BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
DOCKET NO. E-2, SUB 1252

In the Matter of: Application of Duke Energy Progress, LLC For Approval of Demand-Side Management and Energy Efficiency Cost Recovery Rider Pursuant to G.S. 62-133.9 and Commission Rule R8-69	))))))))	**POST-HEARING BRIEF OF NORTH CAROLINA JUSTICE CENTER, NORTH CAROLINA HOUSING COALITION, AND SOUTHERN ALLIANCE FOR CLEAN ENERGY**

Pursuant to Rule R1-25 of the North Carolina Utilities Commission, the North Carolina Justice Center, North Carolina Housing Coalition, and the Southern Alliance for Clean Energy (SACE) (collectively, Justice Center *et al.*), respectfully file this post-hearing brief on Duke Energy Progress, LLC's (DEP or the Company) application for approval of its annual demand-side management (DSM) and energy efficiency (EE) cost recovery and incentive rider for 2021 (Rider 12).

I. Introduction

The Justice Center *et al.* support DEP's application and the savings achieved by the Company's portfolio of programs, but remain concerned that DEP lags behind its sister company Duke Energy Carolinas in overall savings and success in reaching low-income customers. The Justice Center *et al.* remain committed, however, to strengthening the Company's programs, increasing overall savings, and providing additional opportunities for low-income customers to receive expanded energy-efficiency services, including access to comprehensive efficiency retrofits.

Although the EE/DSM rider dockets are primarily focused on cost-recovery for the Company, they also provide the only regular avenue for the Commission to observe trends and set direction for program and policy improvements in the Company's portfolio of programs. The Justice Center *et al.* appreciate the opportunity to intervene on behalf of our members and constituents to highlight the importance of reaching low-income customers with bill-saving efficiency programs and the central role of energy efficiency in the transition to a clean energy future.

On August 26, 2020, Justice Center *et al.* filed the testimony of Forest Bradley-Wright, Energy Efficiency Director for SACE, who covered five topics: DEP's 2019 efficiency portfolio performance; its 2021 forecast showing declining savings; efficiency for low-income customers, the ways that the COVID-19 pandemic is accelerating the need for energy efficiency and creating challenges for program delivery; and progress at the Collaborative.[1] Witness Bradley-Wright also addressed the interplay between savings from the Company's DSM/EE programs and other public policy. This post-hearing brief reiterates his recommendations and conclusions.

II. Duke Energy Progress's Performance in Delivering Energy-Efficiency Savings to its Customers

A. DEP Again Missed its Target of One-Percent of Savings of Prior-Year Sales and Lags Behind Savings Levels Achieved by DEC

[1] Pursuant to the Commission's September 14, 2020 Order, Witness Bradley-Wright's testimony was admitted into the record and the evidentiary hearing was cancelled. References to his pre-filed testimony (as Corrected by Motion to Correct Exhibit References filed on October 16, 2020) will be noted with "FBW p. __."

The Justice Center *et al.* are concerned that DEP's savings were lower in 2019 than in the previous two years. FBW p. 6. DEP has repeatedly not achieved the agreed upon annual-energy savings target of one-percent of prior-year retail sales.[2] *Id*. The Company instead achieved efficiency savings of 353.2 GWh, equal to 0.78% of prior-year retail sales. *Id.* This savings level represents a decline from 2018, when DEP reported annual savings of 0.88% of prior-year retail sales. FBW p. 7. In contrast, DEP's sister utility, DEC, achieved 794.9 GWh of savings at the meter in 2019, equal to savings of 0.98% of prior-year retail sales.[3] 2019 followed two years in a row when DEC exceeded the one-percent savings mark.

Nevertheless, the Company's DSM/EE programs continue to provide strong value for its customers. In 2019, DEP's portfolio had a Utility Cost Test result of 2.74 and a Total Resource Cost test result of 2.63. Ex. FBW-5 (DEP Response to Justice Center *et al*. Data Request No. 1-4). DEP reported a decline in cost-effectiveness scores for the second year in a row, but the net present value of savings for DEP's customers remained impressive at $215 million of net present value. FBW p. 7.

