

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
DOCKET NOS. E-2, SUB 1167; 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 G.S. 62-155(f)

**REPLY COMMENTS OF
SOUTHERN ALLIANCE FOR
CLEAN ENERGY ON INCENTIVE
AMOUNTS**

Pursuant to the North Carolina Utilities Commission’s (“Commission”) November 6, 2020 *Order Modifying Fourth Year of Solar Rebate Program and Requesting Additional Comments* (“November 6 Order”) and November 23, 2020 *Order Granting Motion for Extension of Time to File Comments* in the above-referenced dockets, the Southern Alliance for Clean Energy (“SACE”) respectfully submits the following reply comments.

SACE recommends against adopting a tiered incentive structure at this time. In its November 6 Order, the Commission directed Duke Energy Progress, LLC, and Duke Energy Carolinas, LLC (collectively “Duke”) to include in its initial comments “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.” November 6 Order 16. The information that Duke submitted in response indicates that the size of the system that a customer who receives a rebate installs correlates only very weakly with the customer’s income. According to Duke, the average size of a system installed by a customer with household income of more than \$150,000 was 7.9 kW-AC, and declines

only to 7.1 kW-AC for a customer with a household income lower than \$20,000. This suggests that under the current incentive amounts the cost of a system is not the barrier for lower-income customers who likely rely entirely on the economics of the system to pay for itself (and perhaps install slightly smaller systems because their houses tend to be smaller).¹

SACE opposes Duke's proposal to decrease residential and commercial incentive amounts at this time. *See* Duke's Initial Comments 6-7. The purpose of the rebate program is to create an incentive for customers to install small solar energy facilities. *See* N.C. Gen. Stat. § 62-155(f). The current rebate values serve this purpose successfully, as the strong demand for rebates shows. It is not clear how low the rebate values could be cut before the rebates would be insufficient to create an incentive for the marginal customer to install solar. Lowering the rebate amount could undermine the purpose of the program without sufficient information about the proper threshold to create a reasonable incentive for adoption. Furthermore, the calculation that Duke offers in support of its proposed reduced rebate amounts is opaque. Duke states that the prices of residential and commercial systems have decreased by certain round percentages between 2018 and 2020, based on historical and forecast data provided by the North Carolina Sustainable Energy Association ("NCSEA") but does not explain how it calculated the reduction in cost from NCSEA's data. Nor does the calculation appear to take into account reductions in the federal investment tax credit in 2021 and 2022.²

¹ In its initial comments, Duke proposes a very simple tiered system for residential rebate customers, as a possible alternative to lowering incentive amounts. However, there were no other tiered incentive structures proposed. If the Commission decides to adopt a tiered incentive structure, SACE requests the opportunity to comment on it.

² *See* 26 U.S.C. § 48(a)(7).

Most importantly, reducing the incentive amounts will almost certainly make it more difficult for lower-income customers to install systems. The information provided in Duke's Initial Comments shows that the present incentive amounts are sufficient to enable a meaningful number of low-income customers to install systems. *See* Duke's Initial Comments 4 (showing 123 customers with total household incomes below \$15,000 installed systems). Whereas some higher-income customers may be able to afford systems regardless of the rebate value and it simply acts as an incentive, it likely is strictly necessary for many lower-income customers to be able to install systems. The information on system size showing lower-income customers installing systems of nearly the same size as higher-income customers further supports this conclusion. Accordingly, reducing the rebate value without sufficient information about the threshold at which systems are affordable could foreclose participation by lower-income customers, thus narrowing the pool of customers who participate in the program, contrary to the Commission's intent. *See* November 6 Order 16 (evidencing an interest in expanding the pool of customers receiving rebates to include more who face budget constraints). SACE agrees with Duke that a more targeted way to make the rebate available to all customers would be to base the incentive amount on income, but also agrees that doing so would be complicated and might not be advisable at this stage in the rebate program. *See* Duke's Initial Comments 7.

Respectfully submitted this the 15th day of December, 2020.

s/Nick Jimenez
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CERTIFICATE OF SERVICE

I certify that all parties of record on the service list have been served with the foregoing reply comments either by electronic mail or by deposit in the U.S. Mail, postage prepaid.

This, the 15th day of December, 2020.

s/Nicholas Jimenez