

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-100, SUB 137

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
2012 Biennial Integrated Resource Plans)
and Related 2012 REPS Compliance) ORDER DENYING REQUEST
Plans) FOR EVIDENTIARY HEARING
) AND ALLOWING PROPOSED
) ORDERS AND BRIEFS

BY THE COMMISSION: From August 30, 2012 through September 13, 2012, pursuant to G.S. 62-110.1(c) and Commission Rule R8-60, biennial integrated resource plans (IRPs) were filed by the following investor-owned utilities (IOUs) and electric membership corporations (EMCs) in the above-captioned docket: Duke Energy Progress, Inc. (DEP); Duke Energy Carolinas, LLC (DEC); Virginia Electric and Power Company, d/b/a Dominion North Carolina Power (DNCP); North Carolina Electric Membership Corporation (NCEMC); Rutherford EMC (Rutherford); Piedmont EMC (Piedmont); Haywood EMC (Haywood); and EnergyUnited EMC (EU). In addition, Renewable Energy and Energy Efficiency Portfolio Standard (REPS) compliance plans were submitted by the IOUs, GreenCo Solutions, Inc., (GreenCo),¹ Halifax EMC (Halifax), and EU.

In addition to the Public Staff, the following parties have intervened in this docket: Carolina Industrial Group for Fair Utility Rates, I, II, III (CIGFUR); North Carolina Sustainable Energy Association (NCSEA); North Carolina Waste Awareness and Reduction Network (NC WARN); Southern Alliance for Clean Energy (SACE) and the Sierra Club; Carolina Utility Customers Association, Inc. (CUCA); Blue Ridge Environmental Defense League, Inc. (BREDL); Mid-Atlantic Renewable Energy Coalition (MAREC); and Greenpeace Inc. (Greenpeace).

On October 8, 2012, the Commission issued an Order Scheduling Public Hearing on 2012 Biennial IRP Reports and Related 2012 REPS Compliance Plans. The public hearing was held at 7:00 p.m. on Monday, February 11, 2013, in Raleigh, North Carolina. On February 6, 2013, the Commission issued an Order Scheduling Additional Hearing for public comments. That hearing was held at 7:00 p.m. on Thursday, February 28, 2013, in Charlotte, North Carolina.

¹ GreenCo filed a consolidated 2012 REPS compliance plan on behalf of Albemarle EMC, Brunswick EMC, Cape Hatteras EMC, Carteret-Craven EMC, Central EMC, Edgecombe-Martin County EMC, Four County EMC, French Broad EMC, Haywood, Jones-Onslow EMC, Lumbee River EMC, Pee Dee EMC, Piedmont, Pitt & Greene EMC, Randolph EMC, Roanoke EMC, South River EMC, Surry-Yadkin EMC, Tideland EMC, Tri-County EMC, Union EMC, and Wake EMC.

In their joint Initial Comments, filed on February 4, 2013, NC WARN, BREDL, and Greenpeace (collectively, NC WARN, et al.), requested that the Commission hold an evidentiary hearing on whether the IRPs submitted by DEC and DEP are in the best interest of ratepayers and provide "least cost" electricity. NC WARN, et al.'s Initial Comments were supported by three attached reports.

According to these Initial Comments, the Commission's examination of the IRPs should focus on how rapidly North Carolina can eliminate the use of fossil fuels to generate electricity, while avoiding the staggering costs of new nuclear plants. If the goals of the IRPs are to find the "least cost" mix of generation and conservation, then the cost assumptions in the IRPs should be challenged to better reflect the escalating economic costs of new generation and the environmental costs of fossil fuels.

NC WARN, et al., argues that there are fundamental differences in the energy future as outlined in the IRPs and those of the intervenors. They further state that the Commission's examination of these differences is critical because the ramifications of overbuilding would place extreme pressure on a recovering economy and on an increasingly fragile environment.

At an evidentiary hearing, NC WARN, et al., would call expert witnesses to prove the basic premises shown in the reports attached to their Initial Comments on the IRPs. Their basic premises are that the costs of the IOU's construction plans do not meet the "least cost" standard, especially when there are cost-effective measures available that additionally create more jobs and lessen the environmental costs. According to NC WARN, et al., the lack of consideration of combined heat and power (CHP) as an essential resource also needs to be examined in an evidentiary hearing. Further, experts from the American Council for an Energy-Efficient Economy (ACEEE), and the industry are ready to testify to the Commission on this subject.

