

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-7, SUB 1195
DOCKET NO. E-2, SUB 1197

In the Matter of)	
Application by Duke Energy Carolinas, LLC)	REPLY COMMENTS OF DUKE
and Duke Energy Progress, LLC for)	ENERGY CAROLINAS, LLC
Approval of Proposed Transportation Project)	AND DUKE ENERGY
)	PROGRESS, LLC
)	

NOW COME Duke Energy Carolinas, LLC (“DEC”) and Duke Energy Progress, LLC (“DEP”) (together referred to as “Duke Energy” or the “Companies”) and submit the following reply comments regarding their proposed electric transportation pilot (“ET Pilot”), filed in the above-captioned dockets. The Companies respectfully submit that most of the initial comments of the interested parties and the letters from various members of the public filed in these dockets are generally supportive of the Companies’ proposed ET Pilot. Based on that support, the Companies’ application for approval, and the reply comments set forth herein, the Companies request that the Commission approve their proposed ET Pilot.

INTRODUCTION

On October 29, 2018, Governor Cooper issued Executive Order No. 80 (“Order No. 80”), which calls for aggressive growth in zero-emission vehicles (“ZEVs”) as a central priority in achieving North Carolina’s commitment to address climate change and transition to a clean energy economy. Duke Energy’s proposed ET Pilot directly responds to Governor Cooper’s call to transform the state’s transportation sector to provide a smarter, cleaner energy future for all North Carolinians. On July 21, 2019, Governor Cooper also signed into law HB 329¹, which

¹ HB 329 was ratified by the North Carolina Senate and House of Representatives by a combined vote of 160-3.

further supports the adoption of ZEVs by eliminating regulatory obstacles to enable Duke Energy and third parties to deploy electric vehicle charging stations.

Consistent with the goals of Order No. 80, Duke Energy has stepped forward with an aggressive and achievable plan to enable the widespread adoption of ZEVs. Stated briefly, the Companies' proposal involves seven separate programs, each of which is critical to the proper review and evaluation of the ZEV initiative. They include:

- (1) Residential charging with up to \$1,000 rebates for 500 DEC customers and 300 DEP customers.
- (2) Fleet charging stations with up to \$2,500 rebates to 500 DEC customers and 400 DEP customers.
- (3) EV school bus charging stations with a \$215,000 rebate per bus for 55 buses for DEC and 30 buses for DEP.
- (4) EV transit bus charging for 60 stations for DEC and 45 for DEP; contribution of \$75,000 per bus acquired in the last 24 months.
- (5) Multi-family charging stations with 100 stations for DEC and 60 for DEP.
- (6) Public L2 charging stations - 100 for DEC and 60 for DEP.
- (7) Fast charging stations - 70 chargers at 35 locations for DEC and 50 chargers at 25 locations for DEP.

The ET Pilot and these seven plan components have garnered substantial support from the following diverse stakeholders and intervenors:

- Sierra Club
- The Environmental Defense Fund ("EDF")
- The Southern Alliance for Clean Energy
- N.C. Justice Center
- EVBox
- Proterra Inc.
- SemaConnect
- Advanced Energy

- Adomani, Inc.
- CCOG (Centralina Council of Governments)
- Zeco System, Inc. d/b/a Greenlots (“Greenlots”)
- Alliance for Transportation Electrification
- Brightfield Transportation Solutions
- Regional Transportation Alliance
- The Alliance of Automobile Manufacturers, the Association of Global Automakers, General Motors LLC, Ford Motor Company, Jaguar Land Rover North America, Daimler North America Corporation, Mitsubishi Motors R&D of America, Fiat Chrysler Automobiles, Nissan North America, American Honda Motor Company Inc, Kia Motors Corporation, and Hyundai Motor Company (collectively “Joint Automakers”)
- Southeast Energy Efficiency Alliance
- ABB, Inc.
- Blue Horizons Project
- Electrify America, LLC
- GoDurham
- The City of Asheville

Yet, despite this overwhelming public support, the Public Staff – North Carolina Utilities Commission (“Public Staff”), the North Carolina Sustainable Energy Association (“NCSEA”), and the North Carolina Clean Energy Business Alliance (“NCCEBA”) have disappointingly chosen to oppose Duke Energy’s efforts to fulfill Governor Cooper’s clear directive in Executive Order No. 80. As set forth in more detail in the Companies’ Application and in the reply comments below, Duke Energy’s ET Pilot is in the public interest, promotes the policy of the

State of North Carolina as enumerated in N.C. Gen. Stat. §62-2, HB 329, and by Governor Cooper in Order No. 80, and should be approved by the Commission.

