

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION  
DOCKET NO. E-2, SUB 1167  
DOCKET NO. E-7, SUB 1166

In the Matter of: )  
Application of Duke Energy Progress, LLC )  
and Duke Energy Carolinas, LLC )  
Requesting Approval of Solar Rebate )  
Program Pursuant to N.C. Gen. Stat. § )  
62-155(f) )

NCSEA’S INITIAL  
COMMENTS RESPONSIVE  
TO COMMISSION ORDER

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Pursuant to the North Carolina Utilities Commission’s (“Commission”) *Order Modifying Fourth Year of Solar Rebate Program and Requesting Additional Comments* (“Rebate Order”) issued on November 6, 2020 in the above-captioned docket, the North Carolina Sustainable Energy Association (“NCSEA”) and submits the following comments.

I. Background

North Carolina Gen. Stat. § 62-155(f) lays out the parameters of the statutory rebate program implemented in the above-captioned dockets. This statutory subsection states, in pertinent part:

(f) Each electric public utility serving more than 150,000 North Carolina retail jurisdictional customers as of January 1, 2017, shall file with the Commission an application requesting approval of a *program offering reasonable incentives to residential and nonresidential customers for the installation of small customer owned or leased solar energy facilities participating in a public utility's net metering tariff, where the incentive shall be limited to 10 kilowatts alternating current (kW AC) for residential solar installations and 100 kilowatts alternating current (kW AC) for nonresidential solar installations.* [...] The program incentive established by each public utility subject to this section shall meet all of the following requirements:

- (1) Shall be limited to 10,000 kilowatts (kW) of installed capacity annually starting on January 1, 2018, and continuing until December 31, 2022, and shall provide incentives to participating customers

based upon the installed alternating current nameplate capacity of the generators.

(2) Nonresidential installations will also be limited to 5,000 kilowatts (kW) in aggregate for each of the years of the program.

(3) Two thousand five hundred kilowatts (kW) of the capacity for nonresidential installations shall be set aside for use by nonprofit organizations; 50 kilowatts (kW) of the set aside shall be allocated to the NC Greenpower Solar Schools Pilot or a similar program. Any set-aside rebates that are not used by December 31, 2022, shall be reallocated for use by any customer who otherwise qualifies. For purposes of this section, "nonprofit organization" means an organization or association recognized by the Department of Revenue as tax exempt pursuant to G.S. 105-130.11(a), or any bona fide branch, chapter, or affiliate of that organization.

(4) If in any year a portion of the incentives goes unsubscribed, the utility may roll excess incentives over into a subsequent year's allocation. (emphasis added).

Beginning in 2018, and each year thereafter, Duke Energy Carolinas, LLC ("DEC") and Duke Energy Progress, LLC ("DEP") (DEP and DEC, collectively, "Duke") rolled out the rebate program with each year having differing levels of success. It should be noted that intervenors (and Duke) each have their own ideas and thoughts about what constitutes success in this program and have made those clear via reports and comments.<sup>1</sup>

The January 2020 rebate program rollout, in particular, was a challenge. As laid out in NCSEA's *Request for Hearing*, Duke's *Joint Update on the Solar Rebate Program and Joint Response Opposing NCSEA's Request for Hearing*, Duke's *Joint Annual Solar Rebate Program Report and Request to Amend Program Application Periods*, and the Commission's *Order Denying Request for Hearing*, there were significant issues with the 2020 rollout. Additionally, though without notice to other intervenors, Duke appeared in front of the Commission at the February 17, 2020 regular Staff Conference to discuss the technical issues of the 2020 rollout. These technical issues do not need to be restated here,

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<sup>1</sup> See generally, comments filed in Docket Nos. E-2, Sub 1167 & E-7, Sub 1166 from April 2018 through 2020.

but as set forth below, are an important backdrop to any sort of program analysis from NCSEA's members' points of view.

In the recent Rebate Order, the Commission analyzed proposals from the parties in this docket to alleviate certain issues with the rebate program and stated that it is "not satisfied that it has sufficient proposals before it to modify the existing program to ensure that it functions as intended while still complying with the incentive eligibility constraints set by the General Assembly."<sup>2</sup> The Commission then tasked Duke with providing their own proposal or thoughts regarding a potential "tiered" system of rebates. Specifically, the Commission stated:

Noting that the statute describes the solar rebate program as "offering reasonable incentives to residential and nonresidential customers for the installation of small customer owned or leased solar energy facilities participating in a public utility's net metering tariff," N.C.G.S. § 62-155(f) (emphasis added), the Commission is particularly interested in the viability of a tiered system aimed at incentivizing smaller solar installations with a declining incentive structure up to 10 kW for residential customer installations and 100 kW for nonresidential customer installations. One way to better utilize the rebates to encourage solar installations may be to target smaller systems, which are more likely to be installed by customers with greater budget constraints and, therefore, in greater need of an incentive. Further, a tiered system recognizes that the cost of solar installation per watt goes down as the size increases. While the Commission is particularly interested in the viability and structure of a tiered system, other proposals will be considered and fully evaluated. To assist in this effort, the Commission directs Duke to include in its comments responsive to this Order information detailing the characteristics of the residential, commercial, and nonprofit installations receiving rebates, including but not limited to the distribution and average capacity of applications and installations for each customer group. Further, Duke shall include this same information in future annual program reports.<sup>3</sup>

The Commission further opened this request to all intervenors stating in ordering paragraph no. 9: "all parties may file initial comments addressing appropriate

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<sup>2</sup> Rebate Order, p. 16.

