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INITIAL COMMENTS OF THE SOUTHERN ALLIANCE FOR CLEAN ENERGY, THE SIERRA CLUB, AND THE NATURAL RESOURCES DEFENSE COUNCIL

Feb 15 2024

1. RZEP Allocation Mechanism

Duke is right to propose not to include a “shadow” cost of Red Zone [Transmission] Expansion Plan (RZEP) upgrades in the 2024 request for proposals (RFP) bid analysis. See Duke Motion at 4; *id.* Attachment 1 at 14; *cf.* Joint Initial Comments of Southern Alliance for Clean Energy, Sierra Club, Natural Resources

Defense Council, and North Carolina Sustainable Energy Association at 11, *In the Matter of Duke Energy Progress, LLC, and Duke Energy Carolinas, LLC, 2023 Solar Procurement Pursuant to Initial Carbon Plan*, Docket Nos. E-2, Sub 1317 and E-7, Sub 1290 (N.C.U.C. Apr. 28, 2023) (discussing reasons not to include RZEP shadow cost in volume adjustment mechanism calculation).

The primary reason that the Commission decided to include a “shadow” RZEP cost in the 2022 and 2023 solar procurement no longer applies. The Commission explained in its order adopting the 2022 Carbon Plan and integrated resources plan (CPIRP), it was reluctant to modify its orders regarding the 2022 solar procurement and the 2022 solar RFP while the bid evaluation process was underway, since doing so could change the ranking of bids. Order Adopting Initial Carbon Plan and Providing Direction for Future Planning at 117, *In the Matter of Duke Energy Progress, LLC, and Duke Energy Carolinas, LLC, 2022 Biennial Integrated Resource Plans and Carbon Plan*, Docket No. E-100, Sub 179 (N.C.U.C. Dec. 30, 2022) (2022 Carbon Plan Order). Because Duke has already made clear that it would exclude an RZEP shadow price, before the 2024 solar procurement RFP opens, this concern does not apply.

The Commission also noted that other projects that trigger network upgrades, even if approved by the Carolinas Transmission Planning Collaborative (CTPC)¹ and included in Duke’s “baseline” transmission development, should be evaluated based upon the projects’ total costs. *Id.* at 118-19. This is undoubtedly true when the cost of transmission will not necessarily be incurred—when the

¹ Formerly the North Carolina Transmission Planning Collaborative (NCTPC).

project in question causes the transmission expenditure. See Order Approving Queue Reform at 2, *In the Matter of Petition for Approval of Revisions to Generator Interconnection Standards*, Docket No. E-100, Sub 101 (N.C.U.C. Oct. 15, 2020) (describing cost allocation under cluster study process).

But the circumstances are different when the transmission projects in question will be developed—and associated costs incurred—regardless of the particular generation project that ultimately interconnects to them, and where the cost of the transmission projects will be rate-based by the utility directly rather than borne by the generation developers and only passed through to customers by way of necessarily higher bid prices. As the Commission recognized, after the CTPC classified the RZEP projects as “contingent facilities” and incorporated them into Duke’s “baseline” it would not be assigning costs of the RZEP projects in interconnection agreements coming out of the “Definitive Interconnection System Impact Study” (DISIS) process. 2022 Carbon Plan Order at 117 (citing Witness Farver); 2022 Carbon Plan, Docket No. E-100, Sub 179, Tr. Vol. 18, 150:17-151:2 (Wit. Roberts, same). And in the most recent rate cases, the cost of RZEP projects was indeed rate-based. See Order Accepting Stipulations, Granting Partial Rate Increase, and Requiring Public Notice at 68-71, 97, *In the Matter of Application of Duke Energy Progress, LLC For Adjustment of Rates and Charges Applicable to Electric Service in North Carolina and Performance Based Regulation*, Docket No. E-2, Sub 1300 (N.C.U.C. Aug. 18, 2023); Direct Testimony of Daniel J. Maley for Duke Energy Progress, LLC at 38:3-12, *In the Matter of Application of Duke Energy Progress, LLC For Adjustment of Rates and Charges Applicable to Electric Service*

in North Carolina and Performance Based Regulation, Docket No. E-2, Sub 1300 (N.C.U.C. Oct. 6, 2022).

Least-cost planning will require “holistically considering the costs and benefits of the generation mix in the context of the costs and benefits of the associated transmission needs.” 2022 Carbon Plan Order at 121. Importantly, the process by which Duke identified the RZEP projects already attempted to identify the least-cost mix of both generation and transmission resources that would serve Duke’s projected load. 2022 Carbon Plan, Docket No. E-100, Sub 179, Tr. Vol. 8, 44:13-17 (Wit. Kalemba, affirming RZEP costs included in Carbon Plan), Vol. 11, 16:20-17:1-12 (Wits. Quinto and Snider, discussing transmission cost adder assigned to resources), Vol. 17, 37:9-14 (Wit. Roberts, explaining RZEP projects should facilitate larger solar projects, with net cost savings), Vol. 17, 38:22-39:3 (Wit. Roberts, RZEP projects could be considered reliability projects in the sense of firm deliverability to load), Vol. 19, 45:5-14 (Wits. Farver and Roberts confirming RZEP costs accounted for in modeling). Accordingly, the RZEP transmission costs are already part of the least-cost resource mix, and it is not necessary to evaluate them again as part of an analysis of the least-cost mix of new solar resources; that would be determined by only the cost of the solar resource and any additional transmission costs above and beyond the RZEP projects.

When transmission projects and their associated costs are already part of the least-cost resource plan, the question should then be how to use them most efficiently—how to get the most bang for the utility customer’s buck. The answer, briefly, is to use them to the greatest extent possible. The best way to maintain an

incentive to use the RZEP projects as much as possible in the solar procurement bid evaluation process is to exclude the cost of the RZEP projects from the evaluation of any bid—essentially treating the RZEP projects as already built—since they are committed and part of Duke’s local transmission plan. The effect of excluding the cost of RZEP projects from bid evaluation will be to create an incentive among solar developers to use the RZEP projects as much as possible, because doing so will minimize the amount of additional transmission that a project would require.

Conversely, the effect of assigning the “shadow” cost of the RZEP projects to solar bids that make use of them is to create the perverse incentive not to use this significant investment of customer funds by siting projects outside the part of the state most favorable for solar development. In addition, assigning the “shadow” cost of RZEP projects for the purpose of bid evaluation would add an unnecessary layer of complexity and uncertainty to the RFP process because solar developers would need to take the “shadow” price into account in their bids, but would know that they would not actually bear that cost, potentially distorting bids and exacerbating the significant attrition seen among solar bids in the recent procurements, ultimately putting compliance with the carbon-reduction requirements in Session Law 2021-165 at greater risk. See Joint CCEBA and NCSEA Comments in Response to Motion to Discontinue CPRE Program, *In the Matter of: Duke Energy Progress, LLC and Duke Energy Carolinas, LLC, Joint Petition for Approval of Competitive Procurement of Renewable Energy Program*, Docket Nos. E-2, Sub 1159 and E-7, Sub 1156 (N.C.U.C. Oct. 18, 2023).

2. Conclusion

For the foregoing reasons, the Commission should allow Duke to eliminate the imputation of a shadow cost to RZEP-dependent solar procurement bids for purposes of evaluation and ranking. SACE, et al. take no position at this time on Duke's proposal to use a "Resource Solicitation Cluster" for the 2024 RFP or Duke's request for an extension of time to file its 2024 Solar Procurement proposal. SACE, et al. thank the Commission for considering these Initial Comments and look forward to continuing to work with Duke and other stakeholders towards robust solar procurements and least-cost compliance with the carbon-reduction requirements in state law.

Respectfully submitted, this the 15th day of February, 2024.

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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Initial Comments on behalf of the Southern Alliance for Clean Energy, the Sierra Club, and the Natural Resources Defense Council in Docket Nos. E-2, Sub 1340 and E-7, Sub 1310 have been served on all parties of record by electronic mail or by deposit in the U.S. Mail, first-class, postage prepaid.

This 15th day of February, 2024.

/s/ Nick Jimenez