

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2020-83-E - ORDER NO. 2020-593
SEPTEMBER 16, 2020

IN RE: Application of Duke Energy Carolinas, LLC) ORDER APPROVING
for Approval of Demand-Side Management) RIDER 12
and Energy Efficiency Rider 12, Increasing)
Residential Rates and Decreasing Non-)
Residential Rates)

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the Application of Duke Energy Carolinas, LLC’s (“Company” or “DEC”) seeking approval of Rider 12 for its energy efficiency and demand side management programs first approved in Docket No. 2013-298-E, by Order No. 2013-889. Under Order No. 2013-889, the cost recovery model allows the Company to recover (1) all reasonable and prudent costs incurred for the adoption and implementation of new DSM/EE programs; (2) net lost revenues associated with a particular vintage of EE programs for a maximum of three years or the life of the measure; and (3) an earned incentive equal to 11.5% of the net benefits achieved through the programs. Specifically, DEC is seeking recovery of \$77,043,996 with \$45,335,574 (or 59%) attributed to residential customers and \$31,708,422 (or 41%) attributed to non-residential customers to cover the revenue requirements of Rider 12. The requested rate under the Rider is 0.6878 ¢/kWh for residential customers and 0.6788 ¢/kWh for non-residential customers.

As background, on March 2, 2020, the Company filed an Application for approval of Rider 12 in Docket No. 2020-83-E. On May 11, 2020, the Company filed amendments

to the original filing to correct three errors discovered by the Company. The correction of these errors resulted in a slight reduction to the original filed rates. Rider 12 consists of prospective amounts for Vintages 2020 and 2021, along with true-up components and recovery of lost revenues under previous vintages, namely Vintages 2016, 2017, 2018, and 2019. The amended Rider 12 billing factors, which are based solely on the revised cost recovery method, will apply to the billing period January 1, 2021, through December 31, 2021.

The Company's filing includes requests for cost recovery encompassing twenty-one (21) DSM/EE programs. The residential programs include Energy Efficiency Education, Energy Assessments, My Home Energy Report, Energy Efficient Appliances and Devices, HVAC Energy Efficiency, Income Qualified Energy Efficiency and Weatherization Assistance, Multi-Family Energy Efficiency, and Power Manager. The non-residential programs include Smart Saver Custom Technical Assessments, Smart Saver Custom, Smart Saver Energy Efficient Food Service Products, Smart Saver Energy Efficient HVAC Products, Smart Saver Energy Efficient Lighting Products, Energy Efficient Pumps and Drives, Energy Efficient ITEE, Energy Efficient Process Equipment Products, Smart Saver Performance Incentive, Small Business Energy Saver, EnergyWise for Business, Power Share, and Power Share Call Option.

A Notice of Filing was published in newspapers of general circulation in the Company's service area. Intervenors in this Docket include NAACP, South Carolina Coastal Conservation League ("CCL"), Southern Alliance for Clean Energy ("SACE"), Upstate Forever, Walmart, Inc., and the South Carolina Department of Consumer Affairs.

The Office of Regulatory Staff (“ORS”) is a party to this proceeding as per S.C. Code Ann. § 58-4-10(B).

Office of Regulatory Staff Report:

The ORS filed its review report (“Report”), which made a recommendation for a reduction of \$15,568 to the Company’s total system program costs to account for the removal of certain expenses that were either not allowable for ratemaking purposes or lacked appropriate documentation for cost recovery. ORS states the impact on the proposed rates from this adjustment is negligible, and DEC has agreed to make correcting journal entries and resulting rate revisions prior to its next Demand Side Management (“DSM”) and Energy Efficiency (“EE”) cost recovery filing.

In addition to the recommended adjustment above, ORS expressed concern that the non-residential EnergyWise for Business (“EWfB”) and non-residential Information Technology Energy Efficient (“ITEE”) Programs have not passed cost effectiveness testing and recommends that the company incorporate the necessary changes to improve their cost effectiveness. In response, DEC states that it will seek ways to improve these programs’ cost effectiveness.

