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March 9, 2022

VIA Electronic Filing

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
Dobbs Building
430 North Salisbury Street
Raleigh, North Carolina 27603

Re: Late Filed Exhibit 1 of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC
Docket No. EMP-116, Sub 0

Dear Ms. Dunston:

Enclosed for filing in the above-referenced proceeding on behalf of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC is their *Late Filed Exhibit 1*.

Please do not hesitate to contact me should you have any questions. Thank you for your assistance with this matter.

Very truly yours,

/s/E. Brett Breitschwerdt

EBB:kjg

Enclosure

Docket No. EMP-116, Sub 0

Late Filed Exhibit 1 of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC

March 9, 2022

Duke Energy Carolinas, LLC ("DEC") and Duke Energy Progress, LLC ("DEP" and together with DEC, "Duke Energy" or "the Companies") submit this late filed exhibit in the above-captioned proceeding to address questions posed by the Commission during the March 2, 2022 evidentiary hearing.

Commission Question 1: Please explain why the Companies elected to intervene in this proceeding.

Duke Energy Response: The reasons for the Companies' intervention are straightforward: Duke Energy has a significant interest in an efficient queue reform transition and generator interconnection process, as well as the manner in which transmission upgrades in the Companies' balancing authority areas are identified and approved (either directly or indirectly). As part of Duke Energy's ongoing energy transition and integrated resource planning process, thoughtful and deliberate transmission development for the benefit of all customers is a critically important issue, as a robust transmission system provides significant reliability benefits for both retail and wholesale customers. The Companies recognized the potentially significant transmission upgrades anticipated to be needed to reliably interconnect Juno Solar, LLC's ("Juno Solar" or "Applicant") project and, therefore, determined that intervention was appropriate in order to monitor the proceeding and preserve the ability to provide input where needed or called upon, as has now occurred.

Commission Question 2: Are the transmission upgrades identified in the DEP Transitional Cluster Study ("TCS") Phase 1 Report and assigned, in part, to Juno Solar likely to be required to achieve the CO2 emissions reductions required under HB 951?

Duke Energy Response: Yes. Duke Energy believes that construction of upgraded transmission infrastructure identified in the DEP TCS Phase 1 Report in the southeastern North Carolina and northeastern South Carolina region of DEP (known as the "Red Zone") will be needed. Such upgrades will enable integration of the significant clean energy resources that will likely be required to achieve HB 951's emissions reduction goals in a least cost manner while ensuring the adequacy and reliability of the existing grid is maintained for DEP's customers.

As identified by Mr. Sammy Roberts, Duke Energy's General Manager of Transmission Planning and Operations Strategy, during the October 1, 2021 Technical Conference on Duke Energy's

2020 Integrated Resource Plans held in Docket No. E-100 Sub 165, Duke Energy's transmission planning strategy is rapidly evolving to meet the increasingly complex needs of the State's energy future (Slide 9). This includes the Companies' recent queue reform transition to annual cluster studies to study generator interconnection requests and to facilitate sharing of the significant Network Upgrade costs required to interconnect new solar and other generating facilities to the Duke Energy transmission systems. Mr. Roberts also identified the potential need for more proactive "queue informed" coordinated planning of transmission infrastructure to achieve the State's energy policy goals (Slide 15) which must also conform with the Federal Energy Regulatory Commission's ("FERC") transmission planning processes.

The TCS is an important component of the queue reform transition and was designed by the Companies and stakeholders to provide existing non-speculative Interconnection Customers in the Duke Energy interconnection queues an efficient and orderly transitional study process to interconnect in advance of the upcoming 2022 DISIS Cluster. A second key objective of TCS is to establish a clear study baseline for the 2022 DISIS Cluster. To accomplish these objectives, the TCS was designed to promote project readiness after Phase 1 by imposing significant withdrawal penalty risk on Interconnection Customers committing to enter Phase 2, thereby incenting speculative projects without a clear readiness pathway to exit TCS prior to Phase 2 and to consider re-entering DISIS. The 2022 DISIS Cluster is open for enrollment now and, Duke Energy expects that the proposed 2022 solar procurement, if approved by the Commission, will be synced with the 2022 DISIS Cluster, as further discussed below. Duke Energy takes no position on whether Juno Solar or other Interconnection Customers should continue in TCS or withdraw in advance of TCS Phase 2 and consider re-entering DISIS.

