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Apr 20 2015

April 20, 2015

VIA ELECTRONIC FILING

Mrs. Gail L. Mount, Chief Clerk
North Carolina Utilities Commission
Dobbs Building
430 North Salisbury Street
Raleigh, North Carolina 27603

Re: Docket No. E-100, Sub 141

Dear Mrs. Mount:

Enclosed for filing in the above-referenced docket on behalf of Virginia Electric and Power Company, d/b/a Dominion North Carolina Power, is the Reply Comments of Dominion North Carolina Power.

Please do not hesitate to contact me if you have any questions. Thank you for your assistance in this matter.

Very truly yours,

s/ E. Brett Breitschwerdt

EBB:asm

Enclosures

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION**

DOCKET NO. E-100, SUB 141

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

)	
In the Matter of)	
2014 Biennial Integrated Resource Plans)	REPLY COMMENTS OF DOMINION
and Related 2014 REPS Compliance Plans)	NORTH CAROLINA POWER
)	

On August 29, 2014, Virginia Electric and Power Company d/b/a Dominion North Carolina Power (“DNCP” or the “Company”) filed its 2014 Integrated Resource Plan (“2014 Plan” or “Plan”) pursuant to North Carolina Utilities Commission (“Commission”) Rule R8-60 and its 2014 Renewable Energy and Energy Efficiency Portfolio Standards Compliance Plan (“REPS Plan”) pursuant to Rule R8-67 in the above-captioned docket.

In an Order issued September 29, 2014, the Commission established January 30, 2015, as the date for the Public Staff and other intervenors to file initial comments on the Integrated Resource Plans (“IRPs”) and REPS Plans filed by the electric power suppliers (the “Utilities”) and allowed the Utilities to file reply comments on or before February 13, 2015.¹ At the Public Staff’s request, the Commission extended the dates for comments to March 2, 2015, and reply comments to March 19, 2015. Initial comments on the Utilities’ IRPs and REPS compliance plans were timely filed by the Public Staff, the North Carolina Waste Awareness and Reduction Network (“NC WARN”), Southern Alliance for Clean Energy and the Sierra Club (collectively “SACE”), the Mid-Atlantic Renewable Energy Coalition (“MAREC”), and the North Carolina Sustainable Energy

¹ A separate procedural schedule was established for parties to comment on the 2014 REPS plans and 2013 REPS reports filed by certain non-public utility electric power suppliers in Docket E-100, Sub 143.

Association (“NCSEA”). On March 11, and April 8, 2015, the Commission granted joint requests by DNCP along with Duke Energy Progress, Inc. (“DEP”), and Duke Energy Carolinas, LLC (“DEC”) to extend the date for filing reply comments to April 20, 2015.

No party objected to DNCP’s 2014 Plan or its REPS Plan. The Public Staff and NCSEA were the only parties to specifically address DNCP’s 2014 Plan in their Comments. DNCP hereby files its reply comments to the Comments submitted by the Public Staff and certain other parties.²

I. COMMENTS IN RESPONSE TO PUBLIC STAFF

The Company agrees with the Public Staff’s statements that:

(1) “[a]ll of the utilities use accepted econometric and end-use analytical models to forecast their peak and energy needs;”³

(2) “DNCP’s peak load and energy sales forecasts are reasonable for planning purposes;”⁴ and

(3) “the reserve margins filed by the [Utilities] are reasonable, and recommends that [the Utilities] maintain their proposed reserve margins as filed.”⁵

The Company has reviewed the recommendations set forth on pages 68-69 of the Public Staff’s Comments (“Recommendation”), and specifically the subset of Recommendations applicable to DNCP. While certain of those Recommendations require further discussion, which the Company addresses in detail below, DNCP is in general agreement

² Capitalized terms, to the extent not defined in these Comments, have been defined in the 2014 Plan.

³ *In the Matter of 2014 Updated Integrated Resource Plans and Related 2014 REPS Compliance Plans*, Docket No. E-100, Sub 141, Comments of the Public Staff, at 12 (Apr. 11, 2014) (“Public Staff Comments”).

