

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. EMP-102, SUB 1

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application of Pitt Solar LLC, for a Certificate of)
Public Convenience and Necessity to Construct) ORDER REQUIRING FURTHER
a 150-MW Solar Facility in Pitt County,) ADDITIONAL TESTIMONY
North Carolina)

BY THE COMMISSION PANEL: On October 5, 2020, the Commission issued an Order Scheduling Hearings, Requiring Filing of Testimony, Establishing Procedural Guidelines, and Requiring Public Notice regarding the application of Pitt Solar, LLC (Applicant) certificate of public convenience and necessity (CPCN) to construct a 150-MW solar photovoltaic electric generating facility to be operated as a merchant generating facility (Facility).

Due to the increase in non-utility generation on the North Carolina transmission system and the Commission's statutory duty to examine the long-range needs for the generation of electricity in North Carolina, the October 5, 2020 Order required the Applicant to file additional testimony addressing certain questions. Part of the additional information required the Applicant to file the Levelized Cost of Transmission (LCOT) for any required transmission system upgrades or modifications, copies of any relevant interconnection studies, and information regarding any system impacts from the proposed facility including impacts requiring upgrades on systems other than the system to which the facility is expected to directly interconnect (Affected System).

On October 16, 2020, the Applicant filed the supplemental testimony of Linda Nwadike. In her supplemental testimony witness Nwadike noted that the Applicant's proposed 150-MW solar facility (Facility) has two positions in the PJM interconnection queue.¹ Eighty MW of the capacity of the Facility was studied in the AC1 cluster, and 70 MW of the capacity of the Facility was studied in the AF2 cluster. Witness Nwadike outlined the estimated costs of the upgrades allocated to the project by PJM for the first 80 MW of the Facility in the AC1 cluster as \$8,230,470 for network upgrades on the Dominion Energy North Carolina (DENC) system and \$7,064 for network upgrades on the Dominion Energy Virginia system (jointly Network Upgrade Costs). Witness Nwadike also stated that Duke Energy Progress, LLC (DEP) had identified Affected System upgrade costs of \$23,204,593 for the projects that PJM studied in its AC1 cluster.

¹ The Applicant's Facility would interconnect with the transmission system that is owned by Dominion Energy North Carolina (DENC). Requests to interconnect with DENC are administered by PJM Interconnection.

Witness Nwadike stated that the PJM Feasibility Study for the AF2 cluster estimated \$881,680,000 in network upgrade costs for all projects in that cluster, and that the potential impacts to the DEP system will not be evaluated until the System Impact Study phase of the project. Witness Nwadike stated the network upgrade costs for the 70 MW of the Facility in the AF2 cluster are expected to be significantly less than \$881,680,000 when the System Impact and Facility Studies are issued. The witness stated that the System Impact Study for the Facility is expected in February 2021. Witness Nwadike also provided the LCOT calculation for the network upgrades required for the 80 MW of the Facility in the AC1 cluster in her Exhibit 1, and the LCOT calculation for the full 150 MW of the Facility in her Exhibit 2.

On November 12, 2020, the Public Staff filed the supplemental testimony of Dustin R. Metz. Public Staff witness Metz noted several concerns with witness Nwadike's calculation of the LCOT in her Exhibit 1. He noted that the LCOT in Exhibit 1 is only for 80 MW of the Facility, and that it does not include the known Affected System costs from the DEP Affected System Report for the AC1 cluster. Witness Metz further noted that "it is premature to accurately identify any costs for the LCOT calculation" for this project's share of the \$881,680,000 in estimated network upgrade costs identified by PJM for the AF2 cluster. Witness Metz stated that the System Impact Study for this portion of the Facility will provide more accurate network upgrade costs. Due to the uncertain nature of the network upgrade costs, Public Staff witness Metz calculated the LCOT for the first 80 MW of the Facility including the DEP Affected System costs, for a LCOT of approximately \$9/MWh. Witness Metz further reiterated that using any of the AF2 cluster costs would be "too speculative" at this point, therefore, his LCOT calculation does not address transmission costs for the second 70 MW of the Facility.

