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DUKE ENERGY®

November 8, 2021

VIA ELECTRONIC FILING

Ms. A. Shonta Dunston
Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Joint Proposed Order of Duke Energy Progress, LLC and the Public Staff
Docket No. E-2 Sub 1273

Dear Ms. Dunston:

Enclosed for filing in the above-referenced docket is Duke Energy Progress, LLC's and the Public Staff's Joint Proposed Order Approving DSM/EE Rider and Requiring Filing of Proposed Customer Notice. An electronic copy is being emailed to briefs@ncuc.net.

As Duke Energy Progress, LLC ("DEP" or "the Company") committed to doing in the rebuttal testimony of Company witness Robert P. Evans, it has reviewed the residential billing factors impacted by the removal of the costs and revenues that are not related to energy efficiency referrals to DEP customers. After its review, the Company determined that the removal had no impact on the residential billing factors it submitted for approval in this proceeding.

The Public Staff has informed the Company that for purposes of this proceeding, on an interim basis, the Public Staff does not object to the residential billing factors submitted for approval. The Public Staff has also informed the Company that due to the complexities involved in identifying Find it Duke costs and revenues, further work on its part is necessary to fully complete its review and audit of the Company's allocation calculations. Therefore, the Public Staff has recommended to the Company that the ultimate determination of the appropriate and reasonable Test Year 2020 Find it Duke allocations remain open until DEP's 2022 Rider EE proceeding, and the affected billing factors remain subject to true-up in the DSM/EE Experience Modification Factors set as a result of that proceeding. The Company agrees with and joins in the Public Staff's recommendation.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Kendrick C. Fentress

Kendrick C. Fentress

Enclosure

cc: Parties of Record

CERTIFICATE OF SERVICE

I certify that a copy of Duke Energy Progress, LLC's and the Public Staff's Joint Proposed Order Approving DSM/EE Rider and Requiring Filing of Proposed Customer Notice, in Docket No. E-2, Sub 1273, has been served on all parties of record either by electronic mail, hand delivery or by depositing a copy in the United States mail, postage prepaid.

This the 8th day of November, 2021.

Kendrick C. Fentress

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STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-2, SUB 1273

In the Matter of

Application of Duke Energy Progress, LLC for Approval of Demand-Side Management and Energy Efficiency Cost Recovery Rider Pursuant to N.C. Gen. Stat. § 62-133.9 and Commission Rule R8-69	))))))	JOINT PROPOSED ORDER OF DUKE ENERGY PROGRESS, LLC AND THE PUBLIC STAFF APPROVING DSM/EE RIDER AND REQUIRING FILING OF PROPOSED CUSTOMER NOTICE

HEARD: On Tuesday, September 21, 2021, at 1:30 p.m. in Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

BEFORE: Commissioner ToNola D. Brown-Bland, presiding; Chairman Charlotte A. Mitchell and Commissioners Lyons Gray, Daniel G. Clodfelter, Kimberly W. Duffley, Jeffrey A. Hughes, and Floyd B. McKissick, Jr.

APPEARANCES:

For Duke Energy Progress, LLC:

Kendrick Fentress, Associate General Counsel
Duke Energy Corporation
P.O. Box 1551
Raleigh, North Carolina 27602

For the Carolina Utility Customers Association:

Marcus W. Trathen
Craig D. Schauer
Brooks Pierce
150 Fayetteville Street, Suite 1700
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For the Carolina Industrial Group for Fair Utility Rates III:

Christina D. Cress
Bailey & Dixon, LLP

434 Fayetteville Street, Suite 2500
P.O. Box 1351
Raleigh, North Carolina 27602

For the North Carolina Justice Center, North Carolina Housing Coalition, and Southern Alliance for Clean Energy:

David Neal
Tirrill Moore
Southern Environmental Law Center
601 West Rosemary Street, Suite 220
Chapel Hill, North Carolina 27516

For the Using and Consuming Public:

Nadia L. Luhr
Public Staff – North Carolina Utilities Commission
4326 Mail Service Center
Raleigh, North Carolina 27699-4300

BY THE COMMISSION: N.C. Gen. Stat. § 62-133.9(d) authorizes the North Carolina Utilities Commission (Commission) to approve an annual rider to the rates of electric public utilities, outside of a general rate case, for recovery of all reasonable and prudent costs incurred for adoption and implementation of new demand-side management (DSM) and energy efficiency (EE) measures. The Commission is also authorized to award incentives to electric companies for adopting and implementing new DSM/EE measures, including, but not limited to, appropriate rewards based on (1) the sharing of savings achieved by the DSM and EE measures and/or (2) the capitalization of a percentage of avoided costs achieved by the measures. Commission Rule R8-69(b) provides that every year the Commission will conduct a proceeding for each electric public utility to establish an annual DSM/EE rider to recover the reasonable and prudent costs incurred by the electric utility in adopting and implementing new DSM/EE measures previously approved by the Commission pursuant to Commission Rule R8-68. Further, Commission Rule R8-69(b) provides for the establishment of a DSM/EE experience modification factor (EMF) rider to allow the electric public utility to collect the difference between reasonable and prudently incurred costs and the revenues that were realized during the test period under the DSM/EE rider then in effect. Commission Rule R8-69(c) permits the utility to request the inclusion of utility incentives (the rewards authorized by the statute), including net lost revenues (NLR), in the DSM/EE rider and the DSM/EE EMF rider.

In the present proceeding, Docket No. E-2, Sub 1273, on June 15, 2021, Duke Energy Progress, LLC (DEP or the Company) filed an application for approval of its DSM/EE rider for 2022 (Application) and the direct testimony and exhibits of Shannon R. Listebarger, Manager – Rates and Regulatory Strategy for Duke Energy Carolinas, LLC, but supporting DEP as well, and Robert P. Evans, Senior Manager – Strategy and Collaboration for the Carolinas in the Company's Market Solutions Regulatory Strategy and Evaluation group.

On July 7, 2021, the Commission issued an order scheduling a hearing for September 21, 2021, establishing discovery guidelines, providing for intervention and testimony by other parties, and requiring public notice. DEP filed the affidavits of publication for the public notice as required by the Commission's July 7, 2021 Order.

The intervention of the Public Staff – North Carolina Utilities Commission (Public Staff) is recognized pursuant to N.C.G.S. § 62-15(d) and Commission Rule R1-19(e). On June 25, 2021, the North Carolina Sustainable Energy Association (NCSEA) filed a petition to intervene, which was granted on June 29, 2021. The Carolina Industrial Group for Fair Utility Rates III (CIGFUR) filed a petition to intervene on July 8, 2021, which was granted on July 9, 2021. On July 19, 2021, the Carolina Utility Customers Association, Inc. (CUCA) filed a petition to intervene, which was granted on July 19, 2021. On July 30, 2021, the North Carolina Justice Center (NC Justice Center), North Carolina Housing Coalition (NC Housing Coalition), and Southern Alliance for Clean Energy (SACE) (collectively, NC Justice Center, *et al.*) filed a petition to intervene, which was granted on August 11, 2021.

On August 11, 2021, DEP filed the supplemental testimony and Exhibit E of witness Evans.

On August 26, 2021, the NC Justice Center, *et al.* filed a motion for extension of time to file testimony. On August 27, 2021, the Commission granted the motion for extension.

On August 31, 2021, the Commission issued an order scheduling a remote hearing for expert witness testimony and requiring parties to file written statements of consent or objection by September 7, 2021, a list of potential cross-examination exhibits by September 15, 2021, and a list of potential redirect examination exhibits by September 17, 2021. All parties filed statements of consent to holding the expert witness hearing by remote means.

On September 9, 2021, the NC Justice Center, *et al.* filed the testimony and exhibits of Forest Bradley-Wright, the Energy Efficiency Director for SACE; and the Public Staff filed the testimony and exhibits of Michael C. Maness, Director of the Accounting Division, and David M. Williamson, Utility Engineer in the Energy Division.

On September 16, 2021, DEP filed the rebuttal testimony of witness Evans and Lynda Sleigher Shafer, Senior Strategy and Collaboration Manager.

On September 17, 2021, DEP filed a list of potential redirect examination exhibits. On that date, DEP, the Public Staff, and NC Justice Center, *et al.* filed a joint motion to excuse certain witnesses from appearing at the September 21, 2021 expert witness hearing. On September 20, 2021, the Commission issued an order granting the motion to excuse two witnesses.

The case came on for hearing as scheduled on September 21, 2021. No public witnesses appeared.

On September 22, 2021, DEP filed the redirect examination exhibits used during the expert witness hearing.

On October 5, 2021, DEP filed a Late-Filed Exhibit with information requested by the Commission during the expert witness hearing.

On October 7, 2021, the Commission issued a notice requiring that proposed orders and briefs be filed by November 8, 2021.

On October 21, 2021, the Public Staff filed a letter advising the Commission that it had completed its review of the costs of DEP's portfolio of DSM/EE programs and that, in light of the agreement reached regarding the Find It Duke channel, the Public Staff had found no material differences between the program costs as filed by the Company and the costs as reflected in the supporting documentation examined.

