



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

February 4, 2016

Ms. Gail L. Mount, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

RE: Docket Nos. E-7, Sub 1032 and E-2, Sub 936

Dear Ms. Mount:

Enclosed herewith for filing in the above-referenced docket is the Stipulation and Agreement of Duke Energy Carolinas, LLC, Duke Energy Progress, LLC, and the Public Staff.

By copy of this letter, I am serving all parties who have filed comments on the program modifications for which Duke Energy Carolinas, LLC, and Duke Energy Progress, LLC, are seeking approval.

Yours very truly,

A handwritten signature in black ink, appearing to read "David T. Drooz".

Electronically submitted
s/ David T. Drooz
Staff Attorney
david.drooz@psncuc.nc.gov

DTD/bll

Enclosure

c: Parties of Record

Executive Director
(919) 733-2435

Communications
(919) 733-2810

Economic Research
(919) 733-2902

Legal
(919) 733-6110

Transportation
(919) 733-7766

Accounting
(919) 733-4279

Consumer Services
(919) 733-9277

Electric
(919) 733-4326

Natural Gas
(919) 733-2267

Water
(919) 733-5610

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-7, SUB 1032

In the Matter of)	
)	
Request by Duke Energy Carolinas, LLC)	STIPULATION AND AGREEMENT
for Approval of Modifications to)	
Residential HVAC Energy Efficiency Program)	
)	

DOCKET NO. E-2, SUB 936

In the Matter of)	
)	
Request by Duke Energy Progress, LLC)	STIPULATION AND AGREEMENT
for Approval of Modifications to)	
Residential Home Energy Improvement)	
Program)	

Duke Energy Carolinas, LLC ("DEC") and Duke Energy Progress, LLC ("DEP") (collectively, the "Companies," and each individually, a "Company"), and the Public Staff (collectively with the Companies, the "Stipulating Parties"), through counsel and pursuant to N.C. Gen. Stat. § 62-69, respectfully submit the following Agreement and Stipulation of Settlement ("Stipulation") for consideration by the North Carolina Utilities Commission ("Commission") in the above-captioned dockets.

The Stipulating Parties hereby agree and stipulate as follows:

1. On October 2, 2015, DEC filed an application seeking approval of modifications to its Residential HVAC Energy Efficiency Program in Docket No. E-7, Sub 1032. Also on October 2, 2015, DEP filed an application seeking approval of the same modifications to its Residential Home Energy Improvement Program in Docket No. E-2, Sub 936. The proposed modifications include:

- replacement of the existing single initial/maximum incentive structure for replacement HVAC equipment, with a three-tier incentive structure based on the efficiency of the new HVAC system;
- addition of a programmable, Wi-Fi-enabled smart thermostat measure;
- addition of a “quality installation” provision to encourage the proper installation of HVAC systems; and
- addition of a referral channel to guide interested customers to one or more Company-approved HVAC contractors who have paid a fee to be on the referral list.

The Residential HVAC Energy Efficiency Program, including these proposed modifications filed on October 2, 2015, and the Residential Home Energy Improvement Program, including the proposed modifications filed on October 2, 2015, are referred to herein collectively, as the “Programs,” and each individually, a “Program.”

2. On October 30, 2015, the Commission granted the Public Staff and other interested parties an extension of time until December 2, 2015, to file a protest, an intervention, or comments regarding the Programs.

3. On November 5, 2015, the North Carolina Building Performance Association filed a letter in support of the Companies’ applications.

4. On December 2, 2015, the Southern Environmental Law Center, on behalf of the Natural Resources Defense Council, the Sierra Club, the South Carolina Coastal Conservation League, and Southern Alliance for Clean Energy (collectively, "SELC") filed a letter in support of the Companies' applications and offered several recommendations.

5. On December 4, 2015, the North Carolina Sustainable Energy Association ("NCSEA") filed a letter in support of the proposed modifications to the Programs and also offered recommendations.

6. On December 2, 2015, the Public Staff filed comments on the proposed modifications to the Programs, in which the Public Staff raised concerns about the Programs' cost-effectiveness and offered recommendations.

7. On December 14, 2015, DEC and DEP filed reply comments in each respective Docket. In their reply comments, in order to address the Public Staff's concerns, each Company proposed that it file quarterly reports on customer costs, and that the Programs as modified continue through March 2017, at which time they could be reevaluated.

8. As a result of negotiations conducted after the filing of DEC's and DEP's applications, subsequent discovery and investigation, the filing of comments and reply comments, and before the date of this Stipulation, the Stipulating Parties reached the following agreement:

9. The Stipulating Parties agree that the Programs, including the proposed modifications filed on October 2, 2015, will continue to be offered through March 31, 2017.

