

PLACE: Dobbs Building, Raleigh, North Carolina

DATE: Monday, December 18, 2023

TIME: 1:05 p.m. - 4:46 p.m.

DOCKETS: E-2, Sub 931

E-7, Sub 1032

E-100, Sub 179

BEFORE: Commissioner Jeffrey A. Hughes, Presiding

Chair Charlotte A. Mitchell

Commissioner Kimberly W. Duffley

Commissioner Floyd B. McKissick, Jr.

Commissioner William M. Brawley

Commissioner Tommy Tucker

IN THE MATTER OF:

Technical Conference

E-2, Sub 931 - Carolina Power & Light, d/b/a Progress
Energy Carolinas, Inc;

E-7, Sub 1032 - Duke Energy Carolinas, LLC; and

E-100, Sub 179 - Duke Energy Progress, LLC, and Duke
Energy Carolinas, LLC.



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3 DUKE ENERGY CAROLINAS, LLC:

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P R O C E E D I N G S

COMMISSIONER HUGHES: Good afternoon.

Let's go on the record, please.

I'm Jeff Hughes, Commissioner of the North Carolina Utilities Commission.

And with me this afternoon are Chair Charlotte Mitchell, Commissioners Kimberly W. Duffley, Floyd B. McKissick, Bill Brawley and Tommy Tucker.

In compliance with the requirements of the State Government Ethics Act, I remind all members of the Commission of their responsibility to avoid conflicts of interest, and I inquire whether any member of the Commission has a conflict of interest with respect to this matter before us.

(Brief pause.)

Let the record reflect that I have no such conflict and that my fellow Commissioners have not identified any such conflict.

This technical conference is being held in Dockets Number E-2, Sub 931, which is titled, "Application by Carolina Power and Water (sic), doing business as Project -- Progress Energy

1 Carolinas, for Approval of Demand-Side Management
2 and Energy Efficiency Cost Recovery Rider Pursuant to
3 General Statute § 62-133.9 and Commission Rule
4 R8-69.

5 Also, Docket E-7, Sub 1032, Application
6 by Duke Energy Carolinas, for Approval of New
7 Cost Recovery Mechanism and Portfolio of
8 Demand-Side Management and Energy Efficiency
9 Programs.

10 And Docket E-100, Sub 179, Duke Energy
11 Progress and Duke Energy Carolinas 20- -- 2022
12 Biennial Integrated Resource Plans and Carbon
13 Plan.

14 On October 20, 2020, in Docket Numbers
15 E-2, Sub 931 and E-7, Sub 1032, the Commission
16 issued the Order Approving Revisions to the
17 Demand-Side Management and Energy Efficiency Cost
18 Recovery Mechanisms, which approved the current
19 version of the Demand-Side Management, which I'll
20 refer to as DSM, and Energy Efficiency, which I
21 will refer to as EE, Cost Recovery and Incentive
22 Mechanisms, referred to as Duke's, or the
23 Company's Mechanisms.

24 The Commission directed the Public

1 Staff to initiate a comprehensive review of the
2 mechanisms no later than May 1, 2024.

3 On May 16, 2022, Duke filed its proposed
4 Carbon Plan in Docket E-100, Sub 179, which
5 included a request that the Commission adopt
6 measures that Duke stated would enable it to
7 implement new EE and DSM programs more quickly
8 and would broaden the potential reach, and,
9 therefore, the energy savings of its EE and DSM
10 programs.

11 These proposed measures, which Duke
12 called enablers, included the following:
13 Updating the inputs underlying the cost-benefit
14 test in the Company's mechanisms, using an
15 as-found baseline for EE measures, broadening the
16 definition of low-income customers, and
17 developing guidelines for expedited regulatory
18 approval of DSM/EE programs.

19 On December 30, 2022, in Dockets Number
20 E-100, Sub 179, the Commission issued its Order
21 adopting the initial carbon plan and providing
22 direction for future planning.

23 The Order stated that it was persuaded
24 by the Public Staff that the enablers related to

1 DSM/EE mechanism should be discussed within the
2 context of a full DSM/EE mechanism review and
3 directed Duke to initiate a review of Duke's
4 DSM/EE mechanisms within 120 days of the issuance
5 of the Order.

6 On April 27, 2023, Duke filed a letter
7 initiating the Commission directed review of the
8 mechanisms.

9 On May 11, 2023, the Public Staff filed
10 a statement of position, and on September 7, 2023,
11 the Public Staff filed a motion for procedural
12 relief.

13 Both seeking clarification from the
14 Commission about the scope of the mechanisms
15 review, specifically whether it was limited to
16 the enablers, or whether the Commission sought a
17 comprehensive review.

18 On September 14, 2023, Duke filed a
19 response in support of Public Staff's motion and
20 request for further relief.

21 On September 15, 2023, CIGFUR filed a
22 response to Public Staff's motion and request for
23 further relief.

24 On September 20, 2023, Duke filed

1 supplemental response in support of Public
2 Staff's motion and request for further relief.

3 On September 26, 2023, Public Staff
4 filed a letter in response to Duke's supplemental
5 response.

6 On September 27, 2023, the Commission
7 granted Public Staff's motion for procedural
8 relief, clarifying that the review of the
9 mechanisms should be comprehensive, including all
10 of the issues the Public Staff had identified,
11 and scheduled a technical conference for Monday,
12 December 18, 2023, starting at 1:00.

13 On December 6, 2023, the Commission
14 issued its Order, notifying the parties that the
15 Commission had arranged with the Lawrence
16 Berkeley National Laboratory under a Department
17 of Energy funded program to provide the
18 Commission with a presentation by their
19 contractor, the Regulatory Assistance Project.

20 On December 12, 2023, Duke, the Public
21 Staff, the North Carolina Attorney General's
22 Office, CIGFUR, the Carolina Utilities Customers
23 Association, the Southern Environmental Law
24 Center, and Walmart, Incorporated, filed

1 jointly-prepared pre-filed materials.

2 On December 14, 2023, the presentation
3 materials of the Regulatory Assistance Project
4 and CIGFUR were each filed in the Docket, which
5 brings us to today.

6 The purpose of this technical
7 conference is for the parties to provide
8 information through oral presentations on the
9 existing mechanisms and the work of the DSM/EE
10 mechanism review stakeholder process.

11 The Commission understands that the
12 parties are still engaged in the stakeholder
13 process and that comments on revising the
14 mechanism are not yet due.

15 The Commission does not expect the
16 parties to have developed their substantial
17 positions at this juncture.

18 The Commission will have the
19 opportunity to ask questions of the presenters,
20 but the parties will not be given an opportunity
21 to question one another or Mr. Enterline, the
22 Regulatory Assistance Project presenter.

23 The technical conference this afternoon
24 is being transcribed, and the transcript will be

1 filed in the Docket as soon as it is available.

2 The parties have provided a proposed
3 agenda for this technical conference, and we will
4 follow that agenda.

5 Before we begin, I would like the
6 parties to identify themselves for the purpose of
7 the record.

8 MS. TOON: Good afternoon,
9 Commissioners, Chair Mitchell, Presiding
10 Commissioner Hughes, Ladawn Toon, Associate
11 General Counsel on behalf of Duke Energy Progress
12 and Duke Energy Carolinas, each an L.L.C.

13 Also appearing on behalf of the
14 Companies is my colleague, Kathleen Richard.
15 Thank you.

16 COMMISSIONER HUGHES: Thank you very
17 much.

18 MS. KEYWORTH: Good afternoon. Anne
19 Keyworth, on behalf of the Using and Consuming
20 Public, with the Public Staff.

21 MS. GRUNDMANN: Good morning. Carrie
22 Grundmann, with the Law Firm of Spilman Thomas &
23 Battle, here today on behalf of Walmart, Inc.

24 MR. NEAL: Good afternoon. David Neal,

1 with the Southern Environmental Law Center,
2 appearing today on behalf of the Southern
3 Alliance for Clean Energy, the Natural Resources
4 Defense Council, the Sierra Club, and the South
5 Carolina Coastal Conservation League.

6 MS. CRESS: Good afternoon. Christina
7 Cress, with the Law Firm of Bailey & Dixon,
8 appearing on behalf of CIGFUR II and CIGFUR III
9 this afternoon. Thank you.

10 MR. TRATHEN: Good afternoon. Marcus
11 Trathen, of the Law Firm of Brooks Pierce in
12 Raleigh, appearing on behalf of CUCA.

13 MR. SOMELOFSKE: Good afternoon.
14 Justin Somelofske, appearing on behalf of the
15 North Carolina Sustainable Energy Association.

16 MR. MERTZ: Good afternoon. Derrick
17 Mertz, appearing on behalf of the North Carolina
18 Attorney General's Office. With me is Tirrill
19 Moore.

20 COMMISSIONER HUGHES: Okay. Well, I
21 will now turn the conference over to Duke, as the
22 first presenter, to provide its presentation.

23 MS. TOON: Thank you, Commissioner
24 Hughes. The Company would call Mr. Lon Huber, as

1 well as Mr. Tim Duff.

2 Please be careful to -- our subject
3 matter experts have prepared a joint presentation
4 for the Commission, and you have some materials
5 that are right sitting in front of you.

6 I'll start in the opposite Order. Tab
7 four contains pre-filed materials that the
8 parties worked on, submitted on December 12, and
9 then there is a cross-reference that is intended
10 to complement the presentation today.

11 As well an example in tab three of
12 R8-68, which Mr. Duff will speak to in the second
13 portion of today's presentation.

14 And, with that, I will turn it over to
15 the panelists to introduce themselves.

16 MR. HUBER: Great. Lon Huber, Senior
17 Vice President at Duke Energy. I'm tasked with
18 creating compelling products and services for
19 customers and designing them in a way that
20 maximizes the benefits of the grid, as -- as well
21 as the participating customer.

22 MR. DUFF: And I'm Tim Duff. I'm the
23 General Manager of Customer Solutions, Regulatory
24 Enablement.

1 I've had the pleasure of working with
2 EE and DSM for over the last decade here in the
3 Carolinas and across Duke's other jurisdictions,
4 and I've been involved in numerous of these
5 mechanism reviews.

6 MS. TOON: Mr. Duff and Mr. Huber, if
7 you could just speak into the mic a little
8 bit -- bring it closer to you, that would be
9 great.

10 MR. HUBER: Just let me know.

11 MS. TOON: The panelists are available,
12 Commission, to begin and answer any questions
13 you-all might have. Thank you.

14 MR. HUBER: Great. Well, good
15 afternoon, Presiding Commissioner, Chair Mitchell
16 and Commissioners. It's a pleasure to be here
17 and kicking off this technical conference.

18 Before diving into the content, I want
19 to just provide a little bit of a roadmap of what
20 we're going to cover today.

21 It'll dovetail nicely with the jointly
22 written filings submitted December 12, but feel
23 free to, you know, ask questions, any
24 clarification. There's a lot of acronyms, and,

1 you know, with energy -- with EE, you know,
2 energy efficiency, DSMs, demand-side management,
3 which focuses more on peak-demand reduction, so
4 compensating behaviors and devices that -- that
5 target the -- the most stressful times of the
6 grid. That's DSM.

7 So there's -- feel free to -- to jump
8 in as we go through this, but -- but my task is
9 really to -- to cover some of the trends that are
10 impacting the customer offerings out there, and
11 then hit on the -- the Company's track record of
12 success and then a high-level overview of the
13 regulatory framework that we have, which we
14 affectionately call the mechanism.

15 So you'll be hearing mechanism a lot
16 through this. Then I'll turn over to my
17 colleague, Mr. Duff, who will dive into the
18 history of that mechanism, and it's a long one.

19 It spans multiple legislatures,
20 commissions. It's -- it's had a lot of
21 investment from -- from everybody in this room,
22 stakeholders, the Company and the like, to build
23 what we have today.

24 So there's a whole history behind it, I

1 think, that will be fascinating. And then the
2 indiv- -- individual components, how they
3 interact, how they work together. And then an
4 overview of the stakeholder process, and really
5 what got us here in the first place, the genesis
6 of all of this, which was Duke working with
7 stakeholders to try to figure out what are ways
8 to enable more energy efficiency, more
9 demand-side management.

10 And that process culminated into -- in
11 the carbon plan, where the Company filed some
12 enablers and eventually led to -- to this Docket.
13 So that -- Mr. Duff will cover some of the -- the
14 origin of -- of why we're here today and what
15 we're -- we're focusing on.

16 And then I think we'll -- we'll hand it
17 off to the Public Staff, and then they'll take it
18 from there.

19 So, to -- to dive in, it's -- it's
20 really no secret that our programs are very
21 popular with customers, and we've had a lot of
22 success in driving adoption of energy efficiency
23 and -- and DSM.

24 In fact, since 2009 we've been able to

1 drive the equivalent of 3.4 gigawatts of
2 energy -- of solar energy within our EE program.
3 So that's -- that's trying to put it, you know,
4 on a basis to compare. So significant amounts of
5 energy efficiency.

6 And then in terms of peak-demand
7 reduction, we've -- since 2009 we've gotten
8 just -- just over four gigawatts. So a huge
9 amount of capacity as well.

10 You can think that's like 40 hundred
11 megawatt CTs, and they're not exactly the same,
12 but that's the best way to -- to sort of think
13 about it.

14 So substantial amounts of -- of -- of
15 program adoption out there, but a little bit of a
16 victim of our own success, in the sense that a
17 lot of the low-hanging fruit has been taken with
18 these programs.

19 We're starting to see saturation for
20 certain technologies. And so we have to continue
21 to think creatively. How do we offer new
22 products and services? How do we knock down
23 certain barriers for customers?

24 And -- and then at the same time we

1 have the federal government that moves the
2 goalpost a bit by setting baselines for -- for
3 certain, say, appliances.

4 And so every time a baseline is set, is
5 ratcheted up, it's harder and harder to get that
6 incremental amount of savings to the next -- the
7 next level of efficiency for a particular measure
8 or appliance.

9 So we have -- we have that to contend
10 with. And then just general inflation as well.
11 As we know, labor has gotten more expensive. It
12 takes -- it takes a lot of people to implement
13 these things, to install these measures. And
14 then the hardware costs have also gone up.

15 And then we know customer preferences
16 aren't static as well. So we have to continue
17 to -- to stay ahead of that, meet customers where
18 they are, think about how they want to be
19 engaged, what type of technologies they're
20 interested in adopting.

21 It could be battery storage. It could
22 be smart thermostats. Making sure that we have
23 programs to -- to leverage natural customer
24 trends out there.

1 And so the framework that we have today
2 is responsive. It's adaptive to those changes.
3 The -- the Company has what it needs to attract
4 talent, to be -- to think innovatively, to form
5 partnerships, trade allies to accomplish these
6 programs and -- and address those needs and not
7 just for the wealthiest households, but also
8 for -- for households that are struggling to make
9 ends meet to make sure that they can participate
10 in these programs as well.

11 And -- and, again, it's -- it's
12 underpinned by the -- this regulatory contract,
13 again, that I think we should all be proud of,
14 with the results and the structure of it. And
15 it's enabled us to become a regional and industry
16 leader.

17 And so words are cheap. Let's see in
18 the data to -- to -- to back that claim up.

19 Here's some stats. Now, these -- a lot
20 of the energy-saving stats, what you see here,
21 these have been independently verified by -- by
22 experts that we hire, also Public Staff hires
23 them, to look into program measurement,
24 evaluation, verification.

1 And you can see we've had significant
2 energy savings in the past five years. Equates
3 about two -- 225,000 homes of -- of energy. And
4 they're incredibly cost-effective programs,
5 yielding 2.8 billion in net present value of --
6 of system benefits.

7 And for every dollar invested, it
8 returns to -- to general customers \$2.69. So
9 very cost effective.

10 But does this make us a leader? Well,
11 if you look at the chart on the left, this is
12 comparing us to regional companies. And you can
13 see there's a bottom line there, and that's the
14 regional average.

15 And you can see that we are far ahead
16 of that. We're on the left. The Duke Energy
17 companies, we're on the left. We do more than
18 all the other utilities combined.

19 So we're definitely a regional leader,
20 but what about the United States? Well, the top
21 line is the U.S. average, and you can see we're
22 still above that. But -- but how much, and --
23 and that's what we're going to get to next.

24 It really exposes the weakness of this

1 one statistic. So the chart on the left focuses
2 on a percentage of savings compared to retail
3 sales.

4 Well, this inherently puts the
5 Southeast at a disadvantage, because the
6 Southeast has more electric heat, has warmer
7 summers. So more A/C use, right, compared to,
8 say, New England states.

9 They -- they might have 600 kilowatt
10 hours a month in usage. We have 1,200. So if
11 you have a measure that saves, say, 100 kilowatt
12 hours, and you deploy that measure in the
13 Southeast versus New England, they are going to
14 have a much higher percentage of savings than the
15 Southeast, even though it's the same measure.

16 So a more accurate look at this, and
17 this is from the EIA, is savings per residential
18 customer. And you can see here that when Duke
19 Energy is compared to the top-ranked utilities
20 for energy efficiency, we're third and fourth in
21 the country.

22 Again, this is something to be really
23 proud of. It took everybody to get there. And,
24 you know, all the work with Commission staff, I

1 think since -- in the past three years, Duke has
2 filed 18 different new offerings.

3 Some are pilots. Some are new
4 programs. They're sort of leading-edge things.
5 Again, you know, filings take people's time. It
6 takes bandwidth, and we appreciate Public Staff,
7 Commission staff, and Commissioners and -- and
8 looking at those and giving those proper
9 attention and fast approval to keep ahead of
10 these trends.

11 And -- and so third and fourth in the
12 country, again, you know, shows the -- the power
13 of these programs and how much we're able to
14 accomplish now.

15 We're also somewhat conservative in
16 what we count towards energy efficiency. So
17 different states count different things. For
18 instance, Texas counts rooftop solar behind the
19 meter as energy efficiency.

20 So there's -- there's things that --
21 that other states count that we don't. That's
22 important to note in -- in these statistics.

23 Okay. The -- the stage is set. You
24 know, what makes it so successful? It's the

1 regulatory framework. And there's three core
2 pieces to the regulatory framework.

3 Before I get into that, it's worth
4 probably taking a step back and just thinking
5 about the traditional utility business model and
6 why you need these -- these core -- these three
7 core components.

8 The traditional utility business model
9 is one where we raise capital to build
10 infrastructure to power our communities. We have
11 to allow investors return on that capital, and we
12 get to that level by looking at how much we sell,
13 and then backtracking into how much we need to
14 recover.

15 So it's based on the volume of sales
16 typically. And so if all of a sudden new
17 technologies come along, energy efficiency, DSM
18 technologies mature, that cuts into those --
19 those volumes.

20 And so when you think about, like a --
21 a simple analogy, and this is overly simple, but
22 if you've got a lemonade stand, and you've got
23 \$20 of fixed costs that you've got to recover,
24 and, you know, you sell ten cups. Well, you've got

1 to charge \$2 for each cup.

2 Well, all of a sudden these
3 technologies come around, and you're only selling
4 eight cups. You've got a shortfall; right? And
5 so the first piece of this three-legged stool,
6 the net lost revenue recovery, that is there to
7 help replenish in that gap between eight and ten
8 in -- in that analogy.

9 But then there's -- there's other
10 pieces, which is, what about the growth rate?
11 Growth is incredibly important to investors to
12 get to track low-cost capital to get out that --
13 to get that infrastructure.

14 Well, these technologies reduce
15 future-growth prospects. So say you wanted to
16 open a lemonade stand in the next neighborhood.
17 Well, that wipes away that opportunity. And so
18 the utility financial incentive is there to help
19 lower that opportunity cost.

20 And then, finally, you have the program
21 cost recovery. As you are funding programs and
22 getting them implemented, you want to have speedy
23 recovery to minimize lag and costs as well.

24 So those are the -- the three core legs

1 to the stool, and we'll get into more details
2 with Mr. Duff. And -- and -- and Mr. Duff will
3 also, again, talk about how -- you know, the
4 focus is on, how do we enable more?

5 How do we build off of the success that
6 we've had? And then how does this framework
7 interact with new enablers? He'll touch on -- on
8 some of that.

9 So, without further ado, unless there's
10 any questions, I'll hand it over to you.

11 MR. DUFF: Okay. Thank you.

12 Good afternoon. It's -- excuse me.

13 Can everyone hear me?

14 COMMISSIONER HUGHES: Uh-huh.

15 MR. DUFF: Good afternoon. It's great
16 to be here. I appreciate it, Commissioners.

17 I'm going to start off really kind --
18 on building on the constructive regulatory
19 mechanism that Mr. Huber just talked about, and
20 really go into kind of what the purpose of the
21 mechanism is.

22 And I'm not take -- I'm not making up
23 this definition. This came out of a recent
24 Commission Order in one of the Duke Energy

1 Carolinas Rider for annual D- -- EE/DSM Rider
2 filings.

3 They laid out four overall -- four
4 components of the overall purpose. First, to
5 allow the timely recovery of reasonable and
6 prudent costs that the Company incurs in the
7 offering of EE and DSM programs to establish
8 certain requirements in addition to those that
9 the Commission's R- -- Rule R8-68 spell out
10 regarding approval, monitoring and management of
11 the EE/DSM programs.

12 So how do -- the programs that are
13 eligible for cost recovery, how do they get
14 approved and managed and reported on?

15 Establishing the terms and conditions
16 of the net lost revenue recovery that Mr. Huber
17 just discussed, as well as a financial incentive
18 or portfolio performance incentive as it is
19 currently defined in the Company's mechanism.
20 And then to provide an additional incentive to
21 further encourage kilowatt hour, kWh, saving
22 achievements.

23 So those are kind of the four main
24 purposes of the mechanism as laid out in that

1 Order. And so now I want to get into the history
2 of the mechanism and how it has tried to fulfill
3 those purposes.

4 So if you look at energy efficiency and
5 demand -- in DSM landscape in North Carolina, it
6 really began in the 2008 timeframe, with the
7 passage of Senate Bill 3, which established the
8 new renewable energy and energy efficiency
9 portfolio standard, or REPS, as it's often
10 called.

11 And it really required utilities to do
12 a certain amount of renewable energy and energy
13 efficiency, and really capped the amount of
14 energy efficiency that could be done to cost
15 effectively meet those REPS rules in -- in 25
16 percent for, I believe, the first eight years. And
17 then it went up to 40 percent of that annual
18 renewable energy -- energy and energy-efficiency
19 portfolio standard, but really laid out the
20 legislative need for utility energy efficiency.