On October 22, 2021, DEP filed a Revised Late-Filed Exhibit No. 1.

On November 8, 2021, DEP and the Public Staff filed a joint proposed order.

<u>Cost Recovery Mechanism</u>

On June 15, 2009, in Docket No. E-2, Sub 931, the Commission issued an *Order Approving Agreement and Stipulation of Partial Settlement, Subject to Certain*

Commission-Required Modifications in DEP's first DSM/EE rider proceeding (Sub 931 Order). In the Sub 931 Order, the Commission approved, with certain modifications, an Agreement and Stipulation of Partial Settlement (Stipulation) between DEP, the Public Staff, and Wal-Mart Stores East, LP, and Sam's East, Inc., setting forth the terms and conditions for approval of DSM/EE measures and the annual DSM/EE rider proceedings pursuant to N.C.G.S. § 62-133.9 and Commission Rules R8-68 and R8-69. The Stipulation included a Cost Recovery and Incentive Mechanism for DSM and EE Programs (Original Mechanism), which was modified by the Commission in its Sub 931 Order and subsequently in its *Order Granting Motions for Reconsideration in Part* issued on November 25, 2009, in the same docket. The Original Mechanism as approved after reconsideration allowed DEP to recover all reasonable and prudent costs incurred and utility incentives earned for adopting and implementing new DSM and EE measures in accordance with N.C.G.S. § 62-133.9, Commission Rules R8-68 and R8-69, and the additional principles set forth in the Original Mechanism.

On January 20, 2015, in Docket No. E-2, Sub 931, the Commission issued an *Order Approving Revised Cost Recovery and Incentive Mechanism and Granting Waivers.* In that Order, the Commission approved an agreement between DEP, the Public Staff, Natural Resources Defense Council, and SACE proposing revisions to the Original Mechanism, generally to be effective January 1, 2016 (Revised Mechanism). The Revised Mechanism allows DEP to recover all reasonable and prudent costs incurred and utility incentives earned for adopting and implementing new DSM and EE measures in accordance with N.C.G.S. § 62-133.9, Commission Rules R8-68 and R8-69, and the additional principles set forth in the Revised Mechanism.

On November 27, 2017, in Docket No. E-2, Sub 1145 (Sub 1145), the Commission issued its *Order Approving DSM/EE Rider and Requiring Filing of Proposed Customer Notice* (Sub 1145 Order), in which it approved the agreement to revise certain provisions of the Revised Mechanism reached by the Company and the Public Staff. The Revised Mechanism, as revised by the Sub 1145 Order, is set forth in Maness Exhibit I filed in Sub 1145 and is referred to herein as the "Mechanism."

On October 20, 2020, in Docket Nos. E-2, Sub 931, and E-7, Sub 1032, the Commission issued its *Order Approving Revisions to Demand-Side Management and Energy Efficiency Cost Recovery Mechanisms* (2020 Sub 931 Order), in which it approved a revised prospective Mechanism (2020 Mechanism).The 2020 Mechanism includes the following substantive changes to the 2017 Mechanism that are applicable to DEP: (1) addition of a Program Return Incentive (PRI), an incentive to encourage DEP to pursue savings from existing and new low-income DSM/EE programs, and to maintain and increase the cost-effectiveness of these programs; (2) reduction of the Portfolio Performance Incentive (PPI) to 10.60%; (3) addition of a cap and floor on the PPI with a maximum margin of 19.50% for Vintage Year 2022 and afterward, and a minimum margin over aggregate pre-tax program costs for PPI eligible programs of 10% for Vintage Year 2022, 6% for Vintage Year 2023, and 2.50% for Vintage Year 2024 and afterward; (4) an assessment of whether it is appropriate to use non-energy benefits in the determination of cost-effectiveness under the Total Resource Cost Test (TRC); (5) clarification that bundled measures must be consistent with and related to the measure technologies or delivery channels of a program, unless otherwise ordered by the Commission; (6) use of the Utility Cost Test (UCT) to determine the cost-effectiveness of new and ongoing programs; (7) a review of Avoided Transmission and Distribution (T&D) Costs no later than December 31, 2021; and (8) an additional incentive of $500,000 if the Company achieves annual energy savings of 1.0% of the prior year's system retail electricity sales in any year during 2022 through 2025, and a penalty of a $500,000 reduction in its EE revenue requirement if the Company fails to achieve annual energy savings of 0.5% of retail sales, net of sales associated with customers opting out of the Company's EE programs. The 2020 Mechanism is effective for vintage years beginning with Vintage Year 2022; thus, the 2017 Mechanism applies to costs recovered through the EMF in this proceeding, while the 2020 Mechanism applies prospectively to costs projected and eventually trued up for Vintage Year 2022. Therefore, this cost recovery proceeding falls under the Commission's Sub 931 Orders approving both the 2017 Mechanism and the 2020 Mechanism.

<u>Docket No. E-2, Sub 1273</u>

Based upon consideration of DEP's Application, the pleadings, the testimony and exhibits received into evidence, the parties' briefs, and the record, the Commission now makes the following:

FINDINGS OF FACT

1. DEP is a duly organized limited liability company existing under the laws of the State of North Carolina, is engaged in the business of developing, generating, transmitting, distributing, and selling electric power to the public in North and South Carolina, and is subject to the jurisdiction of the Commission as a public utility. DEP is lawfully before this Commission based upon its application filed pursuant to N.C.G.S. § 62-133.9 and Commission Rule R8-69.

2. The test period for purposes of this proceeding extends from January 1, 2020, through December 31, 2020.

3. The rate period for purposes of this proceeding extends from January 1, 2022, through December 31, 2022.

4. DEP has requested approval for the recovery of costs, and utility incentives where applicable, related to the following DSM/EE programs:

Residential

- EE Education Program
- Multi-Family EE
- My Home Energy Report (MyHER)
- Neighborhood Energy Saver (Low-Income)
- Smart $aver EE Program
- New Construction Program
- EnergyWise Home (Load Control Program)
- Save Energy and Water Kit (now part of the EE Appliances Program)
- Energy Assessment
- Low-Income Weatherization Pay for Performance
- Energy Efficient Appliances and Devices Program

Non-Residential

- Smart $aver Energy Efficient Products and Assessments
- Smart $aver Performance Incentive Program
- Small Business Energy Saver
- Commercial, Industrial, and Governmental (CIG) Demand Response Automation
- EnergyWise for Business

Residential and Non-Residential

- Distribution System Demand Response (DSDR)
- EE Lighting

These programs are eligible for cost and utility incentive recovery, where applicable.

5. Pursuant to Paragraph 19 of the 2017 Mechanism and Paragraph 20 of the 2020 Mechanism, programs benefitting low-income customers are not required to be cost-effective for inclusion in the rider.

6. Because of its cost-effectiveness score under the UCT, placing the EnergyWise for Business program in maintenance mode where the Company will maintain the current level of capacity only by replacing lost customers is reasonable and appropriate.

7. For purposes of inclusion in this DSM/EE rider, the Company's portfolio of DSM and EE programs is otherwise cost-effective, and, with the exception of EnergyWise for Business program, the Commission does not direct that any action be taken on any of these programs at this time.

8. DEP's costs and revenues derived from referrals under the Find It Duke referral channel to persons who are not DEP ratepayers, and for referrals related to non-EE work, should not be included in DEP's costs and revenues under its Rider.

9. The evaluation, measurement, and verification (EM&V) reports filed in this proceeding are acceptable for purposes of this proceeding and should be considered complete for purposes of calculating program impacts. DEP has appropriately incorporated the results of these EM&V reports into the DSM/EE rider calculations.

10. The Company has complied with the Commission's requirement that DEP monitor the changes in annual ratios of allocations between non-DSDR and DSDR equipment and report the degree of change in its annual DSM/EE rider filing. Based on its review, the Company determined that the capacitor allocation ratio should be reduced

from 21.08 to 20.48 and the regulator allocation ratio should be elevated from 78.50 to 78.56 percent.

11. The Company appropriately included an 11.429% reserve margin adjustment factor when calculating the avoided capacity costs for purposes of the Company's Vintage 2022 DSM and EE programs.

12. In its direct testimony and exhibits, DEP requested the recovery of NLR in the amount of $33,654,874 and PPI in the amount of $23,943,428 through the EMF component of the total DSM/EE rider, and NLR of $36,418,070 and PPI of $17,552,489 for recovery in the forward-looking, or prospective component of the total rider. DEP's proposed recovery of NLR and PPI is consistent with the Mechanism and is appropriate.

13. For purposes of the DSM/EE rider to be set in this proceeding and subject to review in DEP's future DSM/EE rider proceedings, the reasonable and appropriate estimate of the Company's North Carolina retail DSM/EE program rate period amounts, consisting of its amortized operations and maintenance (O&M) costs, depreciation, capital costs, taxes, amortized incremental administrative and general (A&G) costs, carrying charges, NLR, and PPI, is $177,186,661 (excluding the North Carolina Regulatory Fee, or NCRF), and this is the appropriate amount to use to develop the forward-looking DSM/EE revenue requirement.

