

public hearings, the filing of comments, testimony, and an evidentiary hearing, the Commission issued its 2022 Carbon Plan Order.

2. In its 2022 Carbon Plan Order, the Commission directed Duke to “commence evaluating” the three WEAs off the coast of North Carolina, each of which is currently leased and under development by a third party. Specifically, the Commission required that Duke¹:

study and consider each of the three WEAs off the coast of North Carolina before pursuing acquisition of a leasehold. This evaluation should include best estimates of all relevant costs to acquire and develop a WEA and deliver energy to the point of injection into Duke’s grid. To the greatest extent practicable, this evaluation should compare the WEAs on a similar basis to one another, including a comparison of the levelized cost of energy to the point of injection into Duke’s grid.

3. The 2022 Carbon Plan Order further required Duke to report the findings of its evaluation of the three WEAs to the Commission “either in the first CPIRP filing or sooner for consideration.”²

4. Ordering Paragraph 26 of the 2022 Carbon Plan Order reiterated that Duke must “study and consider each of the three currently available WEAs off the coast of North Carolina . . . and report the findings of its evaluation of the WEAs to the Commission in its first CPIRP filing.”³

¹ 2022 Carbon Plan Order at 102.

² *Id.*

³ *Id.* at 133.

5. In 2023, Duke retained DNV Energy USA Inc. (DNV) and issued a non-binding Request for Information (RFI) to the entities holding leaseholds for the three WEAs. The RFI gathered information regarding in-service dates, capital and development costs, operating costs, transmission costs, generation profile, and net capacity factor. This information was then used to calculate a levelized cost of energy (LCOE) for various project scenarios across the three WEAs.⁴

6. On August 17, 2023, the Companies jointly filed their Verified Petition for Approval of 2023-2024 Carbon Plan and Integrated Resource Plans of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC (CPIRP) in Docket No. E-100, Sub 190. In testimony accompanying the CPIRP, the Companies stated that they do not consider the LCOE results from the RFI to be definitive. They explained that in order to determine which project would ultimately result in the lowest LCOE, an RFP would have to be conducted at a future date, with binding bids for a specific project size with a known in-service date.⁵

7. The Companies also testified regarding factors that were not included in the RFI that could impact LCOE results for the project scenarios and WEAs, including acquisition of the lease area, negotiation costs, purchase arrangements, project execution risks, financing risks, and site maturity.⁶

⁴ Docket No. E-100, Sub 190, Direct Testimony of Pompee, Capps, and Smith at 24 (Sept. 1, 2023). See *also* Confidential Exhibit 1 to Direct Testimony of Pompee, Capps, and Smith.

⁵ *Id.* at 27.

⁶ *Id.* at 28.

8. On January 31, 2024, the Companies jointly filed their Verified Amended Petition for Approval of 2023-2024 Carbon Plan and Integrated Resource Plans (Amended CPIRP) that incorporated increased load growth projections. The Amended CPIRP explained that Portfolio P3 Fall Base, the Companies' recommended portfolio, selects offshore wind beginning in the mid-2030s.⁷

9. The Near-Term Action Plan in the Amended CPIRP lists the following activities specific to offshore wind: (1) conduct an Acquisition Request for Information (ARFI) with current WEA lessees; (2) conduct stakeholder engagement and outreach in connection with the ARFI; (3) report the results of the ARFI in their next Carolinas Resource Plan Filings; and (4) continue limited development of onshore transmission to support offshore wind.⁸

10. The Companies requested that the Commission approve the Companies' plans to issue an ARFI in early 2025 for up to 2,400 MW of offshore wind off the coast of North Carolina "to better determine the cost and availability of offshore wind resource options for the Companies' customers on the timelines identified in the Plan."⁹ They further requested that the Commission provide pre-approval for the Companies to incur up to \$1.4 million to develop and administer the ARFI.¹⁰

⁷ Amended Verified Petition at 15.

⁸ *Id.* at 19.

⁹ *Id.* at 31.

¹⁰ *Id.* at 32.

