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Oct 18 2021

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VIA Electronic Filing

Ms. Antonia Dunston, Interim Chief Clerk
North Carolina Utilities Commission
Dobbs Building
430 North Salisbury Street
Raleigh, North Carolina 27603

*Re: Reply Comments of Duke Energy Carolinas, LLC and
Duke Energy Progress, LLC
Docket Nos. E-2, Sub 1159 and E-7, Sub 1156*

Dear Ms. Dunston:

Enclosed for filing are the *Reply Comments of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC* in response to the Carolinas Clean Energy Business Association's October 5, 2021 Petition to Initiate Resource Solicitation cluster for CPRE Tranche 3.

Please feel free to contact me if you have any questions. Thank you for your assistance in this matter.

Very truly yours,

/s/E. Brett Breitschwerdt

EBB:sjg

Enclosures

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-2, SUB 1159
DOCKET NO. E-7, SUB 1156

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)	
Joint Petition of Duke Energy Carolinas,)	REPLY COMMENTS OF DUKE
LLC and Duke Energy Progress, LLC)	ENERGY CAROLINAS, LLC AND
for Approval of Competitive)	DUKE ENERGY PROGRESS, LLC
Procurement of Renewable Energy)	
Program)	

Pursuant to the North Carolina Utilities Commission’s (the “Commission”) October 13, 2021 *Order Requesting Reply Comments* (“Order”) Duke Energy Carolinas, LLC (“DEC”) and Duke Energy Progress, LLC (“DEP” and together with DEC, “Duke Energy” or the “Companies”) provide the following reply comments (“Reply Comments”) in response to the Carolinas Clean Energy Business Association’s (“CCEBA”) October 5, 2021 Petition to Initiate Resource Solicitation Cluster for CPRE Tranche 3 (“Petition”).

The Companies’ September 1, 2021 Competitive Procurement of Renewable Energy (“CPRE”) Program Plans identified that implementation of queue reform introduces an additional layer of complexity regarding the timing of implementing CPRE Program Tranche 3, due to the need to integrate a competitive procurement solicitation into future planned cluster studies, which have established timelines under the North Carolina Interconnection Procedures (“NCIP”),¹ South Carolina Generator Interconnection Procedures (“SC GIP”), and FERC Large Generator Interconnection Procedures (“LGIP”).² Since that time, Duke Energy has worked collaboratively with the CPRE

¹ Capitalized terms not otherwise defined herein shall have the meaning set forth in the NCIP.

² 2021 CPRE Program, at 58 of 63.

Program Independent Administrator (“IA”) as well as engaged with CCEBA, Public Staff, and other stakeholders to determine feasible paths that would allow the Companies to meet their procurement obligations under the CPRE Program while also ensuring that Duke Energy can successfully achieve queue reform and transition to annual Cluster Studies in 2022. Through this IA-led stakeholder engagement (and as identified in CCEBA’s Petition), it is clear that (i) aligning Tranche 3 with Transitional Cluster has significant structural drawbacks that has inhibited the substantial stakeholder consensus required to aggressively move forward with this approach; and (ii) CCEBA and other stakeholders strongly prefer implementing Tranche 3 “as soon as possible” to facilitate selection of winning proposals in 2022—an approach that does not align with Definitive Interconnection System Impact Study (“DISIS”) Cluster 1 to begin in July 2022 and targeted for completion in spring 2023.

The Companies continue to view DISIS Cluster 1 as a feasible and achievable path. However, in response to CCEBA and other stakeholder feedback, the Companies have developed a targeted DEC-only Resource Solicitation Cluster to implement the Tranche 3 Step 2 interconnection study evaluation. Duke Energy presented this proposal to CCEBA and other stakeholders in an IA-led CPRE stakeholder meeting held October 14, 2021, and the Companies are now awaiting stakeholder feedback on this proposal. This targeted Resource Solicitation Cluster approach is both responsive to CCEBA’s feedback as well as executable by the Companies from a DEC study perspective in a manner that mitigates potential risks of delay and uncertainty for the Transitional Cluster as well as the DISIS Cluster 1.

Recognizing that Duke Energy has determined that alignment with Transitional Cluster is no longer feasible and is now proposing a Resource Solicitation Cluster responsive to CCEBA, the Companies do not believe expedited consideration of the CCEBA Petition is needed or warranted. While the timeline for implementing Tranche 3 and a DEC-only procurement differ in some respects from CCEBA's proposal presented in the Petition, the Companies believe CCEBA and other stakeholders will support this proposal as a preferred option over aligning Tranche 3 with DISIS Cluster 1. After receiving stakeholder feedback, the Companies will then inform the Commission regarding the timing of Tranche 3—consistent with Duke Energy's prior plans and representations to the Commission in the 2021 CPRE Program Plan and in prior comments filed in Docket No. E-100, Sub 101. Accordingly, the Companies recommend the Commission stay its consideration of the Petition for 30 days and allow the Companies to continue to engage with the IA, CCEBA, Public Staff and other stakeholders. Assuming that Tranche 3 moves forward as now proposed, utilizing a targeted DEC-only Resource Solicitation Cluster, then CCEBA's Petition should be denied as moot.

In support of the foregoing, the Companies further respond to CCEBA's Petition as follows:

I. Integrating Tranche 3 within Transitional Cluster is no longer feasible

The Companies' 2021 CPRE Program Plan highlighted the aggressive schedule required to implement a Tranche 3 solicitation aligned with the Transitional Cluster as well as the need for substantial stakeholder consensus to make this pathway feasible.³ CCEBA's Petition also fairly characterizes the structural limitations inherent in the design

³ 2021 CPRE Program Plan, at 59-60 of 63.

of Transitional Cluster that make this unique, one-time Cluster Study poorly suited for integration with Tranche 3.⁴ Duke has been transparent regarding these limitations since filing its CPRE Program Plan, and has worked in good faith to attempt to develop solutions that would facilitate a workable alignment for Tranche 3 while also ensuring that the multi-jurisdictional Transitional Cluster is not adversely impacted by a potential Tranche 3 alignment.

The Commission also recently “agree[d] that the integration of Tranche 3 with the Transitional Cluster will take substantial stakeholder agreement [and] [a]t this point, there is no evidence that this consensus has been achieved.”⁵

At this time, and despite diligent efforts and good faith discussions, the substantial consensus necessary to align Tranche 3 with Transitional Cluster has not been achieved and Duke is now ending its consideration of aligning Tranche 3 with Transitional Cluster to avoid further risk of adversely impacting the Transitional Cluster. Importantly, either a Resource Solicitation Cluster or future DISIS Cluster are separate Clusters under the NCIP⁶ and the Companies have advised stakeholders that Interconnection Customers seeking to participate in Tranche 3 should withdraw from Transitional Cluster and plan to reenter the queue to participate in the Resource Solicitation Cluster.

II. The Companies have Developed a Resource Solicitation Cluster Proposal Responsive to CCEBA’s Stakeholder Feedback and Petition

CCEBA’s Petition tracks their prior stakeholder feedback and appropriately recognizes the Companies’ concerns with the feasibility of conducting both the required multi-jurisdictional Transitional Cluster studies as well as targeted CPRE-specific

⁴ CCEBA Petition at ¶¶ 12-15.

⁵ *Order Granting Petition in Part* Docket No. E-100, Sub 101 (Oct. 11, 2021).

⁶ See NCIP 1.8.1; 4.4.2

Resource Solicitation Cluster studies prior to DISIS Cluster 1 opening in July 2022.⁷ Cluster Studies are significantly more complex than serial interconnection studies and must assume an accurate baseline of interconnected and earlier queued projects from earlier Clusters to achieve accurate study results. If projects assumed to be interconnected in the Cluster baseline do not actually interconnect and hence do not fund their assigned Network Upgrades, there is material risk that the cost of those Network Upgrades could be shifted to a later-queued project in a future Cluster, likely requiring restudy of one or both Clusters. A key attribute of the annual Definitive Interconnection Study Process is that it minimizes the likelihood of speculative projects advancing to the later stages of the DISIS and Facilities Study and thereby provides more certainty that the baseline for modeling the system impacts of the next DISIS Cluster is highly reliable and unlikely to change.

The Companies have identified concerns—both in prior queue reform filings, in the 2021 CPRE Program Plan as well as during the recent Tranche 3 stakeholder meetings—that a significant number of speculative projects are likely to enter Phase 1 of the Transitional Cluster study. If projects withdraw from Transitional Cluster then restudy during Phase 2 will be required potentially resulting in significant baseline uncertainty for a future Resource Solicitation Cluster and, potentially, DISIS Cluster 1.

The Companies anticipate this complexity and baseline uncertainty is especially likely in DEP where significantly more Transitional Cluster-eligible Interconnection Customers exist than in DEC:

⁷ CCEBA Petition at ¶ 9.

