

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-7, SUB 1305

In the Matter of)	
Application of Duke Energy)	JOINT TESTIMONY OF
Carolinas, LLC, for Approval of)	HEMANTH MEDA AND
Demand-Side Management and)	MICHELLE BOSWELL
Energy Efficiency Cost Recovery)	PUBLIC STAFF –
Rider Pursuant to N.C.G.S. § 62-)	NORTH CAROLINA
133.9 and Commission Rule R8-69)	UTILITIES COMMISSION

May 20, 2024

1 **Q. Mr. Meda, please state your name, business address, and**
2 **present position.**

3 A. My name is Hemanth Meda, and my business address is 430 North
4 Salisbury Street, Raleigh, North Carolina. I am a Public Utility
5 Regulatory Analyst with the Accounting Division of the Public Staff –
6 North Carolina Utilities Commission (Public Staff).

7 **Q. Briefly state your qualifications and experience.**

8 A. A summary of my qualifications and experience is attached as
9 Appendix A to this testimony.

10 **Q. Ms. Boswell, please state your name, business address, and**
11 **present position.**

12 A. My name is Michelle Boswell, and my business address is 430 North
13 Salisbury Street, Raleigh, North Carolina. I am the Director of
14 Accounting for the Public Staff.

15 **Q. Briefly state your qualifications and experience.**

16 A. A summary of my qualifications and experience is attached as
17 Appendix B to this testimony.

18 **Q. What is the purpose of your testimony?**

19 A. The purpose of our testimony is to present our review of the
20 application (Application) submitted by Duke Energy Carolinas, LLC
21 (DEC or the Company), regarding the Demand-Side Management
22 (DSM) and Energy Efficiency (EE) cost and incentive recovery rider

1 filed in this docket on February 27, 2024 (DSM/EE Rider),¹ and the
2 supplemental direct testimony and exhibits filed on May 8, 2024. The
3 DSM/EE Rider is authorized by N.C. Gen. Stat. § 62-133.9 and is
4 implemented pursuant to Commission Rule R8-69.

5 **Q. Please describe the basis for the Company's filing.**

6 A. General Statute § 62-133.9(d) allows a utility to petition the
7 Commission for approval of an annual rider to recover (1) the
8 reasonable and prudent costs of new DSM and EE measures, and
9 (2) other incentives to the utility for adopting and implementing new
10 DSM and EE measures. However, N.C.G.S. § 62-133.9(f) allows
11 industrial and certain large commercial customers to opt out of
12 participating in the power supplier's DSM/EE programs and paying
13 the DSM/EE rider upon notification to their electric power supplier
14 that they have implemented or will implement, at their own expense,
15 alternative DSM and EE measures.

16 Commission Rule R8-69, which was adopted by the Commission
17 pursuant to N.C.G.S. § 62-133.9(h), sets forth the general
18 parameters and procedures governing approval of the annual rider,
19 including, but not limited to (1) provisions for both a DSM/EE rider to
20 recover the estimated costs and utility incentives applicable to the

¹ The DSM/EE Rider is comprised of various class-based DSM, EE, DSM Experience Modification Factor (EMF), and EE EMF billing rates.

1 “rate period” in which that DSM/EE rider will be in effect, and a
2 DSM/EE EMF rider to recover the difference between the DSM/EE
3 rider in effect for a given test period (plus a possible extension) and
4 the actual recoverable amounts incurred during that test period; and
5 (2) provisions for interest or a return on amounts deferred and on
6 refunds to customers.

7 In this proceeding, DEC has calculated its proposed DSM/EE rider
8 (incorporating both prospective and EMF DSM and EE billing rates)
9 using, for vintage years prior to 2022, the Cost Recovery and
10 Incentive Mechanism for DSM/EE Programs approved by the
11 Commission in Docket No. E-7, Sub 1032 (Sub 1032), on October
12 29, 2013, in its *Order Approving Revised Cost Recovery and*
13 *Incentive Mechanism and Granting Waivers*, as subsequently
14 revised by the Commission in its August 23, 2017 *Order Approving*
15 *DSM/EE Rider and Requiring Filing of Proposed Customer Notice*,
16 issued in the Company’s 2017 DSM/EE rider proceeding in Docket
17 No. E-7, Sub 1130 (2017 Mechanism). For vintage years 2022 and
18 after, the Company utilized a revised mechanism, which was
19 approved by the Commission on October 20, 2020, in Sub 1032, in
20 its *Order Approving Revisions to Demand-Side Management and*
21 *Energy Efficiency Cost Recovery Mechanisms*, and which took effect
22 on January 1, 2022 (2020 Mechanism).