Aside from the EWfB and ITEE programs, ORS is encouraged by the overall cumulative energy savings the programs continue to achieve and finds that the programs continue to perform well. Realized cumulative energy savings have exceeded the anticipated energy savings by forty-six percent (46%) and, although the number of non-residential opt-outs has increased slightly, the Company continues to work directly with large non-residential customers in an effort to entice those customers to participate. ORS

also finds that the updated DSM/EE Rate Riders were developed in accordance with the terms and conditions set forth by the Commission and are based on reasonable estimates of participation in the Company's DSM/EE programs.

ORS concludes that, based on information provided by the Company, the overall portfolio of programs appears to be performing well. In addition to realized cumulative energy savings of the Company's portfolio exceeding anticipated energy savings by approximately forty-six percent (46%), and cumulative peak demand savings through 2019 from DSM programs exceeded forecasted savings by approximately four percent (4%). According to the Report, realized energy savings have been driven by higher than projected energy savings in the residential Energy Efficient Appliances and Devices Program and the non-residential Energy Efficient Lighting Products Program. For the Company's Vintage 2021 EE programs, the average lifetime cost of each kWh saved is estimated by the Company to be 1.8 cents. The average lifetime cost of the demand savings for the Company's Vintage 2021 DSM programs is estimated to be \$38.91 per kW. According to ORS, these results compare favorably with the costs of supply-side generation.

Existing DSM Programs:

Prior to the implementation of the SAW programs, the Company used the North Carolina and South Carolina Interruptible Service ("IS") and Standby Generation ("SG") programs – Rider IS and Rider SG ("Existing DSM Programs") – for demand-side management. Although DEC is working to move the Existing DSM Programs' customers to the new programs, some customers continue to take service under the Existing DSM Programs. The rate recovery for the Existing DSM Programs, which is based on the

recovery of incentives paid, is computed separately from the SAW programs and the revised portfolio of programs. In the Rider 12 filing, the rate recovery for the Existing DSM Programs is included in the prospective portion of Rider 12.

ORS states that it verified that all program costs, avoided costs and lost revenues associated with the Company's IS and SG programs have been excluded from the Company's incentive program, that the program costs associated with the Company's Existing DSM Programs are being recovered as a separate component of Rider EE, and that the recovery of the cost of these programs is consistent with the Company's approved tariff. The total cost of the Existing DSM Programs included in Rider 12 is \$1,276,485.

Avoided Costs:

ORS verified that the avoided energy and capacity costs calculations for Vintages 2014 through 2018 are based on the avoided energy cost rates and avoided capacity cost rates that were approved in Docket No. 2013-298-E. The avoided transmission and distribution ("T&D") costs are based on avoided T&D cost rates developed in a study completed during 2014. However, for Vintages 2019, 2020 and 2021, the Company found that the avoided energy and capacity cost rates had changed by more than 25% and updated those rates accordingly. Due to this significant downward adjustment in the avoided energy and capacity cost rates, the Company has made and is considering additional modifications to the EE and DSM programs to ensure that the programs remain cost effective.

Energy and Peak Demand Savings:

The Company projects that the measures installed in Vintage 2021 will reduce electric usage over the lifetimes of the installed measures by more than 5,824,874 megawatt hours and will provide the capability to reduce the annual one-hour peak usage by 1,031 megawatts. According to ORS, these are considerable savings and may provide DEC the ability to avoid or defer the construction of additional generating facilities.

Opt-Outs:

Under the original SAW programs, industrial customers classified as manufacturing industries that utilized at least 50% of electrical usage for manufacturing could opt-out of the Company's programs. Each eligible customer could opt-out of the EE programs, the DSM programs, or both sets of programs. Under the revised cost recovery mechanism and portfolio of programs (Vintage 2014 and forward), the ability to opt-out was expanded to include non-residential customers that are classified as manufacturing industries or that have an annual consumption of 1,000,000 kWh or greater in the billing months of the prior calendar year and have implemented cost-effective energy efficiency measures. The number of non-residential customers electing to opt-out of the EE programs has increased from 67% in Vintage Year 2014 (based on energy utilization) to 70% in Vintage Year 2019. For the DSM programs, the customers opting out has increased from 60% in Vintage Year 2014 to 63% in Vintage Year 2019.

