August 12, 2015

VIA ELECTRONIC FILING

Gail L. Mount Chief Clerk Office of the Chief Clerk North Carolina Utilities Commission 4325 Mail Service Center Raleigh, NC 27699-4325

RE: Docket No. E-100, Sub 113

Dear Mrs. Mount:

Enclosed for filing please find Joint Motion of Duke Energy Carolinas, LLC, Duke Energy Progress, LLC, Virginia Electric and Power Company, d/b/a Dominion North Carolina Power, GreenCo. Solutions Inc., Public Works Commission of the City of Fayetteville, EnergyUnited Electric Membership Corporation, Halifax Electric Membership Corporaton, the Tennessee Valley Authority, North Carolina Eastern Municipal Power Agency, and North Carolina Municipal Power Agency Number 1 (collectively, the "Electric Suppliers") to Modify and Delay the 2015 Requirements of N.C. Gen. Stat. Sect. 62-133.8 (e) and (f) Due to Lack of Sufficient Swine and Poultry Waste Resources.

Sincerely,

Fobertu Kaylon

Robert W. Kaylor

Encls.

cc: Parties of Record

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-100, SUB 113

In the Matter of:) JOINT MOTION OF DUKE ENERGY
In the Matter of: Rulemaking Proceeding to Implement Session Law 2007-397	 CAROLINAS, LLC, DUKE ENERGY PROGRESS, LLC, VIRGINIA ELECTRIC AND POWER COMPANY D/B/A DOMINION NORTH CAROLINA POWER, GREENCO SOLUTIONS, INC., PUBLIC WORKS COMMISSION OF THE CITY OF FAYETTEVILLE, ENERGYUNITED ELECTRIC MEMBERSHIP CORPORATION, HALIFAX ELECTRIC MEMBERSHIP CORPORATION, THE TENNESSEE VALLEY AUTHORITY, NORTH CAROLINA EASTERN MUNICIPAL POWER AGENCY AND
	 NORTH CAROLINA MUNICIPAL POWER AGENCY NUMBER 1 TO MODIFY AND DELAY THE 2015
) REQUIREMENTS OF N.C. GEN. STAT. §
	 62-133.8(e) and (f) DUE TO LACK OF SUFFICIENT SWINE AND POULTRY
) WASTE RESOURCES

INTRODUCTION

Pursuant to Rules R1-5 and R1-7 and Rule R8-67(c)(5) of the North Carolina Utilities Commission's ("the Commission") Rules and Regulations and N.C. Gen. Stat. § 62-133.8(i)(2), Duke Energy Progress, LLC ("DEP")¹, Duke Energy Carolinas, LLC ("DEC")², Virginia Electric and Power Company d/b/a Dominion North Carolina Power

¹ DEP is also acting in its capacity as REPS compliance aggregator for Town of Sharpsburg, Town of Lucama, Town of Black Creek, City of Waynesville and Town of Stantonsburg.

² DEC is also acting in its capacity as REPS compliance aggregator for Blue Ridge Electric Membership Corporation, Rutherford Electric Membership Corporation, City of Dallas, Forest City, City of Concord, Town of Highlands, and City of Kings Mountain.

("Dominion")³, GreenCo Solutions, Inc. ("GreenCo"), Public Works Commission of the City of Fayetteville ("Fayetteville PWC"), EnergyUnited Electric Membership Corporation ("EnergyUnited EMC"), Halifax Electric Membership Corporation ("Halifax EMC"), the Tennessee Valley Authority ("TVA")⁴, North Carolina Eastern Municipal Power Agency ("NCEMPA")⁵ and North Carolina Municipal Power Agency Number 1⁶ ("NCMPA1" and together with NCEMPA, the "Power Agencies"), (collectively, the "Electric Suppliers"), submit the following joint motion for good cause to the Commission pursuant to Rule R8-67(c)(5) for approval of a joint request to relieve the Electric Suppliers from compliance with the requirements of N.C. Gen. Stat. §§ 62-133.8(e) and (f) in 2015; delay the Electric Suppliers' need to comply with the requirements of N.C. Gen. Stat. §§ 62-133.8(e) and (f) until calendar year 2016 by delaying all of the compliance obligations within these subsections for a one-year period; allow the Electric Suppliers to bank any poultry and swine waste renewable energy certificates ("RECs") previously or subsequently acquired for use in future compliance years; and allow the Electric Suppliers to replace compliance with such requirements in 2015 with compliance measures in accordance with N.C. Gen. Stat. §§ 62-133.8(b), (c) and (d).

