$1 million</i>	<b>160*</b> <i>\$1 million</i>
<b>SAIDI threshold for Tier 2 penalty</b> <i>Financial <u>penalty</u> if SAIDI above threshold value</i>	<i>None</i>	<b>170*</b> <i>\$2 million</i>	<b>170*</b> <i>\$2 million</i>
<b>SAIDI threshold for Tier 3 penalty</b> <i>Financial <u>penalty</u> if SAIDI above threshold value</i>	<i>None</i>	<b>180*</b> <i>\$6 million</i>	<b>180*</b> <i>\$6 million</i>

**Note:** \* Thresholds and tiers are based on expected 5-year average SAIDI (excluding MEDs) for 2018-22 using currently available data. Thresholds and tiers are to be recalculated in early 2023 with complete data, using methodology described in this exhibit.

### PIM description

This PIM holds DEP accountable to maintain service reliability as measured by SAIDI. The Company will be required to return a penalty to customers if SAIDI performance exceeds established thresholds. Potential penalties are tiered to increase for cases where performance exceeds historic average performance by escalating amounts. Any calculated penalty would be returned to customers through the PIM rider established by the Commission upon authorization of the MYRP.

There are no penalties proposed for the first MYRP rate year, as available data at end of Rate Year 1 (calendar year 2023) is for a period substantially outside of the MYRP.

Illustrative thresholds for penalties are based upon historic averages (2018-2022) adjusted for statistical confidence levels and increased outages due to additional grid work that is expected during the MYRP. Specifically, thresholds were calculated as:

5-year historic average for 2018-2022 is expected to be 150 minutes (based on data ending July 2022)

- For the purpose of this filing, the 2018-2022 five-year average SAIDI is the most recent known average and therefore is most appropriate to use for target setting

Tier 1 SAIDI threshold = 160

- 80% confidence interval for forward-projected SAIDI performance averages +/- 8.0 minutes, based on standard deviation for 2018-2022 SAIDI performance
- Threshold adjusted for impact of elevated improvement work volume during the MYRP, which is expected to raise SAIDI by ~2 minutes (driven by increased Hot Line Tag and Planned Outages)

Tier 2 SAIDI threshold = 170

- Based on increase of 10 minutes above Tier 1 threshold

Tier 3 SAIDI threshold = 180

- Based on increase of 10 minutes above Tier 2 threshold

**Projection of costs to be incurred and proposed resources (labor, contractors, materials, etc.) per Commission Rule R1-17B(d)(3)d.**

Costs associated with the reliability PIM are expected to be minimal, as existing systems for tracking and reporting of SAIDI (excluding MEDs) to the Commission will be cross utilized for PIM reporting. This efficiency is enabled because the proposed metric mirrors existing reporting.

**Approach for evaluation, measurement, and verification**

Current systems for tracking and calculation of SAIDI performance are to be used for PIM reporting, and the Company will use these existing resources to evaluate, measure, and verify compliance with or achievement of this PIM's terms.

### **Renewables Integration and Encouragement PIM**

This PIM is “upside-only” to the Company and has three subpart components to incent and reward the Company for (A) integrating additional distributed energy resources (“DER”) that are located on customer premises; (B) designing, obtaining regulatory approval for, and offering new renewables programs subscribed to by commercial and industrial (“C&I”) customers; and (C) designing, obtaining regulatory approval for, and offering new shared solar programs subscribed to by residential customers.

## Renewables Integration and Encouragement PIM – Metric A

### Metric A: DER Integration

The first proposed metric for the Renewables Integration and Encouragement PIM is the total number of Net Energy Metering (“NEM”) projects connected by DEP during each Rate Year. Results will be reported annually after the end of each Rate Year, for performance during the Rate Year period. Projects for all classes of DEP customers will be included in the performance assessment.

### Metric A: PIM description

In each year during the MYRP, the Company can earn a reward for exceeding performance thresholds for the proposed metric. Potential rewards are tiered to increase for cases where performance exceeds higher thresholds. Any earned reward would be recovered through the PIM rider established by the Commission upon authorization of the MYRP.

### Metric A: Performance Thresholds

There are two relevant matters pending before the Commission whose regulatory outcomes could have an impact upon the potential number of new NEM projects connected (the Joint Petition for Approval of Revised Net Energy Metering Tariffs and the Application for Approval of Smart Saver Solar Energy Efficiency Program). While the structure of this PIM currently makes no assumption on the outcome of these proceedings, as these matters are resolved, we would look to adjust the targeted performance thresholds.

