Ladawn S. Toon
Associate General Counsel

NCRH 20 / P.O. Box 1551
Raleigh, NC 27602
o: 919.546.2148
Ladawn.Toon@duke-energy.com

April 1, 2024

VIA ELECTRONIC FILING

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

RE: Duke Energy Carolinas, LLC's and Duke Energy Progress, LLC's Reply Comments and Request for Approval of Revised EE/DSM Mechanisms Docket Nos. E-100, Sub 179; E-7, Sub 1032; and E-2, Sub 931

Dear Ms. Dunston:

Enclosed for filing on behalf of Duke Energy Carolinas, LLC ("DEC") and Duke Energy Progress, LLC ("DEP" and together with DEC, the "Companies"), please find the Companies' reply comments in the above-referenced dockets (the "Reply Comments"). The Reply Comments are submitted pursuant to the North Carolina Utilities Commission's ("Commission") *Order Adopting Initial Carbon Plan and Providing Direction for Future Planning*, dated December 30, 2022 ("Initial Carbon Plan Order"), and its *Order Granting Public Staff's Motion for Procedural Relief and Scheduling Technical Conference*, dated October 30, 2023 (the "Scheduling Order").

I. As a result of extensive stakeholder engagement, substantial further consensus has been achieved and only two issues remain open.

The Reply Comments (i) provide the Companies' responses to the issues raised in the initial comments of other parties and (ii) submit for the Commission's approval further revisions to the Companies' respective demand side management ("DSM") and energy efficiency ("EE") mechanisms that are attached as Exhibit A and Exhibit B to the Reply Comments (together, the "Mechanisms").[1]

[1] DEC's revised Mechanism is attached as Exhibit A and DEP's revised Mechanism is attached as Exhibit B. In each case, the exhibit contains a clean version of the revised Mechanism, along with a redlined version that shows the revisions against the existing, Commission-approved Mechanisms. Given the Companies' ongoing dialogue with stakeholders, the Companies expressly reserve the right to further modify the Mechanisms.

The Companies organized eight formal stakeholder sessions that included representatives with diverse interests and constituencies. Prior to and after such meetings, the Companies solicited input from all participating stakeholders, reviewed and analyzed voluminous information, and vetted proposals submitted. In addition to the eight formal stakeholder sessions, the Companies also held six bi-weekly meetings for focused discussions on discrete topics prior to the filing of initial comments. Discussions with stakeholders continued after the filing of initial comments with the Companies holding an additional formal stakeholder session and two more bi-weekly meeting for focused discussions.

As a result of the months-long stakeholder engagement in this docket, and some degree of compromise by most parties, the Mechanisms before the Commission contain consensus proposed revisions with only **two proposed revisions that remain contested**. The Public Staff – North Carolina Utilities Commission ("Public Staff") objects to certain revisions related to Active Load Management ("ALM") and the North Carolina Attorney General's Office ("AGO") maintains certain objections related to the utility incentive structure. Aside from these limited objections by only two parties, all parties to this docket either support or do not oppose Commission approval of the revised Mechanisms attached to the Companies' Reply Comments in their entirety.

In fact, the Companies are authorized to report that the Southern Alliance for Clean Energy, Natural Resources Defense Council, South Carolina Coastal Conservation League, Sierra Club, North Carolina Justice Center, North Carolina Housing Coalition, and North Carolina Sustainable Energy Association (the "Efficiency Advocates") support the Mechanisms in their entirety and request Commission approval of the same. The Efficiency Advocates also reviewed the Companies' Reply Comments and support those as well. This **unconditional support** from the Efficiency Advocates is another indicator of the significant progress that has been made since initial comments were filed, and the Companies are pleased that all open items among these parties have been resolved.

The remaining two open items—each only contested by a single party (Public Staff and AGO, respectively)—are outlined below.

a. Active Load Management

As explained by the Reply Comments in greater detail, the first remaining contested issue relates to the Public Staff's objection to the Companies' ability to offer voluntary, Commission-approved programs that allow the Companies to actively manage certain grid-edge devices (such as smart appliances and customer-sited battery storage) for the benefit of the overall grid. As outlined in the revised Mechanisms, the Companies could propose and, upon Commission approval, offer these "Active Load Management" programs to enhance or maintain resource adequacy, reduce grid congestion, efficiently manage variable renewable energy output, and shape utility loads at a locational or aggregate level to benefit the utility system.

Importantly, programs or modifications to be included in Active Load Management will undergo the same stakeholder vetting in the Collaborative and approval process by the Commission as other programs. The Mechanisms also contemplate a corresponding utility incentive—tied to the realization and determination of new incremental system benefits—that would encourage the Companies to offer these more complex programs and create actual system benefits associated with reducing emissions, reducing the need for system balancing resources, and integrating variable renewable resources while reliably and cost-effectively managing the grid. The Companies believe that the Active Load Management proposal represents a positive next step in the evolution of the Companies' DSM/EE portfolio, and the Public Staff is the only party that objects to these provisions.

b. Portfolio Performance Incentive ("PPI")

