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December 7, 2020

VIA ELECTRONIC FILING

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

**Re: Duke Energy Carolinas, LLC's and Duke Energy Progress, LLC's
Joint Progress Report
Docket No. E-100, Sub 167**

Dear Ms. Campbell:

Pursuant to Ordering Paragraph 2 of the Commission's *Order Granting Continuance and Establishing Reporting Requirements*, issued October 30, 2020, enclosed for filing in the above-referenced docket, please find the Joint Progress Report of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Kendrick C. Fentress

Enclosure

cc: Parties of Record

OFFICIAL COPY

Dec 07 2020

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-100, SUB 167

In the Matter of:)
)
Determination of Avoided Cost Rates for) **JOINT PROGRESS REPORT OF**
Electric Utility Purchasers from Qualifying) **DUKE ENERGY CAROLINAS,**
Facilities -- 2020) **LLC AND DUKE ENERGY**
) **PROGRESS, LLC**
)

NOW COME Duke Energy Carolinas, LLC (“DEC”) and Duke Energy Progress, LLC (“DEP” and together with DEC, “Duke” or the “Companies”) by and through counsel, and pursuant to *Order Granting Continuance and Establishing Reporting Requirements (“Reporting Order”)*, issued by the North Carolina Utilities Commission (“NCUC” or “Commission”) on October 30, 2020 in the above-captioned docket and hereby respectfully provide this report on their progress in addressing certain additional issues for the November 2021 avoided cost proceeding. Specifically, the Reporting Order directed the Companies to file by December 7, 2020, a proposal, including a timeline, of how the Movants intend to address each of the “Sub 158 Additional Issues,” as discussed in the Reporting Order and further detailed herein. After the December 7 report, the Companies must file updated reports every 45 days. The Companies’ proposal and timeline are as follows:

Background

1. On August 13, 2020, the Commission issued an *Order Establishing Biennial Proceeding, Requiring Data, and Scheduling Public Hearing*, which initiated the 2020 biennial proceeding for determining each utility’s avoided costs with respect to rates for purchases from qualifying facilities pursuant to the provisions of Section

210 of the Public Utility Regulatory Policies Act of 1978 (“PURPA”) and the Federal Energy Regulatory Commission’s (“FERC”) regulations implementing those provisions, as well as North Carolina’s PURPA implementation statute, N.C. Gen. Stat. § 62-156 (“Scheduling Order”).

2. The Scheduling Order noted that the Commission’s April 15, 2020 *Order Establishing Standard Rates and Contract Terms for Qualifying Facilities* issued in Docket No. E-100, Sub 158 (“Sub 158 Order”) set forth a number of additional issues to be addressed by the utilities in their initial November 1, 2020 filings in Docket No. E-100, Sub 167. These issues include:

- Real-time pricing tariffs;
- Cost increments and decrements to the publicly available combustion turbine cost estimates;
- The use of other reliability indices, specifically the Equivalent Unplanned Outage Rate (“EUOR”) metric, to support development of the performance adjustment factor (“PAF”);
- The extent of backflow at substations;
- The potential for qualifying facilities (“QFs”) to provide ancillary services and appropriate compensation; and
- The results of an independent technical review of the Astrapé Study solar integration services charge (“SISC”) methodology.

(“Sub 158 Additional Issues”)

3. On October 20, 2020, DEC, DEP, and Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina (“DENC”) filed a Notification of Intended Compliance with N.C. Gen. Stat. § 62-156(b), Request for Continuance of Compliance with Certain 2020 Filing Requirements and Request to Prospectively Modify Timing of Biennial Proceedings (“Continuance Motion”). In their Continuance Motion, the Companies and DENC noted FERC’s issuance of Order No. 872 on July 16, 2020 as potentially identifying new avoided cost rate setting

methodologies and addressing a number of issues that have the potential to impact the Companies', DENC's and the Commission's implementation of PURPA in North Carolina, once the amended regulations become effective December 31, 2020. The Companies proposed undertaking a critical and comprehensive analysis of the FERC's recently-amended PURPA regulations to be able to more fully comment on them in an avoided cost filing.¹ Accordingly, the Companies and DENC requested, among other things, a continuance for addressing the Sub 158 Additional Issues until November 1, 2021. Through its Reporting Order, the Commission allowed the request and directed the Companies to file this proposal and report, outlining the timelines for addressing the Sub 158 Additional Issues in the November 2021 avoided cost filing.