Table 1

Performance threshold	
<b>Tier 1 performance threshold</b>	<b>3,819*</b>
<i>Financial <u>reward</u> if connections exceed value</i>	<i>\$1M</i>
<b>Tier 2 performance threshold</b>	<b>4,183*</b>
<i>Financial <u>reward</u> if connections exceed value</i>	<i>\$2M</i>
<b>Tier 3 performance threshold</b>	<b>4,546*</b>
<i>Financial <u>reward</u> if connections exceed value</i>	<i>\$4M</i>

*Note: \* Performance Thresholds are based on expected 3-year average annual connections for 2020-22 using currently available data. All Performance Thresholds are to be recalculated in early 2023 for complete historical connection data, using the methodology described in this exhibit.*

Performance thresholds are calculated on the following basis:

*Tier 1 performance threshold (3,819\*) represents 5% increase from 3-year historic average (2020-22) annual connections estimated to be 3,637*

*Tier 2 performance threshold (4,183\*) represents 15% increase from 3-year historic average (2020-22) annual connections*

*Tier 3 performance threshold (4,546\*) represents 25% increase from 3-year historic average (2020-22) annual connections*

Fixed performance thresholds will be used for all Rate Years.

**Metric A: Projection of costs to be incurred and proposed resources (labor, contractors, materials, etc.) per Commission Rule R1-17B(d)(3)d.**

Costs associated with this metric are expected to be limited to administrative costs required for initial implementation of tracking systems and for annual support to reconcile data. These costs are estimated to be approximately \$5,000.

**Metric A: Approach for evaluation, measurement, and verification**

The Company will solely use internal labor to collect, analyze, and report data for this metric. Expected costs associated with this work are included in the cost estimate above.

## Renewables Integration and Encouragement PIM – Metric B

### Metric B: Large Customer Renewable Program Encouragement

The second proposed metric for the Renewables Integration and Encouragement PIM is the cumulative share of C&I customer renewables program capacity subscribed by eligible customers. Results will be reported annually after the end of each Rate Year, for calculated performance as of the last day of the Rate Year.

Program subscription by eligible DEP customers as a share of installed and in-queue capacity (i.e., all capacity available for subscription) for DEP customers through eligible programs will be considered for performance assessment.

Specific formula for calculation of proposed metric:

$$\text{Program subscription share (\%)} = \frac{\text{cumulative customer subscription (MW)}}{(\text{cumulative installed capacity (MW)} + \text{cumulative in queue capacity (MW)})}$$

#### Definitions:

*Cumulative customer subscription* = MW of eligible program capacity that all DEP C&I customers have subscribed to (total for all eligible programs)

*Cumulative installed capacity* = MW of eligible program capacity that is installed and available for DEP C&I customer subscription (total for all eligible programs)

*Cumulative in queue capacity* = MW of eligible program capacity that is not yet in service, but is planned and available for DEP C&I customer subscription (total for all eligible programs)

### Metric B: Eligible programs

The PIM would consider new C&I customer renewables programs that financially and/or environmentally link off-site renewable facilities (not directly connected to a customer premises) to a C&I customer's account(s). For purposes of this PBR Application, eligible programs do not include any REC-only programs that have no term commitment.

The PIM would account for customer subscription as a share of total available capacity (including both installed and in-queue capacity) for eligible programs that are approved by the Commission subsequent to the filing of this PBR Application.

## Metric B: PIM description

In each year during the MYRP, the Company can earn a reward for meeting or exceeding performance thresholds for the proposed metric. Potential rewards are tiered to increase for cases where performance meets or exceeds higher thresholds. Any earned reward would be recovered through the PIM rider established by the Commission upon authorization of the MYRP.

## Metric B: Performance Thresholds

Table 2	Performance threshold
<b>Tier 1 performance threshold</b> <i>Financial <u>reward</u> if performance meets or exceeds threshold</i>	<b>≥ 30% subscribed</b> \$667,000
<b>Tier 2 performance threshold</b> <i>Financial <u>reward</u> if performance meets or exceeds threshold</i>	<b>≥ 50% subscribed</b> \$1,333,000
<b>Tier 3 performance threshold</b> <i>Financial <u>reward</u> if performance meets or exceeds threshold</i>	<b>≥ 70% subscribed</b> \$2,000,000

Tier 1 performance threshold (30%) is based on an optimistic forecast of program subscription during the initial years following approval of eligible programs. Tier 2 and 3 performance thresholds are based on an increase of 20% and 40%, respectively, over Tier 1 threshold.

Proposed performance thresholds are applicable for all Rate Years, with performance assessed independently during each Rate Year (i.e., Tier 1 financial reward could be earned in consecutive years, if subscription rate falls between 30% and 50% in both Rate Years).

### Example calculations:

- a) Rate Year 1 ends with total available (installed + in-queue) capacity of 100 MW for DEP C&I customers across all eligible programs; DEP C&I customers have subscribed to 25 MW of available capacity:
  - Program subscription share =  $25 / 100 = 25\%$
  - Performance < Tier 1 threshold; **no reward earned**
- b) Rate Year 2 ends with total available (installed + in-queue) capacity of 250 MW (100 MW carried forward from Rate Year 1, with 150 MW added during Rate Year 2) for DEP C&I customers across all eligible programs; DEP C&I customers have subscribed to 100 MW (25 MW carried forward from Rate Year 1, with 75 MW new subscription during Rate Year 2) of available capacity:
  - Program subscription share =  $100 / 250 = 40\%$
  - Performance > Tier 1 threshold and < Tier 2 threshold; **reward of \$667,000 earned**



**Metric B: Projection of costs to be incurred and proposed resources (labor, contractors, materials, etc.) per Commission Rule R1-17B(d)(3)d.**

Internal program management resources, systems, and marketing efforts for applicable new large customer renewable programs will be in place to support new programs, including tracking. Therefore, incremental PIM-associated costs are expected to be minimal.