The only other remaining contested issue relates to the AGO's objection to the other parties' consensus portfolio performance incentive ("PPI") structure. That structure includes a scaled utility incentive that rewards higher performance with an incentive opportunity tied to the Companies sharing a higher percentage of the net benefits achieved through the Companies' programs. The scaled incentive ranges from sharing as little as 3.5% for savings of less than 0.50% of eligible retail sales to sharing up to 12.5% for savings of 1.75% or greater of eligible retail sales. Importantly, the proposed performance tiering includes an incentive for each tier, which furthers the purpose for which incentives are provided—namely, to reduce the foregone opportunity costs associated with pursuing DSM/EE instead of the traditional supply-side resources. A performance tiering structure that did not include an incentive for each tier would conflict with the stated policy goals of S.B. 3 and H.B. 951 to encourage the adoption of DSM/EE and undermine prior Commission decisions awarding incentives to motivate the Companies to deploy DSM/EE programs effectively and aggressively. The AGO is the only party that objects to these provisions.

II. Other than those two open items, the Mechanisms are entirely uncontested.

Although the Reply Comments address the limited open items, they more importantly reflect progress on **all other areas** of the Mechanisms—including key, fundamental provisions such as the "Four Enablers" and the recovery of net lost revenues. The Mechanisms represent significant collaboration by all parties involved through many months of discussions, formal and informal exchanges of data, and numerous stakeholder sessions (both before and after initial comments). The Companies are pleased to present the results of this almost year-long collaborative effort to the Commission for approval.

For ease of reference, **Table 1** highlights for the Commission the revisions that are jointly-supported or unopposed by all parties:

Table 1

Supported or Unopposed By All Parties
Revised Paragraph Number
DEC # 4 and DEP # 5
DEC # 11 and DEP # 12
DEC # 14 and DEP #13
DEC # 15 and DEP # 14

DEC # 16 and DEP # 17
DEC # 22(a) – (j) and DEP # 22, 22A, and 22B
DEC # 24 and DEP # 25
DEC # 27(a) and DEP # 26A
DEC # 32 and DEP # 32
DEC # 38(b) and DEP # 35B
DEC # 39 and DEP # 36
DEC # 46 and DEP # 29
DEC # 47 and DEP # 30
DEC # 51 and DEP # 51
DEC # 53 and DEP # 63
DEC # 56(b) and DEP # 50(d)
DEC # (N/A) and DEP # 53
DEC # (N/A) and DEP # 58
DEC # (N/A) and DEP # 73
DEC # 66(f) – (h) and DEP # 72(f) – (h)
DEC # 75 and DEP # 81
DEC # (N/A) and DEP # 82
DEC # 79 and DEP # 85
DEC # 80 and DEP # 86
DEC # 81 and DEP # 87
DEC # 82 and DEP # 88
DEC # 83 and DEP # 89
DEC # 86 and DEP # 92
DEC # 90 and DEP # 96A
DEC # 92 and DEP # 97
DEC # 93 and DEP # 98
DEC # 94 and DEP # 100

Table 2 highlights the **only remaining objections** to the revised Mechanism documents held by any party:

Table 2

Supported or Unopposed By All Parties Except **Public Staff**
Revised Paragraph Numbers
DEC # 1 and # 91/DEP # 1 and # 96B (ALM)
Supported or Unopposed By All Parties Except **AGO**
Revised Paragraph Numbers
DEC # 74 and DEP # 80 (PPI)

As evidenced by **Table 1** and **Table 2**, the Mechanisms are almost entirely uncontested. If approved by the Commission, the Mechanisms will achieve a key goal of this proceeding by creating longer-lived energy savings in a manner that is cost-effective for both participating and non-participating customers. As a result, the proposed revisions will help the Companies "shrink the challenge" of transitioning to a cleaner energy future, while ensuring continued transparency in the evaluation, measurement, and verification process along the way.

III. The Mechanisms reflect significant collaboration and are ripe for expeditious approval.

As further explained in the enclosed Reply Comments, the Companies respectfully request that the Commission approve the respective Mechanisms attached as Exhibit A and Exhibit B to the Reply Comments and grant any other relief as the Commission deems just and reasonable in the furtherance of the public interest.[2] Expeditious approval of the revised Mechanisms is critical to the Companies' ability to implement the agreed-upon one-time reconciliation (which includes submitting program modifications for Commission review and approval) in a timely manner so that customers may begin enjoying the benefits resulting from the revised Mechanisms in Vintage Year 2025.

For the reasons stated above, and given that all of the parties that participated in the stakeholder collaboration support or do not oppose the revised mechanisms (apart from the two items identified above), the Companies do not believe that oral argument is necessary in this matter for the Commission to expeditiously approve the revised Mechanisms.

Sincerely,

Ladawn S. Toon

Enclosures
cc: Parties of Record

[2] Given the Companies' ongoing dialogue with stakeholders, the Companies expressly reserve the right to further modify Exhibit A and Exhibit B.

CERTIFICATE OF SERVICE

I certify that a copy of Duke Energy Carolinas, LLC's and Duke Energy Progress, LLC's Reply Comments and Request for Approval of Revised EE/DSM Mechanisms in Docket Nos. E-100, Sub 179; E-7, Sub 1032; and E-2, Sub 931 have been served by electronic mail, hand delivery or by depositing a copy in the United States mail, postage prepaid to the parties of record.

This 1st day of April, 2024.

Ladawn S. Toon