

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

**STAFF CONFERENCE AGENDA
February 24, 2020**

COMMISSION STAFF

NO AGENDA ITEMS

PUBLIC STAFF

B. NATURAL GAS

- P1. DOCKET NO. G-5, SUB 616 – APPLICATION OF PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INC., FOR BI-ANNUAL ADJUSTMENT OF RATES UNDER RIDER E TO ITS TARIFF AND FOR AN ADJUSTMENT OF ITS RATES AND CHARGES TO TRACK CHANGES IN ITS WHOLESALE COSTS OF GAS UNDER RIDER D TO ITS TARIFF **EXHIBIT NO. P-1.**
- P2. DOCKET NO. G-9, SUB 765 – APPLICATION OF PIEDMONT NATURAL GAS COMPANY, INC., FOR AUTHORIZATION TO FLOW-THROUGH ALTERNATIVE FUEL TAX CREDITS TO CNG RETAIL SALES CUSTOMERS **EXHIBIT NO. P-2.**

D. ELECTRIC

- P1. APPLICATION FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO CONSTRUCT A SOLAR FACILITY
- P2. DOCKET NO. E-2, SUB 952 – DUKE ENERGY PROGRESS, LLC – APPLICATION FOR APPROVAL OF MODIFICATIONS TO RESIDENTIAL SERVICE NEIGHBORHOOD ENERGY SAVER PROGRAM **EXHIBIT NO. P-3.**
- P3. DOCKET NO. E-2, SUB 953 – DUKE ENERGY PROGRESS, LLC – APPLICATION FOR APPROVAL OF MODIFICATIONS TO COMMERCIAL, INDUSTRIAL, AND GOVERNMENTAL DEMAND RESPONSE AUTOMATION PROGRAM **EXHIBIT NO. P-4.**

P4. DOCKET NO. E-2, SUB 1094 – DUKE ENERGY PROGRESS, LLC – APPLICATION FOR APPROVAL OF MODIFICATIONS TO RESIDENTIAL ENERGY ASSESSMENT PROGRAM **EXHIBIT NO. P-5**

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P5. DOCKET NO. E-7, SUB 1032 – DUKE ENERGY CAROLINAS, LLC – APPLICATION FOR APPROVAL OF MODIFICATIONS TO RESIDENTIAL INCOME QUALIFIED ENERGY EFFICIENCY AND WEATHERIZATION ASSISTANCE FOR RESIDENTIAL NEIGHBORHOODS PROGRAM **EXHIBIT NO. P-6.**

P6. DOCKET NO. E-7, SUB 1032 – DUKE ENERGY CAROLINAS, LLC – APPLICATION FOR APPROVAL OF MODIFICATIONS TO RESIDENTIAL ENERGY ASSESSMENT PROGRAM **EXHIBIT NO. P-7.**

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TO: Agenda – Commission Conference – February 24, 2020

FROM: PUBLIC STAFF – North Carolina Utilities Commission

B. NATURAL GAS

- P1. DOCKET NO. G-5, SUB 616 – APPLICATION OF PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INC., FOR BI-ANNUAL ADJUSTMENT OF RATES UNDER RIDER E TO ITS TARIFF AND FOR AN ADJUSTMENT OF ITS RATES AND CHARGES TO TRACK CHANGES IN ITS WHOLESALE COSTS OF GAS UNDER RIDER D TO ITS TARIFF

EXPLANATION: On February 14, 2020, Public Service Company of North Carolina, Inc. (PSNC or Company) filed an application (Application), pursuant to N.C. Gen. Stat. § 62-133.7A and N.C. Gen. Stat. § 62-133.4, Commission Rule R1-17(k)(3), and PSNC's Riders E and D of the Company's tariffs requesting authority to adjust its rates effective March 1, 2020, to implement (1) new temporary increments in its rates pursuant to Rider E, and (2) a decrease in its commodity benchmark cost of gas pursuant to Rider D.

Pursuant to PSNC's Integrity Management Tracker (IMT), Rider E of the Company's Tariff, PSNC is required to file a revision to its tariff for Commission approval by February 15 and August 15 each year showing the computation of the Integrity Management Adjustment that it proposes to charge during the six-month period beginning March 1 and September 1, respectively. Additionally, PSNC is required to file by February 15 an Integrity Management True-Up Adjustment based on the balance in the Integrity Management Deferred Account as of January 31.

The proposed IMT rate adjustments, expressed in dollars per therm (\$/therm), are as follows:

Description	Residential	Commercial	Firm	Interruptible
	Rates 101, 102, 115	Rates 125, 126 127, 140	Large General Rates 145, 175	Large General Rates 135, 150, 160, 165, 180
Rate Class Percentage	69.89%	19.92%	7.25%	2.94%
IMRR for Recovery	\$19,443,239	\$5,541,699	\$2,016,934	\$817,901
IM Deferred Account Balance	<u>(\$128,453)</u>	<u>(\$36,611)</u>	<u>(\$13,325)</u>	<u>(\$5,404)</u>
Net IMRR for Recovery	\$19,314,786	\$5,505,088	\$2,003,609	\$812,497
Rate Case Volumes (therms)	302,709,607	154,775,495	202,384,732	148,716,728
IM Rate Increment (per therm)	\$0.06381	\$0.03557	\$0.00990	\$0.00546
Current IMT Increment	<u>\$0.04903</u>	<u>\$0.02733</u>	<u>\$0.00761</u>	<u>\$0.00420</u>
Adjustment to IMT Increment	\$0.01478	\$0.00824	\$0.00229	\$0.00126

Also, pursuant to Rider D – Purchased Gas Adjustment (PGA) Procedures, PSNC is seeking authority to decrease its sales rates by \$0.2524 per dekatherm (dt) and its transportation rates by \$0.0024 per dt effective March 1, 2020. The decreases are the result of a change in PSNC’s Benchmark Commodity Gas Cost from \$2.250 per dt to \$2.000 per dt as well as the change in the company use and unaccounted for gas as described in PSNC’s Rider D.

The Public Staff has reviewed the Application and recommends approval as filed.

EXHIBIT: A copy of the proposed order is attached as [Exhibit No. P-1](#).

RECOMMENDATION: (Gilbert/Johnson) That the Commission issue the proposed order

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P2. DOCKET NO. G-9, SUB 765 – APPLICATION OF PIEDMONT NATURAL GAS COMPANY, INC., FOR AUTHORIZATION TO FLOW-THROUGH ALTERNATIVE FUEL TAX CREDITS TO CNG RETAIL SALES CUSTOMERS

EXPLANATION: On February 13, 2020, Piedmont Natural Gas Company, Inc. (Piedmont), filed a petition, pursuant to Commission Rules R1-4 and R1-5, seeking authorization to flow-through certain Alternative Motor Vehicle Fuel Excise Tax Credits (tax credits) to its customers receiving compressed natural gas (CNG) service. Piedmont proposed a temporary reduction in rates applicable to service under its Rate Schedule 142 and certain Commission approved special contract fleet fueling agreements for the remainder of the calendar year 2020.

