

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. E-2, SUB 1322

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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

---

1 **I. INTRODUCTION AND PURPOSE**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION**  
3 **WITH DUKE ENERGY CORPORATION.**

4 A. My name is Carolyn Miller, and my business address is 526 South Church Street,  
5 Charlotte, North Carolina 28202. I work for Duke Energy Carolinas, LLC (“DEC”)  
6 as the Manager of Rates and Regulatory Strategy, supporting both Duke Energy  
7 Progress, LLC (“DEP” or the “Company”) and DEC.

8 **Q. PLEASE BRIEFLY STATE YOUR EDUCATIONAL BACKGROUND**  
9 **AND EXPERIENCE.**

10 A. I graduated from The College of New Jersey in 1994 with a Bachelor of Science degree  
11 in Accounting. I started my career in 1994 at Ernst & Young as a Senior Auditor.  
12 Subsequently, from 1997-1999, I worked for Duke Energy Global Asset Development  
13 as a Business Analyst. From 1999-2001, I worked for Duke Engineering & Services  
14 as a Senior Business Analyst. I then joined Duke Energy in 2001 and served in various  
15 roles, including as Senior Business Analyst, Manager of General Accounting, Manager  
16 of Emerging Issues, and Manager of Tax Accounting. Since 2016, I have worked  
17 for DEC as Manager of Rates and Regulatory Strategy. As part of my role, I am  
18 responsible for providing regulatory support and guidance on DEC and DEP, LLC’s  
19 demand-side management (“DSM”) and energy efficiency (“EE”) cost recovery  
20 process.

21 **Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN MATTERS**  
22 **BROUGHT BEFORE THIS COMMISSION?**

23 A. Yes. I have provided testimony in support of DEC North Carolina DSM/EE Rider  
24 Docket No. E-7, Sub 1285, and most recently for DEP in Docket No. E-2 Sub 1206.

25 **Q. WHAT ARE YOUR CURRENT RESPONSIBILITIES?**

1 A. I am responsible for providing regulatory support for retail rates and providing  
2 guidance on DEC's and DEP's DSM/EE cost recovery process.

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

4 A. The purpose of my testimony is to explain and support DEP's proposed  
5 DSM/EE cost recovery rider and Experience Modification Factor ("EMF") and  
6 provide information required by Commission Rule R8-69.

7 **Q. PLEASE DESCRIBE THE EXHIBITS ATTACHED TO YOUR**  
8 **TESTIMONY.**

9 A. Miller Exhibit 1 provides a summary of the proposed annual rates by customer  
10 class. Miller Exhibit 2, pages 1 through 3, shows the calculation of the EE and  
11 DSM rates for the rate period, as well as the breakdown by program of the  
12 various components of the estimated revenue requirement. Miller Exhibit 2,  
13 pages 4 through 6, presents the calculation of the EE EMF and DSM EMF rates  
14 for the test period, as well as the breakdown by program of the various  
15 components of the final revenue requirement. Adjustments resulting from  
16 Evaluation, Measurement and Verification ("EM&V") of the Company's  
17 DSM/EE programs are also presented in Miller Exhibit 2, page 7. Miller  
18 Exhibit 3, pages 1 through 4, calculates the amount of interest or return due on  
19 over- and under-collections for Vintage 2022. Exhibit 4 shows a summary of  
20 revenue collected during calendar year 2022 by program type and customer  
21 class. Miller Exhibit 5, pages 1 through 8, presents the allocation factors used  
22 in the development of the rider, including the energy allocation factors  
23 applicable to DSM and EE program costs, the North Carolina and South  
24 Carolina retail allocation factors, and the lighting allocation factors. Miller