14. For purposes of the EMF component of its DSM/EE rider, DEP's reasonable and prudent North Carolina retail test period costs and incentives, consisting of its amortized O&M costs, capital costs, taxes, amortized incremental A&G costs, carrying charges, NLR, and PPI, are $166,226,042. Therefore, the test period revenue requirement, as reduced by the test period revenues collected and miscellaneous

adjustments, is $12,551,970, which is the test period under-collection that is appropriate to use as the DSM/EE EMF revenue requirement in this proceeding.

15. After assignment or allocation to customer classes in accordance with N.C.G.S. § 62-133.9, Commission Rule R8-69, and the Commission Orders in Docket No. E-2, Sub 931, the revenue requirements for each rate class, excluding the NCRF, are as follows:

DSM/EE PROSPECTIVE COMPONENT:	
Residential	$ 109,905,653
General Service EE	$ 61,008,078
General Service DSM	$ 5,842,139
Lighting	$ 430,791
Total	$ 177,186,661

DSM/EE EMF:	
Residential	$ 9,446,386
General Service EE	$ 3,851,530
General Service DSM	$ (764,895)
Lighting	$ 18,949
Total	$ 12,551,970

16. The appropriate and reasonable North Carolina retail class level kilowatt hour (kWh) sales for use in determining the DSM/EE and DSM/EE EMF billing factors in this proceeding are:

Rate Class	kWh Sales
Residential	16,576,122,049
General Service EE	9,578,145,621
General Service DSM	9,552,012,298
Lighting EE	360,847,443
Lighting DSM	360,212,520

17. The appropriate DSM/EE EMF billing factors, excluding NCRF, are: 0.057 cents per kWh for the Residential class; 0.040 cents per kWh for the EE component of

the General Service classes; (0.008) cents per kWh for the DSM component of the General Service classes, and 0.005 cents per kWh for the Lighting class. The factors do not change with the NCRF included.

18. The appropriate forward-looking DSM/EE rates to be charged by DEP during the rate period, excluding NCRF, are: 0.663 cents per kWh for the Residential class; 0.637 cents per kWh for the EE component of the General Service classes; 0.061 cents per kWh for the DSM component of the General Service classes; and 0.119 cents per kWh for the Lighting class. The appropriate forward-looking DSM/EE rates to be charged by DEP during the rate period, including NCRF, are: 0.664 cents per kWh for the Residential class; 0.638 cents per kWh for the EE component of the General Service classes; 0.061 cents per kWh for the DSM component of the General Service classes; and 0.119 cents per kWh for the Lighting class.

19. The appropriate total DSM/EE annual riders including the forward looking and the EMF rate (including NCRF) for the Residential, General Service, and Lighting rate classes are increments of 0.721 cents per kWh for the Residential class, 0.678 cents per kWh for the EE portion of the General Service class, 0.053 cents per kWh for the DSM portion of the General Service class, and 0.124 cents per kWh for the Lighting class.

20. DEP should continue to leverage its collaborative stakeholder meetings (Collaborative) to expand on the existing discussions related to the decline in current and forecasted energy savings and the expansion and improvements of low-income EE programs and other program design issues raised in the testimony of NC Justice Center, *et al.* witness Bradley-Wright and provide a summary of those discussions in the Company's next DSM/EE rider filing.

21. It is not necessary for the Company to track savings resulting from the Collaborative's suggested programs.

22. It is not necessary for the Company to quantify and report carbon savings associated with its DSM/EE portfolio in this DSM/EE rider proceeding, because there are no recognized financial impacts within Commission Rule R8-68 and the Mechanism associated explicitly with such carbon savings; therefore quantifying and reporting carbon savings from DSM/EE programs is beyond the scope of DEP's annual DSM/EE cost recovery proceedings at this time.

23. It is appropriate for the Collaborative to continue to emphasize developing and expanding EE programs to assist low-income customers in saving energy and reducing their energy burdens.

24. The Company should continue Collaborative meetings so that the combined DEP/Duke Energy Carolinas, LLC (DEC) Collaborative meets every two months.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 1

This finding of fact, which is supported by DEP's Application, is essentially informational, procedural, and jurisdictional in nature, and is uncontroverted.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 2-3

No party opposed DEP's proposed rate period and test period. The rate period and test period proposed by DEP are reasonable and consistent with the Mechanism approved by the Commission.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 4

The evidence for this finding of fact can be found in DEP's Application, the testimony and exhibits of DEP witnesses Listebarger and Evans, the testimony of Public Staff witness Williamson, and various Commission orders in program approval dockets.

DEP witness Listebarger's testimony shows the portfolio of DSM/EE programs that is associated with the Company's request for approval of this rider. (Tr. 68.) The direct testimony of DEP witness Evans lists the DSM/EE programs for which the Company is requesting cost recovery, and incentives where applicable, in this proceeding. (Tr. 31.) Those programs are:

Residential

- EE Education Program
- Multi-Family EE
- MyHER
- Neighborhood Energy Saver (Low-Income)
- Smart $aver EE Program (formerly, Home Energy Improvement Program)
- New Construction
- EnergyWise (Load Control)
- Save Energy and Water Kit
- Energy Assessment
- Low-Income Weatherization Pay for Performance

Non-Residential

- Smart $aver Energy Efficient Products and Assessments (formerly, EE for Business)
- Smart $aver Performance Incentive Program
- Small Business Energy Saver
- CIG Demand Response Automation
- EnergyWise for Business

Residential and Non-Residential

- DSDR
- EE Lighting

(Tr. 31.)

In his testimony, Public Staff witness Williamson also listed the DSM/EE programs for which the Company seeks cost recovery and noted that each of these programs has received approval as a new DSM or EE program and is eligible for cost recovery in this proceeding under N.C.G.S. § 62-133.9. (Tr. 141-43.)

Thus, the Commission finds and concludes that each of the programs listed by witnesses Evans and Williamson has received Commission approval as a new DSM or EE program and is, therefore, eligible for cost recovery in this proceeding under N.C.G.S. § 62-133.9.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 5-8

The evidence for these findings can be found in the testimony and exhibits of Company witness Evans, the testimony and exhibits of Public Staff witnesses Williamson and Maness, the testimony of NC Justice Center, *et al.,* witness Bradley-Wright, and previous Commission orders.

DEP witness Evans testified that the Company reviewed the portfolio of DSM/EE programs and performed prospective analyses of each of its programs and the aggregate portfolio for the Vintage 2022 period, the results of which are incorporated in Evans Exhibit No. 7. (Tr. 33.) DEP's calculations indicate that the following programs do not pass the TRC threshold of 1.00: the Neighborhood Energy Saver Program, which was not cost-effective at the time of approval, but was instead approved based on societal benefits; the Low-Income Weatherization Pay for Performance Pilot Program, and EnergyWise for Business. (Tr. 33; Evans Ex. 7.) Witness Evans reported that DEP's portfolio of programs continues to project cost-effectiveness in the aggregate. (Tr. 33.)

Witness Evans noted that the cost-effectiveness for EnergyWise for Business Program is a concern with its 0.28 UCT score and reported that the Company is placing the program in a maintenance mode where the Company will maintain the level of capacity only by replacing lost customers. (Tr. 33.)

Public Staff witness Williamson stated in his testimony that he reviewed DEP's calculations of cost-effectiveness under each of the four standard cost-effectiveness tests – UCT, TRC, Participant, and Ratepayer Impact Measure tests. (Tr. 144.) The Public Staff also compared the cost-effectiveness test results in previous DSM/EE proceedings to the current filing and developed a trend of cost-effectiveness that serves as the basis for the Public Staff's recommendation of whether a program should be terminated. (Tr. 145-46.) Witness Williamson testified that although many programs continue to be cost-effective, the TRC and UCT scores as filed by the Company for all programs have a natural ebb and flow over time, mainly due to changes in avoided costs and updated EM&V and program participation. (Tr. 146; Williamson Exhibit 2.) Witness Williamson concluded that the rolling record of cost-effectiveness results is showing a downward trend for most programs, with regard to the TRC and UCT tests. Witness Williamson went on to state that the remaining programs appear to be stable with their annual TRC and UCT test results. He also confirmed that the historical performance of the programs continues to be reasonable but raised some concerns about those programs to bring to the Commission's attention for consideration in future rider proceedings. (Tr. 148-49.)

Witness Bradley-Wright also agreed that the Company's DSM/EE programs continued to be cost-effective and delivered financial value to its customers. He noted that the net present value of avoided costs was substantially lower than in previous years, but still amounted to approximately $136.6 million of financial benefit for the customers. (Tr. 94.)