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[2] The Merger Settlement with SACE, South Carolina Coastal Conservation League, and Environmental Defense Fund calls for annual energy savings of 1% of prior-year retail sales beginning in 2015 and cumulative savings of at least 7% over the period from 2014 through 2018. The Merger Settlement was approved by the Public Service Commission of South Carolina ("PSCSC") in Docket No. 2011-158-E. The 1% savings target has also been memorialized in the mechanism governing North Carolina programs, which provides an opportunity for the Company to earn a bonus incentive for achieving savings of 1% or more of prior year retail sales. *Order Approving DSM/EE Programs and Stipulation of Settlement*, Docket No. E-7, Sub 1032 (Oct. 29, 2013).

[3] Direct Testimony of Forest Bradley-Wright on Behalf of the North Carolina Justice Center, North Carolina Housing Coalition, and Southern Alliance for Clean Energy, Docket No. E-7, Sub 1230 at p. 7 (May 22, 2020).

B. DEP's Energy-Savings Projections Remain Below the One-Percent Annual Savings Target

DEP is forecasting a modest increase in savings for 2021. The Company forecasts 378.7 GWh of incremental savings at the meter for 2021, which would represent 0.85% of annual retail sales. FBW p. 11. But this figure represents a decline from savings reported in 2018, which is the high-water mark for savings achieved by DEP to date. *Id* (citing Ex. FBW-7).

In its application and supporting testimony, DEP does not directly acknowledge that its projected savings will remain below the one-percent savings target. FBW p. 12. Generally, too little attention is given to explaining the reasons for the savings remaining below that target or addressing the steps that DEP is taking to reverse that trend. *Id*. The Commission specifically drew attention to the matter of declining savings in its 2019 Order, stating that: "the forecasted decline in DEP's DSM/EE savings in 2020 is a matter of concern. Consequently, the Collaborative should examine the reasons for the forecasted decline, and explore options for preventing or correcting a decline in future DSM/EE savings."[4] Going forward, Justice Center *et al.* recommend the following concrete steps to better explain the specific causes of forecasted declines or savings level below the one-percent target and identify potential ways to address those trends:

- The Commission direct DEP to explain forecast declines or savings level below the one-percent target and show what steps are being taken to prevent them, providing a clear explanation for the reductions (indicating specific factors driving those forecast declines) in its annual

[4] Order Approving DSM/EE Rider and Requiring Filing of Proposed Customer Notice, Docket No. E-2, Sub 1206 at p. 30 (Dec. 13, 2019).

rider docket filing. When forecasted savings levels are lower than those reported in recent years, DEP will provide a clear explanation for the reductions – indicating specific factors driving the declines, identifying which programs are impacted by those factors, and how much.

- DEP provide details to the Collaborative from the five-year program planning projections the Company is using as inputs for its DSM/EE modeling in the 2020 IRP.
- The Commission request a report from the Collaborative by April 20, 2021 that would examine the reasons for forecasted declines and explore options for preventing or correcting a decline in future DSM/EE savings, as requested by the Commission in its 2019 DEP DSM/EE Rider Order. Putting a date on this request and showing that the Commission would welcome such a report will provide additional focus and momentum for such efforts at the Collaborative and provide valuable information to help DEP sustain levels of energy savings as least as high as it has achieved in recent years.
- The Commission direct DEP to provide a detailed plan for achieving or exceeding the one-percent savings target in its next annual DSM/EE Rider filing.

FBW pp. 16-18.

These recommendations are consistent with the continued interest by a broad group of clean energy and public interest advocates in maintaining or enhancing the one-percent savings target agreed to by the Company as part of a settlement during the Duke-Progress merger. FBW p. 15. Energy efficiency savings tend to be higher in states with savings targets and this agreed-to target remains relevant in the Carolinas. FBW pp. 14-15*.* In addition to not losing sight of the one-percent savings target, Justice Center *et al.* continue to promote the establishment of new energy savings targets. SACE was among the parties calling for a new savings target in the rider mechanism Dockets, numbers E-2, Sub 931 and E-7, Sub 1032, which remain pending before the Commission*.*[5] FBW p. 15. As set forth in the rider mechanism comments, an energy efficiency resource standard is the single most effective policy to promote energy-efficiency savings, particularly when paired with a portfolio performance incentive.[6]

C. Continuing Overreliance on Short-Lived Behavioral and Lighting Measures

Residential program savings accounted for nearly 70% of total savings in 2019. FBW p. 7. Within these residential programs, the largest savings came from My Home Energy Reports ("MyHER") behavioral program, the Energy Efficient Appliances and Devices program, and Energy Efficient Lighting Program. FBW p. 8. We have consistently expressed concern about the Company's overreliance on these lighting and behavioral measures. *Id*. Behavioral programs like MyHER provide no significant long-term or deep savings. And changing federal lighting standards will make it increasingly difficult

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[5] Joint Initial Comments of Natural Resources Defense Council, Southern Alliance for Clean Energy, Sierra Club, South Carolina Coastal Conservation League and North Carolina Sustainable Energy Association, NCUC Docket Nos. E-2, Sub 931 and E-7, Sub 1032 (July 10, 2019).

