cleanenergy.org
Southern Alliance for Clean Energy

October 31, 2022

Ms. Shonta Dunston
Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Comments of the Southern Alliance for Clean Energy Regarding the Low-Income Affordability Collaborative (LIAC) and Final Report Filed by Duke Energy and Public Staff, Docket Nos. E-2, Sub 1219 and E-7, Sub 1214

To the Commission:

I. Importance of the LIAC and the Valuable Contributions of its Participants

The creation of the Low-Income Affordability Collaborative (LIAC) was a timely and appropriate first step in response to the very real and consequential issue of unaffordable energy bills for large portions of Duke Energy's customer base. The Commission is to be commended for recognizing the importance of this issue, and for providing clear expectations and deliverables to help guide the work of the LIAC. In response to the Commission's direction, the LIAC prioritized a) increased understanding of affordability challenges through data gathering and analysis, b) assessment of current program offerings and their adequacy for meeting customer needs, and c) development of recommendations to help resolve affordability issues and reduce high energy burdens.

The LIAC was a collaboration of many individuals and organizations, which provided a diversity of perspectives, a wealth of useful information, and a focus on translating what we learned into actionable recommendations. Duke is to be commended for the significant amount of effort it put into collecting and analyzing data, providing related information to the group in ways that facilitated discussion, and its openness to the LIAC's efforts to develop substantive recommendations for future action. The LIAC facilitator, Guidehouse provided structure and collaboration tools to manage a complex stakeholder process, while also being responsive to stakeholder requests for the creation of a formal process through which actionable recommendations could be developed and vetted by the LIAC. Public Staff committed considerable time to the process, and ultimately highlighted the importance of strategies that combined both financial assistance and energy efficiency to achieve lasting benefits. Finally, all participants should be recognized for the tremendous amount of time and effort they gave to this process, with special recognition to the organizations who strove to pro-actively develop a comprehensive array of recommendations aimed at overcoming affordability barriers and serving the diverse needs of Duke's low-income customers.

II. Looking Ahead

The work of the LIAC answered many questions about energy affordability and provided an array of strategies that, if implemented, will substantially improve the lives of low-income customers. But how will the work of the LIAC be carried forward? Will the recommendations be considered in a structured, comprehensive, and coherent manner? And most importantly, with conclusion of the work laid out for the LIAC by the Commission,[1] will action now be taken to implement the group's recommendations?

In testimony filed as part of the most recent DEP DSM/EE Recovery Rider proceeding, I recommended that Duke annually report on the steps it is taking to (1) increase participation and achieve higher total savings for low-income customers and (2) help bridge the gap between existing efficiency offerings and the scale of need identified by the Low-Income Affordability Collaborative. Commission guidance, continued work, and regular reporting on progress will greatly increase the likelihood that real progress will be made on improving energy affordability for low-income customers, as discussed further below.

III. The Large Scale and Range of Affordability Issues Require Comprehensive Solutions

The report filed by Duke Energy and Public Staff states that approximately 29% of DEC and DEP residential accounts fall below 200% of the Federal Poverty Guideline, and therefore qualify as low-income for Duke's income-qualified efficiency programs.[2] This equates to an estimated 900,000 households meeting the low-income criteria.[3] Further analysis indicates that approximately 490,000 households meet Duke's definition for struggling with arrears.[4]

Over the course of the LIAC's work, it became abundantly clear that the scale of customer need far exceeds the availability of existing support services, and that short term financial assistance must be coupled with energy efficiency to ultimately resolve customers' persistent energy affordability issues. The Duke Energy / Public Staff LIAC Report noted "Low-income households, specifically LIEAP/CIP recipients and arrears struggling households, on average have much higher energy intensity than non-low-income customers,"[5] which reinforces the need for energy efficiency services. Another important insight that showed up clearly in the data was that individual circumstances differ among

[1] Order Accepting Stipulations, Granting Partial Rate Increase, and Requiring Customer Notice, Docket No. E-7, Sub 1214 (Mar. 31, 2021).
[2] Joint filing of Duke Energy and Public Staff, "LIAC Final Report," August 12th, 2022, pg. 9.
[3] Id.
[4] Id., pg. 10.
[5] Id., pg. 11.

