



Jack E. Jirak
Deputy 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 24, 2021

VIA ELECTRONIC FILING

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

**RE: CPRE Tranche 3: IA Scope of Work
Docket Nos. E-2, Sub 1159 and E-7, Sub 1156**

Dear Ms. Dunston:

Pursuant to the North Carolina Utilities Commission's ("Commission") *Order Approving CPRE Rider and CPRE Program Compliance Report* ("Order") issued in Docket No. E-7, Sub 1247 on August 17, 2021, Duke Energy Carolinas, LLC ("DEC") and Duke Energy Progress, LLC ("DEP" and together with DEC, the "Companies") hereby provide the requested fee-related information regarding engagement of Accion Group, LLC as the Independent Administrator ("IA") of the Competitive Procurement of Renewable Energy ("CPRE") Program Tranche 3. Specifically, the Order directs the Companies to provide (1) the IA's proposed scope of work to implement Tranche 3, (2) an IA fee estimate based on the proposed scope of work, and (3) a proposed Tranche 3 program fee structure designed to recover all Tranche 3-related IA fees from Tranche 3 market participants.

(1) IA Scope of Work

Attachment 1 to this letter provides the scope of work to be performed by the IA for CPRE Tranche 3. IA-related work for CPRE Tranche 3 includes: the IA Website, general parameter understanding, the pre-issuance process, the allowance bids and bidding process, evaluation and cures understanding, post-contracting, and travel expenses.

(2) IA Fee Estimate

Attachment 1 to this letter also provides the IA's fee estimate. The IA's current fee estimate for administering Tranche 3 is \$674,171.40.

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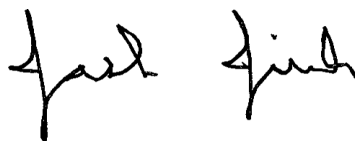
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(3) CPRE Tranche 3 Fee Structure

The draft CPRE Tranche 3 request for proposal (“RFP”) issued to market participants and other stakeholders on November 11, 2021, provides for a combination of Proposal Fees and Winner Fees to recover the IA’s costs similar to prior RFP Tranches. The Proposal Fee is required to be submitted with each Market Participant’s Proposal and is a non-refundable amount of \$500/MW, based on the Facility’s nameplate capacity, up to a maximum of ten thousand dollars (\$10,000). The Winner Fee is an amount determined upon the conclusion of the RFP to recover any remaining IA costs not previously recovered by the Proposal Fee. Only successful market participants selected through the RFP will be responsible for Winners’ Fees, and the fee will be allocated on a pro-rata basis on a per MW basis to each successful market participant. The RFP provides that total of the Winners’ Fees shall not exceed \$1.5 million which reflects an increase over the \$1 million not-to-exceed amount used for Tranches 1 and 2. No comments were received from market participants on this aspect of the draft Tranche 3 RFP document. Assuming the IA’s scope of work and fee estimates are reasonably accurate and there are no significant post-solicitation expenses (identified as Exclusions in the IA’s scope of work), the Tranche 3 program fee structure of Proposal Fees and Winners Fees is reasonably designed to recover all Tranche 3-related IA fees from Tranche 3 market participants.

Please feel free to contact me with any questions or concerns.

Sincerely,

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

Jack E. Jirak

Enclosure

cc: Parties of Record



TO: Jack Jirak, Duke Energy Corporation
FROM: Harry Judd, Accion Group, Independent Administrator
DATE: November 21, 2021
RE: IA's Scope of Work Estimate for Duke's CPRE Tranche 3

To date four Stakeholder sessions were conducted and a scope and design for Tranche 3 was produced through the collaborative efforts of Duke Energy Carolinas, LLC ("DEC"), Duke Energy Progress, LLC ("DEP" and together with DEC, "Duke"), the Public Staff and stakeholders, principally Carolina Clean Energy business Association ("CCEBA"). Assuming the North Carolina Utilities Commission ("NCUC" or "Commission") agrees to that scope and design, and drawing on the lessons learned in Tranche 1 and Tranche 2, Accion Group, LLC, the Independent Administrator ("IA") believes the schedule set forth by Duke is reasonable and achievable.

