

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-2, SUB 1300

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)	
Duke Energy Progress, LLC's Request to)	
Initiate Technical Conference Regarding)	
the Projected Transmission and Distribution)	PUBLIC STAFF'S COMMENTS
Projects to be Included in a Performance-)	
Based Regulation Application)	

NOW COMES THE PUBLIC STAFF - North Carolina Utilities Commission (Public Staff), by and through its Executive Director, Christopher J. Ayers, pursuant to the Commission's June 15, 2022 Order Scheduling Technical Conference and Setting Procedures for Technical Conference (Scheduling Order).

I. Procedural History

1. On June 8, 2022, Duke Energy Progress, LLC (DEP) filed a letter with the Commission indicating that it intends to file a notice of its intent to file a general rate application which will include a performance-based regulation application (PBR Application) as authorized under N.C. Gen. Stat. § 62-133.16, with the PBR Application targeted for filing no earlier than October 6, 2022. DEP, therefore, pursuant to Rule R1-17B(c), requested that the Commission initiate a technical conference regarding the projected transmission and distribution projects to be included in DEP's PBR Application.

2. The Commission's Scheduling Order established that the Technical Conference would be held on July 25, 2022, that DEP should make its T&D Informational Filing by July 15, 2022, and that parties would be allowed to file written comments on DEP's information on projected transmission and distribution projects to be included in the PBR Application (T&D Information Filing) on or before July 25, 2022. On July, 15, 2022, DEP made its T&D Informational Filing.

II. Public Staff Comments

3. Given the limited time available to review the T&D Informational Filing and to consider the potential cost- and service-related impacts of the projects DEP is seeking to include in the PBR Application, the Public Staff offers the following limited comments.

4. The T&D projects and grid improvement programs being contemplated by the PBR Application appear to be a continuation of both the Power/Forward Carolinas initiative from the 2017 general rate cases filed in Docket Nos. E-2, Sub 1142 and E-7, Sub 1146, and the Grid Improvement Plan (GIP) from the 2019 general rate cases filed in Docket Nos. E-2, Sub 1219 (Sub 1219) and E-7, Sub 1214.

5. It does not appear that DEP is requesting any special rate making treatment for the T&D projects other than what may be approved in the context of the PBR Application. This includes the deferral of costs that were part of the Sub 1219 case.

6. The T&D projects that are identified appear to be associated with the various generation, T&D, and distributed energy resources (DERs) proposed in the Carbon Plan filed by DEP and Duke Energy Carolinas, LLC in Docket No. E-100, Sub 179 on May 16, 2022. For example, a significant portion of the cost of the proposed distribution projects appear to be associated with interconnecting large-scale DERs. Notably, however, the proposed Carbon Plan calls for the build-out of large scale DERs interconnected to the transmission system, not the distribution system.

7. The Public Staff notes that several of the T&D projects' cost-benefit analyses (CBA) appear to include costs that would be incurred outside the timeframe of the three-year multi-year rate plan (MYRP) period expected to be requested in the PBR Application. This is appropriate for CBA purposes. However, costs included in the PBR Application should only include those DEP expects to recover in the MYRP. The Public Staff requests that Duke include in its MYRP only capital projects that would be completed (commercially operational and used and useful) within the MYRP timeframe (October 2023-October 2026, per the Company's T&D Informational Filing).

8. The T&D projects include a number of "Red Zone"¹ projects that appear to be accelerated in terms of timing and scope. Notably, the North Carolina

¹ The "Red Zone" has been described in numerous dockets as discrete areas within Duke Energy's service territory that are identified as heavily congested and will require system upgrades to handle further expansion of generation interconnections. The "Red Zone" is also referenced on DEP's OASIS webpage as constrained areas: limitations on the continued expansion of generation interconnection on the transmission system in discrete areas.

