

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
DOCKET NO. E-100, SUB 175**

In the Matter of:)	
Biennial Determination of Avoided Cost)	REPLY COMMENTS OF
Rates for Electric Utility Purchases from)	NCSEA ON NET EXCESS
Qualifying Facilities – 2021)	ENERGY CREDIT RATE
)	REVISION PROPOSAL

**REPLY COMMENTS OF NCSEA ON NET EXCESS ENERGY CREDIT RATE
REVISION PROPOSAL**

I. INTRODUCTION

In its *Initial Statement of the Public Staff* (“Initial Statement”), the North Carolina – Public Staff (“Public Staff”) recommends the Commission direct Duke Energy Carolinas, LLC (“DEC”) and Duke Energy Progress, LLC (“DEP”) (DEC and DEP collectively “Duke”) to

make a supplemental filing providing a re-calculated annualized [Net Excess Energy Credit] rate for use in the NEM Tariffs that is i) weighted to a solar profile, ii) differentiated by season, and iii) based on a 5-year avoided cost rates, and that future avoided cost filings include an explicitly calculated NEEC for use in Duke’s NEM Tariffs.¹

The North Carolina Sustainable Energy Association (“NCSEA”) has concurrently filed Joint Reply Comments with Carolinas Clean Energy Business Association (“CCEBA”) with respect to the other underlying issues brought up in parties’ respective initial comments. The purpose of this filing is to analyze the Public Staff proposal related to the Net Excess Energy Credit (“NEEC”), proposed by Duke in Docket No, E-100 Sub 180 as part of the net energy metering tariffs Duke proposed for compensating solar

¹ Initial Statement at 59.

customers who export power (“Duke’s NEM Proposal”),² and to explain why NCSEA is opposed to the Public Staff’s request to the Commission as set forth above.

II. NCSEA OPPOSES THE NEEC RATE REVISIONS PROPOSED BY THE PUBLIC STAFF

a. THE ISSUE IS NOT RIPE

In its Initial Statement, the Public Staff proposed a different calculation methodology for the NEEC included in Duke’s NEM Proposal (“Revised NEEC”). However, Duke’s NEM Proposal has not yet been adopted by the Commission. It would be premature to approve revisions to a rate design proposed in another docket, which ultimately may or may not be approved as constituted in the initial proposal.

Given that the NEEC in Duke’s NEM Proposal has not yet been adopted by the Commission, the Public Staff has not detailed how the Commission is to proceed upon its recommendation in the current docket. Were the Commission to deny Duke’s NEM Proposal, the Public Staff’s Revised NEEC proposal would be moot. Were the Commission to approve Duke’s NEM Proposal, NCSEA agrees that further investigation may be prudent in the future to ensure avoided cost rates fully and accurately compensate net energy metered customers for the benefits customer-sited generation provides to all ratepayers. However, until Duke’s NEM Proposal is adopted, this issue is not properly before the Commission in the current proceeding.

² *Joint Application of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC for Approval of Net Energy Metering Tariffs in Compliance with G.S. § 62-126.4 and House Bill 951*, Docket Nos. E-7, Sub 1214, E-2, Sub 1219, and E-2, Sub 1076 (November 29, 2021).

b. UNDER THE MOU, DUKE HAS FLEXIBILITY TO PROPOSE A SOLAR ENERGY PROFILE AND DIFFERENT MONTHLY RATES, IF AND WHEN PRUDENT

As explained in the *Memorandum of Understanding* (“MOU”) executed by and between Duke, the North Carolina Sustainable Energy Association, the Southern Alliance for Clean Energy, Vote Solar, Sunrun, Inc., and the Solar Energy Industries Association on November 29, 2021, which was filed along with Duke’s NEM Proposal, “[m]onthly excess net exports are credited at an annualized rate (weighted average rate for all hours assuming a fixed block of energy) for avoided energy cost as specified by the per kWh rates and charges in DEC Purchased Power Schedule PP and DEP Purchased Power Schedule PP.”³ The MOU explains that Duke will, for the time being, utilize a fixed block of energy⁴ and an annualized rate in calculating compensation for monthly net exports,⁵ which NCSEA believes is an appropriate calculation methodology for the NEEC at this time. The annualized rate was, at least for the near term, what NCSEA and other parties to the MOU sought in negotiations.

While the MOU outlines the right for Duke to, at some point, consider using a solar energy profile and different monthly rates for the NEEC, Duke has not yet requested a solar energy profile. Further, many critics of the NEM Proposal have pointed to the increased complexity of this new net metering paradigm as being an obstacle to broad adoption.⁶

³ Duke’s NEM Proposal at Exhibit A to Memorandum of Understanding.

⁴ *Id.* (“The Companies will use a fixed block of energy methodology but reserve the right to use a solar energy profile instead.”)

⁵ *Id.* (“The Companies will maintain the practice of using an annualized rate but reserve the right to use different rates for each month instead.”)

⁶ See, e.g., *Comments of Sundance Power Systems, Inc, Southern Energy Management, Inc. and Yes Solar Solutions; Collectively, the North Carolina Rooftop Solar Installers*, Docket No. E-100, Sub 180, at 4-7 (March 29, 2022); *Initial Comments of the Environmental Working Group*, Docket No. E-100, Sub 180, at 3 (March 29, 2022); Initial Statement at 24 (citing net energy metering tariff complexity as a common topic of consumer statements of position). See also, *Joint Initial Comments of NC WARN, NCCSC, and Sunrise Durham*, Docket No. E-100, Sub 180 (March 29, 2022) (criticizing the Fast Track Working Group process given the complex issues involved in net energy metering tariff design).