Pursuant to Section 4041 of the Internal Revenue Code, 26 U.S.C. § 4041, all retail sales of CNG for use as alternative motor fuel are subject to an excise tax in the amount of \$0.183 per gallon of the gasoline equivalent. Under Internal Revenue Service (IRS) regulations, Piedmont is responsible for collecting this tax from its CNG customers at the times of sale and remitting such taxes to the IRS.

Pursuant to Public Law 116-94 (2019) and Section 6426 of the Internal Revenue Code, Congress has recently extended a tax credit for all CNG sold at retail as an alternative motor fuel after December 31, 2017, through December 31, 2020. The amount of the extended tax credit is \$0.50 per gallon of the gasoline equivalent. Piedmont states that the credit generated as a result of sales to CNG customers at its public fueling stations should be allocated to the customers who are paying the alternative motor vehicle fuel excise tax.

Based on the foregoing, Piedmont requests Commission approval of the temporary reduction in its CNG rates and provided revised tariff rates, which were attached to the petition as Exhibit A.

The Public Staff has reviewed the petition proposed rate adjustments and other information provided by Piedmont and recommends approval as filed.

EXHIBIT: A proposed order is attached as [Exhibit No. P-2](#).

RECOMMENDATION: (Naba/Culpepper) That the Commission issue the proposed order approving Piedmont's rate changes to Rate Schedule 142 and its Commission-approved special contract fleet fueling agreements as filed to flow through the excise tax credits associated with the sale of CNG for motor fuel purposes.

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D. ELECTRIC

P1. APPLICATION FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO CONSTRUCT A SOLAR FACILITY

EXPLANATION: The following application seeks an amended certificate of public convenience and necessity for construction of a solar photovoltaic electric generating facility, pursuant to N.C. Gen. Stat. § 62-110.1 and Commission Rule R8-64.

Duke Energy Carolinas, LLC:

- Docket No. SP-8746, Sub 0 – Application of Pelham Solar, LLC, for an amended certificate of public convenience and necessity to construct a 35-MW solar photovoltaic facility in Caswell County, North Carolina (registration statement issued previously)

The Public Staff has reviewed the application and determined that it complies with the requirements of N.C. Gen. Stat. § 62-110.1 and Commission Rule R8-64.

RECOMMENDATION: (Metz) That the Commission issue an order approving the application and issuing the requested amended certificate for the facility. A proposed order has been provided to the Commission Staff.

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P2. DOCKET NO. E-2, SUB 952 – DUKE ENERGY PROGRESS, LLC – APPLICATION FOR APPROVAL OF MODIFICATIONS TO RESIDENTIAL SERVICE NEIGHBORHOOD ENERGY SAVER PROGRAM

EXPLANATION: On December 6, 2019, Duke Energy Progress, LLC (DEP or the Company), filed a request to modify its Residential Service Neighborhood Energy Saver Program (Program), which was originally approved in 2009. This Program was approved as a low-income program and is not required to be cost-effective due to the societal benefits. DEP proposes to: (1) add new measures to the Program; (2) modify the Program tariff to better align it with the tariff for Duke Energy Carolinas, LLC's (DEC's), comparable program; and, (3) clarify the Company's ownership of any environmental, energy efficiency, and demand reduction benefits and attributes assigned to the peak demand and energy savings resulting from the Program.

For households with high consumption, DEP proposes to add insulation, air sealing, duct sealing, and smart thermostat measures to the existing portfolio of measures in the Program. These additional measures should provide additional energy-saving opportunities for low-income customers at no cost to the participating customers.

In response to questions posed by the Public Staff, DEP indicated that low-income customers would be eligible for the additional measures if they were found during the energy assessment to be a high-energy intensity user.¹ In that case, DEP would on a subsequent visit install additional insulation to bring the home up to an "R-38" standard, seal air and ducting, and install smart thermostats on homes with electrically-sourced heating/cooling. The Public Staff also reviewed the calculations of cost-effectiveness of the Program with the additional measures. With the modifications, the Program continues not to be cost-effective; however, the additional measures improve the cost-effectiveness of the Program.

The Public Staff notes that smart thermostats are typically not cost-effective due to their costs. Smart thermostats are included in DEP's EnergyWise program,² but no evaluation of their performance is yet available. The Public Staff is interested in understanding how the smart thermostats can provide additional energy efficiency (EE) savings beyond the peak demand savings that are provided by demand-side management programs like EnergyWise. The Public Staff will continue to monitor the performance of smart thermostats in the annual EE rider proceeding.

The Public Staff notes that the alignment between the DEP and DEC programs is more administrative in nature and should not have a material impact on the delivery of measures to customers or the measures themselves. Additionally, while DEP requests that the Commission assign the environmental attributes of the Program to the Company, the Public Staff notes that this was done by Order dated December 20, 2016, in Sub 952.

¹ DEP defines a "high-energy intensity user" as a customer using more than 10 kWh per square foot.

² The "Bring Your Own Thermostat" measure was approved by Order dated February 7, 2018, in Docket No. E-2, Sub 927, and found to be cost-effective.

Based on its review of the request and investigation, the Public Staff finds DEP's proposed modifications to be reasonable and recommends approval.

EXHIBIT: The Public Staff's proposed order is attached as [Exhibit No. P-3](#).

RECOMMENDATION: (Floyd/Edmondson) That the Commission issue the Public Staff's proposed order approving the modifications to the Residential Service Neighborhood Energy Saver Program as filed.

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P3. DOCKET NO. E-2, SUB 953 – DUKE ENERGY PROGRESS, LLC – APPLICATION FOR APPROVAL OF MODIFICATIONS TO COMMERCIAL, INDUSTRIAL, AND GOVERNMENTAL DEMAND RESPONSE AUTOMATION PROGRAM

EXPLANATION: On December 6, 2019, Duke Energy Progress, LLC (DEP), filed a request to modify its Commercial, Industrial, and Governmental (CIG) Demand Response Automation Program (Program), which was originally approved on August 3, 2009.