Transmission Planning Collaborative (NCTPC) notified its Transmission Advisory Group (TAG) on July 19, 2022, that, as a result of concerns raised by TAG stakeholders during and immediately following its June 27, 2022, 2nd Quarter TAG Meeting, it was removing all Red Zone projects from the 2021 NCTPC Mid-Year Update, and would not be including these projects in the Local Transmission Plan or any NCTPC base case models, nor will they be included in future Transmission Plans unless and until they are approved via NCTPC processes.

9. A number of the T&D projects may involve the replacement of viable and operational equipment that is not yet fully depreciated and is still useful. It is unclear if the accelerated replacements are specifically necessary for achievement of the Carbon Plan.

10. The Public Staff is concerned that the magnitude and scale of so many projects will prevent DEP from being able to complete them in a timely and efficient manner. Some of the projects have already been identified in other filings (e.g., the Red Zone Upgrades and Docket No. EMP-105, Sub 0), and the resources required to complete the larger upgrades were significant. The Public Staff is also concerned that there appears to be no prioritization of work projects to achieve the primary goals of the Carbon Plan and that the inclusion of so many projects may undermine or inhibit efficient work deployment and coordination.

III. Public Staff Requests

11. The Public Staff understands that this Technical Conference will only address the T&D projects to be considered in a future PBR Application and is not a finalized list of projects that the Company intends to include in its PBR Application. Additionally, it would be premature for the Company to provide detailed information about each project and is outside the scope of this Technical Conference. However, when the PBR Application is filed, the Public Staff will conduct an investigation that will, among other things: (1) identify which projects are specifically related to the Carbon Plan versus “business as usual” operations; (2) identify which T&D projects are associated with generation assets that will require a Certificate of Public Convenience and Necessity pursuant to N.C.G.S. § 62-110.1;² (3) identify which transmission projects will require a Certificate of Environmental Compatibility and Public Convenience and Necessity pursuant to N.C.G.S. § 62-101; (4) review DEP’s analysis of the need for specific T&D projects, including estimation of the cost and benefits; (5) assess the Company’s decisions on project priority and its ability to complete the forecasted projects within the MYRP timeline; (6) evaluate the work scope of the projects; and identify any resource constraints, plans to address work force or material issues, contractors or internal hiring requirements, and project time lag associated with training and

² As stated in its Reply Comments Concerning Multiyear Rate Plan Projects and CPCN Requirements, filed on April 13, 2022, in Docket No. E-100, Sub 178, the Public Staff, among other things: (1) does not believe that the Commission should approve cost recovery within a MYRP for capital projects for which a CPCN is required but has not yet been granted; and (2) does not believe that a PBR application may request cost recovery approval for capital projects which the utility does not yet own, and therefore, for which a party other than the utility would be filing the application for the CPCN.

resource limitations. The Public Staff requests that these items be addressed or included in the PBR Application as appropriate.

12. As the Public Staff expressed in the 2019 DEC and DEP rate cases,³ the traditional means of cost allocation may not be appropriate for future T&D projects that provide disparate benefits to customer classes. Just as with the GIP projects in the 2019 cases that were heavily focused on distribution projects, the distribution projects presented in the T&D Informational Filing provide a disproportionate level of benefits to non-residential customers when compared to the allocation of the costs. The traditional methods of cost allocation that rely upon peak demands (transmission plant and associated costs) and non-coincident peak demands (distribution plant and associated costs) fail to consider which customers and customer classes are the primary beneficiaries of these largely economically driven expenditures.

Respectfully submitted this the 25th day of July, 2022.

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Electronically submitted
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³ Testimony of Public Staff witness James McLawhorn in Docket Nos. E-7, Sub 1214 and E-2, Sub 1219, 36-38.

CERTIFICATE OF SERVICE

I certify that a copy of the Public Staff Comments has been served on all parties of record or their attorneys, or both, in accordance with Commission Rule R1-39, by United States Mail, first class or better; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 25th day July, 2022.

Electronically submitted
/s/ Robert B. Josey