

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. E-2, SUB 1167  
DOCKET NO. E-7, SUB 1166

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	
Application of Duke Energy Progress, )	<b>REPLY COMMENTS OF THE PUBLIC STAFF ON MODIFICATIONS TO SOLAR REBATE INCENTIVE AMOUNTS</b>
LLC, and Duke Energy Carolinas, LLC )	
Requesting Approval of Solar Rebate )	
Program Pursuant to N.C. Gen. Stat. § )	
62-155(f) )	

NOW COMES THE PUBLIC STAFF – North Carolina Utilities Commission, by and through its Executive Director, Christopher J. Ayers, and respectfully submits the following reply comments regarding possible modifications to the current Solar Rebate Program incentive amounts offered by Duke Energy Carolinas, LLC (DEC), and Duke Energy Progress, LLC (DEP) (collectively, Duke or the Companies) under N.C. Gen. Stat. § 62-155(f).

On December 4, 2020, Duke, the Public Staff, the North Carolina Sustainable Energy Association (NCSEA), and the Southern Alliance for Clean Energy (SACE) filed initial comments in response to the Commission’s November 6, 2020, Order requesting parties to file comments “recommending revised rebate amounts for residential, commercial, and nonprofit customers for consideration to be effective for the application window opening on Wednesday, July 7, 2021.”<sup>1</sup> In addition, the Commission specifically expressed its interest in the viability of a

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<sup>1</sup> *Order Modifying Fourth Year of Solar Rebate Program and Requesting Additional Comments*, Docket Nos. E-2, Sub 1167 and E-7, Sub 1166, at 16 (hereinafter, the “November 6 Order”).

tiered system aimed at incentivizing smaller solar installations with a declining incentive structure up to 10 kW for residential customer installations and 100 kW for nonresidential customer installations.<sup>2</sup>

### Comments of other Parties

In their initial comments, the Public Staff, NCSEA, and SACE provided general comments but did not submit any proposals regarding a tiered rebate structure. Similar to the Public Staff, SACE noted that was interested in exploring whether a tiered system would serve the goal of making access to clean energy more affordable to the broadest set of customers possible, but did not have sufficient information at the time of its initial comments to determine whether the tiered approach would be the best option to pursue.<sup>3</sup>

NCSEA in its initial comments stated that its goal is to increase the number of customers who receive a rebate, but it had concerns about changing to a tiered rebate approach at this time. NCSEA indicated that making changes could create customer confusion or even program apathy, when considered in conjunction with some of the challenges experienced in the 2020 enrollment period.<sup>4</sup> In addition, NCSEA noted that current market forces encourage customers to build the largest system they utilize to maximize the potential for net metered credits, to shorten the payoff window for the system, and to maximize federal investment tax credit availability.<sup>5</sup> NCSEA also questioned whether changes to the rebate amounts were

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<sup>2</sup> *Id.*

<sup>3</sup> December 4, 2020, Initial Comments of SACE at 1.

<sup>4</sup> December 4, 2020 Initial Comments of NCSEA at 5.

<sup>5</sup> *Id.*

appropriate for the three potential windows remaining, as well as for the additional enrollment period for any remaining set-aside rebate capacity that goes unsubscribed by December 31, 2022, which pursuant to N.C.G.S. § 62-155(f)(3) shall be reallocated for use by any customer. In summary, NCSEA and its members questioned the value in making changes to implement a tiered rebate system at this time.

NCSEA also expressed some concerns that it believes the available non-profit rebate allocation has the potential to be taken up by one or two government entities that have the ability to house multiple solar projects, potentially preventing other non-profit entities from churches or synagogues from being able to receive the rebate. The Public Staff does not share this concern, as we now enter the fourth year of the rebate program and have yet to see significant participation by non-profit entities in the Solar Rebate Program. So long as a participating non-profit entity meets the statutory requirements in N.C.G.S. § 62-155(f)(3), the Public Staff does not believe that any additional limitations or criteria on solar rebate eligibility are needed at this time.<sup>6</sup>

#### Duke Initial Comments

Duke in its initial comments provided information regarding the characteristics of the customers receiving rebates, including information on the average capacity of installed solar facilities for each group broken down, as well

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<sup>6</sup> N.C.G.S. § 62-155(f)(3) provides in part that “[f]or purposes of this section, “nonprofit organization” means an organization or association recognized by the Department of Revenue as tax exempt pursuant to G.S. 105-130.11(a), or any bona fide branch, chapter, or affiliate of that organization.”

