

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-100, SUB 101

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)	
Petition for Approval of Revision to)	REPLY COMMENTS OF THE
Generator Interconnection Standards)	PUBLIC STAFF ON DUKE’S
)	QUEUE REFORM
)	PROPOSAL

NOW COMES THE PUBLIC STAFF – North Carolina Utilities Commission, by and through its Executive Director, Christopher J. Ayers, and respectfully submits the following reply comments to the June 15, 2020, comments filed by parties in response to the May 15, 2020 interconnection queue reform proposal (Proposal) filed by Duke Energy Progress, LLC (DEP) and Duke Energy Carolinas, LLC (DEC) (DEP and DEC collectively, “Duke”), pursuant to the Commission’s August 27, 2019, *Order Requiring Queue Reform Proposal and Comments* (Queue Reform Order) and subsequent Orders granting extensions of time in the above-referenced docket. In addition, these reply comments provide the Public Staff’s response to subsequent discussions and information shared by Duke and other parties since the filing of initial comments.

I. PROCEDURAL BACKGROUND

Pursuant to the Commission’s Queue Reform Order, Duke held multiple stakeholder meetings over 2019 and 2020 to develop its Proposal, in which it laid out a framework for transitioning the interconnection process applicable to DEC

and DEP in the North Carolina Interconnection Procedures (NCIP) primarily from a serial-based queue process to a cluster-based approach for those projects greater than 250 kilowatts (kW).¹

On June 15, 2020, the following parties filed initial comments on the Proposal: the North Carolina Clean Energy Business Alliance (NCCEBA), jointly with the Sustainable Energy Association (NCSEA); GreenGo Energy US, Inc. (GreenGo); and the Public Staff. On July 8, 2020, Duke filed a motion to extend the time to file reply comments, which the Commission granted in its July 13, 2020, *Order Granting Further Extension of Time*. In that Order, the Commission “strongly encouraged” the parties to reach consensus prior to filing of reply comments. On August 6, 2020, Duke, NCCEBA, and NCSEA jointly filed a motion to allow additional time for parties to reach full consensus prior to filing reply comments, and for Duke to hold an additional open stakeholder meeting to explain the additional proposed revisions to all interested parties prior to filing reply comments. The Commission granted this request by Order dated August 13, 2020.

On August 21, 2020, Duke held an additional virtual stakeholder meeting in which it walked through a matrix of issues raised by the parties, the actions taken to resolve those issues, and any remaining unresolved issues. In addition, on August 25, 2020, Duke provided the parties with an updated redline of the

¹ The Public Staff notes that DENC indicated in its October 15, 2019 comments in this docket that it did not oppose Duke’s efforts to implement queue reforms to the NCIP, but requested that it have the option of determining whether to implement any of the queue reform measures. For the reasons described on pages 26-27 of the comments accompanying Duke’s May 15, 2020, Proposal, the Public Staff agrees that DENC should not be required to implement the queue reform measures as part of its administration of the NCIP.

proposed revisions (Revised Proposal), which the Public Staff understands is similar, but not identical to the version Duke intends to file on August 31, 2020, with its reply comments.

II. JOINT INITIAL COMMENTS OF NCCEBA AND NCSEA

In their Joint Initial Comments, NCCEBA and NCSEA raised a number of issues related to the Proposal, including concerns over the eligibility for participation in the transitional study process and the Definitive Interconnection System Impact Study (DISIS) Cluster process, the frequency of the DISIS process, scope of the Informational Interconnection Study, actions triggering re-study of the cluster, treatment of resource solicitation clusters, readiness milestones, acceptable forms of financial security, and withdrawal penalties.² As part of the ongoing dialogue since the filing of initial comments, these issues have been the subject of significant discussions between Duke and NCCEBA and NCSEA. The Public Staff did not participate in many of these discussions, as the issues more directly affected interconnection customers and their willingness to support the queue reform proposal. The Public Staff's focus on these topics was to support an efficient transition from the current challenges created through the assignment of responsibility for network upgrades in a serial queue, and to ensure that costs resulting from interconnection customers were instead appropriately allocated among those projects that contributed to the need for the upgrades. The Public Staff views the modifications made in the Revised Proposal as reflecting a

² NCCEBA/NCSEA Initial Comments at 7-25.

reasonable give-and-take between Duke and NCSEA and NCCEBA to address these concerns. While some of these changes have the potential to reduce the efficiency of the interconnection process, such as the reduction in the withdrawal penalties that could increase the number of restudies, the Public Staff believes that the combined elements of the Revised Proposal remain sufficiently robust to ensure that participating projects remain committed to the cluster process from start to finish.

