

February 5, 2024

VIA ELECTRONIC FILING

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

*Re: Motion To Open 2024 RFP Dockets, Grant Flexibility To Administer 2024 RFP Through A Resource Solicitation Cluster, And For Extension Of Time To File 2024 RFP
Docket Nos. E-100, Sub 190; E-2, Sub 1317; E-7, Sub 1290, E-2 Sub 1340, E-7 Sub 1310*

Dear Ms. Dunston:

Enclosed for filing in the above-referenced proceedings is Duke Energy Carolinas, LLC and Duke Energy Progress, LLC's *Motion To Open 2024 RFP Dockets, Grant Flexibility To Administer 2024 RFP Through A Resource Solicitation Cluster, And For Extension Of Time To File 2024 RFP.*

Please feel free to contact me if you have any questions.

Very truly yours

/s/ E. Brett Breitschwerdt

cc: Parties of Record

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approved generator interconnection procedures in administering the 2024 RFP; and (3) extend the time for the Companies to file the 2024 RFP proposal to April 12, 2024, to allow time for additional pre-filing stakeholder engagement and finalization of the 2024 RFP terms and conditions.

In support of the relief requested in this Motion, the Companies show the following:

I. Background

1. The Carbon Plan Order directed the Companies to develop a competitive, least cost 2023 RFP targeting procurement of 2,350 MW of new solar generation “to be placed in service by 2028, subject to a [Volume Adjustment Mechanism (“VAM”)], including a targeted procurement of Solar Plus Storage [SPS] in alignment with the 2023 DISIS.”³ The Carbon Plan Order directed the Companies to develop a 2024 RFP to procure the remainder 2,350 MW of new solar generation to be placed in-service by 2028, also subject to a VAM, and including a targeted procurement of SPS in alignment with the 2024 DISIS.⁴

2. On January 27, 2023, the Companies filed a motion requesting the Commission (1) open new dockets for consideration of the 2023 RFP, (2) allow the Companies to utilize an RSC in lieu of DISIS, and (3) extend the filing deadline for the 2023 RFP from February 15, 2023, to April 6, 2023 (“2023 Motion”).⁵

3. On February 1, 2023, the Commission issued an order opening new dockets for the purpose of considering the Companies’ 2023 RFP, requesting comments on the

³ Carbon Plan Order at 132-33 (Ordering Paragraphs 19-20).

⁴ Carbon Plan Order at 133 (Ordering Paragraph 21).

⁵ DEC DEP Motion to Open New 2023-2024 Solar Procurement Program Dockets, Grant Flexibility to Administer Future Solar RFPs through Resource Solicitation Clusters, and for Extension of Time to Allow Further Stakeholder Engagement, Docket No. E-100, Sub 179 (filed Jan. 27, 2023) .

Companies' proposal to utilize an RSC for the 2023 RFP, and suspending the filing deadline for the 2023 RFP.⁶

4. On March 2, 2023, the Commission issued the 2023 RFP Order, authorizing the Companies to utilize an RSC for the 2023 RFP and extending the filing deadline for the 2023 RFP to April 6, 2023.⁷ In authorizing the Companies to utilize an RSC for purposes of conducting the 2023 RFP, the Commission also highlighted the Companies' ability to seek future Commission approval to use an RSC for the 2024 RFP.⁸

5. On July 26, 2023, the Commission accepted the Companies' proposed 2023 RFP and Controllable PPA documents and directed the Companies and the Independent Evaluator ("IE") to proceed with the 2023 RFP as planned.⁹

6. The Companies' ongoing 2023 RFP has received a robust market response, with approximately 5,900 MW of solar proposals bidding into the RFP – well above the 1,435 MW target procurement volume. At this time, approximately 3,000 MW of solar and solar plus storage proposals have been shortlisted for step 2 bid evaluation and are undergoing the 2023 RFP Phase 1 study.¹⁰

7. On January 30, 2024, the Companies held their first 2024 RFP engagement session to discuss a number of topics with market participants including: the Carbon Plan

⁶ Order Initiating Proceeding and Requesting Comments, Docket Nos. E-2, Sub 1317, E-7, Sub 1290 (Feb. 1, 2023).