No party contested the cost-effectiveness of the Company's DSM/EE portfolio or DEP's decision to place Energy Wise for Business into maintenance mode. Based upon the forgoing, therefore, the Commission concludes that based on the Company's aggregate DSM/EE portfolio projects cost-effectiveness, that it will not direct the Company to modify or terminate any of its DSM/EE programs in this proceeding. Below, the Commission makes specific findings and conclusions as to the individual programs about which the Public Staff expressed concerns.

Find it Duke Referral Channel

Witness Williamson testified that the Company should refine its referral channel accounting to allow only referral dollars specifically related to Residential EE to be included in the referral channel for the Residential Smart Saver program, and book other revenues appropriately. (Tr. 152.) Witness Maness echoed Public Staff witness Williamson's concerns with the Find It Duke referral channel. He noted that witness Williamson recommended that the Company refine its accounting so that the only revenues credited as offsets against DSM/EE program cost accounts are those related to DSM/EE measures installed as a result of the referral. Witness Maness recommended that the same treatment be given to costs associated with administering and operating the referral effort. (Tr. 186)

Public Staff witness Williamson noted in his testimony, however, that the Company and the Public Staff had reached an agreement to work to resolve these concerns and report on their efforts in the 2022 DEP DSM/EE rider proceeding. Therefore, the Public

Staff did not recommend that DEP make any changes to its accounting related to Find it Duke costs or revenues at this time. (Tr. 152.),

In his rebuttal testimony responding to Public Staff witness Maness, witness Evans referred to the Commission's September 10, 2021 *Order Approving DSM/EE Rider and Requiring Filing of Proposed Customer Notice*, issued in Docket No. E-7, Sub 1249, which applied to Duke Energy Carolinas, LLC (DEC Order). Consistent with the DEC Order, witness Evans indicated that DEP is working to identify and quantify the applicable non-EE related referral costs and revenues in the Find it Duke referral channel. (Tr. 204.)

In response to a request from the Commission, DEP also filed a late-filed exhibit that detailed DEP's responses to Commission questions at the evidentiary hearing on Find it Duke on October 5, 2021. Upon discovering additional information relevant to the Commission's questions, the Company filed a revised late-filed exhibit on October 22, 2021. The Company's responses provided the following statistics about Find it Duke in 2020 (with the question/answer number in brackets):

(1) Number of businesses participating – 77 [No. 6]

(2) Number of DEP ratepayers that contracted with a Find it Duke business solely for EE improvements – 7,515 [No. 9]

(3) Number of DEP ratepayers that contracted with a Find it Duke business for EE improvements and non-EE improvements – 7,896 [No. 10]

(4) Number of DEP ratepayers that contracted with a Find it Duke business solely for non-EE improvements – 381 [No. 11]

(5) Number of non-DEP ratepayers that contracted with a Find it Duke business through a Find it Duke referral – 5 [No. 13]

(6) DEP's total cost of operating Find it Duke - $542,926 [No. 17]

(7) DEP's total revenue from operating Find it Duke - $241,455 [No. 18]

In response to several Commission questions about recruitment of and participation in Find it Duke by historically disadvantaged businesses, DEP stated that it has not acquired such information, but is working with Duke Energy's Supplier Diversity team to collect this data in the future.

According to DEP's responses to the Commission's questions and as indicated above, DEP made 381 referrals to DEP ratepayers for solely non-EE work in 2020. In addition, five referrals were made to non-DEP ratepayers that contracted with a Find it Duke business through a Find it Duke referral.

The Commission reviewed a similar issue in DEC's 2021 DSM/EE rider in Docket No. E-7, Sub 1249. In that proceeding, the Commission determined that it was not appropriate for DEC to recover through its EE rider costs of Find it Duke referrals made either to persons who are not DEC ratepayers or for non-EE work. The Commission directed DEC to remove those costs and revenues from that docket and from future EE rider proceedings. The Commission believes it is appropriate to conclude similarly for DEP in this proceeding. Therefore, DEP should work with the Public Staff to revise the billing factors impacted by the removal of the Find it Duke revenues and costs disallowed for inclusion in the EE rider herein and file its updated billing factors and proposed Notice to Customers with the Commission. Further, DEP should file its calculations and workpapers clearly showing the costs and revenues excluded and the method(s) used to exclude such amounts from the EE rider.

In the DEC Sub 1249 proceeding, DEC indicated in its Compliance Filing that the Public Staff had informed DEC that for purposes of that proceeding, on an interim basis, the Public Staff did not object to the proposed revised Rider EE billing factors filed therein. The Public Staff had also informed the Company that due to the complexities involved in identifying *Find It Duke* costs and revenues, further work on its part was necessary to fully complete its review and audit of the Company's allocation calculation and adjustment. Therefore, the Public Staff had recommended to the Company that the ultimate determination of the appropriate and reasonable Test Year 2020 *Find It Duke* allocations remain open until DEC's 2022 Rider EE proceeding, and the affected billing factors remain subject to true-up in the DSM/EE Experience Modification Factors set as a result of that proceeding. DEC agreed with the Public Staff's proposal. The Commission concludes that the same approach is appropriate and reasonable for this proceeding. In addition, the Commission concludes that DEP should include updated responses to the information requested by the Commission about recruitment of participation in Find it Duke of historically disadvantaged businesses in DEP's testimony in its 2022 EE rider proceeding.

<u>DSDR-related costs</u>

Witness Williamson also expressed concern about the recovery of DSDR-related costs in the Company's DSM/EE rider. He recounted that in DEP's most recent rate case, the Commission ordered that in its next general rate case DEP shall file a proposal for moving all DSDR and Conservation Voltage Reduction (CVR) costs into base rates. Witness Williamson stated the Public Staff agreed with the Commission's directive. (Tr. 153.)

In the Commission's December 17, 2020 *Order Approving DSM/EE Rider and Requiring Filing of Proposed Customer Notice*, in Docket No. E-2, Sub 1252 (Sub 1252 Order), the Commission directed DEP to explain how it would distinguish between peak demand and energy savings between the Grid Improvement Plan (GIP) and DSM/EE program. Witness Evans testified that with respect to GIP, only the DEP DSDR to CVR process within GIP is anticipated to result in demand and energy savings. Furthermore, witness Evans testified, the Company was working to (1) determine the amount of peak reduction capacity that will be lost due to the conversion and propose a method of replacing that lost capacity in Docket No. E-100, Sub 165 (the integrated resource plan (IRP); (2) file in the IRP docket and Docket No. E-2, Sub 926, a revised DSDR-CVR conversion cost-benefit analysis that incorporates the cost of replacing any lost peak reduction capacity; and (3) file an updated report in the IRP docket and Sub 926 that estimates CVR's anticipated capital and operation and maintenance costs, peak reduction, and energy savings for the next 10 years. Witness Evans confirmed that DEP planned to file this information by August 1, 2021.

Conclusions

No party challenged inclusion of the above-listed programs in the Company's DSM/EE rider for cost recovery. However, with respect to the Find it Duke referral channel that is part of the Residential Smart Saver EE program, the Commission has already concluded, in Docket No. E-7, Sub 1249, that DEC should not book costs or revenues associated with non-EE referrals through the Find it Duke channel to the rider. The issue before the Commission in this proceeding is the same; therefore, the Commission similarly concludes that DEP should not book costs or revenues associated with non-EE referrals through the Find it Duke Channel to the DEP DSM/EE rider. The Commission further notes that DEP will file its proposal to move all DSDR and CVR costs into base rates when the Company files its next general rate case.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 9

The evidence for this finding of fact can be found in the testimony and exhibits of DEP witness Evans and the testimony of Public Staff witness Williamson.

DEP witness Evans testified regarding the EM&V process, activities, and results presented in this proceeding. (Tr. 35-38.) He explained that the EMF component of the Company's DSM/EE rider incorporates actual customer participation and evaluated load impacts determined through EM&V and applied pursuant to the Revised Mechanism. (Tr. 36-38.) In this proceeding, the Company submitted, as exhibits to witness Evans' testimony, detailed completed EM&V reports or updates for the following programs:

- Save Energy and Water Kits 2018-2019 (Evans Exhibit A)
- Multi-Family Energy Efficiency Program 2017 – 2018 (Evans Exhibit B)
- Non-residential Smart Saver Prescriptive Program Evaluation Report – 2017-2018 (Evans Exhibit C)
- 2020 EM&V Interim Report for the EnergyWise Business Program (Evans Exhibit D)
- Report for the Company's EnergyWise Home Program (Supplemental Evans Exhibit E)

In his testimony, Public Staff witness Williamson testified that the Company is complying with the various Commission orders regarding EM&V of its DSM/EE portfolio. (Tr. 157.) He did, however, make recommendations to the Commission on the EM&V report for the Save Energy and Water Kit (SEWK) program (Evans Exhibit A) and Non-Residential Smart Saver Prescriptive Program (Evans Exhibit C). (Tr. 158.)