⁴ Public Staff Comments, at 19.

⁵ Public Staff Comments, at 39.

with many of the Public Staff's comments and Recommendations. The Company responds to the Public Staff's other comments and Recommendations, as follows:

a. Planning for Clean Power Plan Compliance

On pages 9-10 of its Comments and in its Recommendations, the Public Staff recognizes that the United States Environmental Protection Agency's ("EPA") recently proposed the Clean Air Act Section 111(d) rule, known as the "Clean Power Plan," which imposes substantial greenhouse gas and carbon intensity compliance targets on DNCP in both North Carolina and Virginia. The Public Staff also recognizes DNCP's inclusion of Plan F: EPA GHG Plan for illustrative purposes in the 2014 Plan. Plan F was designed to illustrate a potential compliance scenario of how the Company could meet the proposed 2030 targets under the proposed Section 111(d) rule. The Public Staff commended DNCP for beginning to evaluate its Clean Power Plan-compliance options, and recommends that the Utilities' future IRPs "include discussion of the potential implications of the [Section 111(d)] Rule, scenarios for possible compliance, and costs of compliance."⁶

The Company included the Plan F scenario in its 2014 Plan because it views planning for implementation of a final Section 111(d) rule as a prudent step given the proposed Clean Power Plan rule's complexities and timelines for compliance. The Company agrees with Public Staff that its future IRPs should continue to plan for Clean Power Plan compliance. During its 2015 Regular Session, the General Assembly of Virginia enacted Senate Bill 1349, which was signed into law by Governor McAuliffe on

⁶ Public Staff Comments, at 10.

February 24, 2015 (“Senate Bill 1349”).⁷ Senate Bill 1349 adjusts the Virginia resource planning process by 1) moving the 2015 IRP filing date to July 1 and requiring IRPs to be filed annually by May 1 beginning in 2016; 2) requiring future Virginia IRPs to address the effect of current and pending state and federal environmental regulations on existing generation facilities and new generation options; and 3) requiring future Virginia IRPs to evaluate the most cost-effective means of complying with state and federal environmental regulations, including options to minimize effects on customer rates. In recognition of the new resource planning obligations imposed by recently-enacted Senate Bill 1349,⁸ DNCP expects its future system-wide Plans to respond to the Public Staff’s recommendation that future integrated resource planning address Clean Power Plan compliance and the costs of compliance.

b. Nuclear Plant Relicensing

The Public Staff recommends on pages 30-31 of its Comments that the Utilities address the potential for relicensing of their existing nuclear units and reflect such potential relicensing in future IRPs.⁹ As described in the 2014 Plan, the Company’s customers today benefit substantially from the Company’s prior investments in the four nuclear units, at North Anna and Surry, and the Company is mindful of the scheduled license expirations of these units between 2032 and 2040.¹⁰ The feasibility and cost of extending the lives and operating licenses of DNCP’s existing nuclear units was similarly

⁷ 2015 Virginia Acts of Assembly, Ch . 6 (approved February 24, 2015; effective July 1, 2015).

⁸ In addition, the State Corporation Commission of Virginia in the 2013 IRP proceeding found that the Company should take into account the requirements of the Clean Power Plan as necessary in future planning. *In Re: Virginia Electric and Power Company’s Integrated Resource Plan filing pursuant to § 56-597 et seq. of the Code of Virginia*, Final Order, at 7-8 Case No. PUE-2013-00088 (Aug. 27, 2014) (“2013 Virginia IRP Order”).

⁹ Public Staff Comments, at 30-31.

