



Jack E. Jirak
Associate General Counsel

Mailing Address:
NCRH 20 / P.O. Box 1551
Raleigh, NC 27602

o: 919.546.3257
f: 919.546.2694

jack.jirak@duke-energy.com

November 6, 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 Progress, LLC's Rebuttal Testimony
Docket No. E-2, Sub 1257**

Dear Ms. Campbell:

Please find enclosed Duke Energy Progress, LLC's Rebuttal Testimony of Lawrence Watson, Todd Beaver and Jason Walls, in the above-referenced proceeding.

If you have any questions, please do not hesitate to contact me. Thank you for your assistance with this matter.

Sincerely,

A handwritten signature in black ink that reads "Jack E. Jirak". The signature is written in a cursive, slightly slanted style.

Jack E. Jirak

Enclosures

cc: Parties of Record

OFFICIAL COPY

Nov 06 2020

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-2, SUB 1257

In the Matter of)
Application of Duke Energy Progress, LLC)
for A Certificate of Public Convenience and)
Necessity to Construct a Solar Generating)
Facility in Buncombe County, North)
Carolina)

**REBUTTAL TESTIMONY OF
LAWRENCE WATSON AND TODD
BEAVER**



1 **Q. MR. WATSON, PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Lawrence Watson, and my business address is 400 South Tryon Street,
3 Charlotte, North Carolina 28202.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed as Director of Distributed Asset Commercial Development by Duke
6 Energy Business Services LLC. Duke Energy Business Services LLC is a service
7 company affiliate of Duke Energy Progress, LLC (“DEP” or “Company”). Duke
8 Energy Progress is a wholly owned, indirect subsidiary of Duke Energy Corporation
9 (“Duke Energy”).

10 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?**

11 A. Yes.

12 **Q. MR. BEAVER, PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

13 A. My name is Todd Beaver, and my business address is 400 South Tryon Street,
14 Charlotte, North Carolina 28202.

15 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

16 A. I am employed as Director of Regulated Renewables Analytics and Structuring by
17 Duke Energy Carolinas, LLC, a wholly owned subsidiary of Duke Energy. In this
18 role, I also provide support to other Duke Energy regulated electric subsidiaries,
19 including DEP.

20 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?**

21 A. No.

22 **Q. WHAT IS THE PURPOSE OF THE PANEL’S REBUTTAL TESTIMONY?**

1 A. The purpose of our rebuttal testimony is to respond to the testimony of Public Staff
2 witness Jeff Thomas.

3 **Q. MR. WATSON, PLEASE SUMMARIZE THE PANEL’S REBUTTAL**
4 **TESTIMONY.**

5 A. As the Commission is well aware, the Woodfin Solar Project is one piece of the
6 Western Carolinas Modernization Project (“WCMP”), which was approved by the
7 Commission in its March 28, 2016 *Order Granting Application in Part, With*
8 *Conditions, and Denying Application in Part* (“WCMP Order”). In the WCMP
9 proceeding, the Commission considered DEP’s comprehensive plan to retire the
10 1960s-era Asheville coal units and replace them with a combination of new natural
11 gas generation, at least 15 MW of new solar generation and 5 MW of new battery
12 storage in the Asheville area, and to establish a collaborative community effort to
13 delay or eliminate the need for an additional contingent new combustion turbine
14 (“CT”) unit through innovative and aggressive energy efficiency and demand side
15 management efforts. The Company’s plan received substantial public and community
16 support and was approved by the Commission as required by the public convenience
17 and necessity (with the exception of the contingent CT unit). On page 38 of its WCMP
18 Order, the Commission emphasized its expectation that DEP would honor its
19 commitment to develop new solar generation in the Asheville area and unequivocally
20 instructed the Company as follows:

21 The Commission commends the work that DEP has begun in engaging
22 Asheville community leaders to work collaboratively on load
23 reduction measures. The Commission shall require DEP to continue
24 to update it on these efforts, along with its efforts to site solar and
25 storage in the western region. As to solar and storage, the Commission
26 expects DEP to file as soon as practicable the CPCN to construct at

1 least 15 MW of solar at the Asheville Plant or in the Asheville region.
2 The Commission further urges DEP to move forward in a timely
3 manner with the 5 MW storage project in the Asheville region. To the
4 extent DEP does not do so, the Commission reserves the right on its
5 own motion or on the motion of any interested party to investigate
6 DEP's decision not to move forward with its representations.
7

8 Pursuant to the Commission's directive in the WCMP Order, the Company has
9 developed and presented to the Commission the Woodfin Solar Project. The Woodfin
10 Solar Project represents a continuation of the collaborative efforts that were an
11 important component of the WCMP, as was noted by the Commission in its WCMP
12 Order. By working with Buncombe County to site and develop the project, the
13 Company is carrying out both the letter and spirit of the WCMP Order through a
14 collaboration that will facilitate a solar project that is reasonably-priced in light of the
15 overall circumstances and will also allow the Company to gain valuable experience in
16 the construction and maintenance of a utility-scale solar project on a closed landfill.
17

18 The WCMP overall, and this public/private partnership with Buncombe County,
19 specifically, is aligned with a strategy that represents a collaborative and innovative
20 way to support the investment in increasing renewable energy resources that is broadly
21 supported by the community. In addition, this project allows for adaptive reuse of a
22 landfill site, minimizes new environmental and land use impacts, is being built at a
23 competitive capital cost, and has broad community-wide support. The Woodfin Solar
24 Project reflects the overall goals of the WCMP, and in particular, the on-going and
25 positive collaboration between DEP and the broader community to develop a
26 reasonably-priced solar project in a region of the state in which utility-scale solar

1 development is very limited. We are pleased with the community support for the
2 Woodfin Solar Project, which is affirmed in the consumer statements of support filed
3 with the Commission in this docket and further described in the testimony of our
4 colleague, Jason Walls.