1 Exhibit 6 includes both forecasted 2024 sales from the Spring 2023 forecast and  
2 the impact of opt-outs.

3 **Q. WERE MILLER EXHIBITS 1-6 PREPARED BY YOU OR AT YOUR**  
4 **DIRECTION AND SUPERVISION?**

5 A. Yes.

6 **II. SUMMARY OF DSM/EE COSTS**

7 **Q. CAN YOU PROVIDE A SUMMARY OF THE COSTS FOR WHICH DEP**  
8 **IS REQUESTING RECOVERY IN THIS PROCEEDING?**

9 A. Yes. The DSM/EE costs DEP is requesting to recover through the rates  
10 proposed in this proceeding are associated with the costs incurred during the  
11 test period, as well as the costs forecasted to be incurred during the rate period.  
12 The test period utilized in the development of the DSM/EE EMF is January 1,  
13 2022 through December 31, 2022. The North Carolina allocated share of  
14 recoverable DSM/EE costs for the test period is \$151,801,256 For the rate  
15 period of January 1, 2024 through December 31, 2024, the North Carolina  
16 allocated share of forecasted DSM/EE costs is \$147,118,919. The total North  
17 Carolina allocated share of DSM/EE costs for the test period plus the rate period  
18 is \$298,920,175.

19 A summary of the costs associated with DEP's recovery request by  
20 period and by DSM/EE program/measure is provided in the following table:

| Program/Measure                                 | Test Period                | Rate Period                |
|---|----------------------------|----------------------------|
|   | 1/1/22 through<br>12/31/22 | 1/1/24 through<br>12/31/24 |
| CIG DR  | \$2,118,943                | \$2,617,004                |
| EnergyWise                                      | \$16,332,470               | \$17,166,763               |
| EnergyWise for Business                         | \$910,922                  | \$1,107,847                |
| DSDR Implementation                             | \$19,256,561               | \$0                        |
| Residential Home Advantage                      | \$517                      | \$0                        |
| Residential Smart Saver/Home Energy Improvement | \$3,581,568                | \$4,444,662                |
| Residential Low Income – NES                    | \$2,345,924                | \$3,241,109                |
| Energy Efficient Lighting                       | \$13,578,054               | \$5,135,138                |
| Appliance Recycling                             | \$31,968                   | \$7,425                    |
| My Home Energy Report                           | \$15,497,035               | \$17,107,376               |
| Small Business Energy Saver                     | \$7,583,286                | \$11,585,828               |
| Residential New Construction                    | \$20,701,780               | \$19,840,370               |
| Multi-Family EE                                 | \$1,147,680                | \$2,469,421                |
| Energy Education Program for Schools            | \$572,721                  | \$1,533,825                |
| Save Energy & Water Kit                         | \$5,425,936                | \$610,532                  |
| Residential Energy Assessments                  | \$2,708,016                | \$5,890,501                |
| Smart Saver Prescriptive                        | \$408,457                  | \$6,849,442                |
| Smart Saver Custom                              | \$4,296,639                | \$22,324,975               |
| Smart Saver Performance Incentive               | \$15,735,706               | \$7,361,363                |
| Administrative & General Costs                  | \$6,069,919                | \$5,480,550                |
| Carrying Cost on Balances                       | \$13,309,889               | \$12,518,552               |
| Found Revenue (total)                           | \$(57,247)                 | \$(173,765)                |
| PPI Cap Adjustment                              | \$244,515                  |                            |
| Total Cost                                      | \$151,801,256              | \$147,118,919              |

1 In addition to the summary table above, Miller Exhibit 2, page 3, and  
2 Miller Exhibit 2, page 6, provide additional categorizations by cost element.

3 **Q. ARE DEP'S PROPOSED RATES DESIGNED TO RECOVER THE**  
4 **TOTAL NORTH CAROLINA ALLOCATED SHARE OF \$298,920,175?**

5 A. No. Because many of the expenses incurred during the test period to develop  
6 and implement DEP's DSM/EE programs produce benefits covering several  
7 years, a significant portion of those expenses will be deferred and recovered  
8 over varying amortization periods. A summary of the amortization periods for

1 program expenses and Program/Portfolio Performance Incentive (“PPI”)<sup>1</sup> is  
 2 shown below:

