

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
DOCKET NO. E-7, SUB 1155**

In the Matter of:)	
Application of Duke Energy Carolinas,)	NCSEA’S COMMENTS IN SUPPORT OF REVISED APPLICATION
LLC for Approval of Residential New)	
Construction Program)	
)	

NCSEA’S COMMENTS

Pursuant to the North Carolina Utilities Commission (“Commission”) Rule R8-68 and the Commission’s December 17, 2020 *Order Granting Fourth Extension of Time to File Comments*, the North Carolina Sustainable Energy Association (“NCSEA”) submits the following comments on the revised Application of Duke Energy Carolinas, LLC for Approval of the Residential New Construction Program (“RNCP”) submitted by Duke Energy Carolinas, LLC (“DEC”) on September 21, 2020.

I. NCSEA CONTINUES TO SUPPORT DEC’S PROPOSED RNCP

On August 16, 2019, NCSEA staff submitted a letter in this docket asking the Commission to approve DEC’s originally proposed RNCP that was filed on September 21, 2017. NCSEA continues to support DEC’s proposed RNCP with the modifications proposed in DEC’s September 21, 2020 filing. As noted by Bob Kingery, cofounder of longtime NCSEA member company Southern Energy Management, in his June 25, 2019 Statement of Position, a successful RNCP can provide long-lived energy efficiency opportunities that are not easily accessible once a new home has been built.

Based on feedback from NCSEA members, NCSEA believes that in the eight years since the Duke Energy Progress, LLC (“DEP”) RNCP was approved in Docket No. E-2, Sub 1021, it has successfully incentivized more efficient residential new construction.

While DEC has proposed a substantially lower per kWh financial incentive for savings attributed to space heating in homes fueled exclusively by electricity than was originally proposed or is currently offered in the DEP RNCP, NCSEA understands this was done in an effort to address some of the concerns raised about DEC's original RNCP proposal by the franchised natural gas local distribution companies ("LDCs"). NCSEA hopes that this reduction in the per kWh incentive does not dissuade eligible customers from participating in the program and that the Commission realizes this is a significant concession to the LDCs.

Despite these concessions and modifications, the proposed DEC RNCP is highly cost effective according to the updated cost-effectiveness analyses filed by DEC. With reports of strong buyer demand but relatively low housing inventory in cities within DEC's service territory, it seems likely that DEC's projections of program participation and energy saved in the first five years of the program will be exceeded.¹ As home builders try to meet this surge in demand for housing in the DEC service territory, it is critical that they have viable opportunities to provide home buyers with high quality, affordable, and energy efficient housing. NCSEA believes that the proposed DEC RNCP is an excellent tool to help address these critical needs and requests that the Commission approve the program as quickly as possible.

¹ Jenna Martin, *Charlotte Housing Market Ends 2020 with Higher Sales, Price Increases and Depleted Inventory*, Charlotte Business Journal (January 15, 2021), <https://www.bizjournals.com/charlotte/news/2021/01/15/how-charlotte-housing-market-performed-in-2020.html>.

II. DEC MADE A GOOD FAITH EFFORT TO ADDRESS THE CONCERNS OF THE LDCs

DEC originally filed a proposed RNCP in this docket on September 21, 2017 and then spent nearly two years trying to understand and address the concerns the LDC's had about the program before requesting to withdraw the originally proposed RNCP on June 7, 2019. During this time potentially thousands of homes were constructed that are not as energy efficient as they could have been if DEC's proposed RNCP been approved in a timely manner. Now, another eighteen months have passed without a RNCP in DEC's service territory, four extensions of time for comments have been granted, and DEC customers still do not have access to a RNCP program like their neighbors in DEP.

