

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-100, SUB 190
DOCKET NO. E-2, SUB 1340
DOCKET NO. E-7, SUB 1310

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-100, SUB 190)	
)	
In the Matter of)	
Biennial Consolidated Carbon Plan and)	
Integrated Resource Plans of Duke Energy)	
Carolinas, LLC, and Duke Energy Progress,)	
LLC, Pursuant to N.C.G.S. § 62-110.9 and)	ORDER INITIATING PROCEEDING
§ 62-110.1(c))	AND REQUESTING EXPEDITED
)	COMMENTS
DOCKET NO. E-2, SUB 1340)	
DOCKET NO. E-7, SUB 1310)	
Duke Energy Progress, LLC, and Duke)	
Energy Carolinas, LLC, 2024 Solar)	
Procurement Pursuant to Initial Carbon Plan)	

BY THE CHAIR: On December 30, 2022, the Commission issued an Order Adopting Initial Carbon Plan and Providing Direction for Future Planning (Initial Carbon Plan) in Commission Docket No. E-100, Sub 179 that in pertinent part directed Duke Energy Progress, LLC (DEP), and Duke Energy Carolinas, LLC (DEC; together with DEP, Duke or Companies), to target the procurement of 2,350 MW of new solar during the 2023-2024 period. The Initial Carbon Plan requires that Duke hold stakeholder discussions regarding a competitive, least cost 2024 Solar Procurement and file, by no later than February 15, 2024, a proposal to procure new solar generation to be placed in service by 2028, subject to a volume adjustment mechanism, including a targeted procurement of Solar Plus Storage in alignment with the 2024 Definitive Interconnection System Impact Study (DISIS).

On February 5, 2024, Duke filed a motion requesting that the Commission: (1) open new dockets for the purpose of reviewing Duke's 2024 Solar Procurement Program proposal, including its proposed 2024 solar and Solar Plus Storage procurement request for proposal (2024 RFP) and pro forma power purchase agreements and to receive stakeholder comments on the same; (2) allow Duke to use the Resource Solicitation Cluster (RSC) option under the approved generator interconnection procedures for the 2024 RFP; and (3) grant Duke an extension of time to file the 2024 Solar Procurement Program proposal from February 15, 2024, to April 12, 2024 (Motion).

Further, the Motion references that on January 30, 2024, Duke held its first 2024 RFP stakeholder engagement session to discuss a number of topics with Market Participants (MPs) including but not limited to Duke's "plan to not utilize a red zone expansion plan (RZEP) shadow cost allocation for the 2024 RFP[.]" Attached to Duke's Motion is the presentation provided to stakeholders at the January 30 session. The presentation includes the following information:

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.

Motion, Attachment 1, Page 14 of 18.

With regard to RZEP project costs, the Initial Carbon Plan states in pertinent part

. . . it is important that the 2023 Solar Procurement RFP ensure that bids for solar projects that depend on the RZEP projects are assigned an appropriate percentage of RZEP project costs since those solar projects have caused the need, in part, for the RZEP projects but will not have to pay for it . . . [B]ids for solar projects that depend on the RZEP projects should be evaluated in solar procurements' RFPs based upon the projects' costs, including the Network Upgrades. The Commission points out that the necessity of evaluating bids for solar projects considering the projects' total costs is not confined to the RZEP projects; instead, any projects triggering Network Upgrades that the [North Carolina Transmission Planning Collaborative] has approved, and that Duke has included in the "baseline" should be evaluated based upon the projects' total costs. Accordingly, the Commission directs Duke to prepare a mechanism for the 2023 Solar Procurement that evaluates bids for solar projects that depend on the RZEP that includes an appropriate cost for the RZEP projects.