low-income customer households, suggesting that there is no one-size-fits-all solution. A few of the key subsegments of low-income customers identified in the report are 1) rural households, 2) younger customers, 3) customers living in low-value housing, and 4) multi-family and mobile/manufactured homes households, and 5) rental households.[6]

SACE's comments here primarily focus on the intersection between low-income customers' ability to pay their energy bills, and opportunities to address underlying affordability issues through enhanced utility energy efficiency offerings. SACE was an active participant in LIAC discussions related to non-efficiency issues and strategies as well, and we strongly support addressing energy insecurity through a comprehensive approach that includes an array of other program recommendations proposed through the LIAC. But SACE defers on these non-efficiency issues to the other organizations who co-submitted recommendations leading up to the LIAC "Pitch Day" this past spring. We have also reviewed and endorse the comments being filed on this matter by SELC and the North Carolina Justice Center, with whom we worked closely throughout the LIAC process.

Duke Energy's current income-qualified energy efficiency offerings provide a good foundation on which to build, though there currently appears to be no correlation between the number of customers the companies serve on an annual basis[7] and the scale of need represented by the number of low-income customers and customers struggling with arrears noted above. Even for customers who do participate in Duke's largest income-qualified efficiency program, Neighborhood Energy Saver, the level of individual savings are unlikely to significantly improve energy affordability, due to the relatively shallow level of savings historically delivered by the program.[8] Preliminary findings from a separate study of low-income household participation in non-income qualified programs[9] point to similar dynamics, with low-income households accessing Duke's standard efficiency program offerings at levels well below customer need. Ultimately, the LIAC showed that significantly increasing and expanding Duke's energy efficiency offerings is key to addressing the root causes of unaffordable energy costs for the Company's low-income customers.

For many stakeholders participating in the LIAC it was important to not only understand the affordability challenges facing low-income customers, but to also develop actionable solutions to resolve the underlying causes of energy unaffordability. More than half of the solutions proposed through the LIAC related to energy efficiency, and a collective effort was made to ensure these recommendations would comprehensively address the diverse needs of low-income households. For instance, there were recommendations to:

---

[6] Id.
[7] DEC served roughly 10,000 low-income customers with its Income-Qualified Weatherization program (including NES) prior to the pandemic, and DEP served about 5,000 with its NES program. Both have continued to project similar levels in their respective annual DSM/EE Riders, though actual performance since the pandemic has been much lower.
[8] The recently deployed NES 2.0 is a step in the right direction, by providing deeper savings measures to select NES participants with comparatively high energy intensity.
[9] As indicated by the Low- and Moderate-Income Energy Efficiency Participation Study, currently underway, that was authorized by the Commission following the most recent Duke Mechanism proceeding.

- Increase Duke Energy Progress' income-qualified efficiency spending and savings to levels at least proportionate to those at Duke Energy Carolina,
- Provide deep efficiency retrofits to customers with high energy use and customers struggling with arrears,
- Address efficiency readiness by providing required incidental and health and safety repairs that would otherwise stand as a barrier to deeper efficiency retrofits,
- Expand efficiency offerings for residents of multi-family and manufactured homes,
- Accelerate deployment of high efficiency Heat Pump Water Heaters,
- Offer on-bill repayment options for efficiency upgrades,
- Increase accessibility to Duke's standard efficiency program offerings with a carve-out of enhanced incentives for low-income customers, and
- Leverage direct financial bill-pay assistance together with efficiency to address energy affordability over both the short- and long-term.

These recommendations received strong support from the LIAC as a whole, suggesting that they have an important role to play in addressing energy affordability and warrant Commission attention.

IV. Recent Developments and Progress to Date

Several of the recommendations above have seen progress since the start of the LIAC. This summer, Duke filed applications to the North Carolina Utilities Commission for a DEP Income-Qualified Weatherization program and a DEC Residential Income-Qualified High Energy Use Pilot. If approved, which SACE supports, the new DEP program would also start to close the spending and savings gap between DEP and DEC on income-qualified program offerings. The Helping Home Fund (which was renewed in the last rate case) continues to assist customers with incidental and health and safety repair needs to enable them to access efficiency programs, and the recently filed Duke rate cases offers another opportunity to replenish these vital funds. Duke also filed two tariffed on-bill programs that aim to unlock additional energy efficiency investment including for low-to-moderate income populations. As noted above, a study is currently underway to evaluate participation by low- and moderate-income households in Duke's standard (non-income qualified) energy efficiency program offerings, which could further inform and validate the LIAC recommendation for a carveout with higher incentives for low-income customers. Nearly all of this progress has followed specific direction contained in previous Commission Orders, which points to the vital role the Commission has already played and continues to play in guiding further action going forward on customer energy affordability.