In the over three years since DEC first proposed its RNCP, the only written evidence the LDCs have provided of potential harms from a RNCP offered by an electric utility is the short list of housing developments provided in Attachment H of DEC's September 21, 2020 revised RNCP proposal where the LDCs assert, without providing any specific evidence, that the per kWh incentive in DEP's RNCP influenced these housing developments to choose electric service for their housing units. These unsubstantiated claims do not demonstrate an, "[U]nfair competitive advantage for DEC over the LDCs," that the Commission cited on page eight of its June 23, 2020, *Order Holding in Abeyance Decision on Motion to Withdraw Program and Requiring Filing of Proposed Modified Program*.

Despite the lack of specific evidence of any unfair competitive advantage, DEC has tried to address the concerns raised by the LDCs by reducing the proposed per kWh incentive for homes that meet or exceed the HERO-Plus standard from the incentive of up to \$0.90/kWh in the original RNCP proposal to an incentive of up to \$0.40/kWh for homes

fueled exclusively by electricity and up to \$0.75/kWh in homes that use natural gas for space heating. This substantial concession to the LDCs demonstrates a good faith effort by DEC to address the unsubstantiated concerns the LDCs have raised about the program unfairly incentivizing homes to be exclusively fueled by electricity. If LDCs continue have concerns about any perceived competitive advantage, NCSEA notes that they have a clear regulatory pathway to offer their own incentive programs under Commission Rule R6-95 and could offer their own versions of a RNCP.

III. CONTINUED DELAYS IN PROGRAM APPROVAL COULD MISS SIGNIFICANT OPPORTUNITIES FOR ENERGY EFFICIENCY

As noted previously, much of North Carolina is experiencing a historically unique housing market. On the supply side of the market, new building permits declined or stagnated across much of North Carolina in 2020 compared to 2019 in the wake of the COVID-19 recession. At the same time, demand for homes, especially single-family homes, has increased. For instance, almost every county in the state has experienced sales increases of almost 50% compared to 2019 levels and the statewide median sale price for a single-family home in August 2020 increased more than 14% above the median sale price in August 2019.²

This unique housing market provides a strong incentive for developers to construct new residential homes, both single-family and multi-family. As developers recover from the COVID-19 recession and work to meet the surge in demand for housing, it is critical that these new and likely larger homes are energy efficient. If approval of DEC's RNCP

² Ethan Sleeman, *Home Sale Indicators Show Strongest Growth in a Decade, but Lagging Supply is Cause for Concern*, University of North Carolina at Chapel Hill Carolina Tracker: A Resource for Recovery (November 24, 2020), <https://carolinatracker.netlify.app/stories/2020/11/24/2020-11-24-housing-markets/>.

continues to be delayed or not approved, these sorely needed new homes may not be as efficient without a functioning RNCP offered in DEC's service territory.

IV. CONCLUSION

NCSEA's mission is to drive market development to create clean energy jobs, economic opportunities, and affordable energy that benefits all of North Carolina. Few opportunities for energy efficiency are as comprehensive, widely available, and long-lived as the construction of an energy efficient new home. An energy efficient home will benefit homeowners and ratepayers for decades and it is critical that the largest utility service territory in North Carolina have a RNCP offering. After more than three years of deliberations, no party has provided credible reasons for continuing to delay or deny this very cost-effective energy efficiency program. For all these reasons, NCSEA requests that the Commission approves DEC's proposed RNCP as quickly as possible.

Respectfully submitted, this the 19th day of January, 2021.

/s/ Peter H. Ledford
Peter H. Ledford
General Counsel for NCSEA
N.C. State Bar No. 42999
4800 Six Forks Road, Suite 300
Raleigh, NC 27609
919-832-7601 Ext. 107
peter@energync.org

CERTIFICATE OF SERVICE

I hereby certify that all persons on the docket service list have been served true and accurate copies of the foregoing Comments by hand delivery, first class mail deposited in the U.S. mail, postage pre-paid, or by email transmission with the party's consent.

This the 19th day of January, 2021.

/s/ Peter H. Ledford
Peter H. Ledford
General Counsel for NCSEA
N.C. State Bar No.42999
4800 Six Forks Road, Suite 300
Raleigh, NC 27609
919-832-7601 Ext. 107
peter@energync.org