



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

OFFICIAL COPY

Aug 28 2019

August 28, 2019

VIA ELECTRONIC FILING AND HAND DELIVERY

Chief Clerk's Office
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

**Re: Duke Energy Progress, LLC's DSM/EE Cost Recovery Rider –
Rebuttal Testimony of Robert P. Evans
Docket No. E-2, Sub 1206**

Dear Chief Clerk:

Enclosed for filing is Duke Energy Progress, LLC's Rebuttal Testimony of Robert P. Evans for filing in connection with the referenced matter. Fifteen (15) paper copies of the Rebuttal Testimony will be delivered to the Clerk's Office by close of business on August 29, 2019.

Please do not hesitate to contact me if you have any questions.

Sincerely,

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

Kendrick C. Fentress

Enclosures

cc: Parties of Record

CERTIFICATE OF SERVICE

I certify that a copy of Duke Energy Progress, LLC's Rebuttal Testimony in Docket No. E-2, Sub 1206 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 28th day of August, 2019.



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

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-2, SUB 1206

In the Matter of)	
Application of Duke Energy Progress, LLC)	REBUTTAL TESTIMONY OF
for Approval of Demand-Side Management)	ROBERT P. EVANS FOR
and Energy Efficiency Cost Recovery Rider)	DUKE ENERGY PROGRESS,
Pursuant to N.C. Gen. Stat. § 62-133.9 and)	LLC
Commission Rule R8-69)	

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
2 **POSITION WITH DUKE ENERGY.**

3 A. My name is Robert P. Evans, and my business address is 410 S. Wilmington
4 Street, Raleigh, North Carolina. I am employed by Duke Energy Corporation
5 as Senior Manager-Strategy and Collaboration for the Carolinas in the market
6 solutions regulatory strategy and evaluation group. I am responsible for the
7 regulatory support of DSM/EE programs in North Carolina for Duke Energy
8 Progress, LLC (“DEP” or the “Company”).

9 **Q. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN SUPPORT**
10 **OF DEC’S APPLICATION IN THIS DOCKET?**

11 A. Yes.

12 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

13 A. The purpose of my rebuttal testimony is to respond to portions of the testimony
14 of Forest Bradley-Wright filed on behalf of the North Carolina Justice Center
15 (“NCJC”) and the Southern Alliance for Clean Energy (“SACE”). These are:

- 16 • The prioritization of reaching 1% of annual savings;
- 17 • The deployment of an Income Qualified Weatherization program
18 comparable to the current DEC program;
- 19 • Information provided in the Company’s annual rider filing; and
- 20 • Clarification of some interactions between the Company and the
21 Collaborative described by witness Bradley-Wright.

1 **Q. IS THE ONE PERCENT SAVINGS GOAL IMPORTANT TO THE**
2 **COMPANY?**

3 A. Yes. As a part of the Progress Energy, Inc. merger with Duke Energy
4 Corporation, various agreements were made with intervening parties. As a part
5 of its South Carolina merger agreement with a group referred to collectively as
6 Environmental Intervenors, the Company agreed to establish a one percent
7 annual Energy Efficiency (“EE”) savings target and also a related seven percent
8 cumulative savings target for the five-year period extending from 2014 through
9 2018.

10 **Q. HAS THE COMPANY MET OR EXCEEDED THESE SAVINGS**
11 **TARGETS?**

12 A. No, however, the Company has made significant efforts. Circumstances,
13 largely outside the Company’s ability to control, have challenged these efforts.

14 **Q. ARE THERE PENALTIES IN PLACE FOR FAILURE TO ACHIEVE**
15 **THE EE SAVINGS GOALS?**

16 A. No. The South Carolina agreement provides that *“There will be no penalties*
17 *for failure to achieve the annual or cumulative targets.”*¹ These energy savings
18 goals were intended to be aspirational and hence were factored into the
19 establishment of bonus incentive goals included in the Company’s North
20 Carolina approved cost recovery mechanism; however, in no way were they
21 ever intended to be a measure of the overall success of the Company’s portfolio.