21 The Commission then took action in
22 putting together its -- its Commission Rules,
23 R8-68 and R8-69. These are the -- this is kind
24 of the enactment of those energy-efficiency laws

1 relating to program cost recovery, incentive,
2 lost revenues and other administrative functions
3 associated with the programs.

4 And then both Duke Energy Carolina and
5 Progress, who were two separate companies at the
6 time, took those Rules, and worked with
7 stakeholders, the Public Staff and ultimately got
8 Commission approval for EE/DSM mechanisms to
9 actually -- that actually contained the detailed
10 process, procedures and details of how each of
11 those components of the Rules would be
12 instituted.

13 Now, you're saying, well, in 2021
14 HB 951 was passed, which established a carbon
15 plan, performance base rates and really the need
16 for a clean energy transition in North Carolina.

17 But while there are a number of
18 components that would cause the need for energy
19 efficiency, when you look at the language of
20 HB 951, it is very clear that the -- it says that
21 existing law shall apply with respect to energy
22 efficiency and demand-side management.

23 So what it was really doing is just
24 guiding to say, use the existing guidance under

1 SB 3 and the Commission's Rules to try and make
2 sure that you're helping to facilitate the least
3 cost clean energy transition that was envisioned
4 in HB 951.

5 So next I want to kind of walk through
6 a little bit of the history. As I said before, I
7 have been working with the EE/DSM mechanisms
8 since 2010.

9 So right after the initial versions of
10 each of the mechanisms were put forth Duke Energy
11 Carolinas had a four-year pilot called
12 Save-a-Watt that was very complex, and I would
13 say lacked transparency and clarity for
14 stakeholders and parties, and it was very hard to
15 implement.

16 Duke Energy Progress, at the time I
17 believe it was Progress Energy Corp, had another
18 mechanism that was approved in 2009 via
19 settlement with stakeholders, and it was a little
20 bit more similar to today's mechanism, but it had
21 a -- a unique component to it, in that it allowed
22 for the amortization of costs and the utility
23 incentive.

24 Both of those mechanisms were working

1 well, but, as I -- as I said, they were kind of
2 the initial forays.

3 In 2013, when that four year
4 Save-a-Watt pilot ended, the Company moved to a
5 more simple and easy to understand and more
6 transparent mechanism that it got a lot of
7 feedback from the Public Staff and stakeholders
8 on that -- on that initial pilot and incorporated
9 those.

10 And it featured -- continued to feature
11 net lost revenue recovery, but now featured a
12 PPI, which was much more similar to what's in the
13 mechanism today that was being discussed.

14 In 2015 after Duke Energy and Progress
15 Energy merged, there was an effort to kind of
16 ali- -- start aligning the Duke Energy Progress
17 mechanism with the Duke Energy Carolinas
18 mechanism.

19 And so some changes were made to it in
20 2015. But then in 2017 another mechanism review
21 occurred, and we really for the first time
22 started to try and align the mechanisms much,
23 much more.

24 Obviously, there are certain

1 fundamental components, like an amortization
2 versus non-amortization approach that created
3 issues that couldn't be resolved and completely
4 reconciled, but you started to see mo- -- movement
5 together, in terms of the alignment of the
6 incentive structures, featuring same -- similar
7 percentages of shared savings and really trying
8 to move things forward.

9 And then in 2020, as mentioned earlier,
10 the most recent review occurred, and it, again,
11 tried to move those mechanisms closer together.
12 Considered things like looking at shorter
13 amortization periods for DEP and featured
14 something that was kind of --

15 The one big change that was new to both
16 was it -- it changed the PPI percentage, but
17 added something called the program return
18 incentive, which was a -- a really novel attempt
19 and approval by the Commission to appro- --
20 appropriately incentivize the utilities to
21 aggressively pursue those programs that were
22 non-cost effective and targeted low-income
23 customers.

24 And so because the traditional

1 incentive really was a penalty to offer non-cost
2 effective energy efficiency structures, as I'll
3 talk about a little bit in the future.

4 So, I guess, just looking back at this
5 long history, mechanism reviews are not something
6 that are new. There's a long process that has
7 existed, in terms of working with stakeholders
8 to have the mechanism kind of evolve and
9 modernize as the market and the State has
10 changed, but it's something that we've
11 successfully worked -- worked with our
12 stakeholders, the Public Staff and the Commission
13 to have it evolve constructively as we move
14 forward, which has led to this continued success
15 that we've demonstrated to date.

16 So now I want to get into the real
17 details of what's in the mechanism, just to kind
18 of let everyone know, when we say, "the
19 mechanism," what does -- what does this mean?

20 I'm sure you-all have copies of it.
21 It's quite voluminous for both utilities, but
22 there's really four main components to the
23 mechanism.

24 There's definitions, which define

1 different terms and processes that are utilized
2 throughout the mechanism. And this is really
3 done to make sure that everybody is on the same
4 page. There isn't a confusion about what does --
5 what does a net/net savings mean versus gross
6 savings?

7 And so it's technical, in that they're
8 terms that the stakeholders and subject matter
9 experts know, but it ensures that -- and tries to
10 eliminate potential disagreements about how the
11 other components of the mechanism work.

12 The -- the second component is the
13 program component. This really goes into those
14 Commission Rules about the R8-68 and how the
15 programs are administered, reviewed, evaluated
16 and measured, as well as even gets -- and gets
17 into things such as expedited approval for
18 modifications that don't have significant changes
19 associated with them.

20 The third component is the financial
21 component. This is the finan- -- this is the
22 details of the cost recovery for Duke Energy
23 Progress. It details amortizations --
24 amortization periods.

1 Because both utilities operate across
2 state boundaries, it deals with the cost
3 allocation methodologies, and then it gets into
4 the specifics around the net lost revenue
5 recovery, the portfolio performance incentive,
6 the program return incentive, the other incentive
7 that I talked about earlier, and then financial
8 reporting requirements that are needed to be
9 around what's recovered through the EE/DSM
10 mechanism.

11 And then there's a procedural section.
12 And so the procedural section is really there to
13 just kind of delineate things like how long the
14 mechanism will be in place, when it will be
15 reviewed again.

16 So it was brought up that the mechanism
17 was to be reviewed comprehensively in 2023.
18 Originally the mechanism had said that that was
19 to occur in -- at the end of 2024.

20 The mechanism has been -- is usually
21 kept in place for a four year period, so that
22 there's some certainty and ability to actually
23 have it work before you're making changes to see
24 if the modifications have had the intended

1 effect.

2 And then, finally, it -- the mechanism
3 spells out that it's a non-presidential
4 mechanism. So now I really want to talk about
5 the program section of the mechanism.

6 The program of the -- section of the
7 mechanism is one that's really well depicted by
8 the circle you see here, because it's very --
9 it's very much a circular process and a do-loop,
10 if you will, associated with feedback and
11 implementation.

12 So if you start with stakeholder
13 feedback, as you probably know, we have a very
14 robust EE and DSM stakeholder collaborative, a
15 meeting that meets every other month. That's
16 actually defined in the mechanism.

17 But that stakeholder group, we
18 oftentimes will get input, as well as sharing
19 program performance. But in that input, we'll
20 take it and utilize it with some of our internal
21 program management and experts to design and
22 potentially propose modifications to existing
23 programs.

24 Once we have those, and they've kind of

1 been modeled and created, we will then share
2 those with stakeholders again through the
3 collaborative, and then they're filed for
4 approval with the Commission.

5 If the Commission approves the -- the
6 very robust and detailed exhibits that are
7 included in the program application, the Company
8 will then implement the program. Once it's
9 implemented, again, well, there's ongoing
10 performance tracking and reporting with the
11 collaborative, but once we have enough
12 participation to do statistically-significant
13 measurement, the independent third-party
14 evaluation measurement and verification, or EM&V,
15 is done to really find out what the program is
16 saving, what it's achieving.

17 And then those feedback are again
18 shared with the collaborative, filed in the
19 annual EE/DSM riders and used to improve programs
20 based off of how we've seen the -- the programs
21 actually work.

22 So really a real constructive,
23 transparent and stakeholder-based process that
24 has a lot of visibility, both for external

1 stakeholders, as well as the Commission.

2 One of the things that we talked about
3 earlier was the R8-68. It's the Commission Rules
4 that really govern what has to be included in the
5 filing. It's very, very long and detailed. And
6 the Company's filings for approval include all of
7 the necessary information in a template.

8 In addition to kind of this
9 information, if you will look at tab three in
10 the -- in the binder that was provided, you will
11 see a very comprehensive template of information
12 that is included with every single program
13 filing.

14 This template has been utilized for
15 numerous years. It includes a one-year look and
16 up to five years of incremental and cumulative
17 views of the program energy savings, the costs
18 associated with the program, the estimated energy
19 and capacity savings, and, very importantly, the
20 cost effectiveness of the programs.

21 And then we also will regularly give
22 initial EM&V plans to let stakeholders and the
23 Commission know how the measurement and
24 verification will occur, so that we are complying

1 with the Commission's Rules and they understand
2 the validity of the savings and the process.

3 Which piggybacks very well into the
4 next area I wanted to touch on, which is cost
5 effectiveness. Cost effectiveness is -- is
6 probably a term that's used more with EE and DSM
7 than any other term, because what it does is it
8 is the measure of the benefits that a program
9 generates versus the cost to administer it.

10 It's done -- it's usually reported in a
11 ratio, where the benefits are on top, and the
12 costs are on the bottom. So you want that ratio
13 to be a positive -- a positive score above one.

14 There are four primary tests that are
15 reported on in all of those templates that you'll
16 see, and these are industry -- industry-accepted
17 tests that give different perspectives on the
18 benefits and costs that are being incurred by --
19 by the utility, by the participant and by the
20 utility system in general.

21 These tests, while all giving important
22 insights into the different perspectives of the
23 tests, ultimately in the mechanism are governed
24 by the utility cost test.

1 The reason the utility cost test is
2 used is because it looks at it most consistently
3 with a traditional utility investment. It's
4 comparing the system benefits from avoided energy
5 capacity and transmission and distribution costs
6 with the benefits of the program.

7 So really you're saying, what is this
8 energy efficiency and demand-side management's
9 benefit compared to the cost to do it?

10 So, in general, if the -- if it has a
11 utility cost test score of, say, 2.0, that would
12 mean that the benefits across energy, capacity
13 and T&D are double the benefit -- or the cost for
14 the utility to administer the program.

15 It's important to point out that, not
16 only is this used to determine the screen or the
17 approval of the program as being cost effective
18 or not, but it also aligns with the calculation
19 of the Company's portfolio performance incentive.
20 Meaning that the incentive is tied to cost
21 effectively offering energy efficiency.

22 I just want to hit on one thing that's
23 really important to emphasize that you see in the
24 blue blocks on this slide. One of the big

1 enablers that was discussed, in fact, the primary
2 enabler that was discussed in the CPIRP was the
3 need to update the system benefits.

4 And that's because the benefits that
5 were in a clean energy transition world are no
6 longer consistent with what we had historically
7 looked at in the Company's position, and it had
8 talked about that with stakeholders.

9 And so it wanted to update these
10 benefits and the inputs to calculating these
11 benefits, so that it could facilitate more
12 cost-effective energy efficiency.

13 So next I want to kind of -- that talks
14 about how the benefits are derived, but I want to
15 give a level of confidence that Mr. Hubert talked
16 about with respect to the savings that are used
17 to determine those benefits.

18 The savings that the Utility uses are
19 all based off of evaluation measurement and
20 verification. And this is done for every program
21 by an independent third-party that's hired by the
22 Company to go out and use industry-accepted
23 practices that are -- they're called the Ener- --
24 the Uniform Methods Protocol, and were put out by

1 the Department of Energy.

2 These protocols have industry -- are
3 industry-best practices that are really tailored
4 to specific programs and measures, so that there
5 is an agreement on how the appropriate way to
6 measure them is.

7 These processes are used, and they use
8 things like primary research, secondary research,
9 surveys, metering, statistical studies, bill
10 analysis, and in some cases even usage loggers
11 that are put -- put in customers' homes.

12 Now, all of this is then done to yield
13 a savings number that is measured and verified
14 versus either a number that's currently
15 achieve- -- achieved in the market and may be out
16 of date or a number that was based off of an
17 initial engineering estimate -- estimate before
18 we had participation.

19 But the robust process is then, as I
20 mentioned before, shared with the collaborative.
21 It's filed with the Commission. And, even at
22 another level of competence, the Public Staff
23 hires their own independent third-party evaluator
24 to review the results of the independent

1 third-parties that are used by the Company to
2 determine if they agree with the approach that
3 was used.

4 So it's a -- yet another level of
5 validation in the savings. So when the com- --
6 when Mr. Huber is talking about all of these
7 achievements, we have a great deal of competence
8 in the rigor that's put in to determine the
9 actual level of savings that's being claimed
10 credit and is being -- and is having cost
11 recovery associated with it.

12 Which piggybacks -- backs great into
13 kind of a little bit more of a -- a backwards
14 track to what Mr. Huber had talked about with
15 respect to the constructive mechanism, and really
16 going into kind of those three legs and how
17 they're dealt with in the mechanism.

18 So the mechanism just specifies what
19 costs are eligible for cost recovery. Capital
20 costs, including the cost of capital
21 depreciation, administration co- -- administrative
22 costs, other implementation.

23 When I say, "implementation," that
24 could be the -- the actual physical installation

1 of a measure, such as in- -- insulation. It can
2 be -- and then you have things like advertising,
3 customer awareness, anything that's necessary to
4 get the customer to participate and undertake the
5 energy-efficiency program.

6 The largest category cost that the
7 Company incurs and seeks cost recovery for is the
8 customer incentive in payment or rebates. This
9 is the financial consideration, or in some cases
10 physical assets, that are given in consideration
11 to get customers to become more energy efficient.

12 It could be -- historically, it could've
13 been in a high-efficiency LED, or it could be a
14 financial incentive associated with installing a
15 high-efficiency air conditioner.

16 We also get recovery of the EM&V costs,
17 and we net any -- any federal grants or other
18 outside funding that would reduce the cost of
19 administering the programs, so that customers
20 don't have to pay for those costs.

21 But I want to make sure that, out of
22 all of those costs that are included, when I talk
23 about the incentives, over 60 percent of the total
24 costs that the Company seeks to recover associated

1 with its EE/DSM programs comes in the form of that
2 customer incentive.

3 So these dollars are really going to
4 our customers, which we're really proud about,
5 because that's what empowers them to become more
6 efficient.

7 Net lost revenues. As Mr. Hubert
8 talked about, the -- there's a -- the reason the
9 Company requests approv- -- and has been fortunate
10 to have the recovery of net lost revenues in its
11 EE/DSM cost recovery mechanism is because of the
12 under recovery of fixed costs that comes with
13 volume metric rates.

14 When an efficiency measure is
15 installed, a customer will use less. And while
16 there is a variable piece that the utility system
17 will not incur, which is passed -- those savings
18 are passed on to all customers, there is that
19 fixed piece, which the volume metric charge will
20 cause the utility to under recover.

21 Net lost revenues is just designed to
22 give us that fixed cost piece and make us whole,
23 so we don't have a financial disincentive
24 associated with offering energy efficiency.

1 One of the unique things about North
2 Carolina is the term net lost revenue. Most
3 states have a lost revenue adjustment mechanism.
4 The Commission's Rules spelled out that the
5 Company was entitled to net lost revenues, which
6 meant we needed to credit back or acknowledge
7 that there are things that the Company does that
8 can cause an increase in sales, which would then
9 cause you to not lose as many of the fixed -- the
10 fixed -- your recovery of fixed costs.

11 So the Company worked with stakeholders
12 to figure out exactly what the Commission's Rules
13 meant. And this is a great example of how the
14 mechanism has evolved and how stakeholders have
15 helped the mechanism to evolve.

16 The Commission's Rules just spelled out
17 net lost revenues and found revenues. And when I
18 say, "found revenue," that's a revenue that --
19 again, it's an action the Company took that
20 increases volume metric sales outside of EE and
21 DSM.

22 It worked with a -- for a great -- a
23 great deal of time to come up with this decision
24 tree into what activities would be counted as a

1 found revenue.

2 This has actually been included in
3 Commission approval for inclusion in the DEC
4 rider, and it is now an exhibit in both of the
5 mechanisms moving forward.

6 So it was a vague area that was molded
7 and modified to accommodate what stakeholders
8 felt the Commission's Rules were trying to tell
9 it to do, and it created a process to do so that
10 the Commission ultimately approved and has
11 avoided any future disagreements about found
12 revenues and the calculation of net lost
13 revenues.

14 One of the other things that you saw on
15 Mr. Huber's slide at the beginning was the
16 breaking down of net lost revenues and -- or
17 decoupling.

18 And revenue decoupling is another way
19 that eliminates that volume metric tie. However,
20 with the passage of HB 951 and the creation of
21 revenue to -- of revenue decoupling, as a part of
22 performance based ratemaking, and the recent
23 approval of DEP and DEC's rate cases, you saw the
24 establishment of a residential decoupling rider.

1 This rider basically ensures that the
2 Company is going to recover its allowed or
3 expected revenue per customer. However, the
4 Company has proposed in order to maintain
5 transparency around exactly what the true cost of
6 these measured and verified energy-efficiency
7 savings are with respect to net lost revenues,
8 that it will continue to recover those
9 residential net lost revenues through its EE/DSM
10 rider filing.

11 However, as you'll see in the example
12 on the other side of this slide, it will -- it
13 will credit back dollar for dollar those net lost
14 revenues that it's collecting through its annual
15 EE/DSM rider.

16 So in the example on the slide, you'll
17 see, well, the Company was expect -- was
18 targeting to collect \$150, and it ended up
19 collecting 100. You would say that it saw a
20 decrease in what it should be collecting by \$50,
21 an under-collection of \$50.

22 However, because the Company has
23 collected the net lost revenues through the
24 annual EE/DSM rider, it would then credit that

1 back, so that the net decoupling under collection
2 is only \$35.

3 This creates a great deal of
4 transparency and clarity on the cost of
5 residential net lost revenues, and 100 percent
6 eliminates the need or concern associated with
7 any double recovery of net lost revenues.

8 And this -- the Company feels like this
9 is a great way to really demonstrate how strong
10 the mechanism is working, because we've been able
11 to make a proposal to adjust a new rider and
12 still utilize all the transparency and
13 verification that's in the annual EE/DSM rider,
14 so people understand what the true net lost
15 revenues associated with residential --
16 residential customers is moving forward.

17 And, finally, I'd -- I'd like to go
18 back to the incentives, the utility incentives
19 that Mr. Huber referenced earlier. And I talked
20 about it in cost effectiveness, but this slide is
21 designed to really just kind of simplify the
22 portfolio performance incentive.

23 And I think it's really important that
24 you look at the name of that, because it is a

1 performance incentive. The performance incentive
2 is designed to motivate one thing, which is to
3 get as much net benefit for the utility system
4 through EE and DSM programs as you possibly can.

5 Now, there's two levers to get there.
6 Both align exceedingly well the Company's
7 interest and its customers' interests, because
8 that net benefit is shared with 89.4 percent
9 going to customers and 10.6 percent going to the
10 utility in the form of its PPI.

11 But the two things that it motivates
12 you to -- to do as a utility are to get as many
13 KW and kWh savings as possible through your
14 program, and, two, to do it as cost effectively
15 possible, because those are the two levers to
16 maximize the net benefit, which maximizes
17 customer benefit, and it maximizes the utility
18 financial incentive.

19 So as well as the PPI worked, we did
20 create the PRI, which I'm going to touch on just,
21 again, real briefly, because I think it's a -- a
22 real example of the leadership that the
23 Commission and our stakeholders have taken.
24 Stakeholders are working to develop it, but the

Commission improving it.

Low-income, energy-efficiency programs, because generally there's no out-of-pocket costs for customers, and the Comp- -- and the Company's programs take on all the financial burden. Generally they have a negative net benefit. Meaning the costs are greater than the sy- -- utility system benefits.

Well, if you're trying to maximize net benefit, having a negative program will actually penalize the utility for offering a low-income program.

So we developed an incentive structure that doesn't look at the net benefit for low income. It only looks at the benefit side and gets 10.6 percent of the benefit.

It's important you think about that, though, because -- because it's a ratio, what that means is essentially the benefit is less than the cost. So your 10.6 percent is being applied to the smaller number, not the large number in the equation.

Finally, the last piece of incentive was something that was added in that -- first in

1 that 2017 update to the mechanism, which is another
2 incentive.

3 This other incentive was worked on with
4 stakeholders around an aspirational target to hit
5 1 percent of total retail sales as a saving.

6 If the Company hit that -- hits that
7 annual savings number in any year, it would be
8 entitled to an additional \$500,000 incentive.

9 So this -- this in -- this additional
10 incentive was really put there because our
11 stakeholders wanted to tie to that total retail
12 sales number, and the Company worked with other
13 stakeholders and got Commission approval to
14 create -- create that incentive structure as an
15 additional incentive tied to a specific
16 performance level.

17 But that's on top of the PPI, which has
18 always motivated the Utility to get as much
19 efficiency and do it as cost effectively as
20 possible.

21 Finally, I just want to leave you with
22 some quick takeaways on the mechanism. I think,
23 looking at the numbers that Mr. Huber talked
24 about earlier, it would be hard to argue that

1 basically the last decade of operating under some
2 level of this cost-recovery mechanism that we're
3 currently operating under hasn't been exceedingly
4 successful.

5 If you look at other utilities in our
6 jurisdiction and across the nation, we'll stack
7 our results and our innovative programs and the
8 benefits customers have received up against
9 anyone.

10 Secondly, while HB 951 is a new piece
11 of law, it preserves SB 3 statutory authority
12 regarding EE/DSM that was initially established
13 by the General Assembly and the Commission wrote
14 its Rules on and that originally established the
15 cost-recovery mechanisms.

16 A cost recovery -- a constructive cost
17 recovery framework is really critical. As
18 somebody who has operated in all of Duke's
19 jurisdictions, it is the number one determinant
20 of whether or not you see effective, both from an
21 energy savings, as well as from a low cost and
22 cost-effective portfolio standpoint.

23 It is the number one driver. We have
24 operated in states that have mandated numbers,

1 and we've seen those states have to eliminate
2 those mandates and do all sorts of crazy
3 legislative things to try and hit mandated
4 numbers.