1 The Public Staff detailed the development and major components of
2 the 2017 and 2020 Mechanisms in the testimony of Michael C.
3 Maness in Docket No. E-7, Sub 1249, filed on May 10, 2021.

4 **Q. Please describe the billing factors, vintage years, rate period,
5 and test period being considered in this proceeding.**

6 A. In its initial Application in this proceeding, DEC requested approval
7 of prospective and EMF DSM and EE billing rates that would result
8 in annual North Carolina retail revenue of approximately \$162.8
9 million. These proposed billing factors are set forth in DEC witness
10 Miller's Exhibit 1. The factors (rates), as applicable to each class, are
11 proposed by the Company to be charged to all participating North
12 Carolina retail customers (i.e., those that have not opted out pursuant
13 to N.C.G.S. § 62-133.9(f)) served during the rate period.

14 The rate period for this proceeding is the 12-month period from
15 January 1, 2025, through December 31, 2025. This is the period over
16 which the prospective DSM and EE billing rates and the DSM and
17 EE EMF billing rates determined in this proceeding will be charged.
18 It is also the period for which the estimated revenue requirements
19 (program costs, net lost revenues (NLR), and Program Performance
20 Incentive (PPI)) to be recovered through the prospective DSM/EE
21 rates are determined.

1 The test period applicable to this proceeding is the 12-month period
2 ended December 31, 2023. This is the period for which the under- or
3 overrecovery of DSM/EE revenue requirements, as compared to
4 actual DSM/EE rider revenues, is measured for purposes of
5 determining the DSM and EE EMF billing rates (although
6 Commission Rule R8-69(b) allows the true-up to be extended to
7 cover additional months, subject to review and adjustment in the
8 following year's proceeding). Actual program costs considered for
9 true-up in this proceeding are either costs actually incurred during
10 the test period, or further true-ups or corrections related to previous
11 test periods. For purposes of recovery, actual program costs may be
12 amortized over periods ranging from one to ten years. A return is also
13 calculated on program costs deferred during the test year and on
14 overrecoveries of total revenue requirements after the date the rates
15 change. NLR and PPI reflected in the EMF revenue requirements
16 being set in this proceeding are associated with kilowatt-hours (kWh)
17 and dollar savings achieved during Vintage Year 2023 (which is also
18 the test year), as well as true-ups associated with prior vintage years.
19 The PPI revenue requirement may also be amortized on a levelized
20 basis over several years.

1 **Q. Please explain the purpose of and corrections in the Company's**
2 **supplemental filing.**

3 A. The purpose of the Company's supplemental filing was to include the
4 interest calculation for Vintage 2018 for the residential revenue
5 requirement and corrections to the 2018, 2019, and 2020 EE and
6 2018 and 2019 DSM non-residential revenue requirement. The
7 Company's supplemental filing requested approval of prospective
8 and EMF DSM and EE billing rates that would result in annual North
9 Carolina retail revenue of approximately \$162.0 million as shown in
10 Revised Miller Exhibit 1.

11 The increase in the monthly bill of a residential customer using 1,000
12 kWh of energy resulting from the revenue requirement increase
13 included in the Company's supplemental filing would be \$1.16 from
14 Rider 15. The change in a non-residential customer's bill would
15 depend on the particular vintage years of DSM and/or EE rates for
16 which the customer is opted out or opted in.

17 **Q. What are some of the characteristics of DEC's proposed**
18 **DSM/EE billing factors in this specific proceeding?**

19 A. The prospective DSM and EE billing rates incorporate several cost
20 recovery elements as estimated for the rate period, including
21 operations and maintenance costs, administrative and general
22 (A&G) costs, capital costs, carrying costs (return on deferred costs),

1 NLR, and levelized PPI incentives. The test period true-up DSM and
2 EE EMF billing rates contain test period actual amounts of the same
3 types of costs and incentives as the prospective rates. The DSM and
4 EE EMF billing rates may also include adjustments to any required
5 return on over- or undercollections of DSM/EE revenues.

