

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. E-7, SUB 1026

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of

Application of Duke Energy Carolinas, LLC,	)	ORDER APPROVING PLAN FOR
for Adjustment of Rates and Charges	)	DISTRIBUTION OF RATEPAYER
Applicable to Electric Utility Service in	)	ASSISTANCE FUNDS
North Carolina	)	

BY THE COMMISSION: On May 30, 2013, in Docket No. E-2, Sub 1023, the Commission issued an Order Granting General Rate Increase which, among other things, directed Duke Energy Progress, Inc. (DEP), to consult with the Public Staff and submit for the Commission's approval a proposal for distribution of the \$20 million that DEP was ordered to provide for the benefit of ratepayers (DEP funds).

On September 24, 2013, in Docket No. E-7, Sub 1026, the Commission issued an Order Granting General Rate Increase which, among other things, directed Duke Energy Carolinas, LLC (DEC), to consult with the Public Staff and submit for the Commission's approval a proposal for distribution of the \$10 million that DEC was ordered to provide for the benefit of ratepayers (DEC funds).

On October 31, 2013, North Carolina Advanced Energy (NCAE), filed a Request and Proposal for Distribution of Low-Income Funds (Request). In summary, NCAE requests that \$2 million of the \$20 million of DEP funds and \$1 million of the \$10 million of DEC funds be used in the North Carolina SystemVision Program in partnership with the North Carolina Housing Finance Agency (NCHFA). The \$3 million would be used to fund grants for the installation of roof top solar facilities on low-income housing built by Habitat for Humanity and NCHFA.

On November 15, 2013, in Docket Nos. E-2, Sub 1023 and E-7, Sub 1026, DEP filed a Request for Approval of Proposal for the Distribution of Funds and Response to North Carolina Advanced Energy's Request and Proposal for Distribution of Low-Income Funds (DEP's Proposal). In summary, DEP's Proposal is to spend \$3 million on weatherization and \$7 million on heating/cooling system replacements in low-income homes, and \$10 million on workforce development. Further, DEP states that DEP and DEC do not agree with NCAE's Request and provides several reasons for that position.

On November 20, 2013, the Commission issued an Order allowing comments on DEP's and DEC's Proposals and NCAE's Request, allowing comments to be filed on or before January 6, 2014, and reply comments on or before January 27, 2014.

On November 22, 2013, in Docket No. E-7, Sub 1026, DEC filed a Motion for Extension of Time to File Proposed Distribution Plan requesting an additional 10 days in which to file DEC's Proposal, and a like extension of 10 days for the parties to file comments and reply comments.

On November 25, 2013, the Commission issued an Order granting the requested extensions of time. Further, the Commission extended the date on which DEP is required to disburse the DEP Funds from November 25, 2013, to March 1, 2014.

On December 5, 2013, DEC filed a Request for Approval of Proposal for the Distribution of Funds (DEC's Proposal), in Docket No. E-7, Sub 1026. In summary, DEC's Proposal is to spend \$3 million on weatherization repairs and \$7 million on heating/cooling system replacements in low-income homes.

On January 6, 2014 and January 10, 2014, North Carolina Waste Awareness and Reduction Network (NC WARN), and North Carolina Sustainable Energy Association (NCSEA), respectively, filed comments supporting NCAE's Request.

On January 16, 2014, the Public Staff filed comments on DEP's and DEC's Proposals and NCAE's Request.

On February 6, 2014, DEC and DEP filed joint reply comments.

#### NCAE's Request

The \$3 million requested by NCAE would be used in the SystemVision Program to fund grants for the installation of roof top solar facilities on low-income housing built by Habitat for Humanity (Habitat), and NCHFA. NCAE states that SystemVision, which has been in operation since 2001, is the only guaranteed energy and comfort program for affordable housing in the nation. Following the devastating floods of Hurricane Floyd in 1998, NCAE taught builders and local officials how to dry and safely renovate flooded homes, and how to build high-performance, low-energy new homes. In 2002, NCHFA became the major partner in SystemVision, providing the program with access to affordable units built across the state. More importantly, NCHFA committed to provide the financial incentive needed by builders and developers to participate in SystemVision. In 2009, SystemVision expanded to include supportive housing, which are small multifamily projects that serve people and families with special housing needs.

