

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. E-2, SUB 1307

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application by Duke Energy Progress, LLC,	)	ORDER APPROVING
for Approval of Multi-Family New Construction	)	PILOT PROGRAM WITH
Tariffed On-Bill Pilot	)	MODIFICATIONS

BY THE COMMISSION: On September 30, 2022, Duke Energy Progress, LLC (DEP), filed in the above-captioned docket an application for approval of a Residential Multi-Family New Construction Tariffed On-Bill Pilot (MFNC TOB Pilot) energy efficiency (EE) program pursuant to N.C. Gen. Stat. § 62-133.9 and Commission Rule R8-68.

Petitions to intervene filed by the North Carolina Sustainable Energy Association (NCSEA) and, jointly, the North Carolina Justice Center, the North Carolina Housing Coalition, and the Southern Alliance for Clean Energy (NCJC, et al.) were granted by the Commission. In addition, the intervention of the Attorney General's Office (AGO) is recognized pursuant to N.C.G.S. § 62-20.

On November 29, 2022, NCJC, et al., the AGO, and the Public Staff filed comments. NCSEA filed a letter in lieu of comments. DEP filed reply comments on January 20, 2023.

**DESCRIPTION OF THE MFNC TOB PILOT**

In its application DEP states that the objective of the proposed five-year MFNC TOB Pilot is to evaluate the effectiveness of a tariffed on-bill program designed to provide tenants access to more efficient apartment units by using a portion of their electricity bill savings to offset the cost of the upgrades. Participation in the MFNC TOB Pilot will be limited to 700-1000 apartment units, and DEP may implement eligibility requirements to ensure participation is neither overly concentrated geographically nor dominated by one or more project developers.

DEP states that the MFNC TOB Pilot will be offered to property owners of new construction apartment buildings with individually metered rental units. DEP will conduct engineering and efficiency studies of the planned rental units to determine the potential energy savings and will work with property owners to select specific measures. Measures that may be offered through the MFNC TOB Pilot include, but are not limited to, the following:

- wall Insulation R-20;
- 10% improved heat pump cooling efficiency;
- 5% improved heat pump heating efficiency;
- ENERGY STAR clothes washer;
- ENERGY STAR clothes dryer;
- ENERGY STAR dishwasher;
- ENERGY STAR refrigerator; and
- heat pump water heater.

DEP will pay property owners the incremental costs to install more energy efficient measures and will verify the installation of the measures in the completed rental units. Apartment tenants will pay for the incremental costs, less any applicable EE incentives, of the EE improvements over time as part of their monthly utility bills. Because of the upgrades, the average monthly total electric bill will be less than it would have been without the EE improvements. The term length of the agreement between DEP and the property owner shall not exceed 12 years.

The property owner will be responsible for maintaining all installed measures and for timely repair of the measures. The MFNC TOB Pilot monthly charge will not be suspended if the measures are inoperable or require maintenance. The MFNC TOB Pilot monthly charge will persist with the participating location throughout the length of the term. A property owner may choose to pay off the remaining charges for all units any time after three years from starting electric service at the property. The payoff amount will be equal to the MFNC TOB Pilot monthly charge times the number of months of the term remaining.

DEP states that the MFNC TOB Pilot provides an opportunity to directly address the “split incentive” (landlords/building owners make the investment, but apartment tenants see the bill savings) that has posed obstacles to effectively attracting participation in multifamily dwellings. The MFNC TOB Pilot will provide valuable insights into the potential benefits of allowing an apartment tenant’s electric energy savings to offset the cost of building more efficient rental units. The MFNC TOB Pilot should achieve long-lasting energy savings and inform future opportunities for creating more energy efficient rental units. DEP reports that the MFNC TOB Pilot meets the Utility Cost Test (UCT), 1.37; and the Participant Test, 3.09; however, it fails to meet the Total Resource Cost (TRC) test, 0.93; and the Ratepayer Impact Measure (RIM) test, 0.56. DEP seeks to recover MFNC TOB Pilot costs, net lost revenues, and a utility Portfolio Performance Incentive (PPI) through the annual cost recovery rider consistent with the cost recovery mechanism (Mechanism) approved in Docket No. E-2, Sub 931 on October 20, 2020.