5
6 In the face of nearly universal support, the Public Staff's disappointing opposition to
7 this renewable project, as set forth in Witness Thomas' testimony, essentially "moves
8 the goalpost" by focusing solely on system-level avoided cost as the measuring stick
9 for assessing the public interest rather than assessing the overall benefits of the project
10 within the larger context of the WCMP. Such an approach is not supported by the
11 terms of the WCMP Order, is not reasonable given the parameters of the
12 Commission's directive in the WCMP, was not identified by any party in the WCMP
13 proceeding as a limiting factor and is not consistent with the "elastic" nature of the
14 public convenience and necessity standard.

15
16 Stated plainly, if the Commission adopts the Public Staff's approach to assessing the
17 project, not only will the Woodfin Solar Project not be constructed, but DEP will be
18 unable to fulfill its commitments and the Commission's express direction in the
19 WCMP Order to construct at least 15 MW of new solar generation at the Asheville
20 Plant site or in the Asheville region. The Woodfin Solar Project is entirely consistent
21 with the terms and expectations of the WCMP Order, is a reasonably-priced project
22 in light of the overall context of the WCMP, and should be found to be in the public
23 interest.

1 **Q. IS THE WOODFIN SOLAR PROJECT COST-EFFECTIVE?**

2 A. Yes, the Woodfin Solar Project is cost-effective given the parameters of the
3 Commission's directive in the WCMP Order. Under the WCMP Order, the Company
4 was directed to site and construct smaller solar generating projects in an area of the
5 state that is not conducive to the lowest cost solar development. Under those
6 parameters, the Company has delivered a cost-effective project that has market-
7 competitive equipment and construction costs and below-market land cost (and
8 potentially no land cost as is discussed below).

9
10 If the Commission had simply desired the lowest possible cost solar resources (on an
11 LCOE basis), then it would have directed the development and construction of larger
12 scale resources in areas of the state that are more favorable to utility-scale solar
13 generating facilities. But that was not the intent of the WCMP Order. Instead, the
14 WCMP Order directed the development of a particular-sized resource in a particular
15 part of the state that has not experienced any meaningful development of utility-scale
16 solar generation, and the Company has fulfilled that directive in a cost-effective and
17 collaborative manner. Witness Thomas' testimony focuses solely on the project costs
18 relative to avoided cost and ignores the broader context of the WCMP. While avoided
19 costs is an important tool for assessment of customer impact, it should not be
20 dispositive in the unique context of the WCMP.

21 **Q. PLEASE DISCUSS FURTHER HOW THE WCMP ORDER INFORMED**
22 **THE COMPANY'S APPROACH TO THE WOODFIN SOLAR PROJECT.**

23 A. The WCMP Order contemplated an overall framework for collaborating with

1 stakeholders throughout the region and deploying smaller utility-scale solar
2 generating facilities in the Asheville area. Working within those parameters will
3 necessarily constrain the Company's ability to deliver a project that is below avoided
4 cost on an LCOE basis. But the question to be answered in this proceeding is not
5 whether the Woodfin Solar Project is or is not below avoided cost, but whether the
6 Company has delivered a reasonably cost-effective project in light of the parameters
7 of the WCMP Order. The Company contends it has met this requirement.

8 **Q. HOW HAS DEP COMPLIED WITH THE WCMP ORDER'S NEW SOLAR**
9 **GENERATION REQUIREMENT?**

10 A. The Commission has already approved CPCNs for the 10 kW (DC) solar generation
11 component of the Mt. Sterling Microgrid project and the 2 MW (AC) solar generation
12 component of the Hot Springs Microgrid project as consistent with the WCMP Order.
13 The Company's plan is to fulfill the remaining new solar requirements of the WCMP
14 Order through the Woodfin Solar Project and a new solar generation project to be sited
15 at the location of the former Asheville coal plant.

16 **Q. DID THE COMMISSION'S WCMP ORDER REQUIRE THAT THE SOLAR**
17 **PROJECTS BE AT OR BELOW AVOIDED COST?**

18 A. No.

19 **Q. HAD THE COMMISSION LIMITED THE WCMP SOLAR PROJECTS TO**
20 **AVOIDED COSTS, WOULD THE COMPANY HAVE PURSUED ANY**
21 **PROJECTS?**

22 A. Had the Commission required that the 15 MW of solar generation to be sited as part
23 WCMP be developed at current avoided cost, DEP would likely not have pursued

1 development.