NCAE states that the partnership with Habitat and NCHFA has resulted in the construction of more than 3,700 high-performance, energy-efficient, affordable homes. SystemVision's current rate of construction is approximately 300 houses per year. About 250 of those homes are Habitat projects. Over 60 affordable housing developers in North Carolina participate in SystemVision, including Habitat affiliates, local governments, community development corporations and a variety of nonprofit organizations. In 2008, energy billing data showed that the average savings per home was approximately 15% of the total bill, or about 30% of the heating and cooling bill.

NCHFA provides financing to low-income homebuyers through special mortgage products. Through SystemVision, NCHFA also provides a \$4,000 incentive grant to nonprofits and local governments for each home developed through the loan pools that meets SystemVision's guidelines. Over 80% of the homes financed by NCHFA through its loan pool programs are SystemVision certified.

NCAE's prime candidates for the initial solar roof top program will be newly-built Habitat houses and supportive housing. Existing low-income homes built through NCAE's partnership with NCHFA will receive funds that become available in the future from other sources.

NCAE states that the strength of the SystemVision Program is its five major provisions. In summary, those provisions are:

1. NCAE guarantees that the home will provide a certain comfort level and energy usage for heating and cooling for two years. If a home exceeds its guaranteed energy usage, NCAE pays the difference to the homeowner. If a comfort level question arises, NCAE will evaluate the situation. If it is determined that a contractor is responsible, the contractor will pay to remedy the situation. If the program is found to be responsible, NCAE will pay to remedy the situation.

2. SystemVision's building standards are state-of-the art and are practical for use by home building contractors.

3. NCAE provides home builders with an on-going training program and a network of experienced contractors and home energy raters.

4. SystemVision's quality control process ensures the availability of technical assistance and a statewide data base.

5. NCAE carefully and thoroughly services the energy and comfort guarantees to make sure that home owners get the full quality and satisfaction that SystemVision promises to them.

According to NCAE's request, the bulk of the \$3 million would be used to provide grants to install roof top solar on Habitat homes, with the remainder used for solar installations on supportive housing. NCAE provides an example of how the funds would be used on a Habitat home project. In summary, NCAE postulates a situation in which it would provide a grant of \$6000 or \$7000 per house for a solar installation of approximately 2 kilowatts (kW), with the new homeowner required to add another \$5000 or \$6000 to the cost of the home. Further, if the homeowner pays a sufficient amount of federal income taxes, then the homeowner would be able to obtain the federal tax credit of 30% of the cost of the solar addition over two or three years. NCAE notes that this raises the question of whether Habitat homeowners in general have incomes sufficient

to cause them to pay federal income taxes and thereby qualify for the solar tax credits. Another uncertainty is whether the typical Habitat homeowner would qualify for the North Carolina income tax credit, since the state tax rate is usually lower than the federal rates. NCAE states that if it can be assumed that the homeowner can obtain the federal solar tax credit and can realize the expected electric generation savings from the solar modules, then it should be a benefit to a large number of Habitat homeowners to add a roof top solar system. NCAE notes that in the absence of the tax credit advantages, it can raise the amount of the grant and, as a result, install solar on fewer low-income houses. In addition, non-profit organizations that operate supportive housing programs are not able to obtain income tax credits. In those situations, NCAE would increase the amount of the grant and also work with the NCHFA to determine the possibility of providing additional grants and loans.

NCAE further states that assuming a number of Habitat homeowners would qualify for at least a portion of the tax credits and thereby not need grants for the total system, it could provide between 300 and 350 Habitat houses with grants averaging around \$7500, with a range between \$6000 and \$10,000. Also, it could serve approximately 20 to 30 supportive housing projects with typically larger custom roof top solar systems.

In addition, NCAE proposes that DEP set aside one-fourth of its annual allocation of residential customer incentives under its SunSense Program for low-income residential customers, thereby allowing NCAE to provide additional rebates to Habitat homeowners or to increase the number of low-income houses in the SystemVision Program.

NCAE states that funding its request would create other potential benefits for low-income customers throughout North Carolina, such as other electric utilities and private foundations deciding to participate. In addition, DEP and DEC should gain goodwill by providing funds to initiate and support the program.

A letter from the Executive Director of NCHFA supporting NCAE's request was attached to the request. In addition, on November 1, 2013, Electricities of North Carolina, Inc., North Carolina Eastern Municipal Power Agency and North Carolina Municipal Power Agency No. 1 filed a letter supporting the request. Similar letters of support were filed by Habitat for Humanity of Charlotte, U.S. Green Building Council – North Carolina, and Kenneth D. Lewis.

