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April 11, 2018

VIA ELECTRONIC FILING

Lynn Jarvis
Chief Clerk
North Carolina Utilities Commission
430 North Salisbury Street
Raleigh, North Carolina 27606-5926

Re: **Proposed Modifications by Duke Energy Carolinas, LLC and Duke Energy Progress, LLC to their Nonresidential Smart \$aver Energy Efficient Products and Assessment Programs and the Nonresidential Smart \$aver Performance Incentive Programs (Docket Nos. E-7, Sub 1032, E-2, Sub 938 and E-2, Sub 1126)**

Dear Ms. Jarvis:

The Southern Alliance for Clean Energy (“SACE”) and the North Carolina Sustainable Energy Association (“NCSEA”) write to express support for the proposed modifications filed in the above-referenced dockets by Duke Energy Carolinas, LLC (“DEC”) and Duke Energy Progress, LLC’s (“DEP”) (together, the “Companies”) to their respective Nonresidential Smart \$aver Energy Efficient Products and Assessment (“EEPA”) Programs and the Nonresidential Smart \$aver Performance Incentive (“PI”) Programs.

In an August 1, 2017 decision by the North Carolina Court of Appeals in Docket No. COA16-1067, the Court determined that topping-cycle combined heat and power (“CHP”) systems qualify as energy efficiency measures pursuant to the state’s Public Utilities Act, and that such systems are therefore eligible for incentives under utility-sponsored energy efficiency programs. In response to that ruling, the Companies have proposed modifications that would remove CHP from their Nonresidential EEPA Programs, and make topping-cycle CHP systems, as well as bottoming-cycle CHP systems, eligible for incentives under their Nonresidential Smart \$aver PI Programs.

SACE and NCSEA support the Companies’ proposed program modifications. Significant potential exists for additional deployment of CHP in North Carolina to help our universities, manufacturers, and other large energy users save energy and money.

Offering incentives for topping-cycle CHP systems will assist with the up-front costs of installation and incentivize greater adoption of CHP amongst DEP's commercial and industrial customers. In addition, by offering incentives for topping-cycle CHP, the proposed modifications will encourage opt-out-eligible customers to participate in DEP's energy efficiency programs. Importantly, while the customers installing topping-cycle CHP systems experience significant energy and cost savings, the benefits of CHP are much more widespread. Cost-effective energy efficiency programs reduce the need for expensive utility investments such as new power plants and grid upgrades, thereby reducing costs system-wide and benefiting all customer classes.

In its comments filed today, the Public Staff states that while it does not object to the proposed modifications, it is concerned about the cost-effectiveness of CHP projects, as well as impacts to non-participating customers via the energy efficiency ("EE") rider. SACE and NCSEA agree that only cost-effective projects (as determined by the Total Resource Cost and Utility Cost tests) should be eligible for incentives under the modified PI Programs. With regard to the rider impacts of eligible CHP projects, the Companies' annual DSM/EE rider proceedings will allow the Commission, the Public Staff and interested parties to monitor the impacts to the rider of any new CHP projects receiving incentives under the modified PI Programs, and for the Commission to take corrective action, if necessary. In addition, SACE and NCSEA agree with the Public Staff that upcoming reviews of the Companies' respective DSM/EE cost recovery and incentive mechanisms will provide an opportunity to examine important issues related to opt-outs, as well as how to maximize cost-effective investments to the benefit of all customers.

SACE and NCSEA are pleased to support the Companies' proposed modifications to their nonresidential Smart Saver programs, and respectfully request that the proposed modifications be approved. Thank you for the opportunity to provide comments, and please feel free to contact either of us with any questions.

Sincerely,
s/ Gudrun Thompson
Attorney for SACE

s/Peter Ledford
Attorney for NCSEA

cc: Parties of Record (via email)