¹ The Merger Settlement with SACE, South Carolina Coastal Conservation League, and Environmental Defense Fund filed with the South Carolina Public Service Commission on December 13, 2011 in Docket Nos. 2011-68-E and 2011-158-E.

1 Q. HAS THE COMPANY MADE EFFORTS TO ACHIEVE THE
2 AFOREMENTIONED GOALS?

3 A. Yes, it has made significant efforts to achieve these goals. Given the various
4 impediments to reaching those aspirational goals, the Company has and
5 continues to make significant strides toward their obtainment. Witness Bradley-
6 Wright noted that the Company's savings among customers that are not opted
7 out of the DSM/EE rider exceed 1%.

8 Q. WHAT TYPE OF IMPEDIMENTS HAS THE COMPANY
9 EXPERIENCED WITH RESPECT TO OBTAINING THE
10 ASPIRATIONAL GOALS?

11 A. There are several factors involved including the following:

- 12 • Opted-Out Customers – almost 54 percent of General Service sales,
13 which is over 31 percent of total retail sales, have opted out of the rider;
- 14 • Low Avoided Costs – declining avoided costs have made it more
15 difficult to incentivize measures cost effectively. It is important to note
16 that, with the exception low-income and societal programs, a program's
17 benefits must exceed its costs. As avoided costs drop, incentive
18 amounts that can be offered cost effectively drop as well making some
19 programs less attractive or no longer viable; and
- 20 • Increasing Building Codes and Efficiency Standards – as building codes
21 and efficiency standards increase, the opportunity for energy savings
22 that exceed the standard diminish, further eroding opportunities for cost

1 effective incentives to be offered to customers and the amount of energy
2 savings that can be achieved through programs.

3 **Q. WITNESS BRADLEY-WRIGHT ENCOURAGED THE DEPLOYMENT**
4 **OF AN INCOME QUALIFIED WEATHERIZATION PROGRAM**
5 **COMPARABLE TO THE CURRENT DEC PROGRAM. DO YOU**
6 **AGREE WITH WITNESS BRADLEY-WRIGHT?**

7 A. Yes, I do, however, with reservation. The Company is already moving toward
8 the development of weatherization programs in DEP territory. As indicated by
9 witness Bradley-Wright, the Company filed a Weatherization Pay for
10 Performance program that will operate for 3 years in Buncombe County. That
11 program launched in January of 2019 and has two more years before M&V will
12 occur to determine next steps.

13 While the Pay for Performance program is being tested, the Company is
14 pursuing and has discussed with the Collaborative an expansion of the
15 Neighborhood Energy Saver program to include additional weatherization
16 measures such as attic insulation, air sealing, duct sealing and smart
17 thermostats. The Company intends to file these proposed modifications with
18 the Commission to be effective in early 2020.

19 **Q. ARE YOU TESTIFYING ON BEHALF OF THE COLLABORATIVE?**

20 A. No. While a longtime member and former Collaborative facilitator, I cannot
21 speak or testify on behalf of the Collaborative.

22 **Q. IS WITNESS BRADLEY-WRIGHT TESTIFYING ON BEHALF OF**
23 **THE COLLABORATIVE?**

1 A. No. Because the Collaborative was created as an advisory forum, participants
2 may neither testify nor speak on behalf of the Collaborative. Members of the
3 Collaborative may submit comments to this Commission representing the
4 positions of their respective organizations on matters related to the
5 Collaborative and the Company's programs in general.

6 Q. **DO YOU AGREE WITH WITNESS BRADLEY-WRIGHT**
7 **REGARDING THE NEED TO REVISE THE COMPANY'S ANNUAL**
8 **RIDER FILING TO REFLECT A FORMAT AKIN TO THAT USED IN**
9 **ARKANSAS?**

10 A. No. The Company believes that its already voluminous annual filing (over 850
11 pages) complies with the Commission's well-considered Rule R8-68 and
12 contains all the pertinent information associated with the Company's program
13 performance and necessary for requesting cost recovery. Additionally, an
14 interested party to the proceeding may submit data requests to ascertain relevant
15 information not included in the filing, to make that information part of the
16 record if necessary. Stakeholders in both North and South Carolina are familiar
17 with the format employed today, and making a change would likely only lead
18 to stakeholder confusion and unnecessary time to adopt a format that differs
19 from the Commission's already comprehensive procedures set out in its Rule.
20 The Company is not insensitive to witness Bradley-Wright's request. While
21 the Company feels that the materials requested are not necessary for inclusion
22 in the accepted annual rider filing, the Company is in the process of preparing
23 materials for the Collaborative, in a format consistent with the one
24 recommended by witness Bradley-Wright.