With respect to the SEWK program, witness Williamson testified that in the previous DEP proceeding in Docket No. E-2, Sub 1252, the Public Staff noted that further investigation was needed into the discrepancies between the billing and engineering analyses. The continued investigation, however, has not resulted in a definitive answer. The Public Staff recommended that there be appropriate application of billing versus engineering analyses for the determination of impacts. For purposes of this proceeding, however, the Public Staff recommended that the SEWK program report not be delayed and for it to be accepted, with the condition that further reports that have discrepancies between the billing and engineering analyses provide additional information explaining why a particular analysis was chosen for that report. (Tr. 158-59.)

With respect to the Non-Residential Smart Saver Prescriptive Program, witness Williamson testified that that its savings and impacts were evaluated by Opinion Dynamics (Evans Exhibit C) for the period spanning March 1, 2017, to December 31, 2018. The review found that the data recording process for this evaluation could be optimized, specifically for lighting-related measures since these measures provide the bulk of the total savings associated with this program. During discovery, the Company provided information that revealed that while lighting impacts were being accurately accounted for, measure descriptions provided a range of wattages, which made it challenging to review data associated with the program. Witness Williamson testified that the Public Staff's investigation indicates that the impacts of these measures were accounted for appropriately and that this report should be accepted. Witness Williamson recommended, however, that the evaluator should work to refine how the Company records its measure-level impacts for this program. (Tr. 159.)

No party contested the EM&V information submitted by the Company. The Commission therefore finds that the EM&V reports filed as Evans Exhibits A, B, C, and D and Evans Supplemental Exhibit E are acceptable for purposes of this proceeding and should be considered complete for purposes of calculating program impacts. Further, the Commission concludes that DEP is appropriately incorporating the results of Evans Exhibits A, B, C, and D and Evans Supplemental Exhibit E into its DSM/EE rider calculations.

Based upon the testimony and evidence cited above, the Commission finds the net energy and capacity savings derived from the EM&V to be reasonable and appropriate. Further, the Commission concludes that DEP is appropriately incorporating the results of EM&V into the DSM/EE rider calculations.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 10

The evidence for this finding of fact can be found in the testimony of DEP witness Evans.

The Commission's *Order Approving DSM/EE Rider and Requiring Filing of Proposed Customer Notice*, issued November 16, 2015, in Docket No. E-2, Sub 1070, directed DEP to file all changes in annual ratios of allocations between non-DSDR and DSDR equipment, report the degree of change in its annual DSM/EE rider filing, and provide such changes to the Public Staff as they become available. Witness Evans testified that the Company conducted a review of 2,098 units during the summer of 2020 and determined that the capacitor allocation ratio should be reduced from 21.48% to 20.35%, and the regulator allocation ratio should be reduced from 78.56% to 77.64%. Witness Evans indicated that the same units would be reviewed during the summer of 2021, and any further changes would be communicated to the Public Staff and implemented on January 1, 2022. (Tr. 26.) The Commission concludes that DEP should continue to file reports of changes to its allocations between non-DSDR and DSDR equipment in future proceedings and provide the Public Staff with information on any changes to the allocation factor as they become available.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 11

The evidence for this finding of fact can be found in the testimony and exhibits of DEP witness Evans and the testimony of Public Staff witness Williamson.

Company witness Evans proposed a reserve margin adjustment factor (RMAF) of 11.429% to apply to the 2022 avoided capacity values associated with EE savings in its application. He reported that at the January 29 Collaborative meeting, the Company shared its proposed methodology to calculate the RMAF to be applied to Vintage 2022, as well as the underlying facts supporting the amount. No party disagreed with the proposed RMAF or the facts supporting it. (Tr. 24.)

Witness Evans listed four facts that substantiate and support the proposed RMAF. First, the Company's IRP included a 17% reserve margin applied to supply side resources. Second, EE measures included in the Company's DSM portfolio are assigned Peak kilowatt (KW) reductions, subject to validation through routine EM&V. Third, the avoided capacity rate to be applied in the valuation of these Peak KW reductions complies with the methodology approved in the 2020 Sub 1032 Order, issued October 20, 2020. Fourth, the Avoided Capacity Rate as described above includes a Performance Adjustment Factor (PAF) of 1.05, which is intended to represent an estimated Equivalent Forced Outage Rate. (Tr. 25.)

Public Staff witness Williamson testified that, for purposes of this proceeding, the Public Staff agreed with the inclusion of the RMAF adjustment. He noted, however, that the Public Staff opposes the Company making changes to the methodology for calculating inputs to the Mechanism or for calculating the Mechanism without first bringing the changes to the attention of the other parties for review and Commission approval. Therefore, witness Williamson recommended that the Company explain in direct testimony in each rider proceeding the rationale for, and effect of, any such changes. Witness Williamson concluded that the RMAF adjustment should be included in the avoided capacity benefits of EE measures for future vintages. He indicated that in calculating the RMAF adjustment, the currently approved PAF should be removed from the recognized reserve margin, which DEP has proposed in this proceeding. The Public Staff finally recommended that the Company should collaborate with the Public Staff to codify this language in its cost recovery mechanism to reflect the process change. (Tr. 156-57.)

No party disputed the application of the 11.429% RMAF to the capacity savings associated with EE programs. Therefore, the Commission approves the RMAF proposed by DEP for purposes of this proceeding. The Commission further directs DEP and the Public Staff to collaborate to codify this language in the cost recovery mechanism to reflect this process change.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 12-19

The evidence for these findings of fact can be found in the direct testimony and exhibits of DEP witness Listebarger and the direct testimony and exhibits of Public Staff witness Maness.

DEP witness Listebarger calculated proposed North Carolina retail NLR in the amount of $33,654,874 and a PPI in the amount of $23,943,428 for the EMF component of the total DSM/EE rider, as reflected in Listebarger Exhibit 2, page 6, and North Carolina retail NLR of $36,418,070 and a PPI of $17,552,489 for the forward-looking, or prospective component of the total rider, as reflected on Listebarger Exhibit 2, page 3. Witness Listebarger testified that, for purposes of the EMF component of its DSM/EE rider, DEP's reasonable and prudent North Carolina retail test period costs and incentives, consisting of its amortized O&M costs, capital costs, taxes, amortized incremental A&G costs, carrying charges, NLR, and PPI, were $166,226,042. Witness Listebarger's testimony and exhibits also indicated that the amount of test period DSM/EE rider revenues and miscellaneous adjustments to take into consideration in determining the test period DSM/EE under- or over-recovery is $153,674,073. Therefore, the test period revenue requirement, as reduced by the test period revenues collected and miscellaneous adjustments, is $12,551,970, which is the test period under-collection that is appropriate to use as the DSM/EE EMF revenue requirement in this proceeding. (Tr. 72.)

Witness Listebarger also calculated DEP's estimate of its North Carolina retail DSM/EE program rate period amounts, consisting of its amortized O&M costs, depreciation, capital costs, taxes, amortized incremental A&G costs, carrying charges, NLR, and PPI, as $177,186,661. (Tr. 71-72.) The $177,186,661 revenue requirement includes: (1) $24,462,595 for anticipated rate period program expenses; (2) amortizations and carrying costs associated with deferred prior period costs totaling $74,888,773; (3) recovery of DSDR depreciation and capital costs totaling $23,864,734; (4) NLR for the rate period totaling $36,418,070 for vintage years 2019 through 2022; and (5) PPI totaling $17,552,489 associated with vintage years 2012 through 2022. (Tr. 72.)

According to the exhibits of DEP witness Listebarger, after assignment or allocation to customer classes in accordance with N.C.G.S. § 62-133.9, Commission Rule R8-69, and the Commission Orders in Docket No. E-2, Sub 931, the revenue requirements for each class, excluding NCRF, are as follows:

DSM/EE PROSPECTIVE COMPONENT:	
Residential	$109,905,653
General Service EE	61,008,078
General Service DSM	5,842,139
Lighting	430,791
Total	$177,186,661

DSM/EE EMF:	
Residential	$9,446,386
General Service EE	3,851,530
General Service DSM	(764,895)
Lighting	18,949
Total	$12,551,970

(Listebarger Exhibit 2, p. 1 of 7, p. 2 of 7, p. 4 of 7 and p. 5 of 7)

Witness Listebarger's exhibits also set forth the North Carolina retail class level kWh sales that DEP believes are appropriate and reasonable for use in determining the DSM/EE and DSM/EE EMF billing factors in this proceeding. She adjusted the kWh sales to exclude estimated sales to customers who have opted out of participation in DEP's DSM/EE programs. (Tr. 78-79.) Based on her exhibits, the appropriate and reasonable North Carolina retail class level kilowatt-hour (kWh) sales for use in determining the DSM/EE and DSM/EE EMF billing factors in this proceeding are:

Rate Class	kWh Sales
Residential	16,576,122,049
General Service EE	9,578,145,621
General Service DSM	9,552,012,298
Lighting EE	360,847,443
Lighting DSM	360,212,520

(Listebarger Exhibit 2, pp. 1-2 of 7.)