The challenges identified by Juno Solar witness Steven Levitas and other Interconnection Customers regarding development of new solar generation in the Red Zone (due to significant Network Upgrade costs required to interconnect new generation in this region) are well-documented and generally uncontroverted. Duke Energy has identified the Red Zone constraints in grid locational guidance published in Competitive Procurement of Renewable Energy Program RFPs since early 2018 as well as in numerous publicly-available generator interconnection studies. However, development of new solar energy projects in this area continues to be robust due to superior development qualities in the region (flat and relatively cheap land, less population density, higher irradiance) which suggests that market participants believe development opportunities in this area can ultimately overcome the cost of the Red Zone upgrades.

If the Red Zone upgrades are not funded and constructed through the current TCS process, there are two additional pathways through which the Red Zone upgrade could be funded and constructed in the near future.

First, as discussed above, Duke Energy is planning to seek Commission authorization for a 2022 solar procurement that will be aligned with the upcoming 2022 DISIS Cluster. DISIS projects in

the Red Zone, including those projects competitively selected through the 2022 solar procurement could provide another generator interconnection-driven path to constructing the Red Zone upgrades.

Second, in addition to reactively studying the need for Network Upgrades as part of the generator interconnection process, Duke Energy also believes that achieving the State's resource planning objectives and emission reduction goals requires purposeful and proactive alignment between resource planning and transmission planning. The TCS Phase 1 Report and numerous generator interconnection studies demonstrate that solving the Red Zone upgrades will be needed to interconnect and deliver new clean energy resources to our customers from this region. Well-planned new "backbone" transmission infrastructure that can facilitate interconnection of new clean energy resources could present a superior solution to the reactive generator interconnection process that exists today.

In parallel with administering the 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. As identified by Mr. Roberts in the October 2021 Technical Conference, the Red Zone upgrades in DEP-East could be considered by the NCTPC through this FERC-approved local transmission planning process. More information will be provided as part of the Companies' upcoming Carbon Plan filing on potential transmission needs and upgrades identified by the TCS Phase 1 Report and numerous other generator interconnection system impact studies that are likely needed to achieve the State's resource planning goals.

Commission Question 3: Is an Interconnection Customer permitted to voluntarily waive application of FERC's generator interconnection Crediting Policy (pursuant to which an Interconnection Customer would ordinarily receive a refund equal to the total cost of the Upgrades assigned under a FERC LGIA)?

Duke Energy Response: FERC's interconnection Crediting Policy for generator interconnection-assigned Network Upgrade costs is memorialized in Section 11.4 of Duke's *pro forma* LGIA. Duke has identified no FERC precedent that would prohibit an Interconnection Customer from voluntarily waiving application of FERC's Crediting Policy with respect to all or a portion of the costs of any Network Upgrades required to be constructed. However, such voluntary waiver would need to be memorialized in the LGIA executed between the Transmission Provider and Interconnection Customer, which would make the IA a non-conforming LGIA. All non-conforming IAs must be filed with FERC for approval. It is not possible to predict whether FERC would approve such a non-conforming IA (even where executed by the Interconnection Customer)

or whether other interested parties might intervene to oppose such a voluntary departure from the Crediting Policy. *See Duke Energy Progress, LLC*, 177 FERC ¶ 61,001 at P 32 (2021) (finding that DEP had burden to demonstrate that terms of an affected system operating agreement, which did not incorporate FERC's Crediting Policy, were just and reasonable and rejecting DEP arguments that the customer's voluntary waiver of the Crediting Policy evinced by the customer's execution of the agreement prior to filing was sufficient to satisfy the just and reasonable standard) *Rehearing denied*, 177 F.E.R.C. P 62114 (2021).

The timing of a future FERC determination of whether to accept an Interconnection Customer's voluntary commitment to deviate from the Crediting Policy is also notable. The non-conforming LGIA would likely be submitted to FERC (either executed or unexecuted) in spring 2023 after a Facilities Study has been completed and IAs are executed for all TCS projects, introducing the potential risk of late stage withdrawals and adverse impacts to both the TCS as well as the 2022 DISIS Cluster if FERC does not accept the non-conforming provisions of the IA as just and reasonable at that time.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Late Filed Exhibit 1*, as filed in Docket No. EMP-116, Sub 0, was served via electronic delivery or mailed, first-class, postage prepaid, upon all parties of record.

This, the 9th day of March, 2022.

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