



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

October 17, 2022

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

Re: Docket Nos. E-2, Subs 1159 and 1297, E-7, Subs 1156 and 1268

Dear Ms. Dunston:

Attached for filing is the Public Staff's Proposed Notice of Decision in the above-referenced docket, to be considered in conjunction with the Public Staff's comments that were filed separately on October 4, 2022 in these dockets.

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

Sincerely,

Electronically submitted
s/ Robert B. Josey
Staff Attorney
Robert.josey@psncuc.nc.gov

Attachment

Plan, the Commission finds that such solar energy facilities will be needed in accordance with the criteria and requirements set forth in Section 1 of this act to achieve the authorized carbon reduction goals.

On March 14, 2022, Duke filed a petition seeking the Commission's authorization of a 2022 solar procurement program pursuant Session Law 2021-165, § 2(c) (2022 Solar Procurement). In pertinent part, Duke requested that the Commission issue an order by no later than November 1, 2022, establishing the solar resource procurement target (Target Volume) for the 2022 Solar Procurement.

By order dated May 26, 2022, the Commission authorized 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. Consistent with Duke's request, the Commission deferred its decision establishing the Target Volume for the 2022 Solar Procurement. The Commission's approval of the 2022 Solar Procurement also approved the use of a Volume Adjustment Mechanism (VAM), by which the weighted average bid price received in the Request for Proposals (RFP) would be compared to the modeled price of solar used in the Companies' Carbon Plan (Solar Reference Cost). If the average bid price was more than 10% below the Solar Reference Cost, the Target Volume could be increased by as much as 20%. If the average bid price was more than 10% above the Solar Reference Cost, the Target Volume could be decreased by as much as 20%, subject to the 700 MW minimum established in the RFP.

On August 19, 2022, in Docket No. E-100, Sub 179 (Carbon Plan), Duke filed the direct testimony of witnesses Snider, McMurry, Quinto, and Kalembe (Modeling Panel), in which it recommended the Commission approve a Target Volume of 1,200 MW for the 2022 Solar Procurement, consisting of approximately 750 MW identified in its Proposed Carbon Plan plus 441 MW of CPRE Program shortfall resulting from under-procurement in Tranche 3 of the CPRE.

On September 1, 2022, Duke filed a petition formally informing the Commission that the CPRE Program is 441 MW short of meeting the goal established by N.C.G.S. § 62-110.8 and requesting the Commission's approval to procure the CPRE Program capacity shortfall through the 2022 Solar Procurement, consistent with its Modeling Panel's testimony, and to extend the CRPE Program PPA term and waive certain provisions of Commission Rule R8-71. The Companies' petition states that to procure the CPRE Program shortfall through the 2022 Solar Procurement, it will select the least-cost third-party Power Purchase Agreements (PPAs) up to 441 MW or until the avoided cost cap, inclusive of system upgrades, is reached (CPRE Designated Projects).

On September 2, 2022, the Public Staff filed the direct testimony of witness Thomas, in the Carbon Plan Docket, recommending the Commission approve Duke's request to set the total 2022 Solar Procurement Target Volume at 1,200 MW. On September 22, 2022, witness Thomas corrected his pre-filed direct testimony during the Carbon Plan hearing to further recommend that the Commission approve Duke's request to procure the CPRE Program capacity shortfall through the 2022 Solar Procurement, while recommending the

Commission direct Duke to procure at least 441 MW of the total 2022 Solar Procurement in DEC's territory.

On October 4, 2022, the Public Staff filed its comments recommending the Commission approve the Companies' request to procure the CPRE Program capacity shortfall through the 2022 Solar Procurement, with certain conditions. The Public Staff also recommended that of the 1,200 MW Target Volume, a minimum of one third should be procured in DEC and one third should be procured in DEP.

The Commission finds good cause to issue this Notice of Decision in advance of its Final Order in the Carbon Plan docket to provide Duke and market participants with the Target Volume for the 2022 Solar Procurement, in order to facilitate the timely evaluation and selection of projects while maintaining the schedule set forth for the Request for Proposals (RFP) and the 2022 Definitive Interconnection System Impact Study (DISIS) cluster.

The Commission has reviewed the evidence and testimony of witnesses regarding the 2022 Solar Procurement and its relation to the Carbon Plan. In addition to Duke's and the Public Staff's recommendation of 1,200 MW, other intervenors have proposed quantities for the Target Volume. The Clean Power Suppliers Association (CPSA) and the Carolinas Clean Energy Business Association (CCEBA) have recommended 1,647 MW,¹ and the Southern Alliance for Clean Energy (SACE), Sierra Club, Natural Resources Defense Council (NRDC), and the North Carolina Sustainable Energy Association (NCSEA)

¹ See Comments of CPSA and CCEBA, filed October 4, 2022, at 2.

(collectively, SACE et al.) have recommended 1,800 MW.² Most parties also agree that there will be future procurements for solar and solar plus storage in 2023 and 2024 to satisfy the resource needs to meet the carbon reduction requirements of Session Law 2021-165. While the Commission understands that significant solar PV generation will be needed in order to achieve the statutory carbon reduction requirements, it is also mindful that the Companies will be challenged to interconnect 1,200 MW of solar capacity initially, as this quantity is far beyond any capacity connected to the grid in any one year to date.

At this time, the Commission believes that it is appropriate to establish a definitive Target Volume for the 2022 Solar Procurement, and preliminary Target Volumes for the 2023 and 2024 procurement cycles that are subject to change during the proceedings which will accompany each future RFP. Consistent with the testimony of Public Staff witness Thomas, the Commission also is authorizing a Target Volume of 950 MW for the 2023 Solar Procurement and 1,150 MW for the 2024 Solar Procurement. Given the evidence in the record, the Commission also determines that the 2023 and 2024 Solar Procurements will each require the procurement of at least 400 MW of battery storage at solar sites. The battery storage located at each solar plus storage facility shall be a minimum duration of two hours and if it is procured through a third-party PPA, shall be controlled by the electric public utility.

IT IS, THEREFORE, ORDERED as follows:

² See Joint Initial Comments of SACE et al., at 1.

1. That the 2022 Solar Procurement Target Volume shall be set at 1,200 MW, consisting of 441 MW of CPRE capacity shortfall and 759 MW of Carbon Plan capacity. The Target Volume shall be adjusted by the volume adjustment mechanism as detailed in the 2022 Solar Procurement RFP.

2. That the CPRE Designated Project bids, inclusive of network upgrades identified through the 2022 DISIS, shall be included in the calculation of the volume adjustment mechanism.

3. A minimum of one third of the final procurement quantity shall be located in DEC's territory, one third shall be located in DEP's territory, and the remainder shall be located based on the results of the RFP's evaluation process.

4. That the 441 MW of CPRE capacity shortfall so procured shall be exclusively third-party PPAs, and Duke's procurement obligation for the CPRE capacity shortfall shall be capped by the public utility's current forecast of its avoided cost calculated over the term of the PPA.

5. That the volume adjustment mechanism, once determined through an evaluation of the weighted average of all 2022 Solar Procurement bids, shall only adjust the 759 MW of Carbon Plan capacity and shall not increase nor decrease the capacity of CPRE Designated Projects.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of _____ 2022.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk