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March 8, 2021

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 Carolinas, LLC and Duke Energy Progress, LLC's Third Joint 45-Day Progress Report
Docket No. E-100, Sub 167

Dear Ms. Campbell:

Enclosed please find the Third Joint 45-Day Progress Report for Duke Energy Carolinas, LLC and Duke Energy Progress, LLC for filing in the above-referenced docket.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Kendrick C. Fentress

Kendrick C. Fentress

Enclosure

cc: Parties of Record

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-100, SUB 167

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of: Determination of Avoided Cost Rates for Electric Utility Purchasers from Qualifying Facilities -- 2020	))))))	**THIRD JOINT 45-DAY PROGRESS REPORT OF DUKE ENERGY CAROLINAS, LLC AND DUKE ENERGY PROGRESS, LLC**

NOW COME Duke Energy Carolinas, LLC ("DEC") and Duke Energy Progress, LLC ("DEP" and together with DEC, "Duke" or the "Companies") by and through counsel, and pursuant to *Order Granting Continuance and Establishing Reporting Requirements ("Reporting Order")*, issued by the North Carolina Utilities Commission ("NCUC" or "Commission") on October 30, 2020 in the above-captioned docket and hereby respectfully provide this third 45-day report on their progress in addressing certain additional issues for the November 2021 avoided cost proceeding. Specifically, the Reporting Order directed the Companies to file by December 7, 2020, and every 45 days thereafter, a proposal, including a timeline, of how the Movants intend to address each of the "Sub 158 Additional Issues," as discussed in the Reporting Order and further detailed herein. The Companies' progress report to the Commission on the Sub 158 Additional Issues is as follows:

<u>Background</u>

On August 13, 2020, the Commission issued an *Order Establishing Biennial Proceeding, Requiring Data, and Scheduling Public Hearing*, which initiated the 2020 biennial proceeding for determining each utility's avoided costs with respect to rates for purchases from qualifying facilities pursuant to the provisions of Section 210 of the Public Utility Regulatory Policies Act of 1978 ("PURPA") and the Federal Energy Regulatory Commission's ("FERC") regulations implementing those provisions, as well as North Carolina's PURPA implementation statute, N.C. Gen. Stat. § 62-156 ("Scheduling Order").

The Scheduling Order noted that the Commission's April 15, 2020 *Order Establishing Standard Rates and Contract Terms for Qualifying Facilities* issued in Docket No. E-100, Sub 158 ("Sub 158 Order") set forth a number of additional issues to be addressed by the utilities in their initial November 1, 2020 filings in Docket No. E-100, Sub 167. These issues include:

- Real-time pricing tariffs;
- Cost increments and decrements to the publicly available combustion turbine cost estimates;
- The use of other reliability indices, specifically the Equivalent Unplanned Outage Rate ("EUOR") metric, to support development of the performance adjustment factor ("PAF");
- The extent of backflow at substations;
- The potential for qualifying facilities ("QFs") to provide ancillary services and appropriate compensation; and
- The results of an independent technical review of the Astrapé Study solar integration services charge ("SISC") methodology.

("Sub 158 Additional Issues")

On October 20, 2020, DEC, DEP, and Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina ("DENC") filed a Notification of Intended Compliance with N.C. Gen. Stat. § 62-156(b), Request for Continuance of Compliance with Certain 2020 Filing Requirements and Request to Prospectively Modify Timing of Biennial Proceedings ("Continuance Motion"). In their Continuance Motion, the Companies and DENC noted FERC's issuance of Order No. 872 on July 16, 2020 as potentially identifying new avoided cost rate setting methodologies and addressing a number of issues that have the potential to impact the Companies', DENC's and the Commission's implementation of PURPA in North Carolina, once the amended regulations become effective December 31, 2020. The Companies proposed undertaking a critical and comprehensive analysis of the FERC's recently amended PURPA regulations to be able to more fully comment on them in an avoided cost filing.[1] Accordingly, the Companies and DENC requested, among other things, a continuance for addressing the Sub 158 Additional Issues until November 1, 2021. Through its Reporting Order, the Commission allowed the request and directed the Companies to file their plans to address the Sub 158 Additional Issues in the November 2021 avoided cost filing through an initial filing on December 7, 2020, and to thereafter provide updates on their progress on the Sub 158 Additional Issues at least every 45 days until the issues are fully addressed.