[6] *Id.* at p. 5.

for the Company to continue to rely on lighting measures to achieve cost-effective savings. Ex. FBW-10 at pp. 2-3.

The Justice Center *et al.* recommend that DEP continue to work with the Collaborative to develop and expand programs that provide deeper and longer lived measures—particularly those that target residential heating/cooling and water heating—to maintain a more balanced and robust program going forward. FBW p. 8.

III. The Importance of Providing Energy Bill Savings for DEP's low-income Customers, Particularly in Light of the COVID-19 Pandemic

North Carolinians continue to experience high levels of poverty and correspondingly high customer energy burdens.[7] DEP continues to struggle to reach a larger number of low-income households with deeper energy savings when compared to DEC.

A. DEP Should Make Improvements to Better Reach Low-Income Customers

DEP continues to lag behind the savings achieved for low-income customers by its sister utility, DEC. The 3.7 GWh from DEP's Neighborhood Energy Saver is far less (even on a per customer basis) than the over 9 GWh DEC saved for its low-income customers. FBW p. 18. Making matters worse, DEP is projecting a decline in savings from its Neighborhood Energy Saver

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[7] Before the COVID-19 pandemic, 14% of North Carolinians experience poverty, which means $25,100 per year or less for a family of four. US Census Bureau, American Community Survey, 2018 estimates; *see also* South East Energy Efficiency Alliance and the North Carolina Justice Center, "The Power of Energy Efficiency: Expanding Access to Energy Efficiency Improvements for Low and Moderate Income North Carolina Households," http://www.ncjustice.org/sites/default/files/ENERGY%20EFFICIENCY%20report-REVISED-web.pdf.

program for 2021. *Id.* When asked how DEP sets budgets or savings targets for it low-income programs, DEP indicated that future plans are based on current participation rates in those programs. FBW p. 23 (citing Ex. FBW-13, DEP Response to Justice Center *et al.* Data Request No. 1-30). The Company's approach does not signal a commitment to increasing the scope or reach of its low-income programs. Current participation rates are unlikely to exceed current budgets absent some affirmative steps to increase the reach of its low-income work.

DEP has several options at its disposal to reverse this lackluster performance. As we have previously recommended, DEP could replicate the Income Qualified Weatherization program developed by DEC, or could develop a modified version of this program that would be patterned off of the successful pilot offered by DEC in the Durham area. FBW pp. 19-20. The Company could also work with the North Carolina Community Action Agency to leverage remaining Helping Home Fund dollars. FBW p. 21. Another option would be to significantly scale up the Pay for Performance Pilot, if comparable customer impact can be achieved. FBW p. 20. Or DEP could increase funding and deployment of the deeper efficiency savings measures approved as part of the Neighborhood Energy Saver program earlier this year, while preferably adding HVAC equipment replacement. These examples are not exhaustive and we would encourage the Company to consider targeted approaches for specific housing types, such as multifamily or manufactured homes, or to explore deploying specific measures like heat pump water heaters. *Id*. Collaborative members have also discussed the possibility of Duke prioritizing energy efficiency for low-income housing tax credit properties through its existing, non-income qualified efficiency programs. FBW p. 22.

Finally, if the Commission approves the partial settlement and stipulation entered into between the Justice Center *et al.* and DEP in the pending rate case (Docket No. E-2, Sub 1219), DEP (along with DEC) would provide an additional $6 million contribution to the Helping Home Fund over the next two years and work with the Collaborative to develop additional low-income EE pilot programs, both of which would be important steps towards reversing the trend of underperformance for low-income customers. FBW p. 20.