While the schedule proposed by Duke is compressed compared to what was experienced with the earlier Tranches, limiting the solicitation to projects in the DEC territory and the refinements of queue reform should make the schedule achievable and complete Tranche 3 in full compliance with the requirements of the NCUC, while providing the complete review of proposals and projects by the IA. With the thorough review by the IA, as provided in the CPRE requirements, PPAs can be executed with the projects at the conclusion of Step 2, without Duke having to undertake additional due diligence review.

Website

To facilitate Tranche 3, the IA Website will be provided using the same functionalities as the previous Tranche 1 and Tranche 2 Websites. The Website as released included separate silos for DEC and DEP, without the platform for bidders to propose projects to be acquired by Duke. Pursuant to the scope agreed to by the stakeholders, the DEP Website option will be removed. The Website was released in September 2021 and will remain live through the first quarter of 2023, as needed.

General Parameter Understanding

The scope outlined is premised on the following expectations established during the collaborative process. It is estimated that approximately 300 MW will be sought in Tranche 3. This is an initial estimate, the final procurement goal will likely not be determined until December 2021.

Based on the number of proposals received in Tranche 1 and Tranche 2, respectively, it is anticipated there will be a decrease in the number of proposals received. Should there be a decrease, this will shorten the review period.

Pre issuance Process

The RFP and RPPA were included in two rounds of public comment conducted through the IA Website. In addition, provisions of the RFP were reviewed during four Stakeholder Sessions and a series of conference calls with Duke, the Public Staff and interested parties. The Stakeholder sessions were conducted

remotely, which provided cost efficiency. The IA anticipates there will only be the four Stakeholder Sessions. Thanks to the successful collaborative process the IA does not anticipate additional changes to the RFP or the RPPA.

Allowed Bids and Bidding Process

In Tranche 3, Duke will be eligible to sponsor projects, as in Tranche 1 and Tranche 2. There will be no opportunity for acquisition bidding.

To expedite the review process, the use of sworn affidavits from the Bidders will be expanded to include:

- a. Identification of all required permits, licenses, et al., and status;
- b. Site plan (in addition to engineer certified single-line drawing);
- c. Financial viability and financing; and
- d. Project specifications.

Along with the affidavits, draft proposal and project security (if other than cash) documents will be required to be included as part of the Bid.

Evaluation and Cures Understanding

In regard to the evaluation of the Bids, the IA's evaluation model, with the net-benefit basis, will be used. The Tranche 2 "alternative" analysis will be employed.

The pricing periods used in Tranche 2 will be used in Tranche 3 and Duke will provide Accion with updated 20-year avoided costs forecasts.

When Bids are found to be deficient, Bidders will be provided no more than a total of 2 weeks for all cures of deficiencies. This will avoid issues such as when a Bidder in Tranche 1 took over 3 weeks to cure site control of the transmission path. There will be no extensions on the submission of Proposal Security.

Furthermore, Duke will agree to no extensions of any requirements pertaining to the proposals or Bidders, without an order from the NCUC.

Post Contracting

Accion will provide one Final Report, released after the execution of PPAs. In both Tranche 1 and Tranche 2 issues arose after contracting for which Bidders and NCUC Staff requested input and assistance from the IA. Because this is the final tranche of CPRE, this scope does not anticipate the IA participating in the post contracting process, but will be available upon request of the Commission.

Travel Expenses

We are budgeting for meetings with Duke personnel, bidders, and NCUC Staff, expecting the need for fewer trips than with either Tranche 1 or Tranche 2. We anticipate that holding remote meetings, including the stakeholder sessions, may obviate the need for some travel.

Cost Estimate

Eliminating the acquisition bidding option and the option to bid projects in the DEP territory is expected to reduce the time required to evaluate bids, as well as the professional services required. Employing the parameters outlined herein, we believe the IA services can be provided for **\$674,171.40**. This includes all

professional services and updated Website for the timeline prepared by Duke. Travel expenses are estimated, and actual expenses will be charged at cost without mark-up for in-person meetings requested by Duke and/or the Commission.

Exclusions

The cost estimate excludes extensions of the process, subsequent changes requested or required by Duke or the Commission, post-proposal briefings due to hearings initiated by Bidders, Public Staff, Duke or the Commission, appeals, challenges, hearings and technical sessions before the NCUC.