**STATE OF NORTH CAROLINA**
**UTILITIES COMMISSION**
**RALEIGH**

DOCKET NO. E-7, SUB 1305

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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

## I. INTRODUCTION AND PURPOSE

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.**

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

**Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS DOCKET?**

A. Yes. My direct testimony and exhibits were filed in this docket on February 27, 2024. My supplemental direct testimony and exhibits were filed in this docket on May 8, 2024.

**Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

A. The purpose of my rebuttal testimony is to respond to the concern and recommendations regarding net lost revenues ("NLRs") included in the Joint Testimony of North Carolina Utilities Commission – Public Staff ("Public Staff") witnesses Hemanth Meda and Michelle Boswell. Specifically, I address the Public Staff's concern that the Company's removal of only a portion of NLRs from the period covered by the Company's most recent rate case, rather than completely resetting those NLRs to zero, may have resulted in double counting of NLRs.

**Q. DOES YOUR REBUTTAL TESTIMONY INCLUDE ANY EXHIBITS?**

A. Yes. I have included two exhibits. Miller Rebuttal Exhibit 1 provides a visual representation of the timing in which NLRs were reset for the most recent DEC North Carolina base rate case. Miller Rebuttal Exhibit 2 provides a detailed example outlining the Company's calculation of recovery of NLRs in accordance with the 2020 energy efficiency ("EE") and demand-side management ("DSM") cost recovery mechanism (the "2020 Mechanism") and its inclusion in the billing determinants of a base rate case.[1]

**Q. WERE THESE EXHIBITS PREPARED BY YOU OR AT YOUR DIRECTION?**

A. Yes.

**Q. PLEASE PROVIDE A SUMMARY OF THE COMPANY'S REBUTTAL POSITION.**

A. At the outset, I want to make clear that neither the Company nor Public Staff have identified any instance of double-counting, and the Company has complied with the 2020 Mechanism with respect to the reset of NLRs. Rather, the Public Staff only expressed "concern" based on, what I understand is, a new interpretation of the Company's cost recovery mechanism that certain NLRs may have been double recovered. Although the Public Staff's testimony only briefly addressed this issue, the Public Staff's testimony could call the integrity of the Company's methodology into question. As a result, I think it is important to provide this Commission and other parties with comprehensive details about the Company's methodology in my testimony to ensure that confidence in the process is maintained.

This methodology, as described in detail below, ensures that (i) any NLRs reflected in the actual sales utilized to determine base rates are no longer collected thru the DSM/EE rider and (ii) there is no double counting of NLRs between rates

[1] After the Company and Public Staff filed testimony in this proceeding, the Commission approved proposed revisions to the Company's DSM/EE Cost Recovery Mechanism in Docket Nos. E-100, Sub 179; E-7, Sub 1032; and E-2, Sub 931. For clarity, my testimony references the Mechanism as it existed when the Company and Public Staff filed testimony—however, the NLRs language that is the focus of my testimony remains unchanged in the recently approved revisions.

approved in the latest base rate case and the DSM/EE rider. The current methodology for resetting NLRs has been consistently applied across multiple rider and base rate case proceedings, audited by Public Staff, confirmed by Public Staff, and approved by this Commission. The Public Staff's current interpretation of this language would require the Company to reset all NLRs to zero after a base rate case, which is not required by the 2020 Mechanism. In fact, the 2020 Mechanism does not require the Company to reset NLRs to any <u>specific</u> amount, rather, it simply requires the Company to ensure that no NLRs are double counted. Although Public Staff is not required to maintain their historical interpretation of the plain language of the 2020 Mechanism in this regard, they have not presented sufficient evidence in this proceeding to support a change in methodology and have not identified any instance of double-counting. In fact, if the Company were required to reset NLRs to zero in the DSM/EE Rider after the next base rate case, rates in the next base rate case would likely increase as a result to account for the NLRs that are not being recovered through the DSM/EE Rider.