The terms of the MFNC TOB Pilot are set forth in DEP’s proposed Multi-Family New Construction Tariffed On-Bill Pilot tariff, which was provided in Attachment G to its application. DEP states that it developed the MFNC TOB Pilot in consultation with the Tariffed On-Bill Working Group (TOB Working Group) consistent with DEP’s July 23, 2020 Agreement and Stipulation of Settlement, as amended, which was approved by the Commission on November 17, 2022, in DEP’s last general rate case, Docket No. E-2, Sub 1219. In discussions with the TOB Working Group, stakeholders agreed to limit the

MFNC TOB Pilot to either DEP or Duke Energy Carolinas, LLC (DEC; collectively, Duke or the Company), noting that having two such pilots operating concurrently would necessarily result in less representative pilots with duplicative evaluation, measurement, and verification (EM&V), as well as operational and regulatory cost. Moreover, stated Duke in its motion to amend the July 23, 2020 stipulation, a pilot “in the DEP service territory should yield helpful lessons learned for subsequent programs in the DEC service territory.”<sup>1</sup>

## **SUMMARY OF COMMENTS**

### **Initial Comments**

#### ***NCJC, et al. and NCSEA***

NCJC, et al. note that they have long advocated for DEP “to adopt on-bill financing programs as a critical strategy for unlocking additional comprehensive energy efficiency retrofits for a broad range of households,” and they support approval of the MFNC TOB Pilot, “a novel way to make multi-family units more energy efficient,” with three modifications. In its letter NCSEA indicates that it agrees with the comments of NCJC, et al.

First, NCJC, et al. state that DEP cannot guarantee that the average monthly total electric bills will be less with the installed measures, as stated in section (c)(2)(ii)(a) of the application, given the unpredictability of customer behavior and weather conditions. NCJC, et al. suggest instead that DEP state that the estimated bill savings resulting from the modeled energy savings obtained from the efficiency improvements will be greater than the monthly charge, resulting in anticipated net bill savings for apartment tenants. Second, NCJC, et al. suggest that DEP be required to measure the customers’ non-energy benefits in addition to the net savings calculation. Third, NCJC, et al. suggest that the Term Length section of the proposed tariff “include a requirement that all incentivized mechanical equipment for which warranty protection is available shall be warranted for the duration of the cost recovery period” and that the information required to be provided to apartment tenants by the property owner “include a notice from the utility of complaint procedures and utility contact information in the event any of the listed equipment stops working and cannot be repaired within a reasonable timeframe.”

#### **AGO**

The AGO argues that the Commission should not approve DEP’s application because it does not contain all of the information required by Rule R8-68. For example, states the AGO, the application does not include the terms and conditions that will be applicable to the property owner or the apartment tenants, a fundamental aspect of the tariffs required to be filed under Rule R8-68(c)(3)(iv), with DEP stating it will develop a pro forma contract only after approval of the MFNC TOB Pilot. Without this information,

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<sup>1</sup> On the same date that the application in this docket was filed, Duke filed for approval of a Residential Tariffed On-Bill (TOB) program in Docket Nos. E-2, Sub 1309 and E-7, Sub 1279 and a Residential Smart Saver® Early Replacement and Retrofit (ERR) energy efficiency program in in Docket Nos. E-2, Sub 1308 and E-7, Sub 1278. These programs were all the result of the efforts of the TOB Working Group.

argues the AGO, the Commission cannot assess whether the program is fair to program participants or in the public interest.

The AGO further notes that the adoption of performance-based ratemaking (PBR) and residential decoupling create the potential for double recovery. For example, the adjustment for net lost revenues is addressed by revenue decoupling, and “DEP offers no justification to support recovery of net lost revenues from this program.”