2 **Q. WHY IS THAT THE CASE?**

3 A. There are a number of factors that combine to make development of solar projects
4 within the context of the WCMP Order more challenging, including primarily: project
5 size and availability of suitable land. First, larger projects will always be more cost-
6 effective on an LCOE basis due to economies of scale. This is why, for instance, the
7 CPRE winning projects (including Duke projects) have all been much larger projects
8 on sites more ideally suited for solar development. Second, identifying suitable sites
9 is particularly challenging due to the dearth of sites to support larger solar projects and
10 the higher land costs in the Asheville area versus other areas of the state. Additionally,
11 site characteristics in this region are particularly challenging due primarily to
12 topography and rocky subsurface conditions that is much less favorable to larger-scale
13 solar development. As the Commission is well aware, land costs and topography have
14 been a major factor that have driven immense amounts of solar development in the
15 Southeast portions of the DEP territory. There is reason few utility-scale solar projects
16 have been sited to date in the Asheville area. Given all of these factors, the Company
17 would likely have concluded that development of smaller solar projects at a price near
18 or below current avoided cost was simply not feasible under the parameters.

19
20 Apart from the general challenges of solar project development in the Asheville area,
21 the substantial downward trend of avoided costs since the date of WCMP Order has
22 further increased the challenges of delivering this project below avoided cost on an
23 LCOE basis. While it is not our area of expertise, the Company clearly supports the

1 need to adjust avoided costs over time to reflect market and cost realities. But we do
2 not believe that avoided cost should be the sole determinant of the public interest in
3 this particular proceeding. Furthermore, the Company notes that it may be appropriate
4 and more equitable to assess the LCOE of the Woodfin Solar Project against the
5 projected avoided costs that were in place at the time of the WCMP Order, which
6 would be analogous to the PURPA legally enforceable obligation construct pursuant
7 to which hundreds of smaller solar projects in the DEP service territory “locked in”
8 older avoided costs even though construction was delayed to future periods in which
9 avoided costs had been revised downward substantially. An older, higher avoided
10 cost would naturally place substantial downward pressure on the incremental costs.

11

12 It should be also noted that under a different set of circumstances, DEP has been able
13 to provide projects that compared more favorably to avoided costs. Specifically,
14 previous DEP projects (Warsaw, Camp Lejeune, Elm City and Fayetteville) were
15 forecast to be cost effective against the then current avoided cost projections, which
16 were substantially higher than current avoided cost projections. In addition, these
17 projects were larger, located in Eastern North Carolina, and were eligible for the now
18 expired NC Energy Tax Credit, which substantially decreased the LCOE for those
19 projects. Importantly, the NC Energy Tax Credit had expired prior to the WCMP
20 Order and, therefore, it would have been understood at that time that, all things being
21 equal, subsequent projects would have a higher LCOE.

22

23 Publicly available data also confirms a large LCOE differential between smaller solar

1 projects and larger solar projects. For instance, Lazard’s market data concerning
2 LCOE shows a range of \$63 - \$94 per MWh for smaller community solar projects and
3 a range of \$31 - \$42 for larger projects.

4
5 In summary, the overall parameters of the WCMP Order make it nearly impossible
6 for the Company to develop projects below current avoided cost. These challenges
7 were also reflected in the economics of the solar portion of the approved Hot Springs
8 project, which actually has a higher LCOE than the Woodfin Solar Project.

9 **Q. IN THE CONTEXT OF THE WCMP ORDER AND THE WESTERN**
10 **CAROLINAS MODERNIZATION PROJECT, IS THE PUBLIC INTEREST**
11 **SYNONYMOUS WITH BEING BELOW AVOIDED COST?**

12 A. No. While neither of us is an attorney, we understand that neither the WCMP Order
13 nor the Commission’s CPCN framework require that a project must be below avoided
14 cost in order to be deemed to be consistent with the public convenience and necessity.
15 While projected avoided costs are certainly an important data point for evaluating
16 projects in this and many other regulatory contexts, it should not be the sole
17 determinant in the context of the WCMP. We also note that the Commission stated
18 in its WCMP Order that “[t]he standard of public convenience and necessity is relative
19 or elastic, rather than abstract or absolute, and the facts of each case must be
20 considered.” In fact, the WCMP Order further noted that among other factors, the
21 Commission should consider “the extent, size, mix and location of the utility’s
22 plants...the construction costs of the project.” Based on this guidance, we do not

1 believe that a one-size fits all comparison against avoided cost is consistent with the
2 WCMP Order.

3

4 We believe that the Woodfin Solar Project is in the public interest in light of the
5 WCMP Order and the fact that the project provides unique diversity in the Company's
6 generating fleet by allowing development of a solar project in an area of the state in
7 which such development is often challenging. There is overwhelming support in the
8 community for the Woodfin Solar Project, just as there was overwhelming support for
9 additional renewables generation at the WCMP public hearing and consumer
10 statements of position filed in the WCMP docket. The WCMP Order recognized
11 DEP's commitment to site at least 15 MW of new solar generation at the Asheville
12 plant site or in the Asheville region as part of its commitment to a smarter, cleaner
13 energy transition. In addition, the EPC (engineering, procurement and construction)
14 costs have been demonstrated to be reasonable and Public Staff has not alleged that
15 such costs are not in line with market prices. Finally, it is also worth noting that the
16 Commission approved the Hot Springs project even though it was above avoided cost
17 and, in fact, the solar portion of the Hot Springs project actually had higher
18 incremental costs than the Woodfin Solar Project.