The Program currently allows DEP to manage its peak load by interrupting CIG participants during a curtailment event. Participating customers receive three separate incentives for their participation: (1) an initial one-time “participant incentive”; (2) a “monthly availability credit” for the contracted load reduction; and, (3) an “event performance credit” for the actual load reduction realized during the event, measured as the difference between the participant’s event baseline (i.e., the customer’s normal demand on a business day during the hours of the curtailment event) and the average 15-minute registered demand during the event.

DEP proposes to: (1) decrease the minimum contracted load from 75 kW to 50 kW; (2) reduce the minimum number of events from three to one per year; and (3) increase the monthly availability credit. DEP states that the purpose of the modifications is to address barriers that inhibit Program participation based on customer feedback. In response to questions posed by the Public Staff, DEP indicated that the proposed reduction in the contract demand should allow participation by customers with smaller loads that could not opt-out of the energy efficiency (EE) rider. The proposed reduction in the number of events is based on the number of events that were impacting large customers who did not have a readily available alternative power supply and that believed there was limited value in mandatory events when system conditions did not justify activation.

The Public Staff has reviewed the proposed modifications and believes they are appropriate. The reduction in the minimum contracted load should increase the number of eligible customers, including a number ineligible to opt-out of the EE rider. Additionally, the reduced number of events addresses concerns of participants unwilling to curtail loads and shut down businesses and industrial processes unless there is a need for curtailment while allowing DEP to activate the Program to ensure that it responds when called upon to do so. With respect to the amount of the participant incentives, the monthly availability credit would increase while the event credits would decrease, resulting in no net change to the overall participant incentive. The Public Staff has reviewed the cost-effectiveness calculations provided by DEP, which indicate that these revisions should not change the Program's cost-effectiveness.

EXHIBIT: A proposed order is attached as [Exhibit P-4](#).

RECOMMENDATION: (Floyd/Edmondson) That the Commission issue the Public Staff's proposed order approving the modifications to the CIG Demand Response Automation. [Back to Agenda](#)

P4. DOCKET NO. E-2, SUB 1094 – DUKE ENERGY PROGRESS, LLC – APPLICATION FOR APPROVAL OF MODIFICATIONS TO RESIDENTIAL ENERGY ASSESSMENT PROGRAM

EXPLANATION: On December 4, 2019, Duke Energy Progress, LLC (DEP or the Company), filed a request to modify its Residential Energy Assessment Program (Program), which was originally approved in February 2016.

DEP is proposing to add new measures that participants could request at the time of the initial energy assessment: specialty lighting, water-reducing measures, blower door tests, and Wi-Fi enabled smart thermostats. Participant fees are subject to modification over time, but will initially be a few dollars (will vary by measure but less than \$20 each) for the lighting and water measures, \$50 for the blower door test, and \$100 for the smart thermostat.

In response to questions posed by the Public Staff, DEP indicated that the smart thermostats would only be available to customers who have no existing smart thermostat in place. DEP also indicated that the participant costs for these measures would cover a portion of the total cost of providing the measures.

The Public Staff also reviewed the calculations of cost-effectiveness of the Program with the additional measures. The specialty lighting and water-reducing measures are both cost-effective. The blower door measure was not included in the cost-effectiveness calculations because the Participant is paying the costs of the measure and DEP is not including any benefits from the measure. The smart thermostat measure was only cost-effective under the Participant test. While the Program remains cost-effective overall with the proposed modifications, the addition of the smart thermostat measure reduces the overall cost-effectiveness of the Program. DEP indicated to the Public Staff that there is strong customer interest in smart thermostats, which could lead to increased participation in the Program and potentially improved cost-effectiveness. The Public Staff notes that smart thermostats are typically not cost-effective due to their costs. Smart thermostats are included in DEP's EnergyWise program,¹ but no evaluation of their impact is yet available. The Public Staff is interested in understanding how the smart thermostats can provide additional energy efficiency savings beyond the peak demand savings provided by demand-side management programs like EnergyWise. The Public Staff will continue to monitor the performance of smart thermostats in the annual EE rider proceeding.

Programs that are not approved or designed to target low-income residential customers are required to be cost-effective so that the benefits (net dollar savings) exceed the costs. When programs are modified by adding new measures such as the smart thermostat and the new measure is estimated to cause a decrease in program cost-effectiveness, the Public Staff believes the modification would be in the public interest only if the decrease

¹ The "Bring Your Own Thermostat" measure was approved by Order dated February 7, 2018, in Docket No. E-2, Sub 927, and found to be cost-effective.

in cost-effectiveness is more than offset by an increase in participation, such that overall net savings are estimated to increase due to the modification.

Because there is insufficient data at this time to project that adding Smart Thermostats to the program will increase net dollar savings, the Public Staff recommends that the Commission provisionally approve the Smart Thermostat measure for two years and require the Company to provide data and modeling demonstrating the measure's cost-effectiveness and impact on net dollar savings by that date. The Public Staff further recommends that for approval of future program modifications, the Company clearly show that the modification is projected to result in an increase in net dollar savings.

The Public Staff further notes that while DEP's application did not specifically request approval to assign the environmental, energy efficiency, and demand reduction benefits and attributes associated with the Program to the Company. However, the proposed tariff included in the Application includes language assigning these attributes to the Company.

Based on its review of the request and investigation, the Public Staff finds DEP's proposed modifications to be reasonable and recommends approval, subject to the conditions applicable to the smart thermostat measure.

EXHIBIT: A proposed order is attached as [Exhibit No. P-5](#).

RECOMMENDATION: (Floyd/Edmondson) That the Commission issue the Public Staff's proposed order approving the modifications to the Residential Energy Assessment Program.

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P5. DOCKET NO. E-7, SUB 1032 – DUKE ENERGY CAROLINAS, LLC – APPLICATION FOR APPROVAL OF MODIFICATIONS TO RESIDENTIAL INCOME QUALIFIED ENERGY EFFICIENCY AND WEATHERIZATION ASSISTANCE FOR RESIDENTIAL NEIGHBORHOODS PROGRAM

EXPLANATION: On December 6, 2019, Duke Energy Carolinas, LLC (DEC or the Company), filed a request to modify its Residential Income Qualified Energy Efficiency and Weatherization Assistance for Residential Neighborhoods Program (Program), which was originally approved in 2009 in Docket No. E-7, Sub 831, as part of the Company's Save-A-Watt portfolio. This Program was approved as a low-income program and is not required to be cost effective due to the societal benefits. DEC proposes to: (1) add new measures to the Program; (2) change the name of the Program to mirror the name of Duke Energy Progress, LLC's (DEP's), comparable program; and, (3) clarify the Company's ownership of any environmental, energy efficiency, and demand reduction benefits and attributes assigned to the peak demand and energy savings resulting from the Program.

