

December 17, 2021

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Re: North Carolina Utilities Commission Order Requesting Comments and Proposed Rules in the Matter of Rulemaking Proceeding to Implement Performance-Based Regulation of Electric Utilities, Docket No E-100, Sub 178

Dear Chair Mitchell and Commission Members:

Pursuant to North Carolina Utilities Commission's ("Commission") October 14, 2021, Order Requesting Comments and Proposed Rules, the City of Asheville hereby offers the following comments on the Commission's adoption of rules to implement N.C. Gen. Stat. § 62-133.16, as it was adopted by S.L. 2021-165. These comments were drafted to encourage the Commission to adopt policies and procedures that will support the City's goals related to our state's energy system.

The City of Asheville is glad to see that multiple policy goals that the Commission may consider when evaluating a utility's proposed performance-based regulation (PBR) plan from N.C.G.S. § 62- 133.16(d)(2) align with the City of Asheville's goals and priorities, including but not limited to: " (ii) Encourages utility-scale renewable energy and storage; (iii) Encourages DERs; (iv) Reduces low-income energy burdens; (v) Encourages energy efficiency; (vi) Encourages carbon reduction; [and] (vii) Encourages beneficial electrification, including electric vehicles."

Well-designed and well-functioning PBR can align utility business incentives with social and environmental policy goals. The City of Asheville has a number of goals which are relevant to this proceeding.

#### The City of Asheville's Climate, Energy, and Community Goals

- **Community wide greenhouse Gas (GHG) reduction:** the City of Asheville adopted Resolution 20-25 on January 28, 2020, declaring a climate emergency, and committing to end citywide GHG emissions by 2030 and to phase out fossil fuel power generation and use within the city.
- **Municipal greenhouse Gas (GHG) reduction:** the City of Asheville adopted Resolution 07-90 on April 24, 2007 to reduce GHG emissions from municipal operations by 80% by 2050.
- **Community wide renewable energy:** the City of Asheville adopted Resolution 20-18 on January 28, 2020 to create the Blue Horizons Project Community Council to support the goal of 100% renewable energy for the community by 2042.
- **Municipal renewable energy:** the City of Asheville adopted Resolution 18-279 on October 23, 2018, to transition municipal operations to 100% renewable energy by December 31, 2030.

- **Community equity goals:** the City of Asheville adopted Resolution 20-25 in January 2020 declaring a Climate Emergency and acknowledging the need to address climate justice. Through this resolution, the City of Asheville commits to addressing Low-to-moderate income (LMI) communities needs when facing climate injustices.

In alignment with the City of Asheville’s priorities and goals, the undersigned encourage the Commission to drive new areas of utility performance and incentivize innovative methods of operating that will drive renewable energy development, carbon reduction, affordability, equity, energy efficiency, and beneficial electrification, alongside key metrics such as reliability.

The decisions made in this rule-making process have the potential to impact our ability to meet the City of Asheville’s renewable energy, GHG reduction, and equity goals; thus, we see this rulemaking process as a pivotal opportunity to create a reliable, affordable, resilient, and equitable system.

### Performance Incentive Mechanisms (PIMs)

PBR is successful when it aligns utilities’ rewards and incentives with social benefits. Performance incentive mechanisms (PIMs), which tie a portion of utilities’ revenues or earnings to their performance on established measurable outcomes, can play an important role in supporting public policy goals.

The City of Asheville encourages the Commission to require that approved plans include PIMs targeted to support renewables, GHG reduction, equity, and energy efficiency policy goals set forth in the statute. Implementing these incentives can help shift utilities’ investments and management focus away from increasing capital assets and toward the accomplishment of important public policy objectives.

#### *PIM outcomes and metrics recommended*

The City of Asheville recommends that the Commission, in any PBR application, requires the utility to establish PIMs that would advance the City of Asheville’s goals for a cleaner, resilient, and equitable energy system:

1. Accelerated achievement of the carbon reduction targets in the upcoming Carbon Plan that the N.C. Gen. Stat. § 62-133.16 directs the Commission to develop

Utilities directly reducing greenhouse gas (GHG) emissions will advance the City of Asheville’s GHG reduction goals. However, it is important that the performance metrics and targets align with the intended outcome in which the City supports aligning GHG emissions reduction with the increase of renewable energy. Specific performance metrics and targets that should be considered are: total criteria pollutant emissions; reduced greenhouse gas emissions in metric tons of CO<sub>2</sub> equivalent beyond what is required by law or policy from rooftop and community solar PV, light-duty EVs, electric buses, utility-scale renewables, energy efficiency and utility scale and onsite storage.

