



Kendrick C. Fentress
Associate General Counsel

NCRH 20 / P.O. Box 1551
Raleigh, NC 27602

o: 919.546.6733
c: 919.546.2694

Kendrick.Fentress@duke-energy.com

March 5, 2020

VIA ELECTRONIC FILING

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

**RE: Joint Proposed Order of Duke Energy Carolinas, LLC and the Public Staff
Docket No. E-7, Sub 1155**

Dear Ms. Campbell:

Please find enclosed for filing the Public Staff's and Duke Energy Carolinas, LLC's Joint Proposed Order Authorizing Withdrawal of Residential New Construction Program in the above-referenced docket.

Please do not hesitate to contact me if you have any questions or need additional information.

Sincerely,

A handwritten signature in black ink that reads 'Kendrick C. Fentress'.

Kendrick C. Fentress

Enclosure

cc: Parties of Record

OFFICIAL COPY

Mar 05 2020

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-7, SUB 1155

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)	PUBLIC STAFF'S AND DUKE
)	ENERGY CAROLINAS, LLC'S
Application of Duke Energy Carolinas,)	JOINT PROPOSED ORDER
LLC for Approval of Residential New)	AUTHORIZING WITHDRAWAL OF
Construction Program)	RESIDENTIAL NEW
)	CONSTRUCTION PROGRAM

HEARD: Monday, January 27, 2020, at 2:00 p.m., in Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

BEFORE: Commissioner ToNola D. Brown-Bland, Presiding; Chair 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 Carolinas, LLC:

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

For the Using and Consuming Public:

Heather Fennell, Staff Attorney, Public Staff-North Carolina Utilities
Commission, 4326 Mail Service Center, Raleigh, North Carolina 27699-
4300

BY THE COMMISSION: On September 21, 2017, Duke Energy Carolinas, LLC
(DEC or the Company) filed an application for approval of its Residential New
Construction Program (RNC Program) as a new Energy Efficiency Program (Application).

On October 23, 2017, the Public Staff-North Carolina Utilities Commission (Public Staff) filed comments recommending that the Commission approve the RNC Program as a new Energy Efficiency Program.

Prior to any ruling by the Commission, on June 7, 2019, DEC filed a motion to withdraw its Application.

On August 7, 2019, the Public Staff filed a letter stating that it did not object to DEC's request to withdraw the Application.

After DEC filed its motion to withdraw the Application, the Commission received more than 50 consumer statements of position generally expressing support for the RNC Program or a similar measure and urging rejection of the motion to withdraw the Application.

On August 8, 2019, the Southern Alliance for Clean Energy (SACE) filed a letter in support of the RNC Program and requested that the Commission reject DEC's motion to withdraw the Application.

On August 16, 2019, the North Carolina Sustainable Energy Association (NCSEA) and the North Carolina Building Performance Association (NCBPA) filed letters like that of SACE. On November 19, 2019, NCBPA filed additional support for DEC's RNC Program and urged the Commission to schedule a hearing.

On November 25, 2019, the Commission issued an order scheduling a hearing for January 27, 2020 and providing notice of topics to be addressed at the hearing.

On January 22, 2020, Piedmont Natural Gas Company, Inc. (Piedmont) and Public Service Company of North Carolina (PSNC), (collectively the "natural gas companies"),

which were not parties to this proceeding, advised that they would have representatives at the hearing who would be available to answer questions from the Commission.

The case came on for hearing on January 27, 2020, as scheduled. DEC presented witnesses Timothy J. Duff, General Manager of Portfolio and Analysis and Regulatory Strategy for the Customer Solutions Organization for Duke Energy, and Robert P. Evans, Senior Manager of Strategy and Collaboration for the Carolinas. At the request of the Commission during the hearing, Piedmont presented witness Bruce P. Barkley, Vice President of Gas Supply and Rates, and PSNC presented witness William A. McAulay of William A. McAulay & Associates.

Based upon consideration of DEC's Application, the pleadings, the testimony at the hearing, the parties' proposed orders, and the record in this matter, the Commission now makes the following:

FINDINGS OF FACT

1. DEC is a public utility with a public service obligation to provide electric utility service to customers in its service area in North Carolina and is subject to the jurisdiction of the Commission.

2. DEC filed its Application for approval of its RNC Program as an energy efficiency program under Commission Rule R8-68 on September 21, 2017. The purpose of the RNC Program is to provide incentives to residential builders to encourage the use of energy efficient building practices, equipment, and appliances for new home construction.