⁷ 2023 RFP Order at 3.

⁸ 2023 RFP Order at 2-3 ("Duke may re-petition the Commission regarding an exception for the 2024 SP RFP for the proposed RSC option close to the launch of that procurement.").

⁹ Order Accepting Proposed 2023 Solar Resource Procurement Request for Proposal Documents, Docket Nos. E-2, Sub 1317, E-7, Sub 1290 (July 26, 2023).

¹⁰ As identified in the initial 2023 RFP proposal, the 2023 RFP Independent Evaluator will prepare a post-RFP report for filing with the Commission, addressing the bid evaluation process and the results of the RFP. The Companies anticipate filing that post-RFP report with the Commission in the July 2024 timeframe.

Order directives relating to the 2024 RFP; the ongoing balancing-area wide competitive procurement proceedings before the Public Service Commission of South Carolina¹¹; lessons learned from the 2023 RFP; the Companies' recommendation to again utilize an RSC for the 2024 RFP; planned 2024 RFP milestones up to and beyond the bid window; initial 2024 RFP targets and SPS sizing and operational parameters; the Companies' request for stakeholder feedback regarding a PPA price adjustment mechanism based on clear market indices; the Companies' plan to not utilize a red zone expansion plan ("RZEP") shadow cost allocation for the 2024 RFP; and utilization of a VAM as directed in the Carbon Plan Order. The Companies' January 30, 2024, presentation to stakeholders is provided as Attachment 1 to the this Motion ("January 30 Presentation").

8. The Companies plan to continue to engage stakeholders on the 2024 RFP; a second stakeholder meeting will be held in the next month.

II. Request to Open 2024 Solar Procurement Program Dockets

9. The Companies respectfully request the Commission open new dockets for DEP and DEC, respectively, for the 2024 RFP proceeding. The Companies will file the 2024 RFP proposal and other 2024 RFP documents in these dockets in addition to providing any ongoing updates on the progress of administering the 2024 RFP, as directed by the Commission.¹² Opening these new dockets will promote regulatory efficiency by segregating filings on the 2024 RFP from the 2023 RFP as well as the broader 2023–2024

¹¹ See *In re: Application of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC for Approval of Competitive Procurement of Renewable Energy Program*, Public Service Commission of South Carolina Dockets 2022-239-E, 2022-240-E.

¹² Consistent with the ongoing 2023 RFP, the Companies anticipate that the 2024 RFP IE will be tasked with filing a pre-RFP issuance report opining on the reasonableness of the final 2024 RFP documents and bid evaluation process as well as a post-solicitation report to inform the Commission on the bid evaluation process and results of the RFP.

Carbon Plan and Integrated Resource Plan (“CPIRP”) proceedings, and will benefit market participants and other stakeholders that are interested in tracking filings with the Commission on the 2024 RFP but who are less focused on the overall CPIRP process. This approach is also consistent with the Commission’s procedure in establishing new dockets for the 2023 RFP¹³ and 2022 Solar Procurement Program.¹⁴

III. Request for Flexibility to Use Resource Solicitation Clusters Associated With 2024 RFP

10. As noted above, the Carbon Plan Order directed the Companies to align the 2023 RFP with 2023 DISIS, as well as to align the 2024 RFP with the 2024 DISIS. However, the Commission granted the Companies’ 2023 Motion to utilize the RSC option under the approved generator interconnection procedures for the 2023 RFP and, in doing so, highlighted that the Companies may seek approval to use an RSC for the 2024 RFP.

11. Given the reasons articulated in the Companies’ 2023 Motion¹⁵, as well as the Companies’ ongoing administration of the RSC option for the 2023 RFP, which, to date, has been successful and efficient, the Companies continue to believe that utilizing an

¹³ See Order Initiating Proceeding and Requesting Comments, Docket Nos. E-100, Sub 179, E-2, Sub 1317, and E-7, Sub 1290 (Feb. 1, 2023).

¹⁴ Order Opening Separate Dockets and Establishing Procedural Deadlines, Docket Nos. E-2, Sub 1297, E-7, Sub 1268 (Mar. 11, 2022).