The AGO also states that the MFNC TOB Pilot is different from many of DEP’s previous EE programs which do not require the customer to repay the cost of the EE measure. The AGO states that the application provides “that the monthly charge for participating renters will be calculated by multiplying the difference between total amount paid for the improvements and the incentive provided by the approved rate of return and then dividing that number by the term length,” and that in discovery DEP referred to this “approved rate of return” as “a Company finance cost.” The AGO questions “[t]he appropriateness of DEP’s recovery of financing charges . . . given that DEP is also seeking recovery of net lost revenues and a utility incentive under the demand-side management and energy efficiency cost recovery mechanism.” The AGO argues that the statute and Commission rule do not require the recovery of a rate of return, and the Commission should not approve it here.

Lastly, the AGO argues that apartment tenants should be allowed to prepay to avoid the above financing charges. Under the MFNC TOB Pilot, only property owners may prepay after the third year by paying the monthly charge for all remaining months, including the embedded financing charge, eliminating any possibility for apartment tenants to avoid such charges.

The AGO, therefore, recommends that the Commission (1) require DEP to finalize terms and conditions for review prior to approval, (2) carefully examine the potential for overlapping recoveries from a financing charge, an incentive, including net lost revenues, and residential decoupling, and (3) allow property owners and apartment tenants to prepay and avoid paying additional financing charges.

### ***Public Staff***

The Public Staff states that it participated in various meetings and discussions through the TOB Working Group to discuss, design, and develop the MFNC TOB Pilot. The Public Staff further states that it conducted a thorough investigation of the application, including reviewing DEP’s responses to data requests, and that the application appears to contain the information required by Rule R8-68(c) and to be consistent with N.C.G.S. § 62-133.9, Rule R8-68(c), and the Mechanism.

The Public Staff states that it has reviewed the modeling and baseline standards used to determine incremental energy savings, which were identified in discovery. In general, the appliance-related measures used baselines that are below Energy Star standards. Incremental energy savings associated with HVAC-related measures were based on achieving 5% or 10% greater efficiency above a minimum federal standard.

These baseline standards are consistent with those used for new construction EE programs, and the Public Staff believes they are appropriate to use for the MFNC TOB Pilot. The Public Staff states that DEP indicated that it would include an appropriate number of rental units and EE measures to meet DEP's internal customer benefit requirements test — that the ratio of bill savings to the monthly costs is at least 1.25.

Through discovery DEP indicated that it would seek projects that provide a mix of at-market and low-income communities, where possible, that incorporate a variety of floor plans and that would be complete and occupied by 2025. DEP explained to the Public Staff that there will be no EE measures installed in the first two years of the MFNC TOB Pilot because the units will be unfinished and unavailable for rent; that DEP anticipates units becoming occupied in the third and fourth years of the MFNC TOB Pilot, during which time DEP would install EE measures in the units; and that DEP assumes that no units will be available in the fifth year for additional measure installation. As such, DEP does not anticipate that the MFNC TOB Pilot will produce energy savings until the third year.

Although, as is typical of pilot programs, the short-term perspective of a pilot program is not expected to be cost-effective, the Public Staff states that it is satisfied that if the MFNC TOB Pilot attracts participation and provides meaningful energy savings as anticipated by DEP, it will produce cost-effective energy savings by the end of its five-year duration and serve as the basis for a longer-term EE program. The Public Staff has no issue with the calculations and data used to determine the costs or cost-effectiveness of the MFNC TOB Pilot.

The Public Staff emphasizes the need to track performance, understand customer acceptance, and calculate the energy savings from EE programs in general and as early as possible. It further notes that the MFNC TOB Pilot is different from the typical EE program in that it is attempting to address the barriers of the split incentive and the participation of property owners and apartment tenants in a manner that obligates property owners and future tenants for a longer period of time than other EE programs. As such, developing an evaluation plan, establishing the appropriate baselines and benchmarks to measure success, and tracking performance are essential.

