STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-2, SUB 1059

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application by Duke Energy Progress, Inc., for	)	
Approval of Multi-Family Energy Efficiency	)	ORDER APPROVING PROGRAM
Program	)	

BY THE COMMISSION: On October 20, 2014, Duke Energy Progress, Inc. (DEP or the Company), filed an application seeking approval of the Multi-Family Energy Efficiency Program (Program) as an energy efficiency (EE) program under G.S. 62-133.9 and Commission Rule R8-68. DEP's application states, among other things, that the Program will be cost-effective and serve the public interest. DEP requests that the Commission:

1. Approve the Residential Service Multi-Family Energy Efficiency Program MEE-1 tariff at the Commission's earliest convenience;

2. Find that the Program meets the requirements of a "new" EE program consistent with Commission Rule R8-69;

3. Find that all costs incurred by DEP associated with the Program will be eligible for consideration for cost recovery through DEP's annual DSM (demand side management) /EE rider in accordance with Commission Rule R8-69(b); and

4. Approve the proposed recovery of utility incentives to be determined in DEP's annual DSM/EE rider in accordance with Commission Rule R8-69.

The Program is designed to achieve energy savings through the installation of certain EE lighting and water saving measures. Under the Program, property managers of multi-family dwellings will receive compact fluorescent bulbs (CFLs), low-flow faucet aerators and showerheads, and pipe wrap insulation. Participants will have the option of installing the measures themselves or having these measures installed by a DEP vendor at no additional charge. The Program will be available throughout DEP's entire service territory to property owners and managers of multi-family residential dwellings that have four or more units. Occupants of those dwellings must be customers of DEP served on a residential rate schedule. DEP states that the Program is comparable to the Residential Multi-Family Energy Efficiency program of Duke Energy Carolinas, LLC (DEC), approved on October 29, 2013, in Docket No. E-7, Sub 1032.

DEP's application includes estimates of the Program's impacts, costs, and benefits and calculations of the cost-effectiveness of the Program. DEP's calculations indicate that the Program should be cost-effective under the Total Resource Cost (TRC) and the Utility Cost (UC) tests, but not under the Ratepayer Impact Measure (RIM) test.

On October 15, 2014, the Southern Alliance for Clean Energy filed a letter in support of DEP's application.

On November 5, 2014, the Apartment Association of North Carolina filed a letter in support of DEP's application.

On November 19, 2014, the Public Staff filed comments on DEP's application. The Public Staff noted that the average annual megawatt (MW) and megawatt-hour (MWh) savings from the Program are projected to be 3.0 MW and 25,038 MWh per year over the first three years of the Program. DEP based its calculations of the energy and capacity savings impacts on the findings of two evaluation, measurement, and verification (EM&V) reports, the "Process and Impact Evaluation of Duke Energy's Residential Smart $aver: Property Manager CFLs in the Carolinas", dated February 28, 2013, and filed on March 5, 2014, as Ham Exhibit A in Docket No. E-7, Sub 1050 (Property Manager CFL EM&V), and the "EM&V Report for the 2012 Energy Efficient Lighting Program", dated July 12, 2013, and filed July 17, 2013, in Docket No. E-2, Sub 950 (EE Lighting EM&V). The Property Manager CFL EM&V specifically addressed the impacts associated with CFL lighting measures installed in multi-family dwellings. For purposes of DEP's Program, the impacts identified in the Property Manager CFL EM&V were adjusted downward by DEP based on the impacts identified in the EE Lighting EM&V, reducing the per bulb kWh savings. This adjustment was made to recognize the evolution of lighting measures since the completion of the Property Manager CFL EM&V, as well as the impact of the Energy Independence and Security Act (EISA).

The Public Staff pointed out that DEP proposed to use an independent third-party consultant to implement its EM&V plan, which includes a process evaluation using surveys of program managers, trade allies, and other key participants, and an impact evaluation focused on an engineering analysis, participant surveys, and on-site metering. The EM&V consultant would use industry-accepted methods and protocols to assess the incremental and cumulative participation, savings, and costs, and verify program performance and provide the basis for any true-up of program savings and costs. In the future, DEC and DEP would likely combine their future EM&V analyses of their respective Multi-Family EE programs. The Public Staff also included a tentative schedule of the EM&V activities and mileposts associated with the Program that DEP had provided to the Public Staff. DEP intends to incorporate the savings from the Program in future Integrated Resource Plans (IRPs).

The Public Staff concluded that it believes the filing contains the information required by Commission Rule R8-68(c) and is consistent with G.S. 62-133.9, R8-68(c), and the Cost Recovery and Incentive Mechanism for Demand-Side Management and

Energy Efficiency Programs (Mechanism), approved by Order dated June 15, 2009, in Docket No. E-2, Sub 931. The Public Staff noted that DEP's estimates of program costs, net lost revenue, and program performance incentive (PPI), appeared to conform to the requirements of the Mechanism.