5 A utility framework that aligns
6 customer interests with -- with company interests
7 is the best way to motivate and get high levels
8 of customer-efficiency savings, which lead to
9 those utility system benefits.

10 And then last, but not least, I just
11 wanted to talk really quickly about the formal
12 stakeholder process that we've been going
13 through.

14 So, it is true, the Company initiated
15 the review of the mechanism originally at the end
16 of April, and we have been working to reach out
17 to stakeholders and have had a number of
18 meetings, but really it ramped up kind of after
19 we got through the rate cases, to be honest, this
20 fall.

21 And we have had a very, very deliberate
22 and packed schedule, where we're meeting almost
23 every week, but no less than every other week to
24 go through specific components of the mechanism.

1 And what I could say is that we have
2 found a lot of consensus on modifications to the
3 mechanism. We have been able to reach agreement
4 on verbiage related to three of the four enablers
5 that were identified, and the Company continues
6 to want to work with stakeholders until the
7 comment period in its end desire to get a --
8 somewhat of a consensus mechanism filed in lieu
9 of comments, because we're -- we think that
10 there's that much alignment with the majority of
11 stakeholders on the mechanism.

12 And the last thing I -- I want to touch
13 on is we think it's important to move this along
14 as quickly as possible, because if the mech- -- if
15 the mechanism is not improve- -- approved and then
16 appropriately treated in future reconciliations,
17 we can't initiate the enablers out until 2026 at
18 the soonest.

19 And we want to get these enablers out
20 there, because they are so necessary to achieve
21 the long-term modeling assumptions that are in
22 the CPIRP.

23 That's all I have. Thank you.

24 COMMISSIONER HUGHES: Thank you very

1 much.

2 Let's turn to the Commission and see if
3 anyone has questions.

4 Chair Mitchell?

5 CHAIR MITCHELL: Just -- just one
6 question on that last point. You said the
7 Commission needs to get an Order out, so that you
8 can implement the enablers. What -- what is that
9 date?

10 MR. DUFF: Well, so the -- the Company
11 originally laid out that if the mech- -- new
12 mechanism can get approved, hopefully by late
13 second quarter, we would be able to do the
14 modeling around what the rates would be.

15 Because of the schedule of the annual
16 rider filings, the projected piece for 2025 will
17 be made in late February for DEC and in June for
18 DEP.

19 So we know that we can't get the new
20 mechanism approved in time for those projections,
21 which is why when we ask for additional relief
22 and receive support from other stakeholders for
23 we ask for a one-time reconciliation.

24 Ordinarily in the true-up and

1 reconciliation component of the rider we don't
2 update the system benefits from what was in the
3 projection, but we can't increase costs
4 associated with higher incentives without
5 recognizing the benefits at the same time.

6 So we felt like if we can get an Order
7 by the end of the second quarter, we can model
8 what the -- what the projected impact of the
9 mechanism changes would be, which are necessary
10 to communicate for DEC customers by October, so
11 they understand what the -- what the rate that
12 would be effective would be, not the rate that
13 was projected, because our customers have the --
14 our DEC customers have the ability to opt out in
15 the November, December timeframe.

16 So we would want to be able to give
17 them an estimate of what the rate would be after
18 the new mechanism changes went in, and then we'd
19 be able to have all of the mechanism changes be
20 effective in 2025.

21 And that's one of the things we're
22 working on stakeholders on, is that
23 reconciliation process as a component of the
24 mechanism.

1 CHAIR MITCHELL: Okay. Thank you.

2 And then one more question in this,
3 under tab three.

4 MR. DUFF: Yeah.

5 CHAIR MITCHELL: On the second page, I
6 thought I heard you say that all of the tests
7 were -- were on the spreadsheets, and I don't see
8 the PCT test. And can you explain why -- remind
9 me why that's not here.

10 MR. DUFF: So the PCT is the
11 participant cost test.

12 CHAIR MITCHELL: Right.

13 MR. DUFF: So -- so it is --

14 CHAIR MITCHELL: I -- I understand that
15 a lot of those don't, but 10 and 11 might.

16 MR. DUFF: I -- I -- the -- maybe
17 you --

18 CHAIR MITCHELL: Because it's the
19 participant cost test; right?

20 MR. DUFF: Right.

21 CHAIR MITCHELL: So the -- the cost
22 benefits for participants.

23 MR. DUFF: Right.

24 CHAIR MITCHELL: And I understand that,

1 obviously, avoided T&D is not going to work for
2 them, but then ten and 11 talk about the
3 participant cost.

4 So that's just the participant cost for
5 the utility?

6 MR. DUFF: I'm -- I'm sorry. I'm not
7 sure which page of the -- are you looking at the
8 cost effectiveness table?

9 CHAIR MITCHELL: I'm on -- I'm on the
10 second page.

11 MR. DUFF: Yeah.

12 CHAIR MITCHELL: And maybe I'm
13 answering my own question, but what -- what page
14 were you saying that you analyze all four tests?

15 MR. DUFF: So all four test results,
16 the benefits and -- and the costs are shown --

17 CHAIR MITCHELL: Oh, I'm sorry. The
18 participant is probably the PCT.

19 MR. DUFF: Yes, yeah.

20 CHAIR MITCHELL: Thank you.

21 MR. DUFF: Yeah. Sorry about -- sorry
22 about the confusion on that.

23 CHAIR MITCHELL: All me. Thank you.

24 COMMISSIONER HUGHES: Okay.

1 Commissioner McKissick?

2 COMMISSIONER McKISSICK: Just one or
3 two questions.

4 First, you indicated that -- you know,
5 I'm -- I'm glad to see all of the stakeholder
6 meetings, and it sounds like they're going well.

7 You indicated that you thought there
8 was consensus on three of the four enablers; is
9 that right?

10 MR. DUFF: Yes. I -- I think we -- we
11 haven't gotten final legal approval, but we have
12 drafted language associated with the accelerated
13 approval of pilots for EE/DSM, the as-found
14 section, as well as dealt with the broadening of
15 the definition for low income.

16 We're still working on the system
17 benefits update, which, obviously, is a -- is a
18 large piece, an important piece, but, those
19 three, we feel like we are -- we have a consensus
20 on the language in -- in the modified mechanism.
21 Yes.

22 COMMISSIONER McKISSICK: And in the one
23 that you haven't quite reached consensus yet,
24 does it look like that's promising, based upon

1 the dialogue that's taking place amongst
2 stakeholders, or are you not --

3 MR. DUFF: I'll say --

4 COMMISSIONER McKISSICK: -- at liberty
5 to say?

6 MR. DUFF: I will say we're having a
7 lot of active dialogue. There's definitely a lot
8 of -- it's -- it's by far the more technical and
9 detailed section than -- than the other sections,
10 and we have had a lot of robust discussion on it.

11 I think we're starting to make some
12 appro- -- improve -- improvements, in terms of
13 understanding, and some progress, in terms of
14 potential modifications to the Company's
15 proposal, but I can't say we're -- we'll be there
16 by January with all parties.

17 I think some parties we may be able to
18 get there, but I do think we're starting to make
19 significant progress.

20 COMMISSIONER McKISSICK: That sounds
21 very encouraging. Is there anything we could do
22 to implement the enabler sooner than the
23 projected timeline you put out there?

24 MR. DUFF: I -- I really -- I'd -- I'd

1 love to come up with something, but I think one
2 of the things that's a real challenge is we've
3 even been trying to be responsive to -- to some
4 discovery requests about sections of the
5 mechanism and things like amortization
6 shortening, and we've had to say without
7 understanding how the overall mechanism is
8 changing, it's really hard to project what a
9 change to amortization will mean from a rate
10 standpoint, because the mechanism changes could
11 drive different costs and incentives for -- for
12 customers, which is a big driver of the
13 amortization.

14 COMMISSIONER McKISSICK: I understand.

15 And with the performance incentives,
16 does it roughly equate to the returns you'd
17 receive on a centralized-generation investment?

18 MR. HUBER: I can probably take that
19 one.

20 So there's -- excuse me. There's still
21 opportunity costs, Commissioner McKissick. I
22 think if you try to put it on a level playing
23 field, our average lifespan, say, is 12 years
24 for -- for these types of resources.

1 So you compare that to a traditional
2 rate base investment, we would earn about double
3 on a traditional asset versus these performance
4 incentives.

5 So there's still a significant
6 opportunity cost there, and that's why you see
7 other states innovating in this regard. You
8 know, Kansas has a higher -- they have 15 percent.
9 Some states go up to 30 percent for certain
10 activities or for certain incremental --
11 incremental targets.

12 So, yeah, there's -- there's still --
13 there's still a gap there.

14 COMMISSIONER McKISSICK: Well, I am
15 encouraged by your presentation and remarks
16 today, and, I guess, hope we can move this thing
17 along expeditiously for the reasons you've
18 articulated. Thank you.

19 MR. HUBER: Thank you.

20 COMMISSIONER HUGHES: Commissioner?

21 COMMISSIONER TUCKER: Thank you,
22 Commissioner Hughes. Just one question for
23 Mr. Huber.

24 On page number 4, you've highlighted

1 customer savings, but what relationship does the
2 \$2.8 billion in system benefits and the
3 savings of \$2.69 in savings for every dollar
4 invested, what does that equate to, and how are
5 those dollars used?

6 Are they reallocated in fixed costs, or
7 how will the consumer -- and it's -- the heading
8 is, "Customer savings." How will the consumer
9 realize that they have received this?

10 Thank you.

11 MR. HUBER: Yeah, great question. And,
12 Mr. Duff, feel free to reinforce this.

13 So savings are -- they're multifaceted.
14 Some are realized right away, and you can see
15 reductions in purchased fuel right away. You
16 know, very -- very close to the time that the
17 savings hit.

18 Other savings are more -- are longer
19 term, because they're related to infrastructure.
20 And so you're pushing out or -- or eliminating
21 the need for certain infrastructure items,
22 whether that could be within the distribution
23 system or it could be a generation asset.

24 So those savings are realized just

1 in -- in lower overall rates over certain time
2 horizons, and so that's -- that's how those --
3 those get -- those get realized to all customers.

4 So it's -- there's -- there's some
5 timing gaps, and then there's different
6 categories, like fuel, that just right away you
7 can realize.

8 Do you have anything to add?

9 MR. DUFF: Yeah.

10 I would just -- I would add, Lon made a
11 great point on that. It's the net present value,
12 because we look at -- we look at it kind of in
13 the -- in the year it was installed.

14 So if something is going to deliver
15 savings over ten years, we discount those savings
16 back, but it is looking at what the system --
17 what investments aren't having to be made over
18 time.

19 And so you are -- you're seeing a -- a
20 little bit of a blend of kind of more variable
21 costs on the energy side and then more physical
22 capital investment on the capacity and T&D side.

23 COMMISSIONER HUGHES: Okay.

24 COMMISSIONER TUCKER: Well, either one

1 of you gentlemen can answer this.

2 So between the years 2017 and '22,
3 which are in this slide, was there a rate
4 reduction to the consumer because of these
5 savings?

6 MR. DUFF: So the -- I won't say there
7 was necessarily a rate reduction.

8 COMMISSIONER TUCKER: The answer is no?

9 MR. DUFF: Well, there was no rate
10 reduction, in terms of a base-rate reduction.
11 However, things like fuel riders, those were
12 lower, because of efficiency.

13 COMMISSIONER TUCKER: So the answer is
14 no?

15 MR. HUBER: Maybe I can rephrase it
16 as -- as if -- if we were starting out at ten
17 cents a kilowatt hour, costs could have been,
18 say, 10.4, but because of these programs, they're
19 10.3.

20 And so technically it wasn't a decrease
21 from the baseline of ten cents at your starting
22 year, just because generally things are going up;
23 right? But it has put that downward pressure on
24 rates.

1 COMMISSIONER TUCKER: Okay. So the
2 answer is still no?

3 The consumer did not receive a rate
4 reduction? No? Other costs maybe, but, no, they
5 did not receive a rate reduction as -- since you
6 invested -- what? 2.8 billion and got \$2.69 in
7 dollar savings?

8 I don't know how you compute that, but
9 I'm just asking. If you do the multiplier on
10 that, that's big money, and there's no rate
11 reduction.

12 But the reduction of fuel cost and the
13 allocation of fixed cost, et cetera, I guess that
14 you guys have that there would not be a rate
15 reduction passed along to the consumer; right?

16 MR. DUFF: There was no direct rate
17 reduction. That's correct.

18 COMMISSIONER TUCKER: Thank you, sir.
19 Thank you.

20 COMMISSIONER HUGHES: Okay. I -- I
21 just have -- I have a couple of quick questions.

22 So presumably the -- the -- the
23 incentives, which you said are the largest
24 cost -- cost item that you-all incur, the cons --

1 the consumer customer incentives, how -- how do
2 they interplay with nonutility-funded incentives,
3 like the -- the IRA?

4 Is that -- you know, is that being
5 analyzed in the review mechanism?

6 So -- so in other -- in other words,
7 presumably an incentive was set, so that it would
8 encourage a company -- it would encourage a
9 customer to do something they wouldn't otherwise
10 do.

11 Now, with the federal incentives in many
12 cases customers will be incentivized much more.
13 So do you expect the number of customers that
14 decide to move -- move forward with different
15 measures are going to increase quite a bit or --

16 I'm just -- from an economic stand- --
17 standpoint, I'm just really curious, because
18 customers are going to receive now a lot more
19 incentive over the next ten years for things
20 like -- for tax -- tax incentives, rebates.

21 The state is going to have its own
22 appliance rebate program, if I understand
23 correctly, from the IRA.

24 MR. DUFF: So, yeah, Presiding

1 Commissioner Hughes, how I would answer that is
2 we have increased our energy efficiency forecast
3 over the period of the IRA dollars, which is
4 supposed to end in the 2032 period.

5 That being said, there is still a lot
6 of gray and uncertainty around how the states are
7 actually going to implement them.

8 We have been actively working with our
9 state energy offices, so that we can help
10 customers participate in those programs, as well
11 as our programs.

12 Our modeling assumption, we assume that
13 we would get about 60 percent of customers that
14 ultimately would take the IRA to participate
15 through utility programs.

16 There's a modeling requirement and
17 measurement verification associated with those --
18 with those state programs in -- in a lot of
19 cases, and so we feel like we can be an intake
20 for customers and make them aware of those -- of
21 those programs that are out there at the State
22 level.

23 Because one of the things that you see
24 is just because there are federal dollars that

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1 are thrown at states does not necessarily mean
2 that they're spent, and it doesn't necessarily
3 mean that they're delivering efficiency.

4 So we're trying to tailor our programs
5 to coordinate and cooperate with them, so that
6 we're maximizing the -- the total dollars that
7 the State is being able to get its -- its
8 consumers, as well as trying to make sure that
9 our programs are still driving them to
10 participate if -- if, in fact, the State
11 incentives weren't enough to get them to
12 participate.

13 But the measurement and verification
14 requirements for our programs will continue, and
15 we'll be able to look at those savings. However,
16 if a customer does not choose to participate in
17 our programs, we're not going to be able to
18 measure and understand the savings that a
19 customer who installs a high-efficiency heat pump
20 is -- what they're going to get if they haven't
21 participated in our program, because we're not
22 including them in our measure and verification
23 work.

24 COMMISSIONER HUGHES: Okay. Well, I

1 think you -- I think you answered the question
2 right in the beginning about -- about your --
3 your projections moving forward are increased,
4 because of -- because of the inflow of -- of
5 funds.

6 As far as the -- the process of going
7 through the review, could you just tell me a
8 little bit more about any kind of quantitative
9 analysis that's occurring with the review
10 mechanism?

11 Are you looking at different types of
12 incentives and how they will impact riders moving
13 forward?

14 Just -- it seems like there's a lot of
15 math and formula and assumptions that go into
16 calculating the riders, and just are -- is one of
17 the processes of the review looking at impacts of
18 different approaches, different types of
19 incentives, different assumptions, and, you know,
20 does that make sense?

21 MR. DUFF: Yeah. I -- so what I would
22 say is in terms of the incentive -- the incentive
23 levels, well, we're really kind of waiting a
24 little bit on understanding what the system

1 benefits are, because that, if you will, is the
2 currency to determine what type of incentives
3 could be paid to customers.

4 So once -- I think once we get through
5 that key enabler, I think then you'll start to --
6 we'll start to be able to understand what can
7 change with customer incentives and what that
8 could do with overall participation and overall
9 costs of the rider.

10 But to date we're still -- as I said,
11 that's -- that's one of the areas we're still
12 having a lot of discussions around.

13 COMMISSIONER HUGHES: Well, I did
14 something I vowed I -- I wouldn't do is, is
15 confused customer incentives versus utility
16 incentives. I vowed to always put the word
17 customer incentive or utility incentive, because
18 it's so confusing.

19 What I was referring to, and I didn't
20 qualify this, is modeling different utility
21 incentives, because that's -- that's how --
22 that's what drives what the rider -- how the
23 rider is calculated.

24 And from what I understand, I think

1 we'll hear a little bit later about it from the
2 Public Staff and others. There's just a lot of
3 different formula options that go into incentive
4 calculation- -- utility incentive calculations.

5 And I just wonder, is that -- is that
6 quantitative analysis being done, where if -- if
7 a utility incentive was calculated based on this
8 approach or this formula, the rider is going to
9 end up being this, and the savings will be this,
10 and the benefits will be this, but if we go in
11 this option, it will look like that.

12 So does that -- that kind of analysis
13 is what I --

14 MR. DUFF: Yeah. So what -- first, I
15 would say that the utility financial incentive is
16 the smallest component of the rider. So I don't
17 think it's going to make as nearly the swing that
18 you're talking about, regardless of -- of the
19 mechanism that's -- that's done out there from
20 a -- from a percentage of the overall EE/DSM
21 rider.

22 But, again, I'm going to caveat the
23 fact that we still need to do the analysis of the
24 system benefits to start understanding how it

1 could swing things, because you need to
2 understand the participation, the costs and the
3 benefits in order to then model what different
4 incentive structures could look like.

5 So I think it would be a little bit
6 premature right now to do so. I think that that
7 work will definitely get done, but we need to
8 understand -- as I said before, the beauty of the
9 current construct is that it motivates you to get
10 as much kWh and kW as cost effectively as
11 possible, which means you have to know the system
12 benefits to understand what you can do to your
13 program cost, the customer incentives and what
14 kind of participation you will have, which are
15 ultimately the variables that will lead to the
16 amount of the financial incentive.

17 COMMISSIONER HUGHES: Not to -- not to
18 copy Mr. Tucker, but the answer -- the answer is
19 no or -- or yes, that -- that that kind of
20 analysis, where, you know, if it -- if it goes --
21 I mean, I -- from what I understand, there's
22 incentives that are based on -- on net lost
23 revenue.

24 There are incentives based on

1 perform- -- percentage of cost. There are -- are
2 incentives based on capitalization. Those
3 different options will not be studied as part of
4 the review, or will they be?

5 MR. DUFF: No. I -- I didn't say that.
6 We have -- what I said was we haven't gotten to
7 the point where we can model what those would
8 look like under the new mechanism framework.

9 Otherwise, you'd be taking old -- old,
10 existing mechanism results and trying to apply it
11 to different constructs. And we have not done
12 that yet. I don't know if any of the other
13 parties have done that.

14 We have just recently started really
15 digging into the utility incentive component, but
16 I would -- I would assume that those analyses
17 will be done as we get further down the path.

18 COMMISSIONER HUGHES: Okay. Okay. I
19 think that's all, and I know we're running late.
20 That's all for now, but thank -- thank you very
21 much for coming.

22 MR. HUBER: Sure.

23 COMMISSIONER HUGHES: Any last
24 questions?

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1 (No audible response.)

2 COMMISSIONER HUGHES: All right. Well,
3 thanks again.

4 MS. KEYWORTH: Presiding Commissioner
5 Hughes, are you ready for the Public Staff to
6 call its --

7 COMMISSIONER HUGHES: Yes. I'm sorry.
8 Next -- next presentation. I'm sorry.

9 MS. KEYWORTH: I just wanted to make
10 sure.

11 The Public Staff calls David
12 Williamson, Michelle Boswell, and Hemanth Meda.

13 And, before they get started, just to
14 be clear, we indicated in our pre-filing letter
15 that should the Commission have questions on
16 certain discrete topics, we also have James
17 McLawhorn and Jeffrey Thomas, who are sitting in
18 the audience today.

19 And they can answer questions on -- to
20 the extent the Commission has any, on system
21 benefits and Save-A-Watt times.

22 COMMISSIONER HUGHES: Okay. Thank you
23 very much.

24 Gentlemen and Ms. Boswell?

1 MR. WILLIAMSON: Thanks for having us
2 here today.

3 My name is David Williamson. We have
4 Hemanth Meda and then Michelle Boswell, both with
5 the Accounting Division, and I'm with the Public
6 Staff's Energy Division.

7 I figured I'd start with that,
8 considering we didn't add a slide that kind of
9 said our names, but I'll try to -- assuming that
10 this is -- where should I point this?

11 MR. MEDA: It should work.

12 MR. WILLIAMSON: There we go. Got it.

13 Okay. So the point of the presentation
14 today is to give the Commission an overview from
15 the Public Staff's perspective, kind of the
16 achievements that the rider and the EE mechanism
17 have accumulated over the last few years, as well
18 as a discussion of the changing landscape that
19 we're seeing in the Carolinas, North Carolina.

20 And then a relatively brief discu- --
21 discussion on the objectives and the review that
22 the Public Staff is having on this mechanism
23 review. Followed up with another brief
24 discussion of the stakeholder engagement that's

1 been going on over the course of the last few
2 months.

3 So the achievements to date, just to
4 keep similar with what the Company provided, kind
5 of -- we kind of kept the timeframe from 2017 to
6 2022.

7 And over this time, as of the most
8 recent rider filings, Duke Energy Carolinas's has
9 about 14 different DSM and EE programs; nine for
10 residential, five for nonresidential. And then
11 Duke Energy Progress has about 17 programs
12 approved, with 11 being residential and six being
13 nonresidential.

14 And then the -- for residential
15 programs, they're essentially targeting any type
16 of residential dwelling that could -- could be
17 possible.

18 There's single-family homes,
19 multifamily homes, low-income homes and even new
20 construction homes. And they're achieving those
21 savings through the rebates and behavioral and --
22 behavioral and educational, as well as load
23 management type programs.