Proposal and Timeline for Addressing Sub 158 Additional Issues

- **Real-Time Pricing Tariffs**

The Companies intend to discuss the issue of real-time pricing avoided cost rate options with the Public Staff in the January-March 2021 timeframe. Order No. 872's modifications to FERC's regulations establishing approved methodologies under 18 C.F.R. 292.304 for calculating avoided cost rates potentially impact this discussion. The Companies continue to review Order No. 872 to inform the proposals that the Companies will discuss with the Public Staff with respect to real-time pricing tariffs. The Companies also intend to engage North Carolina Sustainable Energy Association ("NCSEA"),

¹ See *Order No. 872*, 172 FERC ¶ 61,041, *clarified in part*, *Order No. 872-A*, 173 FERC ¶ 61,158 (Nov. 19, 2020). Order No. 872's revisions to FERC's regulations implementing PURPA become effective December 31, 2020, which is 120 days after publication of the final rules in the Federal Register (85 FR 54638, published Sept. 2, 2020). See *Order No. 872*, at ¶ 753; PURPA then provides state regulatory authorities with one year to determine how to implement the new regulations for Utilities for which it has ratemaking authority. See 16 U.S.C. § 824a-3(f)(1).

Southern Alliance for Clean Energy (“SACE”), and North Carolina Clean Energy Association (“NCCEBA”) in the June-August timeframe on this issue.

- **Cost Increments and Decrements to the Publicly Available Combustion Turbine Cost Estimates**

The Companies are currently responding to data requests on this topic with respect to their Joint Initial Statement in Docket No. E-100, Sub 167. They are also currently developing their proposals to discuss with the Public Staff in the first quarter of 2021. The Companies also intend to engage NCSEA, SACE, and NCCEBA in the June-August 2021 time period.

- **The Use of Other Reliability Indices to Support Development of the PAF**

In its Sub 158 Order, the Commission concluded that the PAF calculations proposed by the Companies in their November 1, 2018 initial Joint Statement were consistent with the Commission’s October 11, 2017 *Order Establishing Standard Rates and Contract Terms for Qualifying Facilities* in Docket No. E-100, Sub 148 and appropriate for purposes of that proceeding. The Commission, however, also accepted the Public Staff’s recommendation to consider other reliability metrics, specifically the EUOR. Accordingly, the Commission directed the Companies and the Public Staff to address the appropriateness of using EUOR as an alternative to the Equivalent Availability (“EA”) method. The Companies are currently responding to data requests in the current avoided cost proceeding, but, as directed in the Sub 158 Order, they will work to develop a proposal to take to the Public Staff in the January-March 2021 timeframe to address the appropriateness of using the EUOR as an alternative to the EA methodology. The Companies also intend to engage NCSEA, NCCEBA, and SACE in the June-August timeframe on this issue.

- **The Extent of Backflow at Substations**

The Companies addressed this issue in their Joint Initial Statement filed in this docket on November 2, 2020, on pages 23-25.

- **The Potential for QFs to Provide Ancillary Services and Appropriate Compensation**

The Companies previously addressed the complexity of this issue, in part, in the Joint Report that they filed with DENC on the Storage Retrofit Stakeholder Meetings in Docket No. E-100, Sub 158 on September 16, 2020 (“Stakeholder Report”). In that Stakeholder Report, the Companies cited regulation and balance ancillary services for offsetting solar volatility as the only quantified ancillary services eligible for payment in North Carolina. Recent reply comments filed by NCSEA, NCCEBA and SACE in response to the Stakeholder Report do not dispute this. These two ancillary services were quantified for purposes of quantifying solar integration costs only after a contentious and lengthy proceeding in Docket No. E-100, Sub 158. Additionally, no representative of the solar developers proposed any additional ancillary services for discussion in the recent Storage Retrofit Stakeholder Meeting. *In fact*, to date, no QFs have demonstrated their ability to avoid imposing increased ancillary costs by operating as controlled solar generators. Therefore, the Companies contend that this complex issue requires additional technical, legal and regulatory review. Primarily, with respect to the potential of QFs providing ancillary services, the Companies will continue to consider how to hold their customers harmless from costs incurred by the Companies from the addition of intermittent QFs and any potential provision of ancillary services from QFs. The Companies had preliminary discussions of this issue with the Public Staff in the context of the recent Storage Retrofit Stakeholder Meetings, and they intend to discuss this issue with the Public