¹⁵ 2023 Motion at 5-6 (explaining that: studying the RFP proposals in the DISIS model will necessarily require the Companies to assume that RFP and non-RFP proposals will interconnect and generate, an assumption that has previously proven to be detrimental as it distorts the actual quantity that will be selected in the RFP, which further causes the study to produce inaccurate cost estimates. In contrast, an RSC mitigates the risk resulting from including non-RFP generators in DISIS, because both ready and non-ready projects can proceed in DISIS, requiring study of those projects’ network upgrade impacts in the cluster along with all RFP projects. An RSC and the updated bidding structure also mitigate the risk of a “Phase 3” restudy because RFP winners would be selected after the RSC Phase 1, and only the RFP winners would move to the RSC Phase 2, at which point the projects would already have an executed agreement (PPA or Letter of Intent for utility ownership track projects), thus making them unlikely to withdraw. Studying the RFP proposals in the DISIS model will necessarily require the Companies to assume that RFP and non-RFP proposals will interconnect and generate, an assumption that has previously proven to be detrimental as it distorts the actual quantity that will be selected in the RFP, which further causes the study to produce inaccurate cost estimates).

RSC for the 2024 RFP for bid evaluation is a more optimal study approach than aligning with the 2024 DISIS.

12. Accordingly, the Companies respectfully request Commission approval to use an RSC for the 2024 RFP.

13. Prior to filing this Motion, Counsel for the Companies sought the Public Staff's position on the proposed use of an RSC for the 2024 RFP. The Public Staff indicated they did not object to the proposal.

IV. Request for Extension to File 2024 RFP Proposal

14. As noted above, the Carbon Plan Order directs the Companies to file their 2024 RFP proposal by no later than February 15, 2024.

15. Adhering to this schedule for filing the 2024 RFP proposal will substantially limit the Companies' ability to engage with stakeholders and consider their feedback in advance of submitting and finalizing the terms and conditions of the 2024 RFP to the Commission. Additionally, it will provide less time for the Companies and market participants to consider "lessons learned" from the currently ongoing 2023 RFP. The Companies submit that additional pre-filing engagement with market participants and other stakeholders will allow for improvements to the 2024 RFP.¹⁶

16. If the requested extension is granted, the Companies plan to host another open stakeholder engagement meeting in the next month and, potentially, a third meeting in March to further discuss the 2024 RFP design and requirements. The Companies believe that this additional time can be put to good use engaging with market participants and

¹⁶ Slides 10, 11, and 12 of the January 31 Presentation summarize the parameters of the resources and PPAs that would benefit from more extended engagement with Public Staff, Office of Regulatory Staff and market participants.

further developing the 2024 RFP. These additional engagement efforts should benefit the RFP process and achieve the public interest through enhancing market participants' understanding, acceptance and participation in the 2024 RFP.

17. Accordingly, the Companies request the Commission extend the February 15, 2024 filing date by 57 days to April 12, 2024.

WHEREFORE, Duke Energy Carolinas, LLC and Duke Energy Progress, LLC respectfully request that the Commission grant this Motion and provide the following relief:

- 1) Open new dockets for the 2024 RFP to oversee the Companies' procurement of the solar and solar paired with storage resources selected in the Carbon Plan Order;
- 2) Allow the Companies flexibility to use the RSC option under the approved generator interconnection procedures for the 2024 RFP;
- 3) Allow the Companies an extension of time to file the 2024 Solar Procurement Program proposal to April 12, 2024, to allow time for meaningful pre-filing stakeholder engagement on PPA terms and conditions; and,
- 4) Direct such other and further relief as the Commission determines to be in the public interest.

Respectfully submitted this the 5th day of February, 2024.