The Companies made their December 7, 2020 filing and have been working on responding to data requests in the ongoing avoided cost proceeding over the past 45 days. The Companies have focused on meeting the milestones proposed in the December 2020 report for the Technical Review Committee

<u>Update on Activities to Address Sub 158 Additional Issues</u>

- **<u>Real-Time Pricing Tariffs</u>**

The Companies intend to discuss the issue of real-time pricing avoided cost rate options with the Public Staff within the next 45 days. Order No. 872's modifications to

[1] *See Order No. 872,* 172 FERC ¶ 61,041, *clarified in part*, *Order No. 872-A*, 173 FERC ¶ 61,158 (Nov. 19, 2020). Order No. 872's revisions to FERC's regulations implementing PURPA became effective December 31, 2020, which is 120 days after publication of the final rules in the Federal Register (85 FR 54638, published Sept. 2, 2020). *See* Order No. 872, at ¶ 753; PURPA then provides state regulatory authorities with one year to determine how to implement the new regulations for Utilities for which it has ratemaking authority. *See* 16 U.S.C. § 824a–3(f)(1).

FERC's regulations establishing approved methodologies under 18 C.F.R. 292.304 for calculating avoided cost rates potentially impact this discussion. The Companies continue to review Order No. 872 to inform the proposals that the Companies will discuss with the Public Staff with respect to real-time pricing tariffs. The Companies also intend to engage North Carolina Sustainable Energy Association ("NCSEA"), Southern Alliance for Clean Energy ("SACE"), and Carolinas Clean Energy Association ("CCEBA") in the June-August timeframe on this issue.

- **Cost Increments and Decrements to the Publicly Available Combustion Turbine Cost Estimates**

The Companies are finalizing their proposal on this issue and are scheduled to have an initial discussion with the Public Staff within the next two weeks. The Companies also intend to engage NCSEA, SACE, and CCEBA in the June-August 2021 time period.

- **The Use of Other Reliability Indices to Support Development of the PAF**

In its Sub 158 Order, the Commission concluded that the PAF calculations proposed by the Companies in their November 1, 2018 Joint Initial Statement were consistent with the Commission's October 11, 2017 *Order Establishing Standard Rates and Contract Terms for Qualifying Facilities* in Docket No. E-100, Sub 148 and appropriate for purposes of that proceeding. The Commission, however, also accepted the Public Staff's recommendation to consider other reliability metrics, specifically the EUOR. Accordingly, the Commission directed the Companies and the Public Staff to address the appropriateness of using EUOR as an alternative to the Equivalent Availability ("EA") method. The Companies are finalizing their proposal and are scheduled to have an initial discussion with the Public Staff within the next two weeks. The Companies also intend to engage NCSEA, CCEBA, and SACE in the June-August timeframe on this issue.

- **<u>The Extent of Backflow at Substations</u>**

The Companies addressed this issue in their Joint Initial Statement filed in this docket on November 2, 2020, on pages 23-25, as well as in their Reply Comments filed March 5, 2021, at pages 14-15. As addressed in the Companies' Reply Comments, the Companies plan to further analyze the geographical concentrations of back-feeding substations on their systems and whether an updated rate design with and without a line loss adder based on the amount of back-feeding at a substation would be appropriate in order to provide appropriate market-based signals to QFs regarding the value of the energy at the selected location. The Companies further commit to discuss this issue with the Public Staff and other stakeholders prior to the November 2021 avoided cost filing.