24 And then for the -- for the non-res,

1 there's more custom and prescrip --
2 prescriptive-type rebates that are applied, as
3 well as a little bit heavier focus on the load
4 management type programs.

5 So in this slide, this is just a list
6 of all of the -- all of those active programs for
7 residential for both DEC and DEP, covering all of
8 those topics that I just brought up.

9 And then the same thing for the non-res
10 for both DEC and DEP. And I do want to clarify
11 that it does look like there are a lot more
12 programs within DEC, but probably half of those
13 programs are kind of rolled up into a portfolio
14 program, the Smart Saver.

15 I think it's the Assessments and the
16 Products program. So there's about five or six
17 of those little sub bullets that fall within
18 that.

19 All right. So the Company in their
20 presentation provided a more higher-up viewpoint
21 of the savings that have been achieved over the
22 last few years.

23 What I've -- what we put together here
24 is a graphic more on a Vintage Year basis from

1 2017 to 2022. And this is the system annual
2 kilowatt hour reductions. And so, "system,"
3 meaning North Carolina and South Carolina
4 achievements.

5 And it's broken up into both
6 residential and nonresidential. Blue being
7 residential. Orange being non. And then the
8 gray bar is the combination of the two.

9 And so, as you can see, for system
10 kilowatt hour reductions, pretty consistent. You
11 can see more clearly around DEC, particularly in
12 2020, where COVID actually took effect.

13 And you can see the reduction in
14 savings that were achieved during that year,
15 because of the inability to go into the home and
16 make those personal interactions.

17 And so this slide here and the next
18 slide -- so this one is titled, "The System
19 Summer kW Reductions."

20 And then on the following slide, it's,
21 "The System Winter kW Reductions." And,
22 similarly to the previous slide, it's a -- it's a
23 presentation of the amount of kW capability for
24 each year for both residential and

1 nonresidential, as well as the combined.

2 So I guess for specifically talking
3 about DEP here for a second, that is the total
4 capability for non-res customer -- non-res
5 customer DSM. And it's -- it looks -- it looks a
6 little weird, I have to admit, but it's the --
7 DEC, DEP is the disconnect with how the rider is
8 actually represented, where the rider is more
9 incremental in the -- for DEP. And then the --
10 in this instance this is just looking at the
11 total capability for that year.

12 And then, again, for the -- for the
13 winter aspects. And there was a little bit more
14 of a focus on winter programs as of a couple of
15 years ago, because that's where you start to see
16 the jump for some of the -- some of the utilities
17 in 2021.

18 And then this chart, it's getting --
19 moving away from system and more towards North
20 Carolina, because this is based off the North
21 Carolina net lost revenues, which is a function
22 of the North Carolina rates that are in effect.

23 And so this is just a graphic of -- on
24 a Vintage Year. So 2017 through 2022 Vintage

1 Years, the amount of net lost revenue
2 contributions that were accumulated during those
3 years.

4 And then similarly for the PPI and PRI
5 for 2017 to 2022. I will say that the PRI, the
6 low-income incentive, it didn't really take
7 effect until 2022. So the majority of the graph
8 is -- is the PPI contributions.

9 All right. We had a question in the
10 previous panel about the rates that were going
11 into effect. This slide and the next slide is
12 actually a history of the actual rates that
13 customers were charged from the beginning.

14 So, as you can see, going all the way
15 back to about 2010, 2011, all the way through
16 2024. So the most recently approved DEC rider.

17 And in my little notes, I'm not sure if
18 you can see the little bottom piece, but for the
19 vintage 2024 it's a rate of .3775, which on an
20 average residential bill, it's \$3.78 per 1,000
21 kilowatt hours used.

22 And so, just for residential, and then
23 similarly for Duke Energy Progress.

24 Unfortunately, we don't have a -- an Order yet

1 for the Duke Energy Progress case, but as
2 proposed by the Company, it's .629, which
3 translates into \$6.29 per 1,000 for Duke Energy
4 Progress customers.

5 All right. So the changing energy
6 landscape here in North Carolina. So Senate
7 Bill 3 was signed back in 2007, and that was some
8 pretty landmark legislation here in North
9 Carolina, where we generally moved away from
10 acknowledging renewables and energy efficiency to
11 actually wanting to encourage and promote the two
12 here in North Carolina.

13 And so Senate Bill 3 started this whole
14 process, similar to how Duke had just
15 characterized. And it's been working -- working
16 pretty well over the last 14 years or 15 years or
17 so, in order to make DSM and EE more available to
18 customers.

19 And then now here recently we had House
20 Bill 951 get passed, and this placed a new focus
21 in our opinions on the energy landscape, where
22 we're moving away from simply just encouraging
23 and promoting renewables in efficiency to now we
24 are trying to -- or the law requires a plan to

1 reduce carbon emissions through the least-cost
2 path.

3 And so, not only did 951 introduce some
4 carbon-reduction requirements, it also introduced
5 some new performance based ratemaking
6 capabilities, as well as some decoupling -- some
7 residential revenue decoupling mechanisms.

8 And so the energy landscape and how we
9 deal with the -- the structure of the utility
10 space has become more intricate. And so the --
11 the -- the law that -- the objective -- kind of
12 the objective -- objective of this whole process
13 is trying to see, okay. The -- the law has
14 brought us to a new level of practice.

15 And so some parts of this review is to
16 try and see where that new level of practice
17 could or should bring us to in this space.

18 So May of 2022 Duke Energy Carolinas
19 and Duke Energy Progress both filed a -- their
20 carbon plan as a result of 951, and within that
21 the Grid Edge Panel, which is -- encapsulates
22 more than just DSM and EE. It's rates and
23 electric vehicles and renewables.

24 But within the Grid Edge Panel they

1 actually placed -- they made -- they made several
2 statements on how efficiency is the first pillar
3 in achieving the energy transition with 951.

4 And so it -- there was a -- a new
5 emphasis being placed on efficiency in order to
6 achieve those -- those targets.

7 And then also in their -- in their
8 testimony there was a self-imposed 1 percent
9 eligible retail sales. And I know that's a
10 mouthful, but it's prior year eligible retail
11 sales.

12 And eligible sales are just total
13 sales, removing the opt-out customers that are
14 allowed to -- that are allowed to opt out from
15 law.

16 And then shortly later that year the
17 Commission put out their Order, agreeing with the
18 1 percent target and additionally adding in a new
19 achieve -- was it -- a new aspirational goal of
20 one and a half percent as a -- as a modeling
21 target.

22 And so those -- those two points are
23 kind of feeding into the conversations that we're
24 having today on -- with regards to the carbon

1 plan.

2 All right. So the Public Staff's
3 objectives for this review, now that we're kind
4 of caught up on, you know, what's brought us to
5 this point, is that we're trying to figure out,
6 you know, how do we better -- how do we provide
7 better alignment with the EE rider and the new
8 aspects and functionalities of 951; the new
9 carbon plan targets, the -- or requirements, the
10 new performance based ratemaking struc- --
11 structures that are in North Carolina.

12 How do we streamline the rider
13 calculation process, because sometimes it can be
14 a little challenging -- doable, but challenging
15 to calculate.

16 We're also trying to clarify some
17 terminology. And then, similarly to what was
18 said in the Duke presentation, trying to find
19 some uniformity between the two as we start to
20 see them become more and more of the same utility
21 and potentially merge in the next few years. We
22 know those conversations have been discussed.

23 And then also discussions of the
24 proposed enablers and how -- how we actually can

1 bring them into the conversation and if it is
2 worthwhile and reasonable to pursue those.

3 So in the last mechanism review in 2020
4 there were several directives that the Commission
5 added to its Order, asking parties to review, and
6 several of those are still in the process of
7 being reviewed, but we should be able to by the
8 January filing date provide a -- a good update
9 for the Commission on those matters.

10 Okay. Kind of in agreement with Duke,
11 one of the primary objectives for this case for
12 this review is the determination of avoided costs
13 and kind of how -- how we end up evaluating the
14 benefits that are going to be applied to these
15 DSM and EE measures.

16 And the -- the big thing is that
17 they're -- they're titled avoided costs, because
18 it's the amount of energy and capacity that is
19 not needed to be produced from the Company.

20 And so the points in question is that
21 we are currently deriving those rates from the
22 avoided cost proceeding, but the proposal is to
23 change that to the CPIRP proceeding.

24 And so it's -- the avoided costs are --

1 they're not explicitly determined in either one
2 of those proceedings. However, those proceedings
3 are establishing the baseline for the assumptions
4 and the inputs that would feed into how DSM and
5 EE avoided costs would be determined.

6 And so that's why it's -- that's why
7 it's so critical to -- to characterize those --
8 that path appropriately.

9 Okay. And then for the -- the PPI
10 structure, I had mentioned it earlier. We are
11 still in the process of going through the PPI
12 structure. Currently, it's just the net present
13 value of the avoided costs, minus the total costs
14 of the program, and then that's multiplied by a
15 fixed percentage, which is highlighted in the
16 mechanism, and for both utilities right now it's
17 10.6 percent.

18 And for -- part of the objective of
19 this review is to try and figure out how and
20 should it be kind of combined with the activities
21 that are going on in other regulatory proceedings
22 on trying to tie the performance to the -- the
23 carbon plan of 1 percent or one and a half percent
24 and if that's reasonable or if we should pursue

1 that.

2 So those are the types of structural
3 reviews that the Public Staff and other
4 intervenors are kind of looking through and
5 evaluating.

6 Do you guys --

7 MS. BOSWELL: No.

8 MR. WILLIAMSON: Sure. Okay.

9 So net lost revenues -- so this -- this
10 is not one of the proposed enablers that the
11 Company has put -- put forward in their proposal.

12 However, the Public Staff is looking
13 into it, specifically because of the impacts from
14 the recent rate case decisions, where revenue
15 decoupling was introduced for the residential
16 class.

17 And so, similar to the example that I
18 think Mr. Duff was going through, it's just
19 trying to make sure that net lost revenues, how
20 they're characterizing the rider, are translating
21 over to the revenue decoupling mechanism
22 appropriately, and that there's not a disconnect
23 in the timelines, because currently the revenue
24 decoupling mechanism will have a fixed time

1 period where it's trued up.

2 Whereas, net lost revenues has the
3 potential to be trued up after EM&V and customer
4 counts are updated. And so that net lost
5 revenues number may -- may change, and it might
6 not be in alignment with when the decoupling
7 mechanism is actually being decided on.

8 So those -- those are the types of
9 things for net lost revenues that are being --
10 being applied, and it's just trying to figure out
11 is the current process still appropriate, and
12 does anything potentially need to change within
13 that.

14 MR. MEDA: Good afternoon. This is
15 Hemanth Meda from the Accounting Division of the
16 Public Staff.

17 As part of the collaborative process
18 the Public Staff had discussions with the Company
19 on some of the account --

20 COMMISSIONER HUGHES: Excuse me. Could
21 you speak a little closer into the mic?

22 MR. MEDA: Sure. Okay. This is
23 Hemanth Meda, with the Public Staff Accounting
24 Division.

1 As part of the collaborative process
2 the Public Staff had discussions with the Company
3 on some of the accounting issues that is
4 streamlining of the rider calculation, firstly,
5 to reduce errors, and also to make any corrections
6 which have been identified in the current year to
7 be made an adjustment in the same year and
8 splitting those corrections into multiple years.
9 That's one of the main things.

10 And the second thing is that, like,
11 right now the true-ups for the riders or any of
12 those calculations, it can go back to, like,
13 seven, eight, nine years. So we don't have any
14 definitive time period right now.

15 So kind of -- this is also one of the
16 topics we had discussion with the Company to see
17 if -- to see if we can have a conversation on
18 that to see, like, if we can hold off, like, how
19 many years we can go back to make any of those
20 corrections, five years or something like that.

21 So -- so that. Like it is simple and
22 clean and neat, and -- so it's -- it reduces the
23 burden for the Company and for everybody to do
24 some of those things.

1 And one of the final ones is, like, a --
2 DEP currently, as you have heard, amortizes its
3 O&M expenses and admin and general expenses.
4 Currently these expenses are amortized over three
5 years' time period, except on MyHER program.

6 So as part of the Commission's Order
7 last year and the last mechanism has asked, look
8 into this. So we kind of -- Public Staff has
9 preliminarily done some analysis to see what the
10 rate impacts would be, if that has -- if the --
11 if the amortization period has been changed from
12 three years to two years and all to one year.

13 And kind of a -- it -- it's
14 going to be a little increase in the -- in the
15 first years, but it's going to -- the rate change
16 is offset by the decreases in the coming years.

17 So that is something we have looked
18 into and we have asked the Commission -- sorry --
19 we have asked the Company to look into -- provide
20 a detailed analysis, so that we can see how --
21 which way it goes.

22 We only looked at that one thing.
23 It's -- at this point of time, just changing the
24 amortization cost over three or -- two or one

1 years.

2 There are the components of them,
3 like NLRs and PPIs. So those are all, like, kind
4 of -- we are still working on those items. So
5 that's something we kind of are still in the
6 process.

7 So that's one of the things I wanted to
8 give an update on.

9 MR. WILLIAMSON: And then to kind of
10 round off the whole presentation, just talking
11 about the stakeholder involvement.

12 So the -- Duke Energy has facilitated a
13 Carolinas's EE collaborative since about 2009,
14 and I personally have been involved in it since
15 2015 whenever I first started with the Staff.

16 And I kind of echo what Tim had
17 mentioned about how it's a place for discussion
18 and forum and just highlights on what challenges
19 are going -- excuse me -- what challenges are
20 being experienced by the programs. You know,
21 what hurdles are being -- are -- you know, are
22 being experienced, and then some of the new
23 program designs that are being discussed.

24 But it's also a place for the

1 intervenors and other stakeholder members to kind
2 of get together and say, you know, well, I've
3 seen this in Virginia, or, I've seen this in
4 Texas. You know, is -- is that something that,
5 you know, can be done here?

6 And, unfortunately, we can't do a total
7 analysis in one collaborative meeting. You know,
8 that's why we -- we have to push things out to
9 different meetings, because, you know, the
10 Company has to be able to go back and say, well,
11 we looked into that, and either, you know, this
12 is something that we're going to pursue further
13 or it's -- it -- unfortunately, here's the
14 hurdles -- here -- here's the problems we see
15 with that proposal here in North Carolina.

16 So it's a good place to have a dialogue
17 on program development and kind of the practice
18 that's going on for the different programs.

19 And then, lastly, the Affordability
20 Stakeholder Group. It's a relatively new group.
21 It's kind of an -- an expansion of the recent low
22 income and affordability collaborative from the
23 2019 Duke Energy rate cases.

24 And this group talks a little bit --

1 talks more broadly on low income and
2 affordability issues that just include much more
3 than just DSM and EE activities, but it's --

4 I'm excited to see what the
5 Affordability Stakeholder Group is going to come
6 up with in this next kind of reiteration of
7 the -- of the stakeholder process to see what --
8 what -- what's going to happen and what's going
9 to be proposed for low income and affordability
10 initiatives, specifically in DSM and EE, but in
11 general too.

12 And I believe that is -- that is all we
13 have. So trying to focus more on the questions
14 that you guys have for us.

15 COMMISSIONER HUGHES: Very good.

16 Well, let me turn -- turn to my
17 colleagues. Chair Mitchell?

18 (No audible response.)

19 COMMISSIONER HUGHES: Commissioner
20 McKissick?

21 COMMISSIONER McKISSICK: As it -- as it
22 relates to the net lost revenues, it's not one of
23 the enablers, but to the extent to which there's
24 been dialogue and discussion, does it look as if

1 issues related to net lost revenues would be
2 something where the consensus might be reached in
3 light of -- it seems to be one of those areas of
4 distinction of opinion.

5 MR. WILLIAMSON: So net lost revenues
6 as -- as part of the stakeholder engagement
7 piece, we actually have -- we've talked very
8 briefly on that matter, because we have --
9 it's -- every -- every single one of these topics
10 is going to have its own specific meeting where
11 we're going to address different things.

12 And, unfortunately, for net lost
13 revenues, it's -- it's actually in early January
14 that we're going to have that meeting. So,
15 unfortunately -- I hope that there's some good
16 agreement and conversation that comes from those
17 discussions, but, unfortunately, I don't -- we
18 don't have an update for you on that.

19 COMMISSIONER MCKISSICK: That's fair
20 enough.

21 And -- and, of course, I heard from the
22 Duke panel that it looks like of the enablers,
23 there's consensus being reached or merging among
24 three of them. Would you concur? Would that be

1 your assessment as well?

2 MR. WILLIAMSON: Yes. The -- the
3 definition of the different aspects, how they
4 interplay with other areas, like how net lost
5 revenues is impacted and how PPI is impacted,
6 that might still have some further conversations.

7 But as far as, like, how we define low
8 income and as-found baseline and the -- the
9 prototyping piece, I think generally those
10 structures are -- we're in pretty close agreement
11 with.

12 COMMISSIONER McKISSICK: And in terms
13 of avoided cost, I mean, has that been one of the
14 sessions you have held yet or --

15 MR. WILLIAMSON: We -- we have had many
16 sessions on the avoided costs and how that's
17 going to flow in. It -- we -- and we're going to
18 have many more sessions on that as well.

19 It's -- so, like I was saying earlier,
20 the avoided cost proceeding and the CPIRP
21 proceeding are -- are, you know, kind of where
22 this space is kind of being derived from, and
23 currently those Dockets are open right now. And
24 so there's a little bit of a --

1 COMMISSIONER McKISSICK: I see.

2 MR. WILLIAMSON: -- a little bit of
3 review going all across the board.

4 If you do have any particular
5 questions, like on the avoided costs or
6 specifically the -- this whole process, I know
7 Jeff Thomas in the back with the Public Staff,
8 he's been kind of our chair for this topic in
9 particular, and he can answer any questions you
10 might have.

11 COMMISSIONER McKISSICK: I think for
12 purposes of this meeting, technical conference, I
13 think you adequately addressed it at this time.
14 Thank you.

15 COMMISSIONER HUGHES: And I have -- I
16 have a couple. One is from staff that just
17 wanted to make sure that we put the review of
18 spillover effects on the table.

19 Evidently, in one of the past mechanism
20 reviews, it specifically laid out analyzing
21 spillover effects. So I just kind of want to
22 know if that's part of the review.

23 MR. WILLIAMSON: Yes. So one of the
24 beauties of having a mechanism review every so

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1 often is that whenever a mechanism is approved,
2 it's kind of approved based off of the issues
3 that is known at that time, but, you know, as --

4 In between mechanisms, you know,
5 there's new kind of gaps that may -- may come up
6 to everyone and new clarifications that need to
7 be made.

8 So that kind of rolls into the
9 clarifications on -- that I -- I discussed
10 earlier that, you know, we're trying to work
11 towards, and definitely the recent rider
12 proceedings is something that's of interest in
13 the Public Staff's mind during -- for these
14 conversations.

15 COMMISSIONER HUGHES: Okay. Thank you.

16 Now, I want to just make sure I'm looking
17 at this correctly as we're talking about
18 the existing mechanism. I think Duke presented
19 four components, and there was a financial.

20 That financial really interests me.
21 From what I understand, there's been a lot of
22 historic decisions that developed the formulas
23 that are used in that financial component.

24 And we've been talking about riders,

1 and I know the -- the calculation to go to riders
2 from revenue requirements is -- is somewhat
3 complex and has -- it goes over different years.

4 And I think I heard that you are
5 looking at that and trying to simplify that, but
6 let- -- let's step back from the rider and just
7 talk about the revenue requirements.

8 You submitted -- Public Staff submitted
9 an analysis of -- of things that were occurring
10 in other states, and I was struck by look --
11 looking at that, the formulas for calculating
12 incentives that are driving revenue requirements
13 across the country seem to be very, very
14 different.

15 So it's the same inputs, the same
16 savings, the same environmental benefits, but it
17 goes into a long formula that then calculates the
18 revenue requirements that customers are going to
19 have to pay.

20 So my question earlier to Duke really
21 revolved around all of those formulas. And
22 it's -- there's not that many, but -- but the
23 formulas that actually calculate revenue
24 requirements, which, from my understanding, when

1 a mechanism gets approved, we're locking in that
2 formula and the revenue requirements for years to
3 come.

4 So -- so I'm just curious. I heard
5 that you are looking at some differences by
6 different years of amortization. So you're
7 actually running those through.

8 Is there any -- any effort to run
9 through some of the other options that could go
10 into calculating revenue requirements?

11 I mean, from what I understand, you
12 know, we now have revenue requirements equals
13 cost, plus a number of different performance
14 incentives, plus net lost revenue.

15 MR. WILLIAMSON: Yes.

16 COMMISSIONER HUGHES: Is there any --
17 is any -- any analysis going to look at, well, if
18 we calculated incentives differently, this would
19 result in a different revenue requirement for
20 customers?

21 MR. MEDA: Sorry. Yes. We -- the
22 Public Staff is looking into that analysis to
23 see -- working on the formulas differently to see
24 which numbers -- like, how the numbers change

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1 with the way the formulas are laid out, like the
2 tier systems and things like that. So kind of --
3 we started looking into that.

4 COMMISSIONER HUGHES: Okay. Great.
5 Great.

6 I think -- I know we're running -- running
7 late on time. That's good for now.

8 Any other questions?

9 (No audible response.)

10 COMMISSIONER HUGHES: Okay. We're
11 going to -- we're going to take a -- a ten minute
12 break now and come back at 3:05, and we'll pick
13 up where -- with the next presenter. Thank you
14 very much.

15 (At this time, a recess was taken from
16 2:53 p.m. until 3:06 p.m.)

17 COMMISSIONER HUGHES: Go back on the
18 record.

19 I have on the agenda that was provided
20 that we're going to hear a presentation by SELC,
21 representing a number of parties. So --

22 MR. NEAL: Yes.

23 COMMISSIONER HUGHES: -- I'll turn it
24 over to you.

1 MR. NEAL: Thank you, Presiding
2 Commissioner Hughes. Good afternoon,
3 Commissioner -- Commission.

4 We are calling Jim Grevatt, and he's
5 there. So his bio was presented to the
6 Commission, along with -- and we -- his
7 presentation is here. You're welcome to ask
8 questions as he goes, but, otherwise, I think
9 he's ready to proceed.

10 COMMISSIONER HUGHES: Please, sir.

11 MR. GREVATT: Thank you, sir.

12 Good afternoon. My name is Jim
13 Grevatt. I'm with Energy Futures Group. It's a
14 small consulting firm based in New England.