In comments filed on January 6, 2014, NC WARN states that low-income families often have difficulty financing roof top solar installations. Further, NCHFA has a proven track record and infrastructure in place to serve as a dependable financing resource. NC WARN also asserts that the DEP and DEC proposals will have only a minimal impact on the overwhelming housing needs of low-income persons in North Carolina. Finally, NC WARN states that the joint effort proposed by NCAE with Habitat, NCHFA and other community based organizations is the most cost effective way to use these funds.

In comments filed on January 10, 2014, NCSEA states that DEP and DEC have represented that they are committed to providing solar options to their customers and, therefore, should be required to invest at least \$1 million in the SystemVision Program. Further, NCSEA submits that DEP and DEC need not fear the development of roof top solar because such installations are and will continue to be installed by a miniscule percentage of their customers. In addition, low-income customers need this assistance because they frequently do not have the financial resources to purchase solar systems or to qualify for the tax credits. Lastly, NCSEA states that DEP and DEC will gain valuable knowledge about integrating solar into the grid, and will encourage others to invest money in solar resources.

### DEP's Proposal

DEP's proposal is to divide the \$20 million equally, with \$10 million used for assistance to low-income customers and \$10 million for workforce development. DEP will select a program administrator to implement and manage the use of the low-income assistance funds, and estimates that the administrative costs will not exceed 10%.

To develop its proposal, DEP initiated a series of focus group meetings with low-income assistance organizations in DEP's service area. The focus group meetings were held in Wilmington, Raleigh and Asheville during September and October 2013. Representatives of numerous low-income organizations attended the meetings, including United Way, Community Action, Area Ministries, Salvation Army, North Carolina Housing Community Development Corporation, NAACP, Departments of Social Services, North Carolina Energy Office, Resources for Seniors, Self Help Credit Union, Sierra Club Beyond Coal of Asheville, Swannanoa Emergency Assistance Program, Council on Aging of Buncombe County, and the YMCA of Asheville and Western North Carolina. These representatives provided information on working with local agencies to provide the assistance, outreach to advise low-income customers about the assistance and the types of assistance that would be most beneficial. In addition, DEP consulted with the Public Staff, considered the comments made by customers at the public witness hearings during its general rate case, and relied on its experience and that of DEC.

Based on this information, DEP proposes to use \$3 million to fund weatherization and appliance replacement efforts, with two tiers of assistance, depending on the customer's energy usage. For a customer who uses less than 7 kilowatt hours (kWh) per square foot each year, a maximum of \$600 will be used to provide electric home heating system tune up and repair, electric water heating wrap, pipe wrap, dryer vent cleaning, weather stripping, and energy education. For a customer using more than 7 kWh per square foot, a maximum of \$4,000 will be used for the same services as above, plus additional cost effective measures such as attic insulation, duct sealing and insulation, and limited air sealing around registers and plumbing.

A portion of the \$3 million will also be used to replace low-income customers' appliances when appliance testing or an appliance database shows that a customer's appliances, such as refrigerator, washing machine or room air conditioner are inefficient.

All replacement appliances will be Energy Star rated. The new appliances will be delivered and the old unit will be picked up and recycled or environmentally destroyed as appropriate. The maximum cost of the new appliances per household will be \$800.

DEP proposes to use the remaining \$7 million to fund heating/cooling system repair or replacement. The program administrator will work with local agencies to identify low-income customers with high heating bills. The local agencies will perform the work or arrange for the work to be done and DEP will compensate the agencies for labor, materials, and administrative costs.

DEP states that many rural low-income households do not have access to natural gas and may use older, inefficient methods, such as propane or kerosene, to heat their homes. Data reviewed by DEP shows that these customers' heating costs are two to three times more than customers using electric heat pumps. Thus, DEP proposes to replace these inefficient heating systems with a new electric heat pump or mini-split heat pump. If the customer's system is more than seven years old, and the cost per square foot for heating exceeds a minimum threshold per square foot, the system will be replaced using the following guidelines: (i) existing oil or propane systems will be replaced with a high efficiency heat pump; (ii) existing electric furnaces with strip heat backup will be replaced with a high efficiency heat pump; (iii) if the customer's home does not have a central duct system, or if installing a duct system would not be cost effective, then a high efficiency mini-split system will be installed; and (iv) homes must be previously weatherized or weatherized immediately following the heating system replacement. Weatherization may be funded from a portion of the \$3 million in DEP funds, or by Department of Energy, State, or private funds. As an alternative to replacing the heating system, the funds will be used to repair a customer's system if it can be repaired to an efficient operating standard for less than \$600.