/s/E. Brett Breitschwerdt

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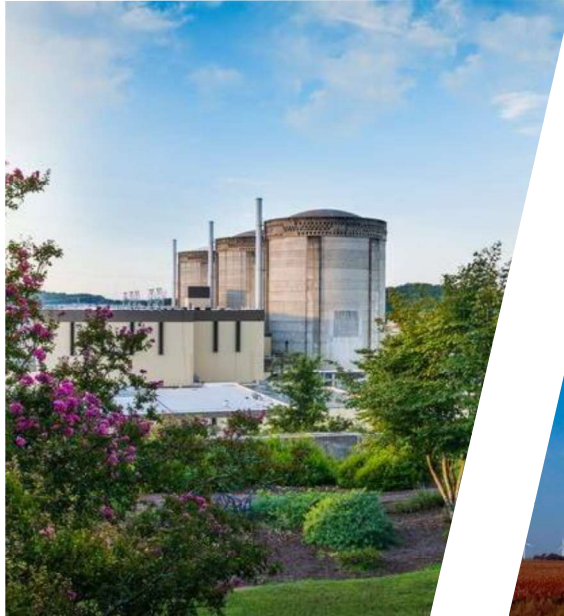
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2024 Carolinas Solar RFP Stakeholder Meeting 1

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BUILDING A SMARTER ENERGY FUTURE[®]

Safety Moment

- **February is American Heart Month-** a federally designated occasion where Americans are asked to focus on their heart health.
- Heart disease is a leading cause of death in the US.
- In many cases, risk of heart disease can be mitigated when healthy habits are adopted such as not smoking, maintaining healthy weight, controlling blood sugar and cholesterol, treating high blood pressure, getting at least 150 minutes of moderate-intensity physical activity a week, and getting regular checkups.



Agenda

- Commission Updates
 - Ongoing Solar Procurement Docket in SC
 - Directives for 2024 Solar Procurement from the NC Carbon Plan Order
- Using a Resource Solicitation Cluster (RSC) for the RFP
- RFP Terms and Conditions
- Evaluation Details: RZEP Shadow Cost and Volume Adjustment Mechanism
- Timelines

SC Renewable Energy Procurement Docket Update

- Act 62 authorizes CPRE procurements across utility balancing areas, and 2024 RFP is a system-wide procurement to serve customers in both states.
- On January 25, 2024, the PSCSC issued a directive in Docket Nos. 2022-239-E and 2022-240-E approving a Comprehensive Settlement Agreement, that (1) Duke's system-wide CPRE Program framework is reasonable and resulted in a fair, open, transparent, and non-discriminatory 2022 solar procurement and (2) system-wide 2022 RFP was reasonable step for Duke to take towards procuring renewable generation. A full order addressing the PSCSC's findings and conclusions of law is forthcoming.
- PSC has also approved use of a Resource Solicitation Cluster for 2023 RFP

Directives from NC Carbon Plan Order

- Approves “all of the above plan” including selecting solar and storage resources for procurement in 2023-2024
 - Identifies need for 2,350 MW of new solar and 600 MW paired storage to be procured in 2023-2024 for DEC and DEP
 - NCUC approved 1435 MW solar and 260 MW storage for the 2023 RFP
- Directs 2024 Solar Procurement Proposal filing by Feb. 15, 2024
 - In 2023, the Companies filed prior to this date to request use of a Resource Solicitation Cluster and an alternative timeline, with the RFP draft documents filed in April.
 - For the 2024 RFP, the Companies intend to take the same approach targeting final RFP documents in June and bid window opening in August.

Interconnection Planning for 2024 RSC

DISIS Alignment Lessons Learned

- Using the Resource Solicitation Cluster (RSC) process for interconnection cost estimates has been a better approach from what we know in the 2023 RFP thus far.
 - If the actual quantity that will be selected in the RFP is far less than the quantity studied, then the study is producing cost estimates that are not representative of a realistic scenario.
 - The 2023 RFP had ~ 5,900 MW of solar proposals and a target of 1,435 MW.
 - Approximately twice the procurement target quantity is in the 2023 RSC Phase 1 study.
- Duke continues to believe utilizing a separate RSC for RFP bid evaluation is the optimal study approach and reduces restudy risk of aligning with the 2023 DISIS.
 - The interconnection procedures allow for a Resource Solicitation Cluster for an active RFP (LGIP 10.2; NCIP 4.4.2; SCGIP App Duke CS 5.3.2).
 - An RSC and the updated bidding structure leads to greater efficiency and better allows Duke control for quantity of projects studied in Phase 2 and more effectively manage the risk of a “Phase 3” restudy.
- **NCUC Feb. filing will include a request to use RSC, and the Companies also plan to seek any required authorizations to use RSC for SC-sited projects prior to issuing RFP.**