Witness Listebarger testified that the proposed DSM/EE rates recover costs to be incurred from January 1, 2022, through December 31, 2022. The DSM/EE EMF is a true-up mechanism recognizing costs and recoveries for the test period of January 1, 2020, through December 31, 2020. She further testified that DEP proposed the following total DSM/EE billing factors, excluding NCRF: 0.720 cents per kWh for the Residential class; 0.677 cents per kWh for the EE component of the General Service classes; 0.053 cents per kWh for the DSM component of the General Service classes; and 0.124 cents per kWh for the Lighting class. Witness Listebarger next testified that, including the NCRF, the appropriate DSM/EE billing factors are 0.721 cents per kWh for the Residential class and 0.678 cents per kWh for the EE component of the General Service classes. The DSM/EE billing factors for the DSM component of the General Service classes and the Lighting classes do not change when the NCRF is included. (Tr. 81-82.)

Witness Listebarger also testified that the final order in the general rate case, issued April 16, 2021 in Docket No. E-2, Sub 1219 (final order), directed DEP to refund certain amounts owed to customers related to excess deferred income taxes (EDIT) resulting from the reduction in federal corporate income taxes pursuant to the Tax Cuts and Jobs Act, through a reduction in base rates rather than through a rider. The refunded amounts are the "protected" EDIT amounts, generally related to Property, Plant, and Equipment, for which there are specific ratemaking requirements prescribed by the Internal Revenue Service. Lost revenue rates for 2020 have been trued up to reflect the final order, and the projected 2022 lost revenue rates also reflect the final order. (Tr. 77.)

As discussed earlier in this Order, Public Staff witness Maness testified that the referable services provided by the Find it Duke referral channel initially included referrals for contractors associated with measures under the Residential Smart Saver Program, but had expanded to include referrals that were not DSM/EE related. Therefore, he recommended that the Company refine its Find it Duke accounting to properly assign, apportion, or allocate costs to DSM/EE and non-DSM/EE efforts. (Tr. 186.)

Witness Maness concluded that other than the Find it Duke issue, the Public Staff found no errors or other issues necessitating an adjustment to DEP's proposed billing factors. (Tr. 188.)

Conclusions

Based on the foregoing, the Commission finds and concludes that, with the exception of the prospective billing factor for residential customers resulting from the Commission's determination that residential billing factors should reflect removal of non-EE Find it Duke costs and revenues, DEP has complied with N.C.G.S. § 62-133.9, Commission Rule R8-69, and previous Commission orders regarding calculating costs and utility incentives for the test and rate periods at issue in this proceeding.

Therefore, the Commission concludes that for purposes of the DSM/EE EMF billing rates to be set in this proceeding, DEP's reasonable and prudent North Carolina retail test period costs and incentives, consisting of its amortized DSM/EE O&M costs, capital costs, taxes, amortized incremental A&G costs, carrying charges, NLR, and PPI, are $166,226,042 (excluding the NCRF). The reasonable and appropriate amount of test period DSM/EE rider revenues and adjustments to take into consideration in determining the test year and prospective period DSM/EE under- or over-recovery is $153,674,073 (excluding the NCRF). Therefore, the aggregate DSM/EE under-recovery for purposes of this proceeding is $12,551,970.

For purposes of the DSM/EE rider to be set in this proceeding, and subject to review in DEP's future DSM/EE rider proceedings, the Commission concludes that DEP's reasonable and appropriate estimate of its North Carolina retail DSM/EE program rate period amounts, consisting of its amortized O&M costs, capital costs, taxes, amortized incremental A&G costs, carrying charges, NLR, and PPI is $177,186,661 (excluding the NCRF), which is the appropriate amount to use to develop the DSM/EE revenue requirement.

For the revenue requirements per class, the Commission concludes that after assignment or allocation to customer classes in accordance with N.C.G.S. § 62-133.9, Commission Rule R8-69, and the orders in Docket No. E-2, Sub 931, the revenue requirements for each class, excluding NCRF, are as follows:

DSM/EE PROSPECTIVE COMPONENT:	
Residential	$109,905,653
General Service EE	61,008,078
General Service DSM	5,842,139
Lighting	430,791
Total	$177,186,661

DSM/EE EMF:	
Residential	$9,446,386
General Service EE	3,851,530
General Service DSM	(764,895)
Lighting	18,949
Total	$12,551,970

Furthermore, the Commission finds that the appropriate and reasonable North Carolina retail class level kWh sales for use in determining the DSM/EE and DSM/EE EMF billing factors in this proceeding are as follows: Residential class - 16,576,122,049; General Service class EE - 9,578,145,621; General Service class DSM - 9,552,012,298;

Lighting class DSM – 360,212,520; and Lighting class EE - 360,847,443. (Listebarger Exhibit 2, pp. 1 and 2 of 7.)

Based on the testimony and exhibits of witnesses Listebarger and Evans, the testimony and exhibits of witness Maness, and the entire record in this proceeding, the Commission finds and concludes that with the exception of the prospective residential billing factors, the DSM/EE EMF billing factors as proposed by DEP are appropriate and the forward-looking DSM/EE rates to be charged during the rate period for the Residential, General Service, and Lighting rate schedules are as follows:

DSM/EE PROSPECTIVE COMPONENT (₵/kWh):		
	Excluding NCRF	Including NCRF
Residential	0.720	0.721
General Service EE	0.677	0.678
General Service DSM	0.053	0.053
Lighting	0.124	0.124

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 20-24

The evidence for these findings of fact can be found in the testimony of NC Justice Center, *et al.* witness Bradley-Wright, Public Staff witness Williamson, and DEP witness Evans.

Company witness Evans reported that during vintage 2020, DEP's DSM/EE programs delivered almost 355 million kWh of energy savings and close to 314 MW of capacity savings, which produced a net present value of avoided cost savings of close to $136 million. (Tr. 33.) He noted that most programs significantly underperformed due to the COVID pandemic. (*Id.*) Two programs- the Energy Efficient Lighting Program and the Residential MyHER significantly outperformed compared to their original energy savings estimates. When compared to the estimates originally filed for Vintage 2020, the programs exceeded projections by 111 percent and 34 percent, respectively. The non-residential program that outperformed expected energy savings from those forecasted for 2020 – EnergyWise for Business Program – produced energy savings that exceeded DEP's projections by 904 percent. The difference was primarily associated with EM&V results. (Tr. 33.)

Witness Evans also described the actions that DEP had taken with the Collaborative in response to the Commission's Sub 1252 Order. He reported that the Collaborative met for formal meetings in January, March, May, July, September, and November. Between meetings, interested stakeholders joined conference calls in February, April, May, August, October, and December to focus on certain agenda items or priorities that could not be explored during regular meetings. Witness Evans indicated that the Collaborative spent time last year looking specifically at each program and how it could adapt to the challenges posed by the pandemic. He stated that the Collaborative would continue to examine customer behavior and potential adjustments to the program portfolio as conditions change. The Collaborative will continue to meet every other month in 2021. (Tr. 24-25.)

Witness Evans further testified that the forecasted decline in savings underpinned all of the Collaborative's discussions in 2020. As the decline is due primarily to the changing lighting standards and widespread adoption of LEDs, the members made bringing new ideas to the Company a priority. The Company is now investigating several of these ideas to determine if they can be developed into cost-effective programs now or in the future. The Collaborative also looked at EE programs to assist low-income customers in saving energy. Because of the financial hardships created by the ongoing pandemic, the Collaborative suggested several ideas, such as developing partnerships with organizations that provide weatherization assistance. (Tr. 23-24.)

Witness Evans also described how opt-outs by qualifying non-residential customers have impacted DEP's overall non-residential participation and the associated impacts. For Vintage 2020, DEP had 5,233 eligible customer accounts opt out of participating in DEP's non-residential portfolio of EE programs and 5,441 eligible customer accounts opt out of participating in DEP's non-residential portfolio of DSM programs. This represented a decrease in opt-outs from the 5,868 EE accounts and 5,759 DSM accounts that opted out in 2019. Additionally, witness Evans testified that during 2020, 23 opt-out eligible accounts opted in to the EE portion of the rider, and six opt-out eligible accounts opted in to the DSM portion of the rider. The Company is continuing its efforts to attract program participants from opt-out customers. Witness Evans explained that the Company continues to evaluate and revise its non-residential programs to accommodate new technologies, eliminate product gaps, remove barriers to participation, and make its programs more attractive. (Tr. 38.)

Although Witness Bradley-Wright noted that in 2020, DEP's reported energy efficiency savings were lower than in each of the previous three years, he commended DEP for proactively adjusting its approach in light of unprecedented challenges resulting from the COVID-19 pandemic. In 2020, DEP delivered 307.2 gigawatt hours (GWh) of efficiency savings at the meter, equal to 0.70% of the previous year's retail sales. Witness Bradley-Wright testified that this reflects a 12.2% decline in total savings from the previous year when the Company reported 350 GWh in annual efficiency savings. Witness Bradley-Wright also characterized DEP's projected annual energy savings for its entire portfolio as being so conservative that they were nearly achievable even during a global pandemic. (Tr. 93.)