The Electric Suppliers submit they have individually and collectively made reasonable efforts to comply with these components of the North Carolina Renewable

³ Dominion is also acting in its capacity as REPS compliance aggregator for Town of Windsor.

⁴ TVA is not an electric power supplier under N.C. Gen. Stat. § 62-133.8 but is acting in its capacity as compliance aggregator for Blue Ridge Mountain Electric Membership Corporation, Mountain Electric Cooperative, Tri-State Electric Membership Corporation, and Murphy Electric Power Board, which are electric power suppliers.

⁵ NCEMPA is not an electric power supplier under N.C. Gen. Stat. § 62-133.8 but is acting in its capacity as REPS compliance aggregator for its 32 member municipalities which are electric power suppliers.

⁶ NCMPA1 is not an electric power supplier under N.C. Gen. Stat. § 62-133.8 but is acting in its capacity as REPS compliance aggregator for its 19 member municipalities which are electric power suppliers.

Energy and Energy Efficiency Portfolio Standard ("REPS") requirements and that the relief requested herein is in the public interest. The Electric Suppliers are not seeking to modify or delay the requirements of N.C. Gen. Stat §§ 62-133.8(b), (c) or (d) as part of this joint motion. The Electric Suppliers respectfully request that the Commission consider and approve their Joint Motion without the need for an evidentiary hearing, because the Electric Suppliers' 2015 collective swine and poultry waste set-aside compliance positions have not changed appreciably since the Commission's March 26, 2014 Final Order Modifying the Poultry and Swine Set-Aside Requirements and *Providing Other Relief* (hereinafter, "2014 Final Order"); and the Commission's November 13, 2014 Order Modifying the Swine Waste Set-Aside Requirement and Providing Further Relief (hereinafter, "2014 Delay Order") and because stakeholders and regulatory staff are now provided with ample information surrounding the status of the Electric Suppliers' compliance efforts through submission of the triannual reports required of the Electric Suppliers in the December 20, 2013 Notice of Decision and Order (hereinafter "2013 Delay Order"), 2014 Final Order and the 2014 Delay Order, and the opportunity to discuss and examine compliance strategies and alternatives in the stakeholder meetings also required by the latter two Orders.

REQUEST TO DELAY COMPLIANCE WITH THE REQUIREMENTS OF N.C. GEN. STAT. §§ 62-133.8(e) AND (f).

1. The Electric Suppliers, directly or indirectly, represent a substantial majority of the "electric power suppliers" (as defined in N.C. Gen. Stat. § 62-133.8(a)(3)) subject to the requirements of N.C. Gen. Stat. § 62-133.8. DEC and DEP are electric public utilities providing service to customers in North and South Carolina. Dominion is an electric public utility providing service to customers in Virginia and North Carolina.

