

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION  
DOCKET NO. E-2, SUB 1297  
DOCKET NO. E-7, SUB 1268

In the Matter of )  
Duke Energy Carolinas, LLC, and ) RESPONSIVE COMMENTS OF  
Duke Energy Progress, LLC 2022 ) NCSEA  
Procurement Pursuant to Session )  
Law 2021-165, Section 2(c) )

RESPONSIVE COMMENTS OF NCSEA

I. INTRODUCTION

On April 25, 2022, the North Carolina Utilities Commission (the “Commission”) issued the *Order Requiring Answers to Commission Questions and Establishing Additional Procedural Deadlines* (“Order”). In the Order, the Commission directed Duke Energy Progress, LLC and Duke Energy Carolinas, LLC (collectively, “Duke”) to file verified responses to eleven questions contained within Appendix A attached to the Order. The Order further allowed other parties to file their own responses and responsive comments thereafter. Set forth herein are NCSEA’s responsive comments to *Duke Energy Carolinas, LLC and Duke Energy Progress, LLC’s Response to Commission Order Requesting Answers on 2022 SP Program Petition* (“Duke’s Response”).

NCSEA has long held the position that enabling renewable energy marketplace economics will result in net gains for captive ratepayers. This includes, but is not limited to, enabling clean energy across the North Carolina grid and creating downward pressure on rates. The 2022 Solar Procurement *should* be a microcosm of that assertion – for at least 45%<sup>1</sup> of the solar procured during 2022 will be the result of a competitive procurement

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<sup>1</sup> “To the extent that new solar generation is selected by the Commission, in adherence with least cost requirements, the solar generation selected shall be subject to the following: (i) forty-five percent (45%) of the total megawatts alternating current (MW AC) of any solar energy facilities established pursuant to this

bidding process, and this competition should produce lower prices for ratepayers and result in clean generation to be added to Duke's combined generation portfolio that will enable the state to adhere to the emissions reduction mandates contained in S.L. 2021-65.<sup>2</sup>

NCSEA largely agrees with the positions taken by Duke in response to the Commission questions. However, NCSEA has limited concerns about some of the responses as set forth more fully below.

## II. ANALYSIS

Below are the Commission questions and short characterizations of Duke responses on which NCSEA seeks to comment. NCSEA has not taken a position on each of Duke's responses (or the underlying questions from the Commission), but instead lays out the responses where NCSEA disagrees with Duke or agrees with Duke but wants to elevate to the Commission further issues related to Duke's position.

NCSEA would note that its comments herein are specific to the 2022 solar procurement authorized by S.L. 2021-65 and are not intended to be construed beyond that specific topic unless specifically noted otherwise.

1. Explain why Duke proposes to exclude bids for solar + storage from the 2022 procurement. Provide an explanation for why solar + storage bids are not recommended for utility-owned resources as well as for third-party PPAs.

Duke's Summary Response: To keep 2022 solar procurement window aligned with DISIS timeline, the 2022 solar procurement cannot accommodate solar+storage projects.

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section shall be supplied through the execution of power purchase agreements with third parties pursuant to which the electric public utility purchases solar energy, capacity, and environmental and renewable attributes from solar energy facilities owned and operated by third parties that are 80 MW AC or less that commit to allow the procuring electric public utility rights to dispatch, operate, and control the solicited solar energy facilities in the same manner as the utility's own generating resources[.]" S.L. 2021-165.

<sup>2</sup> "The Utilities Commission shall take all reasonable steps to achieve a seventy percent (70%) reduction in emissions of carbon dioxide (CO<sub>2</sub>) emitted in the State from electric generating facilities owned or operated by electric public utilities from 2005 levels by the year 2030 and carbon neutrality by the year 2050."

NCSEA agrees with the position that Duke has taken insofar as the challenges associated with the timing of the interconnection process with the request for procurement window. NCSEA would encourage Duke to begin preparations for future procurements with solar+storage projects in mind as it is integral to incorporate a large scale of storage on the North Carolina grid to economically meet the carbon emissions reduction mandate required by S.L. 2021-65.