But we would urge the Commission to send a strong signal that the status quo is not an option. In last year's DSM/EE Rider Docket, the Commission ordered DEP to continue exploring the recommendation by the Justice Center *et al.* to adopt a program comparable to DEC's Income-Qualified Weatherization program.[8] Given the continuing trend of DEP underinvesting in programs targeted to reach its low-income customers, we would ask that the Commission ask more of the Company and require DEP to place a higher priority on increasing low-income customer savings opportunities. In particular, we ask that the Commission:

- Express affirmative support for DEP to pursue higher levels of efficiency savings for low-income customers, particularly deep saving retrofits. This would require an increase in annual

[8] Order Approving DSM/EE Rider and Requiring Filing of Proposed Customer Notice, Docket No. E-2, Sub 1206 at p. 30 (Dec. 13, 2019).

expenditures for programs directed to low-income households to at least match the DEC budget on a per residential customer basis, resulting in a floor of $2.4 million annually.

- Direct DEP to provide a plan in its next DSM/EE Recovery Rider filing showing how it plans to ramp up low-income efficiency savings over the next three to five years. Such a plan should include strategies for addressing energy burdens with deep efficiency savings as well as neighborhood style approaches that reach large numbers of customers.

B. The COVID-19 Pandemic is Increasing Need for More Low-Income Efficiency

Preexisting economic inequalities have been dramatically worsened as a consequence of the COVID-19 pandemic, heightening the urgency of deploying efficiency measures that can provide some measure of bill relief for those high energy-burdened customers. FBW pp. 29-32. Despite the short-term challenges caused by the pandemic for program delivery, there should be a significant expansion of energy efficiency programs aimed at assisting vulnerable and financially struggling families who are being harmed by recent and ongoing economic turmoil. FBW pp. 29-30. The Commission has allowed non-pay disconnections for Duke Energy customers to resume. [9] It will be increasingly important to focus energy efficiency efforts on those residential customers who will struggle to keep up with current bills while paying arrearages that have accumulated during the moratorium. FBW pp. 31-32. One way to achieve that

[9] *Order Lifting Disconnection Moratorium and Allowing Collection of Arrearages Pursuant to Special Repayment Plans*, Docket No. M-100, Sub 158 (Jul. 29, 2020).

goal would be for DEP to expand its Income-Qualified Weatherization Pilot to better reach those low-income customers with high energy intensity and with past-due bills. FBW pp. 30-31. We ask the Commission to direct DEP to present a plan by a date certain to increase efficiency assistance to customers suffering from the current economic downturn and address program delivery challenges brought on by the pandemic. FBW pp. 32-33.

IV. DSM/EE Programs Relevance to Other Commission Dockets and Public Policy

Witness Bradley-Wright's testimony covered a number of key policy and regulatory matters relating to the Company's energy savings achievements and efforts to cut carbon emissions in North Carolina. He incorporated a detailed discussion from his DEC DSM/EE testimony exploring how the following dockets have an effect on the Company's ability to achieve energy savings: integrated resource planning, program applications, performance incentive mechanism review, rate cases, and the Duke Energy Carolinas DSM/EE Rider. FBW pp. 46-48 (citing Ex. FBW-16). It is important to recognize that the Company's efficiency and DSM programs do not exist in isolation. Justice Center *et al.* raise these dockets and related policy issues to increase the chances that efficiency goals are supported by and not undermined by rate design, resource planning decisions, or other policy decisions by the Commission.

As one concrete recommendation, Justice Center *et al.* ask that DEP provide carbon emissions reduction figures associated with achieved savings (annual and cumulative over time) in its future annual rider filings and correlate them to Clean Energy Plan emissions reduction targets as well as the Company's own corporate carbon reduction goals. FBW p. 48.

V. The Collaborative

The Justice Center *et al.* are encouraged by progress made within the Energy Efficiency Collaborative over the past year. The Company has worked with stakeholders to shape priorities for the year as well as agendas for individual Collaborative meetings. FBW pp. 34-42. However, we continue to believe that Commission engagement and enhanced accountability will be important to improve upon progress to date in the coming years, particularly with regard to DEP.

The Collaborative has been focused on identifying ways to increase savings opportunities for low-income customers and portfolio-level opportunities for reaching the one-percent savings target. FBW pp. 37-42. Achieving progress from DEP on both fronts will require more concrete actions from the Company. As noted above, several stakeholders within the Collaborative have supported maintaining or exceeding the one-percent savings target and members have helped to identify new program ideas for the Company to consider. FBW pp. 37-39.