The Public Staff recommends that the MFNC TOB Pilot has the potential to encourage EE, is consistent with DEP's integrated resource plan, is in the public interest, and should be approved as a new EE program pursuant to Rule R8-68 for a period of five years. The Public Staff further recommends that the MFNC TOB Pilot be eligible for consideration of recovery of program costs, net lost revenues, and incentives in DEP's annual cost recovery rider proceeding consistent with N.C.G.S. § 62-133.9, Rule R8-69, and the Mechanism. Lastly, the Public Staff recommends that DEP file its EM&V plan within 12 months following initiation of the MFNC TOB Pilot and that DEP include a report with its annual rider filing that includes the following information:

- updated cost-benefit analysis, including updated calculations of each of the four standard cost-effectiveness tests;
- any EM&V that is available to date;

- a summary of the work being done, measures installed, the number of vendors performing work in the MFNC TOB Pilot;
- the actual costs incurred to date;
- a comparison of the initially estimated and actual costs, benefits, and participation for each year of the MFNC TOB Pilot; and
- any other relevant information that would support a request for cancellation, continuation, or developing the MFNC TOB Pilot into a full program.

## **Reply Comments**

### ***DEP***

In its reply comments DEP responds to issues raised by the AGO and the Public Staff, noting that most parties recommend approval of the MFNC TOB Pilot. For example, DEP agrees with the Public Staff (1) that a five-year duration for the MFNC TOB Pilot appropriately balances the need to manage risks while completing the required EM&V process; (2) that the ability to track performance, understand customer acceptance, and calculate the energy savings for the MFNC TOB Pilot are important and will be components of an EM&V plan to be developed after the MFNC TOB Pilot is approved; and (3) that DEP shall file its EM&V evaluation plan within 12 months following initiation of the MFNC TOB Pilot and include a thorough description of the methodology used to establish the baselines against which DEP proposes to calculate energy savings for each measure offered in the MFNC TOB Pilot.

DEP disagrees with the AGO that the Commission does not have sufficient information to approve the application because it lacks sufficient details on the terms and conditions for participants in the MFNC TOB Pilot, an issue that the AGO did not raise in the TOB Working Group. DEP argues that this is a pilot program and that the Commission has recognized that the utility may need to gather certain information or learnings as the pilot progresses, citing to the Commission's approval of two previous pilot EE programs. In addition, DEP states that it provided a sample term sheet for the pro forma contract in response to a data request and that the Public Staff discusses those terms and conditions in its comments. Further, DEP attached a copy of the pro forma agreements to its reply comments reflecting the standard terms and conditions for the MFNC TOB Pilot with property owners and apartment tenants.

DEP further disagrees with the AGO that the MFNC TOB Pilot will result in over-recovery of costs. Rather, the proposed decoupling mechanism included in the current PBR rate case, Docket No. E-2 Sub 1300, includes a specific calculation component to ensure that any recovery of net lost revenues associated with programs collected through the rider will be appropriately subtracted from the annual revenue decoupling balance to ensure no double counting.

DEP acknowledges that it intends to include a rate of return using its most-recently approved weighted average cost of capital in calculating the monthly charge for each apartment tenant, noting that it is not possible to raise the capital needed to sustain the program without a return. DEP further states that "[t]he rate of return referred to here only

applies to the amount that is financed and is borne solely by the participant.” DEP argues that the incentives and cost recovery are otherwise consistent with the Mechanism and that it does not seek to recover financing charges through approval of the MFNC TOB Pilot: “Rather than earning a rate of return on the incentive costs, [DEP], through the Pilot, would be eligible to earn a PPI based on a shared savings of the net system benefits created through customer participation in the pilot.”

DEP further disagrees with the AGO’s recommendation that apartment tenants be allowed to prepay the monthly charge to avoid financing charges. DEP argues that the monthly charge is a fixed amount determined at the time the agreement is signed by the property owner; therefore, there is no benefit to an apartment tenant for prepayment regarding finance charge avoidance: “A resident paying the [MFNC TOB] Pilot monthly charge will be the same resident that benefits from the energy efficiency improvements and paying the monthly charge over time matches that benefit and the costs.” The monthly charge is only for the incremental cost of the efficiency upgrade, and DEP will model the energy savings to ensure that the incremental cost is less than the resulting bill savings.