- **<u>The Potential for QFs to Provide Ancillary Services and Appropriate Compensation</u>**

The Companies previously addressed the complexity of this issue, in part, in the Joint Report that they filed with DENC on the Storage Retrofit Stakeholder Meetings in Docket No. E-100, Sub 158 on September 16, 2020 ("Stakeholder Report"). In that Stakeholder Report, the Companies cited regulation and balance ancillary services for offsetting solar volatility as the only quantified ancillary services eligible for payment in North Carolina. These two ancillary services were quantified for purposes of quantifying solar integration costs only after a contentious and lengthy proceeding in Docket No. E-100, Sub 158. To date, no QFs have demonstrated their ability to avoid imposing increased ancillary costs by operating as controlled solar generators. Therefore, the Companies continue to contend that this complex issue requires additional technical, legal and regulatory review. Primarily, with respect to the potential of QFs providing ancillary services, the Companies will continue to consider how to hold their customers harmless from costs incurred by the Companies from the addition of intermittent QFs and any potential provision of ancillary services from QFs. The Companies had preliminary discussions of this issue with the Public Staff in the context of the recent Storage Retrofit Stakeholder Meetings, and they intended to have preliminary discussions on this complex issue with the Public Staff in the January-March 2021 timeframe. Due to their focus on the other pressing issues, however, the Companies intend to engage with the Public Staff on this issue before mid-April and will engage with stakeholders as previously planned in the June-August 2021 timeframe.

- **The Results of an Independent Technical Review of the Astrapé Study SISC Methodology.**

Since filing the Companies' Second Report on January 25, 2021, the Companies have made significant progress on forming and commencing the SISC independent technical review committee ("TRC") initiative, as directed by the Sub 158 Order.

The Companies have now engaged technical experts from the Pacific Northwest National Laboratory ("PNNL") and the National Renewable Energy Laboratory ("NREL"), to participate in the TRC for the purpose of supporting an in-depth technical review of the SISC study methodology and modeling. The PNNL and NREL representatives will act as the TRC "Technical Leads." The Companies have also coordinated with the Public Staff and the South Carolina Office of Regulatory Staff ("SC ORS") to facilitate their participation in the TRC as '"regulatory observers," as well as engaged The Brattle Group ("Brattle") to act as the TRC Principal consultant. As described in the attached DEC/DEP Solar Ancillary Service Study Scope of Work – Independent Technical Review ("TRC Scope of Work"), included herewith as Attachment 1 to the Companies' third progress report, Brattle will coordinate the TRC meetings, incorporate feedback from the TRC Technical Leads, and author the TRC report for the Companies to incorporate into their 2021 avoided cost filings in North Carolina and South Carolina

The TRC Scope of Work also presents a proposed timeline for completing the TRC's review and developing the report summarizing its findings and recommendations.

The Companies recently held the TRC "kickoff" meeting on Tuesday, March 2, 2021 and a second meeting is planned for March 12, 2021. The Companies are also planning to host a stakeholder engagement meeting later in March to update stakeholders on the formation of the TRC and the timeline for completing the TRC's review of the SISC study methodology and modeling. During this meeting, the Companies and Astrape will discuss the scope of work to be undertaken and also provide an opportunity for interested stakeholders to offer comments (either during the stakeholder meeting or in writing soon thereafter) for the TRC's consideration.

- **<u>FERC's Order No. 872</u>**

The Companies have begun a critical and comprehensive review of Order No. 872 and its impact on PURPA implementation in North Carolina. As they committed to do in their Continuance Motion, the Companies intend to develop their positions on Order No. 872's impact on PURPA implementation in North Carolina and to engage the Public Staff and other stakeholders on their positions in advance of their November 2021 filing, likely during the months of June-August 2021.

<u>Conclusion</u>

As set forth above, the Companies plan to engage the Public Staff on the outstanding Sub 158 Additional Issues and to continue to progress the work of the SISC TRC, as detailed in the TRC Scope of Work. The Companies also commit to engage the stakeholders on the Companies' positions with respect to the other Sub 158 Additional Issues in the June-August 2021 timeframe. The Companies will also continue to look for areas where consensus could be achieved with the Public Staff and the other stakeholders as they continue to develop their 2021 avoided cost filing.

Respectfully submitted, this the 8th day of March 2021.

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Attorney for Duke Energy Carolinas, LLC,
and Duke Energy Progress, LLC

CERTIFICATE OF SERVICE

I certify that a copy of Duke Energy Carolinas, LLC's and Duke Energy Progress, LLC's Third Joint 45-Day Progress Report, in Docket No. E-100, Sub 165, has been served by electronic mail, hand delivery, or by depositing a copy in the United States Mail, 1st Class Postage Prepaid, properly addressed to parties of record.

This, the 8th day of March, 2021.

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