Utilizing a solar energy profile and different monthly rates would make the initial proposal even more complex. Further, this is all occurring at a time when the Commission is undertaking key investigations that will impact future avoided cost calculations, such as implementing the North Carolina Carbon Plan and considering a cost of carbon.

Pending Commission approval, NCSEA believes in the near term that the NEEC rates, as originally envisioned in the MOU, will be appropriate. Should Duke, as allowable under the terms of the MOU, request that the annualized rate be altered, then NCSEA requests that the Commission instruct interested parties work together on future NEEC rate parameters to improve the accuracy of compensation to solar customers who reduce overall demand and constraints on the grid for all ratepayers and provide other capacity benefits.

III. NCSEA SUPPORTS FUTURE IMPROVEMENTS TO AVOIDED ENERGY RATES TO FULLY COMPENSATE NET ENERGY METERED CUSTOMERS

The Public Staff rightly points out that the variable rate does not include any avoided capacity credits and that net metered solar is included in Duke's integrated resource plans ("IRPs") as a reduction to its load forecast, thereby concluding that longer-term rates may be appropriate.⁷ Should Duke's NEM Proposal be approved by the Commission and the Commission further determine, either in the current proceeding or in the future, that the NEEC rate needs to be altered, NCSEA sees value in using a longer-term rate. NCSEA disagrees with the Public Staff that, "a 10-year term may be too long a period, as there is no contractual obligation for the net metered facility to operate for that term."⁸ The Public Staff doesn't provide any evidence that a net metered facility would not operate longer than 5 years. Most residential solar equipment manufacturer warranties are

⁷ Initial Statement at 4-5.

⁸ *Id* at 5.

for at least 10 years and solar panel performance warranties are often for 25 years.⁹ Also, while net metered systems do not have a contractual obligation to operate for a 10-year term, they have a strong financial motivation to operate longer than 10 years to realize enough electricity bill savings to offset the initial investment in the net metered system. If the Commission agrees with the Public Staff on the need for using a longer-term rate and a seasonally changing rate upon initial adoption of Duke’s NEM Proposal, the Commission should order the use of a 10-year rate, at least.

Further complicating the current landscape, the Commission is tasked with developing a carbon plan that may include revised projections of net metered solar systems and may recommend the inclusion of carbon emissions as a component of avoided energy rates. The Public staff noted in its Initial Statement that it plans to determine any avoidable cost of carbon that should be included in future avoided energy rate calculations. However, this cost cannot be known until a Carbon Plan is approved and adopted by the Commission.¹⁰ Given the uncertain impact the findings and recommendations of the Carbon Plan will have on the NEEC, including any determination of an “avoided cost of carbon,” NCSEA believes the terms of Duke’s NEM Proposal and the MOU set forth a prudent calculation for the initial launch of the NEEC at this time.

Both the Public Staff and NCSEA noted in initial comments to Duke’s NEM Proposal, filed in Docket No. E-100 Sub 180, that the NEEC fails to appropriately value and incentivize storage.¹¹ In light of this common ground between NCSEA and the Public

⁹ See Vikram Aggarwal, *What to Know About a Solar Panel Warranty*, EnergySage (January 20, 2021), <https://news.energysage.com/shopping-solar-panels-pay-attention-to-solar-panels-warranty> for a market overview of current solar panel warranty offerings.

¹⁰ Initial Statement at 9.

¹¹ *Joint Initial Comments of The North Carolina Sustainable Energy Association, Southern Alliance for Clean Energy, and Vote Solar*, Docket. No E-100, Sub 180, Report on the Duke NEM Settlement and SmartSaver

Staff, the Commission should direct the parties to continue working on how the NEEC can appropriately compensate and incentivize residential solar-plus-storage systems within this new net metering paradigm. While NCSEA supports adoption of the NEEC rate as proposed in the MOU, NCSEA agrees that further investigation of how the avoided cost rate can more accurately compensate solar customers and solar-plus-storage customers for the benefits provided by customer-sited generation is necessary.

IV. CONCLUSION

For the reasons set forth herein, NCSEA requests the Commission reject the Public Staff's proposal for a separate solar-profile rate design for NEM customers and for relief as otherwise requested by NCSEA in its Joint Initial Comments and its Joint Reply Comments.

Respectfully submitted this the 1st day of April, 2022.

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Solar EE Programs Exhibit A at 11 (March 29, 2022) ("A related issue is the need to improve the accuracy of the avoided cost rates that will be used to compensate net monthly exports from solar-plus-storage systems...compensating [valuable on-peak kWh exports] at an annual average avoided cost rate grossly undervalues this output. Just as the high on-peak TOU and CPP rates indicate the high marginal costs for generation and T&D capacity during on-peak hours, the on-peak avoided cost rates need to recognize that generation and T&D capacity costs can be avoided by distributed generation in these high-value hours."); Initial Statement at 38 ("[T]he provision prohibiting CPP exports from reducing CPP imports would have the effect of discouraging the addition of energy storage to NEM facilities. The Public Staff recommends that the Commission direct Duke to study and consider how the NEM Tariffs might be modified, in this docket or in the near future, to better facilitate and accommodate energy storage coupled with renewable generation.").

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 1st day of April, 2022.

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