

Molly McIntosh Jagannathan

D 704.998.4074

F 704.998.4051

molly.jagannathan@troutman.com

February 13, 2019

M. Lynn Jarvis
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4325

Re: Proposed Modifications to the Residential Smart \$aver Energy Efficiency Program; Docket No. E-2, Subs 936 and 1174

Dear Ms. Jarvis:

On December 18, 2018, Duke Energy Progress, LLC's ("DEP" or the "Company") proposed modifications to its Residential Smart \$aver Energy Efficiency Program ("Program") designed to improve the cost-effectiveness of the Program. As the Commission is aware, the Program encourages the installation of high efficiency air conditioners and heat pumps ("HVAC").

The modifications proposed in the Company's December 18 filing involve: (1) the recognition of lower actual incremental customer costs; (2) making trade ally participation more streamlined and less costly; (3) reducing the Company's Program administrative costs; (4) recognizing a three-year transition to referral-only channels; and (5) introducing an online channel, similar to that provided through Duke Energy Carolinas, LLC's ("DEC") Residential Energy Efficient Appliances and Devices Program, from which residential customers may obtain additional discounted energy efficiency measures.

In its Comments filed on February 4, 2019, the Public Staff noted that the traditional HVAC measures have a projected Total Resource Cost ("TRC") score of 1.03, and the Program including all five proposed modifications (including the online channel) has a projected TRC of 1.35. The Public Staff does not oppose the first four changes proposed, which it characterized as administrative in nature, and noted that these changes should improve cost-effectiveness as required by the Commission's *Order Approving DSM/EE Rider and Requiring Filing of Customer Notice* issued on November 29, 2018 in Docket No. E-2, Sub 1174.

However, the Public Staff believes that the delivery of the HVAC measures differs from that of the proposed online channel and argued that the inclusion of the online channel measure does not create obvious synergies. Accordingly, the Public Staff believes that the proposed modification to include the online channel in the Program should be rejected; instead, the Public Staff indicated

that it would be appropriate to offer the online channel in a separate program similar to DEC's Residential Energy Efficient Appliances and Devices Program. As such, the Public Staff does not oppose the Commission approving the modifications without the addition of the online channel and requiring the Company to file the compliance tariffs associated with the requested program modifications in a form similar to those filed for DEC's Residential Smart \$aver Energy Efficiency and Residential Energy Efficient Appliances and Devices programs so that the online channel is separate and distinct from the HVAC-related measures. In addition, the Public Staff recommends that the Commission require the Company to report the performance of the HVAC-related measures and the online channel-related measures separately in the Company's annual rider proceedings.

While the Company does not necessarily agree that the inclusion of the online channel within the Program is inappropriate, for purposes of this proceeding, the Company agrees with the Public Staff's recommendation that the Commission approve the first four modifications as part of the Residential Smart \$aver Program and require the Company to file a separate compliance tariff for the online channel. The Company also agrees to report the performance of the HVAC-related measures and the online channel-related measures separately in the Company's annual rider proceedings.

Therefore, DEP respectfully requests that the Commission:

1. Approve the proposed program modifications.
2. Direct the Company to file the compliance tariffs associated with the approved program modifications in a form similar to those filed for DEC's Residential Smart \$aver EE and Residential Energy Efficient Appliances and Devices programs, such that the online channel is separate and distinct from the HVAC-related measures, within ten (10) days of the Commission's order approving the proposed program modifications.
3. Find that the programs, as modified, continue to meet the requirements of a "new" EE program consistent with Rule R8-69.
4. Find that all costs incurred by DEP associated with the programs, as modified, will be eligible for consideration for cost recovery through the Company's annual DSM/EE rider in accordance with Rule R8-69(b).
5. Approve the proposed utility incentives for inclusion in the Company's annual DSM/EE rider in accordance with Rule R8-69.
6. Direct the Company to report the performance of the HVAC-related measures and the online channel-related measures separately in the Company's annual rider proceedings.

Thank you for your attention to this matter. If you have any questions or need any additional information, please contact me.

Sincerely,

Electronically Submitted
s/ Molly McIntosh Jagannathan
molly.jagannathan@troutman.com

cc: Parties of Record