For households with high consumption, DEC proposes to add insulation, air sealing, duct sealing, and smart thermostat measures to the existing portfolio of measures in the Program. These additional measures are intended to provide additional energy-saving opportunities for low-income customers at no cost to the participating customers.

In response to questions posed by the Public Staff, DEC indicated that low-income customers would be eligible for the additional measures if they were found during the energy assessment to be a high-energy intensity user.¹ In that case, DEC would install on a subsequent visit additional insulation to bring the home up to an "R-38" standard, seal air and ducting, and install smart thermostats on homes with electrically-sourced heating/cooling. The Public Staff also reviewed the calculations of cost effectiveness of the Program with the additional measures. With the modifications, the Program continues not to be cost effective; however, the additional measures improve the cost effectiveness of the Program.

The Public Staff notes that smart thermostats are typically not cost effective due to their costs. Smart thermostats are included in DEC's Power Manager Program,² but no evaluation of their performance is yet available. The Public Staff is interested in understanding how the smart thermostats can provide additional energy efficiency (EE) savings beyond the peak demand savings that are provided by demand-side management programs like EnergyWise. The Public Staff will continue to monitor the performance of smart thermostats in the annual EE rider proceeding.

The Public Staff notes that the alignment between the DEC and DEP programs is more administrative in nature and should not have a material impact on the delivery of

¹ DEP uses a benchmark of greater than 10 kWh per square foot in its assessment.

² The "Bring Your Own Thermostat" measure was approved by Order dated February 7, 2018 in Docket No. E-7 Sub 1032, and found to be cost effective.

measures to customers or the measures themselves. Additionally, DEC requests that the Commission assign the environmental attributes to the Company.

Based on its review of the request and investigation, the Public Staff finds DEC's proposed modifications to be reasonable and recommends approval.

EXHIBIT: The Public Staff's proposed order is attached as [Exhibit No. P-6](#).

RECOMMENDATION: (Floyd/Edmondson) That the Commission issue the Public Staff's proposed order approving the modifications to the Residential Income Qualified Energy Efficiency and Weatherization Assistance for Residential Neighborhoods Program as filed.

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P6. DOCKET NO. E-7, SUB 1032 – DUKE ENERGY CAROLINAS, LLC – APPLICATION FOR APPROVAL OF MODIFICATIONS TO RESIDENTIAL ENERGY ASSESSMENT PROGRAM

EXPLANATION: On December 4, 2019, Duke Energy Carolinas, LLC (DEC or the Company), filed a request to modify its Residential Energy Assessment Program (Program), which was originally approved in 2009 in Docket No. E-7, Sub 831, as part of the Company's Save-A-Watt portfolio.

DEC is proposing to add new measures that participants could request at the time of the initial energy assessment: specialty lighting, water-reducing measures, blower door tests, and Wi-Fi enabled smart thermostats. Participant fees are subject to modification over time, but will initially be a few dollars (will vary by measure but less than \$20 each) for the lighting and water measures, \$50 for the blower door test, and \$100 for the smart thermostat.

In response to questions posed by the Public Staff, DEC indicated that the smart thermostats would only be available to customers who have no existing smart thermostat in place. DEC also indicated that the participant costs for these measures would cover a portion of the total cost of providing the measures.

The Public Staff also reviewed the calculations of cost effectiveness of the Program with the additional measures. The specialty lighting and water-reducing measures are both cost-effective. The blower door measure was not included in the cost effectiveness calculations because the Participant is paying the costs of the measure and DEC is not including any benefits from the measure. The smart thermostat measure was only cost effective under the Participant test. While the Program remains cost effective overall with the proposed modifications, the addition of the smart thermostat measure reduces the overall cost effectiveness of the Program. DEC indicated to the Public Staff that there is strong customer interest in smart thermostats, which could lead to increased participation in the Program and potentially improved cost effectiveness. The Public Staff notes that smart thermostats are typically not cost effective due to their costs. Smart thermostats are included in Duke Energy Progress, LLC's EnergyWise program,¹ but no evaluation of their impact is yet available. The Public Staff is interested in understanding how the smart thermostats can provide additional energy efficiency savings beyond the peak demand savings provided by demand-side management programs like EnergyWise. The Public Staff will continue to monitor the performance of smart thermostats in the annual EE rider proceeding.

Programs that are not approved or designed to target low-income residential customers are required to be cost effective so that the benefits (net dollar savings) exceed the costs. When programs are modified by adding new measures such as the smart thermostat and the new measure is estimated to cause a decrease in program cost effectiveness, the Public Staff believes the modification would be in the public interest only if the decrease

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in cost effectiveness is more than offset by an increase in participation, such that overall net savings are estimated to increase due to the modification.

Because there is insufficient data at this time to project that adding Smart Thermostats to the program will increase net dollar savings, the Public Staff recommends that the Commission provisionally approve the Smart Thermostat measure for two years and require the Company to provide data and modeling demonstrating the measure's cost effectiveness and impact on net dollar savings by that date. The Public Staff further recommends that for approval of future program modifications, the Company clearly show that the modification is projected to result in an increase in net dollar savings.

The Public Staff further notes that while DEC's application did not specifically request approval to assign the environmental, energy efficiency, and demand reduction benefits and attributes associated with the Program to the Company. However, the proposed tariff included in the Application includes language assigning these attributes to the Company.

Based on its review of the request and investigation, the Public Staff finds DEC's proposed modifications to be reasonable and recommends approval, subject to the conditions applicable to the smart thermostat measure.

EXHIBIT: A proposed order is attached as [Exhibit No. P-7](#).

RECOMMENDATION: (Floyd/Edmondson) That the Commission issue the Public Staff's proposed order approving the modifications to the Residential Energy Assessment Program.

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**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. G-5, SUB 616

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application of Public Service Company of)	
North Carolina, Inc., for Bi-Annual Adjustment	)	ORDER APPROVING
of Rates Under Rider E to its Tariff and for	)	RATE ADJUSTMENTS
an Adjustment of its Rates and Charges in	)	EFFECTIVE MARCH 1, 2020
Its Wholesale Cost of Gas Under Rider D)	
to Its Tariff		

BY THE COMMISSION: On February 14, 2020, Public Service Company of North Carolina, Inc. (PSNC or Company) filed an application (Application), pursuant to N.C. Gen. Stat. § 62-133.7A and N.C. Gen. Stat. § 62-133.4, Commission Rule R1-17(k)(3), and PSNC's Riders E and D of the Company's tariffs requesting authority to adjust its rates effective March 1, 2020, to implement (1) new temporary increments in its rates pursuant to Rider E, and (2) a decrease in its commodity benchmark cost of gas pursuant to Rider D.