## II. <u>REBUTTAL TESTIMONY</u>

**Q. WHAT ARE NLRS?**

A. The 2020 Mechanism defines NLRs as "revenue losses, net of marginal costs avoided ***at the time of the lost kWh sale(s), or in the case of purchased power, in the applicable billing period,*** incurred by [the Company's] public utility operations as the result of a new DSM or EE measure." (Emphasis added). This definition expressly acknowledges the point in time that NLRs are to be recognized in both a base rate case as well as in a DSM/EE rider filing.

a. <u>Recovery of NLRs</u>

**Q. DOES THE COMPANY RECOVER NLRS IN THE DSM/EE RIDER?**

A. Yes. Paragraph 56 of the 2020 Mechanism permits the Company to recover, "through the DSM/EE and DSM/EE EMF riders, Net Lost Revenues associated with implementation of approved DSM or EE measurement units," subject to certain terms and conditions outlined in the 2020 Mechanism.

**Q. HOW DOES THE COMPANY CALCULATE THE AMOUNT OF NLRs FOR ANY GIVEN VINTAGE YEAR IN THE DSM/EE RIDER?**

A. At a high level, for the prospective components, NLRs are estimated by (A) multiplying (i) the portion of DEC's tariff rates that represent the recovery of fixed costs and (ii) the estimated NC retail kilowatt ("kW") and kilowatt hour ("kWh") reductions applicable to EE programs by rate schedule, and (B) subtracting estimated found revenues from the number derived in (A). To calculate the portion of NC retail tariff rates (including certain riders) representing the recovery of fixed costs in (A) above, the Company deducts the recovery of fuel and variable operation and maintenance costs from its tariff rates, leaving only fixed costs in the rate.

The Company calculates lost revenues for actual vintages (non-prospective components) by using actual (rather than estimated) kW and kWh savings by NC retail participants by customer class based on actual participation and load impacts reflecting Evaluation, Measurement, and Verification ("EM&V") results applied according to the EM&V Agreement. The lost revenue rates applied to the kW and kWh savings are the retail rates that were in effect for that period reduced by fuel and other variable costs. Finally, the lost revenues are then offset by actual found revenues computed using the weighted average lost revenue rates for each customer class. The resulting number represents NLRs.

**Q. DOES THE COMPANY RECOVER NLRS IN BASE RATES?**

A. Yes. Rates in a base rate case are set to implicitly recover a certain amount of the NLRs associated with kWh sales reductions.

**Q. WHAT DOES IT MEAN TO "IMPLICITLY" RECOVER NLRS?**

A. In the context of a base rate case, it means that customer usage is presumed to be reduced at the time a DSM or EE measure is installed by a program participant; therefore resulting in the recovery of NLRs associated with those sales reductions.

**Q. HOW DOES THE COMPANY CALCULATE THE NLRS RECOVERED IN BASE RATES?**

A. The billing determinants used to set rates in a base rate case are based on actual test year sales. When the test year is extended, the Company adjusts the revenue requirement to weather normalize sales and reflect the impact of customer growth. The customer growth proforma adjusts for the number of customers as of the cut-off date in the base rate case and adjusts usage per customer to the 12 months ending cut-off date. As a result of this process, rates set in a base rate case are based on the usage per customer for each of the 12 months leading up to the cut-off date. This period is also referred to as the "Extended Test Year."

The base rate case does not account for all NLRs during the Extended Test Year. The base rate case only reflects a portion of the savings that make up NLRs or measures implemented during the Extended Test Year. Therefore, it would be inappropriate to recognize all NLRs as if they occurred on day one of the Extended

Test Year. For example if the Extended Test Year for a base rate case was January 1st through December 31st, and a customer started participating in the first month of the year, base rates implicitly reflect one-half of that month's NLRs for the first month and then a full month of NLRs for each of the remaining months in the test year for a total of 11 ½ months of NLRs. If a customer started participating in the tenth month of a test year, a total of 2 ½ months (1/2 month for October and full month for November and December) of NLRs are implicitly recovered in the base rates. In other words, as a customer participates in any given measure, the base rate case will implicitly pick up the energy savings in the billing determinants as a component of actual kWh billed. The Public Staff's interpretation, in this example, suggests that the Company should remove 100% of the NLRs from the DSM/EE rider for a customer that installed a measure in the tenth month of the test year when only 2 ½ months of lost kWh sales would be reflected in base rates.

b. <u>2020 Mechanism Requirements for Recovery of NLRs</u>

**Q. PLEASE DESCRIBE HOW THE 2020 MECHANISM ADDRESSES THE COMPANY'S RECOVERY OF NLRS.**

A. Paragraph 60 of the 2020 Mechanism recognizes that the Company recovers NLRs through both base rates and the DSM/EE rider and incorporates language to ensure the Company does not double recover any NLRs. Specifically, the 2020 Mechanism states that:

> [k]Wh sales reductions that result from measurement units installed shall cease being eligible for use in calculating Net Lost Revenues as of the effective date of . . . the implementation of new rates approved by the Commission in a general rate case or comparable proceeding ***to the extent the rates set in the general rate case or***

> ***comparable proceeding are set to explicitly or implicitly recover the Net Lost Revenues associated with those kWh sales reductions***.
>
> (Emphasis added).