## **DISCUSSION AND CONCLUSIONS**

After careful consideration, the Commission finds good cause to approve the MFNC TOB Pilot with the modifications agreed to by DEP and ordered herein by the Commission. The Public Staff recommends that the MFNC TOB Pilot has the potential to encourage EE, is consistent with DEP’s integrated resource plan, is in the public interest, and should be approved as a new EE program pursuant to Rule R8-68. NCJC, et al. and NCSEA also support Commission approval of the MFNC TOB Pilot. The AGO requested that DEP file terms and conditions for review prior to approval, which it did as attachments to its reply comments. The Commission, therefore, agrees with the parties and further finds, based on the entire record herein, that the MFNC TOB Pilot meets the requirements of a new EE program consistent with Rule R8-69 and that all costs incurred by DEP associated with the MFNC TOB Pilot will be eligible for consideration of recovery through the annual cost recovery rider in accordance with Rule R8-69(b) and the Mechanism. The remaining issues raised by the parties are discussed below.

### **Prepayment**

The AGO notes that property owners may only pay off MFNC TOB Pilot charges after three years, and there is no avenue for apartment tenants to prepay their unit’s remaining obligations. Even then, for property owners the payoff amount is simply the MFNC TOB Pilot monthly charge, including the financing charge, for all rental units times the number of months of the term remaining. The AGO, therefore, recommends allowing property owners and apartment tenants to prepay and avoid paying additional financing charges.

As noted above, DEP disagrees with the AGO’s recommendation. DEP states that prepayment is only allowed by the property owner or successor owner after three years of MFNC TOB Pilot operation in connection with an early termination as permitted under the participant agreement. DEP explains that the MFNC TOB Pilot must operate for at least

three years to appropriately determine its effectiveness and to comply with the July 23, 2020 stipulation.

Similar to the Residential Tariffed On-Bill (TOB) program filed by Duke in Docket Nos. E-2, Sub 1309 and E-7, Sub 1279, section 8 of the MFNC TOB Pilot pro forma participant agreement filed by DEP in its reply comments explicitly prohibits prepayment unless the agreement is terminated. Section 18(C) of the agreement and the Term Length section of the proposed tariff allow property owners to terminate the agreement early, request a final bill, and pay off the remaining MFNC TOB Pilot monthly charges for all units at any time after three years. The agreement further provides that “[a]ny early termination payment will be the sole obligation of the owner and in no event can the owner require a tenant to pay or fund the early termination payment.”

In the residential TOB program, the owner or occupant is required to maintain the installed measures, but the utility is responsible for repairs. In contrast, under the MFNC TOB Pilot, the tariff provides that the participating property owner will be responsible for maintaining all installed measures *and for timely repair of the measures* in compliance with the terms and conditions of the MFNC TOB Pilot. Thus, it appears that DEP’s obligations under the MFNC TOB Pilot are to assess the planned rental units to determine cost-effective measures to be installed, verify the installation of the measures in the completed rental units, reimburse the property owners for the incremental costs to install the more energy efficient measures, conduct EM&V, and collect the MFNC TOB Pilot monthly charges from apartment tenants through their electric bills for the term of the agreement. However, unlike with the residential TOB program, DEP has no ongoing obligation to repair the installed equipment.

The Commission is not persuaded that DEP should be required to provide an opportunity for apartment tenants to prepay their unit’s remaining obligations. First, while it would allow an apartment tenant to reduce their monthly electric bill, there would seem to be little incentive for the tenant to prepay. Tenants are not likely to be in the same apartment for the term of the agreement, and tenants would not likely have an incentive to prepay the monthly payment obligation that would fall to future tenants. Second, to allow such an option would unnecessarily complicate the MFNC TOB Pilot. While the incremental cost of the installed measures, less any applicable incentives, is being recovered directly from apartment tenants, the agreement is with the property owner. To require DEP to track which tenants have prepaid for which apartments and which have not introduces complexity beyond the scope of this program, which is expressly a pilot program to evaluate the effectiveness of a multi-family new construction TOB offering. Tenants will receive benefits from the energy savings over the repayment term while they occupy apartments with installed EE measures. Thus, on balance, the Commission will not require DEP to allow tenants to prepay their apartment’s remaining monthly charges.