2. Describe how the Carbon Plan Solar Reference Cost will be determined.

Duke's Summary Response: The Carbon Plan Solar Reference Cost ("CPSRC") functions as a numerical input to be included in Duke's carbon plan modeling and is determined by several factors including both utility-owned solar and third-party solar developments. The CPSRC will assume the statutory 55/45% split of solar ownership with weighted average of the levelized cost of solar on a \$/MWh basis and estimated 25-year contract for independent power producers on \$/MWh basis with solar installed in 2026. The CPSRC will include estimated transmission upgrade costs associated with the assumed upgrades made in Duke's carbon plan.

NCSEA is concerned about the lack of transparency associated with Duke's CPSRC number. While NCSEA understands that the Carbon Plan assumptions, which are the same used in this docket, are not yet publicly available and subject to change, NCSEA believes the complete modeling inputs and assumptions utilized here should, by now, be provided to intervenors who request as much. NCSEA would like the opportunity, both for itself and the other intervenors, to cross-check the inputs and assumptions made in the model prior to those being relied upon by the Commission in responding to Duke's *Petition for Authorization of 2022 Solar Procurement Program* ("Petition").

However, time is of the essence in this docket and, in the interest of opening the 2022 Solar Procurement, NCSEA would not object to the CPSRC being used as a placeholder. In the event the 2022 Solar Procurement is either more or less expensive than

the CPSRC per MWh, then the CPSRC should be adjusted accordingly to reflect market conditions and recalibrate the Carbon Plan as necessary.

3. Is “administratively determined avoided cost” analogous to the avoided cost method established by the Commission pursuant to N.C. Gen. Stat. § 62-156, with rates derived by using Duke’s most recent data and assumptions?

Duke’s Summary Response: Yes, insofar as N.C. Gen. Stat. § 62-156 allows for the Commission to set an avoided cost rate through one of the PURPA-approved methods, including negotiated terms between the developer and the qualified facility or through pricing established in a competitive solicitation.

NCSEA agrees with Duke’s response and believes that, in the absence of an administratively determined avoided cost rate accounting for the mandated reduction and eventual elimination of carbon in the state’s largest utilities’ generation portfolios, an avoided cost determined either by negotiation between solar company and utility or via competitive solicitation of solar facility proposals is an appropriate method to fairly and accurately compensate the solar facility developer while also holding ratepayers harmless relative to what clean energy would otherwise cost.

NCSEA would further note that a robust 2022 solar procurement, which will enable competitive bidding and lower costs to ratepayers, requires contract terms that represent the true costs associated with energy and capacity provided by an independent power producer. This can be achieved with negotiated or competitively determined avoided cost rates. The peaker methodology for determining avoided cost typically relied upon in the biennial avoided cost proceeding should be revisited as it fails to reflect the realities of the carbon emissions reduction mandate. However, NCSEA does not necessarily think this methodology argument is necessary in this proceeding especially considering the other PURPA-approved pathways to get to an administratively approved avoided cost.

6. Does the proposed 2022 solar procurement potentially allow for PURPA qualifying facilities to be compensated at a rate that is in excess of the rates calculated using the avoided cost method established by the Commission pursuant to N.C.G.S. § 62-156? If so, why should the Commission permit PURPA qualifying facilities to be compensated in excess of avoided cost rates?

Duke Summary Response: The 2022 Solar Procurement proposal does potentially allow for controllable PURPA QFs including their renewable attributes to be compensated at a rate that is more than the rates calculated using the avoided cost method established by the Commission pursuant to N.C. Gen. Stat. § 62-156 and established in the biennial avoided cost proceeding. However, the compensation for the 2022 Solar Procurement includes additional value for the utility and ratepayers including the ability to curtail and the transfer of the renewable and environmental attributes associated with QF generation to the utility and customers.

NCSEA believes that comparing PURPA must-take contract terms with the 2022 Solar Procurement contract terms is unnecessary for the exact reasons specified. Unlike the Competitive Procurement for Renewable Energy (“CPRE”) program that was mandated by statute,<sup>3</sup> the 2022 Solar Procurement contains no explicit cost cap aside from the general “least cost” mandate. As set forth herein and in Duke’s responses, the marketplace determination of an avoided cost, either via negotiation or, more likely in this scenario, through competitive solicitation will enable the market to determine the cost and market forces will keep prices down for rate payers. Further, the concerns about cost cap may be overstated - while the CPRE cost cap is not mandated in the 2022 procurement and the costs associated with further network upgrades may make comparisons between the 2022 solar procurement and the CPRE tranches tedious, the lessons learned from the CPRE competitive procurement remain: market forces, when enabled, result in competition and cost benefits for the ratepayers.