In addition, DEP states that other repair needs, such as a leaky roof, can prevent or delay weatherization efforts. Department of Energy, State and other funds are often used to make these repairs, but are sometimes unavailable. Therefore, DEP will use a portion of the \$10 million to make necessary repairs for weatherization that will allow heating and cooling replacement to go forward. A maximum percentage per household will be determined, based on the administrator's experience. However, the total cost per home for heating and cooling replacement will not exceed \$10,000.

The weatherization and heating/cooling system funds will be used to assist both low-income homeowners and tenants. In situations involving tenants, DEP will require that the landlord agree not to increase the rent for some appropriate time period.

DEP projects that the \$10 million can weatherize approximately 750-1,000 homes and replace or improve the heating/cooling systems in approximately 800-1,000 homes.

With regard to the \$10 million for workforce development, DEP proposes to use \$8 million to fund the community college grant program referenced in the Commission's

June 29, 2012 Order Approving Merger Subject to Regulatory Conditions and Code of Conduct in Docket Nos. E-2, Sub 998 and E-7, Sub 986. The remaining \$2 million will fund a new grant program available for colleges and universities in the DEP service area. The colleges and universities will apply for workforce development grants using the same criteria as the community college grant program, which includes jobs retained, jobs created, and salaries increased by the potential grants. The North Carolina Community Foundation will administer these funds, and the committee that oversees grant-making for the merger funds will oversee the awarding of these grants.

### DEC's Proposal

DEC states that its proposal for use of the \$10 million of low-income customer assistance was designed based on the needs and concerns expressed by low-income customers during the public hearings in DEC's general rate case and the questions and concerns expressed in the three focus group meetings held by DEP in September and October 2013. DEC notes that although it serves a different section of the state, it believes that information gleaned from the DEP focus groups was helpful in forming its proposal for low-income assistance in its service territory. In addition, DEC states that this information is consistent with and builds upon information obtained in DEC's meeting with agencies that serve low-income customers in regard to the 2012 shareholder distribution made in connection with DEC's prior rate case in Docket No. E-7, Sub 989.

DEC's proposal is essentially the same as DEP's plan for assistance to low-income customers. DEC proposes to use \$3 million to fund weatherization and appliance replacement efforts, and \$7 million to fund heating/cooling system repair or replacement, using the same program criteria and community resources as proposed by DEP. DEC projects that the \$10 million will be used to improve approximately 1,000-1,500 homes. DEC will hire a program administrator, and estimates that the administrative costs will not exceed 10%.

### DEP's and DEC's Response to NCAE's Request

DEP and DEC (collectively, Duke), submit that NCAE's request falls outside the scope of the Commission's rate case orders. In Duke's view, those orders were based on the public witness testimony and the other evidence and proposals on the record in those dockets. Further, in compliance with those orders, Duke and the Public Staff, along with agencies serving low-income customers, spent several months developing Duke's proposed disbursement plans. Duke believes that its plans will maximize the benefits that the funds can provide.

Duke states that its preference for its proposals does not mean that it finds NCAE's request to be without merit. However, Duke contends that a better forum for discussion of NCAE's request is the DEP and DEC collaboratives, or as a part of DEP's Residential SunSense Program. In those forums, the costs, benefits, and implementation of energy efficiency measures and renewable energy resources can be more fully explored and developed for the Commission's consideration. In the alternative, Duke proposes that if

the Commission decides to fund NCAE's request that the Commission limit it to no more than \$500,000 of the DEP funds and \$500,000 of the DEC funds.

### Public Staff's Comments

The Public Staff first points out that the availability of the \$30 million originated in the Stipulations between DEP, DEC and the Public Staff in the companies' general rate cases. Further, after the Stipulations were approved by the Commission, and pursuant to their terms and the Commission's orders, the Public Staff worked with Duke to devise plans for the use of the \$30 million, including participation in two of the focus group meetings. Thus, the plans submitted by Duke are a result of the joint efforts of Duke and the Public Staff, as envisioned by the Stipulations. As a result, the Public Staff fully supports Duke's proposals.