| Length of Amortization Period                         |  |                                     |  |                                   |
|---|--|-------------------------------------|--|-----------------------------------|
| Program Name  | Program Cost<br>– batches<br>prior to 2023 | Program Cost<br>– 2023 –<br>present | PPI/PRI –<br>vintages prior<br>to 2023 | PPI/PRI<br>– 2023<br>–<br>present |
| CIG DR  | 3  | 3                                   | 3                                      | 3                                 |
| EnergyWise  | 10   | 3                                   | 10                                     | 3                                 |
| EnergyWise for<br>Business                            | 3  | 3                                   | 1                                      | 1                                 |
| DSDR<br>Implementation                                | 10   | 3                                   | N/A                                    | N/A                               |
| Residential Home<br>Advantage                         | N/A  | N/A                                 | N/A                                    | N/A                               |
| Residential Smart<br>Saver/Home Energy<br>Improvement | 10   | 3                                   | 10                                     | 3                                 |
| Residential Low<br>Income – NES                       | 10   | 3                                   | 10                                     | 3                                 |
| Energy Efficient<br>Lighting                          | 5  | 3                                   | 5                                      | 3                                 |
| Appliance Recycling                                   | 10   | 3                                   | 10                                     | 3                                 |
| My Home Energy<br>Report                              | 1  | 1                                   | 1                                      | 1                                 |
| Residential New<br>Construction                       | 10   | 3                                   | 10                                     | 3                                 |
| CFL Pilot   | N/A  | N/A                                 | N/A                                    | N/A                               |
| Solar Hot Water Pilot                                 | N/A  | N/A                                 | N/A                                    | N/A                               |
| Multi-Family EE                                       | 5  | 3                                   | 5                                      | 3                                 |
| Energy Education                                      | 5  | 3                                   | 5                                      | 3                                 |
| CIG EE  | 3  | 3                                   | 3                                      | 3                                 |
| Save Water & Energy<br>Kit                            | 5  | 3                                   | 5                                      | 3                                 |
| Residential Energy<br>Assessments                     | 5  | 3                                   | 5                                      | 3                                 |
| Small Business<br>Energy Saver                        | 3  | 3                                   | 3                                      | 3                                 |
| Smart Saver<br>Prescriptive                           | 3  | 3                                   | 3                                      | 3                                 |
| Smart Saver<br>Performance                            | 3  | 3                                   | 3                                      | 3                                 |

<sup>1</sup> As explained further below, for vintages prior to 2016, incentives are calculated on a program basis. Pursuant to the Commission’s *Order Approving Revised Cost Recovery Mechanism and Granting Waivers* issued January 20, 2015 in Docket No. E-2, Sub 931 (“Order Approving Revised Mechanism”), which applies to Vintages 2016 and forward, incentives under the Company’s revised cost recovery mechanism are calculated on a portfolio basis. For ease of reference, I will refer to both incentives as “PPI.”

| <b>Length of Amortization Period</b> |   |  |   |   |
|--------------------------------------|---|--|---|---|
| <b>Program Name</b>                  | <b>Program Cost<br/>– batches<br/>prior to 2023</b> | <b>Program Cost<br/>– 2023 –<br/>present</b> | <b>PPI/PRI –<br/>vintages prior<br/>to 2023</b> | <b>PPI/PRI<br/>– 2023<br/>–<br/>present</b> |
| Smart Saver Custom                   | 3   | 3  | 3   | 3   |
| Admin. & General                     | 3   | 3  | 3   | N/A   |

1

2

3

4

5

6

7

8

9

10

### **III. EMF REVENUE REQUIREMENT**

11

**Q. HOW WAS THE DSM/EE EMF OVER-RECOVERY OF (\$24,889,788) DETERMINED?**

12

13

**A.** The EMF over -recovery is a function of the sum of test period costs, including amounts relating to the amortization of deferred costs from prior periods, and credits for actual DSM/EE rider revenues for the period January 1, 2022 through December 31, 2022. The following table illustrates the relationship of these elements with respect to the determination of the DSM/EE EMF:

14

15

16

17

18

1

| Rate Element                            | Amounts        |
|---|----------------|
| Test Period Revenue Requirement         | \$152,575,922  |
| Net DSM/EE Rate Revenue                 | \$173,681,595  |
| Add: Other Adjustments                  | \$3,784,116    |
| Total EMF Adjustments                   | \$177,465,710  |
| Adjusted DSM/EE EMF Revenue Requirement | (\$24,889,778) |

2

Miller Exhibit 2, pages 4 through 7, provides additional details

3

associated with the development of these amounts.