Practically, in the context of a base rate case, this language simply states that the NLRs recovered pursuant to the DSM/EE rider are reduced by an amount equivalent to the amount of NLRs recovered through base rates. So, although the Company ultimately collects 100% of NLRs, just as it would if there were no base rate case, that recovery is allocated between base rates and the DSM/EE rider. I also explained this process in my direct testimony, noting that recovery of NLRs shall cease "upon the implementation of new rates in a general rate case ***to the extent*** that the new rates are set to recover [NLRs]."[2]

**Q. HOW DOES THE COMPANY IMPLEMENT PARAGRAPH 60 OF THE 2020 MECHANISM AFTER GENERAL RATE CASES?**

A. The Company "resets" the amount of NLRs in the subsequent DSM/EE rider following the base rate case. This reset reduces the amount of NLRs recovered under the DSM/EE rider by the amount recovered in base rates, in compliance with Paragraph 60 of the 2020 Mechanism.

**Q. DOES THE 2020 MECHANISM REQUIRE THE COMPANY TO RESET NLRS TO ZERO AFTER A BASE RATE CASE?**

A. No. The 2020 Mechanism does not require the Company to reset NLRs in the DMS/EE rider to any specific level—only to a level that appropriately accounts for NLRs recovered under base rates, whatever that explicit or implicit amount may be. In its simplest terms, the 2020 Mechanism recognizes that the overall

[2] Direct Testimony of Carolyn T. Miller, p. 5. (Emphasis added).

amount of NLRs that the Company recovers could be recovered through the DSM/EE rider or other rates, such as base rates. Paragraph 60 does not dictate the allocation of NLRs across those rates. Rather, it provides a flexibility to the Company to determine that allocation, so long as the Company does not double count any NLRs in implementing that allocation.

**Q. WHEN WOULD IT BE APPROPRIATE TO RESET NLRS TO ZERO IN THE DSM/EE RIDER?**

A. The 2020 Mechanism requires the Company to cease recovery of NLRs "to the extent" those NLRs are recovered through base rates. Resetting NLRs to zero in the DSM/EE rider proceeding is appropriate if 100% of NLRs are being explicitly or implicitly recovered elsewhere, such as through base rates. However, as I explain later in my testimony, the Company is not recovering 100% of NLRs during the Extended Test Year and beyond. Therefore, resetting NLRs to zero in the DSM/EE rider proceeding is inappropriate.

c. Reset of NLRs in Most Recent Base Rate Case

**Q. HOW WERE NLRS IN THE DSM/EE RIDER RESET AFTER THE MOST RECENT DEC NC BASE RATE CASE?**

A. In the Company's most recent rate case, the test year originally was January 1, 2021 through December 31, 2021, and then extended to July 1, 2022 through June 30, 2023.[3] Interim rates were effective on September 1, 2023. Therefore, interim rates incorporated actual usage through June 30, 2023. Consistent with the methodology I outlined earlier, NLRs were calculated up to the effective date of interim rates by

[3] Docket No E-7 Sub 1276 "Application of Duke Energy Carolinas, LLC For Adjustment of Rates and Charges Applicable to Electric Service in North Carolina and Performance-Based Regulation."

using actual kW and kWh savings by NC retail participants by customer class. The actual kW and kWh savings were based on actual participation and load impacts reflecting EM&V results applied according to the EM&V Agreement for the lesser of 36 months or measure life. Rebuttal Miller Exhibit 1 provides a visual depiction of the timeline of the NLRs reset in the most recent DEC NC base rate case. NLRs were reset in three tranches based on specific points in time as follows:

**Tranche 1**: <u>Reset of NLRs to Recognize Participation in Vintage Months Prior to the Start of the Extended Test Year</u>.