The Public Staff agrees with Duke that NCAE's request is outside the scope of the rate case orders. Thus, the Public Staff opines that approval of NCAE's request would constitute reconsideration and amendment of the Commission's earlier decisions, pursuant to G.S. 62-80.

In addition, the Public Staff submits that NCAE's proposal is unusual in several respects. In the Duke-Cinergy merger proceeding, Docket No. E-7, Sub 795, and the Duke-Progress merger, Docket Nos. E-7, Sub 986, and E-2, Sub 998, the Commission approved contributions to NCAE's NC GreenPower program, among numerous other merger conditions. However, those contributions were funded entirely by Duke's shareholders, were in addition to funds stipulated by the utilities and the Public Staff for low-income energy assistance, and were specifically required by the merger approval orders. The Public Staff notes that although the present \$10 million of DEC funds for low-income assistance is funded by shareholders, the \$20 million of DEP funds for low-income assistance and workforce development represents the balance in a regulatory liability account that was funded through rates paid by retail customers. If the balance in that account should later prove insufficient, the shortfall will ultimately be recovered through retail rates.

The Public Staff notes that NCAE's request was filed with the Commission five months after the issuance of the DEP Rate Order and a month after the issuance of the DEC Rate Order. Thus, the parties to the rate case dockets and the public witnesses who spoke at the hearings had no opportunity to address the merits of NCAE's request. In addition, NCAE's request was not a part of the discussions that resulted in the provisions of the Stipulations regarding the amount and use of these funds. Further, to the Public Staff's knowledge, none of the participants in any of the focus group meetings mentioned the need for roof top solar. Rather, there was an overwhelming interest in expanding programs for weatherization of existing residential structures in addition to providing assistance to low-income customers needing help in obtaining service or paying their bills.



The Public Staff further notes that the Commission emphasized in the rate orders that the \$30 million is intended to help mitigate the impact on the utilities' low-income customers of the rate increases agreed to in the Stipulations. The Public Staff states that this was an integral part of the Stipulations and the orders approving them, and a direct response to the impact of changing economic conditions on consumers, which is now implicated in the appeals from the rate orders to the North Carolina Supreme Court.

The Public Staff acknowledges the success of the SystemVision Program operated by NCAE, and states that it sees merit in NCAE's desire to extend roof top solar to Habitat homeowners. However, it also sees that NCAE's request would eliminate 10% of the funds that have been specifically agreed to in the Stipulations and approved by the Commission to mitigate the impact of the substantial rate increases. As does SystemVision, the programs and activities described in DEP's and DEC's proposals must compete with other programs for funds. Further, the monies allocated for these purposes in the two rate cases may be the only realistic source of assistance for many of DEP's and DEC's low-income customers who need help managing their energy costs. The recipients of these funds may include Habitat owners who are having difficulty paying their electric bills, but they will also include customers who do not enjoy the benefits of housing that is built to Habitat standards and are most in need of help in the current economic environment.

Therefore, the Public Staff recommends that the Commission approve DEP's and DEC's proposals for the distribution of the \$30 million, and deny NCAE's request that a portion of the funds be used to fund roof top solar installations on low-income housing.

#### Duke's Reply Comments

On February 6, 2014, Duke filed reply comments in response to the comments of NC WARN, NCSEA and the Public Staff. With regard to NC WARN's comments, Duke generally agrees with NC WARN's position that partnering with local, low-income energy assistance agencies can be cost effective in reaching the households that will benefit the most. According to Duke that is why DEP initiated the focus group meetings with local agencies and organizations, and why DEC used the information from the focus groups to inform its proposal. Further, Duke will continue this dialogue with stakeholder organizations as Duke implements the programs.

However, Duke disagrees with NC WARN's assertion that Duke's proposals will not have a measureable impact on low-income customers' housing, for several reasons. First, Duke estimates that its proposals will assist low-income customers to weatherize and improve a total of approximately 2,550-3,500 homes across DEP's and DEC's service territories. Second, Duke's proposals include assistance to low-income tenants, a segment of customers that traditionally has not been able to benefit from weatherization efforts. Third, NC WARN acknowledges that DEC's proposal addresses the need for basic upgrades for safety and comfort, but does not mention that DEP's proposal does so as well. Fourth, Duke's proposals may supplement existing low-income programs in their

service areas, such as DEP's Energy Neighbor Fund and the Neighborhood Energy Saver Program.