In his testimony, witness Metz further noted additional concerns regarding recent CPCN applications. Witness Metz noted that there is approximately 6,600 MW of proposed solar capacity in the PJM North Carolina queue that could trigger "many millions" of dollars of Affected System upgrades and that DEP customers might ultimately pay but may not need for reliable electric service. Public Staff witness Metz also asserted that because of future clusters, Affected System upgrades to accommodate an earlier cluster could soon be replaced with greater transmission upgrades long before the end of their normal service life resulting in stranded costs.

Public Staff witness Metz stated that comments made in Docket No. E-100, Sub 170 address some of the concerns raised by the Public Staff regarding the costs associated with Affected System upgrades. The Commission opened the E-100, Sub 170 docket on September 16, 2020, to solicit comments regarding the Affected System study process and cost allocation. Public Staff witness Metz stated that DEP implemented a change to its Affected System Operating Agreement (ASOA) that would require the generator to be responsible for Affected System upgrade costs without possible reimbursement from DEP or DEP's customers. Witness Metz stated that the Public Staff supports this change as it shifts costs from the utility customers who were not causing the need for the Affected System upgrades back to the merchant generator that is causing the need for the Affected System upgrades. Public Staff witness Metz acknowledged that

other parties to the E-100, Sub 170 docket have expressed that they may challenge this change in policy, and if the challenge is successful the Affected System upgrade costs may be shifted back to DEP's ratepayers. Witness Metz stated that if the challenge is successful and the cost responsibility is shifted back to retail or wholesale ratepayers, the Commission should consider the Affected System upgrade costs as part of the determination of "whether the [F]acility meets the public convenience and necessity."

Ultimately, the Public Staff recommended approving the CPCN for the Facility subject to the following conditions:

- i. The Applicant notify the Commission within 30 days of any change [or] any revisions in the cost estimates for the construction of the Facility itself, interconnection facilities, network upgrades, or affected system costs within 30 days of becoming aware of such revisions. Once the Commission is notified, then subsequent steps and actions along with a respective timeline for additional actions can be defined on an as needed basis.
- ii. That the Applicant file a copy of an executed Affected System Operating Agreement (ASOA) with the Commission at the same time such filing is made at FERC (at least 61 days prior to commencing construction on the upgrades).
- iii. That the Applicant file a verified statement acknowledging that under Duke's Affected Systems Business Procedure and PJM's OATT, the Interconnection Customer is responsible for all affected system [costs, and]² Network Upgrade Costs assigned to the Applicant's facility, if any, without reimbursement.

Although not specified as a condition to the CPCN, the Public Staff also stated that if "at any time the Applicant seeks to be reimbursed for any interconnection facilities, network upgrade costs, affected system costs, or other costs required to allow energization and operation of the facility, the Public Staff recommends that the CPCN be denied or revoked." Public Staff Metz further recommended that if the DEP policy regarding reimbursement of these costs is changed for any reason "then consistent with the Commission's ruling in its Order Denying Application for a Certificate of Public Convenience and Necessity for a Merchant Generating Facility requested by Friesian Holdings, LLC (Friesian), in Docket No. EMP-105, Sub 0, the Commission should use its judgment to weigh the costs to be borne by DEP's retail and wholesale customers with the generation needs in the State or region."

On December 16, 2020, the Applicant filed a motion requesting that the Commission cancel any hearings in this docket and issue the CPCN. The Applicant

² The Commission interprets the Public Staff's requested condition to cover both Affected System upgrade costs and Network Upgrade Costs on the DENC system and the Dominion Energy Virginia system.

further stated that it is willing to accept the CPCN subject to the conditions outlined by Public Staff witness Metz in his testimony.

Section 62-110.1(e) requires that the Commission consider the construction costs associated with a proposed Facility. Specifically, N.C.G.S. § 62-110.1(e) provides that, “[a]s a condition for receiving a certificate, the applicant shall file an estimate of construction costs in such detail as the Commission may require . . . and no certificate shall be granted unless the Commission has approved the estimated construction costs and made a finding that construction will be consistent with the Commission’s plan for expansion of electric generating capacity.”