Interconnection Customers Eligible for Transitional Cluster⁸

Utility T/D	TCS-Eligible ICs	Total MW
DEC Transmission	54	9,170
DEC Distribution	21	80
DEC Total	75	9,250
DEP Transmission	74	8,802
DEP Distribution	81	392
DEP Total	155	9,104

Consistent with the greater volume of pending DEP Interconnection Customers eligible for Transitional Cluster, there are also more (and larger) known overloads and opportunities for congestion in DEP. This will likely create more Transitional Cluster Phase 1 power flow interconnection study work in DEP as well as the greater likelihood for more significant power flow re-study work at the beginning of Transitional Cluster Phase 2. Due to the more expansive size of existing overloads in DEP, it is also likely that DEP Transitional Cluster projects will also contribute to multiple overloads creating a more challenging workload as well as complicating the overall evaluation process.

Based upon these circumstances, the Companies have developed and now shared with stakeholders a proposed DEC-only Resource Solicitation Cluster to procure the remaining approximately 300 MW of projected CPRE capacity.⁹ The DEC-only Resource Solicitation Cluster would be modeled based upon the DEC Transitional Cluster Phase 2 power flow restudy.¹⁰ This targeted approach avoids the complexity of integrating a

⁸ Data included in the table as of October 15, 2021.

⁹ As addressed in the 2021 CPRE Program Plan, the Companies also plan to update the Commission on the final amount of Transition MW within five business days of the end of the CPRE Procurement Period (November 21, 2021).

¹⁰ This approach generally aligns with the Companies' prior CPRE Program Plans and Tranche 1 and Tranche 2 procurements where approximately 90% of the targeted procurement amounts were in DEC.

Resource Solicitation Cluster in DEP, while meeting CCEBA’s objective of more expeditiously completing the Tranche 3 procurement in 2022.

The updated proposed timeline for implementing Tranche 3 would be as follows:

Timeline for Tranche 3 Resource Solicitation Cluster-Based Procurement

Event	Duration	Proposed Dates	
Initial Release of draft RFP documents	60	9/20/2021	11/10/2021
Post updated RFP documents for comment	10	11/9/2021	11/19/2021
File Tranche 3 PPA with NCUC	30	11/30/2021	11/30/2021
Bid Window (30 days)*	30	1/5/2022	2/4/2022
RFP Step 1 ranking	60	2/5/2022	4/6/2022
RSC Customer Engagement Window (30 days)	30	4/7/2022	5/7/2022
CPRE Collateral Window (RFP + study costs)	14	4/7/2022	4/21/2022
TC Phase 2 Power Flow restudy (30-60 days)	45	4/1/2022	5/16/2022
CPRE RSC Cluster Power Flow (30-60 days)	45	5/17/2022	7/1/2022
CPRE Step 2 RFP - *IA Bid Evaluation*	14	7/2/2022	7/16/2022
CPRE Winners announced	1	7/17/2022	7/17/2022
Contract negotiation	30	7/18/2022	8/17/2022
CPRE winners System Impact Study	120	8/18/2022	12/16/2022

Importantly, the foregoing timeline and proposal represent an “optimal schedule” for implementing a CPRE Tranche 3 Resource Solicitation Cluster and are dependent upon a number of factors including DEC’s ability to timely and successfully complete the Transitional Cluster Phase 1 study, anticipated Transitional Cluster Phase 2 power flow restudy, as well as the Resource Solicitation Cluster power flow modeling of the most competitive projects identified by the IA in Step 1.¹¹ It is also dependent upon the IA’s ability to identify Interconnection Customers bidding into Tranche 3 that are not reliant

¹¹ The schedule includes ranges of 30-60 days for both the Transitional Cluster Phase 2 power flow restudy as well as the Resource Solicitation Cluster power flow study.

upon contingent Network Upgrades assigned to earlier Transitional Cluster Interconnection Customers to keep their total bid costs below the CPRE avoided cost cap. This “contingent upgrade” issue is significant because while Transitional Cluster projects will have put up fairly significant at-risk financial security to enter Transitional Cluster Phase 2, they will not yet have definitively committed to fund their assigned network upgrades and could still withdraw during or after Transitional Cluster Phase 2 study.¹² If the IA, with DEC’s assistance in the CPRE Step 2 evaluation, cannot reasonably identify such projects as being below the CPRE avoided cost cap, then DEC would not proceed with contracting.

Another important aspect of the Companies’ Resource Solicitation Cluster proposal is that NCIP Section 4.4.2 provides Interconnection Customers in a pending Resource Solicitation Cluster the option to also reserve a later Queue Position separate from the Resource Solicitation Cluster and to not be double-counted in the study models. This provision provides flexibility for bidders to also enter the upcoming DISIS Cluster 1 by June 29, 2021 and to be studied as part of that Cluster even if they are short-listed in Tranche 3 and remain pending in the Resource Solicitation Cluster. DEC also aims to complete bid selection and contract negotiation by mid-August 2021 to provide greater certainty for the DISIS Cluster’s Phase 1 study baseline.