Another major development that warrants close attention is the deployment of new federal efficiency funds through the Infrastructure Investment and Jobs Act and the Inflation Reduction Act. These new sources of funding have the potential to greatly enhance efforts by Duke, the NCUC, and other relevant stakeholders to address energy affordability issues in the Carolinas. However, for best results it would be wise for all parties to proactively approach this new opportunity together. This should, at the least, include direct engagement and coordination between the utility and state agencies receiving federal efficiency funding to identify ways to leverage multiple funding streams (particularly for low-income customers), align and amplify marketing to avoid unnecessary confusion by the public, and potentially seek ways to reduce administrative overhead by cooperating in program delivery. The Commission may also have a role in directing and / or overseeing progress on such coordination of funding and program delivery. With energy costs still on the rise, increasing the scale of investment in energy efficiency is common sense, but the best possible outcomes will go to those who are pro-active in their approach.

V. Dramatic Decline in Duke's Low-Income EE Performance Since the Start of the Pandemic

Despite recent progress and the good work of the LIAC to identify actionable recommendations to address energy affordability, recent performance trends for Duke's income-qualified efficiency programs are a serious cause for concern. Since the COVID-19 pandemic began in 2020, Duke's income-qualified efficiency program savings performance has plummeted by over 75% from pre-pandemic levels. Meanwhile, Duke's multifamily efficiency program savings fell be approximately 90%.[10] Savings performance declines for these programs were many times greater than for Duke's residential programs as a whole. Unfortunately, this period of time corresponds with major economic turmoil that has significantly intensified energy insecurity for Duke's low-income customers, serving as a combined double whammy against energy affordability.

VI. Next Steps and Request for Specific Commission Direction

It is against this backdrop that we call for continued action to follow through and implement the recommendations of the LIAC. Commission direction led to the creation of the LIAC in the first place, and the most meaningful progress to date has also been the product of Commission Orders in other proceedings. Continued guidance from the Commission may very well mean the difference between achieving tangible results that actually lower energy burden for Duke's many low-income households, or the work of the LIAC becoming nothing more than a summary report with no real impact. While the Energy Efficiency Collaborative may serve as a tool to help further develop some of the recommendations of the LIAC, past experience has shown that such work will be far more likely to succeed if it is backed by Commission Orders directing specific progress reporting and required deliverables. Our testimony in the most recent DEP DSM/EE Rider included the following recommendations:

- I recommend the Commission direct DEP to seek new ways to increase participation and achieve higher total savings for low-income customers to help bridge the gap between existing efficiency offerings and the scale of need indicated by the work of the Low-Income Affordability Collaborative.
- I recommend the Commission direct [Duke Energy] to report on an annual basis the initiatives it is working on to increase participation and achieve higher total savings for low-income customers to help bridge the gap between existing

[10] DEP and DEC Riders (E-7 Sub 1265, pg. 9).

efficiency offerings and the scale of need reflected in the work of the Low-Income Affordability Collaborative. For each initiative, the report should include:

- A narrative overview of the initiative;
- An indication of whether and how many times Duke met with EE Collaborative stakeholders while developing this initiative;
- Details on the status of (a) measure selection, (b) input assumptions, (c) cost effectiveness evaluation, (d) anticipated annual participation and kWh savings;
- An update on which program development milestones have been completed, which remain, and an anticipated timeline for conclusion of the process;
- An indication on whether and approximately when the Company anticipates implementing program the initiatives or submitting an application to the Commission for approval; and
- A description of the expected impacts of the initiatives if implemented as planned.

We can solve energy insecurity but it will take continued hard work. But that work will be made easier by knowing that Duke, Public Staff, stakeholders, and the Commission will continue to be committed to implementing the recommendations of the LIAC with the same collaborative spirit around which the LIAC was created.

Thank you for your consideration of these important issues.

Sincerely,

Forest Bradley-Wright

Forest Bradley-Wright
Energy Efficiency Director
Southern Alliance for Clean Energy
forest@cleanenergy.org
(504) 208-7597