Witness Bradley-Wright further testified that DEP has not achieved the 1% target annual savings threshold that was agreed to in the recently approved Settlement Agreement negotiated between DEP, DEC, the Natural Resources Defense Council, SACE, Sierra Club, South Carolina Coastal Conservation League, NCSEA, and the North Carolina Attorney General's Office and approved by the South Carolina Public Utilities Commission in October 2020. The provisions of this Settlement Agreement go into effect in 2022. Witness Bradley-Wright recommended that the Commission assess DEP's performance in comparison to the 1% annual savings target adopted in South Carolina. (Tr. 102-03.) Witness Bradley-Wright also recommended that the DSM/EE rider and IRP both reflect the full range of available cost-effective EE and demand response resources to ensure that ratepayers are not unduly burdened with costs that could be avoided through cost-effective investments in DSM/EE. (Tr. 104.)

Witness Bradley-Wright also testified that the Companies' DSM/EE market potential study (MPS) omitted emerging technologies and failed to consider changes to customer engagement strategies or program designs that may increase customer participation. (Tr. 105.) He suggested that, with input from the Collaborative, DEP should plan to consider opportunities for new, expanded, and enhanced efficiency program offerings and refinements to program delivery practices and potential policy changes. (Tr. 105.) Without this additional progress toward a defined savings target, he predicted DEP would have difficulty reaching higher levels of efficiency savings. (Tr. 106.) He compared DEP to DEC, which has historically delivered higher annual efficiency savings, and recommended that other utilities had experience in identifying new savings strategies that could be examined. (Tr. 107.)

Witness Bradley-Wright also listed several program proposals that the Collaborative stakeholders have submitted to help increase the Company's efficiency savings. The listed programs were: (1) Low-income Housing Tax Credit (March 2019); (2) Energy Star Retail Products Platform; (3) Program Savings from Building Codes and Standards; (4) Residential Low-Income Single-Family Heat Pump Water Heater Rental Program; (5) Non-Residential Multifamily Heat Pump Water Heater Rebate Program; (6) Manufactured Homes Retrofit Program; and (7) Manufactured Home New and Replacement Programs. All of these programs were submitted in the March 2019 – August 2020 timeframe. (Tr. 110.) Witness Bradley-Wright asserted that the Company had taken these programs for internal review and consideration, but there has been little action and none of the recommended programs have been submitted for approval. (Tr. 111.)

Witness Bradley-Wright also asserted that Company representatives never mentioned to the Collaborative that they were estimating significant increases of 25% to 57% in savings for many of their existing programs and that they were estimating a substantial decrease in multi-family savings, by 30%. This denied Collaborative members a chance to comment on or contribute to DEP's plans for existing programs in 2022. (Tr. 111-12.)

With respect to low-income efficiency savings, witness Bradley-Wright testified that DEP's low-income efficiency programs were negatively impacted to a considerable degree by the COVID-19 pandemic. He reported that in 2020, the Neighborhood Energy

Saver program's savings decreased by 84%. He further noted that the Multi-Family Energy Efficiency program, which benefits significant numbers of low-income customers, also decreased in savings by 76% in 2020. (Tr. 98.) Witness Bradley-Wright also expressed concern because the budgets and impacts of DEP's programs that aim specifically to serve low-income customers lag far behind what DEC has delivered. He recommended that DEP try to match DEC's recent performance. (Tr. 98.) He contrasted DEC's success with DEP's, indicating that DEC achieved greater success for its low-income customers in 2020. DEC, he indicated, spends more on low-income programs than DEP. (Tr. 114.) Witness Bradley-Wright urged DEP to replicate the regular DEC Income Qualified Weatherization Model, which he had advocated for in previous proceedings. He stated that DEP could follow the related Income Qualified Weatherization pilot program that DEC offered in Durham from 2018 until 2019. He suggested dramatically scaling up DEP's Pay for Performance program. He also recommended expanding the Neighborhood Energy Saver program and the Low-income Housing Tax Credit program. (Tr. 115.)

Witness Bradley-Wright praised DEP for its DSM/EE performance in 2020. DEP was one of the first utilities in the Southeast to implement new safety protocols, which allowed it to resume some in-house EE services. Witness Bradley-Wright reported that DEP's performance was high when compared to other utilities in the region, particularly those in Georgia and Florida. (Tr. 122.) He contrasted DEP's performance with Entergy Arkansas, however, because, he testified, Entergy Arkansas surpassed a savings target of 1.2%. (Tr. 123.)

Witness Bradley-Wright also testified that DEP's annual DSM/EE rider proceedings intersect with the Governor's emission reduction commitments. In 2018, Governor Roy Cooper committed to reducing greenhouse gas emissions by 40% in all sectors by 2025, and the statewide Clean Energy Plan established an overall goal of reducing power sector emissions by 70% from 2005 levels by 2030. DEP does not report its carbon reduction impact from its DSM/EE portfolios. (Tr. 126.)

In sum, witness Bradley-Wright recommended the Commission direct DEP to:

- Work with members of the Collaborative to produce a plan to achieve 1% annual savings in each of the next six years, to be updated and presented to the Commission as an appendix to future DEP DSM/EE rider applications. (Tr. 108.)
- Finalize the evaluation and development of programs proposed by Collaborative members for implementation or approval by the Commission and to track the efficiency savings associated with these programs and report them to the Collaborative and in future DEP DSM/EE rider proceedings. (Tr. 112-23.)
- Increase its low-income efficiency program budgets to at least match those of DEC on a per-residential customer basis. (Tr. 121.)
- Report carbon reductions from its DSM/EE portfolios for the Commission's and public's information. (Tr. 126.)

In his rebuttal testimony, DEP witness Evans responded to witness Bradley-Wright's concern regarding DEP's projection of savings below 1% of prior retail sales. He explained that the 1% target is an aspirational goal. Additionally, witness Evans described a lack of clarity on how opt-out customers impact the calculation of energy savings. DEP has a significant number of industrial and commercial customers that have opted out of the Company's DSM/EE portfolio. He explained that calculating an energy savings percentage that includes the sales to these opt-out customers does not accurately reflect the success of the EE programs in reducing energy usage. (Tr. 199.)

DEP witness Evans also expressed two concerns with witness Bradley-Wright's recommendations on the Company's EE programs for low-income customers. First, witness Evans disputed witness Bradley-Wright's recommendation that DEP should adjust its budget to match DEC's for low-income EE programs. Witness Evans explained that a budget is not a ceiling on spending, but instead an attempt to accurately reflect the costs associated with projected participation in a program for purposes of cost recovery. He asserted that rather than projecting an arbitrary increase to the budget, the Company is working with SACE and other stakeholders to develop pilot programs targeting low-income customers that will justify the additional spending. (Tr. 200.) Witness Evans's second concern with witness Bradley-Wright's testimony on the Company's EE programs for low-income customers was that his description of the Durham Pilot was incomplete. First, the Durham Pilot was not an approved EE program under Commission Rule R8-68. Second, although Opinion Dynamics, which did an EM&V on the program, had indicated that a similar program design could be a good option for customers in the DEP service territory, it had also cautioned that the funding approach of covering the full project cost without contributions by agencies may make the program difficult to administer on a larger scale. (Tr. 201.)

Witness Evans also disagreed with witness Bradley-Wright's recommendation that DEP quantify carbon savings in its DSM/EE proceedings. He testified that quantifying carbon savings was beyond the scope of the DSM/EE proceedings, which are cost recovery proceedings under Commission Rule R8-69.

Witness Evans also disputed witness Bradley-Wright's remarks concerning the Company's MPS. Witness Bradley-Wright had contended that the Company's reliance on the TRC test instead of the UCT undercounted the economic savings potential in the MPS. Witness Evans emphasized that the MPS was completed before the UCT test (which goes into effect in 2022) replaced the TRC test as the screen for cost-effective DSM/EE programs. Next, witness Evans noted that although the MPS is used to inform program offerings, it is not a direct input into the energy savings in the Company's 2022 projection in this proceeding. He explained that because the UCT test considers economics from the utility's, and not the customer's, perspective, applying it in the MPS was not appropriate because the achievable potential for savings recognizes market barriers. The TRC test, however, better accounts for the customer's economics. (Tr. 203.)

DEP witness Lynda Shafer responded to witness Bradley-Wright's contentions that the Company has not acted on program suggestions appropriately and has not communicated program savings projections in a way to foster participation by members of the Collaborative. She testified that she was the facilitator of the Collaborative and explained the role of the Collaborative, which is a key source of input into the Company's DSM/EE programs that allows the diverse set of stakeholders to share potential new programs and program enhancements offered by utilities in different regions of the country. She disagreed with witness Bradley-Wright's contention that DEP had taken little visible action toward implementing Collaborative member recommendations. She described the actions that DEP had taken on each of the seven program ideas that witness Bradley-Wright had listed.