If the Commission allows the motion for an evidentiary hearing, SACE and the Sierra Club (collectively, SACE), submit the issues raised in their joint Initial Comments for the Commission's consideration as possible additional issues on which the Commission may wish to receive pre-filed testimony and conduct a hearing. The relief requested by SACE includes directing DEC and DEP to:

1. Model energy efficiency on an equivalent basis to supply-side resources, an example being the adoption of a two-supply-curve approach.
2. Analyze the economics of the retirement versus continued operation of each existing coal unit that each company is not currently planning to retire, and to present the results of this analysis in the 2013 IRPs.
3. Evaluate future investments in renewable energy resources beyond the minimum REPS requirements in comparison to "conventional" resource options and analyze the potential ancillary benefits or costs of integrating significant levels of on-system renewable energy resources.

4. Conduct sensitivity analyses for future renewable technologies to demonstrate the maximum cost levels that would be reasonable for initial levels of resource development and identify any cost-effective technologies.
5. Conduct a more complete evaluation of the risks of construction delays and cost increases associated with new nuclear generation, using robust assumptions.
6. Provide information concerning the economic impacts of their resource planning decisions on a trial basis in the 2013 IRPs.

In DNCP's March 5, 2013 Reply Comments, it notes that neither NC WARN, et al., nor SACE, who supports NC WARN, et al.'s request for a hearing, focused any of their comments on DNCP's 2012 IRP. Rather, these parties' requests for an evidentiary hearing focus solely on whether the IRPs submitted by DEC and DEP are in the best interest of ratepayers and provide a plan for "least cost" electricity. 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, et al.'s generic request for an evidentiary hearing as presenting compelling issues or reasoning in support of such a hearing. Further, if the Commission decides to hold an evidentiary hearing, DNCP believes that the hearing - similar to NC WARN, et al.'s and SACE's comments - should be limited to DEC's and DEP's IRPs.

In the joint Reply Comments filed by DEC and DEP on March 5, 2013, they point out that the Commission approved DEC's and DEP's 2010 biennial IRPs in its October 26, 2011 Order, and approved DEC's and DEP's 2011 IRP updates in its May 30, 2012 Order. DEC and DEP have employed the same models and processes in developing their 2012 IRPs as in their 2011 IRP updates and 2010 biennial IRPs. According to DEC and DEP, the allegations asserted by intervenors regarding DEC's and DEP's 2012 IRPs are very similar to those considered and dismissed by the Commission in recent IRP proceedings. In essence, those allegations are that DEC's and DEP's IRPs should include greater reliance upon demand-side management and energy efficiency (DSM and EE) programs and measures and intermittent renewable energy resources, with less reliance on reliable and cost-effective baseload nuclear, gas and coal resources. DEC and DEP note that in the Public Staff's February 5, 2013 Comments, the Public Staff is supportive of the Companies' IRPs and REPS compliance plans.

DEC and DEP submit that their 2012 IRPs and REPS compliance plans meet all applicable statutory and Commission requirements and should be approved. DEC and DEP argue that the joint Initial Comments of NC WARN, et al., rehash previous IRP contentions and arguments that DEC's and DEP's IRPs are "flawed," essentially based on an unsubstantiated assertion that the Companies' load forecasts are too high and because the Companies rely upon a mix of resources that include reliable and cost-effective baseload nuclear, gas and coal generation. DEC and DEP maintain that as in past IRP dockets the Commission should dismiss these contentions. DEC and DEP further note that NC WARN, et al., attached alternate reports to their Initial Comments

which allegedly show that DEC and DEP could meet customer needs with a "least-cost" mix of resources that relies heavily on intermittent renewable resources, EE, DSM and the elimination of nuclear and coal generation. According to NC WARN, et al.'s Initial Comments, one of their attached reports relies on the methodology of the late Dr. John Blackburn, albeit with "updated costs." DEC and DEP contend, however, that Dr. Blackburn's methodologies and views were not found to be persuasive by the Commission in past dockets, and the Companies respectfully assert that Dr. Blackburn's methodologies should not now be adopted by the Commission in this docket.

DEC and DEP similarly observe that a Greenpeace attachment to the NC WARN, et al., joint comments, entitled "Charting the Correction Course: A Clean Energy Pathway for Duke Energy" (Greenpeace attachment), which Greenpeace prepared with its consultants, concludes that DEC and DEP could source 33% of their electricity from renewable resources by 2020 through aggressive deployment of solar, wind and EE. However, DEC and DEP maintain that the Greenpeace attachment contains assumptions about greatly increased reliance on renewable resources without apparent regard to the need for such intermittent resources to have sufficient dispatchable and reliable back-up generation.