Additionally, the AGO compares the financing charge included in the MFNC TOB Pilot monthly charge to fees imposed by providers of consumer financial products or services, stating that such fees are normally voluntary. In this case, potential tenants are informed of the improved energy efficiency of the apartments, the estimated energy savings, and the associated MFNC TOB Pilot monthly charge before signing a lease.



They are not required to rent an apartment from a property owner participating in the MFNC TOB Pilot; they choose to do so knowing that a monthly charge will be applied to their electric bill which should be offset by the energy savings from the installed measures. Moreover, the monthly charge in this case is being approved by the Commission for a regulated public utility, not a bank, lender, or other financial institution, and the rulemaking by the Consumer Financial Protection Bureau cited by the AGO is not applicable.

The Commission does agree, however, as it determined with the residential TOB program, that the amounts paid to a property owner and recovered from apartment tenants, while not a loan, are effectively up-front capital payments to be repaid with interest. In that docket, Duke stated that “[t]he TOB charge includes the cost of the installed measure(s) plus interest in the amount of the Company’s most recently approved weighted average cost of capital,” and subsequently referenced the “Financed Amount” and the “Interest on Financing” in explaining how the TOB monthly charge was determined. Here, too, DEP responded to Public Staff Data Request No. 1-7 (attached to the AGO’s comments) stating that the MFNC TOB Pilot monthly charge “paid by a renter is equal to the incremental costs of the energy efficiency improvements, less an incentive component . . . , over the life of those improvements and inclusive of a Company finance cost.” As stated in the Program Description in the MFNC TOB Pilot tariff, DEP pays to the property owner up front the incremental cost of the installed measures. The Commission is persuaded that if the property owner exercises the early termination option and pays the remaining amount due before the end of the term, the amount due should exclude DEP’s return on the unpaid balance. To return DEP’s capital early and to charge a return (or interest) on that capital would result in double recovery for DEP as it now has the opportunity to otherwise reinvest that capital and earn a return over the remaining term of the now-canceled agreement. DEP will have fully recovered its up-front costs with a reasonable return during the shortened term of the agreement with no continuing obligation. Thus, the Commission will require DEP to amend its tariff and pro forma agreement to provide that when a property owner requests early termination and a final bill for all remaining payments the amount due shall exclude the rate of return on the unpaid balance. Lastly, given the nature of the MFNC TOB Pilot, as DEP explains in its reply comments, the Commission finds reasonable DEP’s requirement that early termination may not be exercised for at least three years.

## **Remaining Issues**

NCJC, et al., the AGO, and the Public Staff raised a number of additional issues which are discussed below.

NCJC, et al. request that DEP change a statement in section (c)(2)(ii)(a) of its application to indicate that the bill savings from the installed measures are only estimates, resulting in anticipated net bill savings for participants. The Commission is not persuaded that such a change is necessary at this point. No language within the MFNC TOB Pilot tariff was suggested to be revised, and section 5 of the pro forma tenant’s agreement states that the energy savings are estimates. Moreover, DEP indicates in its reply comments that the customer benefit must show a result greater than 1.25 to be considered cost-effective for the apartment tenant, which allows considerable margin for

the estimate of energy savings even with the unpredictability of customer behavior and weather conditions.

NCJC, et al. request that equipment associated with the installed measures be warranted for the duration of the cost recovery period and that apartment tenants receive notice from the utility of complaint procedures and utility contact information in the event any of the listed equipment stops working and cannot be repaired within a reasonable timeframe. As noted above, the MFNC TOB Pilot is designed to incentivize the installation by property owners of more efficient equipment, such as washers, dryers, and refrigerators. Maintenance and repair of this equipment is the responsibility of the property owner, not the utility. Any complaints or requests for repairs, therefore, should be directed to the property owner, not the utility.