REPLY COMMENTS

A. The Companies' ET Pilot Aligns with Executive Order No. 80's Goals of Increasing Zero Emission Vehicles in North Carolina.

The Application filed on March 29, 2019 by the Companies for a Proposed Transportation Pilot fully supports the ZEV initiatives outlined by Governor Cooper in Order No. 80. As a preamble to his declarations, Governor Cooper noted that North Carolina is well-positioned to take advantage of its technology and research and development sectors, along with its skilled workforce, to promote clean energy technology solutions and a modernized electric grid. Because of these resources, there is no doubt that Governor Cooper envisions North Carolina as a leader in these efforts. The Governor goes on to state that these efforts are necessary to maintain economic growth, provide responsible environmental stewardship, build resilient communities and develop strategies to mitigate and prepare for climate-related impacts in North Carolina.

Order No. 80 was not limited to a statement of broad policy goals. Rather, Governor Cooper adopted specific policy goals. The State will strive to reduce energy consumption per square foot in state-owned buildings by at least 40%. The State will strive to reduce statewide greenhouse gas emissions to 40% below 2005 levels. Perhaps more relevant to this proceeding is the Governor's directive to the North Carolina Department of Transportation ("DOT"), in coordination with the Department of Environmental Quality ("DEQ"), to develop a plan to increase the number of ZEVs registered in the State to 80,000 by 2025. The ZEV Plan will help establish interstate and intrastate ZEV corridors, coordinate and "increase the installation of ZEV

infrastructure, and incorporate, where appropriate, additional best practices for increased ZEV adoption.”

B. Duke Energy’s Proposed ET Pilot, with its Seven Programs, Received Broad Support from Stakeholders and Intervenors

A review of the many letters by members of the public (such as private businesses, municipalities, and other agencies) and intervenors’ filed comments reveals broad and enthusiastic support for the Companies’ proposed ET Pilot as a significant first step in more fully developing electric transportation for Duke’s customers and across the State. While many of the Intervenors and stakeholders proposed modifications to the Companies’ proposals, many of the environmental Intervenors support the proposed program, subject to some suggestions. As demonstrated earlier, the Sierra Club generally supports the proposals. The N.C. Justice Center (“NCJC”) generally supports the proposals. The Southern Alliance of Clean Energy (“SACE”) generally supports the proposals. The Environmental Defense Fund generally supports the proposals. As noted above, the docket is filled with numerous other letters of support. The Public Staff, NCCEBA, and NCSEA remain the outliers.

Comments in support of Duke Energy’s proposals are not limited to filings by environmental Intervenors but the proposals are supported by some market participants as well. Greenlots is a provider of EV charging software and services, which is committed to transportation electrification. Greenlots strongly supports the program as filed. In its comments, Greenlots suggests that Duke Energy’s program will accelerate the adoption of EVs in North Carolina and the market for charging stations while supporting the goal of a reduction in greenhouse gases. It notes further that the program supports the policy directives outlined in Order No. 80, is consistent with the Energy Policy Council’s recommendation that the State adopt EV programs and that State agencies consider measures to address barriers to

transportation electrification. Duke Energy's proposal also makes economic sense. In fact, the Sierra Club estimates that the creation of a mass market for transportation electrification will produce a \$6.9 billion benefit for North Carolina and help meet the long-term goals for a reduction in greenhouse gases. Electrify America, LLC, a subsidiary of Volkswagen Group of America, currently operates fast charging stations in North Carolina and is expanding. It supports Duke Energy's efforts to develop a program that will support EV adoption across the State. While it favors modifications to the proposals, Charge Point, Inc., also a provider of charging stations, generally supports utility investments in EV charging infrastructure.