In summary, the Companies have continued to work in good faith to evaluate whether a Resource Solicitation Cluster is feasible for CPRE Tranche 3. Based upon

¹² See NCIP 1.10.2.5.a) (requiring Transitional Cluster Interconnection Customers proceeding to Facilities Study to submit a deposit equal to 100% of system upgrades assigned in Transitional Cluster Phase 2 or be withdrawn); SC GIP Appendix Duke CS 3.2.5 (same as NCIP 1.10.2.5); LGIP(commitment to fund Network Upgrades required at time of IA execution; Section 7.2.6 withdrawal penalty applies after Transitional Cluster Phase 1).

DEC's experience and information known today, the proposed DEC-only framework and procurement schedule presented to stakeholders on October 14 is anticipated to be feasible to achieve the goals of Tranche 3 while also integrating between Transitional Cluster and DISIS Cluster 1. The Companies plan to continue to engage with the IA, CCEBA, Public Staff and other stakeholders regarding this framework in the next few weeks and to then provide an update to the Commission on the Tranche 3 procurement schedule, as discussed further below.

III. Expedited Commission Action on CCEBA's Petition is Not Needed or Warranted at This Time

CCEBA's request for expedited consideration of its Petition was premised on its "fallback position" of seeking to align Tranche 3 with the Transitional Cluster if the Commission did not order the Companies to undertake a Resource Solicitation Cluster. In light of the Companies' proposal to undertake a DEC-only Resource Solicitation Cluster and recognizing that Duke Energy no longer supports alignment with Transitional Cluster, the Companies do not believe expedited consideration of the CCEBA Petition is needed or warranted. The Companies have previously committed to update the Commission regarding the timing of Tranche 3 and, at that time, will also advise the Commission regarding the Companies' plans to undertake a Resource Solicitation Cluster or to align Tranche 3 with DISIS, depending on stakeholder feedback. Accordingly, the Companies recommend the Commission stay its consideration of the Petition for 30 days and allow the Companies to continue to engage with the IA, CCEBA, Public Staff and other stakeholders. Assuming that Tranche 3 moves forward, as now proposed, utilizing a targeted DEC-only Resource Solicitation Cluster, then CCEBA's Petition should be denied as moot.

IV. Update on Plans to Provide Projected IA Fees for Administering Tranche 3

The Commission's August 17, 2021 *Order Approving CPRE Rider and CPRE Program Compliance Report* in Docket No. E-7, Sub 1247 directed the Companies to provide (1) the IA's proposed scope of work to implement Tranche 3, (2) an IA fee estimate based on the proposed scope of work, and (3) a proposed Tranche 3 program fee structure designed to recover all Tranche 3-related IA fees from Tranche 3 market participants. The Companies' 2021 CPRE Program Plan explained that because a final scope and schedule for Tranche 3 has not been established, the Companies at that time did not have enough detail to allow the IA to provide a final scope and estimate.

Since the CPRE Program Plan was filed on September 1, the IA has been engaged in supporting the Tranche 3 pre-issuance stakeholder engagement process and providing input on the feasibility of aligning the Tranche 3 bid evaluation process with the various interconnection study pathways under consideration. At this time, however, a final scope and schedule for Tranche 3 has still not been established. The Companies raise this issue here to ensure they are being responsive to the Commission's Order. In addition to updating the Commission on the Companies' plans for aligning Tranche 3 with either the Resource Solicitation Cluster or DISIS, Duke Energy further commits to provide the information required by the Commission's August 17, 2021 *Order* within the next 30 days after allowing time for additional stakeholder engagement and for the Companies to make a definitive determination regarding the scope and schedule for CPRE Tranche 3.

WHEREFORE, based on the foregoing, the Companies request that the Commission stay any action on CCEBA's Petition pending further stakeholder engagement on the timing and scope of CPRE Tranche 3 and grant any other relief that the Commission deems appropriate.

Respectfully submitted, this the 18th day of October, 2021.

/s/E. Brett Breitschwerdt

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Reply Comments of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC as filed in Docket Nos. E-2, Sub 1159 and E-7, Sub 1156, was served via electronic delivery or mailed, first-class, postage prepaid, upon all parties of record.

This, the 18th day of October, 2021.

/s/E. Brett Breitschwerdt

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