4

**Q. PLEASE DESCRIBE THE \$3,784,116 THAT HAS BEEN CATEGORIZED AS “OTHER ADJUSTMENTS.”**

5

6

A. The \$3,784,116 in “Other Adjustments” is the sum of lines 2 through 11 on page 7 of Miller Exhibit 2. Lines 2 and 3 are reserved for potential prospective uncollectible allowances in DEP’s DSM/EE rates and associated true-ups. DEP is not requesting a prospective uncollectible adjustment as a part of its cost recovery request in this proceeding. In addition, the Company is not requesting a true-up of the uncollectible adjustment in this proceeding as the topic of uncollectible accounts is currently pending in DEP’s base rate case in Docket E-2 Sub 1300. Once the Commission issues its order in the rate case on this topic, the Company will examine uncollectible amounts for year ended 2022 and calculate an adjustment if necessary, in a future rider proceeding. In addition, the adjustments found on lines 4 through 9 reflect the true-up of PPI and net lost revenues for Vintages 2019, 2020, and 2021. The last of these adjustments, on line 10, recognizes estimated interest owed to or due from customers for over and under collections during the period extending from January 1, 2022 through December 31, 2022. The Direct Testimony of

20



1 Company witness Casey Q. Fields provides further detail on program-specific  
2 impacts to PPI and net lost revenues.

3 **IV. RATE PERIOD REVENUE REQUIREMENT**

4 **Q. PLEASE DESCRIBE THE BASIS FOR THE RATE PERIOD REVENUE**  
5 **REQUIREMENT.**

6 A. As indicated previously, the estimated revenue requirement for the rate period  
7 is \$167,163,820. This amount reflects the anticipated costs and necessary  
8 recoveries for the rate period, which extends from January 1, 2024 through  
9 December 31, 2024. The \$167,163,820 revenue requirement includes: (1)  
10 \$28,393,238 for anticipated rate period program expenses; (2) amortizations  
11 and carrying costs associated with deferred prior period costs totaling  
12 \$81,809,519; (3) net lost revenues for the rate period totaling \$41,479,043 for  
13 vintage years 2019 through 2024; and (5) PPI totaling \$15,482,020 associated  
14 with vintage years 2015 through 2024. In addition, under the Commission's  
15 October 20, 2020 *Order Approving Revisions to Demand-Side Management*  
16 *and Energy Efficiency Cost Recovery Mechanisms*, issued by the Commission  
17 in Docket Nos. E-2, Sub 931 and E-7, Sub 1032 (the "2020 Mechanism Order"),  
18 beginning in 2022, the Income-Qualified EE and Weatherization programs are  
19 eligible to receive a Program Return Incentive ("PRI") based on shared savings  
20 achieved by these programs. Witness Fields's testimony provides additional  
21 information on this matter.

22 **V. JURISDICTIONAL COST ALLOCATION**

23 **Q. HOW ARE DSM AND EE PROGRAM COSTS ALLOCATED TO THE**  
24 **NORTH CAROLINA RETAIL JURISDICTION?**

1 A. DEP determines the total amount of recoverable costs and separates these costs  
2 into three categories: (1) DSM-related costs, (2) EE-related costs, and (3) costs  
3 that provide a system benefit in support of both DSM and EE programs. For  
4 each of these categories, different allocation methods are employed to assign  
5 those costs to the appropriate jurisdiction.

6 **Q. HOW ARE COSTS IDENTIFIED AS EE-RELATED ALLOCATED TO**  
7 **NORTH CAROLINA?**

8 A. Any program costs that are identified as being EE-related, including  
9 administrative and general (“A&G”) costs, are allocated to the North Carolina  
10 retail jurisdiction based upon the ratio of North Carolina retail sales to DEP  
11 system retail sales at the point of generation. For calendar year test periods  
12 beginning in year 2016, the allocation percentage for the entire calendar year  
13 test period is based on the latest cost of service study available at the time of  
14 filing.

15 **Q. HOW ARE DSM-RELATED COSTS ALLOCATED TO NORTH**  
16 **CAROLINA?**

17 A. Any program costs that are identified as being DSM-related, including A&G  
18 costs, are allocated to the North Carolina retail jurisdiction based upon the ratio  
19 of the North Carolina retail demand to the DEP system retail demand at the hour  
20 of the annual summer system coincident peak. For calendar year test periods  
21 beginning in year 2016, the allocation percentage for the entire calendar year  
22 test period is based on the latest cost of service study available at the time of  
23 filing.