19 **Q. PLEASE DESCRIBE THE ACTIONS TAKEN BY THE COMPANY TO**
20 **DELIVER THIS PROJECT AT A REASONABLE COST GIVEN THE**
21 **CIRCUMSTANCES.**

22 A. The Company has taken steps to ensure that two of the largest cost items—EPC and
23 land—are as low as possible. First, the site itself is a unique opportunity in a number

1 of respects. The Company searched throughout the target area and identified the
2 Woodfin site as optimal site in numerous respects. In addition to the benefit of
3 working collaboratively with Buncombe county, the Woodfin site is ideal in that: (1)
4 the site is on a municipal landfill and zoned for industrial land use and has
5 approximately 30 acres of relatively flat, buildable area on one parcel, (2) the
6 acreage is sufficient for siting multiple MW of solar generation (3) the point of
7 interconnection is located adjacent to the planned project and on the same property
8 and does not require additional land rights or permitting to access the
9 interconnection facilities; (4) the site is not adjacent to residential customers; (5)
10 the site has minimal new environmental impact and does not require tree clearing
11 to support the solar; and (6) the site is owned by a single landowner willing to enter
12 into a lease agreement in support of the project and community's goals. The current
13 lease cost is below market for land in the Asheville area and, as discussed below,
14 may be even lower. In addition, the Company has already secured an
15 interconnection agreement with relatively low costs.

16
17 With respect to the capital cost for the project, DEP conducted a competitive bid
18 process that solicited proposals for all of the major components and the engineering,
19 design and construction of the project. The results from the bid process served as
20 the basis of the cost estimate to support this Application and the EPC contract, once
21 executed, will be a firm, fixed price contract. Finally, DEP will continue to work
22 diligently to work towards optimizing the system production and driving our
23 partners to the lowest possible cost for this facility. In summary, the capital costs

1 for the project, having been established through a competitive process, are
2 reasonable and in line with the capital costs for other projects.

3 **Q. PLEASE PROVIDE ADDITIONAL DETAILS REGARDING THE**
4 **EQUIPMENT AND CONSTRUCTION COSTS FOR THE PROJECT.**

5 A. Once again, DEP conducted a competitive bid process that included soliciting cost
6 proposals for all of the major components and construction of the project to ensure the
7 lowest cost for our customers. DEP sent the RFP to eight solar EPC firms that have
8 demonstrated solar development and construction expertise. As part of the analysis
9 of the bids received, DEP requested and evaluated component pricing in order to
10 evaluate the major component costs (panels, inverters, racking systems) to ensure that
11 the proposed pricing was consistent with market price information. DEP has short-
12 listed the bidders based on pricing proposed and relevant project experience and will
13 continue to work with the selected EPC contractor(s) to refine the engineering plans
14 to optimize energy production, leverage additional procurement savings and drive
15 down overall project costs through the negotiation process.

16 **Q. PLEASE PROVIDE ADDITIONAL DETAILS REGARDING THE LAND**
17 **COSTS FOR THE PROJECT.**

18 A. In addition to the unique topographical benefits of the land, the land cost is below
19 market for the Asheville area. Simply stated, the Company's collaboration allowed
20 the Company to utilize a site that was well situated for solar generation development
21 and with below market land cost.

22 **Q. WHAT ACTIONS HAS THE COMPANY TAKEN IN RESPONSE TO**
23 **PUBLIC STAFF'S RECOMMENDATIONS CONCERNING THE**

1 **PROJECT?**

2 A. The Company’s more detailed response to the Public Staff’s recommendations is
3 provided below, but the Company did engage with Buncombe County subsequent to
4 the Public Staff’s testimony in order to dialogue concerning Public Staff’s
5 recommendations regarding the treatment of the RECs. While Public Staff’s
6 recommendation was not acceptable to Buncombe County, the Company and
7 Buncombe County have preliminarily discussed the following two potential
8 alternative arrangements: (1) amend the ground lease agreement such that the value
9 imputed to the RECs would equal the annual lease obligation and (2) amend the lease
10 agreement such that DEP retains the RECs from the Woodfin Solar Project and then
11 separately agrees to procure RECs for Buncombe County at market prices to be
12 deducted from the lease.

13
14 Under Option #1, the Company would effectively be able to lower its land costs to \$0,
15 further affirming that the project is cost-effective for the region. Under Option #2, the
16 land costs would still be below market but customers could retain the RECs from the
17 Woodfin Solar Project.

18
19 Once again, these options have only been preliminarily discussed and will require
20 formal consideration and approval by the Buncombe County Commission. But the
21 options simply reinforce the cost-effectiveness of the project given the parameters of
22 the WCMP Order.

23 **Q. WITNESS THOMAS STATES THAT “PUBLIC STAFF DOES NOT**

1 **BELIEVE THAT THE WCMP ORDER DIRECTS DEP TO BUILD SOLAR**
2 **AND STORAGE IN THE ASHEVILLE REGION AT ANY COST.” HAS THE**
3 **COMPANY TAKEN THAT POSITION?**

4 A. Absolutely not. As explained above, the Company has taken a comprehensive
5 approach to delivering this project in the most cost-effective manner given the context
6 of the WCMP Order. As previously stated, the WCMP Order identified a finite
7 amount of solar to be developed in that region. The small scale of development in the
8 WCMP Order limits overall cost exposure to consumers while providing the unique
9 benefits of this project. Furthermore, the Company has gone to great lengths to
10 minimize the costs so as to ensure the prudence of the project on behalf of all
11 customers and in accordance with the WCMP Order.