15 I've been in the industry for about --
16 so long, thirty-two years. I started in 1991,
17 crawling under trailers; in the Low Income
18 Weatherization Program; doing energy audits;
19 going in attics.

20 Worked at a gas utility for a dozen
21 years. I worked at Efficiency in Vermont,
22 directing residential programs, and I've been a
23 consultant for about ten years, providing expert
24 witness testimony a lot in the last five;

1 Virginia, West Virginia, North Carolina, South
2 Carolina, Kentucky, Pennsylvania, Maryland, all
3 over the place.

4 And so I have some perspective on how
5 things are done in other jurisdictions related to
6 EE/DSM, and I want to share some of that
7 experience with you, if it's -- and hope that
8 it's helpful.

9 So, starting out with really the -- the
10 most basic premise, well, why do we do this stuff
11 in the first place? DSM/EE is an integral tool
12 for utilities to comply with their least-cost
13 service delivery obligation.

14 Least cost is a critical component of
15 what utilities are supposed to do, what they're
16 supposed to provide, how they're supposed to
17 provide safe and reliable energy. And, of
18 course, that's why you-all are here, is to
19 regulate them to make sure that they actually do
20 that.

21 And we know, and Mr. Huber and Mr. Duff
22 have spoken about this a little bit, that the
23 utility model, the traditional utility model for
24 electric utilities, you build a bunch of poles

1 and wires, you build some generation, and you
2 amortize it over a lot of years at an authorized
3 rate of return, and the shareholders make money.
4 And that's how the model works.

5 And that's fine. It's good, but when
6 there is a tool that can be used to reduce the
7 costs that customers would otherwise pay, it's
8 competing with the -- the kinds of returns that
9 shareholders make.

10 It's -- it's -- an experience
11 nationally is that it's not enough to say, yeah,
12 but you have a least-cost obligation. Therefore,
13 don't do this stuff; do DSM/EE instead.

14 There are other tools that may need to
15 come into play to help make that case to the
16 utilities. Not just make the case, but make them
17 do it.

18 A strong direction is -- is essential,
19 but it's not necessarily enough on its own. It's
20 a -- there's an imbalance in the financial
21 reward. Mr. Huber said it's about double. You
22 may earn about double what they -- from
23 traditional investments as they would earn from
24 EE/DSM.

1 That's a big difference if you're a
2 utility shareholder. So -- so we have a
3 mechanism that provides some tools to even the
4 score a little bit.

5 And I -- I want to talk a little bit
6 about some of the other tools that are used in
7 regulation to support more cost-effective EE/DSM.

8 And certainly one is an energy
9 efficiency resource standard, often in law,
10 sometimes in regulation that says, utilities must
11 achieve a certain percent savings every year.
12 That's typically how they're framed.

13 There's a -- a loading Order in
14 California that says, no approval for any new
15 generation unless the utilities can demonstrate
16 that there's not a way for energy efficiency and
17 demand response to remove the need for the
18 generation in the first place.

19 They have to demonstrate that in order
20 to get an approval to build something. The --
21 there are threshold conditions. Virginia in the
22 Clean Economy Act, for example, says that if the
23 utility does not meet its statutory energy
24 efficiency obligation, they cannot get approval

1 for a new fossil generator.

2 And in statute, in fact, in North
3 Carolina, I have been advised by counsel,
4 precludes approval of new coal or nuclear
5 generation that could have been avoided by
6 EE/DSM.

7 So these are tools that are not really
8 related to the mechanism, but they're tools that
9 regulators use to help even the score for the
10 earnings that utilities would otherwise achieve,
11 and --

12 And, also, we -- we spoke earlier --
13 Mr. Duff and Mr. Huber spoke about EM&V,
14 evaluation measurement and verification, to
15 verify that the savings are legitimate. They're
16 real. This is actually reducing the loads in the
17 way that we need to reduce them in order to not
18 have to build the new plant.

19 And other things that are not
20 necessarily part of the mechanism, when there
21 are -- if a utility has an obligation to meet a
22 certain savings requirement, it's very helpful
23 when a Commission will approve the plans and the
24 programs that they need to have approved in order

1 to meet the obligation.

2 And that's part of what the mechanism
3 is talking about here. Higher savings goals, we
4 need to make these adjustments. This is the case
5 that Duke is making and that we're all talking
6 about in the stakeholder process.

7 But one example I want to suggest is
8 very relevant here is the Tariff On-Bill
9 Financing approval that the Commission authorized
10 in the recent past, which should open up
11 financing for many customers to make investments
12 in energy efficiency that they wouldn't otherwise
13 have been able to make, because they couldn't
14 overcome that first cost.

15 So having the approval of tools like
16 that can really support more EE/DSM in North
17 Carolina.

18 And then there are other things that
19 are specific to the mech- -- mechanism;
20 comprehensive cost-benefit analysis to verify
21 that the EE/DSM savings are worth it, that
22 they're going to achieve more than they cost.
23 It's really important.

24 And how the utility recovers their

1 program costs. Decoupling lost revenue was
2 spoken about a little bit earlier, and
3 performance incentives and/or penalties.

4 And cost-benefit analysis is so
5 important, because every jurisdiction I go in is
6 concerned about the costs of EE/DSM, and rightly
7 so. As regulators it is your responsibility to
8 make sure that utilities are not investing in
9 costs -- program costs that are not going to
10 serve the customers.

11 But I also in every jurisdiction I go
12 into hear much more talk about the costs and the
13 rate impacts than about the benefits. And I
14 think, you know, it's understandable to me why
15 that is, because the benefits are a little harder
16 to get your hands on, but the costs are pretty
17 concrete.

18 If we had a -- a model that said
19 utility would come in and say, well, we can do
20 this amount of EE/DSM, and this is what it's
21 going to cost, or we could build a couple new
22 substations and -- and a new transmission line,
23 and this is what it's going to cost. Which is a
24 better deal for the ratepayers?

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1 And that's effectively what they're
2 doing by devel -- developing these avoided cost
3 estimates, but they're just a little less
4 concrete than that.

5 I think it's so important to talk about
6 the benefits in addition to the costs. And I
7 appreciate really you letting me make this point.
8 The costs that we would face without DSM, poles
9 and wires, new generation, fuel cost. I
10 understand that the -- the impact of fuel costs
11 last year was something like 8.7 percent increase
12 for -- in the Carolinas.

13 That's a -- that's a big rate increase.
14 If we can use less fuel, there's less demand, the
15 price per unit may come down, because the demand
16 is less, and those savings are passed on to the
17 ratepayers.

18 I think it's also really important to
19 emphasize -- and this is one of the reasons that
20 I got involved in energy efficiency in the first
21 place, because it's absolutely part of least cost
22 service, delivery, makes economic sense for
23 ratepayers.

24 This is great. It -- look at the

1 utility cost test and -- and the balance there
2 and make that determination. But there are all
3 of these other benefits that come along with the
4 EE/DSM that are not necessarily captured in the
5 utility cost test.

6 They may be captured in some of the
7 other cost tests, but, you know, I speak to my
8 experience from the low-income weatherization
9 program, from the gas utility, energy efficiency
10 programs, and seeing how customers' lives are
11 changed from their homes being more efficient.

12 When we talk especially about
13 low-income customers, who are severely or highly
14 energy burdened, paying more than 6 percent or 10
15 percent of their income just for their utility
16 bills. And if you can cut that by 20 or 30 or 40
17 percent, that's real money for that household.

18 And at the same time you're improving
19 comfort and very often addressing health and
20 safety issues to make it a safer home for the --
21 that household. These are huge benefits that are
22 not captured in the utility cost test at all.

23 Another one, let's highlight outage
24 resiliency, because that has certainly been a

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1 topic in the last couple of years with the more
2 severe weather that we're experiencing in so many
3 places.

4 A well-insulated, tight home will
5 weather an outage better than a drafty home. If
6 it's winter, and the power goes out, the house is
7 going to hold the temperature longer if it's
8 well-insulated, than if it -- than if it isn't.

9 And that's -- there are all kinds of
10 benefits for that for the people who are living
11 there. It's -- it can reduce associated health
12 impacts. It can certainly reduce stress,
13 worrying about if, you know, the pipes are going
14 to freeze. That's often not captured in any cost
15 test, but it's a real benefit.

16 And air quality, environmental justice.
17 If we can build fewer generators, if we can shut
18 down dirty generators, many of which may be
19 located in disadvantaged communities, if that
20 polluting source of energy is shut down, there's
21 an environmental justice benefit for that
22 community.

23 It's nontrivial stuff, but it's often
24 not captured in these tests. So, again, this is

1 why I love this stuff so much. It's because the
2 benefits are huge, and it makes economic sense.

3 When we look at how the utilities earn
4 from EE/DSM compared to the traditional
5 investments, we've talked about amortization and
6 performance incentives, and that's mostly how
7 they can earn from -- from doing these things.

8 And the mechanism, I can focus on
9 these. You know, what can provide guidance to
10 the utility for what they should achieve. So it
11 can look at overall level of savings and even set
12 a bar. This is what the minimum that you achieve
13 should be.

14 It can focus on, are we talking about
15 annual savings, first year savings, or are we
16 talking about savings that are going to last for
17 ten or 15 years?

18 And there's opportunities in the
19 language of the mechanism to prioritize those
20 longer-lived savings.

21 And we're seeing in some
22 jurisdictions -- New York recently issued an
23 Order saying that they are not going to approve
24 programs that have an estimated measure life of

1 less than six years, because what they're
2 focusing on there is the long-term
3 decarbonization of the grid.

4 And their -- their belief is that if we
5 focus on longer-lived savings, those are going to
6 provide more reliable savings into the future as
7 we decarbonize.

8 I'm not suggesting that you should do
9 that here. It's just the kind of tools that
10 regulators are looking at, and the mechanism is a
11 place to -- to consider them.

12 We also see regulation about how
13 much -- or what kind of energy efficiency should
14 be provided to low-income households, underserved
15 communities. In some places they call those
16 communities income qualified, because if you make
17 more than a certain amount of income, you're not
18 qualified to participate in the low-income
19 programs.

20 But -- but the -- the -- so I -- the
21 point I'm trying to make is that the mechanism,
22 how it's framed, what the incentives, what the
23 requirements are, will shape the kind of savings
24 that the Company achieves. And so it's an

1 important opportunity.

2 And I want to provide, if it's okay, a
3 couple of examples of some other jurisdictions
4 and how they're approaching incentives and
5 penalties and -- and other requirements.

6 So this is the Public Service Company
7 of Colorado, Xcel. Xcel Energy. Xcel Energy,
8 they do what they call a strategic-issues
9 proceeding, where it's -- it's kind of like the
10 mechanism review, but maybe even in a bigger
11 scale.

12 This last time the case concluded in
13 the summer, they looked at beneficial
14 electrification programs, energy efficiency,
15 demand response, and gas energy efficiency, as well
16 and performance incentives for these different
17 aspects. It was a big case.

18 But what they decided on the
19 performance incentive for electric energy
20 efficiency is they tied it -- the Company can
21 earn a percent of the net benefits, but it's
22 scaled.

23 So at 100 percent of goal they
24 earn 10 percent of the net benefits. At 80 percent

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1 of goal they earn only 8 percent of the net
2 benefits. And if they get less than 80 percent of
3 the goal, they don't get any net benefits, because
4 their thinking was, why should we provide an
5 incentive for a company that's effectively doing
6 less than 80 percent of what they're required to
7 do?

8 But it increases above 100 percent. So
9 at 110 percent, they would get 11 percent of the
10 net benefits. And while -- in this particular
11 chart you can't quite see it, but -- so the orange
12 bar is the customer share of the net benefits, and
13 it decreases, but it's the customer share.

14 So when we look at it this way, as the
15 goal achievement increases, the overall pool of
16 net benefits increases. And while the Company
17 gets a little bigger share of that, the more --
18 the more they achieve, the customers still
19 overall get more than they would have at a lower
20 achievement.

21 So basically the Company is earning
22 more. Customers are earning more, and it
23 benefits everyone involved.

24 And I just don't want to even go into

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1 this really, but they -- they did also look at a
2 demand response performance incentive, and
3 basically the Commission in Colorado said, we
4 need more information, but we want to make sure
5 that it's tied to net benefits and callability,
6 so that you're not developing a demand response
7 resource that doesn't get called and that can't
8 be called. And so it's great on paper, but it
9 doesn't actually do anything for customers.

10 Another example, Michigan. A statute
11 in 2016 -- and I want to apologize, because I
12 know that there was another bill that was being
13 considered recently, and I have no idea if there
14 may be a new bill on the books already. I don't
15 know.

16 But in 2016, they set these savings
17 bars. 1 percent annual savings, you get either 15
18 percent of the program cost as a performance
19 incentive or 25 percent of the net benefits based
20 on the utility cost test. Whichever is greater.

21 And, again, the utility incentive
22 scales up with greater savings on the assumption
23 that the net benefits increase, customer benefits
24 increase, and that everybody wins.

1 Interestingly -- so that's what the
2 statute established. Here's the earning
3 thresholds. But the Commission said, well,
4 within those earning thresholds that are defined
5 by the statute we want to put some more
6 boundaries on it.

7 So they can earn, let's say, 100 percent
8 of the goal for getting the 1 percent savings. But
9 within that 1 percent savings, they also have to --
10 three-quarters of what they can earn is tied to
11 how long those savings are going to last.

12 And they also said when you have to
13 demonstrate that 10 percent of your spending is --
14 is on income-qualified programs, or that's going to
15 reduce a portion of the performance incentive
16 that you could otherwise achieve.

17 And within that income-qualified spend,
18 there's some quantities of heating-and-air
19 conditioning system, heat pumps probably, and
20 weatherization measures to push the Company in
21 the direction of doing those comprehensive
22 savings for customers, rather than short-lived
23 savings.

24 And, again, so it's all -- so it's --

1 it's multiple components to performance
2 incentive. All tied to the statutory savings
3 opportunity.

4 Similarly, in Illinois, there's scaled
5 earnings, depending on where they achieve goal.
6 So at -- and they are allowed to amortize program
7 costs in Illinois.

8 I believe -- I'm not sure. I couldn't
9 verify this, but at the rate of return that they
10 would earn for other capital investments. If
11 they do more than goal, more than 100 percent, they
12 get an increase in basis points. They get a higher
13 return.

14 And if they do under 100 percent, they
15 get a lower return. So, again, not necessarily
16 going to have a profound impact on what the utility
17 earns, but directionally it makes it more
18 attractive to the shareholders to earn more.

19 And, anecdotally, in both Michigan and
20 Illinois, what my colleagues who work in those
21 states say is that the utilities are proposing
22 more savings in their plans as a result of this
23 legislation.

24 And, the last thing, I just want to

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1 look at a couple of examples of how goals for
2 serving low-income households are in some places
3 addressed in statute or regulation.

4 So we know -- there's a lot of evidence
5 that low-income households have very high energy
6 burdens. And, of course, that only makes sense,
7 because they have so much less income to work
8 with that if they have the same energy bills as
9 everybody else does, they have to pay a lot more
10 of their income towards those bills.

11 So what do we do about -- about that?
12 Because the customers -- in most jurisdictions
13 low-income customers are paying the same rates as
14 everybody else, all the other residential
15 customers, but they often can't afford to
16 participate in programs, because if it's -- let's
17 say it's a heat pump, and the Company is offering
18 a \$500 incentive or something like that, that
19 household has to come up with the rest of the
20 cost, and low-income households generally can't
21 do it.

22 So I believe it was Mr. Duff, it might
23 have been Mr. Huber, but I think it was Mr. Duff,
24 who said that, you know, the low-income programs

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1 that Duke puts on the street tend to pay 100
2 percent of the program cost, and that's normal.

3 But that means the program cost is
4 higher, and so there's pressure to not do as much
5 of it, because it drives up the rates. So --
6 but, as I said earlier, the benefits are huge.

7 So in Pennsylvania, for example, where
8 Act 129 provides the -- the guidance for utility
9 energy efficiency, electric utility energy
10 efficiency, the Commission -- the way that
11 process works, they do a market potential study
12 every cycle, which is about five years.

13 And they look at -- and the potential
14 study looks at what the potential savings from
15 the low-income sector would be, and then they
16 tie -- the Commission makes a determination on
17 how much of the overall portfolio savings have to
18 come from that low-income sector.

19 And in the last proceeding they said
20 5.8 percent of the total portfolio savings have to
21 come from low-income households. And they further
22 said, and you can't comply with that by saying,
23 well, 30 percent of the customers are low income,
24 then we're going to say 30 percent of our

1 residential savings are low income.

2 They actually have to come from
3 programs that are targeted specifically to
4 low-income households to serve their specific
5 needs.

6 And in Nevada, there's a bill that's
7 on -- that passed on spending. Again, this may
8 have been updated since -- since I did any work
9 in Nevada, but it had been set at -- 5 percent of
10 the program spending had to go towards low-income
11 households.

12 It was increased to 10 percent of the
13 program spending had to go to low-income households
14 as a way to kind of overcome the inherent
15 disincentive to spend more money to get those
16 savings from -- from households who most need the
17 savings.

18 And Maryland just passed in the last
19 session HB 169. And this was after a multiyear
20 process at the Commission and with work groups,
21 trying to come to some consensus about how much
22 of the program savings should come from
23 low-income households, and that -- there wasn't
24 consensus.

1 And so some folks took it to the
2 statehouse, and the General Assembly came up with
3 a bill. And it requires the utilities over the
4 next three years to ramp up to 1 percent of sales
5 to the low-income sector. So savings equal to 1
6 percent of sales to the low-income sector.

7 So Duke gets about 1 percent of sales
8 overall to eligible customers. And this would say
9 that same level of savings just to the low-income
10 customers based on their sales.

11 And, in closing, I just want to say I
12 think if you want the Company to maximize the use
13 of cost effective EE and DSM, which in my view
14 would be consistent with their least-cost
15 obligation, it takes carrots and sticks.

16 It takes clear direction to say, this
17 is what we expect of you. We want you to do
18 this. And some -- overcoming some of the
19 disincentives for them to do it, either through
20 amortization or performance incentives, can be
21 very helpful.

22 And in the same way with low-income
23 programs, to ensure that there's a sufficient
24 investment in -- in those programs for -- for

1 households who need them the most.

2 And I'd be happy to answer any
3 questions.

4 COMMISSIONER HUGHES: Thank you very
5 much.

6 Chair Mitchell?

7 CHAIR MITCHELL: Just one question.
8 The PSCO example, can you help me understand how
9 net benefits are calculated?

10 THE WITNESS: In a very simple way
11 they're -- they look at the program costs.
12 The -- the net present value of the program
13 costs, and compare them with the net present
14 value of the benefits. And it's just a simple
15 subtraction.

16 Benefits are greater, hopefully, if
17 they're cost effective. Subtract out the costs.
18 That's the net benefit that's left, and -- and
19 the Company earns a percent of that.

20 But, importantly, it is the net present
21 value of -- of the full stream of benefits,
22 because many of these measures are going to last
23 more than a year. Many of them are going to last
24 ten, 12, 15 years.

1 And it wouldn't make sense to calculate
2 those benefits, you know, 2023 dollars, because
3 the savings then are going to be worth less now
4 depending on the discount rate and so forth.

5 CHAIR MITCHELL: Okay. Just one --
6 just one followup there. How are the benefits
7 calculated?

8 MR. GREVATT: The benefits are
9 calculated based on the -- now, I'm -- I'm
10 actually not entirely positive how they calculate
11 the benefits in Colorado, but it would be
12 depending on the test they're using.

13 And in Colorado, unlike in North
14 Carolina, to determine whether a program is cost
15 effective, they use either a TRC test or what
16 they call a modified TRC test that recognizes
17 some nonenergy benefits, some of those benefits
18 that I had on the slide, that aren't quantified
19 necessarily.

20 CHAIR MITCHELL: So does that mean the
21 benefits are greater in Colorado if they're
22 using -- well, help me understand the implication
23 from what's going on in Colorado.

24 MR. GREVATT: Well -- well, they're

1 really different tests. So the utility cost test
2 is a -- I think -- I consider it a baseline test.

3 Generally, it doesn't make sense for a
4 utility to be investing in things that don't pass
5 the utility cost test, because it says there
6 would be a cheaper way to achieve the same thing
7 with ratepayer dollars.

8 A TRC, or the modified TRC says, well,
9 let's look at all the costs, not just at the
10 utility costs. So if a -- if a heat pump costs
11 \$5,000, and the utility is giving a \$500 rebate, in
12 the utility cost test, they would only consider the
13 \$500 rebate. In the TRC they would consider the
14 \$5,000 cost.

15 But in the utility cost test they would
16 only look at the avoided energy and capacity, the
17 avoided fuel costs, this direct specific cost
18 that the utility avoids.

19 In the TRC they look at the -- the
20 environmental benefits potentially in the
21 modified TRC. They look at bill savings and --
22 and other impacts to the customer, not just the
23 utility cost test.

24 CHAIR MITCHELL: Okay. Okay. And then

1 I was going to -- I had a question about the CJA.
2 So the benefit for the Illinois program is just
3 for modification of the authorized return? Is
4 that how the -- the incentive is structured?

5 MR. GREVATT: I think so. I mean, that
6 was -- that was the part of it that I was looking
7 at in particular.

8 So there may be other aspects of it,
9 but -- and, importantly, I can't tell you what
10 they are, but the -- the savings targets are
11 established by statute.

12 CHAIR MITCHELL: Got it. Okay. Okay.
13 Thank you.

14 MR. GREVATT: Pleasure.

15 COMMISSIONER HUGHES: Okay. Just
16 following up on the question about amortization,
17 do you know for Illinois, is it the life of the
18 measure that -- or is it a set amortization
19 period for total program costs?

20 MR. GREVATT: I believe it is life of
21 measure, but I'd be happy to follow up and
22 confirm that, and -- and -- if that would be
23 helpful.

24 COMMISSIONER HUGHES: Yeah. No. I --

1 I would be curious.

2 And then, you know, you talked a lot
3 about short-term savings versus long-term
4 savings. A lot of North Carolinas's success
5 is -- is based on a really successful short-term
6 behavioral program. I think -- I think more than
7 half of our savings is just that one year
8 measure.

9 Are there other states that we could
10 look at that have that similar kind of focus on
11 short-term measures?

12 Have you come across -- have you come
13 across anyone with that kind of percentage of
14 savings due to a short-term measure?