1 **Q. PLEASE ELABORATE ON THE METHODOLOGY USED TO**  
2 **ALLOCATE DSM/EE COSTS THAT OFFER A SYSTEM BENEFIT.**

3 A. Certain A&G costs provide a system benefit in support of both DSM and EE  
4 programs and, therefore, are allocated in both categories. The allocation of  
5 these costs into either the DSM or EE category is based upon the percentage of  
6 program costs for each type of expenditure anticipated during the next forecast  
7 calendar year. For example, if 30% of direct program costs in the forecast  
8 period are EE-related, then 30% of these A&G costs will be considered EE-  
9 related costs for allocation purposes. The use of a forecast period recognizes  
10 the types of new programs DEP will offer in the immediate future that will be  
11 supported by these administrative costs. The assignment of A&G costs as either  
12 DSM- or EE- related is reviewed annually based upon forecasted program costs  
13 for the next calendar year. The A&G costs in this proceeding have been  
14 assigned to these categories based upon forecasted DSM and EE costs for 2024.

15 **Q. IN MILLER EXHIBIT 2, PAGE 3, AND MILLER EXHIBIT 2, PAGE 6,**  
16 **THE DISTRIBUTION SYSTEM DEMAND RESPONSE (“DSDR”)**  
17 **PROGRAM IS SEPARATED FROM THE OTHER DSM/EE**  
18 **PROGRAMS. HOW IS THE DSDR PROGRAM CLASSIFIED?**

19 A. Through 2023, the DSDR program has been classified by the Commission, for  
20 purposes of ratemaking, as an EE program. Due to the scope and nature of  
21 DSDR, its costs are being tracked separately. This separate tracking includes  
22 both direct costs and A&G costs associated with the program.

23 As part of Docket E-2 Sub 1300, the Company proposed including the  
24 DSDR program as part of base rates. Therefore, the Company is not including

1 prospective DSDR costs as part of this rider filing. The Company will continue  
2 to collect DSDR costs and amortizations through Vintage 2023 as part of the  
3 DSM/EE Rider.

4 **VI. UTILITY INCENTIVES AND NET LOST REVENUES**

5 **Q. HOW ARE THE PPI AND PRI CALCULATED?**

6 A. The PPI and PRI are calculated pursuant to the *2020 Mechanism Order* and are  
7 based on the savings achieved by the portfolio of PPI-eligible DSM/EE  
8 programs and PRI-eligible programs. Company witness Fields further  
9 describes the specifics of the PPI and PRI calculations in his testimony. Please  
10 see Fields Exhibit 1 for additional detail by program.

11 **Q. HOW WERE NET LOST REVENUES DETERMINED?**

12 A. The Company determines net lost revenues, which are applicable to both DSM  
13 and EE programs, by multiplying the estimated reduction in kWh sales  
14 associated with a program or measure by a margin-based net lost revenue rate.  
15 The following formula illustrates the basic components of the net lost revenue  
16 calculations: Net Lost Revenues (\$) = Lost Sales (kWh) x Net Lost Revenue  
17 Rate (\$/kWh).

18 Lost Sales are those sales that do not occur because of implementation  
19 of DEP DSM/EE measures. These values are initially based on engineering  
20 estimates and/or past impact evaluations. Future periods are based on updated  
21 impact evaluations resulting from EM&V activities and are applied  
22 prospectively and in conjunction with applicable net lost revenue true ups. The  
23 Net Lost Revenue rate represents the difference between the average retail rate  
24 applicable to the customer class impacted by the measure and the sum of (1) the

1 embedded regulatory fees, (2) the related average customer charge component  
2 of that rate, (3) the average fuel component of the rate, and (4) the incremental  
3 variable operations and maintenance rate as filed in DEP's last Cogeneration  
4 and Small Power Producer tariff. When multiple customer classes are impacted  
5 by a DSM/EE measure, as with the DSDR program, a weighted or system-wide  
6 net lost revenue rate is employed.

7 Pursuant to the 2020 Mechanism Order, DEP may only recover net lost  
8 revenues for up to 36 months of an installed measure's life, and as with the PPI,  
9 recoveries are subject to true-up based on future EM&V results.

