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August 15, 2022

VIA ELECTRONIC FILING
Ms. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
430 North Salisbury Street
Raleigh, NC 27603

***RE: In the Matter of Application of Macadamia Solar LLC for a Certificate of Public Convenience and Necessity to Construct a 484-MW Solar Facility in Washington County, North Carolina, consolidated Docket Nos. EMP-119, Sub 0 and EMP-119, Sub 1
Update regarding Affected System Operating Agreement***

Dear Ms. Dunston:

On behalf of Applicant Macadamia Solar LLC (“Macadamia”), I write to update the North Carolina Utilities Commission (“Commission”) on developments related to a potential Affected System Operating Agreement (“ASOA”) with Duke Energy Progress (“DEP”), pursuant to which DEP will perform certain upgrades to the Everetts-Greenville 230 kV transmission line (the “DEP Upgrade”).

As discussed in the testimony of Donna Robichaud filed on behalf of the Applicant in this docket on May 25, 2022 and July 13, 2022,¹ Macadamia is in the process of negotiating an ASOA for construction of the DEP Upgrade, which would not provide for reimbursement of any affected system upgrade costs paid by Macadamia. As stated in the revised Affected System Study for PJM Cluster AD1 (filed as Exhibit 1 to the Supplemental testimony of Jay B. Lucas, filed on June 29, 2022 in consolidated docket nos. EMP-119, sub 0 and EMP-119, sub 1) (“June 2022 Affected System Study”), DEP

¹ This information was also provided in testimony filed on August 12, 2022, in docket nos. EMP-110, Sub 0 and EMP-111, Sub 0.

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plans to rebuild the Everetts-Greenville 230 kV line for reliability reasons, due to the age and condition of the line. The incremental cost of using a larger conductor for that rebuild, as required to accommodate the interconnection of the Macadamia and the other projects in the AD1 cluster (and potentially other projects in later clusters), as estimated in the Study, would be \$350,000. However, DEP has indicated that this work will not be completed until 2026 or 2027 unless the Interconnection Customer pays to expedite it.

Because an in-service date in 2026 or later would have an adverse impact on the economics of the AD1 projects dependent on the DEP Upgrade, Macadamia is seeking to negotiate an ASOA with Duke that would expedite the work to 2025. According to DEP, the cost to expedite the work under the ASOA to 2025 would be approximately \$1.6 million (in addition to the cost of the reconductoring).

On August 9, DEP provided Macadamia an executable ASOA (**confidential Attachment A**) (“draft ASOA”) that provides for the completion of the DEP Upgrade by December 31, 2025. The draft ASOA estimates an incremental cost of \$150,000 for the reconductoring of the Everetts-Greenville 230 kV line, and expediting costs of \$1,615,000, for a total cost of \$1,765,000. The draft ASOA does not provide for any reimbursement of those costs to Macadamia, and would not impose any costs on Duke ratepayers.

Although Macadamia and DEP are still negotiating the final terms of an ASOA, it is not expected that the final ASOA would deviate from the draft with respect to cost estimates or reimbursability. DEP has indicated that it will file the final ASOA with FERC for acceptance or approval once the parties have executed it, and Macadamia (or Geenex Solar, which is developing Macadamia) intends to make filing in support.²

Given recent rulings from FERC on other affected system operating agreements, representatives of Macadamia have also met with FERC staff to discuss the non-reimbursability provisions of the draft ASOA. Macadamia is optimistic that FERC will find an ASOA not providing for reimbursement just and reasonable under the circumstances.

² Macadamia will file a copy of the final executable ASOA with this Commission when it becomes available.



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ATTORNEYS AT LAW

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Attached hereto (**confidential Attachment B**) are updated LCOT calculations based on the cost estimates in the draft ASOA. With respect to the DEP Upgrade, Macadamia has calculated revised LCOT values of \$0.05/MWh if all projects in the AD1 cluster benefitting from the proposed DEP Upgrade are considered, and \$0.07/MWh if only Macadamia is considered.

Please let me know if you have any questions about this information. Thank you.

Sincerely,

A handwritten signature in blue ink that reads "Benjamin L. Snowden".

Benjamin L. Snowden

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AUG 15 2022