

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. E-7, SUB 1276

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of  
Duke Energy Carolinas, LLC's Request to )  
Initiate Technical Conference Pursuant to ) PUBLIC STAFF COMMENTS  
Commission Rule R1-17B(c) )

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 September 14, 2022 Order Scheduling Technical Conference  
and Setting Procedures for Technical Conference (Scheduling Order).

**I. Procedural History**

1. On September 8, 2022, Duke Energy Carolinas, LLC (DEC) filed a letter with the Commission indicating that it intends to file a notice of its intent to file a general rate application that 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 January 6, 2023. DEC, therefore, pursuant to Commission Rule R1-17B(c), requested that the Commission initiate a technical conference regarding the projected transmission and distribution projects to be included in DEC's PBR Application.

2. The Commission's Scheduling Order established that: (1) the Technical Conference would be held on November 2, 2022; (2) DEC should file information on

projected transmission and distribution projects to be included in the PBR Application (T&D Information Filing) by October 19, 2022; and (3) parties would be allowed to file written comments on DEC's T&D Information Filing on or before November 2, 2022. On October 19, 2022, DEC made its T&D Information Filing.

## **II. Public Staff Comments**

3. Given the limited time available to review the T&D Information Filing and to consider the potential cost- and service-related impacts of the projects DEC 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 and E-7, Sub 1214 (Sub 1214).

5. It does not appear that DEC 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 1214 case.

6. The T&D projects that are identified appear to be associated with the various generation, T&D, and distributed energy resources (DERs) included in the

Proposed Carbon Plan filed by DEC and Duke Energy Progress, LLC (DEP) (together, Duke) in Docket No. E-100, Sub 179 on May 16, 2022.

8. The T&D projects include a number of “Red Zone”<sup>1</sup> projects that appear to be accelerated in terms of timing and scope. Notably, the North Carolina 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. On October 18, 2022, Duke presented the Red Zone projects to the TAG during its 3rd Quarter Meeting, asking for the NCTPC to include the Red Zone projects in the 2022 Local Transmission Plan. Duke also asked the Commission to acknowledge the need for these projects in its proposed order in the Carbon Plan proceeding, filed October 24, 2022, in Docket No. E-100, Sub 179 and in its Reply Comments in Docket Nos. E-2, Sub 1297 and E-7, Sub 1268.

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

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<sup>1</sup> 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 DEC’s OASIS webpage as constrained areas: limitations on the continued expansion of generation interconnection on the transmission system in discrete areas.

of the Carbon Plan, which will be issued by the Commission by December 31, 2022.

10. The Public Staff is concerned that the magnitude and scale of the projects in the T&D Information Filing will prevent DEC from being able to complete them in a timely and efficient manner. 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 the 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 and outside the scope of the Technical Conference for the Company to provide detailed information about each project. 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; (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; (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 DEC'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 (7) 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 resource limitations. The Public Staff requests that these items be addressed or included in the PBR Application as appropriate.

12. The Public Staff expressed, in the 2019 DEC and DEP rate cases,<sup>2</sup> its opinion that the traditional means of cost allocation may not be appropriate for future T&D projects that provide disparate benefits to customer classes. Since that time, the Public Staff, DEC, DEP, CIGFUR II, and CIGFUR III (Settling Parties) entered into an Agreement and Stipulation of Partial Settlement (Stipulation) regarding the cost-of-service methodology to be applied to production-related and transmission-related costs in the upcoming rate cases (Docket Nos. E-2, Sub 1300 and E-7, Sub 1276). The Stipulating Parties filed the Stipulation with the Commission on September 13, 2022, in Docket Nos. E-2, Sub 1300 and E-7, Sub 1276. Section II, Paragraph 4 states that the Stipulation applies to the upcoming rate cases only, and all parties to the Stipulation reserve the right to propose any other cost allocation methodology in future rate cases. Thus, the Public Staff will not in these dockets advocate for the position it espoused in the 2019 DEC and DEP rate cases regarding allocation of transmission plant based on consideration

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<sup>2</sup> Testimony of Public Staff witness James McLawhorn in Docket Nos. E-7, Sub 1214 and E-2, Sub 1219, 36-38.

of customer class benefits received. Nevertheless, the Stipulation is silent regarding allocation of distribution plant, and the Public Staff reserves the right to continue to advocate for a benefits-based allocation of distribution plant in these instant dockets.

Respectfully submitted this the 2nd day of November 2022.

PUBLIC STAFF  
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## 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 2nd day of November 2022.

Electronically submitted  
/s/ Nadia L. Luhr



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