1 Q. DO YOU AGREE THAT THE COLLABORATIVE'S
2 CONTRIBUTIONS, POINTED OUT ON PAGES 17 AND 18 OF
3 WITNESS BRADLEY-WRIGHT'S TESTIMONY, HAVE NOT BEEN
4 IMPLEMENTED OR HAVE RESULTED IN INCREASED PROGRAM
5 IMPACTS?

6 A. No. Witness Bradley-Wright provided examples of topics the Collaborative
7 has discussed over the past several years, including On-Bill Financing,
8 Combined Heat and Power, the development of a Technical Resource Manual,
9 strategies for addressing commercial and industrial opt-outs, the inclusion of
10 non-energy benefits and recommendations for modifying the Pay for
11 Performance Pilot Program. While these topics have not all been fully
12 implemented, the contributions of the Collaborative members have driven the
13 Company's exploration and examination of each one.

14 For example, the On-Bill Financing ("OBF") working group determined that it
15 was not cost effective to modify the Company's existing Customer Information
16 / Billing System ("CIBS") to accommodate OBF at this time; however, it was
17 agreed that, after the new CIBS is in place in 2022, it would make sense to
18 revisit the potential for OBF.

19 As to Combined Heat and Power ("CHP"), consistent with the outcome of the
20 Collaborative's discussions on potential changes to enhance the Company
21 programs' ability to incentivize CHP and upon clarification of the definition of
22 eligible CHP systems, the Company modified its program tariffs to incentivize
23 both Top and Bottom Cycling CHP.

1 The Technical Resource Manual (“TRM”) issue has been discussed by the
2 Collaborative several times, but it reached no consensus with respect to
3 benefits. A taskforce was put together to evaluate the implementation of a TRM,
4 but due to the varied interests and perceived lack of benefits associated with its
5 use, this taskforce was disbanded.

6 The topic of Non-Energy Benefits (“NEBs”) has been brought up several times
7 by Collaborative members for use in program cost-effectiveness studies. The
8 Collaborative members seemed to agree that NEBs do exist; however, there was
9 no definitive source for an appropriate quantification of NEBs when
10 determining program cost effectiveness. With that being said, the Company, as
11 a part of its Cost Recovery Mechanism review, is investigating the potential for
12 NEBs which have been vetted through the Collaborative to be considered in the
13 determination of Total Resource Cost (“TRC”) test results.

14 Opt-outs present a substantial barrier to achieving energy savings through
15 Company programs and meeting the aspirational savings targets mentioned
16 earlier in my testimony. The Collaborative continues to ponder how to succeed
17 in providing programs, given the customers’ statutory right to opt out; however,
18 to date, it has been unable to suggest a solution that can reverse the historical
19 trend. The increasing number of customers opting out will continue to be a
20 concern and topic of discussion for both the Collaborative and the Company’s
21 program staff.

22 Contrary to witness Bradley-Wright’s assertion otherwise, the Company took
23 all of the Collaborative’s recommendations regarding the Pay for Performance
24 Pilot Program into consideration and has begun implementing them as the

1 program matures and is capable of incorporating them. For instance,
2 Collaborative members asked for more non-profit organizations and measures
3 to be included in the pilot. Earlier this year, a second organization was added,
4 and the program continues to look for ways to expand measures as well.

5 These examples illustrate that the Collaborative has examined the topics and
6 proposals referenced by witness Bradley-Wright because the Collaborative's
7 input and vigorous discussion are important to the Company. Even proposals
8 that appear to be only partly incorporated spur debate and deepen the
9 Company's understanding of its customers' interests.

10 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

11 **A. Yes.**