NCJC, et al. further suggest that DEP be required to measure the customers' non-energy benefits in addition to the net savings calculation. Such non-energy benefits were not specifically identified, and the Commission will not require DEP to formally evaluate or report on such benefits. It is appropriate for the parties to engage in further discussions as part of the stakeholder process to potentially define the nature of such benefits and further reporting requirements.

The AGO challenges the appropriateness of DEP earning a return or recovering financing charges given that DEP is also seeking recovery of net lost revenues and PPI under the Mechanism. The MFNC TOB Pilot is both a tariff on-bill program and an EE program. The finance charges are part of the monthly charge paid by apartment tenants as part of the TOB program and is independent of the EE incentives paid to the property owner and recovered through the EE cost recovery rider pursuant to Commission Rule R8-69 and the Mechanism. Thus, the appropriateness of the components of the payments by apartment tenants is unrelated to the Mechanism and cost recovery through the EE rider.

The AGO recommends carefully reviewing the potential for overlapping recoveries in light of the provision for residential decoupling under performance-based ratemaking. DEP responds that the decoupling mechanism proposed in its PBR rate case would ensure no double counting. The Commission appreciates the AGO's concerns and has now issued its order in DEP's rate case, addressing this issue to the extent necessary at this time.

The Public Staff notes the lack of detail describing EM&V in the application. However, through discovery and further discussions with DEP, the Public Staff and DEP have agreed that DEP would file its EM&V plan within 12 months following initiation of the MFNC TOB Pilot, including a thorough description of the methodology used to establish the baselines against which DEP proposes to calculate energy savings for each measure offered. The Commission finds this to be reasonable.

Lastly, the Public Staff recommends that DEP report certain information on the MFNC TOB Pilot with its annual EE cost recovery rider filing. DEP filed no objection to the Public Staff's recommendation, which will, therefore, be accepted.

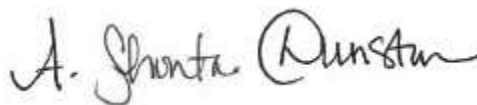
IT IS, THEREFORE, ORDERED as follows:

1. That the proposed Multi-Family New Construction Tariffed On-Bill Pilot shall be, and is hereby, approved for a period of five years subject to the following modification: that DEP shall amend its tariff and pro forma agreement to provide that when a property owner requests early termination and a final bill for all remaining payments the amount due shall exclude the rate of return on the unpaid balance;
2. That the Commission shall determine the appropriate ratemaking treatment for the Multi-Family New Construction Tariffed On-Bill Pilot, including program costs, net lost revenues, and Portfolio Performance Incentive in DEP's annual cost recovery rider proceeding in accordance with N.C.G.S. § 62-133.9 and Commission Rule R8-69;
3. That DEP shall file with the Commission within 30 days of the date of this Order a revised tariff compliant with this Order and showing the effective date of the tariff;
4. That DEP shall file its EM&V plan within 12 months following initiation of the Multi-Family New Construction Tariffed On-Bill Pilot, including a thorough description of the methodology used to establish the baselines against which DEP proposes to calculate energy savings for each measure offered in the MFNC TOB Pilot; and
5. That DEP shall report the following information on the MFNC TOB Pilot with its annual EE cost recovery rider filing:
  - a. updated cost-benefit analysis, including updated calculations of each of the four standard cost-effectiveness tests;
  - b. any EM&V that is available to date;
  - c. a summary of the work being done, measures installed, and the number of vendors performing work in the MFNC TOB Pilot;
  - d. actual costs incurred to date;
  - e. a comparison of the initially estimated and actual costs, benefits, and participation for each year of the MFNC TOB Pilot; and
  - f. any other relevant information that would support a request for cancellation, continuation, or developing the MFNC TOB Pilot into a full program.

ISSUED BY ORDER OF THE COMMISSION.

This the 23rd day of August, 2023.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink, appearing to read "A. Shonta Dunston". The signature is fluid and cursive, with the first name "A." and last name "Dunston" clearly distinguishable.

A. Shonta Dunston, Chief Clerk