2. Equitable deployment of renewable distributed energy resources (DERs)

Renewable distributed energy is essential to achieving the City’s renewable and GHG reduction goals. LMI residents are at risk of being left behind in the clean energy transition. Making renewable energy accessible for LMI residents aligns with the City of Asheville’s pursuit of equitable access to the economic

and social benefits of renewable energy. To that end, the City encourages the Commission to consider the following performance metrics and targets:

- Utilization, deployment and interconnection timeliness
- Additional MW capacity of interconnected DERs by month.
- Percentage of DER MW capacity serving LMI customers.

### 3. Improved affordability and reduced energy burden for low income customers

In order to improve affordability for LMI customers it is important to provide incentives to the utility. LMI PIM aligns with the City of Asheville's commitment to reducing energy burden for LMI and advancing energy equity. The City requests the Commission consider average monthly residential bills as a percent of annual income from LMI residential customers with rate reductions for LMI residential customers.

### 4. Improvements in electrification of transportation (EoT)

EoT PIMs would help increase EV penetration and adoption. This aligns with the City of Asheville's GHG reduction goals and public health priorities, as the electrification of transportation would reduce air pollution from vehicles and benefit community health. Therefore, we recommend the Commission to offer utilities a financial incentive to encourage adoption of electric vehicles, and smart charging to support the efficient use of the grid.

EoT PIM metrics should track electric vehicle adoption. We recommend the following metrics:

- Number of customers on an EV rate.
- Number of EV projects with third parties.

### 5. Improvements in EE & DSM program deployment

Reducing emissions and saving customers money, efficiency is a very important component of meeting our climate and equity goals. Energy efficiency PIMs could address economic disincentives to pursue energy efficiency under traditional cost of service regulation and result in meaningful efficiency improvements. All states that have a PIM for energy efficiency have seen energy reductions since the PIM was implemented.<sup>1</sup> For example, in 2019, National Grid in Rhode Island exceeded the maximum target of 20MW peak capacity savings, curtailing 33MW.<sup>2</sup>

EE and demand-side metrics should track both energy and demand savings and program participation. We recommend the following metrics:

- MW annual peak capacity savings
- MWh annual energy savings from energy efficiency programs beyond 1.0% of prior year's retail system sales established as the threshold for receipt of an additional

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<sup>1</sup> Seth Nowak, et al., Beyond Carrots for Utilities: A National Review of Performance Incentives for Energy Efficiency, American Council for an Energy-Efficient Economy, 2015, <https://www.aceee.org/sites/default/files/publications/researchreports/u1504.pdf>.

<sup>2</sup> Performance Incentive Mechanism Annual Report, Docket 4770, Rhode Island Public Utilities Commission (February 28, 2020), [http://www.ripuc.ri.gov/eventsactions/docket/4770-NGrid-PIM%20Annual%20Report%202019%20\(2-28-2020\).pdf](http://www.ripuc.ri.gov/eventsactions/docket/4770-NGrid-PIM%20Annual%20Report%202019%20(2-28-2020).pdf).

incentive in the current DSM/EE Mechanism (Docket Nos. E-2, Sub 931 and E-7, Sub 1032)

- Increased participation in selected energy efficiency and demand response programs.

### Multi-year Rate Plan (MYRP)

MYRPs will critically impact affordability and thus the economic well-being of our residents. MYRPs carry risks due to automatic rate increases, complexity of revenue adjustment mechanisms, and fewer opportunities to review utility costs and rates. Reduced number of rate cases result in fewer opportunities to course correct if costs and/or revenues are not trending towards expectations. However, if well-designed, well-monitored, and well-implemented, MYRP can ensure affordability, rate predictability for customers, and accountability for utilities. Therefore, it is critical to limit what utilities can spend for a multi-year period and hold them accountable for specific results. We would like to echo the filed comments related to MYRP process rules from the Southern Environmental Law Center (SELC) and the North Carolina Sustainable Energy Association (NCSEA).