11. In response to Public Staff discovery, the Companies provided additional detail regarding the information that would be gathered by the ARFI. According to Duke, the ARFI would potentially seek to gather information on acquisition structuring, procurement and construction scope allocation, operations and maintenance scope allocation, pricing structures, and other topics such as commissioning and performance testing, warranty details, and performance guarantees.¹¹

12. In discovery, the Public Staff sought information regarding the Companies' rationale for waiting until 2025 to issue an ARFI. More specifically, the Public Staff asked whether it is the Companies' position that the 2022 Carbon Plan Order does not permit the Companies to proceed with an ARFI.¹²

13. In their response to the Public Staff's discovery, the Companies stated the following:¹³

The Companies are pursuing development activities across all available resources in furtherance of the Plan. In implementing the Carbon Plan approved by the Commission (and this Plan and future plans approved by the Commission), the Companies believe that it is appropriate and reasonable for the Commission to provide specific pre-approval for certain development activities. The Commission's initial Carbon Plan Order affirmed this approach. While there is no bright line for when pre-approval is necessary, the Companies believe that pre-approval is appropriate and reasonable in the case of development activities that involve a material amount of costs and/or involve a resource that is new to the Carolinas.

¹¹ Duke Response to Public Staff Data Request No. 31-18(g) (Attachment 1).

¹² See Duke Response to Public Staff Data Request No. 31-18 (Attachment 1).

¹³ Duke Response to Public Staff Data Request No. 31-20 (Attachment 2).

14. The Companies also stated, with respect to the 2022 Carbon Plan Order, that while “[t]he Companies are open to feedback from the WEA leaseholders and other stakeholders regarding potential development activities across all WEAs . . . the [2022 Carbon Plan Order] does not direct further engagement with the WEA leaseholders regarding potential asset acquisition negotiations or information gathering.”¹⁴

15. The Companies further stated that:

[t]he information obtained from the in the [sic] initial DNV study was sufficient for modeling and, in fact, was used to model generic offshore wind projects. However, that information alone is not sufficient for resource selection. The information to be obtained through ARFI will provide additional critical information to be used by the Commission in evaluating next steps.¹⁵

16. It is the Public Staff’s position that (1) Ordering Paragraph 26 of the 2022 Carbon Plan Order, in addition to the directives contained on page 102 of the 2022 Carbon Plan Order, as excerpted herein, requires the Companies to issue an ARFI or equivalent RFI as described by the Companies; and (2) the 2022 Carbon Plan Order does not require Duke to obtain further Commission approval before proceeding with the development and issuance of the ARFI.

17. It is imperative that Duke proceed with the development and issuance of the ARFI as soon as possible, rather than waiting until early 2025 following issuance of a final Commission order in the current CPIRP proceeding.

¹⁴ Duke Response to Public Staff Data Request No. 31-18(e) (Attachment 1).

¹⁵ Duke Response to Public Staff Data Request No. 31-18(h) (Attachment 1).

The parties are aware of the urgency inherent in meeting the emission reduction goals set forth in House Bill 951 (N.C. Sess. Law 2021-165) in a least-cost manner while ensuring a reliable grid. Resource planning in this context requires accurate and up-to-date resource information, and when such information must be obtained by third parties, solicitation must be conducted in a timely manner. Waiting until early 2025 to issue the ARFI, as currently planned by the Companies, will unnecessarily delay the receipt of key information necessary for examining the role of offshore wind in North Carolina's resource portfolio.

18. The Public Staff therefore respectfully requests that the Commission, consistent with its directives in the 2022 Carbon Plan Order, issue an order requiring the Companies to proceed with the development and issuance of the ARFI on an expedited basis.

19. The Public Staff has discussed this matter with the Companies and is authorized to represent that while the Companies do not agree with the Public Staff that the 2022 Carbon Plan Order requires the Companies to issue an ARFI or equivalent RFI, the Companies are willing to proceed with the ARFI on an expedited basis if the Commission finds that it is reasonable to do so.

WHEREFORE, the Public Staff respectfully requests that the Commission issue an order requiring the Companies to proceed with the development and issuance of the Acquisition Request for Information for the three Wind Energy Areas off the coast of North Carolina on an expedited basis.

Respectfully submitted this the 17th day of April, 2024.

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CERTIFICATE OF SERVICE

I certify that a copy of this Petition has been served on all parties of record or their attorneys, or both, 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 17th day of April, 2024.

Electronically submitted
/s/ Nadia L. Luhr