Initial Carbon Plan at 118-19. In accordance with this directive, the 2023 Solar Procurement involved the development of method for determining which of the proposals utilized the RZEP projects and by how much and then used this method to calculate a "shadow cost" associated with these projects to be imputed to these RZEP-dependent

proposals in the evaluation and ranking of proposals. 2023 RFP Document, *Duke Energy Progress, LLC, and Duke Energy Carolinas, LLC, 2023 Solar Procurement Pursuant to Initial Carbon Plan*, Docket Nos. E-2, Sub 1317 and E-7, Sub 1290 (June 30, 2023), Attachment 1, Page 29 of 36. Since the issuance of the Initial Carbon Plan with the directive that the 2023 Solar Procurement RFP, Duke stated

After further discussions with stakeholders, however, the Companies believe that allocating an RZEP “shadow cost” has the potential to increase procurement cost for customers and could result in non-Carbon Plan selected resources taking advantage of these investments in a way that provides less benefits for retail customers. Recognizing that the RZEP projects are now approved by the North Carolina Transmission Planning Collaborative and classified as “contingent facilities” for the 2023 DISIS, these facilities will not be assigned as incremental Network Upgrades to Interconnection Customers coming out of the 2022 DISIS or 2023 DISIS ahead of the planned 2023 RFP RSC. This could result in non-Carbon Plan-selected Interconnection Customers obtaining the benefit of the new transmission capacity created by RZEP ahead of the 2023 RFP proposals. The Companies plan to use this shadow cost mechanism for the 2023 RFP and further evaluate the impacts of this approach for future procurements; however, preliminary consensus amongst stakeholders is that the RZEP cost allocation methodology should not be used for subsequent procurements.

2023 Solar Resource Procurement Request for Proposals for Solar and Solar Paired with Storage Resources, *Duke Energy Progress, LLC, and Duke Energy Carolinas, LLC, 2023 Solar Procurement Pursuant to Initial Carbon Plan*, Docket Nos. E-2, Sub 1317 and E-7, Sub 1290, Attachment 1 (Apr. 6, 2023).

Based upon the forgoing, the Chair finds good cause to open Docket Nos. E-2, Sub 1340 and E-7, Sub 1310 for the purpose of considering Duke’s anticipated 2024 Solar Procurement Program.

The Chair also finds good cause to request comments regarding Duke’s intent to eliminate the imputation of the shadow cost to RZEP-dependent proposals in the 2024 Solar Procurement. In particular, comments should explain: (1) whether and how imputing a “shadow cost” in the 2024 Solar Procurement RFP could increase procurement costs for customers and result in non-IRP selected resources’ taking advantage of the RZEP in a way that provides fewer benefits for retail/native load customers; and (2) whether and how imputing a “shadow cost” to RZEP-dependent proposals could result in non-CPIRP-selected Interconnection Customers obtaining the benefit of the RZEP transmission capacity ahead of the 2024 Solar Procurement proposals.

Finally, the Chair finds good cause to request comments regarding the use of an RSC for the 2024 RFP and Duke's requested extension of time to file its 2024 Solar Procurement Program proposal.

Accordingly, the deadline of February 15, 2024, for the filing of Duke's 2024 Solar Procurement Program proposal is suspended. A new filing deadline for the 2024 Solar Procurement Program proposal will be established by future order subsequent to review and consideration of the requested comments.

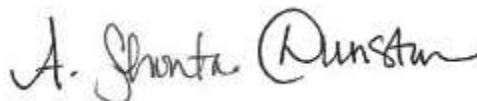
IT IS, THEREFORE, ORDERED as follows:

1. That any person desiring to participate the 2024 Solar Procurement proceeding shall file a petition to intervene in Docket Nos. E-2, Sub 1340 and E-7, Sub 1310 stating such interest on or before Thursday, February 15, 2024;
2. That parties may file comments solely in Docket Nos. E-2, Sub 1340 and E-7, Sub 1310 on Duke's intent to eliminate the imputation of a shadow cost to RZEP-dependent proposals for purposes of evaluation and ranking, Duke's proposal to use an RSC for the 2024 RFP, and Duke's requested extension of time to file its 2024 Solar Procurement proposal on or before Thursday, February 15, 2024;
3. That Duke may file reply comments solely in Docket Nos. E-2, Sub 1340 and E-7, Sub 1310 on or before Tuesday, February 20, 2024; and
4. That after review of the parties' comments, the Commission will issue an order providing any necessary direction and establishing the filing deadline for Duke's 2024 Solar Procurement Program proposal.

ISSUED BY ORDER OF THE COMMISSION.

This the 8th day of February, 2024.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink, reading "A. Shonta Dunston". The signature is written in a cursive, flowing style.

A. Shonta Dunston, Chief Clerk