The Public Staff also stated that the only difference it identified between the Program and DEC's Multi-Family EE Program was DEP's requirement that each participant attest that it would not have installed any of the measures in the absence of the Program.

The Public Staff found DEP's calculations of savings for CFL, water, and pipe wrap measures to be reasonable. The Public Staff noted that the savings projected for the CFL lighting measures in the Program were consistent with the verified impacts measures offered in the Property Manager CFL EM&V, with the exception of the adjustment made to incorporate the findings from the EE Lighting EM&V and the effects of EISA. The Public Staff also noted that the estimates of savings for the water and pipe wrap measures were based on vendor information, and were appropriate to use as initial estimates. However, DEP would need to verify these estimates with future EM&V. The Public Staff concluded that DEP's EM&V plan, procedures, and schedule were reasonable, and encouraged both DEP and DEC to find ways to reduce EM&V costs.

The Public Staff did not discover any information suggesting that the Program would affect a customer's decision to install natural gas or electric service.

The Public Staff stated that it believes the Program will be eligible for consideration of recovery of program costs, net lost revenues, and a PPI related in accordance with the current Mechanism and the proposed revised cost recovery mechanism filed on October 29, 2014 in Docket No. E-2, Sub 931.

The Public Staff reviewed the avoided costs used to determine cost-effectiveness of the Program and found them to be consistent with those used in DEP's 2012 IRP. The Public Staff noted that DEP had explained that used the 2012 avoided costs because it was in the process of transitioning from Strategist to DSMore for performing DSM/EE cost-effectiveness evaluations, and that Strategist was not used to develop the 2013 IRP. The Public Staff estimated the Program's cost effectiveness using the avoided costs impacts associated with the 2013 IRP, and stated that there should have been no material differences in the results of the TRC, UC, and RIM tests if DEP had used the avoided costs from the 2013 IRP. Therefore, the Public Staff stated that it appeared that the Program should be cost effective under both the TRC and UC tests.

The Public Staff concluded that the Program had the potential to encourage EE, appeared to be cost effective, was consistent with DEP's IRP, and was in the public interest. The Public Staff recommended that: (a) in future DSM/EE program approval filings, DEP should use the most currently approved IRP to develop the inputs used to analyze cost effectiveness; (b) the Commission approve the Program as a "new" EE program pursuant to Commission Rule R8-68; and, (c) the Commission determine the appropriate recovery of program costs, net lost revenue, and PPI associated with the Program in the annual DSM/EE rider proceeding consistent with G.S. 62-133.9, Commission Rule R8-69, and the Mechanism.

With respect to EM&V, the Public Staff recommended that: (a) the impacts associated with lighting measures be considered "verified" for EM&V purposes so that no true-up of these initial per participant impacts will be required; (b) participation be trued-up to the actual participation in the next DSM/EE rider proceeding; (c) the initial impacts derived in future EM&V for water saving and pipe wrap measures should be applied back to the beginning of the Program; and (d) any allocation of EM&V-related program costs mutually incurred by DEP and DEC for their respective Multi-Family EE programs should be addressed in future DSM/EE rider proceedings for both companies.

The Public Staff presented this matter to the Commission at its Regular Staff Conference on December 15, 2014, where it summarized its comments and submitted a proposed order.

Based on the foregoing and the entire record in this proceeding, the Commission finds good cause to approve the Multi-Family EE Program as a new EE program. The Commission agrees with the Public Staff that the Program is in the public interest, has the potential to encourage EE, is consistent with DEP's IRP, and meets the criteria specified in Commission Rule R8-68.

As recommended by the Public Staff, the Commission finds and concludes that the Public Staff's recommendations regarding the calculations of cost-effectiveness and EM&V are reasonable and should be approved.

Further, the Commission finds and concludes that the appropriate ratemaking treatment for the Program, including program costs, allocation of any common EM&V costs between DEP and DEC, net lost revenues and incentives, should be determined in DEP's and DEC's annual cost recovery rider approved pursuant to Commission Rule R8-69.

IT IS, THEREFORE, ORDERED as follows:

1. That the Multi-Family EE Program is hereby approved as a new energy efficiency program pursuant to Commission Rule R8-68;

2. That the Commission shall determine the appropriate ratemaking treatment for the Multi-Family EE Program, including program costs, net lost revenues, and incentives, in DEP's annual cost recovery rider, in accordance with G.S. 62-133.9 and Commission Rule R8-69;

3. The in future DSM and EE program approval filings, DEP shall use the most recently approved IRP to develop its avoided cost inputs used to calculate DSM and EE program cost-effectiveness;

4. That the first EM&V of the Program subsequent to this Order should be used to true up the initial estimates of the per participant savings impacts associated with the water and pipe wrap measures back to the beginning of the Program; and

5. That DEP shall file with the Commission, within 10 days following the date of this order, a revised tariff showing the effective date of the tariff.

ISSUED BY ORDER OF THE COMMISSION.

This the 18th day of December, 2014.

NORTH CAROLINA UTILITIES COMMISSION

Gail L. Mount

Gail L. Mount, Chief Clerk