15 MR. GREVATT: Honestly, Maryland, the
16 utilities recently filed their 24 to 26 plans.
17 The Commission hasn't ruled on them yet.

18 And there's the -- the regulation is
19 focused on -- the statute is focused on first
20 year savings, which drives the utility to
21 maximize first year savings at the least cost.

22 So they -- I think BGE's total
23 portfolio savings that they propose -- proposed
24 for the '24 to '26 period is about 40 percent

1 behavior.

2 Now, the -- the -- some parties have
3 argued that that is too high and that they should
4 shift that.

5 COMMISSIONER HUGHES: So for -- is
6 there a metric that has been used or that -- that
7 looks at this lifetime cost? I know you started
8 off by saying it would be easy if we just had
9 costs from a traditional facility or costs from
10 a -- a package of EE improvements, but, you know,
11 we -- we are focused, our performance measure, in
12 our carbon plan, and -- and one of the main
13 performance incentives for -- for the current
14 mechanism is percentage of retail sales.

15 Is there a performance indicator out
16 there that actually looks at lifetime costs, you
17 know, in -- in a way that you described, and --

18 MR. GREVATT: Lifetime costs or
19 lifetime savings?

20 COMMISSIONER HUGHES: So that -- that
21 would look at -- would look at the -- the cost
22 for the utility and for the customer to generate
23 a kilowatt hour of savings.

24 Whereas, I think for some of these

1 long-term measures it would seem like you would
2 invest the same amount as a short-term measure,
3 but you would have a lot more kilowatt hour
4 savings over time.

5 MR. GREVATT: Sure. There -- there is
6 a metric, and it's called the levelized cost of
7 saved energy, LCSE. And it -- it does --
8 effectively it does part of the net benefits
9 calculation.

10 It looks at the -- the -- whatever the
11 program -- or whichever perspective you're
12 looking at it from. It says, what are the costs?
13 How long are the savings going to last?

14 And if we take the net present value of
15 those -- of the cost over that full period, how
16 much -- how much is it?

17 And, you know -- and it's a very
18 dramatic -- a very dramatically different answer
19 than if you're only looking at the cost for first
20 year of savings.

21 And, interestingly, I'll -- I'll say,
22 the Maryland Commission in the direction they
23 provided to the utilities for this current plan
24 that's under consideration, required them to

1 provide the levelized cost of saved energy for
2 all of the programs in the plan.

3 COMMISSIONER HUGHES: Okay.
4 Interesting.

5 For the -- for the states that you
6 talked about, where they had -- you focused on
7 the incentive. Do those states also have a -- do
8 you know, a net lost revenue recovery component?

9 MR. GREVATT: It varies by state.

10 COMMISSIONER HUGHES: Well, Illinois,
11 Maryland. I think some of the states that --

12 MR. GREVATT: Yeah.

13 COMMISSIONER HUGHES: -- you've been
14 talking about.

15 MR. GREVATT: Colorado had -- in the
16 last proceeding they had what's called -- what
17 they called the disincentive offset, which was --
18 wasn't net lost revenue exactly, but it was, to
19 try to make up for some of that, to -- again, to
20 remove the disincentive to invest in energy
21 efficiency.

22 And then the Company in their proposal
23 for this plan said, you know, we don't need that
24 anymore.

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1 I'm not sure about net lost revenue in
2 Illinois and Michigan. Again, I'd be happy to
3 follow up. I'm -- my -- well, I'm just not going
4 to say, because I would be guessing.

5 COMMISSIONER HUGHES: Okay. Yeah,
6 that's all my questions. I -- I have [sic] any
7 questions. All right. Well, thank you very
8 much.

9 MR. GREVATT: Thank you.

10 COMMISSIONER HUGHES: Very informative.

11 MS. CRESS: Thank you, Presiding
12 Commissioner Hughes. After conferring with my
13 colleagues, Mr. Trathen and Ms. Grundmann, I'm
14 going to go ahead and introduce the entire large
15 customer panel in the order in which they will be
16 providing introductory remarks to the Commission.

17 COMMISSIONER HUGHES: Great. Thank
18 you.

19 MS. CRESS: Thank you. Beginning with
20 Dr. Stephen Terry, the Technical Director for
21 CUC -- CUCA, providing CUCA's perspectives.

22 Followed by Steve Chriss, the Senior
23 Director for Utility Partnerships for Walmart,
24 providing Walmart's perspective.

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1 And P.J. Klein, the Business Continuity
2 Program Manager and Assistant Division Energy
3 Manager for Corning, providing perspectives on
4 behalf of CIGFUR II and CIGFUR III. Thank you.

5 COMMISSIONER HUGHES: Okay. Welcome,
6 gentlemen. Thanks for coming.

7 MR. CHRISS: Thank you. Thank you very
8 much.

9 MR. KLEIN: Okay. I think -- I think
10 we're going to go with the CUCA presentation
11 first. Industrial DSM perspectives.

12 COMMISSIONER HUGHES: And while we're
13 pulling this up, I'll take the opportunity to --
14 if you haven't filed your presentation that
15 you've made today, could all of the parties
16 please file it? I think some of it came via
17 email. So please -- please file it in the
18 Dockets.

19 MR. TERRY: Ready? Okay. Well, I'd
20 like -- thank you very much for having us here.
21 I'd like to just talk a little bit about my
22 background.

23 I'm currently the technical director
24 for Carolina Utility Customers Association. In

1 my past life, I was a Professor of Mechanical and
2 Aerospace Engineering at NC State University,
3 where I helped run the Industrial Assessment
4 Center for about 30 years, the North Carolina
5 Energy Management Program through the State
6 Energy Office, various DOE programs.

7 I've performed 700 energy assessments
8 around the State and the region. So I have a --
9 a large variety of customers to -- to speak with
10 and to learn from. And that's what I want to
11 share with you today, their thoughts, especially
12 with the EE rider.

13 So the DSM and EE riders are distinct,
14 but related purposes. In contrast to other
15 customer classes, industrial customers are highly
16 specialized.

17 They have highly specialized needs and
18 equipment. The typical home is kind of the
19 standard thing. Industrial plants are anything
20 but.

21 The ability to -- to opt out allows the
22 cust -- the industrial plant to -- to be able to
23 tailor their own programs within their -- with
24 their own money and their own needs.

1 They're highly incentivized by market
2 forces. If you can save money by implementing
3 energy-efficiency measures, then you can produce
4 a product with lower costs, and you can,
5 therefore, obtain higher profits and returns to
6 your shareholders.

7 And then the trade secret,
8 confidentiality, is also a very big issue with
9 industrial facilities.

10 I want to talk a little bit about some
11 of the size and -- and the numbers here. So we
12 talk about -- we talk about the cost of the
13 program. To participate with the DEP program,
14 it's about four-tenths of a cent per kilowatt
15 hour. To participate with DEC it's about
16 six-tenths of a kilowatt hour.

17 So when I do numbers, I'm going to kind
18 of use an average in the middle. For a
19 residential customer, this represents maybe \$50 a
20 year and \$5 a month or thereabouts. And that's
21 not a significant amount of money for most
22 customers.

23 But for an industrial customer, this
24 represents a very large amount of money. For a

1 small manufacturing plant that may have a demand
2 in the 500 kilowatt range, two million kilowatt
3 hours, it represents between ten and \$14,000 paid
4 into to opt into this rider.

5 A medium-sized manufacturing plant with
6 about two megawatts, 2,000 kilowatts, it's about
7 \$50,000 to opt into this program.

8 And for our large customers, say, 20
9 megawatts, and -- and there are customers that
10 are much larger than that, those costs can be
11 three-quarters of a million dollars and up.

12 Some of our members, if they were to
13 opt in to the EE program, would be looking at
14 three million dollars in costs to opt into the
15 program.

16 And so, of course, opting in to the
17 program requires that a manufacturer be able to
18 get a return on that. And so the game, if you
19 will, as a manufacturing plant, is to try to
20 collect as much in -- in rebates and -- and
21 incentives as you pay into the program.

22 Looking at the typical incentives from
23 SmartSaver website, single-fixture lights,
24 something on the order of \$20 per fixture, \$82

1 per horsepower for variable-frequency drive air
2 compressors.

3 These are common things that -- that
4 industrial plants would submit incentive rebates
5 for. Pumping systems, \$40 of horsepower. And it
6 doesn't take long to see that it takes a lot of
7 light bulbs to get your money back.

8 Even for a medium-sized manufacturing
9 plant, you're talking about a couple of thousand
10 light bulbs or -- or light fixtures that you
11 upgrade in order to recover your money.

12 And to do that one year, that -- that's
13 possible. But to do it over a long period of
14 time is -- is very, very difficult.

15 I also want to make the point that
16 manufacturing plants are already doing
17 energy-efficiency recommendations and measures.
18 They're not being captured, obviously, by Duke
19 Energy or the Commission towards REPS
20 requirements, but they are certainly doing that.

21 When I was with the Industrial
22 Assessment Center, we had to follow up with the
23 plan about a year after. And we calculated that
24 most plants were saving 30 to \$40,000 a year as a

1 result of our assessment.

2 I can tell you that 30 years ago energy
3 assessments were a lot easier for us to do,
4 because there were -- plants weren't looking at
5 that.

6 Today it's very hard to do energy
7 assessments. Most of the low-hanging fruit
8 that's covered by these incentives has already
9 been taken.

10 Most manufacturing plants are doing the
11 things that they need to do just to stay
12 competitive. And I think that's an important
13 thing.

14 Current incentive programs cover major
15 energy users in residential and commercial, but
16 they really don't cover the major energy users
17 and industrial plants. Those industrial machines
18 aren't generally covered with a regular
19 prescribed rebate.

20 Now, there are custom rebates, but
21 those are a little more difficult. And all of
22 these incentives require that the plant spend a
23 tremendous amount of capital to -- to do this.

24 So it's nice to get a \$10,000

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1 incentive, but you'd have to spend maybe 30, 40,
2 \$50,000 to get that. And so that capital is not
3 always available every year.

4 And so let me go back and say that I
5 think the program works well for some
6 manufacturers, particularly the small
7 manufacturers, and also some manufacturers that
8 are -- are really carefully looking at their
9 energy and create and craft a program where they
10 can opt in for a period of time, collect the
11 rebates, make some changes, and then probably opt
12 out, because it's un -- unsustainable for long
13 periods of time to be opted in for most
14 manufacturing facilities.

15 And those are my comments.

16 COMMISSIONER HUGHES: Okay. I think
17 we'll hold off on questions until the three of
18 you go. So, please, proceed.

19 MR. CHRISS: Terrific.

20 Presiding Commissioner Hughes, Chair
21 Mitchell and Commissioners. Steve Chriss, Senior
22 Director of Utility Partnerships at Walmart.

23 Just a little bit of background. I've
24 been with the Company since 2007. I've been

1 involved in utility regulation for that entire
2 time, and I was on staff at the Oregon Commission
3 prior to coming to Walmart.

4 But over that time I've added basically
5 the entire utility management process within
6 Walmart to -- to my portfolio. So if you want to
7 talk about propane outages, I'm here for you.

8 But, yeah, let's not.

9 So Walmart in North Carolina, we have
10 214 retail units, six distribution centers, one
11 fulfillment center. We have over 62,000
12 associates in the State.

13 We also have broader economic impact
14 through the suppliers from whom we buy products
15 and services, and that's 14 point one billion
16 spent with North Carolina-based suppliers in the
17 last fiscal year, and that supports about 86,000
18 supplier jobs.

19 So we have a big, you know, just
20 footprint ourselves, as well as the footprint
21 that we impact.

22 And then just a couple numbers for back
23 of mind. Under the Dukes in North Carolina, we
24 have about 144 stores and four distribution

1 centers. And that'll be more relevant when we
2 get a little bit later in the comments.

3 And I apologize. I'm reading my own
4 handwriting so there's -- it could be a
5 challenge at times.

6 And so I think Dr. Kelly brought up a
7 really important point about bringing up the opt
8 out. And certainly the opt out is statutorily
9 mandated.

10 Our sites that are eligible do opt out.
11 But I think, you know, to the point of the
12 competitive nature of our business and where, you
13 know, running efficient buildings is really good
14 practice, went back and just looked at Duke
15 Energy Carolinas.

16 I went back to 2007, because, you know,
17 when I started was the beginning of time, and --
18 and so it's -- actually, it's more about our
19 billing system.

20 But in 2007, we had 54 retail sites in
21 one distribution center, and used about 251,000
22 megawatt hours in that year; 2022, we had 79
23 retail sites, three distribution centers under
24 Duke Carolinas, and used about 271,000 megawatt

1 hours.

2 And so in that 15 or so years we
3 increased our store footprint 46 percent, we
4 tripled our distribution center footprint, and
5 our energy usage went up about 8 percent.

6 And that is entirely because of the
7 energy-efficiency deployments that we've done.
8 Most recently indoor and outdoor LEDs.

9 And, actually, I looked back. In the
10 mid-20-teens, pre-LED, we were up well over
11 300,000 megawatt hours per year. So it's just
12 good business to do this stuff.

13 And this was all done outside of any
14 utility programs, totally done without any cost
15 support from other customers of the Utility.

16 So, you know, it's -- it's -- it's not
17 simply, oh, I don't want to pay that charge.
18 It's, we are doing this. And, also, it's -- you
19 know, it's being able to -- instead of paying an
20 operational expense, put -- move that money over
21 to capital expenditure, do the energy efficiency
22 and bring those benefits to our bills, as well as
23 the whole system.

24 And so, you know, when we're -- one of

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1 the big things that we do want to talk about
2 today is demand-side management. So Dr. Kelly
3 did say they're -- they're different things.

4 So energy efficiency is a longer term
5 structural change. You know, we're changing the
6 equipment in our building.

7 We're changing how our building
8 operates everyday, whether it's HVAC or
9 refrigeration or lighting. Whereas, demand
10 response is -- or demand-side management is
11 really targeted at grid-specific circumstances.

12 So, you know, there's a power shortage
13 or -- you know, for whatever reason, there's a
14 need for customers to change when they use power
15 to benefit the grid.

16 And this is something that we do all
17 over the country. We're actively engaged in DSM,
18 ISO New England, New York ISO, PGM, ERCOT, MISO,
19 California ISO, as well as a number of utility
20 programs that are out there, as well as emergency
21 requests.

22 So we get a lot of requests where -- we
23 had a lot of this out in the west, where both
24 California market, as well as the broader west

1 both had hot days on the same day.

2 So we had to curtail in both places to
3 help out the utilities. And those weren't
4 programmatic. It was just what we had to do,
5 and -- and, you know, we want to be a good
6 citizen on the grid, so we do that.

7 But when we look at the programs
8 themselves -- and I know that, you know, the
9 Dukes do have various programs, and they don't --
10 a couple of things have to happen for that
11 engagement to really work. So, first, the program
12 needs to be economically viable.

13 You know, the -- the programs sort of
14 start off a foot or two back, just because to be
15 in the program you have to pay to be in the
16 program, because there's a DSM charge that would
17 be assessed if you're not opted out of it to be
18 in the program.

19 And so when you look at the potential
20 opportunity in that program, you have to look at
21 the cost and then basically say, can I actually
22 make this back or more and really have that
23 opportunity there?

24 Because, you know, one of the things

1 that's really important, you know, when we look
2 at, especially building controls responses, so
3 that's where we change something within the
4 operations of the building to respond to that
5 program, all of a sudden we're dealing with the
6 customer environment, the shopping environment.

7 And so to the extent that we're making
8 customers or associates uncomfortable or -- or
9 doing something that impacts the shopping
10 experience negatively, we have to be very -- we
11 have to consider that as part of it.

12 And then for behind-the-meter
13 asset-backed solutions, so we had a backup
14 generation or solar, plus storage, or some -- you
15 know, a technology option, it's how does that
16 program play against the fixed and variable costs
17 that we would incur.

18 So it's just -- it's simple economics
19 really. And then the other thing that we have to
20 think about is can we actually physically respond
21 to the program?

22 So the Power Share program, the
23 mandatory curtailment, if I read the tariff
24 right, is up to ten hours. There's no way with

1 building controls we can sustain a ten hour
2 event, you know.

3 So basically what we would do is we'd
4 get the call. We would adjust the set -- the set
5 points on our HVAC. So, say, we're running the
6 store at 75, we'd move it up to 77.

7 Well, at some point the temperature in
8 the store would get up to 77, and then the HV
9 would kick back on. Whether or not that happens,
10 you know, after two hours or four hours or five
11 hours depends on a lot of factors. Many of which
12 are not in our control.

13 So -- so it's difficult. Four hours is
14 sort of the rule of thumb number that we tell
15 utilities and commissions as we talk about this.

16 If the -- if the required response is
17 longer than four hours, we can't do it with a
18 building control solution. And then -- and
19 then --

20 We can do that with generation, though,
21 but that's, you know, a separate thing. Not all
22 programs look for that.

23 So one of the things that -- when we go
24 out to the market, especially in the RTOs, we

1 work with aggregators. And so what they do is
2 they sign up a lot of customers, and they
3 diver -- so it's basically a diverse portfolio of
4 responses that they can draw from.

5 So -- so if we have a store that can't
6 do four hours, but can do -- we have lots of
7 stores that can do two hours, they could take all
8 of those stores, put those together, and create a
9 four hour response amongst that portfolio.

10 And so, you know, certainly that's
11 something that Duke could do. I mentioned
12 earlier that we have over 140 stores between the
13 two utilities here in North Carolina.

14 So, you know, how can the utilities be
15 enabled to be creative and offer, you know, those
16 aggregation-esque opportunities, so that
17 customers who can't do this, but can do a lot of
18 this, can help participate and really help the
19 grid?

20 So -- and I will -- we are short on
21 time, so I will close with that. But any
22 additional questions that you have, feel free,
23 and thank you for the opportunity to be here
24 today.

1 MR. KLEIN: I'll get started with my
2 introduction real quick, and then we'll get into
3 the presentation while it's being pulled up here.

4 So, as Christina mentioned, P.J. Klein,
5 with Corning. I'm the business continuity
6 program manager and assistant division energy
7 manager based here in -- in North Carolina.

8 All right. Okay. All right. Just a
9 little bit about Corning. In 2023, we were named
10 partner of the year through Energy Star through
11 the U.S. EPA for 10 years.

12 So we're one of a handful of companies
13 in the -- in the United States that have a dozen
14 or more years -- or ten or more years as Energy
15 Star partner of the year.

16 In 2006, we started our global energy
17 management program that looks at our energy usage
18 across the world. Not just in North Carolina,
19 but all of our operations. And it started out as
20 energy, but has recently expanded to water, as
21 well as renewables and -- and also waste.

22 And just a few years ago we just
23 announced that our global operations -- we have
24 12 facilities in our cable -- our optical fiber

1 cable operations. Six of which are based here in
2 North Carolina. We have cut our energy intensity
3 in half. And so that was a public announcement
4 we recently just made about 2018.

5 Go on to the next slide.

6 Here you can see the strategies that we
7 have in order to accomplish our global energy
8 management mission. I'm not going to read
9 through each one of these bullets, but you can
10 see on the third one here it talks about engaging
11 employees, suppliers with energy, water and
12 natural resource management.

13 And so we -- that is how we engage with
14 Duke Energy. They are a huge supplier for us.

15 Moving forward to CIGFUR's perspective.
16 So energy cost is a top three cost for
17 manufacturers and industrial customers. And so
18 with this EE and DSM program, our ability to opt
19 out, we're able to take that money, and we're
20 able to invest it ourselves, and it's not a
21 burden to the cost -- that -- that cost is not a
22 burden to the ratepayers.

23 We're able to do it more efficiently
24 than we feel the Utility would. Steve talked

1 about the amount of money we would have to opt
2 in -- or -- I'm sorry. Dr. Terry talked about
3 the amount of money we would have to opt in. How
4 much -- how many programs we'd have to do.

5 So we feel like we do that as a -- more
6 efficiently than currently we would have to -- we
7 would be able to do it if we were to opt in.

8 You've heard quite a few of the
9 presentations today talk about Senate Bill 3 and
10 how industrial customers have the right to opt
11 out.

12 We believe that the program is working
13 as it was intended in the bill. No different
14 today than it was in 2007. There are changes
15 that need to be made, and I'll talk about that in
16 the next slide.

17 You can see here that we talk -- talk
18 about a lot of the industrial customers we don't
19 have flexible load. Steve talked about, with
20 Walmart, industrial customers have the same
21 concerns about flexibility of load; safety
22 reasons, revenue requirements.

23 Some of our assets that if we -- if we
24 do shut them down -- and I'm not talking

1 specifically Corning. I'm talking about CIGFUR
2 members in general.

3 If those assets are shut down over an
4 extended period of time, they have to be rebuilt.
5 It's a huge cost burden, and so they cannot
6 afford to go down for these callout windows that
7 are given.

8 Looking at item number four here, we
9 talk about the cost recovery mechanisms. So
10 those who do have flexible load, we need to be
11 able to better incentivize Duke Energy to allow
12 for us to -- to opt in.

13 We need -- there needs to be some
14 convincing to customers who are opted out of
15 being able to opt in, and part of that needs to
16 be incentivized.

17 And then item number five here is we
18 talk about how all of our CIGFUR members are
19 different. Not every single one of our customers
20 or every -- every one of our members have the
21 same load profile, have the same ability to shift
22 load.

23 Some, as I talked about with safety,
24 cannot, and some -- some can. And so it needs to

1 be -- we need to -- we have -- they need to be
2 very tailored and flexible programs that allow
3 industrial customers to opt in.

4 So what changes do we believe that need
5 to be made to -- to DSM specifically that would
6 entice customers to want to opt in? First, we
7 believe that there needs to be an emphasis on --
8 on load sharing, not only load shedding.

9 There are a lot of assets that sit out
10 in most of these industrial facilities that are
11 used for emergency situations that are untapped
12 resources.

13 There's cost that would be incurred in
14 order to make those assets utilized in emergency
15 situations and nonemergency situations, and
16 that's a burden that the -- that the customer
17 shouldn't have to burden.

18 The net benefit to being able to
19 utilize those assets is that it would be a
20 rate -- it would be a ratepayer savings across
21 all rate classes.

22 The number two thing we believe is that
23 the EE and DSM cost-recovery mechanisms need to
24 be changed to enable Duke to offer a tiered bill

1 credit.

2 And so we believe there's a tiered
3 approach, as -- as Steve talked about with
4 Walmart. He may have stores that can only go for
5 two hours. Some of our members have the same
6 situations.