Staff in the January-March 2021 timeframe and to engage with other stakeholders on this issue in the June-August 2021 timeframe.

- **The Results of an Independent Technical Review of the Astrapé Study SISC Methodology.**

The Companies met with the Public Staff on December 1, 2020, to obtain its input on the scope and selection of the technical review committee (“TRC”) and the involvement of the National Labs. As previously noted, the Companies have had difficulties engaging the National Labs as participants in the TRC after the Commission’s Sub 158 Order imposed this requirement in April 2020; however, the Companies are hopeful that with the Public Staff’s involvement and a more narrowly defined scope of participation, they may be able to engage a National Lab to participate in the TRC. The Companies will continue to keep the Commission updated on their progress of engaging a National Lab to support the TRCs’ independent technical review in future reports. To that end, the Companies have proposed the following timeline that includes engaging the other stakeholders as discussed in their Continuance Motion:

- Nov-Dec 2020: Identify technical leads with the Public Staff to work with the Companies to develop the scope for the TRC study review and report and engage with National Labs and others as identified.
- Jan-Feb 2021: Finalize TRC study scope and solicit interest from National Lab(s) and others as selected by technical leads with a goal of having a TRC formed with any requisite contracts by the end of February.
- March 2021: The Companies/Astrapé present SISC methodology and modeling approach to the TRC for review. Update stakeholders on formation of TRC.
- April-July 2021: TRC review study methodology and model with participation from the Public Staff.
- Aug.-Sept. 2021: TRC to issue Report and present study results to stakeholders, including the NCSEA, NCCEBA, and SACE.

- Sept.-Oct. 2021: The Companies to implement study recommendations and file updated SISC November 1, 2021.

The Companies have already begun the process of developing an updated SISC for review by the TRC in anticipation of the November 2021 filing.

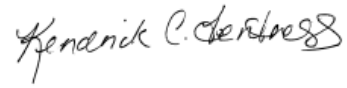
- **FERC's Order No. 872**

The Companies have begun a critical and comprehensive review of Order No. 872 and its impact on PURPA implementation in North Carolina. As they committed to do in their Continuance Motion, the Companies intend to develop their positions on Order No. 872's impact on PURPA implementation in North Carolina and to engage the Public Staff and other stakeholders on their positions in advance of their November 2021 filing, likely during the months of June-August 2021.

Conclusion

As set forth above, the Companies respectfully propose to engage the Public Staff in the next three months on the outstanding Sub 158 Additional Issues and to work with the Public Staff in forming the TRC. The Companies also intend to notify the stakeholders on the formation of the TRC and then to further engage with other stakeholders, NCSEA, NCCEBA, and SACE, on the results of the TRC's work in August 2021. The Companies also commit to engage the stakeholders on the Companies' positions with respect to the other Sub 158 Additional Issues in the June – August 2021 timeframe. The Companies will also continue to look for areas where consensus could be achieved with the Public Staff and the other stakeholders as they continue to develop their 2021 avoided cost filing.

Respectfully submitted, this the 7th day of December 2020.



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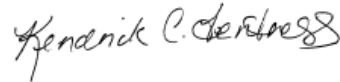
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CERTIFICATE OF SERVICE

I certify that a copy of Duke Energy Carolinas, LLC's and Duke Energy Progress, LLC's Joint Progress Report, in Docket No. E-100, Sub 167, has been served by electronic mail, hand delivery, or by depositing a copy in the United States Mail, 1st Class Postage Prepaid, properly addressed to parties of record.

This the 7th day of December, 2020.



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