



**NORTH CAROLINA  
PUBLIC STAFF  
UTILITIES COMMISSION**

May 9, 2023

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

**Re: Docket No. E-7, Sub 1285 – Application of Duke Energy Carolinas, LLC, for Approval of Demand-Side Management and Energy Efficiency Cost Recovery Rider Pursuant to N.C.G.S. § 62-133.9 and Commission Rule R8-69**

Dear Ms. Dunston:

Attached for filing on behalf of the Public Staff in the above-referenced docket please find the Testimony of Hemanth Meda, Public Utility Regulatory Analyst, Accounting Division.

By copy of this letter, we are forwarding a copy to all parties of record by electronic delivery.

Sincerely,

Electronically submitted  
/s/ Anne M. Keyworth  
Staff Attorney  
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/s/ Nadia L. Luhr  
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**Attachments**

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**CERTIFICATE OF SERVICE**

I certify that a copy of this 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 9th day May, 2023.

Electronically submitted  
/s/ Anne M. Keyworth  
Staff Attorney

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

**DOCKET NO. E-7, SUB 1285**

In the Matter of  
Application of Duke Energy Carolinas, )  
LLC, for Approval of Demand-Side )  
Management and Energy Efficiency )  
Cost Recovery Rider Pursuant to )  
N.C.G.S. § 62-133.9 and Commission )  
Rule R8-69 )

**TESTIMONY OF  
HEMANTH MEDA  
PUBLIC STAFF –  
NORTH CAROLINA  
UTILITIES COMMISSION**

**May 9, 2023**

1 **Q. Please state your name, business address, and present**  
2 **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. A summary of my education and  
7 qualifications is attached as Appendix A.

8 **Q. Briefly state your qualifications and duties.**

9 A. My qualifications and duties are included in Appendix A.

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

11 A. The purpose of my testimony is to present my review of the  
12 application (Application) submitted by Duke Energy Carolinas, LLC  
13 (DEC or the Company), regarding the Demand-Side Management  
14 (DSM) and Energy Efficiency (EE) cost and incentive recovery rider  
15 filed in this docket on February 28, 2023 (DSM/EE Rider),<sup>1</sup> as well  
16 as the Company's Correction to Application filed on March 7, 2023,  
17 and supplemental direct testimony and exhibits filed on April 28,  
18 2023. The DSM/EE Rider is authorized by N.C. Gen. Stat. § 62-133.9  
19 and is implemented pursuant to Commission Rule R8-69.

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

- 1 **Q. Please describe the basis for the Company's filing.**
- 2 A. General Statute § 62-133.9(d) allows a utility to petition the
- 3 Commission for approval of an annual rider to recover: (1) the
- 4 reasonable and prudent costs of new DSM and EE measures; and
- 5 (2) other incentives to the utility for adopting and implementing new
- 6 DSM and EE measures. However, N.C.G.S. § 62-133.9(f) allows
- 7 industrial and certain large commercial customers to opt out of
- 8 participating in the power supplier's DSM/EE programs and paying
- 9 the DSM/EE rider, if each such customer notifies its electric power
- 10 supplier that it has implemented or will implement, at its own
- 11 expense, alternative DSM and EE measures. Commission Rule
- 12 R8-69, which was adopted by the Commission pursuant to N.C.G.S.
- 13 § 62-133.9(h), sets forth the general parameters and procedures
- 14 governing approval of the annual rider, including, but not limited to:
- 15 (1) provisions for both a DSM/EE rider to recover the estimated costs
- 16 and utility incentives applicable to the "rate period" in which that
- 17 DSM/EE rider will be in effect and a DSM/EE EMF rider to recover
- 18 the difference between the DSM/EE rider in effect for a given test
- 19 period (plus a possible extension) and the actual recoverable
- 20 amounts incurred during that test period; and (2) provisions for
- 21 interest or a return on amounts deferred and on refunds to
- 22 customers.

1 In this proceeding, DEC has calculated its proposed DSM/EE Rider  
2 (incorporating both prospective and EMF DSM and EE billing rates)  
3 using, for vintage years prior to 2022, the Cost Recovery and  
4 Incentive Mechanism for DSM/EE Programs approved by the  
5 Commission in Docket No. E-7, Sub 1032 (Sub 1032), on October  
6 29, 2013, in its Order Approving Revised Cost Recovery and  
7 Incentive Mechanism and Granting Waivers, as subsequently  
8 revised by the Commission in its August 23, 2017 Order Approving  
9 DSM/EE Rider and Requiring Filing of Proposed Customer Notice,  
10 issued in the Company's 2017 DSM/EE rider proceeding in Docket  
11 No. E-7, Sub 1130 (2017 Mechanism).<sup>2</sup> For vintage years 2022 and  
12 after, the Company utilized a revised mechanism, which was also  
13 approved by the Commission on October 20, 2020, in Sub 1032, in  
14 its Order Approving Revisions to Demand-Side Management and  
15 Energy Efficiency Cost Recovery Mechanisms, and which took effect  
16 on January 1, 2022 (2020 Mechanism).