RFP Terms and Conditions

Quantities and Need

- The 2022 CPIRP approved 2,350 solar and 600 MW of paired storage, and the 2023 RFP is expected to account for 1,000 MW of that solar and 260 MW of that storage.
- The 2024 RFP has at least 1,350 MW of solar and 340 MW of storage to procure. Due to the in-flight IRP needs and supplemental IRP filing (1/31/24), the Companies plan to target 1,585 MW of solar and 400 MW of paired storage.
 - 535 MW solar-only, 1,050 MW solar paired with ~400 MW SPS
- Facility characteristics:
 - The storage portion of the facility will be required to provide a 4-hour duration.
 - The storage capacity will remain 35-40% of the facility's maximum allowable export.
 - 365 cycles/year.
 - Duke will provide dispatch instruction to the facility on when to charge and discharge and must have real-time visibility to both solar production data and storage state of charge.
 - Charging of storage will be primarily from the co-located solar, however the ability to grid charge is required as part of the facility design.

RFP Targets and Rules

- Many similar parameters to 2023 SP RFP:
 - RFP will have an Independent Evaluator, Charles River Associates
 - Joint System-Wide Procurement open to directly-interconnected projects in both NC and SC
 - Transmission-connected in DEC or DEP
 - Balanced portfolio of UOT (~870 MW) and PPA (~715 MW)
 - Assuming 2022 and 2023 RFPs are collectively 55% / 45%
 - 300 MW minimum in both DEC and DEP
 - Market depth adjustments will stay the same
 - Qualitative point deduction for projects that previously terminated/declined a winning offer
 - Step 2 bid refresh in the downward direction included
 - Grid locational guidance identifying transmission constraints
 - Solar-only AND SPS bid is required
 - Storage may only be AC-connected
 - Minimum size – 40 MW, with preference for larger projects

Two Tracks for Proposals

- Utility Ownership Track ("UOT")
 - RFP UOT will have required design criteria and approved vendors, as before
 - Self-developed resources can participate
 - Will accept Asset Transfer-only, and Build-own-transfer proposals
- Controllable PPA Track
 - Solar-only PPA would look very similar to 2023 RFP 25-year contract term
 - SPS PPA would look very similar to 2023 RFP 15-year contract term
 - Fixed rate energy payment (\$25/MWh) and fixed rate capacity payment (\$/MW-month as bid)
 - Performance requirements must be achieved to receive the full capacity payment
 - Proposals must be a Qualifying Facility
 - All PPAs would utilize the "Part B" / "Part D" bid price adder
 - Request for stakeholder feedback regarding PPA price adjustment mechanism based on clear market indices