10. Approval of the Programs through March 31, 2017, is subject to the following conditions:

- a. In their determination of cost-effectiveness testing for Vintage Year 2016 (and 2017, as applicable) and for the long-term as of March 1, 2017, DEP and DEC will update:
 - i. Each Company's avoided capacity and energy costs as required by its respective Demand-Side Management/Energy Efficiency ("DSM/EE") cost recovery mechanism, taking into account the applicable avoided cost and Integrated Resource Plan filings and proceedings as of December 31, 2016; and,
 - ii. Customer out-of-pocket costs used in the cost-effectiveness testing based on December 31, 2016, estimates.
- b. Each Company will determine whether or not it will need to make adjustments applicable to recovered net lost revenues ("NLR") and Portfolio Performance Incentive ("PPI") amounts applicable to Vintage Years 2016 and 2017, as applicable. If the applicable program (1) proves not to be cost-effective for Vintage Year 2016 (and 2017, as applicable) under the Total Resource Cost ("TRC") test, or (2) is projected to not be cost-effective over the life of the program under the TRC test, the Companies will remove, and return to customers via the DSM/EE Experience Modification Factor rider, any NLR and PPI associated with the Programs in the true-up of Vintage Years 2016 and 2017, as applicable, in their respective 2017 (or 2018, if necessary) annual DSM/EE rider filings.

- c. Each Company will terminate its respective Program effective March 31, 2017, if the Program is not cost-effective for the long term under the TRC by March 31, 2017.

11. The Stipulating Parties agree that the Companies shall adopt the following recommendations of the Public Staff:

- a. The efficiency standard applicable to geothermal heat pumps be retained (Energy Efficiency Ratio of 16) and that impacts associated with this measure be calculated using this baseline efficiency standard;
- b. That once each Company has finalized its Trade Ally or contractor agreement for the referral channel and prior to program implementation, the Company shall file a template of the agreement with the Commission on an informational basis, and the Public Staff will have an opportunity to review and file comments, if it deems such filing necessary, on the agreement. If the Company wishes to update the agreement, it will work with the Public Staff on proposed modifications and will file the updated agreement with the Commission on an informational basis.
- c. That once each Company has finalized its checklist for the quality installation measure that it will use to qualify customers for the incentive and prior to program implementation, the Company shall file the checklist with the Commission on an informational basis, and the Public Staff will have an opportunity to review and file comments, if it deems such filing necessary, on the checklist. If the Company wishes to update the checklist, it will work with

the Public Staff on proposed modifications and will file the updated checklist with the Commission on an informational basis.

12. The Stipulating Parties agree that with respect to Evaluation, Measurement and Verification ("EM&V") of the Programs, unless the Companies demonstrate that the following is cost-prohibitive or not practicable, that each Company include in its next EM&V report subsequent to the Stipulation for its respective Program the following:

- a. For the smart thermostat measure, an assessment of the mechanisms that produce savings impacts, the actions taken by customers to interact with the smart thermostats that produce savings impacts, and a calculation of the actual kilowatt (kW) and/or kilowatt-hour (kWh) impacts for each mechanism (on a total or per customer basis as determined by the EM&V evaluator);
- b. For the quality installation measure, the EM&V evaluator should audit a sample of the contractor installations to determine compliance with the quality installation criteria, and report on its audit;
- c. With respect to customers who install multiple Program measures, the EM&V evaluator should develop an algorithm or audit process that can determine the savings impacts for each measure separately, to avoid double-counting of savings impacts; and
- d. To better understand the impact of the bundling of measures in the Programs, the EM&V evaluator should attempt to determine how participation in one Program measure impacts the participation in other Program measures. The EM&V should include a summary of the cross-participation between measures and identify which measures drive participation in other measures.

13. The Stipulating Parties agree to discuss SELC's recommendations raised in its December 2, 2015, letters and NCSEA's recommendations for the Programs raised in its December 4, 2015, letter in the next meeting of each Company's Carolinas Energy Efficiency Collaborative.

14. The Stipulating Parties shall act in good faith and use their best efforts to recommend to the Commission that this Stipulation be accepted and approved. The Stipulating Parties intend to support the reasonableness of this Stipulation before the Commission and in any appeal from the Commission's adoption or enforcement of this Stipulation.

15. Neither this Stipulation nor any of its terms or conditions shall be admissible in any court or before the Commission except insofar as the Commission is addressing litigation arising out of the implementation of the terms herein or the approval of this Stipulation. This Stipulation shall not be cited as precedent by any of the Stipulating Parties with regard to any issue in any other proceeding or docket before this Commission or in any court.

16. The provisions of this Stipulation do not reflect any position asserted by any of the Stipulating Parties, but reflect instead the compromise and settlement among the Stipulating Parties as to all of the issues covered hereby.

17. The Stipulation is the product of negotiation between the Stipulating Parties, and no provision of this Stipulation shall be strictly construed in favor or against any Party.

18. This Stipulation is the product of negotiation and compromise on a complex set of issues, and no portion of this Stipulation is or will be binding on any of the Stipulating Parties unless the entire Agreement and Stipulation is accepted by the Commission.

19. This Stipulation may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Execution by facsimile signature shall be deemed to be, and shall have the same effect as, execution by original signature.

The foregoing is agreed and stipulated to this the 4th day of February, 2016.

Duke Energy Carolinas, LLC

By: 

Duke Energy Progress, LLC

By: 

Public Staff - North Carolina Utilities Commission

By: 