In addition to their comments on the queue reform proposal, NCCEBA and NCSEA also expressed concerns about increases in interconnection cost estimates and cost overruns experienced during the interconnection process. NCCEBA and NCSEA noted the large number of complaints against Duke related to interconnection costs, as well as numerous informal notices of dispute pending, and the need for additional cost control measures to be made to the NCIP.³ NCCEBA and NCSEA noted the cost control measures established by the Commission in its July 2, 2019, *Order Modifying and Accepting CPRE Program Plan*, in which the Commission agreed with the Public Staff that it was appropriate to establish a limit in the nature of a rebuttable presumption that costs in excess of 25% of the estimated costs are unreasonable. Citing measures adopted in other jurisdictions, NCCEBA and NCSEA found that cost estimating standards, construction cost controls, and cost caps provide guidance to the utility, as well as provide greater certainty to the interconnection customers in making business

³ NCCEBA/NCSEA Initial Comments at 29-35.

decisions on a project. NCCEBA and NCSEA included as Exhibit B to their Joint Initial Comments a Cost Control and Cost Bounding Proposal.

The Public Staff agrees with NCCEBA and NCSEA that in order for the queue reform efforts to be successful, participating interconnection customers must be provided with greater transparency and cost certainty as to the scope of network upgrade costs for which they may be responsible. These measures should place greater accountability on Duke to ensure that its cost estimates are accurate and reasonable. It is the Public Staff's understanding that Duke intends to include a cost containment proposal it has been jointly developing with NCCEBA and NCSEA in its August 31 filing with the Revised Proposal that includes many of the elements included in NCCEBA's and NCSEA's initial proposal. While the Public Staff has not reviewed the final version of the cost containment proposal, it generally supports these cost control measures as a reasonable means to reduce the number of disputes going forward that would otherwise slow or delay the queue reform efforts. The Public Staff further agrees with NCCEBA and NCSEA that it is appropriate for Duke to bear the burden to demonstrate the reasonableness of its cost estimates, and that Duke's ratepayers should not bear the risk if those cost estimates prove to be inaccurate.

III. INITIAL COMMENTS OF GREENGO

In its Initial Comments, GreenGo stated that it did not take a position with regard to application of the Proposal on transmission-connected projects, but with regard to distribution-connected projects, GreenGo stated that the Proposal

“should be rejected as in derogation of the rights of specific subset of projects party to a private settlement agreement with Duke and, more generally, as not adequately supported.”⁴

With regard to GreenGo’s claims about the Proposal contravening private contractual commitments arising out of the January 30, 2018 Settlement Agreement entered into between Duke, NCCEBA, the Public Staff, and various solar developers, and filed in this docket on February 2, 2018, the Public Staff recognizes that this matter remains pending before the Court and does not take a position.⁵ The Public Staff does, however, disagree with GreenGo’s argument that that there is insufficient evidence of distribution-connected projects impacting the transmission grid to require the application of the queue reform measures to distribution-connected projects.⁶ As described in Duke’s Proposal, DEC and DEP have interconnected significant utility-scale capacity at the distribution level.⁷ This capacity, when combined with transmission-level interconnections, has resulted in interdependencies and system constraints across both the DEC and DEP systems, as indicated in the transmission-level constraints identified as part of the CPRE Tranche 2 solicitation.⁸ In addition, in its June 11, 2020, *Order Denying Certificate of Public Convenience and Necessity for Merchant Generating Facility* in Docket No. EMP-105, Sub 0 (Friesian Order), the Commission found that:

⁴ GreenGo Initial Comments at 1.

⁵ See *Elk Solar, LLC, et al., v. Duke Energy Progress, LLC*, Case No. 19 CVS 0012012 (filed Aug. 30, 2019).

⁶ GreenGo Initial Comments at 15-16.

⁷ Proposal at 10-11.

⁸ *Id.* at Figure 5, pages 13-14.