as by income levels for residential customers participating in the Solar Rebate Program. Duke noted that there is not a significant difference in the kW-AC size of the rebate applications based on income.<sup>7</sup> Duke further noted that for residential customers, the average system size was 7.6 kW, which it attributed primarily to the popularity of a specific inverter used by installers in the Companies' service territories.<sup>8</sup>

With regard to the commercial class, including non-profits, Duke found that more than 75% of commercial installations were sized at less than half of the maximum 100-kW eligible capacity, with an average rebate requested for approximately 35 kW.<sup>9</sup>

Duke also evaluated data regarding installation prices, and found that retail pricing had decreased since 2018 for both residential and commercial installations,<sup>10</sup> consistent with the earlier comments of the Public Staff noting a continued decline in installation costs.<sup>11</sup>

Based on its analysis, Duke expressed its position that it did not believe that a declining tier structure would encourage smaller solar installations or incentivize customers with more modest incomes, as the Commission requested. Duke therefore indicated that its preferred approach would be to reduce the residential

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<sup>7</sup> December 4, 2020 Initial Comments of Duke at 3.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.* at 3-4.

<sup>10</sup> *Id.* at 6.

<sup>11</sup> See page 2 of the June 5, 2020, Initial Comments of the Public Staff in this docket, referencing Lawrence Berkeley National Lab (LBNL) analysis indicating declining solar installation costs trends over the past five years.

and commercial rebates commensurate with the reduction in solar installation costs, which would decrease the residential rebate from \$0.60 to \$0.40 per watt, reduce the commercial rebate from \$0.50 to \$0.30 per watt, and keep the non-profit rebate at \$0.75 per watt. As an alternative, Duke proposed to provide a simple tier for residential customers, with the rebate amount being \$0.50 per watt for up to the first 5 kW of capacity, and then reducing to \$0.40 per watt for the remaining eligible capacity (up to 10 kW).

Duke indicated that if the Commission wants to provide greater incentives to moderate income customers, that a better way to structure the incentive would be based on income, not system size, but stated that such an approach would be cumbersome and difficult to implement, with any program modifications likely outweighing the benefits realized over the last two years of the program.

The Public Staff appreciates Duke's efforts to respond to the Commission's questions and does not take issue with either of Duke's proposals. The Public Staff agrees with Duke that implementing an income-based tiered rebate structure would likely add additional implementation challenges, such as verification of a customer's income. Furthermore, taking into consideration the standard equipment sizes noted by Duke and the general preference for larger systems indicated by NCSEA in its comments, the Public Staff does not believe that a tiered structure would result in a significant change in the capacity of systems being installed by customers.

With regard to the rebate amounts, the Public Staff notes the proposed reductions of the rebate amounts under either of Duke's approaches would be larger than the recommendations made by the Public Staff in its June 5, 2020 initial comments in this docket, and the reductions are being proposed without an increase the non-profit rebate amounts, resulting in an overall decrease in program spending.<sup>12</sup>.

In light of solar installation cost declines since the rebate amounts were initially determined,<sup>13</sup> the Public Staff believes the reductions proposed by Duke meet the "reasonable incentives" provision of N.C.G.S. § 62-155(f). The Public Staff anticipates there will continue to be robust interest in the Solar Rebate Program for residential and commercial customers, even at the lower rebate amounts proposed by Duke. In addition, the Public Staff believes that any changes in the rebate amounts for the residential and commercial groups approved by the Commission following these comments can be incorporated into the rebate program and communicated effectively to customers, marketers, and installers prior to the July 2021 enrollment window.

Lastly, the Public Staff still recognizes the limited participation in the Solar Rebate Program to date by non-profit customers at the current rebate amounts, and agrees with the Commission's request that Duke "increase its marketing to

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<sup>12</sup> In its June 5, 2020 Initial Comments, the Public Staff proposed to reduce the residential rebate from \$0.60 to \$0.50 per watt, reduce the non-residential rebate from \$0.50 to \$0.40 per watt, and increase non-profit rebate from \$0.75 to \$1.00.

<sup>13</sup> During the Public Staff's investigation of the Solar Rebate Program application in January 2018, Duke indicated through discovery that the rebate amounts had been set by reviewing installation costs and other assumptions.

nonprofits, including city governments, with the goal of increasing nonprofit participation in the remaining years of the program.”<sup>14</sup>

Respectfully submitted this the 15th day of December, 2020.

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### **CERTIFICATE OF SERVICE**

I certify that a copy of these Reply Comments have been served on all parties of record or their attorneys, or both, by United States mail, first class or better; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 15th day of December, 2020.

Electronically submitted  
/s/ Tim R. Dodge

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<sup>14</sup> November 6 Order at 16.