In its Friesian Order, the Commission determined that it is appropriate for the Commission to consider all costs of a proposed facility when determining the public convenience and necessity of a proposed facility, including the costs of any necessary transmission upgrades. For facilities that trigger transmission upgrades on multiple systems, this review includes examining the upgrade costs on all affected utility systems.

The Commission’s examination of costs for this Facility includes both the network upgrades required by PJM transmission owner DENC and transmission upgrades required on the Affected System of DEP. The Commission is unable to evaluate the construction costs for the Facility because the full network upgrade costs on PJM member systems and the Affected System costs on the DEP system have not been provided.

Based on the foregoing and the record, the Commission finds good cause to request further additional testimony from the Applicant and the Public Staff. At a minimum, the additional testimony must address the following:

1. The Applicant shall file all interconnection studies available for the Facility not previously filed in the docket. The Applicant shall also file all Affected System cost studies for the Facility not previously filed in the docket. The Applicant shall provide an explanation of any interconnection or Affected System cost studies for the Facility that the Applicant expects to receive after the date of the Applicant’s additional testimony required by this order.

2. The Applicant shall file a narrative explanation of the full cost of transmission upgrades for both the 80 MW of the Facility in the AC1 cluster and the 70 MW in the AF2 cluster, including interconnection facilities, Network Upgrade Costs, and Affected System upgrade costs. If the Applicant does not know the full costs, the Applicant shall explain when the cost estimates are expected. The Applicant shall explain if any of the above-stated costs provided in any of the cost studies are subject to change or revision. If the costs are subject to change or revision, the Applicant’s explanation shall include an overview of the circumstances that would lead to change or revision of these costs.

3. The Applicant shall recalculate the LCOT for the entire Facility, including both the 80 MW of the Facility in the AC1 cluster and the 70 MW in the AF2 cluster using

the costs of both the Network Upgrade Costs and the Affected System upgrade costs. In order to examine the Applicant's calculated LCOT in perspective with costs of interconnecting other generation projects, the Applicant's LCOT should include the upgrade costs for the entire Facility, including the upgrade costs on all utility systems affected by the Facility.

4. Public Staff witness Metz recommends the CPCN be denied or revoked if the Applicant seeks reimbursement of "any interconnection facilities, network upgrade costs, affected system costs, or other costs required to allow energization and operation of the facility." Witness Metz further recommends that the Commission weigh these costs consistent with the Commission's Friesian Order if DEP's policy regarding reimbursement is changed for any reason. Does the Applicant consent to a CPCN subject to revocation if the Applicant were to seek reimbursement of these costs? Does the Applicant consent to a CPCN subject to revocation if the reimbursement of these costs is changed for any reason, including changes to the reimbursement policy that result from no action of the Applicant?

5. A condition to the CPCN recommended by the Public Staff is that the Applicant file any changes to the costs of the Facility within 30 days of becoming aware of the changes. The condition further provides that "subsequent steps and actions along with a respective timeline for additional actions can be defined on an as needed basis" after the updated costs are provided. If the Commission were to issue a CPCN with this condition prior to the Applicant providing the interconnection facilities, Network Upgrade Costs and Affected System upgrade costs, does the Applicant consent to a CPCN subject to revocation if the interconnection facilities, Network Upgrade Costs and/or Affected System upgrade costs that are later provided result in a determination that the siting of the Facility in this area is not consistent with the Commission's obligation under N.C.G.S. § 62-110.1(d) for the provision of "reliable, efficient and economical service" in the state, as articulated by the Commission in the Friesian Order?

IT IS, THEREFORE, ORDERED as follows:

1. That the Applicant shall file testimony and exhibits addressing the questions set forth herein on or before Tuesday, June 1, 2021;

2. That the Public Staff shall file testimony and exhibits addressing the questions set forth herein and the Applicant's testimony on the questions on or before Tuesday, June 29, 2021; and

3. That the Applicant may file reply testimony on or before Tuesday, July 13, 2021.

ISSUED BY ORDER OF THE COMMISSION.

This the 7th day of May, 2021.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "Kimberley A. Campbell". The signature is written in a cursive style with a large initial 'K'.

Kimberley A, Campbell, Chief Clerk