In addition, Duke states that NC WARN's suggestion that Duke's contributions should instead be \$30-\$60 million and be viewed as an annual payment from a new source of funding is beyond the scope of the DEP and DEC general rate cases.

With respect to NCSEA's comments, Duke submits that the connection attempted to be made by NCSEA between Duke's proposals here and Duke's comments regarding legislative guidelines applicable to renewable generators is misplaced, and beyond the scope of the Commission's rate orders. In addition, Duke takes issue with NCSEA's contention that Duke is placing its low-income customers at a disadvantage by not agreeing to fund NCAE's request. Duke points out examples that it maintains show its consistency in this regard, including contributions as a result of the Duke-Progress merger and DEC's 2011 general rate case.

Lastly, Duke renews its alternative proposal that if the Commission decides to fund NCAE's request it limit the funding to no more than \$500,000 of the DEP funds and \$500,000 of the DEC funds.

## DISCUSSION

In DEC's 2011 general rate case, Docket No. E-7, Sub 989, the Commission's Order Granting General Rate Increase (2011 DEC Rate Order), approved DEC's and the Public Staff's settlement Stipulation. Among other things, the Stipulation required DEC to contribute \$11 million of shareholder monies to agencies providing energy assistance to low-income customers served by DEC. Further, the Commission's Order directed DEC to consult with the Public staff and submit a proposal to the Commission for disbursement of the \$11 million. On March 27, 2012, DEC filed a letter and a form Memorandum of Understanding that detailed DEC's plan. The letter explained that DEC and the Public Staff had met with representatives of various public assistance agencies and received valuable input regarding disbursement of the low-income assistance funds. The letter stated several uses for the funds, including payment of electric service deposits and bills, purchases of heating/cooling equipment and appliances, and simple weatherization projects.

In the DEP Rate Order, Ordering Paragraph No. 20, the Commission directed DEP to consult with the Public Staff and submit a proposal for distribution of the low-income assistance funds "to be allocated among (1) local agencies and organizations for programs that provide assistance to North Carolina retail low-income customers of Duke Energy Progress for uses such as those identified in Docket No. E-7, Sub 989." Similarly, in the DEC Rate Order, Ordering Paragraph No. 25, the Commission directed DEC to consult with the Public Staff and submit a proposal for distribution of the low-income assistance funds "for the benefit of the Company's North Carolina retail ratepayers to be allocated among local agencies and organizations for assistance to North Carolina retail low-income customers of Duke Energy Carolinas for uses such as those identified in

Docket No. E-7, Sub 989.” Duke and the Public Staff have spent a considerable amount of time and effort complying with these directives, in particular by convening three focus group meetings with numerous local agencies and organizations that serve low-income families in North Carolina. As in Docket No. E-7, Sub 989, the Commission views that as an effective process for obtaining the valuable input of these experienced agencies and organizations. In addition, Duke’s proposals for distribution of the low-income assistance funds are consistent with the uses identified by DEC and the Public Staff as part of their compliance with the 2011 DEC Rate Order in Docket No. E-7, Sub 989. In short, Duke and the Public Staff did exactly what the Commission ordered them to do, and did so in a timely and efficient manner. Therefore, the Commission concludes that Duke’s proposals for use of the DEP and DEC funds are entitled to considerable weight.

Based on Duke’s proposals, and the Public Staff’s concurrence, the total monies directly available for low-income assistance would be \$20 million, \$10 million each from DEP and DEC. The other \$10 million of DEP funds would be designated for workforce development. The Commission finds and concludes that this equal allocation of the DEP funds is reasonable and in the public interest.

The Commission closely follows the programs and work of NCAE, including receiving an annual presentation from NCAE’s staff each June. The Commission has been aware of the SystemVision Program from the Program’s beginning, and is impressed with the technical and marketing innovations brought about under the Program. Further, the Commission agrees that the introduction of roof top solar energy as a feature of Habitat homes is a laudable goal.

However, the Commission is not persuaded that the public interest would be best served by using a portion of the rate case funds designated for low-income assistance for the installation of roof top solar systems, for two reasons.