9. What solutions have the stakeholders discussed to mitigate the concerns described in Paragraph No. 13 of the Public Staff’s initial comments, particularly in light of the rate disparity between DEC and DEP raised in footnote 5?

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<sup>3</sup> N.C. Gen. Stat. § 62-110.8.

Duke Summary Response: This has not been heavily discussed in stakeholder discussions, but Duke recognizes it is an important concern and should be considered through the Carbon Plan lens. Duke has not made specific territory allocations yet and thinks limiting the size of the 2022 Solar Procurement to a “reasonable level” is the “most immediate mitigant”.

NCSEA disputes that limiting the 2022 solar procurement to a “reasonable size” is the “most immediate mitigant” to rate disparity between the DEC and DEP territories. As noted above, a robust procurement size is integral for cumulative ratepayer savings across the two territories. NCSEA does not believe a reasonable solution to disparate rate impacts across the two Duke territories in North Carolina is simply to reduce the procurement amount. NCSEA and other intervenors have long pushed for efficiencies via modeling across the two territories (rather than islanding) that would be a benefit to rate payers in North Carolina. Furthermore, the administration of a procurement as a single entity rather than two separate entities would streamline that process along with, assumptively, many other processes that exist in North Carolina across the two territories. In fact, NCSEA struggles to find a single compelling reason to continue to treat the two Duke utilities separately.

For the purposes of rates, NCSEA would propose the Commission consider apportioning costs (and cost recovery) across the two Duke territories for generation resources and network upgrades in each instance where said generation resources and network upgrades benefit both territories. NCSEA does not wish to stand on a soapbox in this docket regarding ratepayer savings via new efficiencies enabled by a single balancing area, but NCSEA does think creative or common-sense solutions should be considered rather than just “reduce the procurement size” as the de facto rate disparity risk aversion tactic. Further, reducing the procurement size does not even eliminate the potential for rate

disparity, it just makes it likely the rate disparity is less. This is not a viable long-term solution during the clean energy transition in North Carolina. NCSEA is open to creative solutions to this potential problem but does not want to sacrifice what may be the least cost pathway to achieving carbon emissions reductions mandated under S.L. 2021-65.

11. What workarounds or alternatives are available to the issue described in Paragraph No. 15 of the Public Staff's initial comments – that the Commission may have difficulty enforcing a limited termination right in the event that transmission upgrade costs increase above a specified threshold relative to the DISIS upgrade costs without impacting projects both participating in the 2022 Solar RFP and those not participating in the 2022 Solar RFP?

Duke Summary Response: Duke may exercise termination rights over a solar contract where project costs, including network upgrades associated with a project, are too high. The use of these termination rights might cause upgrade costs to be reallocated elsewhere which could potentially cause other projects to have to be cancelled and will put in danger the 700 megawatt procurement floor that Duke has proposed.

NCSEA is concerned about the lack of a true floor to this procurement if, upon Duke's own volition after reviewing cost factors, Duke can terminate a solar contract. This could possibly cause a domino effect on other interrelated projects which will then also be forced to cancel due to higher costs.

NCSEA believes the floor is the floor and while costs may in some solar facility cases be higher than expected, such higher costs do not eliminate the 2030 emissions reduction mandate nor the 2050 carbon neutrality requirement. NCSEA believes it would be appropriate, in the event of Duke exercising of termination rights due to high network upgrade costs, for the Commission to review any such invocation of termination rights. NCSEA agrees that the need to terminate a project that is too costly may arise but does not believe that any such termination should occur without oversight. A true "floor" for this procurement is a safe way to ensure the emissions reduction mandate can be met, so

NCSEA would encourage the Commission to enforce the floor via oversight of termination of projects and, where possible, guidance for how clean energy generation resources can be replaced.

Respectfully submitted this the 6th day of May 2022.

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I hereby certify that all persons on the docket service list have been served true and accurate copies of the foregoing document by hand delivery, first class mail deposited in the U.S. mail, postage pre-paid, or by email transmission with the party's consent.

This the 6th day of May 2022.

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