

## BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-2, Sub 1167

DOCKET NO. E-7, Sub 1166

In the Matter of:	)	
	)	
Application of Duke Energy Progress, LLC,	)	<b>DUKE ENERGY PROGRESS,</b>
and Duke Energy Carolinas, LLC Requesting	)	<b>LLC AND DUKE ENERGY</b>
Approval of Solar Rebate Program Pursuant to	)	<b>CAROLINAS, LLC'S REPLY</b>
N.C. Gen. Stat. § 62-155(f)	)	<b>COMMENTS</b>
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NOW COME Duke Energy Progress, LLC, and Duke Energy Carolinas, LLC (collectively "Duke Energy" or "the Companies"), pursuant to the Commission's Order on April 7, 2020, *Order Allowing Comments on 2019 Annual Report*, and respectfully submit reply comments in response to the comments filed by the Public Staff – North Carolina Utilities Commission ("Public Staff"), the Southern Alliance for Clean Energy ("SACE") and the North Carolina Sustainable Energy Association ("NCSEA") filed on June 5, 2020.

### **I. Response to Public Staff's Comments**

#### **A. Lottery System**

In its initial comments, the Public Staff states that it would be appropriate for the Companies to change the way they award solar rebates entirely, moving from a first-come, first-served program to a lottery program. Under such a proposal, the Companies would accept rebate applications for a set enrollment period and, at the conclusion of the enrollment period, would randomly select applications from the applicant pool until the subscription limits are reached or the applicant pool is exhausted. The Companies are willing to implement that lottery proposal made by the Public Staff. There are advantages

and disadvantages to first-come, first served systems and to lottery systems. Generally, first-come, first-served programs allow customers to have more control, while lottery systems avoid a frenzied rush and allow more opportunities to address issues which may arise. The Companies have been working to address the technical issues that occurred during the solar rebate launch in January 2020. Additional alterations will be required to transform the Solar Rebate Program to function as a lottery. Therefore, in order to allow sufficient time to make the necessary adjustments, the Companies respectfully request the Commission expedite its decision on whether institute a lottery for the Solar Rebate Program.

#### **B. Rebate Amount Modification**

As for the current incentive amounts, the Public Staff notes the incentives have not been modified since the beginning of the program January 22, 2018. The Public Staff believes an adjustment to the rebate amounts is warranted based on decreasing costs of solar installations across the country. The Public Staff proposes a revenue-neutral adjustment that would reduce the residential and non-residential rebates while increasing the non-profit rebates in 2021. The Companies acknowledge that non-profits have lagged behind both residential and other non-residential customers in seeking rebates. While the Companies think this lag may be caused by the lengthier purchasing cycles of non-profits, the Companies do not oppose adjusting the rebate amounts and, considering the limited time remaining in the program, support the Public Staff's recommendation. Although reducing the rebate amount for residential and non-residential customers could disadvantage customers who are currently planning to install systems, which is a risk the Public Staff acknowledges, the decrease in the adjusted rebate amount for residential and

non-residential customers is relatively minor to mitigate that risk. Specifically, the Companies support adjusting the rebate incentive to \$0.50 per watt for residential customers, \$0.40 per watt for non-residential, and \$1.00 per watt for non-profit customers.

### **C. Biannual Enrollment Periods**

The Public Staff, in its initial comments, expresses concern that increasing the number of enrollment periods will increase the administrative costs associated with the Program and requests that the Companies reduce the residential and non-residential rebates in order to recover any increased administrative costs. The Companies have agreed to reduce the residential and non-residential rebates in order to increase the amount of rebates provided to non-profits in a revenue neutral manner. Any further reductions increase the risk that customers who have already contracted for installation of solar systems based on the anticipated of a certain rebate amount will be further disadvantaged.

The Public Staff is also concerned that instead of solving problems experienced during the single enrollment window in 2020, some of the challenges would be faced twice a year, instead of only once. However, this concern is removed by adopting a lottery system. Additionally, the Public Staff expects that the solar industry will still experience a drop off of installations in the period between when the subscription limit is reached and the beginning of the 90 day window for the next enrollment period – similar to the current drop off experienced today.

The Companies recognize that adding an enrollment period will have a small increase on the administrative costs of the program. However, the administrative cost of

a second opening is estimated to be \$15,000.00<sup>1</sup>, which is minor considering program administrative costs for calendar year ending December 31, 2019 were more than \$500,000.00. The bulk of the administrative costs for the program are in the design of the program, which are sunk costs, that are incurred whether the program applications are used once or twice per year. The Companies have already begun the process of changing the application infrastructure to align with the capabilities of the new server configuration to ensure no repeat of the technical issues from January 2020, and the Companies are prepared to institute a lottery system for the remaining years of the program should the Commission adopt that approach. With the program's infrastructure already in place, the additional work required for two launches involves updating the website and notifying customers.