First, NCAE’s request for \$3 million would decrease Duke’s \$20 million of low-income assistance funding by 15%. Duke’s bottom range estimate is that its projects would improve approximately 2,550 low-income homes. A 15% reduction in that number would be about 383 homes. On the other hand, NCAE’s bottom range estimate is that its use of the \$3 million would serve about 320 homeowners. In addition, NCAE’s estimate includes a significant element of uncertainty with regard to the number of Habitat home purchasers that are low-income families, and the number that will qualify to receive the federal and state income tax credits that make roof top solar affordable for many homeowners. Many of the agencies and organizations that Duke consulted with typically use the federal poverty guidelines, or some multiple thereof, to determine eligibility for services. The federal poverty guidelines are based on two factors, family size and family gross income. For example, the 2014 federal poverty maximum for a family of two is \$15,730. For a family of four it is \$23,850.<sup>1</sup> NCAE does not provide any information about whether families having incomes below the federal poverty guidelines can qualify to finance a Habitat home.

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<sup>1</sup> 79 Federal Register 3593-01 (Jan. 22, 2014).

With regard to the eligibility of Habitat home purchasers for the solar tax credits, NCAE offers no estimate of the number of Habitat homeowners who might receive the tax credits. Further, NCAE acknowledges that the lack of tax credits will result in NCAE's individual grants increasing in amount, and thus a concomitant reduction in the number of low-income homeowners that can be assisted.

Second, the Commission is concerned about the impact on the settlement process in these dockets due to the timing of NCAE's request. As noted by the Public Staff, the \$30 million was an important element of the negotiated Stipulations between Duke and the Public Staff. If NCAE had intervened in these dockets and made its request during the negotiations, then the parties could have considered NCAE's proposed allocation of the \$3 million in formulating their positions.

In the Duke-Cinergy merger proceeding, Docket No. E-7, Sub 795, the Commission required Duke to make a shareholder contribution of \$2 million to NCAE's NC GreenPower program. Similarly, in the Duke-Progress merger, Docket Nos. E-7, Sub 986, and E-2, Sub 998, the Commission required Duke to make another shareholder contribution of \$2 million to NC GreenPower. However, as noted by the Public Staff, the circumstances in the merger proceedings were different from those in the present dockets. In the merger dockets, each of the \$2 million contributions to NC GreenPower ordered by the Commission was funded entirely by shareholders. Further, the NC GreenPower contributions were in addition to funds agreed upon by Duke and the Public Staff for low-income energy assistance in their merger settlements. Indeed, the contributions to NC GreenPower were ordered by the Commission *sua sponte* as a result of the Commission's deliberations following the close of the evidence in the merger proceedings. Thus, no part of the \$4 million contributed by Duke to NC GreenPower as a condition of the two mergers resulted in a reduction of the funds that Duke and the Public Staff had agreed would be committed to low-income assistance.

The purpose of the \$20 million of low-income assistance is to help mitigate the impact of DEP's and DEC's rate increases on their low-income customers. The Commission is persuaded that the long-term benefits of weatherizing homes and replacing inefficient heating/cooling systems will indeed provide substantial relief for low-income customers. On balance, the Commission concludes that utilizing the \$20 million in the manner proposed by Duke will provide more benefits to a larger number of low-income customers than would be assisted by dividing the monies in order to fund NCAE's request.

The Commission is also concerned about the more immediate needs of some low-income customers, such as the inability to come up with the money for a security deposit to establish service or difficulty in paying their monthly bills. The Commission is aware that this type of assistance is provided as a part of DEC's Share the Warmth program and DEP's Energy Neighbor Fund, as well as by county social services agencies, churches and many nonprofit organizations. The Commission concludes that it would be appropriate and helpful to include discussions about additional strategies for providing

low-income customers with assistance in paying service deposits and delinquent bills in DEC's collaborative.

### CONCLUSION

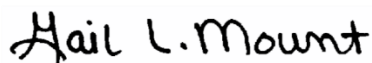
Based on the foregoing and the record in these dockets, the Commission finds good cause to approve DEC's proposal for distribution of the \$10 million for ratepayer assistance, and to deny NCAE's request. However, the Commission also finds good cause to approve DEC's offer that NCAE's request be included in future discussions by DEC's collaborative. Further, the Commission directs that DEC include discussions regarding additional strategies for providing low-income customers with assistance in paying service deposits and delinquent bills in DEC's collaborative.

IT IS, THEREFORE, SO ORDERED.

ISSUED BY ORDER OF THE COMMISSION.

This the 27<sup>th</sup> day of February, 2014.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "Gail L. Mount". The signature is written in a cursive, flowing style.

Gail L. Mount, Chief Clerk

Commissioners ToNola D. Brown-Bland, Don M. Bailey and Jerry C. Dockham did not participate in this decision.