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March 15, 2022

VIA ELECTRONIC FILING

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

**RE: Duke Energy Carolinas, LLC and Duke Energy Progress, LLC's
Comments
Docket No. M-100, Sub 164**

Dear Ms. Dunston:

Pursuant to Commission's February 1, 2022 *Order Allowing Comments Regarding Federal Funding for Utility Service of North Carolina*, I enclose for filing in this matter the Comments of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC.

Thank you for your attention to this matter. If you have any questions, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Jack Jirak", written in a cursive style.

Jack E. Jirak

Enclosure

cc: Parties of Record

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. M-100, SUB 164

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Consideration of the)	COMMENTS OF DUKE
Federal Funding Available Under the)	ENERGY CAROLINAS, LLC
Infrastructure and Jobs Act)	AND DUKE ENERGY
)	PROGRESS, LLC

NOW COME Duke Energy Carolinas, LLC (“DEC”) and Duke Energy Progress, LLC (“DEP”) (collectively “Duke Energy” or the “Companies”), and pursuant to the North Carolina Utilities Commission’s (“Commission”) February 1, 2022 *Order Allowing Comments Regarding Federal Funding for Utility Service of North Carolina* (“Order”), hereby submit the following Comments for the Commission’s review.

BACKGROUND

On November 15, 2021, President Biden signed the \$1.2 trillion bipartisan infrastructure bill into law as the Infrastructure Investment and Jobs Act (“IIJA” or the “Act”).¹ On the very same day, North Carolina Governor Roy Cooper stated, “The bipartisan infrastructure package being signed today by President Biden is a huge investment in our country that will bring good-paying jobs and much-needed infrastructure modernization to North Carolina. This bill will help ensure we emerge from this pandemic stronger than ever before by improving our roads, bridges, public transit systems, high

¹ Text - H.R.3684 - 117th Congress (2021-2022): Infrastructure Investment and Jobs Act | Congress.gov | Library of Congress.

speed internet networks, clean water and disaster preparedness.”² Likewise, in neighboring South Carolina, also home to the Companies’ assets and customers, Governor Henry McMaster remarked on the potential transformative impact of IIJA funds on transportation electrification.³

North Carolina Session Law 2021-165 (“HB 951”) establishes carbon reduction requirements for the electric sector, and Governor Cooper’s Executive Order 246 memorializes aggressive electrification goals for the transportation sector. As a result of its policy leadership, North Carolina is well-positioned to take full advantage of IIJA funding opportunities that will enable a more rapid transition to clean energy and a greater utilization of renewable energy in the coming years. Indeed, the IIJA represents a significant infrastructure funding opportunity for electric public utilities and their customers in both North Carolina and South Carolina (“the Carolinas”), an unprecedented recommitment by the United States government to the country’s physical systems, and a new era of government funding to support three sectors of the nation’s economy: transportation, climate/energy/environment, and broadband.

The IIJA provides approximately \$973 billion over five years from fiscal year (“FY”) 2022 through FY 2026, including \$550 billion in new investments for all modes of transportation, water, power and energy, environmental remediation, public lands,

² (2021, November 15). Governor Cooper Statement on Infrastructure Investment and Jobs Act. NC Governor Roy Cooper. (<https://governor.nc.gov/news/press-releases/2021/11/15/governor-cooper-statement-infrastructure-investment-and-jobs-act>).

³ (2022, January 29) Joint statement issued by National Governors Association’s (“NGA”) Economic Recovery and Revitalization Task Force Co-Chairs, Kentucky Governor Andy Beshear and South Carolina Governor Henry McMaster, at the NGA’s Winter Meeting. Governors Ready to Deploy \$5 Billion for Electric Vehicle Charging Infrastructure - National Governors Association ([nga.org](https://www.nga.org/news/press-releases/governors-ready-to-deploy-5-billion-for-electric-vehicle-charging-infrastructure/)) (<https://www.nga.org/news/press-releases/governors-ready-to-deploy-5-billion-for-electric-vehicle-charging-infrastructure/>).

broadband and resilience.⁴ The IIJA provides substantial funding for specific needs in the power and energy sector: This includes more than \$65 billion for clean power infrastructure, including investment in the grid and to support cutting-edge clean energy technologies, as well as \$7.5 billion to build out a national network for electric vehicle (“EV”) chargers and more than \$10 billion for electric and alternative fuel transit and school buses. In total, the Act quadrupled the United States Department of Energy’s (“DOE”) funding for research and development projects.⁵ These funding opportunities will be further refined into specific programs by the state and federal agencies tasked with disbursing the funds to eligible entities.

Simply put, the Companies’ goal is to access funding under the IIJA that will have the most positive impact on our electric public utility customers and the economic strength and competitiveness of the Carolinas. To that end, the Companies are investing in and exploring several of the technology areas that will enable more clean, modern, and resilient energy and transportation sectors, all of which are identified in the IIJA as areas of focus. Among these emerging technologies are zero-emitting load following resources such as hydrogen, long duration energy storage, and advanced nuclear technologies.⁶ Furthermore, the Companies are in the midst of modernizing the transmission and distribution grid to enhance resilience (a DOE priority), among other objectives, and enable interconnection

⁴ (2021, November 17) Infrastructure, Investment and Jobs Act Overview: A sector-by-sector look at President Biden’s bipartisan infrastructure plan, including key provisions and revenue sources. American Bar Association. (<https://www.americanbar.org/content/dam/aba/administrative/grassroots-center/nj-infrastructure.pdf>).

⁵ DOE Fact Sheet: The Bipartisan Infrastructure Deal Will Deliver for American Workers, Families and Usher in the Clean Energy Future | Department of Energy.

⁶ Zero-emitting load following resources are zero-carbon electricity sources that can be produced on-demand, to meet the variation in customer demand for electricity throughout the day as well as the minute-to-minute output changes of variable, weather-dependent electricity supply sources.

of significantly more renewable energy in the coming years on the path to achieving substantial carbon reduction.⁷

COMMENTS

Effective implementation of the Act requires not only the development of new programs, but also coordination among numerous individuals and entities involved in federal, state, and local governments. As evidence of the extensive coordination that will be required, on January 13, 2022 and February 9, 2022, respectively, DOE announced an initiative to hire 1,000 employees as well as an organizational realignment to effectively implement the clean energy investments in the IIJA.⁸ In essence, it appears that the DOE itself is in the beginning stages of undertaking a particularly important expansion of its organization. That said, significant uncertainty remains regarding the specific processes and eligibility criteria that DOE will employ regarding the receipt and deployment of funds under the IIJA. While the Act appropriates discrete federal funds for programs that meet certain criteria and provides a general framework for those funding areas, it relies on the administering entities, such as DOE, to further define the scope and eligibility criteria of specific programs and develop the processes that will guide the manner in which eligible entities may apply for, receive, and use the funds. As a result, the Companies' responses to the questions posed by the Commission below are limited to currently available

⁷ The Companies' carbon reductions goals are guided by its obligations under HB 951, which targets a 70% carbon reduction (over 2005 levels) by 2030, along with Duke Energy Environmental Social and Governance ("ESG") goal of reducing coal-fired generation to 5% of power generation by 2030, exiting coal by 2035, achieving net-zero emissions (Scope 1, 2, and 3) by 2050.

⁸ (2022, February 9). DOE Optimizes Structure to Implement \$62 Billion in Clean Energy Investments from Bipartisan Infrastructure Law. Energy.gov. (<https://www.energy.gov/articles/doe-optimizes-structure-implement-62-billion-clean-energy-investments-bipartisan>).

information and the Companies' internal evaluations and analyses of the Act and DOE's actions thus far.

I. The identification of all federal programs under the IIJA that are available to North Carolina public utilities to assist them in meeting their obligations under the North Carolina General Statutes and the Rules of the Commission

The Companies agree with the Commission that a thorough analysis of the Act is necessary to ensure that the Commission and electric public utilities are aware of all potential funding opportunities that could benefit the state and assist utilities in meeting their obligations.⁹ Below is a summary of programs under the IIJA, some of which the Commission has also identified in its Order, that the Companies have identified that may provide benefits to the State as well as electric public utility customers. The Companies have attempted to provide a comprehensive list of programs that may be available to electric public utilities and recognize that certain programs may exceed the scope of the Companies' service obligations or core business focus. As a result, the Companies do not expect that they would be eligible for, nor would otherwise pursue, every program included in the list below.

1. Climate Change

- a. **Section 11109 – Surface Transportation Block Grant Program.** The Surface Transportation Block Grant program provides flexible funding to states and localities to address transportation-related needs. Funding is in the amount of \$72 billion total. The funds are apportioned to the states which then allocate them to Metropolitan Planning Organizations ("MPOs").
- b. **Section 11401 – Grants for Charging and Fueling Infrastructure.** This section establishes a new grant program within the Federal Highway Administration's Alternative Fuel Corridor program to deploy

⁹ Under Chapter 62 of the North Carolina General Statutes, the Commission is required to ensure that North Carolina's public utilities provide, among other things, adequate, reliable, and economical utility service at just and reasonable rates. See G.S. § 62-2. HB 951 further establishes carbon reduction goals by certain identified timeframes.

publicly accessible EV charging, hydrogen fueling, propane fueling, and natural gas fueling infrastructure along designated alternative fuel corridors. Eligible grant recipients include States, MPOs, local governments, Indian Tribes, and public authorities with a transportation function, such as port authorities. Funding in the amount of \$2.5 billion total will be administered by the United States Department of Transportation (“DOT”).

- c. **Section 11403 – Carbon Reduction Program.** This section requires states to establish carbon reduction programs and allows for funds apportioned to a state to be obligated for projects to support the reduction of transportation emissions. The legislation allows for a wide range of projects to qualify as eligible, but specifically identifies the acquisition, installation, or operation of publicly accessible EV charging infrastructure or hydrogen, natural gas, or propane vehicle fueling infrastructure and the advancement of port electrification. Funds in the amount of \$6.42 billion total will be administered by the DOT.

2. **Grid Modernization, Resilience and Transmission Facilitation:**

- a. **Section 40101 – Preventing Outages and Enhancing the Resilience of the Electric Grid.** This section directs the DOE to establish two grant programs: one at the DOE and the other for states and Indian Tribes – to support activities that reduce the likelihood and consequence of impacts to the electric grid due to extreme weather, wildfires, and other natural disasters. Funding in the amount of \$5 billion total for FYs 2022-26 will be administered by the DOE. Eligible entities include electric grid operators, electricity storage operators, electricity generators, transmission owner or operators, distribution providers, fuel suppliers, and any relevant entity, as determined by the Secretary.
- b. **Section 40103 – Electric Grid Reliability and Resilience Research, Development, and Demonstration.** This section provides federal financial assistance to programs that demonstrate innovative approaches to transmission, storage, microgrids, and distribution infrastructure to harden resilience and reliability and to demonstrate new approaches to enhance regional grid resilience. Funding in the amount of \$5 billion total for FYs 2022-26, including \$1 billion total for FYs 2022-26 for rural and remote areas will be administered by the DOE. Eligible entities include states, public utility commissions, local governments, or Tribes.
- c. **Section 40107 – Deployment of Technologies to Enhance Grid Flexibility/Smart Grid Investment Matching Program.** This section amends the Energy Independence and Security Act of 2007 to include Smart Grid investments that provide flexibility and help quickly

rebalance the electrical system, facilitate the aggregation or integration of distributed energy resources, provide energy storage to meet fluctuating demand, provide voltage support, integrate intermittent generation sources, increase the network's operational transfer capacity, and anticipate and mitigate impacts of extreme weather events or natural disasters on grid resilience. The section authorizes \$3 billion total for FYs 2022-26 for the Smart Grid Investment Matching Grant Program.

3. Emerging Technologies:

- a. **Section 41201 – Office of Clean Energy Demonstrations.** This section provides funding for various emerging technologies including \$355 million to carry out the Energy Storage Demonstration Pilot Grant Program and \$150 million for long-duration energy storage demonstrations through a joint program with the Department of Defense. Additionally, this section provides \$2.5 billion for the Advanced Reactor Deployment Program. Funds will be administered by the DOE.
- b. **Section 40314 – Clean Hydrogen Hubs.** This section provides \$8 billion in funding for Clean Hydrogen Hubs. Funds will be administered by the DOE.
- c. **Section 40314 - Electrolyzer RD&D.** Programs under this section provide \$1 billion in funding for Electrolyzer RD&D. Funds will be administered by the DOE.
- d. **Sections 40302, 40303, 40304, 40305, 40308, 41202 - Carbon Capture, Utilization and Storage.** This section provides more than \$12 billion across various programs for carbon capture, utilization, and storage. Funds will be administered by the DOE. However, the Companies note that the Carolinas lack suitable onshore geology and technology for carbon storage.

4. Cybersecurity

- a. **Section 40125 - Enhanced Grid Security.** This section authorizes \$250 million annually for FYs 2022-26 for the Cybersecurity for the Energy Sector RD&D program, \$50 million total for FYs 2022-26 for the Energy Sector Operational Support for Cyber-resilience Program, and \$50 million total for FYs 2022-26 for Modeling and Assessing Energy Infrastructure Risk. Funds are administered by the DOE.

5. Energy Efficiency

- a. **Section 40541 - Grants for Energy Efficiency and Renewable Energy at Schools.** This section provides \$500 million total for FYs 2022-2026 for eligible schools, nonprofit and for-profit organizations with the capacity to partner with energy improvements. Funds are administered by the DOE.
- b. **Section 40502 - Energy Efficiency Revolving Loan Fund Capitalization Program.** This section provides \$250 million for FY 2022 for states to disburse grants and loans to businesses and residential customers. Funds are administered by the DOE.
- c. **Section 40511 - Cost-effective Codes Implementation for Efficiency and Resilience.** This section provides \$225 million total for FYs 2022-2026 to State agencies and partnerships (defined as a state agency and at least one of the following: local building code agency, local utility, consumer and environmental advocates, other entities as determined by the DOE). Funds are administered by the DOE.
- d. **Section 40551 – Weatherization Assistance Program.** This section provides \$3.5 billion, until expended, to state and local governments.
- e. **Section 40552 – Energy Efficiency and Conservation Block Grants.** This section provides \$550 million, until expended, to local governments.
- f. **Section 40555. Energy Efficient Transformer Rebate Program.** This section provides \$10 million total for FYs 2022-23 to various entities, including electric companies.

II. The identification of actions that are reasonable and appropriate for North Carolina’s public utilities to take to access those funds

The IIJA appropriates funds to certain federal agencies that may establish Funding Opportunity Announcements (“FOAs”) for programs that will be subject to competitive grant processes or that may distribute appropriated funds directly to states pursuant to formula-driven grants. In addition, certain state agencies, or instrumentalities thereof, may make awards to various entities under specific requirements and processes they establish,

which will require eligible entities to closely coordinate with the federal administration, state implementation coordinators, and other agencies of the state.¹⁰

To prepare for funding opportunities, the Companies are creating internal processes to identify IJIA programs for which the Companies may be eligible to participate, either directly or through partnerships with other entities, and then analyzing those opportunities to determine which are viable and should be prioritized, given the costs associated with reporting on the use of federal funds, the available funding amount, and other requirements that may present challenges to their implementation. In conducting this analysis, the Companies are distinguishing between funding opportunities that will be disbursed pursuant to formula grants and those that will be subject to a competitive application process, as the latter is discretionary in nature.

The Companies intend to prioritize the funding opportunities that will result in the greatest positive impacts on their customers. From the perspective of the Companies, high impact opportunities are those which directly align with the State's priorities and advance the Companies' clean energy transition.¹¹ Ultimately, the Companies' priority is to partner with others to propose and invest in programs that align federal funding opportunities with the Companies' commitment to a clean energy future and modernization of the electric grid. For example, the IJIA may present opportunities to propose programs that will directly impact rural and low-income communities as it relates to energy efficiency programs. As the Companies discover funding opportunities to invest in energy efficiency

¹⁰ Both the National Governors' Association ("NGA") and the National Association of Counties ("NACo") have created online IJIA resources dedicated to guiding state and local officials through the multi-step federal funding process. Please see [IJIA Implementation Resources - National Governors Association \(nga.org\)](https://www.nga.org/resources/initiatives/infrastructure-investment-joint-act) and [Legislative Analysis for Counties: The Bipartisan Infrastructure Law \(naco.org\)](https://www.naco.org/resources/infrastructure-investment-joint-act) for additional information.

¹¹ For North Carolina, these include the service requirements for electric public utilities set forth in Chapter 62 and overseen by this Commission, the carbon reduction established in HB 951, and the additional goals established by the various Executive Orders of Governor Cooper.

upgrades for our low-income customers, and other opportunities that may benefit our rural customers, we will evaluate potential partnerships that may support those programs.

Electric public utilities may seek to recover costs associated with programs developed in response to the Act. At that point, the Commission will have the opportunity review those programs to determine whether they are consistent with the public interest and meet the requirements of applicable laws and regulations. However, public utilities should undertake a focused and targeted review of the Act to not only identify potential opportunities, but to also prioritize those opportunities according to their impacts on the customers in the State in order to demonstrate the prudence of costs incurred for specific IIJA-related programs, or the reasonableness of any proposed recovery of such costs in the future. Issues such as the timing of receipt of funds and incurrence of costs will impact rates to consumers and should be considered in evaluating programs that may be subject to funding requests under the Act.

III. The identification of the entities, public or private, with which North Carolina public utilities should coordinate in order to access available federal funds

In developing and proposing programs that meet the criteria established by the IIJA and specific FOAs, electric public utilities may find benefit in communicating with stakeholders and organizations that will benefit from, or otherwise be impacted by, programs that are eligible for funding under the Act. The Companies do not believe coordination with specific groups should be compulsory; however, the Companies recognize the benefits of obtaining feedback on programs that are intended to benefit the public. In considering the nature of the funding opportunities that may be available under the IIJA and the potential impacts of programs created pursuant to those funding opportunities, there are a host of public and private entities with whom public utilities

should consider coordinating. Accordingly, the list of entities below is not exhaustive and not provided in any specific order of importance or relevance to the IIJA funding process. Nonetheless, public utilities may consider communicating with some or all of the following entities and stakeholders in North Carolina:¹²

- The North Carolina General Assembly
- North Carolina Utilities Commission Public Staff
- North Carolina Attorney General's Office
- North Carolina Department of Environmental Quality
- North Carolina Department of Commerce
- North Carolina Department of Transportation
- U.S. Department of Energy
- U.S. Department of Transportation
- The Federal Energy Regulatory Commission and its Staff
- U.S. Environmental Protection Agency
- U.S. Nuclear Regulatory Commission
- U.S. Department of Interior – Bureau of Ocean Energy Management

IV. The identification of the processes that have been either established or contemplated by other agencies of the State

As noted, the mechanisms through which agencies will receive and deploy federal funds under the IIJA are still in the early stages of development. Therefore, the Companies are unaware of specific processes that have been or will be established or contemplated by other agencies under the IIJA. However, the Companies recognize that entities seeking funds under the IIJA will need to coordinate closely with the State and its agencies, given their roles in facilitating the implementation of programs that meet the requirements of the Act.

An example of the need for close coordination is the American Recovery and Reinvestment Act of 2009 under which Congress appropriated federal funds to the DOE

¹² Given its jointly planned and operated two-state electric system in the Carolinas, Duke Energy also plans to coordinate with South Carolina stakeholders.

with which the DOE established the Smart Grid Investment Grant (“SGIG”). The DOE then awarded federal funds to electric public utilities in North Carolina, including Duke Energy (prior to its merger with Progress Energy), through a cost-share grant program under which the DOE matched Duke Energy’s smart grid investment. Thus, the cost-share arrangement under the SGIG required Duke Energy to commit to an investment that could only be recovered in rates upon obtaining Commission approval. To the extent any funding opportunities under the IIJA are also structured as cost-share programs, the Commission will have an opportunity to evaluate any related investments by the Companies and determine whether the Companies should be able to recover their associated costs.

V. **The identification of actions that may be appropriate for this Commission to consider taking in order to facilitate appropriate receipt and deployment of available federal funding within the State**

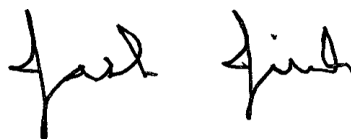
The Companies appreciate the Commission’s request for comments on actions that may be appropriate for the Commission to consider taking in relation to the receipt and deployment of available federal funding within the State. However, given that the Companies have not determined which funds they will seek to access in connection with our existing or planned programs and initiatives, the Companies do not yet have any specific recommendations for actions they believe the Commission should take at this time. The Companies will be better positioned to provide a response once more information is available and the Companies learn more regarding specific funding opportunities and program requirements from the state and federal agencies that will administer the disbursement of funds. To that end, Companies recommend that the Commission consider scheduling a technical conference in this docket once further information is available from administering agencies through FOAs. Such technical conference will allow the

Companies to further update the Commission once more information is available and will allow stakeholders to provide ideas and submit feedback on utility proposals to access and deploy funds under the IIJA. The Companies anticipate that administering agencies will issue FOAs for IIJA-related funds in the second quarter of 2022. Therefore, any such technical conference should occur no earlier than the third quarter of 2022. The Companies commit to an ongoing effort to stay abreast of developments that take place and of information as it is disseminated and to apprise the Commission of opportunities as they arise.

VI. Conclusion

WHEREFORE, Duke Energy Carolinas, LLC and Duke Energy Progress, LLC respectfully request that the Commission take these Comments into consideration.

Respectfully submitted this 15th day of March, 2022.



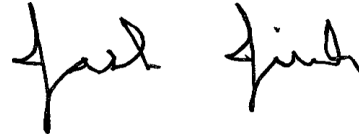
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*Counsel for Duke Energy Carolinas, LLC
and Duke Energy Progress, LLC*

CERTIFICATE OF SERVICE

I certify that a copy of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC's Comments, in Docket No. M-100, Sub 164, has been served by electronic mail, hand delivery or by depositing a copy in the United States mail, postage prepaid to parties of record.

This the 15th day of March, 2022.

A handwritten signature in black ink, appearing to read "Jack Jirak", written in a cursive style.

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