

NORTH CAROLINA UTILITIES COMMISSION
MINUTES OF REGULAR COMMISSION STAFF CONFERENCE

February 24, 2020

The Regular Commission Staff Conference of the North Carolina Utilities Commission was held on Monday, February 24, 2020, at 10:00 a.m. with Chair Mitchell, presiding.

The following were present:

COMMISSIONERS

Commissioner Brown-Bland
Commissioner Gray
Commissioner Clodfelter
Commissioner Duffley
Commissioner Hughes
Commissioner McKissick

COMMISSION STAFF: Mr. Watson, Mr. Green, Mr. Buffkin, Ms. Fennell, Ms. Campbell, Ms. Kennedy, Ms. Burns, Mr. Wood

PUBLIC STAFF: Mr. Ayers, Mr. Drooz, Ms. Holt, Ms. Edmondson, Ms. Perry, Ms. Jayasheela, Mr. McLawhorn, Mr. Floyd Mr. Metz, Mr. D. Williamson, Mr. Larsen, Ms. Patel, Mr. Gilbert, Ms. Naba, Mr. Hinton

ATTORNEY GENERAL:

COURT REPORTER: Ms. Mitchell

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

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

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

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

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

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

The Public Staff has reviewed the Application and recommends approval as filed and also recommended that the Commission issue its proposed order.

It was moved and passed that the Public Staff's recommendation be adopted.

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

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

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

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

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

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

The Public Staff recommended that the Commission issue the proposed order approving Piedmont's rate changes to Rate Schedule 142 and its Commission-approved special contract fleet fueling agreements as filed to flow through the excise tax credits associated with the sale of CNG for motor fuel purposes.

It was moved and passed that the Public Staff's recommendation be adopted.

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

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

Duke Energy Carolinas, LLC:

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

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

The Public Staff recommended that the Commission issue an order approving the application and issuing the requested amended certificate for the facility.

It was moved and passed that the Public Staff's recommendation be adopted.

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

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

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

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

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

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

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

The Public Staff recommended that the Commission issue its proposed order approving the modifications to the Residential Service Neighborhood Energy Saver Program as filed.

It was moved and passed that the Public Staff's recommendation be adopted.

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

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

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

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

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

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

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

The Public Staff recommended that the Commission issue its proposed order approving the modifications to the CIG Demand Response Automation.

It was moved and passed that the Public Staff’s recommendation be adopted.

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

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

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

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

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

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

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

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

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

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

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

The Public Staff recommended that the Commission issue its proposed order approving the modifications to the Residential Energy Assessment Program.

It was moved and passed that the Public Staff's recommendation be adopted.

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

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

For households with high consumption, DEC proposes to add insulation, air sealing, duct sealing, and smart thermostat measures to the existing portfolio of measures in the

Program. These additional measures are intended to provide additional energy-saving opportunities for low-income customers at no cost to the participating customers.

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

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

The Public Staff notes that the alignment between the DEC and DEP programs is more administrative in nature and should not have a material impact on the delivery of measures to customers or the measures themselves. Additionally, DEC requests that the Commission assign the environmental attributes to the Company.

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

The Public Staff recommended that the Commission issue its proposed order approving the modifications to the Residential Income Qualified Energy Efficiency and Weatherization Assistance for Residential Neighborhoods Program as filed.

It was moved and passed that the Public Staff's recommendation be adopted.

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

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

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

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

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

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

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

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

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

Public Staff believes the modification would be in the public interest only if the decrease in cost effectiveness is more than offset by an increase in participation, such that overall net savings are estimated to increase due to the modification.

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

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

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

The Public Staff recommended that the Commission issue its proposed order approving the modifications to the Residential Energy Assessment Program.

It was moved and passed that the Public Staff's recommendation be adopted.

Minutes of the Regular Commission Staff Conference for February 17, 2020, were approved.

Minutes prepared by Portia Barnes.