STATE OF NORTH CAROLINA UTILITIES COMMISSION RALEIGH

DOCKET NO. E-100, SUB 140

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Biennial Determination of Avoided Cost)	ORDER ESTABLISHING
Rates for Electric Utility Purchases from)	BIENNIAL PROCEEDING
Qualifying Facilities – 2014)	AND SCHEDULING HEARING

BY THE COMMISSION: These are the 2014 biennial proceedings held by this Commission pursuant to the provisions of Section 210 of the Public Utility Regulatory Policies Act of 1978 (PURPA) and the Federal Energy Regulatory Commission (FERC) regulations implementing those provisions which delegated to this Commission certain responsibilities for determining each utility's avoided costs with respect to rates for purchases from qualifying cogenerators and small power production facilities. These proceedings are also being held pursuant to G.S. 62-156 which requires this Commission to determine the rates to be paid by electric utilities for power purchased from small power producers as defined in G.S. 62-3(27a).

In order to facilitate the determination of avoided cost rates, the Commission is of the opinion that the present Order should be entered at this time to commence the 2014 biennial determination of such rates in this docket. Duke Energy Carolinas, LLC (DEC); Duke Energy Progress, Inc. (DEP); Virginia Electric and Power Company, d/b/a Dominion North Carolina Power (DNCP); Western Carolina University (WCU); and New River Light and Power Company (New River) should be made parties to these proceedings.

In its February 21, 2014 Order in Docket No. E-100, Sub 136, the Commission stated:

The Commission recognizes the potential magnitude of the impacts on generation, transmission, and distribution systems of both smaller distributed and utility-scale solar photovoltaic projects that are proposed to be constructed in North Carolina. The potentially disruptive implications, both positive and negative, of this changing landscape merit further consideration – more than was provided during this proceeding – and have relevance to multiple other proceedings before the Commission, including integrated resource planning, REPS compliance, future avoided cost determinations, and others. The Commission also recognizes, as previously discussed, that it may no longer be appropriate to continue building upon the previously established PAF framework to determine avoided capacity cost rates given the new emerging QF landscape. With that in mind, the Commission will revisit its precedents, including whether

a 2.0 PAF for run-of-river hydroelectric facilities with no storage capability should be continued, whether avoided capacity payments are more appropriately calculated based on installed capacity rather than a per-kWh capacity payment, and whether the methodologies historically relied upon by the Commission to determine avoided cost capture the full avoided costs.

As a result, the Commission will consider these issues in a broader context in its next biennial avoided cost proceeding in advance of the filing of proposed rates. This will allow for further consideration of the value of solar proposition proffered by NCSEA and its witness Rábago, the materials presented in the Crossborder Study, the system impact study that is being developed by DEC and DEP, the cap on capacity payments requested by DNCP, and other issues that the Public Staff and other parties may wish to have considered.

The Commission has determined that the most efficient path forward in this proceeding is to consider these issues prior to the filing of new proposed rates, which will be required by a subsequent Commission order in this Docket. Therefore, the Commission finds good cause to schedule an evidentiary hearing to consider changes to the methodology used to calculate avoided cost payments, particularly capacity payments, including, but not limited to, whether a 2.0 PAF for run-of-river hydroelectric facilities with no storage capability should be continued, whether avoided capacity payments are more appropriately calculated based on installed capacity rather than a per-kWh capacity payment, and whether the methodologies historically relied upon by the Commission to determine avoided cost capture the full avoided costs.

IT IS, THEREFORE, ORDERED as follows:

- 1. That DEC, DEP, DNCP, WCU and New River are hereby made parties to these proceedings;
- 2. That other persons desiring to become formal participants and parties of record in this proceeding shall file verified petitions to intervene in accordance with the applicable Commission rules on or before Friday, May 30, 2014;
- 3. That an evidentiary hearing is hereby scheduled for Monday, July 7, 2014, at 1:30 p.m., in Commission Hearing Room 2115, Dobbs Building, 430 N. Salisbury Street, Raleigh, North Carolina;
- 4. That direct testimony and exhibits regarding the proper methodology to determine avoided cost payments, particularly capacity payments, shall be filed by all parties to this proceeding on or before Thursday, April 17, 2014;

- 5. That any additional testimony and exhibits in response to the testimony filed by other parties shall be filed by all parties to this proceeding on or before Friday, May 30, 2014; and
- 6. That any rebuttal testimony shall be filed by all parties to this proceeding on or before Friday, June 20, 2014.

ISSUED BY ORDER OF THE COMMISSION.

This the <u>25th</u> day of February, 2014.

NORTH CAROLINA UTILITIES COMMISSION

Hail L. Mount

Gail L. Mount, Chief Clerk