

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION  
DOCKET NO. E-100, SUB 194

In the Matter of:	)	
Biennial Determination of Avoided	)	
Cost Rates for Electric Utility	)	<b>INITIAL COMMENTS</b>
Purchases from Qualifying	)	<b>OF THE SOUTHERN ALLIANCE</b>
Facilities – 2023	)	<b>FOR CLEAN ENERGY</b>

The Southern Alliance for Clean Energy (SACE) submits these Initial Comments pursuant to the Order Establishing Biennial Proceeding, Requiring Data, and Scheduling Public Hearing (Order Establishing 2023 Biennial Proceeding) issued by the North Carolina Utilities Commission (NCUC or Commission) on August 7, 2023. These Initial Comments address the proposed Net Excess Energy Credit (NEEC) in the initial statement filed by Duke Energy Carolinas, LLC (DEC), Duke Energy Progress, LLC (DEP) (together Duke).

1. Since 2007, the renewable energy and energy efficiency industries have invested over \$31 billion to the state’s economy, with a total economic impact of over \$59 billion. Jeffrey Petrusa, et al., RTI International, Economic Analysis of Clean Energy Development in North Carolina at 4, 15 (2023) (Att. 1, RTI Report).<sup>1</sup>

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<https://energync.app.neoncrm.com/np/viewDocument?orgId=energync&id=402889188ab01978018ab40b72ba0065>.

2. The clean energy workforce in North Carolina totals over 105,000, and the solar industry alone currently employs over 9,000 people in the state.

NCSEA, et al., Clean Jobs North Carolina at 1, 2 (2023) (Att. 2, NCSEA Report).<sup>2</sup>

3. Investments in solar energy in the United States create nearly three times the number of jobs per dollar spent as investments in fossil fuels. Joel Jaeger, et al., The Green Jobs Advantage: How Climate-Friendly Investments Are Better Job Creators at 13 (2021) (Att. 3).<sup>3</sup>

4. However, clean energy investment in North Carolina has declined since 2017, even despite the state's groundbreaking bipartisan 2021 energy legislation, House Bill 951 (H951, enacted as Session Law 2021-165). Att. 1, RTI Report at 7.

5. Net energy metering aligns with the policy goals of the state of North Carolina, codified in H951, to reduce carbon emissions from the electric power sector by 70% from 2005 levels by 2030 and to net zero by 2050. See Joint Application of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC for Approval of Net Energy Metering Tariffs in Compliance with G.S. § 62-126.4 and House Bill 951 at 2, 20, *In the Matter of Investigation of Proposed Net Metering Policy Changes*, Docket No. E-100, Sub 180 (N.C.U.C. Nov. 29, 2021) (2021 Duke NEM Application);<sup>4</sup> Order Approving Power Pair Pilot Program with Conditions, and Approving Modifications to EnergyWise and Power Manager

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<https://energync.app.neoncrm.com/np/viewDocument?orgId=energync&id=40288a348bc7e96f018bca4a5d58009c>.

<sup>3</sup> <https://files.wri.org/d8/s3fs-public/2021-10/the-green-jobs-advantage-how-climate-friendly-investments-are-better-job-creators.pdf>.

<sup>4</sup> <https://starw1.ncuc.gov/NCUC/ViewFile.aspx?Id=0123106b-d977-4a0a-8ca1-f27c1968d8b9>. (Initially filed in other dockets.)

Residential Load Control Programs at 2, *In the Matter of Application by Duke Energy Progress, LLC, for Approval of PowerPair<sup>SM</sup> Solar and Battery Installation Pilot Program Pursuant to Order of the North Carolina Utilities Commission*, Docket No. E-2, Sub 927, and *In the Matter of Application by Duke Energy Carolinas, LLC, for Approval of PowerPair<sup>SM</sup> Solar and Battery Installation Pilot Program Pursuant to Order of the North Carolina Utilities Commission*, Docket No. E-7, Sub 1261 (N.C.U.C. Jan. 11, 2024) (describing proposed PowerPair pilot and evaluation of potential for carbon emission reductions).<sup>5</sup>

6. Accordingly, it is important to make sure that net-metering rates accurately compensate customers that invest in rooftop solar to avoid undermining the goals and values described above, and the NEEC is an important part of that calculation.

7. The NEEC is the rate that net-metering customers receive for net excess energy exported to the grid—above and beyond the level of the customer’s consumption—within a given pricing period (one month). See 2021 Duke NEM Application at 15-16 (discussing netting and exports under MOU proposal); Order Approving Revised Net Metering Tariffs at 14, *In the Matter of Investigation of Proposed Net Metering Policy Changes*, Docket No. E-100, Sub 180 (N.C.U.C. Mar. 23, 2023) (2023 NEM Order) (discussing Public Staff’s review of NEEC).<sup>6</sup>

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<sup>5</sup> <https://starw1.ncuc.gov/NCUC/ViewFile.aspx?Id=948d1a90-bc99-4a0f-a9f1-7fc5b3be2830> (also filed in other dockets).