GreenCo is a North Carolina corporation operating as a cooperative, organized on behalf of twenty-two (22) North Carolina electric membership corporations ("EMCs") for the purpose of providing assistance to the participating EMCs in meeting their respective compliance obligations pursuant to N.C. Gen. Stat. § 62-133.8. EnergyUnited EMC and Halifax EMC are North Carolina electric membership corporations not complying through GreenCo. Fayetteville PWC is a municipality that sells electric power to retail customers. TVA is a corporate agency and instrumentality of the United States created by and existing under the Tennessee Valley Authority Act of 1933, as amended, acting as compliance aggregator for four (4) municipal and cooperative distributors of TVA power that serve retail customers in North Carolina. NCEMPA and NCMPA1 are joint agencies created pursuant to Chapter 159B of the North Carolina General Statutes to provide wholesale power and related services to their 51 participating North Carolina municipal members (19 municipal members of NCMPA1 and 32 municipal members of NCEMPA). ElectriCities of North Carolina, Inc. is a joint municipal assistance agency organized pursuant to N.C. Gen. Stat. § 159B-43 by the Power Agencies to which it provides management services.

2. Subsection (e) of N.C. Gen. Stat. § 62-133.8, as modified by the 2014 Delay Order, requires that the following percentages of total electric power in kilowatt hours ("kWh") sold to retail electric customers in North Carolina by electric power suppliers in the aggregate be supplied by swine waste (the "Swine Set-Aside"): 0.07% in 2015-2016; 0.14% in 2017-2019; and 0.20% in 2020 and thereafter. Subsection (f), as modified by the 2014 Final Order, requires that the following amounts of electric power in megawatt-hours ("MWh") sold to retail electric customers in North Carolina by electric suppliers in the aggregate be supplied by poultry waste (the "Poultry Set-Aside"): 170,000 MWh in 2014; 700,000 MWh in 2015; and 900,000 MWh in 2016 and thereafter.

3. Commission Rule R8-67(c)(5) provides that:

In any year, an electric power supplier or other interested party may petition the Commission to modify or delay the provisions of G.S. 62-133.8(b), (c), (d), (e) and (f), in whole or in part. The Commission may grant such petition upon a finding that it is in the public interest to do so. If an electric power supplier is the petitioner, it shall demonstrate that it has made a reasonable effort to meet the requirements of such provisions. . . . The Commission shall allow a modification or delay only with respect to the electric power supplier or group of electric power suppliers for which a need for the modification or delay has been demonstrated.

4. The Commission has ordered that compliance with the set-aside requirements of N.C. Gen. Stat § 62-133.8, including the Swine and Poultry Waste Set-Asides, is an aggregate obligation of electric power suppliers. See Order on Duke Energy Carolinas, LLC, Motion for Clarification, Docket No. E-100, Sub 113 (May 7, 2009). Further, in its Order on Pro Rata Allocation of Aggregate Swine and Poultry Waste Set Aside Requirements and Motion for Clarification in Docket No. E-100, Sub 113 (March 31, 2010) ("Pro-Rata Order"), the Commission approved the proposal supported by Dominion, DEC, NCEMC, GreenCo and DEP as a means for meeting the requirements of the statewide aggregate Swine and Poultry Waste Set-Aside requirements, such that the aggregate requirements will be allocated among the Electric Suppliers based on the ratio of each respective Electric Supplier's prior year retail sales to the total statewide retail sales and that an electric power supplier shall be deemed in compliance with the Swine and Poultry Waste Set-Aside requirements once it has reached its allocable share of the statewide aggregate requirement or has reached its

made reasonable effort to comply with the statewide swine waste set-aside requirement and that it was in the public interest to delay the required compliance of the state's electric suppliers with the requirements of G.S. § 62-133.8(e) for one year. See 2014

ELECTRIC SUPPLIERS HAVE MADE REASONABLE, I. GOOD FAITH EFFORTS TO COMPLY WITH THE SWINE AND **POULTRY WASTE SET-ASIDES.**

incremental cost cap pursuant to N.C. Gen. Stat. § 62-133.8(h). In its 2014 Final Order

the Commission found it to be in the public interest to delay compliance by the State's

electric suppliers with the requirements of the swine and poultry waste set-asides by one

year. In the 2014 Delay Order the Commission again held that the electric suppliers had

Delay Order at 4.