Beginning September 1, 2023, all NLRs associated with participation prior to the Extended Test Year were set to zero. This included all NLRs for participants prior to July 1, 2022. It is appropriate to set Tranche 1 to zero because a full 12 months of NLRs for units installed has been recognized in base rates because all of those NLRs were created prior to the Extended Test Year.

**Tranche 2**: <u>Reset of NLRs to Recognize Participation in Vintage Months During the Extended Test Year</u>.

The Extended Test Year NLRs (for participation between July 1, 2022 and June 30, 2023) were adjusted by approximately 50% based on specific program enrollment dates. Meaning, approximately 50% of the NLRs were reset to zero. This adjustment appropriately recognizes the fact that not all program participation began at the start of the Extended Test Year; it occurred throughout the Extended Test Year. Approximately 50% of the NLRs will continue to be collected in the DSM/EE rider for the remainder of the lesser of 36 months or measure life.

**Tranche 3:** Reset of NLRs to Recognize Participation in Vintage Months After the End of the Extended Test Year.

NLRs for participation that occurs after the Extended Test Year (starting July 1, 2023) will be collected in the DSM/EE rider as normal for the lesser of 36 months or measure life. These NLRs were not impacted by the most recent base rate case because the Extended Test Year kWh sales used to set rates did not reflect any reductions associated with units installed after the Extended Test Year. Therefore, it is appropriate to recover 100% of those NLRs in the DSM/EE rider.

**Q. IS THE METHODOLOGY USED BY THE COMPANY TO RECOGNIZE NLRS CONSISTENT BETWEEN THE BASE RATE CASE AND THE DSM/EE RIDER?**

A. Yes. Assumptions of when kWh savings occur is the same in the base rate case as in the DSM/EE rider. Actual kWh savings are included in the rate case as participation occurs. The DSM/EE rider includes the calculation of NLRs as of the month participation begins. This same methodology is used in the projected Vintage 2025 NLRs filed in this docket. Approximately 50% of the first year of NLRs is included in the first year of a vintage because not all participation begins in the first month of the test year. The Company assumes participation will occur throughout the year, just as it does during the extended test period of base rate cases.

**Q. CAN THE COMPANY PERFORM A RECONCILIATION TO ILLUSTRATE THAT THE COMPANY DID NOT DOUBLE-COUNT NLRS?**

A. No. It is not possible to perform the dollar-for-dollar reconciliation requested by the Public Staff to illustrate this point given the nature of these proceedings. In a base rate case, NLRs are *implicitly* recovered in rates based on kWh sales that are presumed to be reduced because of customer participation in DSM/EE programs. NLRs are *explicitly* recovered through the DSM/EE rider based on a dollar amount calculated by using kW and kWh savings related to customer participation in DSM/EE programs. As a result, this is not an apples-to-apples comparison for purposes of performing a reconciliation.

However, double-counting was prevented because actual participation and savings that occurred during the Extended Test Year of the base rate case were removed in the DSM/EE rider at the time new base rates went into effect. Rebuttal Miller Exhibit 2 provides an illustration of the methodology applied to reset NLRs reflected in base rates, which includes an illustrative example of the level of savings during the Extended Test Year and how those savings impact the base rate case billing determinants. It demonstrates that there is alignment in the methodology used to remove NLRs in the DSM/EE rider to reflect what is implicitly recovered in the base rates, thus preventing double-counting.

d. Response to Public Staff's Concern and Recommendations

**Q. PLEASE EXPLAIN YOUR UNDERSTANDING OF PUBLIC STAFF'S TESTIMONY REGARDING NLRS.**

A. My understanding is that Public Staff witnesses Meda and Boswell have a new interpretation of the 2020 Mechanism pertaining to the treatment of NLRs at the time of a base rate case and now believe that it requires the Company to reset all NLRs, for measures installed, to zero up to the point that new base rates are implemented (including the Extended Test Year and beyond). As I explained above, that interpretation is inconsistent with the plain language of the 2020 Mechanism—which does not require the Company to reset NLRs to any specific amount. It is my view that Public Staff's interpretation does not account for the operative language in bold in paragraph 60:

> [k]Wh sales reductions that result from measurement units installed shall cease being eligible for use in calculating Net Lost Revenues as of the effective date of . . . the implementation of new rates approved by the Commission in a general rate case or comparable proceeding **to the extent the rates set in the general rate case or comparable proceeding are set to explicitly or implicitly recover the Net Lost Revenues associated with those kWh sales reductions**.