<sup>6</sup> <https://starw1.ncuc.gov/NCUC/ViewFile.aspx?Id=1452268d-1905-4d1e-a5c8-a9e84351e53a>.

8. For many years, credit for net excess energy that net-metering customers exported to the grid was rolled over from month to month until it was zeroed out annually at the beginning of summer, meaning net metering did not interact directly with Public Utility Regulatory Policies Act (PURPA) avoided cost rates. See 2021 Duke NEM Application at 4-5 (discussing history of NEM); Joint Initial Comments of the North Carolina Sustainable Energy Association, Southern Alliance for Clean Energy, and Vote Solar at 1-5, *In the Matter of: Investigation of Proposed Net Metering Policy Changes*, Docket No. E-100, Sub 180 (N.C.U.C. Mar. 29, 2022) (same).<sup>7</sup>

9. Although NEM generating facilities are not deemed to be PURPA qualifying facilities (QFs), the Commission determined that it would be appropriate to base the NEEC on avoided cost rates and to establish the calculation of the NEEC in biennial avoided cost proceedings. 2023 NEM Order at 38-39.

10. The Commission explained that the record in the NEM proceeding relative to including the benefits of avoided transmission and distribution (T&D) costs in the NEEC was inconclusive and it did not require that those benefits be added to the NEEC calculations at that time, but determined to revisit the matter in future avoided cost proceedings. *Id.* at 36.

11. The Commission established the first NEEC rates in the 2021 biennial avoided cost proceeding. Order Establishing Net Excess Energy Credit for NEM Tariff, *In the Matter of Biennial Determination of Avoided Cost Rates for*

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<sup>7</sup> <https://starw1.ncuc.gov/NCUC/ViewFile.aspx?Id=11b2198c-0d4c-4375-9029-01d69dbcd45e>.

*Electric Utility Purchases from Qualifying Facilities – 2021*, Docket No. E-100, Sub 175 (N.C.U.C. Aug. 4, 2023) (2023 NEEC Order).<sup>8</sup>

12. The Commission determined that a 5-year term was appropriate, but remained open to further discussion of the appropriateness of a longer term. *Id.* at 4.

13. When parties to the 2021 biennial avoided cost proceeding drafted their comments on the NEEC and other issues, the Commission had not yet issued an order on Duke's proposed NEM tariffs, meaning it was not yet clear whether any form of NEEC would go into effect and issues surrounding its calculation were therefore to some degree speculative. *See id.* at 1-2 (reviewing procedural history).

14. Two principles guided SACE's review of Duke's proposed NEEC in this proceeding: (1) it should accurately compensate rooftop solar customers for the costs that their solar generating facilities allow Duke to avoid, *see* N.C. Gen. Stat. § 62-156(b)(2), and (2) the proposed NEEC should comply with the law and the Commission's prior orders.

15. SACE retained an expert consultant, Justin Barnes of EQ Research, to assist with review of Duke's proposed NEEC, including the underlying workpapers.

16. Mr. Barnes' comments are attached as Attachment 4 and his curriculum vitae is attached as Attachment 5.

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<sup>8</sup> <https://starw1.ncuc.gov/NCUC/ViewFile.aspx?Id=cfe5c1b-5955-4cbd-84ed-8b1dfacac1bf>.

17. The attached comments by Mr. Barnes offer a review of Duke's calculation of the proposed NEEC and discuss certain improvements in line with the principles guiding SACE's review noted above.

WHEREFORE, SACE requests that the Commission require Duke to revise its NEEC calculation consistent with Mr. Barnes' recommendations.

Specifically, the revised calculation should:

1. be based on a time horizon of 10 years or longer;
2. incorporate a distribution line loss factor in addition to the line loss factors used for distribution-connected QFs; and
3. include avoided T&D costs, based on the methodological framework recommended by Mr. Barnes, in response to the continued absence of information concerning avoided T&D costs in Duke's filing.

Respectfully submitted this 21st day of February, 2024.

/s/ Nicholas Jimenez  
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CERTIFICATE OF SERVICE

I certify that all parties of record on the service list have been served with the foregoing filing either by electronic mail or by deposit in the U.S. Mail, postage prepaid.

This the 21st day of February, 2024.

s/ Nicholas Jimenez  
Nicholas Jimenez