

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-7, SUB 1276

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of:

Duke Energy Carolinas, LLC's Request)	
to Initiate Technical Conference)	COMMENTS OF CIGFUR III ON
Regarding the Projected Transmission)	DEC'S T&D INFORMATION
and Distribution Projects to be included)	FILING
in a Performance-Based Regulation)	
Application)	

NOW COMES the Carolina Industrial Group for Fair Utility Rates III (CIGFUR III or CIGFUR), pursuant to the Commission's September 14, 2022 *Order Scheduling Technical Conference and Setting Procedures for Technical Conference*, and respectfully submits comments on the Transmission and Distribution (T&D) Information Filing submitted in the above-captioned docket by Duke Energy Carolinas, LLC (DEC) on October 19, 2022.

At the outset, CIGFUR notes that it has endeavored to provide thorough comments, but ten (10) business days is insufficient for CIGFUR's technical experts to perform a robust analysis of DEC's T&D Information Filing. CIGFUR recognizes that the compressed time frame for this technical conference is a function of the performance-based regulation (PBR) statute, not Commission practice or procedure. *See* G.S. 62-133.16(j)(3). Nevertheless, CIGFUR emphasizes that these comments should not be construed as comprehensive or exhaustive. To the contrary, CIGFUR is not waiving the right to dispute any issue of fact or law, regardless of whether raised in these comments or not, during the course of rate case litigation to ensue beginning on or about January 6, 2023, when DEC

is anticipated to file its PBR rate case. In addition, CIGFUR expressly reserves the right to conduct discovery when permissible and/or to raise any factual or legal issue—whether or not included in these comments, and regardless of whether related or unrelated to DEC’s proposed list of capital projects for which it is seeking cost recovery through a MYRP or any other information presented in DEC’s T&D Information Filing.

CIGFUR respectfully offers the following comments on DEC’s T&D Information Filing:

- (1) CIGFUR III hereby respectfully reiterates its request contained in CIGFUR III’s October 17, 2022 *Notice of Intent to Participate in Technical Conference* that the Commission accept the documents attached to such notice in lieu of CIGFUR III presenting during the Technical Conference in the above-captioned docket scheduled for 1 p.m. on Wednesday, November 2, 2022.
- (2) As an initial matter, CIGFUR emphasizes that the energy transition is forecasted to have severe rate impacts on all classes of customers. As a result, mitigating and managing rate shock should be front of mind as DEC prepares to file its applications for general rate increase and performance-based regulation, respectively. Along these same lines, proposed investments in the transmission and distribution (T&D) system should be prioritized to the extent they maximize reliability benefits and minimize rate impacts to DEC’s ratepayers.

- (3) DEC must be able to show system reliability benefits exceed, or are at least proportional, to costs of each planned T&D investment for which DEC intends to recover costs through a multi-year rate plan (MYRP). In addition, CIGFUR stresses the importance of ensuring that clear price signals are being sent to all classes of customer in order to encourage efficient demands on the electric system and more economic system investments.
- (4) In addition, CIGFUR generally supports delivery voltage alignment with embedded costs and recommends, by way of lower demand charges for higher-voltage customers offered by DEC or otherwise. The justification for this is that higher voltage customers generally take primary, not secondary, service. Therefore, because such primary system users do not use secondary system assets, the primary system users should not have to pay for secondary system assets.
- (5) CIGFUR applauds DEC's efforts thus far to obtain state/federal funding opportunities available pursuant to the Infrastructure Investment and Jobs Act, H.R. 3684, 117th Cong. (2021) (IIJA) and/or the Inflation Reduction Act of 2022, H.R. 5376, 117th Cong. (2022) (IRA). As indicated in its initial and reply comments filed in Docket No. M-100, Sub 164, CIGFUR supports the pursuit of every possible avenue of federal and/or state funding provided pursuant to the IIJA. That support extends to all funding sources available through the more recently enacted IRA as well. However, it is important to note that all IIJA and/or IRA funds obtained should inure to the direct financial benefit of ratepayers, not shareholders, by being used to: (a) offset system costs that

otherwise would have been recovered from DEC's ratepayers; and (b) mitigate ratepayer impacts associated with the ongoing energy transition, in a manner that is fair and proportional to the relative rate impacts to each class of customers as a result of implementing House Bill 951 (S.L. 2021-165). In addition, IIJA and/or IRA funding awarded to DEC should be subject to oversight by the Commission to ensure there is no double-recovery, inasmuch as DEC's ratepayers should not pay for any costs already funded through federal and/or state grants or other source provided pursuant to the IIJA and/or IRA. Instead, DEC's ratepayers should receive a dollar-for-dollar offset in costs recovered through base rates.