3. The RNC Program was intended to mirror Duke Energy Progress, LLC's Residential New Construction Program (DEP RNC Program), which was approved on October 2, 2012, in Docket No. E-2, Sub 1021. On September 20, 2017, DEP filed a

request for approval of modifications to its RNC Program. With these modifications, the DEP RNC Program would essentially be the same as the proposed DEC RNC Program.

4. The DEP RNC program has been a very successful energy efficiency program for DEP, and DEC was unaware of any concerns from the natural gas companies when it filed its similar RNC Program.

5. The proposed RNC Program is cost-effective under the Utility Cost Test, the Total Resource Cost Test, and the Participant Test, but not under the Rate Impact Measure cost test.

6. Upon review of the DEC Application and responses to its data requests, the Public Staff filed Comments on October 23, 2017, stating that the Application contained the information required by Commission Rule R8-68(c), and was consistent with N.C. Gen. Stat. § 62-133.9, and Commission Rule R8-68(c).

7. The Public Staff also concluded that the RNC Program had the potential to encourage energy efficiency, was consistent with DEC's integrated resource plan, and was in the public interest; accordingly, the Public Staff recommended that the Commission approve the RNC Program.

8. After DEC moved to withdraw its Application, the Commission received more than 50 consumer statements supporting the RNC Program and objecting to its withdrawal.

9. The RNC Program could allow DEC to compete to serve those retail customer energy needs that can be legally and profitably served by both electricity and natural gas.

10. Based on reports from the field, the natural gas companies believed that the similar DEP RNC Program had caused them losses in the marketplace.

11. The natural gas companies were concerned that the incentives from the RNC Program would cause builders to forego the installation of natural gas service in new homes.

12. DEC and DEP and the natural gas companies have worked together in the past through discussions and settlements to mitigate concerns involving competition between them, but in this case, DEC was unable to mitigate the natural gas companies' concerns about competition.

13. The data used in the Application is over two years old.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 1

This finding of fact is jurisdictional in nature and not subject to dispute.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 2-7

The evidence and legal bases supporting these findings and conclusions are found in the Application, the Public Staff's Comments on Application for Program Approval, the testimony of DEC witnesses Duff and Evans, and the record in this matter.

DEC filed the RNC Program to become part of its portfolio of energy efficiency programs for which it is eligible to recover its costs, as well as net lost revenues and a utility incentive under N.C. Gen. Stat. § 62-133.9 and Commission Rules R8-68 and R8-69. The RNC Program is designed to encourage residential construction that meets or exceeds the whole house standards of the current Energy Conservation Code High Energy Residential Option ("HERO") and the installation of high efficiency appliances. For whole-house measures, the RNC Program included incentives for a high energy residential option

up to \$750. For equipment-only measures, the RNC Program would pay an incentive up to \$300 for central air conditioning or an air source heat pump of 15 SEER and above.

DEC witness Duff noted that the Company did not believe the RNC Program would incent fuel switching and that it would be in the public interest. (T. at 17, 21-22.)

The proposed RNC Program was cost-effective under the Utility Cost Test, the Total Resource Cost Test, and the Participant Test, but not under the Rate Impact Measure Test.

The Program would be very similar to the DEP RNC program, which was approved on October 2, 2012, in Docket No. E-2, Sub 1021. DEP proposed modifications to its RNC Program on September 20, 2017, that would make it essentially the same as the proposed DEC RNC Program. The DEP RNC program has been a very successful energy efficiency program for DEP, and DEC witness Evans stated that DEC was unaware of any concerns of the natural gas companies when it filed its similar RNC Program. (T. at 15-16.)

The Public Staff reviewed the proposed RNC Program, including the Application and DEC's responses to data requests. Based upon this review, the Public Staff found that the RNC Program was consistent with the N.C. Gen. Stat. § 62-133.9, Commission Rule R8-68, and the Demand-Side Management / Energy Efficiency Incentive Mechanism approved in Docket No. E-7, Sub 1032. The Public Staff determined that the RNC Program would encourage energy efficiency and was consistent with the DEC's integrated resource plan. The Public Staff concluded that the RNC Program was in the public interest and recommended approval.