10  
11 **VII. COST ALLOCATION METHODOLOGY**

12 **Q. HOW ARE DSM- AND EE-RELATED COSTS ALLOCATED TO EACH**  
13 **RATE CLASS?**

14 A. Costs are assigned to customer classes based on program design and  
15 participation. In other words, residential program costs are allocated solely to  
16 residential customers, general service program costs are allocated solely to  
17 general service customers, and lighting program costs are allocated solely to  
18 lighting customers. Where programs benefit multiple customer groups, the  
19 costs are allocated directly to groups receiving benefits or by employing annual  
20 energy- and/or coincident peak demand-based allocation factors.

21 Miller Exhibit 2, pages 1 and 2, and Miller Exhibit 2, pages 4 and 5,  
22 demonstrate how the costs associated with a specific program have been  
23 assigned to customer groups.

1 **Q. HOW ARE SALES AND DEMAND ADJUSTED FOR THE IMPACT OF**  
2 **OPT-OUT CUSTOMERS?**

3 A. Commercial customers with annual consumption of 1,000,000 kWh or greater  
4 in the billing months of the prior calendar year and all industrial customers who  
5 implement or will implement alternative DSM/EE measures may elect not to  
6 participate in DEP's DSM and/or EE programs. DEP reviewed its customer  
7 records and identified that commercial and industrial customers choosing to opt  
8 out of EE programs consumed 12,765,879,707 kWh during the year ended  
9 December 31, 2022. In addition, DEP identified that commercial and industrial  
10 customers choosing to opt out of DSM programs consumed 12,840,285,582  
11 kWh during the year ended December 31, 2022.

12 DEP developed rate class allocation factors based on the assumption  
13 that customers that have elected to opt out of the Company's DSM/EE rider will  
14 remain opted out. If customers decide to change their opt-out status, revenue  
15 gains or losses will be recognized in subsequent DSM/EE EMF calculations.

16 Sales for the year ended December 31, 2022 for all customers electing  
17 to opt out of the DSM/EE rate are provided in Miller Exhibit 6.

18 **Q. THE SALES FOR OPT-OUT CUSTOMERS ARE EASILY**  
19 **IDENTIFIED, BUT HOW IS THE COINCIDENT PEAK OF THESE**  
20 **CUSTOMERS ESTIMATED?**

21 A. Currently installed metering for a great number of opt-out customers does not  
22 provide sufficient detail to determine their contribution to the system coincident  
23 peak hour load. Instead, the impact is estimated based upon the ratio of opt-out  
24 sales to total sales for the rate class multiplied by the rate class peak demand.

1 This approach should accurately approximate the demand of opt-out accounts.

2 This calculation can be seen at Miller Exhibit 5, page 7.

3 **Q. AFTER ADJUSTING ENERGY AND DEMAND FOR OPT-OUT**  
4 **CUSTOMERS, HOW ARE THE RESULTING ALLOCATION**  
5 **FACTORS THEN USED TO DETERMINE THE REVENUE**  
6 **REQUIREMENT FOR EACH RATE CLASS?**

7 A. Energy- and demand-based allocators are used in cases where programs or  
8 measures directly benefit multiple rate groups. When a DSM or EE program  
9 benefits multiple rate groups, DEP multiplies EE costs by rate class energy  
10 allocation factors and multiplies any associated DSM costs by rate class demand  
11 allocation factors for purposes of cost assignment.

12 Since usage for opt-out customers is not forecasted, the rate class energy  
13 allocation factors were developed from the forecasted rate class usage after  
14 subtracting actual sales for opt-out customers for the year ended December 31,  
15 2022. Miller Exhibit 5, page 6, provides the energy allocation factors applicable  
16 to each rate class based upon the forecast of rate class sales for the rate period  
17 of January 1, 2024 through December 31, 2024.

18 The allocation rate class demand allocation factors are based on the  
19 summer coincident peak demand for 2022 after subtracting the estimated  
20 demand for opt-out customers as discussed above. The forecast does not  
21 provide rate class coincident peak demands; therefore, the most recent historic  
22 data was deemed to be representative of future demand impacts. Miller Exhibit  
23 5, page 7, shows the demand allocation factors applicable to each rate class for  
24 the rate period.