Evaluation Details

Volume Adjustment Mechanism

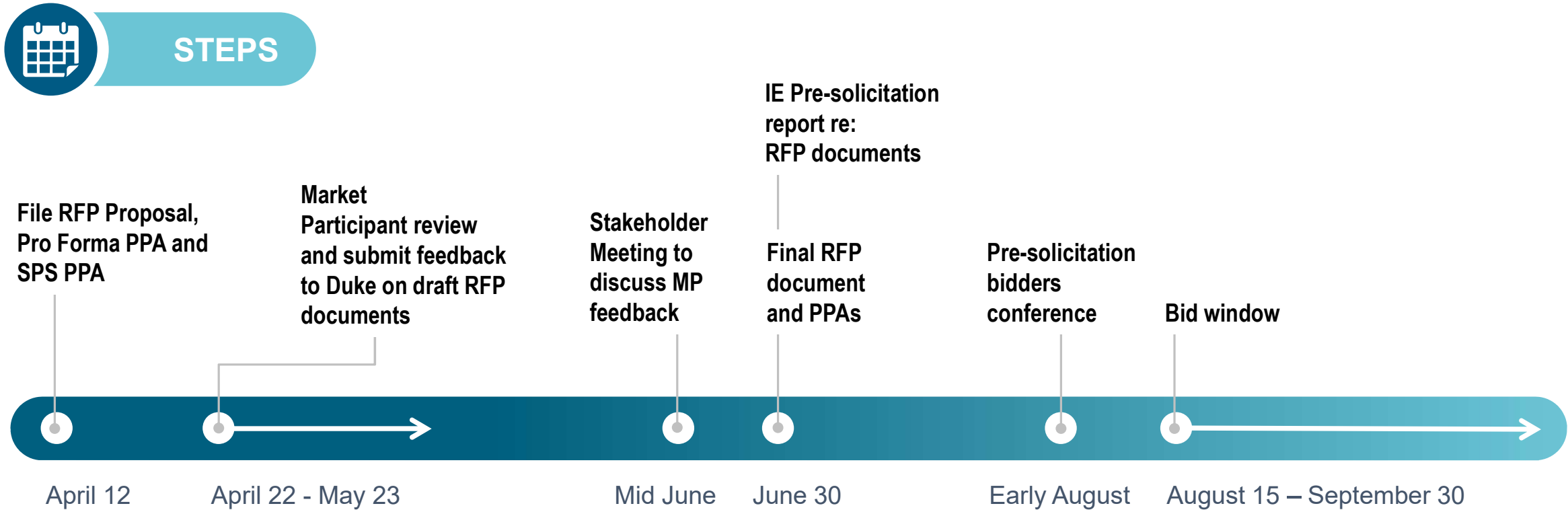
- The concept of the VAM is to protect customers from a hard and fast target to be procured at any cost.
- Increasing the target from 1435 to 1585 MW of solar and from 340 to 400 MW of paired storage has essentially embedded the upside "VAM" in the target quantity (of + ~10% of total target)
- NC storage market is nascent and the 2023 RFP saw a very wide range of storage bids
- Proposed VAM would potentially shift some SPS to solar-only: if the weighted average cost of the SPS is greater than or equal to 110% of the SPS Reference Cost, up to 20% of the SPS target volume may shift to solar-only.
- In 2022 SP, VAM was not triggered.

RZEP “cost allocation” for RFP evaluation

- RZEP “shadow cost” allocation was required in 2023 RFP by NCUC.
- In April 6, 2023 filing the Companies stated RZEP “shadow cost” should not be used for future procurements.
 - Allocating an RZEP “shadow cost” has the potential to increase procurement cost for customers and could result in non-IRP selected resources taking advantage of these investments in a way that provides less benefits for retail/native load customers.
 - RZEP projects approved by the Carolinas Transmission Planning Collaborative are classified as “contingent facilities” and costs for these facilities will not be assigned to Interconnection Customers coming out of the 2022, 2023, or 2024 DISIS ahead of the planned 2024 RFP RSC.
 - This could result in non-IRP-selected Interconnection Customers obtaining the benefit of the new transmission capacity created by RZEP ahead of the 2024 RFP proposals.
- The Companies do not plan to impose an RZEP “shadow cost” in the 2024 RFP.

Timelines

2024 RFP Milestones up to Bid Window



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Next Steps

- Stakeholders may provide written feedback to the IE at DukeEnergyRFPCarolinas@crai.com
- NCUC Compliance Filing requesting to open new 2024 RFP dockets and seeking approval of RSC targeted for February 5, 2024
- Next stakeholder meeting targeted for late February/early March

CERTIFICATE OF SERVICE

I certify that a copy of Duke Energy Carolinas, LLC's and Duke Energy Progress, LLC's *Motion To Open 2024 RFP Dockets, Grant Flexibility To Administer 2024 RFP Through A Resource Solicitation Cluster, And For Extension Of Time To File 2024 RFP*, in Docket Nos. E-100, Sub 190, E-2, Sub 1317, and E-7, Sub 1290, has been served electronically to all parties of record.

This the 5th day of February, 2024.

/s/ Kristin M. Athens

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