The Commission concludes that DEC's RNC Program was filed in good faith as a cost-effective energy efficiency program that it believed to be in the public interest and not as an attempt to encourage fuel switching.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 8-13

The evidence and legal bases supporting these findings and conclusions are found in the testimony of DEC witnesses Duff and Evans, Piedmont witness Barkley, PSNC witness McAuley, and the record in this matter.

DEC witness Duff testified that after filing the RNC Program, Piedmont and PSNC both expressed the same concern to DEC that the RNC Program's design would incent installation of electric over natural gas equipment. Piedmont witness Barkley and PSNC witness McAuley confirmed at the hearing that their concerns about the RNC Program were indeed aligned. (T. at 44-61.)

The natural gas companies' witnesses testified that they were concerned with the size and scope of the RNC Program. In witness Barkley's and McAuley's opinions, the incentives offered by DEC encouraged builders to install electric, rather than natural gas, appliances. (T. at 33-41.) Witnesses Barkley and McAuley appreciated the efforts of DEC to mitigate their concerns, but the size of the incentives and the RNC Program in general led them to believe that the natural gas companies would lose market share if the RNC Program was approved as filed. (T. at 34-36.) In support of this concern, witnesses Barkley and McAuley cited reports from the field that the DEP RNC Program was adversely impacting their market share. (T. at 39-40; 53-55.)

Both natural gas companies' witnesses and DEC's witnesses testified that DEC and the natural gas companies had worked in the past to mitigate any concerns about fuel

switching and destructive competition between natural gas companies and electric companies and had reached settlements along those lines. (T. at 19, 43.) Witness Barkley testified that the Commission has evaluated energy efficiency programs within the context of the particular utility service that had proposed it. (T. at 41-42.) In other words, the Commission has reviewed electric energy efficiency programs on whether they resulted in efficient electric energy use and natural gas efficiency programs on whether they resulted in efficient natural gas use and had not compared the two.

After DEC moved to withdraw the Program, over 50 letters were filed urging the Commission to reject the request for withdrawal and to approve the Program.

The Commission concludes that after concerns were expressed by the natural gas companies, DEC worked in good faith to resolve the issues. Therefore, the Commission authorizes DEC to withdraw the RNC Program as requested. To the extent, however, that DEC and the natural gas companies continue to work together to resolve this matter, the Commission encourages those ongoing efforts.

It is clear that there is wide support for this Program, which was generally cost-effective and considered to be in the public interest. However, the Commission notes that the Program was filed over two and half years ago, and the costs and benefits of the Program, as well as cost-effectiveness calculations, have likely changed. Therefore, the Commission orders DEC either to re-file the RNC Program with updated data, within 90 days of this Order, along with a detailed explanation of how it intends to mitigate the natural gas companies' concerns about competition or file an explanation of its reasons for not re-filing the RNC Program. If the RNC Program Application is re-filed, it should be served on the natural gas companies, who may intervene and file a protest pursuant to Rule

R8-68(d)(2). The Commission further concludes that its findings and conclusions herein are based on the unique facts and circumstances before it. Therefore, this decision should not be considered binding precedent in any future proceedings.

IT IS, THEREFORE, ORDERED as follows:

1. That the Commission hereby approves DEC's withdrawal of the RNC Program.
2. The Commission orders DEC either to re-file the RNC Program with updated data, within 90 days of this Order, along with a detailed explanation of how it intends to mitigate the natural gas companies' concerns about competition or file an explanation of its reasons for not re-filing the Program within 90 days of this Order.

ISSUED BY ORDER OF THE COMMISSION.

This the _____ day of March, 2020.

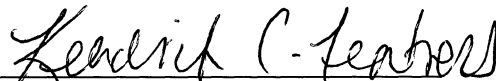
NORTH CAROLINA UTILITIES COMMISSION

Kimberly A. Campbell, Chief Clerk

CERTIFICATE OF SERVICE

I certify that a copy of Public Staff's and Duke Energy Carolinas, LLC's Joint Proposed Order Authorizing Withdrawal of Residential New Construction Program, in Docket No. E-7, Sub 1155, has been served by electronic mail, hand delivery, or by depositing a copy in the United States Mail, 1st Class Postage Prepaid, properly addressed to parties of record.

This the 5th day of March, 2020.



Kendrick C. Fentress
Associate General Counsel
Duke Energy Corporation
P.O. Box 1551 / NCRH 20
Raleigh, NC 27602
Tel 919.546.6733
Fax 919.546.2694
Kendrick.Fentress@duke-energy.com