With regard to whether the solar industry will still experience a drop off of installations between the period when the subscription limit is reached and the beginning of the 90-day window for the next enrollment period, the Companies do not agree with the Public Staff that the drop off would be similar to the drop off experienced today. Currently, with one annual window, the time between the subscription limit being reached and the beginning of the 90-day window for the next enrollment period is approximately 275 days. With two enrollment windows, the lag time would be reduced to approximately 90 days. Splitting the capacity would lessen the wait time for customers that were not accepted and wished to try again, and installers would be better able to sell systems to customers year-round.

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<sup>1</sup> The estimated amount consists of approximately \$3,000 for marketing and \$12,000 for information technology ("IT") needs.

Notably, NCSEA states that it supports the Companies proposal for biannual releases of capacity. SACE did not oppose the Companies' proposal for a biannual enrollment window. Whether the program is conducted as first-come, first-served program or as a lottery, biannual releases of capacity will assist solar installers with marketing on a more consistent basis.

## **II. Response to NCSEA's and SACE's Comments**

### **A. October 2020 Opening**

SACE and NCSEA propose opening the 2021 tranche in October of this year to provide business certainty to rooftop solar installers who are facing the economic impact of the pandemic and prevent further potential disruptions from another wave of Covid-19 in late fall and winter. Residential customers who receive a rebate reservation in October could benefit from the additional time to install their systems. Despite the merits and benefits of this proposal, the Companies do not believe it is feasible to institute a lottery system by October. However, if the Commission does not adopt a lottery, the Companies support the opening of the 2021 program in October of 2020. In order to accommodate the early opening, the Companies would discontinue accepting applications for the 2020 program year. With 1188 applicants (697 for DEC and 491 for DEP) currently on the waiting list, new applications are extremely unlikely to be accepted into the program, therefore there is no impact to customers who would apply after that time.

### **B. Proposals to Modify Rebates**

NCSEA and SACE also recommend reducing the amount of rebates. However, rather than adjusting the dollar amount as proposed by the Public Staff, NCSEA and SACE propose lowering the limits on rebate-eligible installations to 5kW for residential

customers and 50 kW for non-residential customers. In a similar vein, NCSEA provides another option that every kW of installed capacity that is eligible for a rebate be paired with a kW of installed capacity that is not eligible for a rebate, up to a 10 kW rebate for residential installations and 100 kW rebate for nonresidential installations that are not nonprofit installations. Under both options, the rebate incentive amount is unchanged.

While NCSEA's proposals benefit solar installers by getting rebates to more participants, it appears to be more disruptive for residential and non-residential customers than the Public Staff's proposal. Whereas the Public Staff's proposal involves a minimal reduction to the incentives for residential and non-residential customers to provide extra incentive to non-profits, NCSEA's proposal essentially takes half of the existing incentives from eligible residential and non-residential customers to make room for more residential and non-residential customers, while providing no additional incentives for non-profits.


#### **D. Providing Results of Stress-Test**

In its February 14, 2020 *Joint Update on the Solar Rebate Program and Joint Response Opposing NCSEA's Request for Hearing*, Duke Energy committed to stress-testing the application process in advance of the application window opening for 2021. In the event that the Commission adopts a lottery, the stress-test is no longer necessary because the "stress" is caused by the rush of a first-come, first served process. However, if the Commission does not adopt a lottery, the Companies remain committed to stress-testing the software in sufficient time for an October 2020 program launch. The Companies agree to provide the results of the stress-test, if necessary.

#### **Conclusion**

The Companies are receptive to changes in the final two years of the program. The Companies can accommodate a lottery system as proposed by the Public Staff. However, in order to meet the January 2021 launch with a lottery system, the Companies need sufficient time to prepare. Therefore, Duke Energy respectfully requests the Commission issue an order approving a lottery for solar rebate program on an expedited basis, if it so chooses. In the alternative, if the Commission decides not to approve a lottery, the Companies support opening the first application period for 2021 rebates in October 2020. Additionally, the Companies request that the Commission issue an order altering the rebate incentives, as described in the Public Staff's comments, and allow the Companies to hold biannual lotteries in January and July for the remainder of the program.

Respectfully submitted this 6th day of July, 2020.

By:   
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ATTORNEYS FOR DUKE ENERGY PROGRESS, LLC.  
AND DUKE ENERGY CAROLINAS, LLC

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of Duke Energy Progress, LLC and Duke Energy Carolinas, LLC's Reply Comments has been served by electronic mail (e-mail), hand delivery, or by depositing a copy in the United States Mail, first class postage prepaid, properly addressed to parties of record.

This, the 6th day of July, 2020.



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