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June 9, 2020

VIA ELECTRONIC FILING

Ms. Kimberley A. Campbell
Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Duke Energy Carolinas, LLC's Testimony Summaries for Remote Hearing
Docket No. E-7, Sub 1230

Dear Ms. Campbell:

Enclosed for filing with the Commission in the above-referenced docket are summaries of testimony for the two witnesses that Duke Energy Carolinas, LLC plans to present as a panel at the expert witness hearing which the Commission plans to hold remotely on June 9, 2020: Robert P. Evans and Timothy J. Duff.

Please do not hesitate to contact me if you have any questions or need additional information.

Sincerely,

Kendrick C. Fentress

Enclosures

cc: Parties of Record

CERTIFICATE OF SERVICE

I certify that a copy of Duke Energy Carolinas, LLC's Testimony Summaries, in Docket No. E-7, Sub 1230, has been served by electronic mail, hand delivery, or by depositing a copy in the United States Mail, 1st Class Postage Prepaid, properly addressed to parties of record.

This the 9th day of June, 2020.

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SUMMARY OF DIRECT AND REBUTTAL TESTIMONY

OF ROBERT P. EVANS

My direct testimony supports DEC's Application for approval of its DSM/EE cost recovery rider for 2021, which encompasses the Company's currently effective cost recovery and incentive mechanism and portfolio of programs approved by the Commission. In particular, my testimony includes a discussion of items the Commission specifically directed the Company to address in this proceeding, an overview of the Commission's Rule R8-69 filing requirements, a synopsis of the DSM/EE programs included in this filing, a discussion of program results and an explanation of how these results have affected DSM/EE rate calculations, information on the Company's Evaluation Measurement & Verification, or "EM&V" activities, an overview of the calculation of the Company's Portfolio Performance Incentive, or "PPI", and information pertaining to the DSM/EE Collaborative.

First I discuss actions that the Commission directed the Company to take in the last cost recovery proceeding, which includes confirmation that the Collaborative has continued to meet every other month and that DEC included in its DSM/EE application a table showing test period DSM/EE costs and savings, and also showing DSM/EE costs and savings for the previous five years.

DEC's cost recovery mechanism allows it to (1) recover the reasonable and prudent costs incurred for adopting and implementing DSM and EE measures; (2) recover net lost revenues incurred for up to 36 months of a measure's life for DSM and EE programs; and (3) earn a PPI based upon the sharing of 11.5% of the net savings achieved through DEC's DSM/EE programs on an annual basis. The Experience Modification Factor, or "EMF," in the rider accounts for changes to actual participation relative to the forecasted participation levels utilized in prior DSM/EE riders and also reflects the application of EM&V results.

EM&V results were updated to reflect the savings impacts for those programs for which DEC received EM&V reports after it prepared its application in last year's DSM/EE proceeding. After factoring in these EM&V updates, DEC performed a prospective analysis of each program and the aggregate portfolio for the Vintage 2021 period. In the aggregate, DEC's portfolio of programs continues to project cost-effectiveness, with the exception of the Income-Qualified EE Products and Services Program, which was not cost-effective at the time of Commission approval, the Residential Smart $aver EE Program, which is continuing its transformation to an all referral channel, and elements of the Nonresidential Smart $aver Program.

In my testimony, I include a comprehensive list of all of the DSM and EE programs in the Company's current portfolio. During Vintage 2019, DEC's DSM/EE programs delivered almost 844 million kilowatt-hours of energy savings and slightly over 1,103 megawatts, which produced a net present value of avoided cost savings of close to $438 million.

The purpose of my rebuttal testimony is to respond to the testimony of David Williamson filed on behalf of the Public Staff and that of Forest Bradley-

Wright, filed on behalf of the North Carolina Justice Center and the Southern Alliance for Clean Energy.

First, the Company agrees with witness Williamson's statement that significant market transformation has taken place in North Carolina with respect to LED non-specialty lighting; however, to enable low-income and multifamily customers to participate in the benefits of energy efficient lighting, the Company, with Commission approval, plans to continue providing A-line bulbs to low-income customers through its Neighborhood Energy Saver Program and through outlets such as Good Will, Dollar General, Dollar Tree and Habitat stores, and also to continue replacing inefficient lighting through its Multifamily direct install program.