C. Duke Energy's Proposal is Appropriately Framed as a Pilot so that Duke Energy Can Prepare for Increased EV Usage Across North Carolina

The primary opposition to Duke Energy's proposals comes from NCSEA, NCCEBA, and the Public Staff. Although disappointing, the concerns and opposition expressed by NCSEA and NCCEBA are understandable because their membership includes potential market entrants who believe, incorrectly so, that their businesses will be helped by excluding or limiting Duke Energy's participation in this developing market. To the contrary, the Companies' efforts to develop a program that will support EV adoption across the State can benefit potential market entrants by jumpstarting the market. As the market develops and the barriers to EV adoption and ownership are decreased, participation in the market can increase. The NCCEBA's concern that the Companies' programs represent a major encroachment into a competitive market is misplaced because the Commission has the authority to monitor developments and take steps to assure that the Companies' participation in the market helps it develop fairly. The Public Staff's strong opposition is less understandable because it is clearly inconsistent with the State's policy directives as outlined by Governor Cooper in Order No. 80 and based on over-reliance on traditional ratemaking concepts that ignore the realities of a changing environment.

The Public Staff's comments are extensive, but the conclusion seems to be based on the premise that the proposal is not really a pilot project.² Although North Carolina is a growing state with shifting demographics, the Public Staff opines that there is no evidence that North Carolina customers are sufficiently unique to justify another pilot. The Public Staff cites programs in other states from the 2011-2014 timeframe and apparently believes that those studies are sufficient. It goes further to suggest that more information is likely to develop within the next 12 to 18 months so perhaps we should just sit on the sidelines and see what happens. That is hardly the role for North Carolina that Governor Cooper envisioned when he suggested in Order No. 80 that North Carolina, with its extensive resources, was well-positioned to be a *leader* in the development of ZEV infrastructure. More surprisingly, the Public Staff suggests that the Commission simply ignore school and transit businesses because they are the responsibility of the Department of Public Instruction and municipalities, respectively. Interestingly, the EDF states that 25% of greenhouse gases are generated by heavy duty vehicles, such as school and transit buses and these emissions are expected to double by 2050. Excluding such vehicles from the Companies' proposal simply makes no sense.

With respect to the Public Staff's concerns that the "proposal contains no metrics or other standards for evaluating whether the programs are successful and appropriate to expand" the Companies committed on page 8 of the Application to reporting full operational data and results from the ET Pilot to the Commission on an annual basis with a final report concurrent with a stakeholder working group to determine the design of permanent future ET programs. The

² The Public Staff relies heavily on a slide from a May 29, 2019 presentation to investors to support its argument that DEC and DEP are really seeking pre-approval of an infrastructure buildout because the slide does not describe the Companies' proposal as a Pilot. Public Staff Comments page 11-12. The Companies respectfully do not believe that the slide indicates one way or another how this is not a Pilot program. Regardless, the Companies respectfully do not believe that this slide describing a call with investors should dictate to the Commission how it should view the proposal. Put simply, DEC and DEP filed ET Pilot programs in both North Carolina and South Carolina in the past year.

Companies wish to emphasize the importance of the ET Pilot deployment in determining the structure of future permanent ET programs. The ET Pilot is paramount to gathering the operational data needed to quantify the specific costs and benefits attributable to each program and to assign these costs and benefits to the appropriate parties. This thorough gathering of data to determine and assign costs is not available to the Companies without performing the ET Pilot, and this is the reason why the Companies have proposed a pilot instead of simply forging ahead with programs.

The EV School Bus Charging Program provides an illustrative example. No EV school buses are currently deployed on the Companies' systems. As a result, a Pilot structure is necessary to determine the specific costs and benefits of charging an EV School bus on the Companies' systems. The ET Pilot, therefore, would allow the Companies to gather data to precisely determine costs and benefits for ratepayers and program participants such as:

Costs

- Bus fueling (new electricity purchases)
- Bus procurement
- Electric cost of service
- Infrastructure installation, operation, and maintenance

Benefits

- Net revenue in excess of cost of service – net revenue benefits to ratepayers determined in future programs by timing of rate cases and other factors.
- Storage value of EVSB battery available for dispatch to the grid
- Resilience value of EVSB battery available for backup generation during storm events or other outages
- School districts O&M savings from eliminating diesel

Determining precise values of these different costs and benefits, assigning them correctly to participants, ratepayers, and the utility will allow the Companies to develop future permanent programs to cost-effectively support the deployment of electric school buses throughout North

Carolina. The Companies can furthermore commit to a rigorous Evaluation, Measurement and Verification (“EM&V”) analysis of the impact of all segments of the ET Pilot to ensure that the goals of the pilot are met. Because EV infrastructure is still an emerging technology that has not been widely adopted, the Companies have discussed with the SACE and the NC Justice Center their agreement to foster a robust EMV process and to engage an expert in how these programs can be evaluated.