- Low-Income Housing Tax Credit (LIHTC) - witness Shafer testified that, after investigation, the Company informed members of the Collaborative that all of the measures that were part of this idea were already offered to customers through the Smart Saver Custom New Construction and Energy Efficiency Design Assistance program (NCEEDA). Although LIHTC was ultimately not appropriate for a stand-alone new program, DEP with several Collaborative members scheduled a joint statewide workshop with developers, architects, and contractors to generate interest. (Tr. 210.)
- Energy Star Retail Products Platform (ESRPP) – witness Shafer testified that the Company investigated the ESRPP when the Collaborative submitted it and found that it replicated many of the features of a DEP program already in place. The Company determined that the best course of action was to allow the existing program to mature and not to pursue an external alternative simultaneously. Recently, however, the Company revisited the idea and found that the platform could serve as a reference point in the future when the Company searches for new measures. DEP informed the Collaborative of this in July 2021. (Tr. 211.)
- Program Savings from Codes and Standards – witness Shafer recounted that members of the Collaborative suggested that the Company could claim savings from advancing building energy codes and appliance standards and suggested a program to capture those savings. However, as the

Company has reported to the Collaborative, North Carolina does not have a statutory or regulatory framework that defines how a utility may claim attributed savings. (Tr. 211.)

- Residential Low-Income Single-Family Heat Pump Water Heater Rental Program – witness Shafer stated that Collaborative members recommended in June 2020 that DEP offer a program where low-income customers could rent a heat pump water heater for their home directly from DEP, adding the payment to their electric bills. Attributes of the program, such as the appropriate placement of the appliance and an on-bill collection mechanism, added unresolved complexities to implementing this program. (Tr. 211-12.)
- Non-residential Multi-family Heat Pump Water Heater Rebate – witness Shafer testified that Collaborative members suggested that the Company approach multi-family property owners to offer a rebate for installing heat pump water heaters, which would serve multiple units within a building. The Company has determined that it can include the heat pump water heater rebate in the New Construction Energy Efficiency Design Assistance program, but no developer has expressed an interest in participating. (Tr. 212.)
- Manufactured Homes Retrofit Program – witness Shafer noted that Collaborative members suggested a program that retrofits manufactured homes with more efficient heating and air conditioning, replaces or repairs duct work, and insulates and seals the structure. She reported that the

Company had not developed this into a new program because all the recommended measures are already part of the Residential Smart Saver program and available to manufactured homes. (Tr. 212-13.)

- Manufactured Home New and Replacement Programs – witness Shafer stated that Collaborative members suggested that the Company offer incentives for replacing inefficient manufactured homes with Energy Star manufactured homes. She further indicated that program design research was ongoing. (Tr. 213.)

Witness Shafer explained that developing cost-effective DSM/EE programs that comply with the Commission's Rules and the Mechanism is difficult. Nevertheless, witness Shafer testified that the Company finds value in suggestions from the Collaborative, because even if the Company cannot start up and develop a program, the engagement of the Collaborative assures the Company that it is aware of potential opportunities. Witness Shafer also disagreed with witness Bradley-Wright's recommendation that the Company track EE savings resulting from programs proposed by the Collaborative members. She stated that tracking these savings does not create a benefit for customers and runs counter to the mission of the Collaborative, which is to bring successful cost-effective EE/DSM programs to customers. (Tr. 214-215.)

Finally, witness Shafer disputed witness Bradley-Wright's contention that the Company did not notify the Collaborative of the upcoming changes in savings projections in existing programs for 2022. (Tr. 215.) She stated that the reduction in savings for the multi-family program was communicated to the Collaborative members in the EM&V study in July 2020 and then reviewed during the four-hour Collaborative meeting one week later. (Tr. 215-16.)

In response to a question from Commissioner Hughes, witness Shafer testified that the one percent threshold was important to the Collaborative, and it had been discussed at the Collaborative, as had budgeting for programs. She relayed that the Company had indicated to the Collaborative that the budget the Company brings to the rider filings is used to set rates. Arbitrarily raising the budget guarantees increase rates but does not guarantee increased energy savings. Therefore, witness Shafer testified that the Company preferred to set budgets conservatively and to be prepared if there is an increase in demand from customers for the program, as the cost recovery rider allows for true-up in subsequent years. (Tr. 225.) Witness Shafer also noted that witness Bradley-Wright was an active and valuable member of the Collaborative and was spearheading the working group that is developing a plan to meet the one percent goal. (Tr. 224.) Witness Shafer also testified regarding the results reported in SACE's annual report, Energy Efficiency in the Southeast. (SACE NCJC and NCHC Redirect Exhibit No. 1) She commented that the report showed that, when compared with other Southeast utilities that had the same climate, DEP was second only to DEC and far ahead of the national average and Georgia Power in efficiency savings. (Tr. 227; SACE, NCJC, NCHC Redirect Exhibit No. 1 at 6.) In witness Shafer's opinion, comparing savings across utilities is difficult because each state and jurisdiction has its own regulatory constraints or ways to calculate savings, but comparing the Company to peer utilities in the southeast shows that DEP has done very well in energy savings. (Tr. 228.) Moreover, the report showed that North Carolina had energy savings of .66 percent of the prior year's retail sales, which is close to the national average of .67. Witness Shafer concluded that this was quite an achievement when considering the climate of the Carolinas. (Tr. 228.)

The Commission has fully reviewed the issues raised and recommendations made by NC Justice Center, *et al.*, witness Bradley-Wright and concludes the following:

(1) The current and forecasted decline in DEP's DSM/EE savings in 2021 is a matter of concern. Consequently, the Collaborative should examine the reasons for the forecasted decline and explore options for preventing or correcting a decline in future DSM/EE savings.

(2) The Commission declines to require DEP to match DEC's budget for low-income EE programs, because program budgets are not used to set ceilings on DEP's spending but are rather designed to accurately reflect the costs associated with projected participation in the program for cost recovery purposes. The Collaborative, however, should continue to emphasize developing and expanding EE programs to assist low-income customers in saving energy and reducing their energy burdens.

(3) The Collaborative should continue to examine customer behaviors and potential adjustments to the program portfolio as conditions change, with a specific emphasis on how to adapt programs to the challenges presented by the pandemic.

(4) The Commission declines to adopt witness Bradley-Wright's recommendation that the Company track and report EE savings resulting from programs suggested by the Collaborative. The Commission agrees with witness Shafer that program development can be a complex and lengthy process.

Therefore, in lieu of tracking and reporting EE savings resulting from the Collaborative's suggested programs, the Company should continue reporting on Collaborative activities in its testimony filed in these proceedings.

(5) The Commission declines to adopt witness Bradley-Wright's recommendation to require DEP to quantify and report carbon savings associated with its DSM/EE portfolio in its DSM/EE rider proceedings, because there are no recognized financial impacts within Commission Rule R8-68 and the Mechanism associated explicitly with such carbon savings; therefore quantifying and reporting carbon savings from DSM/EE programs is beyond the scope of DEP's annual DSM/EE cost recovery proceedings at this time.

IT IS, THEREFORE, ORDERED as follows:

1. That the appropriate DSM/EE EMF billing factors, excluding NCRF, for the Residential, General Service, and Lighting rate classes are: 0.057 cents per kWh for the Residential class; 0.0040 cents per kWh for the EE component of General Service classes; (0.008) cents per kWh for the DSM component of General Service classes; and 0.005 cents per kWh for the Lighting class. The factors do not change with the NCRF included;

2. That the appropriate forward-looking DSM/EE rates to be charged by DEP during the rate period for the Residential, General Service, and Lighting rate classes (excluding NCRF) are: 0.663 cents per kWh for the Residential class; 0.637 cents per kWh for the EE component of General Service classes; 0.061 cents per kWh for the DSM component of General Service classes; and 0.119 cents per kWh for the Lighting class;

3. That the appropriate total DSM/EE annual riders including the DSM/EE rate and the DSM/EE EMF rate (including NCRF) for the Residential, General Service, and Lighting rate classes are increments of 0.721 cents per kWh for the Residential class, 0.678 cents per kWh for the EE portion of the General Service classes, 0.053 cents per kWh for the DSM portion of the General Service classes, and 0.124 cents per kWh for the Lighting class;

4. That DEP shall file appropriate rate schedules and riders with the Commission to implement these adjustments as soon as practicable. Such rates are to be effective for service rendered on or after January 1, 2022;

5. That DEP shall work with the Public Staff to prepare a joint proposed Notice to Customers giving notice of rate changes ordered by the Commission herein, and DEP shall file such proposed notice for Commission approval as soon as practicable;

6. That DEP shall continue to leverage its Collaborative to discuss the current and forecasted decline in energy savings and the development and expansion of EE for low-income customers and report the results of these discussions in the Company's 2022 DSM/EE rider filing;

7. That the combined DEC/DEP Collaborative shall continue to meet every other month.

IT IS THEREFORE SO ORDERED.

ISSUED BY ORDER OF THE COMMISSION.

This the ___ day of __________, 2021.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk