

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-100, SUB 158

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Biennial Determination of Avoided Cost)
Rates for Electric Utility Purchases from)
Qualifying Facilities – 2018)

SUPPLEMENTAL
NOTICE OF DECISION

BY THE COMMISSION: On October 7, 2019, in the above-captioned proceeding, the Commission issued a Notice of Decision announcing the Commission’s ultimate decision in this docket regarding the issues addressed therein and noting that the issues related to the proposed Solar Integration Service Charge (SISC) remain under consideration. The Notice of Decision included a background and summary of procedural history of this proceeding.

SUPPLEMENTAL NOTICE OF DECISION

The Commission has reached a decision regarding the issues related to the proposed SISC and, therefore, finds good cause to issue this Supplemental Notice of Decision related to those issues. The Commission hereby gives notice that it will issue an order in this docket concluding:

(1) That there is no dispute among the parties that Duke Energy Carolinas, LLC (DEC), and Duke Energy Progress, LLC (DEP), are incurring increased intra-hour ancillary services costs to integrate the “Existing plus Transition” level of solar qualifying facilities (QFs) into the DEC and DEP systems.

(2) That DEC and DEP’s quantification of the near-term projected capacity represented by “Existing plus Transition” solar QFs to be installed on the DEC and DEP systems, 840 MW and 2,950 MW, respectively, is reasonable for use in this proceeding.

(3) That DEC and DEP’s quantification of the increased ancillary services costs to integrate 840 MW of solar QF capacity in DEC and 2,950 MW of solar QF capacity in DEP used in developing a SISC for DEC and for DEP is reasonable for use in this proceeding.

(4) That the determinations reached in the Astrape Study¹ that an additional 26 MW of load following reserves are required to integrate 840 MW of solar QFs in DEC,

¹ The “Astrape Study” refers to the Solar Ancillary Service Study conducted by Astrape Consulting on behalf of DEC and DEP. The Astrape Study was sponsored as an exhibit by Duke witness Nick Wintermantel and admitted into the record as Wintermantel Exhibit 2.

at an average cost of \$1.10/MWh, and that an additional 166 MW of load following reserves are required to integrate 2,950 MW of solar QFs in DEP, at an average cost of \$2.39/MWh, are reasonable for use in this proceeding.

(5) That the SISC should be a fixed amount of \$1.10/MWh for DEC and \$2.39/MWh for DEP during the term of the contracts for those QFs that establish a legally enforceable obligation during the availability of the rates established in this proceeding. The SISC in the foregoing amounts should apply prospectively only, and shall not apply to the rates established in prior biennial avoided cost proceedings, nor shall it be binding with respect to any subsequent biennial avoided cost proceeding.

(6) That increased ancillary services costs are costs that DEC and DEP must account for when calculating the costs and benefits resulting from the purchase of energy and capacity from solar QFs.

(7) That DEC and DEP's approach to designate the SISC as a separate cost or charge to be established in Schedule PP and through negotiated PPAs should not be approved; instead, DEC and DEP should be required to account for increased ancillary services costs when calculating each utility's avoided energy costs.

(8) That DEC and DEP should not be authorized to impose the SISC on a solar QF that is a "controlled solar generator," meaning, generally, any solar QF that demonstrates that its facility is capable of operating, and contractually agrees to operate, in a manner that materially reduces or eliminates the need for additional ancillary service requirements incurred by the utility.

(9) That DEC and DEP should be required to file with the Commission proposed guidelines for QFs to become "controlled solar generators" and thereby avoid the SISC.

(10) That DEC and DEP should be required to calculate avoided energy rates that do not include a SISC and to include these non-SISC inclusive rates that would be available to "controlled solar generators" as a part of the tariffs and standard contracts in this proceeding.

(11) That the Astrape Study methodology used to quantify DEC and DEP's increased ancillary services costs and to calculate each utility's SISC presents novel and complex issues that warrant further consideration, particularly in light of DEC and DEP's late-filed Exhibit No. 2.

(12) That DEC and DEP should be required to submit the Astrape Study methodology to an independent technical review and to include the results of that review and any revisions to the methodology that is supported by the results of that review in its initial filing in the 2020 biennial avoided cost proceeding.

(13) That the Commission will proceed as appropriate in addressing the applicability of the SISC to the following programs, in each of the following proceedings:

i) The Green Source Advantage Program (Docket Nos. E-2, Sub 1170 and E-7, Sub 1169);

ii) The Competitive Procurement of Renewable Energy Program (Docket Nos. E-2, Sub 1159 and E-7, Sub 1156); and

iii) The Community Solar Program (Docket Nos. E-2, Sub 1169 and E-7, Sub 1168).

This Supplemental Notice of Decision is intended to advise the parties and interested persons of the Commission's ultimate decision in this docket regarding the issues addressed herein. It does not include or provide the Commission's findings of fact and reasoning, nor does it address all issues raised by the parties. Those components of the Commission's decision will be set forth in the full order to be issued in this docket. The time for the filing of exceptions and notices of appeal with regard to the Commission's decision in this docket shall run from the date of entry of the full order, not from the date of this Supplemental Notice of Decision.

IT IS, THEREFORE, ORDERED as follows:

1. That within 15 days of the date of this Supplemental Notice of Decision, DEC and DEP shall make a compliance filing in this docket that includes the following:

a. Revised schedules applicable to the purchase of power from QFs, in redline and clean versions, that comply with the rate methodologies and contract terms approved in this Supplemental Notice of Decision and the Commission's Notice of Decision previously issued in this proceeding;

b. Supporting calculations for the revised rate schedule applicable to the purchase of power from QFs; and

c. Revised purchase power agreements and terms and conditions, in redline and clean versions, that comply with the contract terms and conditions approved in this order for the standard offer contract for purchase of power from QFs;

2. That the revised rate schedules, purchase power agreements, and terms and conditions required to be filed by this Supplemental Notice of Decision shall become effective and be implemented 15 days after being filed unless a party files with the Commission specific objections as to the accuracy of the revisions or supporting calculations;

3. That the deadline for the filing of the compliance filing established herein shall supersede the similar deadline established in the Notice of Decision previously issued in this docket;

4. That on or before November 18, 2019, DEC and DEP shall file in this docket proposed guidelines for QFs to become “controlled solar generators” and thereby avoid the SISC.

ISSUED BY ORDER OF THE COMMISSION.

This the 17th day of October, 2019

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "Kimberley A. Campbell". The signature is written in a cursive style with a large initial 'K'.

Kimberley A. Campbell, Chief Clerk