





As NCSEA's members and supporters know painfully well, getting any clean energy resource or innovation from 0 percent to 1 percent of the market is usually the hardest, longest section along the road to achieving universally affordable and accessible clean energy. In early 2018, Duke Energy and Duke Energy Progress achieved 1 percent annual energy efficiency. A target that took 13 years to set and achieve.

In 2005, NCSEA created a coalition to bring attention to the absence of energy efficiency in Duke Energy's portfolio and motivate the Utilities Commission to create a stakeholder process to define energy efficiency's potential and how Duke Energy should start to use it in their long-range plans. This led to:

- NCSEA and Public Staff revising the Integrated Resource Planning (IRP) rules to require energy efficiency in the utility IRP;
- Our coalition stopping one of two new coal units from being constructed, and the Utilities Commission ordering instead that Duke Energy should spend 1 percent of annual revenues on energy efficiency; and
- Sufficient support for energy efficiency to advocate for its inclusion in the 2006 Utilities Commission sponsored study of Renewable and Efficiency Portfolio Standard (REPS) policy design options. If this had not happened, there would be no REPS today.



NCSEA and the NC Energy Services Coalition successfully increased the performance contracting cost cap from \$50 million to \$100 million, extended contract terms to 20 years, and expanded the scope to include water and energy efficiency outside the building envelope.

- In 2008, Sierra Club and NCSEA successfully advanced a 30 percent energy and 20 percent water use reduction requirement for state government buildings over five years.
- North Carolina quickly approached its \$100 million performance contracting ceiling. NCSEA successfully advocated to increase the ceiling to \$500 million and allow annual contract increments that had been paid off to roll off the books, freeing up room under the cap for new efficiency contracts.
- These measures combined to enable the University of North Carolina system to save taxpayers over \$1 billion in energy and water utility costs by 2018, and put the system on track to save \$2 billion by 2025.
  - In 2019, legislation requiring 40 percent energy use reduction is likely.





In late 2005, the Utilities Commission agreed that an economic and rate impact study of a potential REPS policy should be conducted after it was requested by the legislature. A year later, the "La Capra study" showed that a REPS policy would cost \$500 million less than business as usual of more coal and natural gas.

On the basis of this study and seven months of extensive stakeholder negotiation, North Carolina adopted the first and only Renewable and Efficiency Portfolio Standard in the Southeast in 2007. This also ensures at least 5 percent energy efficiency would be implemented by 2021. Electric cooperatives and municipal utilities can meet their 10 percent REPS requirement with efficiency if they choose.

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The 2007 REPS law included a new approach to energy efficiency program cost recovery for Duke Energy. This led to creation of Duke Energy's Save-a-Watt program after two years of negotiation led by Environmental Defense Fund, Southern Alliance for Clean Energy, and NCSEA. This provided the earnings certainty Duke Energy needed to slowly work toward attainment of the 1 percent annual target.

- NCSEA and numerous partners had regular meetings with Duke Energy senior management to try to reach agreement on "revenue decoupling," but eventually Duke Energy broke off talks and decided to only consider a negotiated Save-a-Watt program.
- Decision-makers found Duke's Save-a-Watt proposal to be much more comfortable than creating a Public Benefits Fund or approving revenue decoupling, putting attainment of the 1 percent energy efficiency target on a slow path that would require vigilant and constant participation at the Utilities Commission.
- The 2007 law required the Utilities Commission to study alternative rate regulation to increase energy efficiency use. Due to a competing REPS workload, they instead chose to write a report to the legislature instead of conducting a study or stakeholder process.





From 2008-2010, NCSEA led the charge to increase the North Carolina Building Code's energy conservation code by 30 percent. While an increase was achieved, it was knocked back to 15 percent by the home builders lobby before being finalized.

In 2010, NCSEA advocated for legislation to create a Renewable Energy Tracking System for North Carolina that would include energy efficiency meant for REPS compliance. The Utilities Commission created a working group that led to the creation of the North Carolina Renewable Energy Tracking System (NCRETS) and put an energy efficiency tracking system in place.

By November 2012, only eight state legislators who had voted for any of these policies were still in office, and energy efficiency policy education had to be done all over again. During this time, with intensive effort, all North Carolina energy efficiency policies and regulatory rules remained in place.

In 2014, NCSEA supported the creation of the North Carolina Building Performance Association. Despite NCSEA's efforts, no significant energy efficiency policy advancements have occurred outside of utilities commission dockets in North Carolina since 2010, and policymakers are poised to attack energy conservation codes in 2019.



**What's next?** While a simple energy reduction target was sufficient for the university system to save more than \$1 billion on energy and water bills, targets alone are not sufficient for utilities to help their most energy intensive and high energy burden customers reduce their bills and use.

The Building Code Council and some of its influential stakeholders have become overtly hostile to energy conservation. It will take more than historical and recent education and advocacy to turn this situation around.

Comprehensive regulatory reform must happen for Duke Energy's utilities to realize the affordable potential of energy efficiency with and for their customers. Today, efficiency still undermines shareholder priorities because of North Carolina's traditional cost of service regulation. Look no further than Duke Energy's choice to not exceed the 5 percent minimum energy efficiency requirement in the REPS. NCSEA's Vision program will continue in 2019, working with a diverse array of stakeholders to identify which reforms can bring utility financial interests and customer interests back into alignment in this new era of *clean energy being the lowest cost.* 



## Thank you!

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