- To ensure affordability and advance equity, we agree with and supports SELC's recommendation that the Commission should "include a rule that no general rate case of MYRP be submitted from Duke Energy Carolinas (DEC) or Duke Energy Progress (DEP) until Commission has received the final report and recommendations of the Affordability Stakeholder working group." In that way, utilities could better integrate affordable rate designs or other concrete program recommendations that come out of the Affordability Stakeholder process into MYRP application.
- We also agree with and support NCSEA and SELC's recommendations that the rules should not permit Duke to file a PBR or a MYRP application prior to the Commission's approval of the first Carbon Plan by December 31, 2022. This would have two benefits. First, since the Carbon Plan will greatly inform the capital investments that utilities will seek to recover through PBR, this could ensure that capital expenses are not in conflict with the carbon reduction targets. Secondly, such a process would ensure efficient use of Commission and stakeholder time and resources.

### Transparency and stakeholder engagement

Comments from intervenors, such as the Public Staff, NCSEA, SELC, Carolina Utility Customers Association, Inc. ("CUCA"), the Carolina Industrial Group for Fair Utility Rates I, II, and III ("CIGFUR"), and Apple Inc., Meta Platforms, Inc., and Google LLC (collectively, "Tech Customers", acknowledged the importance of transparency and effective stakeholder engagement. NCSEA notes that "transparency should also be paramount to the Commission in adopting rules." Tech Customers note that "it will be imperative that any proposed rules implementing PBR be drafted with a view to promoting transparency and meaningful stakeholder participation."

The City of Asheville agrees with these intervenors and believes that PBR is most successful when it is established and monitored in a transparent process and effectively engages stakeholders. Transparency and stakeholder engagement are important to:

- Ensure the desired outcomes set forth are aligned with the needs of customers;
- Ensure PIMs are net beneficial, meaning that their benefits outweigh their costs to customers;
- Ensure that utility performance is accurately measured, reducing costs of oversight;
- Enhance the credibility of targets and reduce the risk of litigation.

To ensure transparency and effective stakeholder engagement, the City of Asheville respectfully makes the following requests:

- Commission rules should require the utility to establish transparency at each step of the PBR process.
  - We encourage the Commission to require that performance and tracking metrics should be presented in an accessible, contextualized, relatively easy to interpret manner. The City of Asheville agrees with and supports NCSEA's recommendation to collect and report data via a dashboard.
  - We encourage the Commission to require detailed disclosures of utility planning processes and cost information as part of PBR applications. Because rate increases in a MYRP will be based on a utility's cost forecasts, it is critical for the utility's cost forecasts to be reasonable and in the interest of the public. However, as noted by NCSEA and CUCA, it is difficult to assess cost projections. To overcome information asymmetry, the Commission should require detailed disclosures of utility planning processes and cost information as part of the PBR application.
- Commission rules should ensure that the PBR process at the Commission receives input from a broad group of stakeholders.
  - We encourage the Commission to require utilities to describe why PBR outcomes and metrics are important and what they mean for utilities and their customers with respect to key societal and environmental policy goals including, but not limited to, renewables development, affordability, equity, and greenhouse gas emissions reductions.
  - If a PBR application is rejected by the Commission, the Commission should require the utility to work with stakeholders to remedy deficiencies.
  - We encourage the Commission to offer opportunities for meaningful stakeholder participation during the technical conference. In their initial comments, DEP and DEC do not mention how stakeholders or the Commission are allowed to engage during the technical conference.
  - Local governments are essential voices in any decision that will impact reliability, customer service, and energy affordability. Local governments, like the City of Asheville, are the closest tie to North Carolina residents and should be engaged in regulatory proceedings to amplify community voices and considerations.

We appreciate the opportunity to provide these Comments and look forward to working with the Commission and other interested parties on these issues.

Sincerely,



Esther E. Manheimer  
Mayor, City of Asheville