The language provides the Company the flexibility to recover NLRs "to the extent" they are not recovered in base rates. As previously explained, current base rates account for approximately 50% of NLRs (reflective of actual savings from units installed during the Extended Test Year of July 1, 2022 through June 30, 2023), which is why the Company included the remaining amount of NLRs in the DSM/EE rider. Given that the actual kWh sales used to set base rates do not include any savings for units installed after the Extended Test Year (ending June 30, 2023), the NLRs associated with the kWh sales reduction occurring after June 30, 2023, are not included in base rates. Therefore, the Company continues to calculate and collect 100% of NLRs in the DSM/EE rider for the months after the Extended Test Year. This methodology ensures alignment across proceedings to prevent double-counting. A hard reset to zero is neither required nor contemplated.

**Q. DID PUBLIC STAFF POINT TO ANY INSTANCE IN WHICH THE COMPANY DOUBLE-COUNTED NLRS?**

A. No. The Public Staff did not point to any instance of double-counting and did not expressly state that the Company double-counted any NLRs. Rather, the Public Staff expressed a "concern" that the Company "may" have double-counted NLRs because it did not reset 100% of NLRs for all measures installed prior to the rates effective date in the most recent base rate case.

**Q. HAS THE COMPANY IDENTIFIED ANY INSTANCE IN WHICH THE COMPANY DOUBLE-COUNTED NLRS?**

A. No. The Company has not identified any instance in which the Company double counted NLRs resulting from its application of Paragraph 60 of the 2020 Mechanism. NLR recovery is allocated appropriately across base rates and the EE/DSM rider rates pursuant to the 2020 Mechanism.

**Q. PLEASE PROVIDE A BRIEF OVERVIEW OF PRIOR PROCEEDINGS IN WHICH THE COMPANY HAS APPLIED THE NLRS METHODOLOGY CONSISTENT WITH ITS APPLICATION IN THIS PROCEEDING.**

A. The following table provides a high-level overview of recent proceedings in which the Company has applied the NLR methodology consistent with its application in this proceeding:

| Rate Case Docket | DSM/EE Rider Docket | Methodology Challenged | Methodology Approved |
|---|---|---|---|
| E-7 Sub 1146 (Filed in 2017) | E-7 Sub 1192 (Filed in 2019) | No | Yes |
| E-7 Sub 1214 (Filed in 2019) | E-7 Sub 1230 (Filed in 2020) | No | Yes |
| | E-7 Sub 1249 (Filed in 2021) | No | Yes |

In each of these dockets, the Company specifically addressed the application of the NLRs methodology consistent with its approach in this docket. The following language was included on page 11 of Shannon R. Listebarger's direct testimony in Docket E-7 Sub 1249:

> Residential and non-residential lost revenues associated with participants enrolled during the test period, twelve months ending December 31, 2018, extended to May 31, 2020, of the Company's general rate case proceeding, Docket No. E-7 Sub 1214, have been adjusted based on specific enrollment dates, and a portion of these lost revenues have been removed from the prospective period as of August 24, 2020 and included in interim base rates.

Similar language was used in Docket Nos. E-7 Sub 1192[4] and E-7 Sub 1230.[5] As noted in the table above, the Company's current methodology was previously approved by this Commission. The Company applied its NLR methodology in each of these proceedings in accordance with the language reflected in the 2020 Mechanism.

**Q. DID THE PUBLIC STAFF RAISE A SIMILAR CONCERN IN THOSE PROCEEDINGS?**

A. No. To my knowledge, the Public Staff did not object to the Company's NLR methodology in any of those past proceedings.

**Q. DID THE PUBLIC STAFF RAISE ANY SIMILAR CONCERNS REGARDING THE COMPANY'S NLRS METHODOLOGY IN THE MOST RECENT DSM/EE MECHANISM REVIEW?**

A. No. To my knowledge, the Public Staff did not raise any similar concerns in the recent DSM/EE Mechanism review.

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[4] *See* Direct Testimony of Carolyn T. Miller, pp. 10-11, Docket No. E-7 Sub 1192.
[5] *See* Direct Testimony of Carolyn T. Miller, pp. 10-11, Docket No. E-7 Sub 1249.

