October 30, 2017

Mr. David Fountain
Duke Energy Corporation
State President for North Carolina
410 South Wilmington Street
Raleigh, NC 27602

Dear Mr. Fountain,

On behalf of the North Carolina Sustainable Energy Association ("NCSEA") and its individual and business members, we are writing to share our goals for a solar energy rebate program pursuant to N.C. Gen. Stat. § 62-155(f), as enacted by S.L. 2017-192. As part of the extensive, nine-month energy stakeholders process and negotiations that resulted in the North Carolina General Assembly's passage of House Bill 589, NCSEA's ultimate goal was to increase access to affordable renewable energy for all customers, and the rebate program, leasing, and community solar are important financing tools to advance this goal. Thus, NCSEA's individual and business members, as well as all North Carolinians, have an interest in seeing this rebate program implemented in a manner that is consistent with the statute and works successfully for both adopters and installers of customer-sited solar.

From the perspective of NCSEA and its members and partners, before achieving NCSEA's ultimate goal of affordability and accessibility, the market must return to the levels of growth it saw prior to the unfortunate expiration of North Carolina's renewable energy investment tax credit in January 2016. If the rebate program is properly implemented, the volume set forth in the statute is capable of helping to achieve this goal, and ultimately to help expand customer adoption of customer-sited solar. The General Assembly's creation of the new solar energy rebate program was celebrated by potential solar customers, as well solar businesses and their employees, in late July as Governor Cooper signed House Bill 589 into law. However, countless customers across our state have expressed their interest in installing a new solar project, yet they are "sitting on the sidelines" until the new rebate program begins, which is also having a chilling effect on solar businesses and their employees.

As has been stressed by NCSEA and its members numerous times since House Bill 589 became law, time is of the essence for Duke Energy to submit its proposed rebate plan to the North Carolina Utilities Commission based on collaborative discussions with stakeholders. We strongly encourage you to take this action as soon as possible.

NCSEA and its members believe that the rebate program should encompass the following:

**The rebate amount should be set based on a quantitative analysis of the facts and the current market situation.**

There are numerous forces that impact the market for customer-sited solar. Panel costs are generally declining, but could increase if the International Trade Commission imposes tariffs on foreign panels. The federal investment tax credit is scheduled to sunset at the end of 2021. All of these market forces share one similarity, in that they can all be quantitatively evaluated. *NCSEA and its members believe that the rebate amount should be set based*

*on a quantitative analysis of the facts and the current market situation to lead to the amount of market activity that North Carolina experienced before the investment tax credit expired.* NCSEA and its members believe that this should include a consideration and analysis of whether residential and commercial rebate amounts need to be different to meet the shared goals of ratepayers, NCSEA, and Duke Energy.

**Eligibility for rebates should be simple and easily understood, and should not discriminate against any class of customers.**

Duke Energy and NCSEA's business members share customers of all levels of sophistication, and NCSEA and its members believe that eligibility for rebates should be simple enough to be understood by all customers. *NCSEA and its members further believe that requiring participation in a time-of-use ("TOU") rate tariff undermines this goal and discriminates against certain classes of customers.* TOU rate tariffs make it harder to quantify the return on an investment in customer-sited solar, with or without a rebate, because customers do not have access to the hourly energy consumption data that is necessary to model a return on investment, thereby exposing customers to an unknowable financial risk. This also creates a tremendous opportunity for misunderstandings and miscalculations, as well as for misrepresentations by bad actors. Furthermore, many customers, especially commercial customers, are simply not interested in participating in a TOU rate tariff. Duke Energy does not default customers into TOU rate tariffs, and has not shown a rationale for why participation in a TOU rate tariff should be a prerequisite for rebate eligibility. NCSEA and its members believe that requiring participation in a TOU rate tariff in order to be eligible for a rebate is discriminatory against a specific class of customers and is based upon a flawed ideology.

**The rebate program should be revisited in a transparent process that provides for stakeholder input.**

As noted above, there are numerous market forces that are currently impacting the market for customer-sited solar. These market forces are likely to shift greatly during the five year duration of the rebate program, and in manners that cannot be predicted today. *NCSEA and its members believe that the rebate program should include collaborative and transparent process for regular evaluation and modification of the program.* NCSEA and its members believe that this should include a well-rounded review body that can examine annually whether the rebate program is meeting the goal of restoring the market for customer-sited solar, and there should be a clear decision-making process that includes input from NCSEA and its members in the event the rebate program fails to have the intended effect.

**The rebate program should be administered in a manner that provides certainty to both customer adopters and installers.**

Certainty is necessary for customers who are looking to adopt customer-sited solar, and for installers who are looking to provide accurate information to those customers. *Administration of the rebate program should include clear and transparent information to both customers and installers about rebate eligibility and amounts, as well as data about the amount of rebates still available.* The administration of the rebate program by Duke should be done in a manner that does not create a "boom and bust" or "solar-coaster" market for installers.

NCSEA and our members are in a unique position based on their knowledge of the market for customer-sited solar in North Carolina, as well as what is needed to energize that market. After more than two years of constructive and collaborative work between Duke Energy, NCSEA, and NCSEA's members, NCSEA and its members were disappointed to hear that Duke Energy would no longer be seeking input or feedback from the customer-sited solar industry. NCSEA and its members work well with Duke Energy when they are engaged by the Company. NCSEA and its members wish to be constructive participants in the development of a successful rebate program, and are willing to again be constructive and collaborative partners should Duke choose to engage the community.

Sincerely,

Ivan Urlaub
Executive Director

CC:    Governor Roy Cooper
       Rep. John Szoka, North Carolina General Assembly
       Rep. Dean Arp, North Carolina General Assembly
       Rep. Sam Watford, North Carolina General Assembly
       Sen. Paul Newton, North Carolina General Assembly
       Lynn Good, Chief Executive Officer, Duke Energy Corporation
       Rob Caldwell, Senior Vice President, Distributed Energy Resources, Duke Energy Corporation
       Kendal Bowman, Vice President of Regulatory Affairs and Policy, Duke Energy Corporation
       Gary Freeman, General Manager, Distributed Energy Resources Compliance, Duke Energy Corporation
       Ken Jennings, Renewable Strategy and Policy Director, Duke Energy Corporation
       Jeremy Tarr, Policy Advisor, Office of Governor Roy Cooper
       Peter Ledford, NCSEA