¹⁰ The Company’s operating licenses for Surry Unit 1 (838 MW) and Surry Unit 2 (838 MW) expire in 2032 and 2033, respectively, and North Anna Unit 1 (838 MW) and North Anna Unit 2 (835 MW) expire in 2038 and 2040, respectively.

an issue of interest in the Company's recent Virginia IRP review proceeding. The State Corporation Commission of Virginia ("VSCC") specifically directed DNCP to investigate the relicensing option for DNCP's existing nuclear units in its 2015 IRP filing, including comparing the cost of constructing North Anna 3 to the cost of renewing the licenses of the four existing nuclear units, as well as comparing the cost of retiring the four existing nuclear units to the cost of renewing the licenses for those units.¹¹ Accordingly, as the Company plans on a system-wide basis, the Company will provide an analysis of the potential for relicensing its existing nuclear units in its North Carolina IRP update to be filed by September 1, 2015.

DNCP does believe, however, that the Public Staff's specific recommendation "for future IRPs that foresee substantial nuclear retirements, the planning period, and in particular, the period covered by the Load, Capacity, and Reserve Tables should be extended to 20 years" is unnecessary.¹² In the 2013 IRP proceeding, the Company opposed extending its planning period beyond the 15-year period required by Commission Rule R8-60(c) and (h), as well as Va. Code § 56-592 *et seq.* and the VSCC's Integrated Resource Planning Guidelines.¹³ The *2013 IRP Order* stated that the Commission is "satisfied with [the Utilities'] current 15-year planning periods," but that the Utilities "should always supply additional forward looking comments in their IRPs when warranted to provide adequate background concerning critical infrastructure decision-making."¹⁴ Accordingly, DNCP requests the Commission find that its proposal

¹¹ 2013 Virginia IRP Order at 5.

¹² Public Staff Comments, at 68.

¹³ See *Order Establishing Guidelines for Developing Integrated Resource Plans*, at Attachment A Virginia State Corporation Commission Case No. PUE-2008-00099 (Dec. 23, 2008).

¹⁴ *Order Approving Integrated Resource Plan Annual Update Reports and REPS Compliance Plans*, Docket No. E-100, Sub 137 (June 30, 2014) ("2013 IRP Order").

to provide an analysis of the potential for relicensing its existing nuclear units in its 2015 IRP update is adequate and that there is no need to extend the 15-year planning period at this time.

c. DSM Resource Forecasting and Program Development

The Public Staff's Comments at pages 26-28 express concerns with the Utilities' forecasting of demand side management ("DSM") resource capacity relative to actual DSM activation and utilization during peak periods. Specific to DNCP, the Public Staff asserted that DNCP's realized DSM capacity reductions were below the amount forecast in its 2014 Plan, with the Residential Air Conditioning Cycling program achieving 74% of its forecasted amount of capacity reductions, and the Customer Distributed Generation program achieving 65% and 71% of its forecasted winter and summer season capacity reductions, respectively. The Public Staff recommends that DSM resources identified in the IRP should "represent the reasonably expected load reductions that are available at the time the resource is called upon as capacity" based upon enrolled DSM capacity and evaluation, measurement, and verification (EM&V) data.¹⁵ The Company is generally not opposed to this suggestion and incorporates actual performance and/or EM&V data into its planning process when appropriate and when the Company has sufficient program experience.

The Public Staff's Comments also highlight the recent winter system peak demands experienced by DNCP and the other Utilities, and recommends the Company employ a "renewed emphasis on designing new DSM programs to meet winter peak

¹⁵ Public Staff Comments, at 27.

demands, as well as summer peak demands.”¹⁶ DNCP agrees with the Public Staff that its most recent experience during 2014 and 2015 suggests that renewed planning focus on peak demands experienced during the winter months may be warranted. During the “polar vortex” periods of January and February 2014, the PJM DOM LSE zone experienced a 16,834 MW system peak demand on January 7, 2014. Most recently, on February 21, 2015, at 8:00 a.m., DNCP experienced its all-time system peak of 18,687 MW, which is up from the 16,834 MW prior system peak experienced in 2014. Recognizing this recent winter peaking experience (and that the recent surge of proposed solar photovoltaic generation is of extremely limited capacity value during winter morning peaks), DNCP will evaluate DSM program options that provide reliable capacity to meet peak demands during both the winter and summer periods in future IRPs. Specifically, the Company continues to evaluate options for cost effective DSM programs that provide benefits during peak periods. The Company also notes that its Virginia commercial distributed generation program provides DSM capacity during both summer and winter periods, but was not approved for deployment in North Carolina.¹⁷

Finally, the Public Staff’s Comments noted that DNCP recently completed a new market potential study, but had not yet released the study as it was still being reviewed by the Company.¹⁸ On March 29, 2015, the Company provided counsel for the Public Staff a copy of its January 9, 2015, market potential study, which was independently developed by its consultant, DNV GL.