6 **Q. Will there be future true-ups of the DSM/EE revenue**
7 **requirements?**

8 A. The finalization of the true-ups of NLR and PPI sometimes lags
9 behind the true-ups of program costs and A&G expenses subject to
10 amortization. This feature of the true-up process is due to the fact
11 that, while cost amounts are typically known and determinable very
12 soon after they are incurred, it can take several months or years to
13 complete the applicable EM&V process and to refine and adjust the
14 cost savings results for a given vintage year so that the final actual
15 incentives payable to the utility can be determined. Therefore, while
16 the cost amounts to be trued-up as part of the test period DSM/EE
17 EMF revenue requirement typically correspond very closely to the
18 actual costs incurred during the test period, the test period revenue
19 requirement often contains incentives related to more than one
20 vintage year. Additionally, certain components of the revenue
21 requirements related to prior years will remain subject to prospective
22 update adjustments and retrospective true-ups in the future, as

1 participation and EM&V analyses are finalized, reviewed, and
2 perhaps refined.

3 **Q. Please describe your investigation of DEC's filing.**

4 A. The Public Staff's investigation of DEC's filing in this proceeding
5 focused on determining whether the proposed DSM/EE rider (1) was
6 calculated in accordance with the 2017 or 2020 Mechanism, as
7 applicable; and (2) otherwise adhered to sound ratemaking concepts
8 and principles. The procedures we utilized included a review of the
9 Company's filing, relevant prior Commission proceedings and
10 orders, and workpapers and source documentation used by the
11 Company to develop the proposed billing rates. Performing the
12 investigation required the review of responses to written data
13 requests, as well as discussions with Company personnel. As part of
14 its investigation, the Accounting Division performed a review of the
15 actual DSM/EE program costs incurred by DEC during the 12-month
16 period ended December 31, 2023. To accomplish this, the
17 Accounting Division selected and reviewed samples of source
18 documentation for test year costs included by the Company for
19 recovery through the DSM/EE Rider. Review of this sample is
20 intended to test whether the actual costs included by the Company
21 in the DSM and EE billing rates are either valid costs of approved
22 DSM and EE programs or administrative costs supporting those
23 programs.

1 The investigation, including the sampling of source documentation,
2 concentrated primarily on costs and incentives related to the January
3 through December 2023 test period, which will begin to be trued up
4 through the DSM and EE EMF billing rates approved in this
5 proceeding. The Public Staff also performed a more general review
6 of the prospective billing rates proposed to be charged for Vintage
7 Year 2025, which are subject to true-up in future proceedings.

8 **Q. What is your recommendation in this proceeding?**

9 A. Based on the results of the Public Staff's investigation, we
10 recommend that the billing factors proposed by the Company, as set
11 forth in Revised Miller Exhibit 1, be approved by the Commission,
12 subject to resolution of the NLR potential double counting issues
13 discussed below. These factors should be approved subject to any
14 true-ups in future cost recovery proceedings consistent with the 2017
15 and 2020 Mechanisms and the Commission orders with which they
16 are associated, as well as other relevant orders of the Commission,
17 including the Commission's final order in this proceeding.

18 **Q. Does the Public Staff have any additional comments?**

19 A. Yes. Paragraph 60 of the 2020 Mechanism states that:

20 Notwithstanding the allowance of 36 months' Net Lost
21 Revenues associated with eligible kWh sales reductions, the
22 kWh sales reductions that result from measurement units
23 installed shall cease being eligible for use in calculating Net
24 Lost Revenues as of the effective date of (a) a Commission
25 approved alternative recovery mechanism that accounts for

1 the eligible Net Lost Revenues associated with eligible kWh
2 sales reductions, or (b) the implementation of new rates
3 approved by the Commission in a general rate case or
4 comparable proceeding to the extent the rates set in the
5 general rate case or comparable proceeding are set to
6 explicitly or implicitly recover the Net Lost Revenues
7 associated with those kWh sales reductions.

8 In the course of the Public Staff's review of the Application and
9 supporting workpapers in conjunction with the DSM/EE Mechanism
10 review, the Public Staff noted that the Company has not reset the
11 NLRs related to programs and participants included in the period
12 covered by the Company's most recent rate case to zero as required
13 in the 2020 Mechanism. The Public Staff is concerned that the
14 Company's removal of only a portion of the NLRs, rather than a reset
15 to zero, may have resulted in double counting of NLRs.

16 DEC has confirmed that it did not include NLRs associated with
17 measures installed prior to the test year. However, the Company did
18 include approximately 50% of calculated NLRs for measures
19 installed during the test year as well as 100% of calculated NLRs for
20 measures installed after the test year but before the new base rates
21 became effective. The Public Staff requested – but has not received
22 – data verifying that the NLRs have not been double counted.
23 Accordingly, the Public Staff recommends that in its rebuttal
24 testimony the Company quantify the impact of the use of the
25 Company's methodology versus application of the plain language of

1 Paragraph 60 of the 2020 Mechanism for the current rider filing to
2 ensure the Company has not double counted NLRs in utilizing its
3 methodology.

