



**NORTH CAROLINA  
PUBLIC STAFF  
UTILITIES COMMISSION**

April 25, 2024

Ms. A. Shonta Dunston, Chief Clerk  
North Carolina Utilities Commission  
4325 Mail Service Center  
Raleigh, North Carolina 27699-4300

Re: Docket No. E-100, Sub 179 – Duke Energy Progress, LLC, and Duke Energy Carolinas, LLC, 2022 Biennial Integrated Resource Plans and Carbon Plan

Docket No. E-100, Sub 190 - Biennial Consolidated Carbon Plan and Integrated Resource Plans of Duke Energy Carolinas, LLC, and Duke Energy Progress, LLC, Pursuant to N.C.G.S. § 62-110.9 and § 62-110.1(c)

Dear Ms. Dunston:

The Public Staff was notified that Attachments 1 and 2 were inadvertently omitted from its April 17, 2024 Motion of the Public Staff Requesting Issuance of Commission Order. Attached for filing on behalf of the Public Staff are the above-referenced Attachments 1 and 2. The Public Staff regrets any inconvenience this has caused the parties and the Commission.

By copy of this letter, I am forwarding a copy to all parties of record by electronic delivery.

Sincerely,

Electronically submitted  
/s/ Nadia L. Luhr  
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**DUKE ENERGY CAROLINAS, LLC & DUKE ENERGY PROGRESS, LLC**

**Request:**

The Companies' Amended Petition and Table SPA 4-6 list offshore wind development costs for the ARFI. Please answer the following:

- a. Provide an itemized list of the costs and assumptions for each of the three years proposed by the Companies.
- b. Please explain in detail the work the Companies are planning to complete for the development of onshore transmission to support offshore wind.
  - i. Describe the work the Companies can complete for the transmission upgrades necessary for offshore wind development, given that no Public Policy or DISIS study request has been completed.
    1. Can the Companies evaluate potential voltage or thermal overloads of localized injection points on the Bulk Energy System to inform potential transmission impacts and complete cost estimates to evaluate injection points? If not, describe why not.
- c. Please explain why completing an ARFI or any general RFI for new generating resources is not general utility practice or the typical course of good utility practice.
- d. Why do the Companies believe that Commission approval to conduct an ARFI is necessary in this case, when the Companies routinely solicit bids and issue RFPs without explicit Commission approval?
- e. The Commission's 2022 Carbon Plan Order states the following: "Further, to the extent there are any near-term development activities common to all the WEAs under evaluation, including the related onshore transmission infrastructure needed from the point of injection into the Duke grid and thence inland to load centers, Duke may proceed with these activities." (p. 103) Is it the Companies' position that this language does not permit the Companies to proceed with an ARFI? If so, please explain why.
- f. Describe in detail why the Companies have not already completed an ARFI to inform the Supplemental Planning Analysis.
- g. Please describe the information the Companies expect to receive during an ARFI that it did not receive during the DNV evaluation of offshore wind conducted pursuant to the 2022 Carbon Plan Order. This response should also address why information provided in the ARFI would be more or less contractually binding than the information received in the DNV evaluation.

- i. Please explain in detail why the information included in the initial DNV study is not sufficient for modeling purposes/resource selection.
- h. Do the Companies currently have a source or framework through which they have obtained expected offshore wind development costs that might be included in an asset acquisition?
  - i. If not, what is the significance of the information?
- i. Describe why the Companies have not already issued a binding request for quote or request for purchase (or equivalent) for future offshore wind releases as of January 31, 2024.
- j. Why did the Companies not request relief for an ARFI in the initial filing if the information from the initial RFI with DNV was not sufficient?
- k. Have the Companies communicated with WEA leaseholders to determine the necessary timing for project development?
  - i. If yes, please provide a detailed summary of the conversations and timeline to complete the required milestones.
- l. Do the Companies foresee additional challenges with meeting development timelines for offshore wind (including a 2034 in service date) should a definitive order to proceed with offshore wind development not be issued in this proceeding, given that the next CIPRP order would not be required to be issued before December 31, 2026?
- m. Given the magnitude of new load in the Supplemental Analysis, the identified need for offshore wind in the Companies' P3 Fall Base portfolio, and the delay in offshore wind availability likely caused by the ARFI (Supplemental Planning Analysis, at 53), why did the Companies not request permission to conduct a binding Request for Proposals from offshore wind developers?

**Response:**

31-18(a): Actual spend may vary from year to year depending on timing of activities.

**2024 - \$200k**

- Contract Negotiation for ARFI Support and initial ARFI development

**2025 - \$900k**

- Continued ARFI Development
- Conduct Stakeholder Information Session
- Stakeholder Feedback Period

- Prepare and Issue ARFI Document Initial Discussions
- Evaluation (4 weeks)
- NCUC Update (timing of updated is not firm and could be accelerated)

2026 - \$270k

- Continue Alignment and Risk Share Discussion with developer(s)

31-18(c): See the Companies' response to PSDR 31-20.

31-18(d): See the Companies' response to PSDR 31-20.