7 So the ability -- not only the amount
8 of time that a facility can be out, but also how
9 fast do they have to respond? So that's two
10 components that need to be taken into
11 consideration; response, as well as duration.

12 And then, lastly, the item number three
13 here is we believe there needs to be separation
14 between the emergency and nonemergency demand
15 response programs, which would allow customers to
16 either participate in both or either.

17 And, lastly, some -- some key
18 takeaways. We've heard a lot of people talk
19 about least cost today. House Bill 951, we
20 believe EE and DSM are important critical
21 components to achieving the -- the carbon dioxide
22 emission reduction goals that were set out by --
23 by House Bill 951.

24 We believe there needs to be some

1 alignment between the incentives Duke Energy
2 receives and the policy goals by the State in
3 order to suf -- sufficiently motivate the utility
4 to design and offer the -- offer attractive EE
5 and DSM programs.

6 We believe both programs are high
7 priorities in order to help achieve reliable,
8 adequate power. And then we also believe that
9 the Commission needs to take action as soon as
10 possible to make sure that this could be
11 implemented in 2025.

12 You did hear Duke Energy mention
13 earlier today that there -- there's a lot of
14 things that have to go in place to be done by
15 2026. We believe 2025 is achievable, but it does
16 require some urgency.

17 And, lastly, CIGFUR looks forward to
18 continuing to participate, not only in the
19 mecha -- the mechanism review process, but also
20 in the collaborative.

21 And, with that, I will turn it back to
22 you for questions.

23 COMMISSIONER HUGHES: First, let me
24 see. Chair Mitchell?

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1 CHAIR MITCHELL: I'll start -- a
2 question about sort of the -- the -- this -- you
3 make -- you make the point about Duke's incenting
4 customers to opt in.

5 What does this mean -- what do you mean
6 by that specifically? I mean, what action do
7 you-all want to see Duke take?

8 MR. KLEIN: Well, it'd have to be
9 higher bill credits. I mean, the -- the amount
10 of money we would pay into the program right now
11 is -- is -- is too great.

12 That the rewards you get when you are
13 called on, especially in DSM, the -- when you get
14 called upon, it would have -- you'd have to have
15 multiple events over a period of years in order
16 for it to offset that cost.

17 CHAIR MITCHELL: Okay. So are -- what
18 about -- what about -- I mean, you -- you -- you
19 may -- you gave the specific example of a Load
20 Share program.

21 MR. KLEIN: Uh-huh.

22 CHAIR MITCHELL: Is that not what the
23 Power Share Program is?

24 MR. KLEIN: So it does talk about

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1 generators in -- in -- in the tariff, but what it
2 doesn't allow is it doesn't allow the customer --
3 the customer, as an example, would have to pay
4 costs in order to make their system adequate in
5 order to be utilized on Duke's grid.

6 So there's studies. There's -- there's
7 equipment upgrades that have to take place in
8 order for those assets to be utilized in parallel
9 with -- with the grid --

10 CHAIR MITCHELL: Oh, so you're --

11 MR. KLEIN: -- in emergency situations.

12 CHAIR MITCHELL: What you're
13 envisioning is Duke's using your generating asset
14 for purposes of serving the system? Not
15 necessarily Duke saying, you go off our system
16 for the moment while we're in an emergency, rely
17 on your own generation?

18 MR. KLEIN: Right. So, if you
19 remember, I talked about safety and an inability
20 to be flexible.

21 CHAIR MITCHELL: Uh-huh.

22 MR. KLEIN: That would allow us to --
23 to not shift load internally, but allow us to
24 offset the load that we're using by utilizing

1 generators or other assets.

2 It doesn't need to be generators. Some
3 of these facilities, not Corning specifically,
4 but they have -- they'll have onsite turbines
5 that they'll use in emergency situations for a --
6 for a zero-bulk scenario.

7 CHAIR MITCHELL: Okay. But just make
8 sure I understand that.

9 MR. KLEIN: Yeah.

10 CHAIR MITCHELL: Does that mean that
11 if -- if you go into a situation where you're
12 sort of operating in parallel --

13 MR. KLEIN: Uh-huh.

14 CHAIR MITCHELL: -- is the customer no
15 longer pulling off Duke's grid, or is the
16 customer pulling off Duke's grid, and the
17 generator is putting onto Duke's grid?

18 MR. KLEIN: Yeah. So a very simple
19 example, if -- if a facility was a 20 megawatt
20 site and had five megawatts of backup power, we
21 would -- that site would only be pulling off 15
22 megs from Duke Energy, and the other five would
23 be --

24 CHAIR MITCHELL: Okay.

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1 MR. KLEIN: -- made up by the
2 generators.

3 CHAIR MITCHELL: Got it. Okay.
4 Okay. That's all. Thank you.

5 COMMISSIONER HUGHES: Commissioner
6 Duffley?

7 COMMISSIONER DUFFLEY: So, Mr. Chriss,
8 I'd like to ask you about -- you were talking
9 about aggregation of demand-side management, and
10 that's where you were actually going off --
11 you're not using your own generators, but -- am I
12 correct in that statement?

13 MR. CHRISS: Yeah. So typically when
14 we participate through a program where we're
15 being aggregated, that is to manage responses
16 that are done through building controls.

17 So at present there's a couple of
18 situations where we would do generation
19 responses. So an example would be Duke in
20 Florida has an interruptable tariff that most of
21 our stores are on.

22 Those stores have generators that
23 rec -- and they receive a capacity credit through
24 being on that tariff. And so if the utility

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1 calls them to run, they can run, but then they --
2 they're also there for resilience, because, you
3 know, the program, the capacity credit levels are
4 enough to where it also supports maintenance of
5 the resources, resilience resources.

6 So if we're doing that, it's going to
7 be the utility that calls. And it -- aggregation
8 really kind of addresses the -- the -- the
9 duration piece of -- of the puzzle that we've
10 been talking about, just because -- you know, if
11 you have a generator, as long as you have fuel,
12 you can kind of run it as long as you need to run
13 it.

14 But on a building control, that's where
15 we have those limitations. And so that's where
16 being part of a broader portfolio brings that
17 advantage to bear.

18 And so, instead of not having stores be
19 in the program at all, we can have all of our
20 stores go in and be able to contribute something.

21 COMMISSIONER DUFFLEY: Right. And I --
22 I did want to follow up with that. So, taking
23 your example, you know, you can only maybe do
24 four or five hours versus ten hours, because of,

1 you know, 74 -- you're at 74, and a couple of
2 hours later you're going to be at 77. It's
3 automatically going to kick on.

4 MR. CHRISS: Uh-huh.

5 COMMISSIONER DUFFLEY: So are you
6 saying that, instead of having each store have
7 its own kind of tariff or deal, that you'd
8 aggregate in the same area four stores? Can --
9 can you explain that a bit more?

10 THE WITNESS: Yeah. So -- so, say, we
11 wanted to bring, just for round numbers sake, you
12 know, 100 kW of response to the table, and -- and
13 if the utility wanted 100 kW for four hours, we
14 may not be able to provide that with one store,
15 but if we bring two stores or we bring four
16 stores, and the first two can bring 100 for a
17 half hour, and the second two can bring 100 for a
18 half hour, just -- you know, or -- you know,
19 enter times in there. That's how we would do it.

20 So it's more of a checker-boarded
21 approach.

22 COMMISSIONER DUFFLEY: Uh-huh.

23 MR. CHRISS: And more managed, so that
24 you're ensuring that every store, while it's

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1 participating, is giving you the full response,
2 and you're not having to worry about, you know,
3 the HVAC kicking back on, and then -- and the
4 energy levels going back on -- up during a
5 response.

6 COMMISSIONER DUFFLEY: Okay. Thank
7 you.

8 And then at the beginning of your
9 statement you were talking about how you're
10 participating in demand-side management programs
11 through RTOs.

12 MR. CHRISS: Uh-huh.

13 COMMISSIONER DUFFLEY: But you also
14 mentioned and -- as well as utility programs,
15 are those vertically integrated utility programs,
16 and which ones are those?

17 MR. CHRISS: So the ones that come to
18 mind -- I know we've done the Evergy Program up
19 in Missouri, and then the rest of the list I'm
20 going to have to get you, because I'm blanking,
21 but we've --

22 COMMISSIONER DUFFLEY: Okay.

23 MR. CHRISS: We've done several.

24 COMMISSIONER DUFFLEY: Yeah. I -- I

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1 just was wondering about examples of non-RTO
2 utility programs that -- that you have had
3 success with in your mind.

4 MR. CHRISS: Yeah. And that's --
5 again, the Evergy one is the one I could think
6 of. I mean, ultimately it kind of comes down to
7 it's the -- sort of the same premise that we're
8 talking about here, where, you know, in states
9 where --

10 Like, I don't want to advocate for
11 anybody to force us into a program, but if we're
12 in the program, you know, it certainly makes
13 it -- it takes one decision out of the process.

14 And so, you know, states where
15 participation is mandatory, you know, we're going
16 to look at the -- the participation there. But I
17 can get you the list, and we can provide that
18 through counsel.

19 COMMISSIONER DUFFLEY: Okay. Thank
20 you.

21 MR. CHRISS: You're welcome.

22 COMMISSIONER HUGHES: Commissioner
23 McKissick?

24 COMMISSIONER MCKISSICK: Just by way of

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1 example, I mean, can you identify a couple of
2 states that have a good tiered bill credit
3 program that really seems to work effectively,
4 since you suggested that's a way that things
5 could be approached?

6 I mean, conceptually it makes sense,
7 but by way of real-world-case example, you know,
8 this is a state, this is a place where it's
9 taking place, and we feel that it's being handled
10 in a reasonable, responsible way, where there's a
11 higher level of buy-in?

12 MR. CHRISS: So I think tiered bill
13 credit was actually a concept you had brought up.

14 COMMISSIONER McKISSICK: It was.

15 MR. KLEIN: One --

16 COMMISSIONER McKISSICK: You spoke to
17 it. Yeah.

18 MR. KLEIN: One of our CIGFUR members
19 brought it up in California, but we'll have to --
20 Corning specifically, my responsibility is just
21 in North Carolina in the United States.

22 So I only know about Duke Energy
23 Carolinas and Duke Energy Progress. So -- well,
24 we could follow up in writing of other programs.

1 COMMISSIONER McKISSICK: Oh, if you
2 could. I think it would be helpful and
3 potentially insightful. Thank you.

4 COMMISSIONER HUGHES: Okay.
5 Commissioner Tucker?

6 COMMISSIONER TUCKER: Thank you,
7 Mr. Hughes.

8 Mr. Chriss, you've got generator backup
9 in all of your stores; right?

10 MR. CHRISS: So we do not. We are --
11 we do have a program that's ongoing, where
12 they're doing a couple hundred generators a year.

13 It started -- so right now, like, most
14 of the State of Florida is covered, and we do
15 have some municipal utilities within the State of
16 North Carolina that do have backup generation.

17 So DSM programs can support that in
18 part by having, you know, capacity payments or
19 different value streams that can be used to
20 offset some of the cost of that. So -- by having
21 them participate in the programs.

22 So to the extent that that program
23 capability grows within the State, that's
24 certainly something that we can look at as an

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1 additional value, but, yeah, def -- you know,
2 the -- the Carolinas, in particular, are an area
3 where, you know, we've got to focus on figuring
4 out how we get more gens deployed.

5 COMMISSIONER TUCKER: Yeah, I can -- in
6 some of your stores you have groceries. So I
7 understand the re -- refrigeration requirements
8 and not being able to have that 10-hour lead
9 time that -- that you need.

10 Let me ask you one question on all of
11 your stores, and, I mean, you're -- Walmart is
12 kind of the biggest employer in the world, last
13 time I read. Do you have solar generation on
14 these stores that can be used in an emergency
15 situation, or, no?

16 MR. CHRISS: So that's a good question.
17 For the sites that have solar at this point, if
18 they only have solar on them, typically we have
19 to shut down the system if there's an outage.

20 First, we'll -- you know, I mean, we'd
21 have to disconnect from the grid otherwise. So
22 if we -- you know, for instance, if we have a
23 backup generator on the site, when that generator
24 turns on, we are auto disconnected from the grid.

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1 COMMISSIONER TUCKER: Okay.

2 MR. CHRISS: Safety is a huge issue for
3 utilities, as well as for us. And if we have the
4 generator operating in parallel during an outage,
5 we could -- you know, we don't -- we don't want
6 to hurt any linemen who are out there working to
7 restore the system. So that gets cut off.

8 And, again, if we put a mobile
9 generator on there, we're also disconnecting from
10 the grid before we ever power up a generator.

11 So the solar systems, you know, one of
12 the challenges there is that a solar system on
13 its own isn't going to be able to meet the full
14 load of the store, especially if the outage
15 happens at night.

16 We are beginning to look at deployment
17 of solar, plus storage, which will provide more
18 flexibility in -- in that context, but we're not
19 at the point where we can say that it -- you
20 know, it can do X, Y or Z, in terms of
21 capabilities, but, you know, certainly it can do
22 more than -- than solar on its own for
23 resilience.

24 COMMISSIONER TUCKER: Okay. Okay.

1 And -- and, I guess, you -- a big box store, most
2 of them have packaged rooftops, and you're in
3 constant rotation.

4 I mean, you know, there's a change
5 coming from the feds on refrigerant, and you're
6 going to have to start rotating those units out
7 and go to a higher efficiency.

8 To me, if Duke wanted to incentivize
9 both the residential and the commercial
10 customers, they would have more bill credits, as
11 Mr. Klein mentioned, for upgrading to higher
12 efficiency rooftops or -- and/or residential
13 equipment, because they're going to be telling
14 customers that, you know, the refi- -- refrigerant
15 they're using now, the 410A is going away, and
16 you're going to have to get new refrigerant. And
17 that gives them opportunity to change the units
18 now, as well as rooftops for commercial.

19 Mr. Klein, you mentioned that there is
20 little or no separation between emergency and
21 nonemergency designation by Duke. Were you
22 looking for time or a decision to be able to make
23 a decision on whether to go offline to help Duke,
24 or there's no delineation between the two? Am I

1 to assume that in your statement?

2 MR. KLEIN: There's not two programs.
3 They're not two separate programs. When you --
4 when you opt in, you -- you basically -- or
5 when -- when you opt in, you are man -- you're in
6 a mandatory program. There's no separation
7 between the two programs on emergency and
8 nonemergency usage.

9 COMMISSIONER TUCKER: Okay.

10 MR. KLEIN: So the -- if you have two
11 different tariffs or two different riders that
12 allows you to have those separations, that will
13 allow customers to pick and choose which one they
14 would opt into --

15 COMMISSIONER TUCKER: Okay.

16 MR. KLEIN: -- or you could opt into
17 both.

18 COMMISSIONER TUCKER: So -- but -- but
19 you're also saying that higher bill credits would
20 incentivize you certainly to recover some of your
21 cost to be able to help Duke out in higher bill
22 credits down the road as we endeavor to look at
23 Demand-Side Management, right?

24 MR. KLEIN: Yes.

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1 COMMISSIONER TUCKER: Okay. Thank you,
2 Mr. -- Commissioner. That's all I have.

3 COMMISSIONER HUGHES: I think we have
4 some follow-up questions. Chair Mitchell?

5 CHAIR MITCHELL: Mr. Chriss, on the --
6 the Florida Interruptible Load Program you
7 mentioned, is that -- is -- is -- you -- you
8 mentioned -- I think I heard you say resilience
9 asset or something like that. Is that what you
10 said?

11 And -- and help me understand what that
12 means.

13 MR. CHRISS: Oh, so, I mean, it just
14 means that we have a backup generator onsite for
15 resilience purposes.

16 CHAIR MITCHELL: And is that as a -- is
17 that just a -- a corporate decision made by your
18 employer, or is it as a result of some aspect of
19 state law or regulation?

20 MR. CHRISS: So that's a decision made
21 by Walmart. So we look at, you know, sort of
22 what the -- what risks are inherent in the
23 operations in that area, you know, and any
24 hurricane zone is going to have those sorts of

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1 risks.

2 And then just looking at the broader
3 economics of -- of installation, what the
4 right -- right technology is, that sort of thing.

5 So that particular program, where -- so
6 it's an interruptable class. So, instead of
7 taking general service, large demand, or whatever
8 the standard tariff would be, were actually on an
9 interruptable service tariff.

10 And so there's -- it's different rates,
11 plus there's a capacity credit for the generator
12 that goes to those economics.

13 CHAIR MITCHELL: Got it. Okay. Thank
14 you.

15 MR. CHRISS: You're welcome.

16 COMMISSIONER HUGHES: Commissioner
17 Duffley?

18 COMMISSIONER DUFFLEY: Just a
19 clarifying question about, are there any runtime
20 constraints with respect to any Company's backup
21 generators?

22 MR. KLEIN: It's a -- it's a fuel
23 constraint.

24 COMMISSIONER DUFFLEY: Fuel constraint.

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1 MR. KLEIN: Yeah. Most -- speaking
2 specifically about the -- the asset protections
3 or the generator systems that -- that I -- I
4 oversee, some of them are natural gas.

5 So as long as natural gas is flowing,
6 they will continue to operate. Most of them are
7 diesel. The -- the larger units are diesel.

8 Most of those have anywhere between 16
9 to 30 hours worth of fuel. So as long as natural
10 gas is available, they'll keep running -- or I'm
11 sorry -- as long as diesel is available, they'll
12 keep running.

13 COMMISSIONER DUFFLEY: Okay. Thank
14 you.

15 MR. KLEIN: You're welcome.

16 COMMISSIONER HUGHES: So I had a
17 question just for you-all to -- to look into the
18 future with some of the IRA -- some of the IRA
19 tax benefits.

20 You know, we talked a lot about the
21 residential impact, but I understand there's also
22 some industrial and commercial benefits. Is that
23 something that is going to change the economics
24 of -- and, similar to what you're talking about,

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1 you know, things like, you know, the -- the tax
2 credit for storage, for example, that we didn't
3 have before.

4 You know, are we going to see -- is the
5 Utility actually going to see changes in your
6 facilities as these things get rolled out?

7 MR. CHRISS: I guess, I can -- I can
8 jump in first.

9 Yeah. I mean, those -- those tax
10 credits do get factored into the economics when,
11 you know, they're looking to -- you know, when
12 looking at solar, plus storage. The tax credits
13 are definitely a factor in there.

14 And then to the extent that, you know,
15 they're impacting the economics of any other
16 technology deployment, it will be something
17 that's factored in.

18 I mean, I think the -- in the -- in
19 terms of the things that the Utility should be
20 looking out for, you know, in terms of taking
21 load off the grid, you know, behind-the-meter
22 technology deployment is going to grow, whether
23 it's for resilience, whether it's for
24 sustainability or some combination thereof.

1 But then on the load-add side, you
2 know, one of the things that we're working on
3 right now is beneficial electrification and, you
4 know, electrifying heat. So that's something
5 that's going to come. There's going to be
6 impacts to that.

7 We are looking at electrifying
8 transportation. And then back to the -- you
9 know, the point on refrigeration. That's another
10 area of technology change that, you know, may not
11 change how our electric footprint looks, but it
12 certainly, you know, changes our carbon
13 footprint.

14 And so, you know, as you're thinking
15 through what are you trying to incentivize, is it
16 merely just saving kilowatt hours, or are you
17 looking at carbon impact as well?

18 Because refrigeration would be one or
19 even, you know, electric transportation or, you
20 know, electric heat is one where you're not
21 necessarily -- you know, you may be going the
22 wrong way on kilowatt hours, but you're going the
23 right way on carbon.

24 So what's the goal with the program?

1 And that may be something to consider over the
2 next few years.

3 MR. KLEIN: Generically speaking,
4 the -- the cost-benefit analysis, when -- when
5 stuff like IRA comes out, programs that have been
6 shelved or coming forward, that is one of the
7 things that most companies, if not all companies,
8 are going to look at, is what is -- what is that
9 cost-benefit analysis? And the benefit
10 incentives is part of that.

11 COMMISSIONER HUGHES: All right. So no
12 predict -- do you have projects on the shelf now
13 that are just waiting -- you know, we're waiting
14 around for these kind of incentives, and -- and
15 they're going to --

16 MR. KLEIN: Well, there's typically --
17 typically a threshold, where if it doesn't meet
18 this financial requirement, it won't get done,
19 and it'll be put on the shelf. And then as
20 technology improves or incentives come out it
21 lowers that cost. Then the benefit may come up.

22 Or, as we've seen in North Carolina,
23 as -- as rates continue to creep up, that also
24 would be a factor, because now -- now -- now the

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1 benefit is better.

2 MR. TERRY: And I'll say that CU --
3 CUCA is compiling a list of those projects within
4 our members for submission and potential
5 consideration for the IRA when that happens.

6 So, yes, I would say that they're
7 definitely looking at that.

8 COMMISSIONER HUGHES: Okay. That's all
9 I have.

10 Any more questions?

11 (No audible response.)

12 COMMISSIONER HUGHES: Thank -- thank
13 you very much for a very informative panel.

14 MR. KLEIN: Thank you.

15 MS. LUHR: Commissioner Hughes, I know
16 that the witnesses aren't under oath, because
17 this is a technical conference, but Mr. Chriss
18 and other members of this panel may have
19 transportation to catch.

20 And so I just wanted to let you know --
21 would sort of request that it be okay that they
22 be excused?

23 COMMISSIONER HUGHES: Yes, yes.

24 Every -- and they're excused. Yes.

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1 MS. LUHR: Just in the event that you
2 ever were like, we need to call Mr. Chriss back,
3 he has a flight to catch to New York.

4 COMMISSIONER HUGHES: Yeah.

5 MS. LUHR: Everybody would like to have
6 meetings this week before Christmas, so he's
7 got, like, four utilities to be in front of.
8 So --

9 COMMISSIONER HUGHES: Yeah. And we
10 don't have the tether of swearing in that
11 occurred. So we're --

12 All right. I think we're going to
13 proceed to the Regulatory Assistance Project.

14 All right. And since -- since a party
15 is not sponsoring you, if you want to give --
16 give a brief introduction of -- of -- of your
17 background when you start that -- I'd appreciate
18 that.

19 MR. ENTERLINE: Sure. Thank you for
20 having me here this afternoon. My name is Shawn
21 Enterline. I'm a Senior Associate with the
22 Regulatory Assistance Project.