12 **Q. IS IT REASONABLE TO COMPARE THE LCOE COST OF THE WOODFIN**
13 **PROJECT TO THE PPA COST OF WINNING CPRE PROJECTS?**

14 A. No. Once again, a smaller project developed in the Asheville area will not be able to
15 compete on an LCOE basis with a larger CPRE solar project. The larger scale projects
16 associated with the CPRE are being built under more ideal site conditions and
17 recognize economies of scale and therefore do not serve as a reasonable comparison
18 to smaller, DG solar sites and pricing, especially on sites developed in the Greater
19 Asheville region. In fact, it is instructive to note that none of the winning CPRE
20 projects have been located in DEP West.

21 **Q. MR. BEAVER, PLEASE EXPLAIN THE PRIMARY FACTORS THAT**
22 **INFLUENCE THE LCOE COST OF THE WOODFIN PROJECT.**

23 A. There are numerous factors that have an impact on the LCOE cost of the Woodfin

1 Project including: capital costs, tax normalization, and tax credits. Generally
2 speaking, operations and maintenance expenses and property taxes have a relatively
3 minimal impacts on the LCOE in comparison with EPC costs and tax credits / tax
4 treatment.

5 **Q. PLEASE EXPLAIN HOW TAX NORMALIZATION IMPACTS THE LCOE**
6 **OF THE WOODFIN PROJECT.**

7 A. When using cost of service rate making, DEP is required by federal tax law to
8 normalize or spread the benefits of the Investment Tax Credit (“ITC”) ratably over the
9 life of the asset. This reduces the impact of the tax credits in the annual revenue
10 requirement as compared to a flow-through of the full ITC value concurrent with when
11 they are utilized by Duke Energy.

12 **Q. MR. WATSON, PLEASE EXPLAIN ADDITIONAL BENEFITS OF THE**
13 **PROJECT.**

14 A. Deployment at this location will allow the Company to gain experience owning and
15 operating a solar facility on a landfill site owned by a critical customer. While
16 developing solar on a landfill can have an impact on costs due to the inability to
17 penetrate the landfill cap, the size, and other positive site characteristics balance
18 overall project costs and limit local environmental impacts. The Woodfin Solar
19 Project will allow DEP to continue to expand internal experience, knowledge, and
20 capabilities. Landfills are typically areas that are already disrupted and cleared with
21 existing buffers to adjacent properties. Solar generators on landfills are an excellent
22 adaptive reuse for this type of land that otherwise has very limited use after closure.
23 Advancing the understanding of how to optimally develop, construct, own, and

1 operate a landfill solar project will provide experience to hopefully reduce
2 development and design costs and minimize construction risk for similar future
3 projects on coal ash or municipal landfills.

4 **Q. PLEASE HIGHLIGHT THE BENEFITS OF THE PARTNERSHIP WITH**
5 **BUNCOMBE COUNTY.**

6 A. As stated, finding available sites within the Asheville region that can support a solar
7 facility of this scale, has immediate access to interconnection, limits environmental
8 impacts (such as tree clearing and wetland disturbance) is challenging given
9 topography and high land costs in the Asheville region. During the siting process,
10 DEP was made aware that Buncombe County was interested in making its site
11 available for solar development to both facilitate the directives of the WCMP Order
12 and support the County’s renewable energy and climate change goals. This
13 opportunity and partnership with Buncombe County reflects the collaborative nature
14 of the WCMP to identify creative and innovative solutions to site solar in a
15 challenging region of the State. The Woodfin Solar Project reflects the goals of the
16 WCMP, supports Buncombe County in realizing its community-wide goals and
17 reflects DEP’s commitment to proactively support our customers and their energy-
18 related goals and objectives.

19 **Q. PLEASE COMMENT GENERALLY ON THE THREE SCENARIOS**
20 **SUGGESTED BY PUBLIC STAFF REGARDING THE PROJECT.**

21 A. Public Staff recommended three potential scenarios under which it asserts that the
22 issuance of a CPCN might be reasonable. However, two of the suggestions, which
23 are addressed in turn below, do not represent a meaningful alternative. The third

1 suggestion remains under consideration by the Company but would require a
2 fundamental restructuring of the lease.

3 **Q. PLEASE RESPOND TO THE PUBLIC STAFF'S FIRST SUGGESTION**
4 **THAT DUKE SHOULD FOREGO RECOVERY OF THE PORTION OF THE**
5 **COST OF THE FACILITY THAT EXCEEDS AVOIDED COSTS.**

6 A. This is a completely unreasonable suggestion. No reasonable investor would make
7 an investment knowing at the outset that it will be unable to recover a substantial
8 portion of its investment.

9 **Q. PLEASE RESPOND TO THE PUBLIC STAFF'S SECOND SUGGESTION**
10 **THAT BUNCOMBE COUNTY SHOULD BE REQUIRED TO PAY A REC**
11 **PRICE FAR ABOVE CURRENT MARKET PRICES.**

12 A. Once again, Public Staff's suggestion is completely unreasonable. Witness Thomas'
13 suggestion does not comport with market realities of solar RECs pricing and
14 therefore is not a meaningful alternative. Buncombe County understands the market
15 price for NC-generated RECs is far below this amount and would likely pursue the
16 purchase of RECs as a less expensive alternative, but the preference was to make its
17 land available to support local solar generation as part of the WCMP. As stated in the
18 testimony and responses to the Public Staff additional questions, the Site Lease
19 Agreement in its entirety (*i.e.*, the combined impact of the lease rate and REC
20 treatment) results in a gross and net lease rate far below the market rate for land in this
21 region.