As previously discussed in the Commission's 2019 Sub 101 Order, North Carolina has achieved nation-leading success in the siting and development of renewable energy generating facilities over the past decade, and the majority of the capacity added utilized existing transmission and distribution capacity on the DEP, DEC, and DENC systems. However, this success has come at a cost with the transmission system constraints in southeastern North Carolina and the system operational challenges that the utilities have begun to experience.⁹

As discussed in the Friesian Order, there are hundreds of megawatts of distribution-connected projects that are constrained as a result of the transmission upgrades, and while each individual project only incrementally contributes to the need for network upgrades to accommodate the interconnection, their combined impact on the system is significant. In circumstances such as those discussed in the Friesian Order, the transmission constraints can result in network upgrade costs in the hundreds of millions of dollars, at which point the current serial study process breaks down, since such significant network upgrade costs could not be absorbed by an individual project. Therefore, in order to ensure that network upgrades are allocated appropriately to all projects contributing to the need for upgrades, the Public Staff agrees that distribution-connected projects greater than 250 kW should have the option, depending on their current position in the interconnection process, to participate in the transitional serial study process, the transitional cluster study process, or to withdraw with the option to reenter the queue and participate in a future DISIS Cluster, as indicated in the Revised Proposal.

⁹ *Friesian Order at 32.*

IV. ALIGNMENT OF QUEUE REFORM EFFORTS

As previously discussed in Duke's May 15, 2020 Proposal, and in the Public Staff's Initial Comments, the changes being proposed in Duke's Revised Proposal are one component of Duke's queue reform efforts. In order for the changes being proposed to the NCIP in the Revised Proposal to be successful, additional changes must be made to the South Carolina state interconnection procedures (SCGIP) by the Public Service Commission of South Carolina (SCPSC), as well as changes in the interconnection procedures applicable to Duke's FERC-jurisdictional interconnection customers pursuant to Duke's FERC Joint OATT, in order for the changes in the Revised Proposal to align. This alignment is key to ensure that projects participating in the Cluster Study process are being evaluated on a consistent timeframe, and that cost assignment measures are aligned for participating interconnection customers. The Public Staff does not object to Duke's request for Commission action on the Proposal in a timely fashion to allow the queue reform efforts undertaken in North Carolina to help guide and ensure that the commensurate queue reform efforts in South Carolina and FERC are aligned and continue to move forward.

In addition, the Public Staff notes that due to increasing activity for large merchant generation seeking transmission interconnection into PJM in the DENC service territory, several of DEP's transmission lines near the DENC system have been identified as being impacted or "affected" by the interconnection customers participating in PJM's cluster-based transmission study process. The Public Staff has recently raised concerns regarding the timing and allocation of these affected

system costs in comments and testimony it has filed in merchant applications for certificates of public convenience and necessity.¹⁰ The Public Staff notes that these affected system studies must also be aligned with Duke's queue reform measures to ensure that the upgrades identified in an affected system are appropriately included in the baselines for Duke's own cluster study process, and that the cost allocation provisions applicable to affected system projects are revised to be consistent with Duke's efforts to assign costs to those projects that contribute to the need for the network upgrades.

V. CONCLUSION

In summary, the Public Staff generally supports the Revised Proposal as a reasonable initial approach to improve and reform the interconnection process in North Carolina. Consistent with our Initial Comments, the Public Staff recommends that Duke file reports with the Commission after completion of the transitional study process and the initial DISIS Cluster describing the outcomes of the initial clusters, and also engage stakeholders at that time regarding additional queue reform efforts needed to improve the efficiency and transparency of the interconnection process.

The Public Staff also agrees with NCCEBA and NCSEA that cost bounding measures are an appropriate additional element for the Commission to consider to ensure the success of the queue reform efforts, and generally supports the proposals being developed by Duke and NCCEBA and NCSEA. The Public Staff

¹⁰ See, e.g., August 24, 2020 supplemental testimony of Jay B. Lucas filed in Docket No. EMP-107, Sub 0.

will review those proposed changes and provide comments, consistent with any guidance provided by the Commission, to ensure that the cost bounding measures are reasonable and do not increase the risk of any costs being borne by the utility's ratepayers.

WHEREFORE, the Public Staff prays that the Commission take these comments into consideration in reaching its decision in this proceeding.

This the 31st day of August, 2020.

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CERTIFICATE OF SERVICE

I certify that a copy of these reply comments have 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 31st day of August, 2020.

Electronically submitted
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