4 Additionally, the Public Staff believes the Mechanism language
5 clearly states that the utility shall cease the inclusion of NLRs
6 associated with installed measures once new rates are implemented.

7 The Public Staff does not believe that DEC stopped the recovery of
8 NLRs for the measures installed upon the new rates becoming
9 effective. Therefore, the Public Staff recommends that the
10 Commission order the Company to (1) follow the plain language of
11 the Mechanism and cease the recovery of NLRs for the measures
12 per the conditions set forth in Paragraph 60 going forward and (2) if
13 double counting did occur for the NLRs in the present case, credit
14 the DSM/EE EMF for the amount double counted no later than the
15 next DSM/EE rider proceeding. If the Commission approves the
16 currently pending Mechanism, this will not be a recurring issue for
17 residential customers as the NLRs for the residential class are
18 proposed to be deemed recovered through the decoupling
19 mechanism. However, it is crucial to make this clear for NLR
20 calculations going forward for non-residential customers and for
21 residential customers should the decoupling mechanism not be in
22 effect.

- 1 Q. Does this conclude your testimony?
- 2 A. Yes, it does.

QUALIFICATIONS AND EXPERIENCE

HEMANTH MEDA

I graduated from University of Wollongong, Australia with a Master of Professional Accounting degree. I also received Master of Commerce and Bachelor of Commerce degrees from Osmania University, Hyderabad, India.

I am a licensed Certified Public Accountant in the State of North Carolina.

I joined the Public Staff Accounting Division as a Financial Analyst in May 2022. Prior to joining the Public Staff, I was employed as Senior Financial Analyst with Swissport USA. I have over twenty years of progressive experience in accounting and finance across various industries.

Since joining the Public Staff, I have been responsible for: (1) the examination and analysis of testimony, exhibits, books and records, and other data presented by utilities and other parties involved in Commission proceedings; and (2) the preparation and presentation to the Commission of testimony, exhibits, and other documents in those proceedings.

QUALIFICATIONS AND EXPERIENCE

MICHELLE BOSWELL

I graduated from North Carolina State University in 2000 with a Bachelor of Science degree in Accounting. I am a Certified Public Accountant.

As Director of the Accounting Division of the Public Staff, I am responsible for the performance, supervision, and management of the following activities: (1) the examination and analysis of testimony, exhibits, books and records, and other data presented by utilities and other parties under the jurisdiction of the Commission or involved in Commission proceedings; and (2) the preparation and presentation to the Commission of testimony, exhibits, and other documents in those proceedings. I have been employed by the Public Staff since September 2000.

I have performed numerous audits and/or presented testimony and exhibits before the Commission regarding a wide range of electric, natural gas, and water topics. I have performed audits and/or presented testimony in DEC's 2010, 2015, 2017, 2019, and 2020 REPS Cost Recovery Rider proceedings; DEP's 2014, 2015, 2017, 2018, and 2019 REPS Cost Recovery Rider proceedings; the 2014 REPS Cost Recovery Rider proceeding for Dominion North Carolina Power; the 2008 REPS Compliance Reports for North Carolina Municipal Power Agency 1,

North Carolina Eastern Municipal Power Agency, GreenCo Solutions, Inc., and EnergyUnited Electric Membership Corporation; four recent Piedmont Natural Gas (Piedmont) rate cases; the 2016 rate case of Public Service Company of North Carolina; the 2012 and 2019 rate cases for Dominion Energy North Carolina (DENC, formerly Dominion North Carolina Power); the 2013, 2017, 2019, and 2023 DEP rate cases; the 2017, 2019, and 2024 DEC rate cases; fuel and DSM/EE rider proceedings for DEC, DEP, and DENC; CPRE rider proceedings for DEC and DEP, and JAAR rider proceedings for DEP. several Piedmont, NUI Utilities, Inc. (NUI), and Toccoa annual gas cost reviews; the merger of Piedmont and NUI; and the merger of Piedmont and North Carolina Natural Gas.

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing testimony has been served on all parties of record or their attorneys, or both, in accordance with Commission Rule R1-39, by United States Mail, first class or better; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 20th day May, 2024.

Electronically submitted
/s/ Anne M. Keyworth
Staff Attorney