31-18(e): The Companies are open to feedback from the WEA leaseholders and other stakeholders regarding potential development activities across all WEAs. However, the cited language does not direct further engagement with the WEA leaseholders regarding potential asset acquisition negotiations or information gathering.

31-18(f): In light of the fact that Offshore Wind was not identified as being part of path to achieving the Interim Target in the Companies' initial CPIRP filing, the Companies had not pursued further development activities with respect to Offshore Wind, The Companies' Supplemental Planning Analysis, which identified the need for Offshore Wind as part of achieving the Interim Target, was not finalized and filed until January 31, 2024.

31-18(g): The information that the Companies would potentially seek to gather in an ARFI includes but is not limited to the following:

Acquisition Structuring

- General Structure and Timing of Acquisition
- Build Own Transfer ("BOT")
- APA – as-is/development stage
- APA + procurement and construction scope

Procurement and Construction Scope Allocation

- Development/permitting scope
- Design scope
- Turbine procurement scope

- Other major equipment procurement scope
- Construction services approach
- Jones Act strategy (to the extent applicable) and accountability (depending on scope allocation)
- Inflation Reduction Act strategy and accountability (depending on scope allocation)

#### Pricing

- Structure of pricing/Risk of cost overruns  
Fixed price?  
Fixed price with escalators?  
Cost+?  
Target pricing with +/- adjustments or incentives
- Inclusive of Developer Fee (if developer is construction services vendor)? (\*earnout schedule for fee under APA approach)
- Details of Payment Schedule
- Milestones
- Progress payment/Schedule of Values

#### Other Topics

- Risk of loss allocation
- Construction Schedule Guarantees
- Commissioning and Performance Testing
- Warranty Details
- Performance Guarantees
- Credit security – type, amount and duration/schedule
- Change Notice Requirements
- Force Majeure
- Transmission schedule risk allocation
- Insurance Requirements
- Indemnification/Limitation of Liability

#### Operations and Maintenance Scope Allocation

- Owner Developer/Construction vendor/other
- Energy Performance Guarantees
- Warranty (wrap or otherwise)

31-18(h): The information obtained from the in the 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.

31-18(h)(i.): At this time, the Companies are relying on the equipment and other cost information obtained during the 2023 RFI with DNV. The costs used in the modeling were generic costs informed by the WEA analysis. The Companies intend to gather more information regarding such costs in the ARFI.

31-18(j): The ARFI will gather critical information that will meaningfully progress the potential for offshore wind and believe that more direction from the Commission is needed to pursue a binding request for proposals.

31-18(k): It is not the Companies' position that the information from the initial RFI with DNV was "not sufficient."

31-18(l): The Companies have engaged with all WEA leaseholders and indicated a willingness to engage in further detailed conversations at the appropriate time.

31-18(l)(i.): The WEA leaseholders have not provided the identified information at this time.

31-18(m): There are many unknowns at this time and therefore any definitive answer on these issues would be speculative. However, the Companies believe that there are a multitude of scenarios that could occur that would allow for Commission approval on a timeline that would facilitate a range of in-service dates, including the potential for 2034 in service date.

Responder: Clift Pompee, Managing Director, Generation Technology

3-18(b): The Companies plan to complete acquiring easement extension from New Bern to Wommack to keep the New Bern POI viable. Preliminary engineering scoping activities and a preliminary public engagement plan were completed in preparation for submitting the 2023 IJA application for the 500kV network transmission project associated with an offshore wind resource.

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31-18(b)(i.): At this time, the Companies only intend to pursue the development work described in response to subpart (b). Further policy direction or technical assessment (including potentially through a Public Policy or DISIS study request) will be necessary to progress development further.

3-18(b)(ii.): The Companies can conduct informational studies prior to entering a request for interconnecting an offshore wind resource into an annual DISIS study. Similar to conducting the preliminary engineering scoping activities for evaluating the onshore transmission for the New Bern POI, this activity needs a thorough, prudent approach to make the study results and cost estimates meaningful and the more potential POIs that are evaluated, the more time that will be required to produce meaningful results.

Responder: Sammy Roberts, GM, Grid Operations & Planning





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**DUKE ENERGY CAROLINAS, LLC & DUKE ENERGY PROGRESS, LLC**

**Request:**

Please compare the development activities included in the Amended Petition against the development activities for new natural gas facilities for which the Companies have not requested relief from the Commission.

**Response:**

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. In the case of new natural gas facilities, the Companies have elected in the initial Carbon Plan and in this initial Plan filing not to request Commission pre-approval of its development activities and expenditures. However, the Companies note that as circumstances and facts change and evolve, it may be appropriate and reasonable for the Commission to pre-approve development activities for new natural gas facilities.

Responder: Jack Jirak, Deputy General Counsel



**CERTIFICATE OF SERVICE**

I certify that I have served a copy of the foregoing on all parties of record, their attorneys, or both, in accordance with Commission Rule R1-39, by United States mail, postage prepaid, first class; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 25th day of April, 2024.

Electronically submitted  
/s/ Nadia L. Luhr