**Metric B: Approach for evaluation, measurement, and verification**

Internal program management resources, systems, and marketing efforts for applicable new large customer renewable programs will be in place to support new programs, including tracking. Company will use these existing resources to evaluate, measure, and verify compliance with or achievement of this PIM's terms.

## Renewables Integration and Encouragement PIM – Metric C

### Metric C: Residential Customer Shared Solar Program Encouragement

The third proposed metric for the Renewables Integration and Encouragement PIM is the cumulative share of residential customer shared solar program capacity subscribed by eligible customers. Results will be reported annually after the end of each Rate Year, for calculated performance as of the last day of the Rate Year.

Program subscription by eligible DEP customers as a share of installed capacity available for subscription by DEP customers through eligible programs will be considered for performance assessment.

Specific formula for calculation of proposed metric:

$$\text{Program subscription share (\%)} = \frac{\text{cumulative customer subscription (MW)}}{\text{cumulative installed capacity (MW)}}$$

#### Definitions:

*Cumulative customer subscription* = MW of eligible shared solar program capacity that all DEP residential customers have subscribed to (total for all eligible programs)

*Cumulative installed capacity* = MW of eligible shared solar program capacity that is installed and available for DEP residential customer subscription (total for all eligible programs)

### Metric C: Eligible programs

The PIM would consider new shared solar customer renewables programs for residential customers that financially and/or environmentally link off-site renewable facilities (not directly connected to a customer premises) to a customer's account(s). For purposes of this PBR Application, eligible programs do not include any REC-only programs that have no term commitment.

The PIM would account for total cumulative residential customer subscription as a share of total cumulative installed capacity for eligible shared solar programs that are approved by the Commission subsequent to the filing of this PBR Application.

## Metric C: PIM description

In each year during the MYRP, the Company can earn a reward for meeting or exceeding performance thresholds for the proposed metric. Potential rewards are tiered to increase for cases where performance meets or exceeds higher thresholds. Any earned reward would be recovered through the PIM rider established by the Commission upon authorization of the MYRP.

## Metric C: Performance Thresholds

Table 3	Performance threshold
<b>Tier 1 performance threshold</b> <i>Financial <u>reward</u> if performance meets or exceeds threshold</i>	<b>≥ 30% subscribed</b> \$333,000
<b>Tier 2 performance threshold</b> <i>Financial <u>reward</u> if performance meets or exceeds threshold</i>	<b>≥ 50% subscribed</b> \$667,000
<b>Tier 3 performance threshold</b> <i>Financial <u>reward</u> if performance meets or exceeds threshold</i>	<b>≥ 70% subscribed</b> \$1,000,000

Tier 1 performance threshold (30%) is based on an optimistic forecast of program subscription during the initial years following approval of eligible programs. Tier 2 and 3 performance thresholds are based on an increase of 20% and 40%, respectively, over the Tier 1 threshold.

Proposed performance thresholds are applicable for all Rate Years, with performance assessed independently during each Rate Year (i.e., Tier 1 financial reward could be earned in consecutive years, if subscription rate falls between 30% and 50% in both Rate Years).

### Example calculations:

- a) Rate Year 1 ends with total cumulative installed shared solar capacity of 30 MW for DEP residential customers across all eligible programs; DEP residential customers have subscribed to 8 MW of available capacity:
  - Program subscription share =  $8 / 30 = \sim 27\%$
  - Performance < Tier 1 threshold; **no reward earned**
- b) Rate Year 2 ends with total cumulative installed shared solar capacity of 70 MW (30 MW carried forward from Rate Year 1, with 40 MW added during Rate Year 2) for DEP residential customers across all eligible programs; DEP residential customers have subscribed to 30MW (8 MW carried forward from Rate Year 1, with 22 MW new subscription during Rate Year 2) of available capacity:
  - Program subscription share =  $30 / 70 = \sim 43\%$
  - Performance > Tier 1 threshold and < Tier 2 threshold; **reward of \$333,000 earned**

**Metric C: Projection of costs to be incurred and proposed resources (labor, contractors, materials, etc.) per Commission Rule R1-17B(d)(3)d.**

Internal program management resources, systems, and marketing efforts for applicable new residential customer shared solar programs will be in place to support new programs, including tracking. Therefore, incremental PIM-associated costs are expected to be minimal.

**Metric C: Approach for evaluation, measurement, and verification**

Internal program management resources, systems, and marketing efforts for applicable new residential customer shared solar programs will be in place to support new programs, including tracking. The Company will use these existing resources to evaluate, measure, and verify compliance with or achievement of this PIM's terms.