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North Carolina Utilities Commission
430 N. Salisbury St.
Raleigh, NC 27603

Clerk's Office
N.C. Utilities Commission

Re: Duke Energy Carolinas, LLC's Motion to Withdraw Program Docket No. E-7, Sub 1155

Dear Utility Commissioners,

Since inception, Southern Energy Management (SEM) has stood with one mission: improve the way people make and use energy. Co-founded by two dedicated visionaries aiming to make the world a better place, SEM remedies the flashy brilliance of solar photovoltaics with the necessity of residential and commercial energy efficiency. Our decision-making compass has been B Corp values since we became one of the first companies in North Carolina to certify in 2009.

A third-party energy rater since 2001, we have worked with over a thousand builders and touched over 48,000 homes. Our goal has always been to help builders create a better, long-lasting end product with a low environmental footprint.

Since 2012, Duke Energy Progress' Residential New Construction (RNC) program has helped make our services and suggested improvements more affordable to builders, incentivizing and promoting best building practices. We believe the RNC program is invaluable to North Carolina and that allowing Duke Energy Carolinas to move forward with their own program would promote a well-educated building community and improve the quality of homes in the area.

After attending the January 27th public hearing, we were motivated to share some data to shed light on claims made by the gas utilities, specifically that they are experiencing an erosion of their customer base as a direct result of the RNC incentive. Our experience dictates builders remain persuaded by consumer demand, not by utility incentives, as Mattamy Homes specifies.



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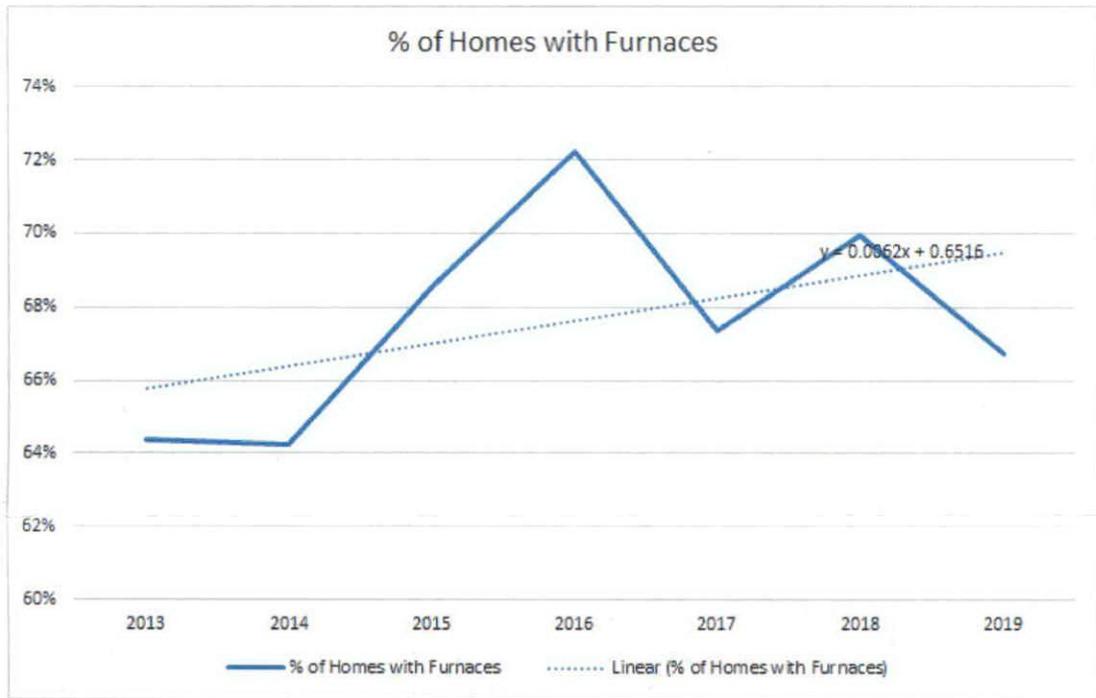
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"Mattamy Homes continues to find immense value in the Residential New Construction program. We request that the Commission reject Duke's motion to withdraw its application to expand the program DEC territories. We successfully participate in the RNC program despite the fact that many of our communities have natural gas as the predominant fuel source. There are many factors influencing our fuel source decisions, most notable are consumer preferences which still overwhelmingly leans towards gas. We love the program and think that it's been a great fit for us."

-Rich Sherman, Vice President of Construction Operations, Mattamy Homes

In fact, an estimated seventy-four percent of SEM-rated homes in 2019 in Progress territory have major natural gas appliances, defined as a water heater or furnace. And since 2013, we have seen a rise in homes with at least one furnace, which is impressive, considering Home Innovation Research Labs (2020) cites a decline in furnace installations nationally between 2015 and 2018¹. The graph below includes natural gas furnaces, propane furnaces, and dual-fuel heat pumps.