Pursuant to PSNC's Integrity Management Tracker (IMT), Rider E of the Company's Tariff, PSNC is required to file a revision to its tariff for Commission approval by February 15 and August 15 each year showing the computation of the Integrity Management Adjustment that it proposes to charge during the six-month period beginning March 1 and September 1, respectively. Additionally, PSNC is required to file by February 15 an Integrity Management True-Up Adjustment based on the balance in the Integrity Management Deferred Account as of January 31.

The proposed IMT rate adjustments, expressed in dollars per therm (\$/therm), are as follows:

Description	Residential	Commercial	Firm	Interruptible
	Rates 101, 102, 115	Rates 125, 126 127, 140	Large General Rates 145, 175	Large General Rates 135, 150, 160, 165, 180
Rate Class Percentage	69.89%	19.92%	7.25%	2.94%
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IM Deferred Account Balance	<u>(\$128,453)</u>	<u>(\$36,611)</u>	<u>(\$13,325)</u>	<u>(\$5,404)</u>
Net IMRR for Recovery	\$19,314,786	\$5,505,088	\$2,003,609	\$812,497
Rate Case Volumes (therms)	302,709,607	154,775,495	202,384,732	148,716,728
IM Rate Increment (per therm)	\$0.06381	\$0.03557	\$0.00990	\$0.00546
Current IMT Increment	<u>\$0.04903</u>	<u>\$0.02733</u>	<u>\$0.00761</u>	<u>\$0.00420</u>
Adjustment to IMT Increment	\$0.01478	\$0.00824	\$0.00229	\$0.00126

Also, pursuant to Rider D – Purchased Gas Adjustment (PGA) Procedures, PSNC is seeking authority to decrease its sales rates by \$0.2524 per dekatherm (dt) and its transportation rates by \$0.0024 per dt effective March 1, 2020. The decreases are the result of a change in PSNC’s Benchmark Commodity Gas Cost from \$2.250 per dt to \$2.000 per dt as well as the change in the company use and unaccounted for gas as described in PSNC’s Rider D.

The Public Staff presented this matter to the Commission at its February 24, 2020, Staff Conference. The Public Staff stated that it had reviewed the Application and recommended approval as filed.

Based upon review of the Application and the recommendation of the Public Staff, the Commission is of the opinion that the proposed rate adjustments should be allowed to become effective as filed.

IT IS, THEREFORE, ORDERED as follows:

1. That PSNC is authorized to implement the proposed IMT rate adjustments as contained in the body of this Order effective for service rendered on and after March 1, 2020.
2. That PSNC is allowed to decrease its sales rates by \$0.2524 per dt effective for service rendered on and after March 1, 2020.
3. That PSNC is allowed to decrease its transportation rates by \$0.0024 per dt effective for service rendered on and after March 1, 2020.

4. That PSNC shall file revised tariffs consistent with Ordering Paragraphs 1 through 3 within five days of the date of this Order.

5. That PSNC shall give notice to its customers of the rate changes authorized in this Order.

ISSUED BY ORDER OF THE COMMISSION.

This the _____ day of February, 2020.

NORTH CAROLINA UTILITIES COMMISSION

Kimberley A. Campbell, Chief Clerk

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**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. G-9, SUB 765

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application of Piedmont Natural Gas	)	ORDER APPROVING
Company, Inc., for Authorization to	)	RATE ADJUSTMENTS
Flow-Through Alternative Fuel Tax	)	EFFECTIVE MARCH 1, 2020
Credits to CNG Retail Sales Customers)	

BY THE COMMISSION: On February 13, 2020, Piedmont Natural Gas Company, Inc. (Piedmont), filed a petition, pursuant to Commission Rules R1-4 and R1-5, seeking authorization to flow-through certain Alternative Motor Vehicle Fuel Excise Tax Credits (tax credits) to its customers receiving compressed natural gas (CNG) service. Piedmont proposed a temporary reduction in rates applicable to service under its Rate Schedule 142 and certain Commission-approved special contract fleet fueling agreements for the remainder of the calendar year 2020.

Pursuant to Section 4041 of the Internal Revenue Code, 26 U.S.C. § 4041, all retail sales of CNG for use as an alternative motor vehicle fuel are subject to an excise tax in the amount of \$0.183 per gallon of the gasoline equivalent. Under Internal Revenue Service (IRS) regulations, Piedmont is responsible for collecting this tax from its CNG customers at the time of sale and remitting such taxes to the IRS.

Pursuant to Public Law 116-94 (2019) and Section 6426 of the Internal Revenue Code, Congress recently extended a tax credit for all CNG sold at retail as an alternative motor vehicle fuel after December 31, 2017, through December 31, 2020. The amount of the extended tax credit is \$0.50 per gallon of the gasoline equivalent. Piedmont stated that the credit generated as a result of sales to CNG customers at its public fueling stations should be allocated to the customers who are paying the alternative motor vehicle fuel excise tax.

Based on the foregoing, Piedmont requested Commission approval of the temporary reduction in its CNG rates effective March 1, 2020 (or from the start of the calendar month immediately following the date of the Commission's order in this proceeding), and expiring December 31, 2020.

The Public Staff presented this matter to the Commission at its February 24, 2020, Staff Conference. The Public Staff stated it had reviewed the petition, proposed rate adjustments, and other information provided by Piedmont and recommended approval as filed.

Based on the review of the petition and the recommendation of the Public Staff, the Commission finds good cause to approve the petition.

IT IS, THEREFORE, ORDERED as follows:

1. That Piedmont be authorized to implement its proposal to flow-through the excise tax credits associated with the retail sale of CNG for motor fuel purposes for its Rate Schedule 142 and certain Commission-approved special contract fleet fueling agreements through December 31, 2020.
2. That Piedmont shall promptly file with the Commission, for information purposes, notification of any removal or modification of the temporary tax credit, including revised tariffs.
3. That Piedmont file revised tariffs reflecting the rate changes provided herein within five (5) days of the date of this Order.

ISSUED BY ORDER OF THE COMMISSION.

This the ___ day of February, 2020.

NORTH CAROLINA UTILITIES COMMISSION

Kimberley A. Campbell, Chief Clerk

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**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-2, SUB 952

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application by Duke Energy Progress, LLC, for Approval of Residential Service Neighborhood Energy Saver Program	) ) )	ORDER APPROVING MODIFICATIONS TO PROGRAM

BY THE COMMISSION: On December 6, 2019, Duke Energy Progress, LLC (DEP or the Company), filed a request to modify the Residential Service Neighborhood Energy Saver Program (Program). DEP's proposal would: (1) add new measures to the Program; (2) modify the structure of the Program tariff to the better align the tariff of the Program with Duke Energy Carolinas, LLC's (DEC's), comparable program; and, (3) clarify the Company's ownership of any environmental, energy efficiency, and demand reduction benefits and attributes assigned to the peak demand and energy savings resulting from the Program. The Program was originally approved in 2009.