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<sup>2</sup> Certain billing factor components consisting of costs incurred or incentives earned prior to January 1, 2016, but being carried forward to or amortized as part of the billing factors proposed in this proceeding, were determined pursuant to the Cost Recovery and Incentive Mechanism for Demand-Side Management and Energy Efficiency Programs (Initial Mechanism) approved by the Commission on June 15, 2009, in its Order Approving Agreement and Stipulation of Partial Settlement, Subject to Certain Commission-Required Modifications, in Docket No. E-2, Sub 931, as modified by the Commission's November 25, 2009 Order Granting Motions for Reconsideration in Part, in the same docket.

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 Application in this proceeding, DEC requested approval of  
7 prospective and EMF DSM and EE billing rates that would result in  
8 annual North Carolina retail revenue of approximately \$169.5 million.  
9 These proposed billing factors are set forth in DEC witness  
10 Listebarger Exhibit 1. The factors (rates), as applicable to each class,  
11 are 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, 2024, through December 31, 2024. 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, 2022. This is the period for which the under- or  
3           over-recovery 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          over-recoveries 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 2022 (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 correct the  
4 DSM/EE costs that the Company proposes to recover in this  
5 proceeding. The corrections include the true-up of NLR, interest rate  
6 calculations, and removal of costs that were incorrectly coded to the  
7 DSM/EE program. The North Carolina retail revenue calculated in  
8 Revised Miller Exhibit 1 is \$168.2 million.

9 The increase in the monthly bill of a residential customer using 1,000  
10 kWh of energy resulting from the revenue requirement increase  
11 included in the Company's supplemental filing would be \$0.39 from  
12 Rider 14. The change in a non-residential customer's bill would  
13 depend on the particular vintage years of DSM and/or EE rates for  
14 which the customer is opted out or opted in.

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

17 A. The prospective DSM and EE billing rates incorporate several cost  
18 recovery elements as estimated for the rate period, including  
19 amortizations of operations and maintenance costs, administrative  
20 and general (A&G) costs, capital costs, carrying costs (return on  
21 deferred costs), NLR, and levelized PPI incentives. The test period  
22 true-up DSM and EE EMF billing rates contain test period actual

1 amounts of the same types of costs and incentives as the  
2 prospective rates. The DSM and EE EMF billing rates may also  
3 include adjustments to any required return on over- or under-  
4 collections of DSM/EE revenues.

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

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

- 1 **Q. Please describe your investigation of DEC's filing.**
- 2 A. The Public Staff's investigation of DEC's filing in this proceeding
- 3 focused on determining whether the proposed DSM/EE Rider: (1)
- 4 was calculated in accordance with the 2017 or 2020 Mechanism, as
- 5 applicable; and (2) otherwise adhered to sound ratemaking concepts
- 6 and principles. The procedures I, and other members of the Public
- 7 Staff's Accounting Division acting under my supervision, utilized
- 8 included a review of the Company's filing, relevant prior Commission
- 9 proceedings and orders, and workpapers and source documentation
- 10 used by the Company to develop the proposed billing rates.
- 11 Performing the investigation required the review of responses to
- 12 written data requests, as well as discussions with Company
- 13 personnel. As part of its investigation, the Accounting Division
- 14 performed a review of the actual DSM/EE program costs incurred by
- 15 DEC during the 12-month period ended December 31, 2022. To
- 16 accomplish this, the Accounting Division selected and reviewed
- 17 samples of source documentation for test year costs included by the
- 18 Company for recovery through the DSM/EE Rider. Review of this
- 19 sample is intended to test whether the actual costs included by the
- 20 Company in the DSM and EE billing rates are either valid costs of
- 21 approved DSM and EE programs or administrative costs supporting
- 22 those programs.

1 The investigation, including the sampling of source documentation,  
2 concentrated primarily on costs and incentives related to the January  
3 through December 2022 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 2024, 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, I recommend  
10 that the billing factors proposed by the Company, as set forth in  
11 Revised Miller Exhibit 1, be approved by the Commission. These  
12 factors should be approved subject to any true-ups in future cost  
13 recovery proceedings consistent with the 2017 and 2020  
14 Mechanisms and the Commission orders with which they are  
15 associated, as well as other relevant orders of the Commission,  
16 including the Commission's final order in this proceeding.

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

18 A. In accordance with Public Staff witness Shawn L. Dorgan's testimony  
19 in DEC's 2022 DSM/EE rider proceeding in Docket No. E-7, Sub  
20 1265, the Public Staff undertook a review of DSM/EE advertising and  
21 promotion costs, including their relationship to incentives directly or

1 indirectly provided to DSM/EE program participants, and believes  
2 them to be reasonable in the current proceeding.

3 Additionally, while the Public Staff does not take issue with the  
4 Company's inclusion of a portion of the 2018 corrections in this  
5 proceeding, the Public Staff has concerns about splitting corrections  
6 over multiple years and exceeding the EM&V review period in  
7 correcting previous vintage years. The Public Staff will raise this  
8 issue with parties during the upcoming mechanism review in Docket  
9 No. E-7, Sub 1032.

10 **Q. Does this conclude your testimony?**

11 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.