¹⁶ Public Staff Comments, at 68.

¹⁷ *Order Denying Approval of Program*, Docket No. E-22, Sub 466 (Sept. 14, 2011).

¹⁸ Public Staff Comments, at 47.

d. Estimating Non-Utility Generator Solar Capacity

The Public Staff “questions whether the estimate of solar capacity fully considers the generation currently pending in the interconnection queue” and further “recommends that each utility carefully review their projections of solar capacity.”¹⁹ The Company is not opposed to reviewing its solar PV qualifying facility (“QF”) projections, similar to all other projections, in developing future Plans. However, as discussed at length in the Commission’s recent avoided cost proceeding, Docket No. E-100, Sub 140, the Company’s current experience does not support relying on the Company’s interconnection queue to determine the solar QF resource capacity that may become commercially operational.

The Company’s experience during the recent solar PV QF development surge has been that numerous projects in its interconnection queue are “speculative” and have a low probability of development and commercial operation as a resource that DNCP can rely upon to serve customers. Even where a QF has applied for interconnection, has filed for and obtained a certificate of public convenience and necessity (“CPCN”), and executed a power purchase agreement (“PPA”), the Company still has little assurance of when or if the facility will be made operational. There are numerous aspects of a typical solar PV development project that will dictate whether it is ultimately constructed, including interconnection costs and constraints, qualification for and monetization of tax credits, securing financing, cost of equipment and construction, and, potentially, finding a buyer for the project. Because the Company has little to no visibility into these variables and little meaningful historical data to assess the percentage of solar QF capacity likely to be

¹⁹ Public Staff Comments, at 34-35.

deployed, DNCP does not believe it prudent to rely upon the level of solar QF capacity pending in its interconnection queue as a reliable metric for future solar QF deployment in its service territory. In summary, so long as QF developers are not required to make any construction commitments when filing a CPCN or executing a PPA, the Company has very little ability to make meaningful estimates on the volume or timing of such QF development. Therefore, for planning purposes, the Company is limited to using its best estimate about the volume and timing of the QF projects that will ultimately be constructed. As in previous IRPs, the Company will continue to review CPCN filings and PPA status each year at the time of the IRP development and incorporate its best estimate of future QF development.

e. Quantifying Value of Fuel Diversity

Similar to comments made in past years, the Public Staff suggests that the Utilities should “continue to develop methods of quantifying the benefits of fuel diversity” and also recommends the Utilities provide “not only the [present value revenue requirement (PVRR)] for the possible resource expansion plans, but also an estimate of the annual rate impacts of such plans levelized over the life of the resource additions.”²⁰

At the outset, the Company would note that its 2014 Plan does not select its Fuel Diversity Plan over the least-cost Base Plan. Instead, the Company recommends a path forward based upon the least-cost Base Plan, while concurrently continuing forward with reasonable development efforts of the additional resources identified in the Fuel Diversity

²⁰ Public Staff Comments, at 67.

Plan.²¹ As with any strategic plan, the Company will update its future Plans to incorporate new information as it becomes known.