22 **Q. DOES APPROVAL OF THE WOODFIN SOLAR PROJECT MEAN THAT**
23 **CUSTOMERS WILL BE REQUIRED TO PAY HIGHER COSTS TO ALLOW**

1 **“MORE AND MORE MUNICIPALITIES AND LOCAL GOVERNMENTS”**
2 **TO ACHIEVE RENEWABLE ENERGY GOALS AS IS IMPLIED BY**
3 **WITNESS THOMAS?**

4 A. No. The Woodfin Solar Project has been proposed in connection with the clearly
5 defined 15 MW target established by the WCMP Order, and therefore, it is
6 unreasonable to suggest that approval of this particular project will necessarily lead to
7 many other similarly situated projects. The Company has sought to implement the
8 Commission’s directive in the WCMP Order in a reasonable manner. Should the
9 Commission or the Company ever determine that additional local government
10 collaborations are in the public interest in the future, such collaborations can be
11 evaluated on their own merits at the appropriate time. But opposing this project on
12 the basis of a vague concern about future local government projects is unreasonable
13 in light of the limited and clearly defined scope of the WCMP Order.

14 **Q. DOES THE WOODFIN SOLAR PROJECT “LACK MARKET DISCIPLINE”**
15 **AS ASSERTED BY PUBLIC STAFF?**

16 A. Absolutely not. The Company has taken reasonable steps to ensure that the project is
17 cost-effective given the parameters of the WCMP Order. The EPC costs of the
18 project—which are by far the most substantial cost component of the project—have
19 been obtained through a competitive process that delivered prices that are in line with
20 other project costs. Public Staff has not introduced any evidence that such costs are
21 not consistent with market or somehow not subject to “market discipline.” Similarly,
22 the land costs for the project are also below market and, depending on the outcome of
23 further negotiations with Buncombe, may actually be \$0.

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In light of the fact that the Commission has limited the WCMP directive to only 15 MW of solar and that the Company has used “market discipline” at each phase of the development of this project, the Woodfin Solar Project is a reasonable project consistent with the WCMP Order and reasonably limits overall customer impacts.

Q. PLEASE RESPOND TO THE PUBLIC STAFF’S THIRD SUGGESTION THAT THE WOODFIN FACILITY SHOULD BE UTILIZED FOR COMMUNITY SOLAR PROGRAM.

A. In light of the current project structure and lease agreement with Buncombe County, this suggestion is not feasible. House Bill 589 requires that community solar customers have the option to own the RECs produced by the community solar energy facility. However, as described in the Application, the RECs from the Woodfin Solar Project will be conveyed to Buncombe County under the terms of the lease, which was a critical piece of the overall lease agreement. The Company has discussed such an arrangement with Public Staff but more analysis is needed to assess the feasibility and moreover, an amendment to the lease agreement between DEP and Buncombe County would require approval by the Buncombe County Commission which is not guaranteed. To the extent that the Company is able to identify a feasible community solar arrangement, the Company will re-engage with Public Staff and evaluate whether to offer any further proposal for the Commission’s consideration.

Q. PLEASE COMMENT REGARDING DISCOVERY ISSUES IN THIS PROCEEDING.

A. More than four dozen data requests (not including subparts) were issued by Public

1 Staff, and the Company responded to each and every request and in some cases, at the
2 request of Public Staff, responded in much shorter timelines than is typical. The
3 Company also made itself available for an informal discussion with Public Staff. The
4 Company disagrees that Public Staff did not receive “sufficient information to fully
5 evaluate the inputs utilized by the Company.” Moreover, there is no basis in
6 Commission practice for one party to be granted discovery above and beyond that
7 permitted under the Commission’s discovery guidelines simply because of one party’s
8 subjective judgment that it has not received “sufficient” information. Such a standard
9 would essentially render the discovery guidelines and timelines irrelevant. The
10 Company worked extraordinarily hard to provide timely and complete responses to
11 all Public Staff data requests and in many cases did so in an expedited manner. The
12 Company also provided the Public Staff with a copy of the revenue requirements
13 model with instructions such that Public Staff would have the ability to run any desired
14 alternative scenarios or sensitivities. Therefore, there is no basis or need for further
15 discovery.

16 **Q. DOES THIS CONCLUDE YOUR PRE-FILED REBUTTAL TESTIMONY?**

17 A. Yes, it does.

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-2, SUB 1257

In the Matter of)
Application of Duke Energy Progress, LLC for)
A Certificate of Public Convenience and)
Necessity to Construct a Solar Generating)
Facility in Buncombe County, North Carolina)
)
)

**REBUTTAL TESTIMONY
OF
JASON WALLS**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Jason Walls, and my business address is 555-A Brevard Road,
3 Asheville, North Carolina, 28806.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Duke Energy Progress, LLC (“DEP or the Company”) as a Local
6 Government and Community Relations Manager for the DEP-West region
7 (Asheville Area). I am responsible for DEP’s external relations in Avery,
8 Buncombe, Haywood, Madison, Mitchell and Yancey counties. In this role I work
9 closely and collaboratively with local government staff and elected leaders;
10 community and business leaders; local non-profits; and local advocacy
11 organizations on all efforts involving the Company.