In recent years, Justice Center *et al.* have also asked DEP to improve its public reporting to better show top-level data on portfolio- and program-level trends.[10] Following that request, the Commission last year ordered the Company to include in its future DSM/EE filings a table that shows DSM/EE costs and

[10] See, e.g., *Direct Testimony of Forest Bradley-Wright on Behalf of the North Carolina Justice Center and Southern Alliance for Clean Energy*, Docket No. E-2, Sub 1206 at pp. 35-37 (Aug. 19, 2019).

savings for the most recent five years.[11] While this additional information, included as Evans Exhibit 12, provides a useful additional snapshot of trends in program spending and savings, we continue to believe additional reporting would be beneficial to the Commission and interested stakeholders. Witness Bradley-Wright provided an example of this dashboard reporting (from DEP's Multifamily Program) provided to the Collaborative in his testimony. FBW pp. 43-44. This reporting format compares projections to reported values for expenditures, savings, and participation by program (as well as at the portfolio level).

Justice Center *et al.* recommend that DEP continue to work with the Collaborative to refine this dashboard data reporting and share associated workpapers, as appropriate, such that Collaborative members can better understand program and portfolio performance and work with the data to identify opportunities and solutions that lead to expanded efficiency savings.

In addition, in order to build on the shared progress achieved in the Collaborative, Justice Center *et al.* recommend that DEP work with Collaborative members to establish and utilize project deadlines and create work products for select activities, including those requested above. FBW pp. 45-46.

VI. Conclusion and Summary Recommendations

DEP remains a regional leader in the scope and quality of its energy-efficiency programs, delivering significant value to North Carolina ratepayers. The Company's EE and DSM programs will take on even greater significance as North Carolina undertakes the Clean Energy Plan under Governor Cooper's

[11] Order Approving DSM/EE Rider and Requiring Filing of Proposed Customer Notice, Docket No. E-2, Sub 1206 at p. 30 (Dec. 13, 2019).

Executive Order 80. These annual rider docket proceedings are important not only for setting the rider and allowing the Company's cost recovery, but to provide an opportunity for the Commission to review trends in the Company's portfolio of programs and provide policy guidance to the Company.

In conclusion, the Efficiency and Equity Advocates recommend that the Company do the following:

1) Provide details to the Collaborative from the 5-year program planning projections that the Company is using as inputs for their DSM/EE modeling in the 2020 IRP.
2) Continue to work with the Collaborative to refine its data reporting so that Collaborative members can better understand program and portfolio performance and identify opportunities and solutions that lead to expanded efficiency savings.
3) Work with Collaborative members to establish and utilize project deadlines and create work products for select activities.

And Request that the Commission order the following:

1) Request a report from the Collaborative by April 20, 2021 that would "examine the reasons for the forecasted declines in 2020, and explore options for preventing or correcting a decline in future DSM/EE savings," as requested by the Commission in its 2019 DEP DSM/EE Rider Order, with the recommendation that such a report include consideration of projected savings below the one-percent target in 2021 as well.

2) Direct DEP to explain future forecast declines, when applicable, and show what steps are being taken to prevent them in future rider filings.
3) Direct Duke to provide a detailed plan to achieve one-percent annual savings in its next annual DSM/EE Rider filing, reflecting the Company's best effort to balance cost with strategies to deliver meaningful savings for customers.
4) Express affirmative support for DEP to pursue higher savings for low-income customers, with correspondingly higher budgets for programs directed at low-income households.
5) Direct DEP to provide a plan in its next DSM/EE Recovery Rider filing showing how it plans to ramp up low-income efficiency savings over the next three to five years. Such a plan should include strategies for addressing energy burdens with deep efficiency savings as well as neighborhood style approaches that reach large numbers of customers.
6) State its support for deploying targeted energy efficiency programs to help customers mitigate the impact of COVID-19 and direct DEP to submit a specific plan by a date certain that includes proposed modified program budgets, savings goals, and customer targeting strategies – with a specific emphasis placed on customers who are elderly, disabled, have high energy burdens, and who lost their employment as a result of the pandemic.

7) Direct DEP to provide carbon emissions reduction figures associated with achieved savings (annual and cumulative) in its annual rider filings and correlate those reductions to Clean Energy Plan emissions reduction targets and the Company's own corporate carbon emissions reduction goals.

Respectfully submitted this the 16th day of October, 2020.

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CERTIFICATE OF SERVICE

I certify that the persons on the service list have been served with the foregoing Post-Hearing Brief of North Carolina Justice Center, North Carolina Housing Coalition, and Southern Alliance for Clean Energy either by electronic mail or by deposit in the U.S. Mail, postage prepaid.

This the 16th day of October, 2020.

s/ David L. Neal
David L. Neal