¹ Home Innovation Research Labs. (2020). What's Hot (& Cold) in HVAC Systems. Retrieved from https://www.homeinnovation.com/trends_and_reports/trends/what_is_hot_and_cold_in_hvac_systems



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The gas companies assume because the RNC program offers a rebate based on kWh savings, it incentivizes moving away from gas appliances. However, from a sample of 20 homes, switching from a heat pump to a gas furnace made all homes more compliant with performance standards. This means a home with a furnace is more likely to receive a whole home incentive through the performance pathway.

Looking at SEM's top ten builder partners in Progress territory, none choose exclusively all electric appliances. In fact, four out of ten consistently choose gas heating when a gas line is available. Garman Homes is a shining example of combining program success and gas appliances year after year.

"Garman Homes has been a big advocate of the HERO program for several years while completing almost 200 homes per year with over 90% of our homes reaching the HERO level. We have been able to capture these rebates while also providing homeowners with what the market demands. Which for us is the use of gas equipment and appliances almost exclusively in our homes. By using the gas equipment in our homes and also building the home with energy efficiency in mind, we are able to provide an efficient home which gives the customer what they want and deserve."

-Brandon DeLong, Purchasing Manager, Garman Homes

Additionally, focusing on kWh savings per home does the RNC program a disservice. Compliance begins with the thermal envelope. Properly installed insulation, advanced framing, slab insulation, and efficient windows all determine initial compliance.

In 2019 alone, SEM met with dozens of trades, including framers, insulators, and HVAC contractors to advise on proper air sealing techniques. The RNC program works as a catalyst, driving builder demand for educated and trained contractors. These contractors work with participating and non-participating builders alike, resulting in a market transformation toward energy efficiency that will endure for the life of the home.

The RNC program goes on to describe prescriptive targets for blower door and duct leakage testing. These rigorous targets promote the construction of homes that will remain efficient and comfortable throughout their lifespans, regardless of fuel source.

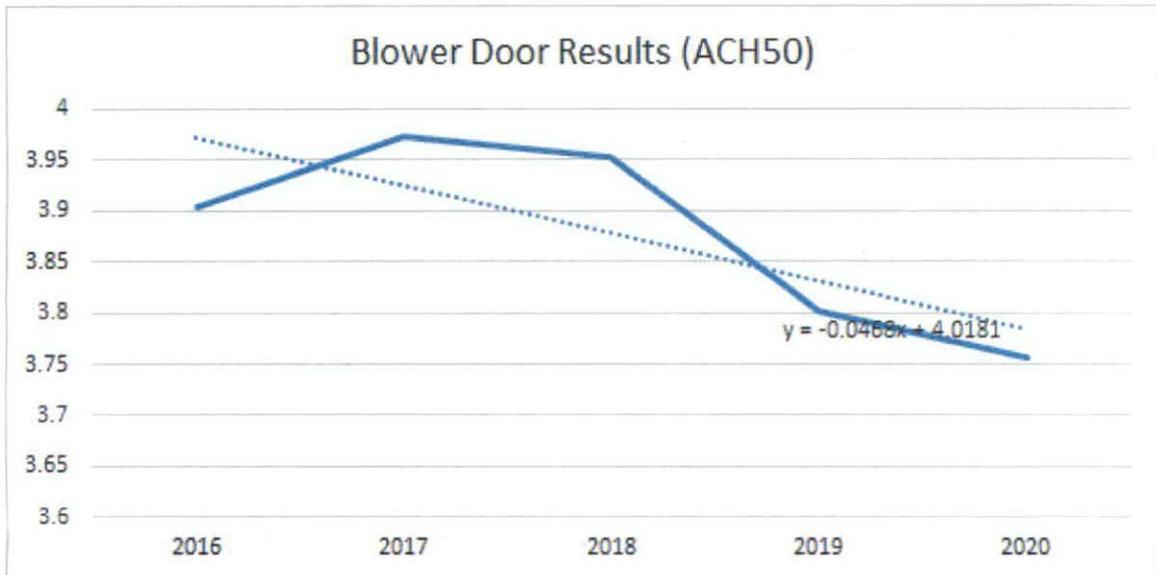
Since the implementation of the 2016 iteration of the RNC program, our blower door results have seen an overall decline. Please note 2020 only takes into account January.



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Additionally, the RNC program translates to real savings for homeowners. Since the 2016 revision, homeowners of SEM-rated homes in Progress territory save \$194 on average annually, saving over \$2.7 million dollars cumulatively, and diverting 26 million kWh from the grid. Considering we are not the only rater in the Triangle area, those numbers are astounding. It is also a measurement of direct impact, meaning only homes that pass the compliance standard are considered in this calculation. Residual effects such as properly trained trades that work for both participating and non-participating builders are not considered.

As the rest of North Carolina continues to grow, we believe an RNC program incentivizing builders to build to higher quality products will provide homeowners with a better home and helps support a more resilient grid. Since the average home remains in the market for fifty years, we believe the impact is invaluable and immeasurable.

We hope this data is helpful, and we ask you to reject Duke Energy's motion to withdraw their application RNC Expansion.

Best Regards,

Jamie Stapleton
 HERO Project Manager
 Southern Energy Management



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