According to DEC and DEP, the NC WARN, et al., attachments may be interesting exercises if North Carolina wants to attempt to maximize EE, DSM and renewable resources, while eliminating baseload nuclear, coal and natural gas generation, without regard to cost, reliability or availability. The Companies submit, however, that the attachments and NC WARN, et al.'s joint Initial Comments are not realistic proposals if North Carolina wants to ensure that reliable and affordable electricity is available to residential, commercial and industrial customers over the IRP planning horizon, as the Companies are obligated to do. Further, they state that renewable resources, EE and DSM are important and increasingly significant components of DEC's and DEP's IRPs, but they simply cannot realistically be relied upon in the almost exclusive nature that NC WARN, et al., have alleged. Accordingly, DEC and DEP submit that the comments of NC WARN, et al., should be disregarded and their request for an evidentiary hearing should be denied.

On May 3, 2013, the Commission issued an Order Requiring Verified Responses in which it noted that during the public hearings, as well as in statements of position regarding this proceeding that were mailed or emailed to the Commission, many citizens questioned whether the IRPs filed by DEC and DEP appropriately reflect the expected growth in demand for electricity, the ability to meet that demand with energy efficiency and renewable energy resources, and other aspects of the Companies' IRPs. As a result of these concerns, as well as information from other proceedings and forums, the Commission found good cause to require DEC and DEP to provide verified answers on or before Monday, June 10, 2013, to 19 questions listed on Attachment A to its Order. The topics covered by the questions included EE, DSM, renewable energy, tiered electric rates, public benefit loan funding, solar generation, future energy efficiency potential, full compliance with REPS requirements, population growth

projections, projected annual retail load growth, generation reserve margins, coal plant emissions and climate change initiatives.

On May 13, 2013, NC WARN, et al., filed a response to the Commission's Order stating, among other things, that the questions included in the Commission's Order help to shed light on several issues not covered in the IRPs. In addition, NC WARN, et al., proposed that two additional questions be added to the list of Commission questions. The proposed questions asked whether DEC and DEP have conducted a study of the potential for using CHP. Further, NC WARN, et al., stated that it continues to urge the Commission to hold an evidentiary hearing in this docket.

On June 10, 2013, DEC and DEP filed a combined verified response to the Commission's 19 questions.

As previously noted, the Commission held public witness hearings in this docket in Raleigh and Charlotte at which the Commission received extensive testimony from numerous witnesses. In addition, the Commission has received numerous written statements of position from ratepayers. The evidence from the public hearings, the IRPs, and the written comments filed by ratepayers and the parties to this proceeding provide an extensive record to be considered by the Commission. The Commission, having reviewed the record in this proceeding and considered the arguments of the parties, concludes that the substantive issues raised by ratepayers in their testimony and written comments, and by the intervenors in their Initial Comments have been addressed by DEC and DEP in their respective Reply Comments and in their responses to the Commission's Order Requiring Verified Responses. Therefore, the Commission concludes that the record contains sufficient detail to allow the Commission to decide all contested issues without the necessity of a further evidentiary hearing. Further, the Commission concludes that there is not good cause to require DEC and DEP to answer the additional questions proposed by NC WARN, et al.

While the Commission fully supports the use of evidentiary hearings in situations where warranted, no reasonable basis for convening an evidentiary hearing has been demonstrated in this case. Accordingly, the request for a further evidentiary hearing on the IRPs of DEC and DEP is denied. The Commission will proceed to decide this matter based upon the written record and the evidentiary record compiled to date.

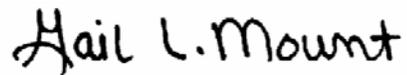
The Commission does, however, find good cause to allow the parties to this proceeding an opportunity to file proposed orders and briefs before the Commission renders its final decision. Therefore, proposed orders and briefs shall be filed on or before Monday, August 26, 2013.

IT IS, THEREFORE, SO ORDERED.

ISSUED BY ORDER OF THE COMMISSION.

This the 15th day of July, 2013.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "Gail L. Mount". The signature is written in a cursive, slightly slanted style.

Gail L. Mount, Chief Clerk

Commissioner Don M. Bailey did not participate in this decision.

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