<sup>3</sup> *Id.*

modifications to the current incentive amounts as directed by this Order, including a tiered rebate program as discussed herein.” NCSEA’s initial comments are set forth below.

## II. NCSEA’s Comments

As an initial matter, NCSEA agrees with the Commission’s statement that the “objective of the legislative solar rebate program is to provide an economic incentive for residential, commercial, and nonprofit customers to adopt solar power by reducing the upfront cost of installing solar equipment” and, as noted by the Commission in the Rebate Order, NCSEA maintains that currently “because so few solar customers are guaranteed a rebate, the ratepayer financed program does not appear to be fulfilling its purpose of driving the adoption of solar.”<sup>4</sup>

Above all, NCSEA seeks to increase the number of customers who receive the rebate. NCSEA believes that by increasing the number of people who receive the rebate, that will alleviate pressure involved in the yearly (or biannual) rollout of the “first-come, first-serve” program. Of course, more customers who receive the rebate will also further the legislative objective of the adoption of distributed solar power. To that end, we applaud the Commission’s desire to see a proposal for a tiered program insofar as such a program may allow for more customers to get a rebate.

However, NCSEA has concerns about a tiered rebate program approach. North Carolina needs to maximize the number of distributed solar projects via the successful use of this statutory rebate program, but NCSEA is concerned a tiered rebate approach will not maximize that number. First, NCSEA is concerned that changing to a tiered rebate program emphasizing smaller systems may have negative effects on the program as it is currently

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<sup>4</sup> *Id.* at 14.

situated. While the program has had many faults, it has been, from a pure numeric perspective, a roaring success and a great example at maximizing supply/demand utilizing statutory incentive. NCSEA questions whether further tinkering with rebate tiers may result in customer confusion or even program apathy especially given the 2020 rollout struggle.

Second, NCSEA is concerned that the incentive for smaller system sizes will fight against market forces already in place for larger systems. From an economic standpoint, most consumers and builders are seeking the largest system they can utilize – why incent smaller? The reason consumers seek the largest system they can utilize for their home is because larger systems can result in the potential for more net metered credits from their utility and, to some extent, the shortening payoff window for the cost of the underlying system despite its larger size and related higher cost. NCSEA does not want to disturb the relative payoff window a distributed solar system has. Additionally, the federal investment tax credit (“ITC”) provides a tax credit to a customer based on cost of system and, naturally, a larger system will most often cost more than a smaller system to construct. So in the event that the Commission orders a tiered rebate system, then a customer might have the confusing task of weighing a heightened rebate amount for a smaller system with a smaller ITC versus a larger system with a lower rebate per watt but higher ITC.

Third, NCSEA questions whether this dramatic revamp of the rebate program is wise to do at this later stage of the program. Going through a biannual rollout, there are three potential windows left beginning with July 2021, not including the free-for-all bucket of unused rebates in 2023, where a tiered system might be enacted. NCSEA is not sure the effort and education for customers, installers, and other interested parties is worth the trade-off for the potential of a tiered program. Practically speaking, with the above-listed

concerns about projects “penciling out” and the ITC, NCSEA questions whether a tiered system will actually change the size of most projects and thus allow for more rebate participants. NCSEA might be supportive of a tiered program with inertia towards a larger rebate recipient pool, but our members have had trouble envisioning how that might work.

Lastly, NCSEA’s members have also voiced concerns about the non-profit programs. We do not know whether the Commission intends to include the non-profit sector as part of a tiered system they have expressed interest in, but NCSEA is concerned that the non-profit rebate bucket has the potential to be eaten up by one or two entities. While the non-profit sector has been slow to embrace the solar rebates, NCSEA’s members believe that a very small number of entities, each with multiple installations, will take all of the 2021 non-profit rebates. NCSEA would like the Commission to consider whether and how to react to a single or small number of entities taking an entire non-profit rebate bucket comports with the directives of the underlying statute. Of course, NCSEA is not opposed to non-profit entities receiving the rebate, but governmental entities have a unique ability to house multiple solar projects, for instance, which allows them to flood the market for rebates against a church or synagogue.

III. Conclusion

NCSEA is doubtful about the potential success of a tiered rebate program in furthering the objectives of North Carolina Gen. Stat. § 62-155(f), but NCSEA is open to further investigation. NCSEA looks forward to receiving other parties' initial comments and providing thoughts in its reply comments.

Respectfully submitted, this the 4th day of December, 2020.

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**CERTIFICATE OF SERVICE**

I hereby certify that all persons on the docket service list have been served true and accurate copies of the foregoing document by hand delivery, first class mail deposited in the U.S. mail, postage pre-paid, or by email transmission with the party's consent.

This the 4th day of December, 2020.

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