**Q. WHAT DOES THE PUBLIC STAFF RECOMMEND IN THIS PROCEEDING?**

A. It is my understanding that the Public Staff is not proposing any change in the DSM/EE rider rates proposed in this proceeding. Instead, the Public Staff makes the following two recommendations:

1. The Commission should order the Company to comply with the plain language in paragraph 60 of the Mechanism; and

2. If double counting did occur for NLRs in the present case, credit the DSM/EE EMF for the amount double counted no later than the next DSM/EE rider proceeding.

**Q. IF THIS COMMISSION WERE TO ACCEPT PUBLIC STAFF'S FIRST RECOMMENDATION, HOW WOULD THE COMPANY'S PRACTICE CHANGE?**

A. The Company's practice would not change because it already complies with Paragraph 60. As previously noted, the Public Staff omits critical language in Paragraph 60 in the 2020 Mechanism. The Company currently complies with the plain language of Paragraph 60—as has been the case in prior proceedings approved by this Commission—by ensuring that any amounts of NLRs implicitly recovered through base rates are removed from the DSM/EE rider. Importantly, the 2020 Mechanism does not require the Company to reset NLRs to zero, or any specific number, as the Public Staff argues.

**Q. IF THIS COMMISSION WERE TO ACCEPT PUBLIC STAFF'S SECOND RECOMMENDATION, HOW WOULD THE COMPANY IMPLEMENT THIS RECOMMENDATION?**

A. Neither the Public Staff nor the Company identified any NLRs that were double-counted, so there would be nothing for the Company to credit back to customers. Again, the Public Staff's recommendations rest upon a flawed interpretation of the language within paragraph 60 of the 2020 Mechanism in its entirety. The 2020 Mechanism does not require the Company to reset 100% of NLRs to zero after base rate cases—or to any **specific** amount. Rather, the Company must reset NLRs in an amount that offsets the amount of NLRs recovered through base rates, whatever that amount may be. The Company did not recover 100% of NLRs for through base rates in the most recent DEC NC base rate case and therefore, resetting all NLRs to zero under the DSM/EE rider is inappropriate. Rather, in compliance with the 2020 Mechanism, the Company has removed NLRs from the DSM/EE rider "to the extent" that the rates set in the most recent DEC NC base rate case implicitly recovered NLRs associated with those kWh sales reductions.

e. Impact of Public Staff's Interpretation

**Q. PLEASE EXPLAIN HOW CUSTOMER RATES WOULD CHANGE IF THE COMMISSION ORDERED THE COMPANY TO RESET ALL NLRS TO ZERO AFTER A BASE RATE CASE.**

A. In short, customer base rates would likely increase. However, to appropriately quantify the impact of changing from the current methodology of calculating NLRs to the Public Staff's new interpretation that would require the Company to reset all

NLRs to zero after a base rate case, several steps would need to be taken. Additionally, the Company must apply that new approach consistently in both DSM/EE rider proceedings and base rate proceedings. At a minimum, the Company would have to take the following steps:

1. Rather than recognizing that participation and corresponding NLRs occur throughout the year, under Public Staff's interpretation, the Company must recognize <u>all</u> NLRs in the first month of the test year (in the context of a base rate case) or vintage period (in the context of a DSM/EE rider). This would <u>decrease the DSM/EE rider rates</u> but would result in a <u>corresponding increase to base rates</u> as explained in step 2.
2. As a result, in the next base rate case, the Company must make an adjustment to annualize kWh savings associated with units installed in the test year billing determinants. This would lower the billing determinants used to set rates and <u>increase base rates</u>.
3. The same assumption would need to be applied to all future prospective periods recovered in the DSM/EE rider. For example, in this proceeding, the Company is requesting estimated recovery for Vintage 2025 based on the assumption that participation will occur throughout the year. The Company would need to revise that methodology and assume that all NLRs are recognized in the first month of the test year. This assumption would <u>increase the DSM/EE rider rates</u> in year one.

## III. CONCLUSION

**Q. HAS THE COMPANY IDENTIFIED ANY DOUBLE-COUNTED NLRS IN THIS PROCEEDING?**

A. No.

**Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

A. Yes.