23 I am an economist by training. I got a
24 Master's degree in resource economics from Penn

1 State, and I've spent about two-thirds of my
2 career working for investor-owned and municipal
3 utilities primarily as a resource planner. So
4 looking out multiple decades to figure out the
5 mix of resources to serve the load.

6 The other third of my career has been
7 spent in efficiency and renewables consulting for
8 Vermont Energy Investment Corporation, Dunskey
9 Consults -- excuse me -- Consulting, in Montreal,
10 and -- and more recently with the Regulatory
11 Assistance Project.

12 I think it's important to mention that
13 we also want to thank the Lawrence Berkeley Labs
14 for making it possible to be here today.

15 I'm impressed by the caliber of -- of
16 information that's been conveyed today, and so
17 I -- I have a short list of about half a dozen
18 slides that maybe fill in a -- a few gaps, but,
19 more importantly, just reemphasize a few points
20 that I think have already been made well by
21 others.

22 This first slide is just meant to
23 convey that we've got a task to try and create
24 some symmetry, some equal treatment to put

1 demand-side investments on par or equal footing
2 with supply-side resources.

3 And at a high level we can do that just
4 by looking at how it's been done on the supply
5 side for so many decades and so successfully by
6 picking the objective, reliability, two very
7 shared and transparent performance metrics that
8 measure it, and also a very longstanding recovery
9 mechanism in our traditional cost of service rate
10 recovery.

11 That's -- that's what we're trying to
12 measure up to and -- and create a balance with
13 when we look at the demand-side of the equation.

14 And so we don't have to make it up. I
15 think the objectives on the demand-side are
16 similar, but -- but not exactly the same.

17 Reliability, as you know, can be served
18 with demand-side investments, but it's more often
19 my experience that low cost and affordability
20 is -- is the primary objective being sought.

21 Once you answer that question or
22 questions, what are the objectives, then a series
23 of performance metrics can fall out of it rather
24 naturally.

1 And we have both the luxury and the
2 challenge at this day and age of having a lot of
3 choice and a lot of different performance
4 metrics.

5 And I'll end this presentation with
6 just one example or two from Missouri and
7 Vermont, I think, is where we might end on what
8 they're thinking with respect to performance
9 metrics specifically, because it doesn't take a
10 lot of imagination to know what their objectives
11 are once you see those metrics.

12 And then, lastly, the recovery
13 mechanism itself is -- is shared. I love
14 the GDS report that the people -- the Public
15 Staff made available, because it shows how much
16 we have in common across different jurisdictions
17 in the U.S.

18 I'll give you a specific example.
19 Tariff riders and surcharges are by far the most
20 common mechanism to recover these costs for DSM
21 and EE programs.

22 You still do see examples where
23 traditional cost recovery methods are being used,
24 but they've really been supplanted by tariff

1 rider mechanisms.

2 And, lastly, once we've done this
3 matching game -- I've got a later slide that just
4 has a puzzle piece icon on it to reemphasize the
5 point that we're just drawing a common thread
6 through objectives, through performance metrics,
7 to recovery mechanism.

8 And then the challenge is to stand back
9 and ask, does this balance? Does the mechanism
10 reward performance in proportion to the value or
11 the benefits that those programs are providing?

12 The rationale is also common across our
13 jurisdictions. The throughput incentive almost
14 goes without saying, as does the emphasis on
15 capital investment.

16 It's also common to see a desire for
17 longer-term results over shorter-term results,
18 but frequently you see both. You'll see an
19 example of that later on with Missouri, where
20 they very explicitly called out at a 10-year
21 mark -- marker that they want both.

22 And so I wouldn't characterize it that
23 you can have your cake and eat it too, but you
24 can certainly pursue a balance of long- and

1 short-term investment on both sides of these
2 supply-side, demand-side equations.

3 This is just a picture that tries to
4 give a sense of how things have evolved over the
5 decades. Prior to retail competition in the '90s,
6 traditional cost of service rates of return
7 mechanisms were used to recover DSM and EE
8 program costs.

9 As we move forward in time, it's become
10 more common to rec- -- recover them through
11 riders, as -- as I mentioned, and to tie the cost
12 recovery and the incentives that are associated
13 with them to certain thresholds.

14 They break down into two categories;
15 volume thresholds or kilowatt hours and dollar
16 thresholds, most commonly shared net benefits.

17 And, as the GDS report also makes very
18 clear, multifactor combinations of these
19 objectives are becoming common. And I think that
20 also speaks to something else we have in common
21 across our states.

22 It's rare that a statute -- an enabling
23 statute is singular in its charge. There are
24 usually more than one objective of play, and it

1 becomes a balancing act to -- to achieve them all
2 simultaneously.

3 So this is just an example of -- of
4 some of the categories of choices. A lot of
5 attention has been paid to volume type
6 objectives.

7 And when you choose, for example, first
8 year savings as your volume metric, you can
9 expect shorter-term results.

10 On the other hand, lifetime savings,
11 measuring the savings over the course of a piece
12 of equipment's life, you could expect to get much
13 longer-term results.

14 And, of course, the middle. This was
15 illuminated in some work in Michigan about ten
16 years ago, is to kind of look at accumulated
17 savings over a multiyear period and try and seek
18 balance that way.

19 Net benefits. You're familiar with
20 that, obviously, here in North Carolina. I
21 really should have added another box here,
22 because percent of program costs themselves
23 are -- is very much a coequal measuring stick
24 with respect to dollar measures.

1 And then, lastly, hybrids multifactor
2 is at play here as well.

3 So here's the puzzle piece slide, and
4 we've talked through all of this already. So I
5 want to emphasize a puzzle piece that I probably
6 should have put here and did not.

7 When you've got an incentive mechanism,
8 you've got a -- a few choices in how you
9 implement it. Far and away the most common is
10 this tiered or sliding-scale approach. You
11 reward more performance, greater performance with
12 greater reward. You have that structure here in
13 North Carolina.

14 To put a boundary case on it you have
15 all-or-nothing-incentive structures. I'm not
16 aware of any. If you met a threshold, you get
17 all of the money. If you don't, you don't.

18 But you do see examples of dead bands,
19 where, rather than picking a -- a point estimate
20 for performance, you grab a range, and no money
21 is exchanged within that range. So the dead band
22 is common.

23 And the last feature is -- is actually
24 more interesting to me, at least, and it concerns

1 the symmetry of -- of the performance-incentive
2 mechanism.

3 Do you use both a carrot and a stick?
4 And if you do, what are their relative sizes and
5 magnitudes? As you'll see in a moment, the --
6 the answer to that balance, at least with respect
7 to this small set of jurisdictions I'm bringing
8 forth today, is -- is that it is asymmetric.

9 We're more often using carrots to
10 incentivize performance, and that they're --
11 they're larger than the -- the sticks.

12 Forgive me. That's a busy slide, if I
13 may. It makes the point that these jurisdictions
14 actually have a lot more in common than they do
15 differences.

16 Most of them are using tariff riders.
17 The term of their recovery is one year
18 contemporaneous, with the exception of Michigan,
19 which is on a -- kind of an IRP planning cycle.

20 And cost allocation is typically the
21 program level. That opened my eyes. I was
22 expecting to find more examples of portfolio
23 level cost allocation, but did not.

24 So, performance metrics, I would

1 characterize all these jurisdictions as
2 multifactor, and the incentives are as well. So
3 going to the very bottom row, there's a few
4 examples of the structures and how they work.

5 And the percentages start to speak, not
6 strongly, but they start to speak to the size of
7 the carrot. Somewhere between zero and 20 percent
8 of program cost seems to be the range in these five
9 examples, and they compare pretty favorably, with
10 the exception of Vermont, which is just
11 structurally different.

12 They have a nonprofit third-party
13 administrator who's earning those -- those
14 performance incentives. Whereas, the other four
15 are investor-owned utilities, and they have -- to
16 get them on par with the supply side you really
17 need to get up around, in my opinion, about
18 whatever the regulated rate of return is on
19 capital, roughly 10 percent.

20 So I just want to go forward quickly to
21 Arizona, because this is an example of a state
22 that's expressed its mechanism rather simply in
23 that table.

24 They do have a resource standard there.

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1 And as -- as the utility reaches closer and
2 closer and then exceeds that threshold, they're
3 giving more and more of a share of the net
4 benefits to the utility subject to a cap, which
5 is listed in the third column.

6 Missouri is interesting to me. This is
7 Ameren, Missouri's current program. They're in
8 the fifth year of -- of a six year performance
9 period.

10 And I think we'll probably just end
11 here, because the top four are all program-level
12 metrics. And the first two speak to low-income
13 participants specifically, but a particular
14 aspect, which is depth of savings.

15 They're basically saying when a
16 building is coming into the program that has low
17 income eligible residents in it, we want to get
18 as much savings during that engagement as we can
19 and not wait till some future year.

20 So these first two objectives are --
21 are unique, in the sense they're targeting that.
22 That's what they want to have.

23 The next two are maybe more
24 traditional, in the sense that they're just

1 looking at the volume of energy savings for two
2 specific programs; the Home Energy Report and the
3 Residential Lighting Program.

4 And then we transition to the second
5 half, where you've got portfolio incentives and
6 number five starting to kick in, and then,
7 coincident peak demand savings.

8 That's speaking to the reliability
9 benefits, in my mind, at least at a high level
10 that these programs can provide.

11 And I want to point out that 10-year
12 break point. They want those savings for both
13 measures that are short lived and much longer
14 lived.

15 So it's an example of a jurisdiction
16 that, like North Carolina, has a similar market
17 structure. It's not retail competitive, investor
18 owned, but it's chosen to refine their look and
19 objectives as they design their program.

20 And I'll just end on -- on a very
21 high-level slide. This is analogous to Duke's
22 portrayal of -- of the three-legged stool. The
23 left-hand side of this are those three legs,
24 stated somewhat differently.

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1 And the right-hand side, as practiced
2 in North Carolina, as I understand it, is
3 primarily looking at the utility benefits, but
4 there are other benefits that are accruing.

5 Whether or not we choose to measure
6 them is a different issue. And, of course, you
7 want to tip that scale always to the right.

8 Thank you.

9 COMMISSIONER HUGHES: Thank you very
10 much. Let me see if there's any questions.

11 Commissioner McKissick?

12 COMMISSIONER McKISSICK: Yeah, I was
13 intrigued by Missouri's approach. Now, to what
14 extent has -- have you had a chance to observe
15 how it has actually operationally worked?

16 I think you said it's been in operation
17 for about five years. Is that what you
18 indicated? Or how -- how long has it been?
19 Maybe I should start my question there.

20 MR. ENTERLINE: The performance period,
21 if I recall, is 2018 to 2024. So --

22 COMMISSIONER McKISSICK: Okay.

23 MR. ENTERLINE: That's the -- we're in
24 the fifth of five years.

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1 COMMISSIONER McKISSICK: And have you
2 observed it or looked at it closely to examine
3 its effectiveness, how it functions, how it's
4 operated?

5 I mean, I see the metrics there, and
6 they -- they're interesting. They intrigued me.
7 You know, and the way they're established, and --
8 and, likewise, you know, if you sit here, you
9 look at the potential for about 20 percent of
10 program budget for meeting eight of the
11 performance metrics.

12 I mean, of course, that's eight of
13 them. That's an awful lot, but -- but what have
14 you seen? Could you share more insight about
15 that Missouri approach?

16 MR. ENTERLINE: I wish I'd asked the
17 direct question of the staff person I was
18 speaking to, because I -- I did not ask
19 specifically --

20 COMMISSIONER McKISSICK: Okay.

21 MR. ENTERLINE: -- how those
22 performance metrics are going.

23 If I may, a colleague of mine just
24 published a wonderful paper this past month on a

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1 more broad topic of performance-incentive
2 mechanisms, and had a mixed but positive message
3 to deliver on this topic.

4 So the mixed message is the
5 performance-incentive mechanisms at the PBR
6 level, the whole performance-based ratemaking
7 universe hasn't been well evaluated, and it's
8 hard to draw strong conclusions on to how
9 effective they are.

10 But the other half of the message
11 was -- was more optimistic, and it was targeted
12 at energy efficiency and DSM programs. Within
13 that frame --

14 COMMISSIONER McKISSICK: Yes.

15 MR. ENTERLINE: -- utilities do meet
16 their performance metrics most of the time. So I
17 could forward that paper along to you to give you
18 the general conclusion, and, of course, follow up
19 with Missouri with the specific, if you would
20 like.

21 COMMISSIONER McKISSICK: If you could
22 provide more information --

23 MR. ENTERLINE: Okay.

24 COMMISSIONER McKISSICK: -- more

1 specific, that would be helpful.

2 Thank you. That's about it.

3 COMMISSIONER HUGHES: Okay. On that --
4 just one -- one question. On that last slide you
5 had societal benefits. That's come up in North
6 Carolina, you know, and we -- we refer to it as
7 nonenergy -- nonenergy benefits.

8 Have you come across a state that's
9 been able to kind of wrangle that into, you know,
10 formulas and -- and things that people can agree
11 on?

12 Because, you know, that to me seems the
13 challenge, of when they're nonmonetary, you know,
14 how do you -- how -- you know, do have to go
15 through a whole -- with your economics
16 background, do you have to go through a whole
17 economic effort to figure out what these are, or,
18 you know, are there any states that we can look
19 at that that is wrapped into their incentives?

20 MR. ENTERLINE: Yeah, I'm most familiar
21 with New England's. And so the answer is that
22 region, those six states, Commission avoided --
23 and avoided cost study every three years.

24 So the states kick in collectively.

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1 They hire an independent group of consultants,
2 and they not only look at the avoided cost of
3 energy and capacity and ancillary services, but
4 they get right into the societal cost of carbon
5 and put estimates on that.

6 So every three years you're getting a
7 refresh on that value in that region. And
8 they -- they go even deeper into the non-energy
9 benefits. I believe health is in there.

10 So, yeah, it's hard work and
11 quantitative in its results, but informed by
12 judgment and experience during the process. It's
13 challenging.

14 COMMISSIONER HUGHES: Well, thank you
15 for that example.

16 Any other questions?

17 (No audible response.)

18 COMMISSIONER HUGHES: Well, thank you
19 very much for -- for coming out, and I really
20 appreciate it.

21 Okay. I think that brings us to our
22 last presentation for the day. NCSEA, you get to
23 do cleanup.

24 MR. SOMELOFSKE: Thank you,

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1 Commissioner Hughes.

2 At this time NC -- NCSEA will present
3 Daniel Pate.

4 THE COURT REPORTER: Sir, could I have
5 your name?

6 MR. SOMELOFSKE: Oh, sorry. Justin
7 Somelofske, with NCSEA.

8 COMMISSIONER HUGHES: Thank you very
9 much.

10 The floor is yours.

11 MR. PATE: Hello, Commissioners. My
12 name is Daniel Pate. I am the Director of Data
13 and Research at NCSEA, the North Carolina
14 Sustainable Energy Association, and I'm going to
15 talk a little bit briefly about previous
16 stakeholder engagements with Duke Energy.

17 I don't have slides. I'm just going to
18 use notes here. And, also, these details are in
19 the filing that we did earlier today.

20 I've been involved previously with the
21 Duke Energy Energy Efficiency/Demand-Side
22 Management collaborative, which I know was
23 mentioned earlier by Mr. Duff and others.

24 So this is a key venue, as you-all may

1 know, for collaboration between utilities and
2 stakeholders, where the objective is to work
3 towards implementing customer programs that
4 achieve significant energy savings, and also the
5 stakeholders are very interested in addressing
6 energy burden.

7 So this is a group where the
8 stakeholders are comprised of nonprofit
9 advocates, local governments, and other
10 organizations.

11 These are bimonthly calls. Duke Energy
12 sets up this platform, where there's two-way
13 communications, and they present -- they -- we
14 discuss new ideas.

15 Also, we review current programs, and
16 then we also review evaluation, measurement and
17 verification, EM&V. And, also, there are program
18 managers there to answer questions from the
19 stakeholders.

20 I also led the -- I was the liaison for
21 the Tariffed OnBill Working Group that took place
22 from May 2021 to September 2022. Also, I was
23 briefly involved with the low-income
24 affordability collaborative, and then I was also

1 part of the residential income qualified high
2 energy use pilot, where that comprised of a
3 subset of the collaborative that worked directly
4 with Duke to design that pilot that was approved
5 recently.

6 So I'm just going to provide some --
7 some key takeaways from my experience in the --
8 in the stakeholder collaboration process that I
9 feel like are -- they're helpful for looking at
10 the stakeholder process moving forward.

11 And I think this is really what was key
12 to getting a lot out of the stakeholder
13 engagement processes.

14 So historically, what's really been the
15 linchpin for effective collaboration between Duke
16 Energy and the stakeholders is when Duke Energy
17 demonstrates the commitment to working closely
18 with the stakeholders, they support the ideation
19 process.

20 We talk out new ideas, and then we also
21 work towards deliverables outcomes that meet as
22 many of the common objectives as possible. And
23 we've seen this to be the case the most when it
24 is an initiative that is ordered by the

1 Commission.

2 And, also, it helps when the Commission
3 provides some details on the -- on the
4 requirements, on how the group should work
5 together and also what the outcomes are.

6 It's also been really helpful to have
7 these relationships have been established in the
8 collaborative, which have been developed over the
9 years.

10 This goes both ways. I think Duke
11 Energy has learned about the issues that have
12 really been significant to the stakeholders.
13 Particularly energy equity focus issues and
14 trying to help those who really face high energy
15 burden throughout the State.

16 And then, also, I think stakeholders
17 have learned a lot about the -- a utility
18 business model and also about building science
19 practices and other technical practices, so that
20 when stakeholders come to the Utility or to the
21 Commission with an idea, they know that it's a
22 pretty sound idea, and it's something to work
23 with upfront.

24 And then, also, I'll just add, in terms

1 of the initiatives that are focused on a specific
2 program, such as the Tariffed OnBill Working
3 Group, and also the high-energy pilot.

4 I feel like it's been really helpful to
5 designate a -- a liaison, who is from the
6 stakeholder group, not from the Utility, but
7 there's someone who -- who understands the
8 interest of both parties and also they have a
9 good grasp of the fundamentals of the utility
10 program that's being designed.

11 I feel like this is really helped with
12 aligning the strategies of the respective groups.
13 Also, the liaison is able to vet ideas from the
14 respective groups before there's a -- a pitch to
15 the full group.

16 And there's -- the liaison can kind of
17 serve as some input on how the other group may
18 accept that idea or -- or discuss that idea. And
19 then, also, this liaison ideally would be able to
20 provide kind of a project management approach.

21 Like they would be helping with leading
22 facilitating of the meetings. They would be
23 organizing the -- the central folder. They would
24 be just handling a lot of the administrative

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1 aspects of the working group process, so that
2 everything is just generally more organized.

3 So I think that's the gist of what I
4 wanted to talk with you about today. And I am
5 open to answering any questions that -- that any
6 of you have.

7 COMMISSIONER HUGHES: Thank you very
8 much.

9 Questions? Questions?

10 (No audible response.)

11 COMMISSIONER HUGHES: So maybe you can
12 explain just really briefly the -- the difference
13 mechanically how -- how the -- the collaborative
14 is working versus the stakeholder process.

15 Are you seeing a lot of new faces? Are
16 there -- you know, is it -- just -- just briefly.

17 MR. PATE: Yeah. And I think you're
18 asking to make a tie between the collaborative
19 and -- and the mechanism review stakeholder
20 process.

21 COMMISSIONER HUGHES: Yes.

22 MR. PATE: So I haven't been that
23 involved with the -- the mechanism review
24 process. I've heard from my cohorts that a lot

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1 of those same practices that are being done in
2 the collaborative, because they have worked well,
3 they're also being done in the mechanism review
4 stakeholder process.

5 So what I'm reporting on these
6 processes, I feel like, is what has worked well
7 and what I have been involved with and recommend
8 those processes and the stakeholder groups moving
9 forward, including the mechanism review
10 stakeholder process.

11 COMMISSIONER HUGHES: Okay. And then,
12 just to clarify, when you were talking about how
13 helpful this sort of intermediary was, are you
14 talking about someone nominated from the group,
15 or are you talking about, like, a third-party
16 consultant or somebody that's -- that's brought
17 in that's outside of -- of the --

18 MR. PATE: Yeah.

19 COMMISSIONER HUGHES: -- of the
20 organization?

21 MR. PATE: Ideally part of the
22 stakeholder group. So I was liaison for the
23 Tariffed OnBill, and, just hearing from others, I
24 think that they said that it helped them to have

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1 someone who knew about Tariffed OnBill and also
2 had the relationships with Duke Energy and could
3 go back and forth among the -- the two groups.

4 So, you know, not to say an outsider or
5 third-party wouldn't work, but I think it's very
6 helpful to have someone who had that knowledge of
7 the stakeholder interest and also to -- to have a
8 familiarity with how the business model at Duke
9 Energy worked generally.

10 COMMISSIONER HUGHES: Okay. Thanks
11 for -- for clarifying that.

12 Okay. I think -- I think you're off
13 the hook. Thank -- thank you very much.

14 And that -- that actually brings us to
15 the last presentation of the day. I think we can
16 give you back a little bit of time for your day.

17 Just a -- a few followups. We did have
18 some offers today to provide additional
19 information to the Commissioners.

20 If there was a very specific
21 question -- we're not looking for tangential
22 information, but if there's a very specific
23 question that a Commissioner asked, and you do
24 have more information on that -- on that

1 question, please, feel free to submit that into
2 the -- into the Docket as a -- as just a followup
3 to a question.

4 Recognizing that we also have a
5 deadline coming up for verified comments so,
6 obviously, that's where we expect you to cover
7 more of the material and more of your positions.

8 So I think, with that, I'll call this
9 technical conference adjourned. Thank you so
10 much.

11 (The hearing adjourned at 4:46 p.m. on
12 Monday, December 18, 2023.)
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CERTIFICATE OF REPORTER

STATE OF NORTH CAROLINA)
COUNTY OF DURHAM)

I, Lisa A. DeGroat, RPR, the officer before whom
the foregoing proceedings were taken, do hereby
certify that the proceedings were taken by me to the
best of my ability and thereafter reduced to
typewriting under my direction; that I am neither
counsel for, related to, nor employed by any of the
parties to the action in which these proceedings were
taken, and further that I am not a relative or
employee of any attorney or counsel employed by the
parties thereto, nor financially or otherwise
interested in the outcome of the action.

This the 31st day of December, 2023.



LISA A. DeGROAT, RPR
Notary Public #19952760001