ORS states it continues to monitor the increasing numbers of non-residential customers that elect to opt-out of the Company's programs. The Company has responded by creating an additional opt-in window during the first week of March in each year, and

also by adding additional programs targeted toward these customers, such as the EnergyWise for Business program.

Intervenors' Comments and DEC's Response:

Walmart does not oppose the Company's proposed rider in this proceeding and reaffirms its willingness and desire to work cooperatively with the Company and ORS. In its comments, Walmart references modifying the Company's opt-out procedures so that they conform to those of Duke Energy Progress. DEC responded that this proceeding is limited in scope to a review of the proposed Rider 12 rates and does not present an opportunity to modify the mechanism approved by Order No. 2013-889, including its opt-out provisions.

NAACP/SACE/CCL filed extensive comments offering views on various components of the Company's EE/DSM programs. These intervenors state that they continue to support DEC's DSM/EE programs and commend DEC for its role as a regional leader for energy efficiency in the Southeast. However, among their comments, NAACP/SACE/CCL propose that:

1. The Carolinas Collaborative develop a "strategic plan" for DEC that includes a project schedule, program modification recommendations, and forecasts for anticipated savings and cost effectiveness levels, and then present final results in a report due January 31, 2021;
2. Self-reporting requirements and a review of DEC policies around opt-out provisions should be priority issues for the Collaborative that may warrant additional input from the Commission;

3. DEC's Income Qualified Energy Efficiency and Weatherization Assistance Program ("IQWAP") and Neighborhood Energy Saver Program ("NES") increase savings to low income customers and deserve priority and better record keeping attributed to these South Carolina programs such that DEC report savings on a state-specific basis rather than as allocated savings in DEC's annual rider filings, particularly with regard to the IQWAP program; and
4. In response to the challenges of COVID-19, DEC implement a round up energy fund, provide a single application for low-income residents to apply for services such as Low Income Home Energy Assistance Program (LIHEAP), Weatherization Assistance Program (WAP), and home rehabilitation, and expand on-bill financing programs.

In summary, SACE, CCL, and the South Carolina State Conference of the NAACP support DEC's request for approval of Rider 12, but request that the Commission require DEC to improve on its low-income program savings in 2021, and direct that DEC further address low-income programs and industrial opt-out through the Collaborative and report back to the Commission with plans on how it will address concerns in those areas.

Among other arguments, DEC maintains this Rider proceeding is limited in scope and not the appropriate forum for modifying components of the Commission-approved mechanism. However, the Company states it looks forward to continuing to work within the Collaborative with SACE, CCL, and other stakeholder-members for the purposes of refining its program offerings and their effectiveness.

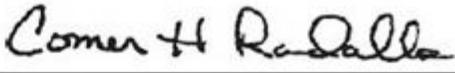
IT IS THEREFORE ORDERED:

1. Based on the information presented in Duke Energy Carolinas amended application and the ORS report, I move that we approve Rider 12 to its demand side management and energy efficiency programs, reduced by \$15,568, as recommended by ORS, along with recovery of costs associated with its existing Interruptible Service and Stand-By Generator programs.

2. Although Duke states that the instant docket is not the forum for the Commission to consider the implementation of the intervenor's comments, DEC has filed an application for approval of revised cost recovery mechanisms for Demand-Side Management and Energy Efficiency in Docket No. 2013-298-E. The comments and issues raised by the Intervenors in the current docket may be addressed in the proceeding reviewing DEC's application of a revised cost recovery mechanism for demand-side management and energy efficiency programs pending in Docket No. 2013-298-E.

