

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-2, SUB 1297
DOCKET NO. E-7, SUB 1268

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Duke Energy Progress, LLC, and Duke)	
Energy Carolinas, LLC, 2022 Solar)	ORDER REQUIRING ANSWERS
Procurement Pursuant to Session)	TO COMMISSION QUESTIONS
Law 2021-165, Section 2(c))	

BY THE CHAIR: Session Law 2021-165 (S.L. 2021-165) directs the Commission to develop a Carbon Plan that takes reasonable steps to reduce carbon dioxide emissions in this State from electric generating facilities owned or operated by Duke Energy Progress, LLC (DEP), and Duke Energy Carolinas, LLC (DEC, together with DEP, Duke) by 70% from 2005 levels by 2030 and to achieve carbon neutrality by 2050.

On March 14, 2022, Duke filed a Petition for Authorization of 2022 Solar Procurement Program (Petition), which seeks Commission authorization of a system-wide competitive procurement seeking a minimum of 700 megawatts (MW) of utility-owned and third-party solar energy resources sited in both North Carolina and South Carolina (Petition). The Petition includes a request for expedited review so as to enable Duke to launch the procurement to align with the 2022 Definitive Interconnection System Impact Study (DISIS) for the purpose of evaluating the interconnection costs associated with bids.

On May 26, 2022, the Commission issued an Order Authorizing a Competitive Procurement of Solar Resources Pursuant to House Bill 951 and Establishing Further Procedures (May 26, 2022 Order) which authorizes Duke to commence a system-wide competitive procurement seeking a minimum of 700 MW of utility-owned and third-party solar energy resources sited in both North Carolina and South Carolina subject to other terms and conditions to be contained in the final, Commission-approved Request for Proposals (RFP) and pro forma Power Purchase Agreement (PPA) and requires Duke to file its proposed RFP and pro forma PPA by no later than Wednesday, June 1, 2022, for Commission consideration and approval. The May 26, 2022 Order further permits parties to file comments pertaining to the proposed RFP and pro forma PPA by no later than Friday, June 3, 2022.

Upon further consideration, the Commission requires additional information from the parties. Duke's Petition for Authorization of 2022 Solar Procurement Program notes that:

Duke and stakeholders were generally aligned that the Companies and IE should be evaluating the total resource cost of new solar before selecting RFP winners, which includes proposal costs and network upgrade and distribution upgrade (collectively, System Upgrade) costs.

Petition at 15-16. Additionally, the Petition explains that System Upgrade costs will be "taken into account when determining the most cost-effective resources for customers," and that System Upgrade cost estimates will be assigned to the proposals triggering those upgrades as part of the evaluation process. Petition at 26.

Further, the Petition provides that:

Duke Energy and stakeholders are aligned that the 2022 SP RFP will receive more competitive bid prices by removing the System Upgrade cost uncertainty from the bidding process. This uncertainty can be removed for bidders by following the CPRE Program's approach of not requiring PPA Track proposals received during the initial RFP window to directly fund System Upgrade costs (which would raise their PPA offers to cover not only an assumed cost of System Upgrades but also revenue uncertainty due to System Upgrade cost uncertainty).

Petition at 26. The Petition asserts that:

Duke Energy and stakeholders agree that requiring market participants to price in the risk of unknown and potentially significant System Upgrades could significantly and unnecessarily increase the total cost of renewable energy facilities that bid into the 2022 SP RFP. ***To mitigate this risk, the Companies are requiring the initial Controllable PPA Track bids be made assuming that the Companies are funding the System Upgrades and that the Companies will include the System Upgrade costs in the evaluation of projects to select the least cost portfolio.***

Petition at 27 (emphasis added). Attachment 2 to the Petition includes an explanation of the bid evaluation process proposed by Duke. Steps 13 and 14 provide that upon completion of the DISIS Phase 1 interconnection cost estimates, the Duke interconnection study team administering DISIS will provide information to the IE for the 2022 procurement and to the Duke evaluation team regarding the allocation of network upgrades to each bid and will identify the overall total cost estimate for each network upgrade and which interconnection requests (both RFP and non-RFP) contribute to upgrades assigned to 2022 procurement bidders. The process will then involve a determination of whether an initial ranking of bids should be modified to recognize the system upgrade costs assigned to each bid based upon the allocated network upgrades in DISIS Phase 1. Attachment 2 references both "network upgrades" as well as "system upgrades." Thus, the Commission

concludes that upgrades will be taken into account when determining the cost-effectiveness of bids and ranking the bids for purposes of the 2022 procurement.

In a Late Filed Exhibit filed on March 9, 2022, in Docket No. EMP-116, Sub 0, Duke offered the following information:

In parallel with administering the [Transitional Cluster Study (TCS)] and planning for the 2022 DISIS Cluster, the Companies are also planning to evaluate through the FERC Order No. 890-compliant North Carolina Transmission Planning Collaborative (NCTPC) whether public policy-driven, queue-informed transmission upgrades are needed to both achieve improved reliability and operational flexibility while, at the same time, enabling interconnection of needed clean energy generation resources to the Duke Energy transmission system.

Thereafter, noted in Duke's Carbon Plan, filed on May 16, 2022 in Docket No. E-100, Sub 179, is that Duke and stakeholders are evaluating how best to solve transmission constraints that exist through the NCTPC and proposing \$560 million in transmission network upgrades for consideration in the NCTPC as needed to achieve near-term energy transition. Carbon Plan, App. P. Additionally, Footnote 1 to the 2022 NCTPC Study Scope Document, dated May 9, 2022, notes:

To support the Clean Energy Plan in North Carolina, Duke Energy has proposed proactive projects across DEC and DEP to be considered for approval by the NCTPC. These projects are intended to be a first step to allow for solar expansion in known constrained areas.

In light of the foregoing discussion, Duke is directed to respond to the following questions by Friday, June 3, 2022:

1. Confirm that System Upgrades will be taken into account when evaluating the cost-effectiveness of bids and ranking the bids for the 2022 procurement, and provide an explanation how the costs will be evaluated.
2. Identify any System Upgrade projects that will be included the baseline for 2022 DISIS that: i) were identified in the TCS; ii) were referenced in the Carbon Plan or the 2022 NCTPC Study Scope Document; or iii) were previously identified as network upgrades that would have been assigned to an interconnection customer.
3. For any System Upgrade projects identified in the answer to Question No. 2, explain how including the identified upgrades in the baseline for the 2022 DISIS will impact the 2022 procurement process, paying particular attention to whether such inclusion has the potential to impact the cost-effectiveness of bids.

Other parties may include commentary on the Commission's questions along with their comments on the proposed RFP and pro forma PPA, which are due on or before Friday, June 3, 2022.

Finally, the Commission finds good cause to notify the parties that it intends to issue an order regarding the RFP and pro forma PPA by no later than Friday, June 17, 2022, and sooner if practicable.

IT IS, THEREFORE, SO ORDERED.

ISSUED BY ORDER OF THE COMMISSION.

This the 1st day of June, 2022.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "Erica N. Green". The signature is written in a cursive style with a large, stylized "E" and "G".

Erica N. Green, Deputy Clerk