

# SOUTHERN ENVIRONMENTAL LAW CENTER

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July 17, 2015

***Via Electronic Filing***

Ms. Gail Mount  
Chief Clerk  
North Carolina Utilities Commission  
430 North Salisbury Street  
Dobbs Building  
Raleigh, NC 27603-5918

Re: In the Matter of: Application of Duke Energy Carolinas, 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  
***Docket No. E-7, Sub 1073***

Dear Ms. Mount:

Enclosed for filing in the referenced docket is the Post-Hearing Brief of Southern Alliance for Clean Energy. I am also emailing a copy of the brief in Microsoft word version to [briefs@ncuc.net](mailto:briefs@ncuc.net). By copy of this letter, I am serving all parties of record on the service list. Please let me know if you have any questions about this filing.

Sincerely,  
s/ Robin G. Dunn  
Administrative and Legal Assistant  
NC Certified Paralegal

RGD  
Enclosures  
cc: Parties of Record

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION  
DOCKET NO. E-7, SUB 1073

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

Pursuant to Rule R1-25 of the North Carolina Utilities Commission (the “Commission”) and the Commission’s July 8, 2015 Order Granting Extension of Time, Southern Alliance for Clean Energy (“SACE”) respectfully files this post-hearing brief on Duke Energy Carolinas, LLC’s (“DEC” or “the Company”) application for approval of its annual demand-side management (“DSM”) and energy efficiency (“EE”) cost recovery rider for 2016 (“Rider 7”).

N.C. Gen. Stat. § 62-133.9(d) authorizes the Commission to approve an annual rider to the rates of an electric public utility to recover all reasonable and prudent costs of new demand-side management (“DSM”) and energy efficiency (“EE”) programs, as well as incentives. Commission Rule R8-69 provides for an annual proceeding for each electric public utility to establish an annual rider to cover the reasonable and prudent costs incurred in adopting and implementing new DSM/EE measures, as well as utility incentives including net lost revenues.

On March 4, 2015, Duke Energy Carolinas (“DEC”) filed an application for approval of its DSM and EE cost recovery and incentive rider for 2016 (“Rider 7”). The proposed Rider 7 consists of components calculated under DEC’s “modified save-a-watt” cost-recovery and incentive mechanism approved in Docket No. E-7, Sub 831, as well as

components calculated under the replacement mechanism approved in Docket No. E-7, Sub 1032. The Company also requests recovery of costs associated with its Interruptible Service and Stand-By Generator programs as a separate component of Rider 7.

On May 18, 2015, SACE filed a petition to intervene in this docket, which was granted on May 21, 2015. SACE also filed the testimony of Taylor Allred, an energy policy manager with SACE's staff, on May 19, 2015. In his testimony, Mr. Allred stated that he generally supported DEC's application, but outlined certain concerns and made related recommendations. At the hearing on June 2, 2015, Mr. Taylor's testimony, along with that of the other parties' witnesses, was entered into the record as though given orally from the stand.

Specifically, Mr. Allred's testimony raised several concerns: (1) DEC's 2014 energy savings, while higher than in 2013, lag behind savings achieved by leading regional and national utilities, and fall short of the level needed to ensure that the Company fulfills the EE savings targets it agreed to in connection with the Duke Energy-Progress Energy merger; (2) DEC projects low levels of energy savings in the future; and (3) the rate of eligible customers opting out of DEC's DSM/EE programs and rider is persistently high and significantly increasing.

With regard to DEC's 2014 energy savings, Mr. Allred testified that DEC had achieved its highest level of energy savings yet, equivalent to 0.72% of the prior year's sales. Tr. p. 93. DEC's 2014 savings were significantly lower than those achieved by leading utilities, however. Tr. p. 94. The bulk of the savings came from residential programs, while non-residential programs performed poorly by comparison. Tr. pp. 95-96.

Mr. Allred also raised the concern that DEC's projections of future energy savings are too low in light of its achievements to date. Despite the overall success of the modified save-a-watt pilot and the Company's best-ever savings year in 2014, the energy savings impacts of DEC's programs are projected to decline in 2015. DEC projects that it will achieve savings representing only 0.49% of the prior year's retail sales in 2015, down from 0.72% in 2014, and that after rebounding in 2016 to 0.70% of the prior year's sales, energy savings will decline again to 0.50% of the prior year's sales. Tr. pp. 97-98. Mr. Allred testified that these savings levels fall short of the energy savings targets that DEC agreed to in connection with the merger of Duke Energy and Progress Energy—an annual energy savings target of at least 1% of prior-year sales beginning in 2015 and a cumulative savings target of at least 7% over the period from 2014 through 2018. Tr. p. 98.

Mr. Allred made several recommendations aimed at boosting energy savings by improving participation in the Company's programs by both residential and non-residential customers. Mr. Allred recommended that DEC work with the Collaborative to develop and implement on-bill financing ("OBF") programs for residential and non-residential customers, as a cost-effective way to give customers access to capital and overcome the barrier presented by the up-front cost of installing efficiency measures. Tr. p. 102. In addition, he recommended that DEC take various steps to improve its portfolio of low-income programs, including quantifying the non-energy benefits of low-income programs; adding new programs to complement existing weatherization programs; and implementing an upstream program targeted at manufactured homes. Tr. pp. 103-04.

With regard to opt-outs, Mr. Allred testified that the rate of industrial and large commercial customers who “opt out” of DEC’s DSM/EE programs and associated rider is growing, and hit 37% of non-residential sales for Vintage Year 2014. Tr. p. 99. To attract and retain participants from this energy-intensive sector, Mr. Allred recommended that DEC work with its Carolinas Energy Efficiency Collaborative to develop and launch a “self-direct” EE program targeted to its non-residential customers. Tr. p. 101.

Finally, Mr. Allred testified regarding the importance of maintaining adequate transparency and stakeholder engagement in commission proceedings and Collaborative activities. Tr. p. 106. To increase transparency, Mr. Allred recommended that DEC provide access to detailed program cost data, which would allow stakeholders to more easily identify program opportunities based on the successes at utilities elsewhere in the Southeast, and benchmark cost and performance. Tr. p. 106. Mr. Allred recommended that in future DSM/EE rider applications, the Company report detailed projected and actual cost components for each of its programs, and that DEC work with the Collaborative to develop cost reporting procedures. Tr. p. 107.

In conclusion, SACE supports approval of DEC’s application for Rider 7, and recommends that the Commission direct the Company take the following steps to ramp up its energy savings: (1) adopt new programs based on best practices from around the country, including a non-residential self-direct program, on-bill financing programs for residential and non-residential customers, and additional low-income residential EE programs; and (2) enhance the reporting of EE program performance metrics in future applications for new DSM/EE riders, by including detailed cost category fields for each EE program.

Respectfully submitted this 17th day of July, 2015.

Electronically submitted

/s/ Gudrun Thompson

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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 Southern Alliance for Clean Energy either by electronic mail or by deposit in the U.S. Mail, postage prepaid.

This the 17th day of July, 2015.

s/ Robin G. Dunn  
Robin G. Dunn