1 **Q. WHICH OF DEP'S PROGRAMS OR MEASURES BENEFIT**  
2 **MULTIPLE CUSTOMER CLASSES?**

3 A. The Company's DSDR program benefits all customer classes. To allocate  
4 DSDR costs, DEP employs rate class energy allocation factors. These  
5 allocation procedures are elements of Miller Exhibit 2, pages 1 and 4. In  
6 addition, DEP's Energy Efficient Lighting Program provides benefits to both  
7 the residential and general service customer classes. These costs were allocated  
8 based on the bulbs provided to those classes using EM&V results as shown in  
9 Miller Exhibit 5, page 8.

10 **Q. HOW DOES DEP DETERMINE RATE CLASS DSM/EE RATES?**

11 A. The calculated rate class DSM and EE revenue requirements are divided by  
12 forecasted rate class sales, after adjustment for opt-out customers, to establish  
13 the rate class DSM/EE rate. Miller Exhibit 2, page 1, provides the derivation  
14 of the EE rate. Miller Exhibit 2, page 2, provides the derivation of the DSM  
15 rate.

16 **Q. HOW DOES DEP DETERMINE RATES FOR THE DSM/EE EMF?**

17 A. As with DSM/EE rate determination, the calculated rate class DSM and EE  
18 EMF revenue requirements, adjusted for cost recoveries, are divided by  
19 forecasted rate class sales, after adjustment for opt-out customers, to establish  
20 the rate class DSM/EE EMF rate. Miller Exhibit 2, page 4, provides the  
21 derivation of the EE EMF rate. Miller Exhibit 2, page 5, provides the derivation  
22 of the DSM EMF rate.

23 **VIII. PROPOSED RATES**

24 **Q. WHAT RATES ARE PROPOSED FOR EACH RATE CLASS?**



- 1 A. Miller Exhibit 1 is populated with the DSM/EE rates and EMF rates proposed  
 2 in this proceeding. The DSM/EE rates recover costs forecasted to be incurred  
 3 from January 1, 2024 through December 31, 2024. The DSM/EE EMF is a  
 4 true-up mechanism recognizing costs and recoveries for the test period of  
 5 January 1, 2022 through December 31, 2022. DEP proposes the following  
 6 rates, exclusive of North Carolina regulatory fees, for each rate class:

| Rate Class                | DSM Rate<br>(¢/kWh) | EE Rate<br>(¢/kWh) | DSM EMF<br>(¢/kWh) | EE EMF<br>Rate<br>(¢/kWh) | DSM/EE<br>Annual Rider<br>(¢/kWh) |
|---------------------------|---------------------|--------------------|--------------------|---------------------------|-----------------------------------|
| Residential               | 0.146               | 0.529              | 0.000              | (0.047)                   | 0.628                             |
| General<br>Service EE     |                     | 0.539              |                    | (0.182)                   | 0.357                             |
| General<br>Service<br>DSM | 0.051               |                    | (0.009)            |                           | 0.042                             |
| Lighting                  |                     | 0.021              |                    | (0.021)                   | 0.000                             |

7 **Q. WHAT ARE THE RATES INCLUDING NORTH CAROLINA**  
 8 **REGULATORY FEES?**

- 9 A. The following table reflects the proposed billing rates, including North Carolina  
 10 regulatory fees, for each rate class:

| Rate Class             | DSM Rate<br>(¢/kWh) | EE Rate<br>(¢/kWh) | DSM EMF<br>(¢/kWh) | EE EMF<br>(¢/kWh) | Annual<br>DSM/EE<br>Rider<br>(¢/kWh) |
|------------------------|---------------------|--------------------|--------------------|-------------------|--------------------------------------|
| Residential            | 0.146               | 0.530              | 0.000              | (0.047)           | 0.629                                |
| General<br>Service EE  |                     | 0.540              |                    | (0.182)           | 0.358                                |
| General<br>Service DSM | 0.051               |                    | (0.009)            |                   | 0.042                                |
| Lighting               |                     | 0.021              |                    | (0.021)           | 0.000                                |

1 **Q. HOW WILL DEP REVISE ITS TARIFFS TO RECOVER THESE**  
2 **RATES?**

3 A. The Company will update its Annual Billing Adjustment, Rider BA, to  
4 recognize these rates, adjusted for the North Carolina regulatory fees.

5 **IX. CONCLUSION**

6 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

7 A. Yes.