For households with high consumption, DEP is proposing to add insulation, air sealing, duct sealing, and smart thermostats to the existing portfolio of measures in the Program. These additional measures should provide additional energy saving opportunities for low-income customers at no cost to the participating customers.

The Public Staff presented this matter to the Commission at its Regular Staff Conference on February 24, 2020. The Public Staff stated it had reviewed the request and believed the proposed modifications were appropriate. The Public Staff stated that low-income customers would be eligible for the additional measures if, during the energy assessment, the customer was found to be a high energy-intensive user.¹

The Public Staff further indicated that additional insulation would be installed to bring the home up to an "R-38" standard. Air and duct sealing would be conducted and smart thermostats would be installed on homes with electrically-sourced heating/cooling. These measures would be installed in a subsequent visit to the home. The Public Staff further stated that it also reviewed the calculations of cost-effectiveness of the Program with the additional measures and indicated that while the Program continues not to be cost-effective, the additional measures improve the cost-effectiveness of the Program.

¹ DEP uses a benchmark of greater than 10 kWh per square foot in its assessment.

The Public Staff also noted that smart thermostats were typically not cost-effective due to their costs. Smart thermostats were included in DEP's EnergyWise program,¹ but no evaluation of their performance is yet available. The Public Staff indicated an interest in understanding how the smart thermostats can provide additional EE savings beyond the peak demand savings that are typical of demand-side management programs like EnergyWise. The Public Staff stated that it would continue to monitor the performance of smart thermostats in the annual EE rider proceeding.

The Public Staff concluded by stating that the alignment between the DEP and DEC programs was more administrative in nature and did not have a material impact on the delivery of measures to customers or the measures themselves. Also, while DEP's letter included a request to assign the environmental attributes to the Company, the Public Staff noted that this was done by Order dated December 20, 2016, in Sub 952.

Based on the foregoing, the Commission finds and concludes that DEP's request to modify the Program should be approved as filed.

IT IS, THEREFORE, ORDERED as follows:

1. That the modifications to the Residential Service Neighborhood Energy Saver Program are hereby approved as filed;
2. That the Commission shall determine the appropriate ratemaking treatment for the Program, including program costs, net lost revenues, and performance incentives, in DEC's annual cost recovery rider, in accordance with N.C. Gen. Stat. § 62-133.9 and Commission Rule R8-69; and
3. That DEP shall file with the Commission, within 10 days following the date of this order, a revised tariff compliant with this Order and showing the effective date of the tariff.

ISSUED BY ORDER OF THE COMMISSION.

This the ___ day of February, 2020.

NORTH CAROLINA UTILITIES COMMISSION

Kimberley A. Campbell, Chief Clerk

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¹ The "Bring Your Own Thermostat" measure was approved by Order dated February 7, 2018, and found to be cost-effective.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-2, SUB 953

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application by Duke Energy Progress, LLC, for	)	ORDER APPROVING
Approval of Revisions to its Commercial,	)	MODIFICATIONS TO
Industrial, and Governmental Demand	)	PROGRAM
Response Automation Rider DRA)	

BY THE COMMISSION: On December 6, 2019, Duke Energy Progress, LLC (DEP), filed a letter seeking approval to modify its Commercial, Industrial, and Governmental (CIG) Demand Response Automation Program (Program), which was originally approved by Order issued August 3, 2009.

The Program currently allows DEP to manage its peak load by interrupting service CIG participants during a curtailment event. Participating customers receive three separate incentives for their participation: (1) an initial one-time “participant incentive”; (2) a “monthly availability credit” for the contracted load reduction; and, (3) an “event performance credit” for the actual load reduction realized during the event, measured as the difference between the participant’s event baseline (i.e., the customer’s normal demand on a business day during the hours of the curtailment event) and the average 15-minute registered demand during the event.

DEP is proposing to modify the terms of the Program to: (1) decrease the minimum contracted load from 75 kW to 50 kW; (2) reduce the minimum number of events from three to one per year; and, (3) increase the monthly availability credit. DEP's proposal is an attempt to continue to address barriers that inhibit participation in the Program. In response to questions posed by the Public Staff, DEP indicated that the reduction in the contract demand is an attempt to respond to customer feedback that some participants with smaller loads who could not opt-out of the energy efficiency (EE) rider have been prevented from participating. DEP further learned that the minimum number of events were impacting large customers who did not have a readily available alternative power supply. These participants believed there was limited value in mandatory events when system conditions did not justify activation.

The Public Staff presented this matter to the Commission at its Regular Staff Conference on February 24, 2020. The Public Staff stated that it had reviewed the proposed modifications and believes they are appropriate. It noted that the reduction in the minimum contracted load should increase the number of eligible customers, including a number ineligible to opt-out of the EE rider. The Public Staff indicated that the reduced number of events addresses concerns of participants unwilling to curtail loads and shut down businesses and industrial processes unless there is a need for curtailment while allowing DEP to activate the Program to ensure that it responds when called upon to do so. With respect to the amount of the participant incentives, the Public Staff stated that the monthly availability credit would increase while the event credits would decrease, resulting in no net change to the overall participant incentive. Finally, the Public Staff stated that it had reviewed the cost-effectiveness calculations provided by DEP, which indicate that these revisions should not change the Program's cost-effectiveness.

Based on the foregoing, the Commission is of the opinion that DEP's request to modify the CIG Demand Response Automation Program and revise its Rider DRA should be approved.

IT IS, THEREFORE, ORDERED as follows:

1. That the modifications proposed by DEP for the Commercial, Industrial, and Governmental Demand Response Automation Program are approved;
2. That the credits for the Program are approved as provisional rates and may be modified pursuant to the final decision of the Commission regarding the general rate case proceeding in Docket No. E-2, Sub 1219; and
3. That DEP shall file with the Commission within 10 days following the date of this order, a tariff that contains the effective date of the revised Rider DRA.

ISSUED BY ORDER OF THE COMMISSION.

This the ___ day of February, 2020.

NORTH CAROLINA UTILITIES COMMISSION

Kimberley A. Campbell, Chief Clerk

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**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-2, SUB 1094

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application by Duke Energy Progress, LLC,	)	ORDER APPROVING
for Approval of Residential Energy	)	MODIFICATIONS TO
Assessment Program	)	PROGRAM

BY THE COMMISSION: On December 4, 2019, Duke Energy Progress, LLC (DEP or the Company), filed a request to modify its Residential Energy Assessment Program (Program), which was originally approved in February 2016.

DEP is proposing to add new measures that participants could request at the time of the initial energy assessment: specialty lighting, water-reducing measures, blower door tests and Wi-Fi enabled smart thermostats. Participant fees are subject to modification over time, but will initially be a few dollars (will vary by measure but less than \$20 each) for the lighting and water measures, \$50 for the blower door test, and \$100 for the smart thermostat.

The Public Staff presented this matter at the Commission's Regular Staff Conference on February 24, 2020. The Public Staff stated that the Company had indicated that a smart thermostat would be available only to customers who have no existing smart thermostat in place. The Public Staff also indicated that the Company had noted that the fee paid by the participant would cover a portion of the total cost of providing the measures.

The Public Staff stated that it had reviewed the calculations of cost-effectiveness of the Program with the additional measures. It noted that the specialty lighting and water-reducing measures are both cost-effective, but the blower door measure was not included in the cost-effectiveness calculations because the Participant is paying the costs of the measure and DEP is not including any benefits from the measure. The smart thermostat measure was only cost-effective under the Participant test. The Public Staff stated that while the Program remains cost-effective overall with the proposed modifications, the addition of the smart thermostat measure does reduce the overall cost-effectiveness of the Program. DEP indicated to the Public Staff that there is strong customer interest in smart thermostats, which could lead to increased participation in the Program and potentially improved cost-effectiveness.

The Public Staff also noted that smart thermostats were typically not cost-effective, due to their costs. Smart thermostats were included in DEP's EnergyWise program,¹ but no evaluation of their performance is yet available. The Public Staff indicated an interest in understanding how the smart thermostats can provide additional energy efficiency savings beyond the peak demand savings that are provided by demand-side management programs like EnergyWise. The Public Staff stated that it would continue to monitor the performance of smart thermostats in the annual EE rider proceeding.

The Public Staff stated that programs that are not approved or designed to target low-income residential customers are required to be cost-effective so that the benefits (net dollar savings) exceed the costs. It opined that when programs are modified by adding new measures such as the smart thermostat and the new measure is estimated to cause a decrease in program cost-effectiveness, the Public Staff believes the modification would be in the public interest only if the decrease in cost-effectiveness is more than offset by an increase in participation, such that overall net savings are estimated to increase due to the modification.

The Public Staff stated that because there is insufficient data at this time to project that adding Smart Thermostats to the program will increase net dollar savings, it recommends that the Commission provisionally approve the Smart Thermostat measure for two years and require the Company to provide data and modeling demonstrating the measure's cost-effectiveness by that date. The Public Staff further recommended that for approval of future program modifications, the Company clearly show that the modification is projected to result in an increase in net dollar savings.

The Public Staff noted that while DEP's application did not specifically request approval to assign the environmental, energy efficiency, and demand reduction benefits and attributes associated with the Program to the Company. However, the proposed tariff included in the Application includes language assigning these attributes to the Company.

The Public Staff concluded by stating that based on its review of the request and investigation, it found DEP's proposed modifications to be reasonable and recommended approval, subject to the conditions applicable to the smart thermostat measure.

Based on the foregoing the Commission finds and concludes that DEP's request to modify the Program should be approved.

¹ The "Bring Your Own Thermostat" measure was approved by Order dated February 7, 2018, and found to be cost-effective.

IT IS, THEREFORE, ORDERED as follows:

1. That the modification to add specialty lighting and water-reducing measures and a blower door measure to the Residential Energy Assessment Program is hereby approved as filed;
2. That the modification to add a smart thermostat measure to the Residential Energy Assessment Program is hereby approved for two years from the date of this Order;
3. That the Company shall provide data and modeling demonstrating the measure's cost-effectiveness and impact on net dollar savings within two years of this Order;
4. That in future requests for approval of program modifications, the Company shall clearly show that the modification is projected to result in an increase in net dollar savings;
5. That the Commission shall determine the appropriate ratemaking treatment for the Program, including program costs, net lost revenues, and performance incentives, in DEP's annual cost recovery rider, in accordance with N.C. Gen. Stat. § 62-133.9 and Commission Rule R8-69;
6. That DEP is entitled to the environmental, energy efficiency, and demand reduction benefits and attributes associated with the Program; and,
7. 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 ___ day of February, 2020.

NORTH CAROLINA UTILITIES COMMISSION

Kimberley A. Campbell, Chief Clerk

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**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-7, SUB 1032

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application by Duke Energy Carolinas,)	
LLC, for Approval of Residential Income	)	ORDER APPROVING
Qualified Energy Efficiency and	)	MODIFICATIONS TO
Weatherization Assistance for Residential	)	PROGRAM
Neighborhoods Program)	

BY THE COMMISSION: On December 6, 2019, Duke Energy Carolinas, LLC (DEC or the Company), filed a request to modify the Income Qualified Energy Efficiency and Weatherization Assistance for Residential Neighborhoods Program (Program). DEC's proposal would (1) add new measures to the Program; (2) change the name of the Program to mirror the name of Duke Energy Progress, LLC's (DEP's), comparable program; and (3) clarify the Company's ownership of any environmental, energy efficiency, and demand reduction benefits and attributes assigned to the peak demand and energy savings resulting from the Program. The Program was originally approved in 2009 in Docket No. E-7, Sub 831, as part of the Company's Save-A-Watt portfolio.

For households with high consumption, DEC is proposing to add insulation, air sealing, duct sealing, and smart thermostats to the existing portfolio of measures in the Program. These additional measures are intended to provide additional energy-saving opportunities for low-income customers at no cost to the participating customers.

The Public Staff presented this matter to the Commission at its Regular Staff Conference on February 24, 2020. The Public Staff stated it had reviewed the request and believed the proposed modifications were appropriate. The Public Staff stated that low-income customers would be eligible for additional measures if, during the energy assessment, the customer was found to be a high energy-intensive user.¹ The Public Staff further indicated that additional insulation would be installed to bring the home up to an "R-38" standard. Air and duct sealing would be conducted and smart thermostats would be installed on homes with electrically-sourced heating/cooling. These measures would be installed in a subsequent visit to the home. The Public Staff further stated that it also

¹ DEP uses a benchmark of greater than 10 kWh per square foot in its assessment.

reviewed the calculations of cost effectiveness of the Program with the additional measures and indicated that while the Program continues not to be cost effective, the additional measures improve the cost effectiveness of the Program.