12 **Q. WHAT IS YOUR EDUCATION AND PROFESSIONAL EXPERIENCE?**

13 A. I received a B.A. in Political Science and a B.A. in Environmental Studies from
14 Emory & Henry College and a M.A. in Organizational Communications from
15 Queens University. I started my career with Duke Energy in 2002 in the Hydro
16 Relicensing group, as an associate scientist. Over time, I held different roles of
17 increasing responsibility primarily in Duke Energy’s corporate communications
18 department. During this time, I focused on media relations and external
19 communications associated with rates and regulatory efforts in North Carolina,
20 South Carolina, and Ohio and with hydroelectric, fossil and nuclear operations and
21 commercial renewables. I transitioned into the Government and Community
22 Relations Manager role in Asheville in February 2013.

23 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?**

1 A. No.

2 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

3 A. The purpose of my testimony is to respond to the Public Staff’s opposition to the
4 Woodfin Solar Project by describing the Company’s community engagement
5 efforts across the region, but specifically in connection with the Western Carolinas
6 Modernization Program (“WCMP”). I will also provide the Commission with an
7 overview of the diverse and substantial community support for the WCMP
8 generally and the Woodfin Solar Project, specifically.

9 **Q. PLEASE GENERALLY DESCRIBE YOUR ENGAGEMENT WITH THE**
10 **WCMP.**

11 A. As Duke Energy’s government and community relations manager in the Asheville
12 region, I am responsible for engaging with local leaders, customers, community
13 and business groups, and advocacy organizations on all issues involving Duke
14 Energy, including the WCMP. I have been involved with the WCMP community
15 stakeholder engagement since its inception.

16

17 In 2016 I, along with a group of local leaders representing the City of Asheville,
18 Buncombe County, and others from Duke Energy, attended the Rocky Mountain
19 Institute’s (“RMI”) eLab Accelerator to outline a community engagement effort to
20 increase demand-side management, energy efficiency and distributed energy
21 resources locally. From this grew the Energy Innovation Task Force (“EITF”). The
22 EITF was formed in 2016 and was comprised of a diverse group of community
23 leaders to (1) avoid or delay the construction of the planned contingent CT; and (2)

1 Transition DEP-West to a smarter, cleaner and affordable energy future. I served
2 as one of three co-conveners of the EITF, its working groups, and the Blue Horizons
3 Project. The three co-conveners led the meetings, facilitated discussion and helped
4 enable successful EITF outcomes.

5
6 The EITF has since been dissolved but recast as the Blue Horizons Project
7 Community Council (“Blue Horizons Project”). The purpose of this council is to
8 drive behavior and investments that help achieve the community’s renewable
9 energy goal. I will continue to serve as the Duke Energy lead on this community
10 council.

11 **Q. WHAT ARE SOME EXAMPLES OF THE WAYS IN WHICH THE**
12 **COMPANY HAS PRIORITIZED COMMUNITY ENGAGEMENT IN**
13 **CONNECTION WITH THE WCMP?**

14 A. Community engagement is the foundation of the Company’s overall strategy in the
15 Asheville Area. From the announcement of the initial WCMP and the Foothills
16 Transmission Line in August of 2015, to updating that plan to reflect the feedback
17 we received from the community, we recognize our plans should be reflective of
18 the Company and communities’ common interests. The evolution from the initial
19 August 2015 plan to the revised plan filed with this Commission in DEP’s CPCN
20 notice filing in December 2015 reflects how the Company listened and responded
21 to the community. Those principles of listen, respond and reflect guide all our work
22 today.

23

1 As work with the EITF launched, we knew a trusted analysis of the problem to
2 solve was needed. The EITF collectively partnered with RMI to study the peak
3 demand problem in the Asheville Area. This analysis revealed residential heating
4 load as the top contributor to peak load growth in the region. The analysis also
5 revealed that Buncombe County and the DEP-West service area in general have a
6 greater percentage of low-income households than North Carolina overall. Over
7 40% of DEP-West households are low income. Four geographic areas in particular
8 were identified as having a higher fraction of low-income households than the rest
9 of the region. Almost 20% of Buncombe County housing are manufactured homes
10 which tend to be significantly less efficient than traditional houses. Based on the
11 analysis, we determined that efforts should focus on the expansion of targeted
12 energy efficiency and shifting when customers use electricity. Specifically, it
13 advised the convening partners to focus on increasing participation in energy
14 efficiency programs, improving penetration of demand-side management
15 programs, and expanding the application of renewables and other advanced
16 solutions. We conducted a joint workshop with Duke Energy program managers
17 and EITF members to identify opportunities to improve existing EE and DSM
18 program offerings, generate ideas for new programs, and determine how all
19 stakeholder organizations can work together more effectively.

20
21 The Blue Horizons Project community engagement campaign launched in early
22 2018 as the outward facing engagement effort to connect customers with both
23 company and non-company programs to reduce peak demand growth in the region.