3. This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:



Comer H. "Randy" Randall, Acting Chairman

(SEAL)



**PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COMMISSION DIRECTIVE**

ADMINISTRATIVE MATTER DATE August 26, 2020MOTOR CARRIER MATTER DOCKET NO. 2020-83-EUTILITIES MATTER

ORDER NO. _____

SUBJECT:

[DOCKET NO. 2020-83-E](#) - Application of Duke Energy Carolinas, LLC for Approval of Demand-Side Management and Energy Efficiency Rider 12, Increasing Residential Rates and Decreasing Non-Residential Rates - Staff Presents for Commission Consideration the Request for Approval of Duke Energy Carolinas, LLC's Amended Application Regarding Demand-Side Management and Energy Efficiency Rider 12, Increasing Residential Rates and Decreasing Non-Residential Rates.

COMMISSION ACTION:

On March 2, 2020, Duke Energy Carolinas filed an application seeking approval of Rider 12 to its demand side management and energy efficiency programs. In conjunction, Duke also requests that it be allowed to recover the costs of its Interruptible Service and Stand-By Generator programs as a component of Rider 12. On May 11, 2020, DEC filed amended exhibits to correct three errors in the original application. DEC seeks recovery of \$77,043,996 with \$45,335,574 (or 59%) attributed to residential customers and \$31,708,422 (or 41%) attributed to non-residential customers.

The Office of Regulatory Staff filed a review report on this matter. Based on its review, ORS recommends a reduction of \$15,568 to the Company's total system program costs to account for the removal of certain expenses that were either not allowable for ratemaking purposes or lacked appropriate documentation for cost recovery. With the exception of the non-residential Energy Wise for Business program and the non-residential Information Technology Energy Efficient program, ORS found that Duke's other programs continue to perform well and recommends approval. Realized cumulative energy savings have exceeded the anticipated energy savings by forty-six percent (46%), and although the number of non-residential opt-outs has increased slightly, ORS states the Company continues to work directly with large non-residential customers in an effort to entice those customers to participate. ORS also found that the updated DSM and EE Rate Riders were developed in accordance with the terms and conditions set forth by the Commission and are based on reasonable estimates of participation in the Company's DSM and EE programs. Accepting the ORS adjustment, the average residential customer using 1,000 kWh per month would experience an increase of approximately \$1.10 per month, while the average non-residential customer.

Intervenors NAACP, South Carolina Coastal Conservation League, Southern Alliance for Clean Energy, and Upstate Forever have filed extensive comments, particularly with regard to low income programs such as the Neighborhood Energy Saver Program and the Income Qualified Weatherization Program.

Intervenor Walmart has filed comments regarding the ability of non-residential customers to opt out of energy efficiency and demand response measures.

Based on the information presented in Duke Energy Carolinas amended application and the ORS report, I move that we approve Rider 12 to its demand side management and energy efficiency programs for the calendar year 2021, reduced by \$15,568 as recommended by ORS, along with recovery of costs associated with its existing Interruptible Service and Stand-By Generator programs.

Lastly, while Duke states that the instant docket is not the forum for the Commission to consider the implementation of the intervenor's comments, I note that DEC has filed an application for approval of revised cost recovery mechanisms for Demand-Side Management and Energy Efficiency in Docket No. 2013-298-E. The comments and issues raised by the Intervenor in the current docket may be addressed in the proceeding reviewing DEC's application of a revised cost recovery mechanism for demand-side management and energy efficiency programs pending in Docket No. 2013-298-E.

PRESIDING: Randall

SESSION: Regular

TIME: 2:00 p.m.

	MOTION	YES	NO	OTHER	
BELSER	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
ERVIN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		voting via videoconference
HAMILTON	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		voting via videoconference
HOWARD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		voting via videoconference
RANDALL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
WHITFIELD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
WILLIAMS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<u>Absent</u>	Military Leave

(SEAL)

RECORDED BY: J. Schmieding