The Public Staff appears to oppose the proposal largely because it believes that it is inappropriately designated as a pilot project. However, such an analysis is clearly based on form over substance. Achieving Order No. 80’s goals is not business as usual for North Carolina. Rather, Order No. 80 serves as a clarion call for North Carolina to continue its status as a leader in addressing climate change and clean energy. Heeding that call, the ET Pilot is a major initiative led by North Carolina’s two largest electric utilities that is a fundamental part of State policy, and rejecting the proposal because it has the wrong designation is simply not reasonable. The Public Staff, who represents the using and consuming public, is concerned about customer impacts and rightfully so. However, when an innovative and transformative technology is being introduced, a more comprehensive and visionary analysis is required to represent the using and consuming public.

For example, when digital switching technology and fiber optics were introduced into the telecommunications industry, the Public Staff and the Commission were faced with a comparable question. Costs were decreasing and the opportunity existed to reduce customer rates by small amounts per month by introducing the new technology on a slow and methodical basis. On the other hand, the opportunity existed to obsolete the old analog and copper technologies through innovative capital recovery policies and adopt a more dynamic approach to

encourage investment in new technology. Some states chose the slower approach of reducing rates over time, but both the Public Staff and this Commission took the more enlightened approach and, for years, North Carolina benefitted and continues to benefit from that visionary decision.

Contrary to the Public Staff's position regarding the ET Pilot, Duke Energy's proposal is not simply an effort to seek pre-approval of cost recovery for the investments and expenses that it expects to incur. Duke Energy is not seeking specific cost recovery in this docket, but it will seek to recover its prudently incurred costs in a general rate proceeding to be filed later. However, Duke Energy is asking the Commission to determine that it is pursuing a prudent path for North Carolina and its customers and unless the Commission should find that specific investment expenses were not prudent, the Companies would expect to recover the prudent costs that it has incurred relating to this initiative in the context of a general rate proceeding. If the Commission believes that the proposals are not prudent, it should so state.

Finally, although the Companies believe that the seven program components are crucial to achieving the goals of the ET Pilot, given the Public Staff's and others' concerns over the size and scope of the Companies' proposal, the Companies would offer to remove the Multi-Family Charging Stations and the Public L2 charging stations from the ET Pilot. This removal results in a decrease of approximately \$4.1 million from the overall cost of the ET Pilot.³ Intervenors have claimed that there is an "existing competitive EV charging market" and if this is in fact the case, then the Companies are open to leaving the Level 2 market to develop without utility investment in the near term. The Companies reserve the right to propose future programs to facilitate expansion of the Level 2 charging market as needed, including but not limited to segments such

³ Please see page 17 of the Application, which sets forth projected costs of the program components of the ET Pilot.

as multi-family developments or low-income areas if they are found to be underserved by private charging operators.

Additionally, the Companies do not agree with NCSEA's somewhat conclusory assertion that they should reduce the amount of the rebate for the Residential EV Charging Program from \$1000 to \$500. Nevertheless, the Companies are willing to agree to that reduction for purposes of initiating this vital program component of the ET Pilot, so long as they could return to the Commission to seek an increase in the rebate amount if the \$500 proved to be too little to encourage participation in the ET Pilot.

In the final analysis, the Commission must decide the best approach for developing a strong and viable ZEV marketplace. The challenges are significant. According to state registration data, there were only 6,836 ZEVs in operation in NC as of the end of 2018, with a year-over-year gain of only 1,156 ZEVs in operation. NCCEBA claimed that there are currently 13,000 EVs in North Carolina; however, this number includes Plug-In Hybrid Electric Vehicles (PHEVs), and therefore overstates progress towards the 80,000 goal which has been defined as Zero Emission Vehicles and does not include PHEVs. Executive Order No. 80's goal requires that EV sales growth be exponential over the next 5 years, increasing ZEVs in operation by more than 10 times. NCCEBA assumes that competitive operators will simply expand infrastructure as the market grows. However, Greenlots states that the market currently has only 43 public fast charging stations in North Carolina, and the Companies have previously underscored the relative paucity of public-access, open-standard fast charging stations. The uncomfortable truth is that North Carolina is not on track to meet Order No. 80's goal, and many forms of investment are needed to get there. Strong utility programs are one part of the larger holistic framework needed

for EV growth to reach 80,000 by 2025. The Companies have proposed such programs as far back as May of 2018, showing a good-faith effort to bring solutions to the table.