- (6) With respect to the list of capital projects proposed by DEC to be recovered through a multi-year rate plan (MYRP), CIGFUR III takes particular issue with the proposed Vegetation Management project. Vegetation management costs should be treated as an operations and maintenance (O&M) expense, not as capital spending eligible for rate base treatment. Therefore, DEC's proposed Vegetation Management project is ineligible for recovery under an MYRP. *See* G.S. 62-133.16(c)(1)a.
- (7) CIGFUR also has concerns related to jurisdictional cost allocation, especially as it pertains to any proposed capital spending projects that are planned to be sited in South Carolina.
- (8) CIGFUR recommends using metrics above and beyond SAIDI and SAIFI to evaluate reliability. Duke has previously acknowledged in various settings that as more and more renewable energy resources are accommodated on the

system, power quality concerns increase as well.¹ While “fewer and shorter outages” is of course also an important reliability consideration, power quality events can adversely impact facility operations for an industrial customer as significantly, if not more significantly, than a power outage. A voltage sag, for example, occurs “when the voltage drops to less than 90% of the nominal or standard voltage, as specified in R8-17(b)(2) of the Commission’s rules. A sag is normally a relatively short event, a few cycles, or about a tenth of a second.”² Power sags affect industrial customers with different levels of severity, ranging from total plant shutdowns and damage to equipment, to lost revenues and inability to meet production demand. Because power quality are fundamentally and inextricably linked to one another, and more importantly because a reliable system in terms of SAIDI and SAIFI metrics does not, by itself, necessarily translate into a system with good power quality, the Commission should direct DEP to explicitly incorporate power quality metrics into its evaluation of system reliability, especially as it plans capital investments in DEP’s transmission and distribution systems. More specifically, CIGFUR recommends incorporating the following power quality metrics into DEP’s T&D capital investment planning: (a) Momentary Average Interruption

¹ See, e.g., Direct Testimony of John W. Gajda on behalf of DEP and Duke Energy Carolinas, LLC, at p. 13, ll. 7-12, p. 47, ll. 12-16, Docket No. E-100, Sub 101 (*stating*, in pertinent part, that “interconnecting these vast quantities of large, uncontrolled power export QF Generating Facilities to the distribution system has required new and evolving technical standards to mitigate the potential for localized power quality impacts and distribution system reliability risks, and to proactively manage future challenges in planning and operating the distribution and transmission system[;]” and *stating* further that “DEC and DEP have increasingly begun to experience power quality impacts and to recognize potential operational reliability risks associated with the growing levels of utility-scale solar generators interconnecting to the distribution system in North Carolina.”).

² Direct Testimony of Michael Ferguson, Manager, Pulp Manufacturing/Recovery and Utilities, on behalf of Blue Ridge Paper Products, Inc. d/b/a Evergreen Packaging, Docket Nos. E-2, Sub 998 and E-7, Sub 986 (Sep. 8, 2011).

Frequency Index (MAIFI) = total number of momentary customer interruptions per year / total number of customers; (b) changes in voltage, including transient change, sag, surge, undervoltage, harmonic distortion, noise, stability, and flicker; and (c) frequency deviations.

CIGFUR III appreciates the opportunity to submit these comments.

Respectfully submitted this the 2nd day of November, 2022.

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CERTIFICATE OF SERVICE

The undersigned attorney for CIGFUR hereby certifies that she served the foregoing Comments of *CIGFUR III on DEC's T&D Information Filing* upon the parties to this proceeding, as listed on the service list available on the NCUC's online docket system, by electronic mail.

This the 2nd day of November, 2022.

/s/ Christina D. Cress
Christina D. Cress

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