The Public Staff also noted that smart thermostats were typically not cost effective due to their costs. Smart thermostats were included in DEC's Power Manager Program,² but no evaluation of their performance is yet available. The Public Staff indicated an interest in understanding how the smart thermostats can provide additional EE savings beyond the peak demand savings that are typical of demand-side management programs like Power Manager. The Public Staff stated that it would continue to monitor the performance of smart thermostats in the annual EE rider proceeding.

The Public Staff concluded by stating that the alignment between the DEC and DEP programs was more administrative in nature and did not have a material impact on the delivery of measures to customers or the measures themselves. DEC's letter also included a request to assign the environmental attributes to the Company.

Based on the foregoing, the Commission finds and concludes that DEC's request to modify the Program should be approved as filed.

IT IS, THEREFORE, ORDERED as follows:

1. That the modifications to the Income Qualified Energy Efficiency and Weatherization Assistance for Residential Neighborhoods Program are hereby approved as filed;
2. That the Commission shall determine the appropriate ratemaking treatment for the Program, including program costs, net lost revenues, and performance incentives, in DEC's annual cost recovery rider, in accordance with N.C. Gen. Stat. § 62-133.9 and Commission Rule R8-69;
3. That DEC is entitled to the environmental, energy efficiency, and demand reduction benefits and attributes associated with the Program; and,
4. That DEC shall file with the Commission, within 10 days following the date of this order, a revised tariff compliant with this Order and showing the effective date of the tariff.

² The "Bring Your Own Thermostat" measure was approved by Order dated February 7, 2018, and found to be cost effective.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of February, 2020.

NORTH CAROLINA UTILITIES COMMISSION

Kimberley A. Campbell, Chief Clerk

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**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-7, SUB 1032

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)	
Application by Duke Energy Carolinas,	)	ORDER APPROVING
LLC, for Approval of Residential Energy	)	MODIFICATIONS TO
Assessment Program	)	PROGRAM

BY THE COMMISSION: On December 4, 2019, Duke Energy Carolinas, LLC (DEC or the Company), filed a request to modify its Residential Energy Assessment Program (Program), which was originally approved in 2009 in Docket No. E-7, Sub 831, as part of the Company’s Save-A-Watt portfolio.

DEC is proposing to add new measures that participants could request at the time of the initial energy assessment: specialty lighting, water-reducing measures, blower door tests, and Wi-Fi enabled smart thermostats. Participant fees are subject to modification over time, but will initially be a few dollars (will vary by measure but less than \$20 each) for the lighting and water measures, \$50 for the blower door test, and \$100 for the smart thermostat.

The Public Staff presented this matter at the Commission’s Regular Staff Conference on February 24, 2020. The Public Staff stated that the Company had indicated that a smart thermostat would be available only to customers who have no existing smart thermostat in place. The Public Staff also indicated that the Company had noted that the fee paid by the participant would cover a portion of the total cost of providing the measures.

The Public Staff stated that it had reviewed the calculations of cost effectiveness of the Program with the additional measures. It indicated that the specialty lighting and water-reducing measures are both cost-effective, but the blower door measure was not included in the cost effectiveness calculations because the Participant is paying the costs of the measure and DEC is not including any benefits from the measure. The smart thermostat measure was only cost effective under the Participant test. The Public Staff stated that while the Program remains cost effective overall with the proposed modifications, the addition of the smart thermostat measure does reduce the overall cost effectiveness of the Program. DEC indicated to the Public Staff that is strong customer interest in smart

thermostats, which could lead to increased participation in the Program and potentially improved cost effectiveness.

The Public Staff also noted that smart thermostats were typically not cost effective due to their costs. Smart thermostats were included in DEC's Power Manager program,¹ but no evaluation of their performance is yet available. The Public Staff indicated an interest in understanding how the smart thermostats can provide additional EE savings beyond the peak demand savings provided by demand-side management programs like Power Manager. The Public Staff stated that it would continue to monitor the performance of smart thermostats in the annual EE rider proceeding.

The Public Staff stated that programs that are not approved or designed to target low-income residential customers are required to be cost effective so that the benefits (net dollar savings) exceed the costs. It opined that when programs are modified by adding new measures such as the smart thermostat and the new measure is estimated to cause a decrease in program cost effectiveness, the Public Staff believes the modification would be in the public interest only if the decrease in cost effectiveness is more than offset by an increase in participation, such that overall net savings are estimated to increase due to the modification.

The Public Staff stated that because there is insufficient data at this time to project that adding Smart Thermostats to the program will increase net dollar savings, it recommends that the Commission provisionally approve the Smart Thermostat measure for two years and require the Company to provide data and modeling demonstrating the measure's cost effectiveness by that date. The Public Staff further recommended that for approval of future program modifications, the Company clearly show that the modification is projected to result in an increase in net dollar savings.

The Public Staff noted that while DEC's application did not specifically request approval to assign the environmental, energy efficiency, and demand reduction benefits and attributes associated with the Program to the Company. However, the proposed tariff included in the Application includes language assigning these attributes to the Company.

The Public Staff concluded by stating that based on its review of the request and investigation, it found DEC's proposed modifications to be reasonable and recommended approval, subject to the conditions applicable to the smart thermostat measure.

Based on the foregoing the Commission finds and concludes that DEC's request to modify the Program should be approved.

¹ The "Bring Your Own Thermostat" measure was approved by Order dated February 7, 2018, and found to be cost effective.

IT IS, THEREFORE, ORDERED as follows:

1. That the modification to add specialty lighting and water-reducing measures and a blower door measure to the Residential Energy Assessment Program is hereby approved as filed;
2. That the modification to add a smart thermostat measure to the Residential Energy Assessment Program is hereby approved for two years from the date of this Order;
3. That the Company shall provide data and modeling demonstrating the measure's cost effectiveness and impact on net dollar savings within two years of this Order;
4. That in future requests for approval of program modifications, the Company shall clearly show that the modification is projected to result in an increase in net dollar savings;
5. That the Commission shall determine the appropriate ratemaking treatment for the Program, including program costs, net lost revenues, and performance incentives, in DEC's annual cost recovery rider, in accordance with N.C. Gen. Stat. § 62-133.9 and Commission Rule R8-69. The Commission will address the performance and ongoing cost effectiveness of smart thermostat measure in the 2022 cost recovery rider;
6. That DEC is entitled to the environmental, energy efficiency, and demand reduction benefits and attributes associated with the Program; and,
7. That DEC 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 ___ day of February, 2020.

NORTH CAROLINA UTILITIES COMMISSION

Kimberley A. Campbell, Chief Clerk

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