As a bit of perspective, back in 1999, President Clinton visited North Carolina to discuss a growing concept called the Internet. The concern was described as the digital divide and the hope was that high-speed Internet would be available in rural areas at generally the same speeds and cost as it was available in urban areas. In 2019, the General Assembly is addressing the same issues. In fact, the question has been raised as to whether a regulatory model would have been a more effective approach to broadband deployment. Of course, the Internet (broadband) is a competitive service under both Federal and State law, and the State has come a long way with that model. Nonetheless, pockets of unserved and underserved areas remain. For ZEV development, Duke Energy's proposal presents the Commission with the opportunity to choose the best of both worlds. When the communications markets were deregulated, incumbent companies were not excluded from the market. Rather, subject to Commission oversight, they were committed to compete for customers along with new market entrants. In many cases, new entrants leased infrastructure that resulted in the creation of a wholesale market for telecommunications companies and a large number of reseller competitors at the retail level. These new wholesale markets created a new revenue stream for telecommunications companies and attracted new competitors into the market. In most areas today, the communications markets are robustly competitive. Even the NCSEA acknowledges that Duke Energy has more knowledge of the grid and the need for upgrades than anyone else. Given that level of expertise, excluding or limiting Duke Energy from the marketplace makes no sense.

As previously noted, Governor Cooper recently signed HB 329, which excluded third party providers from the definition of "public utility," but — notably — did not exclude public

utilities from participating in this market. HB 329 amends N.C. Gen. Stat. § 62-3(23) to provide that electric power suppliers are not limited in their ability to use electric vehicle charging stations to furnish electricity for charging electric vehicles. Additionally, HB 329 further provides that “[a]ny increases in customer demand or energy consumption associated with transportation electrification shall not constitute found revenues for an electric utility.” Therefore, the General Assembly did not seek to exclude or limit DEC or DEP from participating in this market; in fact, it appears the General Assembly fully expects DEC and DEP to participate as regulated electric utilities in this market. To the extent the Commission’s oversight is necessary to assure that the market develops fairly, it has the authority to exercise that oversight.

Interestingly, the comments by the NCJC and SACE on the proper way to develop the competitive market are instructive. Both the NCJC and SACE encourage Duke Energy and the Commission to decrease barriers to EV adoption and ownership in North Carolina. Neither oppose Duke Energy’s participation in the EV charging market and suggest that Duke Energy’s market share will decrease as the market develops and new entrants enter the market. Electrify America also appears to favor this approach to the development of a competitive market by noting that utility investment in EV infrastructure helps reduce the overall capital requirements for new entrants by deploying infrastructure needed to connect to the electric grid. Lastly, Electrify America points out that Duke Energy plans to establish rates based on market prices, which should help to maintain competitive neutrality.

CONCLUSION

Based on the foregoing reasons, Duke Energy respectfully requests that the Commission approve the ET Pilot as filed, or, in the alternative, approve a modified ET Pilot that does not

include the Multi-Family L2 Charging Program and the Public L2 Charging Program and that reduces the rebate in the Residential EV Charging Program from \$1000 to \$500, while reserving the Companies right to propose and increase the rebate amount if the reduced rebate has resulted in fewer participants. Finally, the Companies request that the Commission approve its proposal to file a report on the data collected through the ET Pilot so that the Companies and a stakeholder group can develop and implement more fully commercialized ET programs for the benefit of the Companies' customers and North Carolina citizens.

Respectfully submitted this 9th day of August 2019.

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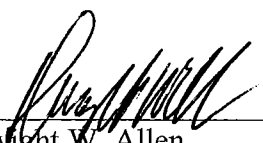
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC's Reply Comments has been served by electronic mail (e-mail), hand delivery, or by depositing a copy in the United States Mail, first class postage prepaid, properly addressed to parties of record.

This, the 9th day of August, 2019.



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