In response to the Public Staff's Recommendation in the 2013 IRP proceeding, E-100, Sub 137, to establish metrics to quantify the benefits of fuel diversity²², the Company's 2014 Plan provides the Section 6.6 "Portfolio Evaluation Scorecard" framework. The Scorecard is designed to evaluate the Base Plan relative to other alternative Plan scenarios based upon the following criteria: Strategist NPV cost results to reflect the least cost option; Rate Stability; fuel and construction cost risk, GHG Emissions, and Fuel Supply Concentration. Figure 6.6.1.1 in the 2014 Plan presents the analysis and criteria scoring under the Scorecard framework, while Figure 6.6.1.2 shows the Scorecard rankings for each planning scenario. The Fuel Diversity and EPA GHG Plans received the most favorable scores on the Scorecard. The results of the 2014 Plan's Scorecard framework supports the Company's planning recommendation to continue following the least-cost Base Plan, while also continuing reasonable development of the Company's Fuel Diversity Plan.

Further, the VSCC's 2013 *Virginia IRP Order* also requires the Company to "include an analysis of the trade-off between operating cost risk and project development cost risk associated with the Base Plan and the Fuel Diversity Plan" starting in the 2015 Virginia IRP filing. The Company plans to include a probabilistic analysis in the 2015 IRP which will provide a comparative assessment of operating cost risk and project development cost risk for both the Base Plan and the Fuel Diversity Plan. This analysis will further address the value of fuel diversity.

²¹ 2013 Plan, at 4.

²² 2013 *Virginia IRP Order*, supra note 9, at 4.

The Company does not, however, agree with the Public Staff's further Recommendation that PVRR should be used to represent the value of fuel diversity in the Company's future Plans. The Company views its Scorecard approach and probabilistic analysis as a superior framework to evaluate fuel diversity. The Company also disagrees with the Public Staff's related Recommendation that the Utilities should estimate the annual rate impacts of their various plans over the life of the planned resource additions. While an estimate of annual rate impacts of resource additions on a levelized per kWh basis may provide some understanding of ratepayer impacts, the Company believes this value would be limited in comparison to the way bill impacts are provided in base rate, fuel, DSM and other ratemaking proceedings. In addition, the Company is concerned that such an additional requirement may be a source of confusion for customers since the Company is not asking for actual cost recovery in the IRP proceeding. Finally, DNCP notes that the Commission did not agree to this recommendation in the *2013 IRP Order*.²³

In sum, while the Company disagrees with the Public Staff's specific Recommendations to present PVRR and annual rate impacts of each planning scenario in analyzing its future Plans, the Company through its Portfolio Evaluation Scorecard framework provides a reasonable approach to quantifying the benefits of fuel diversity in its 2014 Plan and will continue to present the results of this analysis in future Plans.

²³ In response to the Public Staff's arguments to require a PVRR analysis in the 2013 IRP proceeding, the Commission stated that it was "satisfied with DNCP's response" and commitment to provide metrics to measure fuel diversity in its 2015 IRP update filing." *2013 IRP Order*, supra note 14, at 40-41.

II. COMMENTS IN RESPONSE TO OTHER PARTIES

a. NCSEA: Energy Storage

NCSEA's Comments argue that the Commission should amend Commission Rule R8-60(e) to require the Utilities to "model" utility-scale energy storage as part of the future IRP process.²⁴ While NCSEA concedes that "there does not appear to be an appropriate model at this time to best include energy storage in IRPs," NCSEA is not dissuaded from its rulemaking request, instead arguing that "until appropriate models are developed, it appears that the best course of action is for utilities to include energy storage in their IRPs using best practices and existing models."²⁵

The Company does, in fact, evaluate energy storage in its 2014 Plan (as recognized by NCSEA's Comments at 10), finding that while "batteries have gained considerable attention due to their ability to integrate intermittent generation sources, such as wind and solar on the grid . . . the primary challenge facing battery systems is the cost."²⁶ The Company plans to continue to evaluating energy storage options in future IRPs. However, DNCP does not view NCSEA's anecdotal support for the expected maturation of energy storage to a least-cost resource as trumping reality. Further, as NCSEA concedes, models do not currently exist today to fully evaluate the costs and benefits of energy storage. Therefore, DNCP questions the utility of recommending that the Utilities be required to "take their best shot" at modeling energy storage. Instead, energy storage should continue to be evaluated under R8-60(i)(10), as a smart grid resource that can be integrated – if cost effective – to "improve the operational

²⁴ NCSEA Comments, at 12.