Next, the Company disagrees with witness Williamson's recommendation for additional analysis and reporting related to the Grid Improvement Plan, or "GIP." The status of the GIP has been addressed extensively in the pending rate case, and none of the programs filed in the GIP has been considered for recovery through the DSM/EE rider. This is not the appropriate forum for the types of information that witness Williamson recommends for the report.

In response to witness Bradley-Wright's comments on the Company's efforts to achieve 1% savings, I explain that DEC continues to seek opportunities for new and improved programs but that lower projections of savings reflect market conditions and projected participation. The projections of savings in riders are used to set rates, not as a cap, and the Company sets conservative projections to avoid raising rates unnecessarily.

Next, I disagree with witness Bradley-Wright's recommendation that the Company develop a plan outlining targeted EE programs to address the effects of the COVID-19 pandemic on customers. The Company has launched a corporate strategy to address the needs of customers during the pandemic, which includes tips related to working from home, and continuing to offer energy-saving kits and free LEDs by mail to qualifying customers, as well as the moratorium on disconnection; the suspension of fees related to connection and payment; and Duke Energy Foundation's financial support for agencies that provide assistance.

Finally, I disagree with witness Bradley-Wright's recommendation that the Commission request a report directly from the Collaborative. The Collaborative was formed as an advisory group to provide a forum for the Company to receive input from a variety of stakeholders, and witness Bradley-Wright acknowledges throughout his testimony that DEC is receiving input on new programs, discussing potential program modifications with members, and sharing information freely on a variety of topics from program performance to the IRP. If members feel it necessary to communicate directly with the Commission, they can intervene in this or future dockets, as the organizations which witness Bradley-Wright represents did. I do not think it is necessary or consistent with the purpose of the Collaborative to assign a written report to organizations which choose not to intervene.

This concludes my summary.

The purpose of my rebuttal testimony is to address recommendations of Public Staff witness John Hinton that (1) the avoided capacity cost benefits for purposes of the Portfolio Performance Incentive, or the "PPI," and the cost-effectiveness of the Company's legacy DSM programs be calculated using a seasonal allocation of avoided capacity value; and (2) the Company's application of a reserve margin factor is not appropriate in calculating the avoided capacity cost value of EE programs.

First, I summarize and provide some history regarding the process of updating the avoided costs used in the evaluation of the Company's EE/DSM programs, specifically, on the agreement reached with the Public Staff, in Docket No. E-7, Sub 1130, which the Commission approved in August 2017.

Then I discuss why the Company's allocation of 100% of avoided capacity cost to legacy summer DSM resources is reasonable, consistent with past Commission Orders, and aligns with both North Carolina public policy and resource planning assumptions. Beginning with Vintage 2021, the Company voluntarily applied the 90% Winter/10% Summer seasonal allocation, approved in the most recent Avoided Cost Proceeding, to avoided capacity savings for all new incremental participation in both EE and DSM programs. The Company believes, however, that applying 100% of the avoided capacity cost value to legacy or established DSM programs reflected as on-going resources in the IRP is correct and appropriate. My testimony explains why this approach is not inconsistent with the treatment of new QF capacity as discussed in the Commission's decisions in Docket No. E-100, Sub 158. Furthermore, the

Company's adjustment to its avoided capacity savings in this proceeding is consistent with the Commission's encouragement to place additional emphasis on defining and implementing cost-effective DSM programs that will be available to respond to winter demands.

Finally, I discuss why the Company's application of a reserve margin to the avoided capacity costs for EE programs is consistent with past Commission approved practices and with how EE resources are treated in the approved IRP. Because EE is treated as a load reduction in the IRP, rather than as a load serving resource, it is appropriate that it should have a 17% reserve margin factor applied to it, just as it would be appropriate to apply a 17% planning reserve margin factor to an increase in the system load. It is both mathematically logical and prudent from a planning standpoint to apply a 17% reserve margin factor to the avoided capacity associated with EE programs.

This concludes the summary of my pre-filed rebuttal testimony.