1 A project manager was hired by the Green Built Alliance, a local non-profit focused
2 on the promotion of green building, to coordinate and conduct campaign activities.
3 The position is being co-funded by the City of Asheville and Buncombe County.
4 Duke Energy supported the campaign through the involvement of the Shelton
5 Group and integration of Blue Horizons branding with Duke Energy
6 communication and marketing materials as appropriate. A web site
7 (<https://bluehorizonsproject.com/>) has been developed that provides useful
8 information and links for customers and other interested people to learn how they
9 can support the goals and objectives of the EITF partnership.

10
11 Since 2016, I have personally conducted a minimum of 35 formal community
12 conversations about the Blue Horizons Project. Community meetings have been
13 held throughout Asheville and Buncombe County, including in racially and
14 economically diverse neighborhoods. Additionally, we held small-to-medium
15 business seminars on programs and offerings to reduce energy use. We endeavor
16 to be inclusive, including a conscious effort to be racially and economically
17 inclusive, in our partnerships and planning work, and to focus on lowering energy
18 costs.

19
20 This deliberate and purposeful community engagement has grown from our initial
21 commitments in the WCMP docket and has served to reinforce the role community
22 engagement plays in sustainable and productive outcomes for customers in all
23 aspects of our work locally. This work spans substation siting/rebuilds, distribution

1 feeder rebuilds, onsite coal ash landfill permitting, battery storage siting and new
2 solar investment.

3 **Q. PLEASE PROVIDE DETAILS CONCERNING COMMUNITY SUPPORT**
4 **FOR THE COMPANY'S OVERALL IMPLEMENTATION OF WCMP.**

5 A. The support from our local community partners has been remarkable and its success
6 visible through accomplishments. As originally referenced in the company's 2018
7 and 2019 Integrated Resource Plans, in part through this community collaboration
8 in Buncombe County, the contingent CT that was part of the original WCMP CPCN
9 application has been pushed out beyond the 15-year planning horizon. The EITF
10 and Blue Horizons Project played a critical role in helping substantially increase
11 customer participation in the Company's DSM program, EnergyWise Home.

12
13 In late 2018, both the City of Asheville and Buncombe County issued 100 percent
14 clean/renewable energy goals. The goals require that both the City and County
15 achieve the 100 percent targets for operations by 2030, and for all homes and
16 businesses by 2042.

17
18 The original conveners all agree that a continued commitment and partnership
19 among the City, County, and Duke Energy is critical to enable success of these very
20 ambitious local goals. The Woodfin Solar Project is the foundational project
21 Buncombe County is relying on for its ability to achieve their 100 percent
22 renewable energy goal.

1 **Q. PLEASE DESCRIBE YOUR ENGAGEMENT SPECIFICALLY WITH THE**
2 **WOODFIN SOLAR PROJECT.**

3 A. As part of my work with the EITF, the Woodfin Solar Project became a rallying
4 point and a tangible sign of significant progress toward local renewable energy
5 goals. Beyond my role with the EITF, I was the Company's lead local
6 presenter/witness before the Buncombe County Commission and the Town of
7 Woodfin Board of Alderman. The county commissioners had to approve the
8 concept of solar on the retired landfill and the contract terms for the Company to
9 own and operate the facility. The Town of Woodfin had to approve the conditional
10 use of the project. I worked closely with our community stakeholders, local
11 government leaders, and the Duke Energy renewables project management team in
12 all phases of the Woodfin Solar Project.

13 **Q. PLEASE PROVIDE DETAILS CONCERNING THE COMMUNITY**
14 **SUPPORT FOR THE WOODFIN SOLAR PROJECT.**

15 A. There has been and continues to be overwhelming support for the Woodfin Solar
16 Project from the environmental advocacy community, local elected leaders and the
17 community at large. The Commission has seen some of this from the many
18 supportive statements filed in this docket. In my formal and informal conversations
19 with local leaders, even those who do not put clean energy as their top issue, solar
20 energy on top of a retired landfill simply makes sense. There are not many uses for
21 the county's retired landfill, but a solar facility allows the entire community to
22 benefit from clean energy.

23

1 The Woodfin Solar Project has been cited locally as a “win-win” success story. The
2 Asheville Area has a passionate and informed citizenry who have long advocated
3 for renewable energy and a commitment from Duke Energy for a smarter, cleaner
4 energy future. I’m proud that we have been able to collaboratively deliver on that
5 promise with the Woodfin Solar Project.

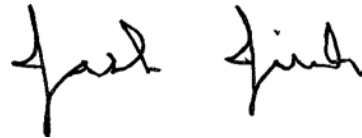
6 **Q. DOES THIS CONCLUDE YOUR PRE-FILED REBUTTAL TESTIMONY?**

7 A. Yes, it does.

CERTIFICATE OF SERVICE

I certify that a copy of Duke Energy Progress, LLC's Rebuttal Testimony, in Docket No. E-2, Sub 1257, has been served by electronic mail, hand delivery or by depositing a copy in the United States mail, postage prepaid to parties of record.

This the 6th day of November, 2020.

A handwritten signature in black ink, appearing to read "Jack Jirak". The signature is written in a cursive style with a large initial "J" and "J".

Jack E. Jirak
Associate General Counsel
Duke Energy Corporation
P.O. Box 1551/NCRH 20
Raleigh, North Carolina 27602
(919) 546-3257
Jack.jirak@duke-energy.com