²⁵ *Id.*

²⁶ 2014 Plan, at 62-63.

integration of distributed and/or intermittent generation sources.” Finally, DNCP objects to the procedural approach NCSEA has taken of lobbying its proposed revision to Rule R8-60(e) into this IRP review proceeding. NCSEA’s request blurs the purpose of this proceeding, as established by the Commission’s September 29, 2014, *Order Establishing Dates for Comments on Integrated Resource Plans, REPS Compliance Plans and REPS Compliance Reports*.²⁷ In past proceedings, both the Company and NCSEA have taken the procedurally-more-appropriate tact of foreshadowing a future request to modify a rule in a separate proceeding or requesting the Commission to initiate a rulemaking.²⁸ NCSEA should have taken that tact here also. In sum, while DNCP submits there is little merit to NCSEA’s recommendation to modify Rule R8-60(e), the more appropriate place to consider such a request (if the Commission is inclined to do so) would be a separate rulemaking proceeding.

b. NC WARN: Request for Evidentiary Hearing

Finally, regarding NC WARN’s request for an evidentiary hearing, DNCP initially notes that NC WARN does not focus any of its comments on DNCP’s 2014 Plan. NC WARN’s request for an evidentiary hearing is solely focused on whether the IRPs

²⁷ DNCP wonders how NCSEA’s request is procedurally different than proposing to modify the Rule R8-55 requirements for recovering fuel and fuel-related costs through a fuel case. While a request for waiver of an existing rule may be appropriate in an adjudicatory or legislative proceeding, DNCP submits that some baseline degree of separation is warranted between the purposes of proceedings. N.C.G.S. § 62-23 (“The Commission shall separate its administrative or executive functions, its rule making functions, and its functions judicial in nature to such extent as it deems practical and advisable in the public interest”).

²⁸ See e.g., *In the Matter of Investigation of Integrated Resource Planning in North Carolina – 2012* Reply Comments of Dominion North Carolina Power, at 10 Docket No. E-100 Sub 137 (filed March 5, 2013) (expressing DNCP’s interest in modifying the date of the inaugural Smart Grid technology plan filing and stating that “the Company plans to coordinate with the other utilities and the Public Staff regarding whether a request for a simple delay or a modification to Commission Rule R8-60.1(b) is appropriate, and then to seek Commission approval in the smart grid rulemaking docket . . .”); NCSEA’s Comments, at 12 (recommending the Commission “[commit] to open a rulemaking docket in which data accessibility in North Carolina will be addressed and modernized as appropriate”).

submitted by DEC and DEP are in the best interest of North Carolina ratepayers.²⁹ While DNCP recognizes the Commission's discretion under Commission Rule R8-60(j) to hold an evidentiary hearing on the Utilities' IRPs, DNCP does not view NC WARN's generic request for an evidentiary hearing as presenting compelling issues or reasoning to hold such a hearing, and, to the extent the Commission determines otherwise, DNCP believes that the hearing itself – similar to NC WARN's comments – should be limited to DEC's and DEP's plans.

III. CONCLUSION

Wherefore, Dominion North Carolina Power respectfully requests that the Commission accept the recommendations set forth in these reply comments, deny the NC WARN request for an evidentiary hearing, and approve its 2014 Integrated Resource Plan and REPS Plan as filed on August 29, 2014.

²⁹ NC WARN Comments, at 1.

Respectfully submitted,

DOMINION NORTH CAROLINA POWER

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*Counsel for Virginia Electric and Power Company
d/b/a Dominion North Carolina Power*

April 20, 2015

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing Reply Comments of Dominion North Carolina Power, as filed in Docket No. E-100, Sub 141, were served electronically or via U.S. mail, first-class, postage prepaid, upon all parties of record.

This, the 20th day of April, 2015.

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