5. Since the passage of Session Law 2007-397 ("Senate Bill 3"), the Electric Suppliers, both individually and collectively, have made reasonable, good faith efforts to meet the requirements of the Swine and Poultry Waste Set-Asides, including but not limited to, actively engaging swine and poultry waste-to-energy developers, issuing requests for proposals ("RFPs"), evaluating bids received, negotiating and executing long-term REC purchase agreements for these resources, processing interconnection requests from these generators, actively monitoring executed agreements, and, in some cases, further modifying REC purchase agreements to provide developers additional reasonable opportunities for successful project execution. Nonetheless, because of the continuing issues discussed in greater detail below, which parallel the reasons underlying the Commission's 2014 Final Order and the 2014 Delay Order, the Electric Suppliers will collectively be unable to secure the RECs necessary to meet the aggregate Swine and Poultry Waste Set-Aside requirements in 2015.

SWINE AND POULTRY WASTE SET-ASIDE PROCUREMENT EFFORTS

6. As noted above, since the enactment of Senate Bill 3, the Electric Suppliers have actively and diligently pursued opportunities to procure RECs to comply with their Swine and Poultry Waste Set-Aside requirements. However, the Electric Suppliers' procurement efforts with respect to swine and poultry waste-to-energy resources have been challenging from the outset, due to the small numbers of existing market participants in the United States and the fact that few, if any, of those market participants have direct experience developing or operating those biomass technologies. In addition, the Electric Suppliers' procurement efforts have been further complicated by the uncertain environmental regulatory permitting requirements of animal waste fuels and carbon-emitting biomass generation. All of these factors have presented challenges to timely project development of these resources as well as the relatively high cost that will likely be required to ultimately develop and deliver RECs from swine and poultry waste fuel.

7. The Electric Suppliers have experienced varying levels of success in terms of executing contracts to purchase RECs to comply with the Poultry Set-Aside. While a number of contracts have been signed, many developers of this resource continue to experience technical challenges and financing hurdles, as well as uncertainties arising from environmental regulatory permitting issues, all of which have slowed or, in some situations, even eliminated proposed projects. The State as a whole realized success in securing sufficient resources for compliance with the Poultry Set-Aside of 170,000 MWhs for 2014. Several near-term challenges remain, however, to meeting the Poultry

Set-Aside targets in the future. To date, only a handful of poultry projects are operating and online. Ramping up to meet the increased compliance targets for 2015-2017 has been problematic because other suppliers have either delayed projects or lowered the volume of RECs to be produced, and thus the ability to achieve aggregate compliance in 2016 and 2017 with the Poultry Set-Asides remains uncertain and largely subject to counterparty performance.

8. Since the 2013 Delay Order and the 2014 Delay Order were issued, the Electric Suppliers have diligently pursued the acquisition of additional swine waste RECs through ongoing market assessments, RFPs, negotiation with potential suppliers, and/or execution of additional contracts. Despite their continuing reasonable and diligent efforts, the Electric Suppliers are now certain that they will be unable to meet the 2015 aggregate Swine Set-Aside compliance requirements. The Electric Suppliers remain committed to taking all reasonable actions to achieve compliance with the Swine Set-Aside over both the short and long term, and are actively monitoring the development of swine waste-to-energy projects and evaluating additional possible future compliance measures.

9. Additional details regarding the efforts of DEP, DEC, Dominion, GreenCo, Fayetteville PWC, EnergyUnited EMC, Halifax EMC, and the Power Agencies to meet the Swine and Poultry Waste Set-Aside requirements since the 2014 Delay and 2014 Final Orders were issued can be found in the confidential triannual progress reports, filed in Docket No. E-100, Sub 113A.

10. Some Electric Suppliers have sought additional swine waste RECs, outside of the joint procurement efforts, either through spot purchase or through

execution of long term REC purchase agreements. In spite of these additional procurement efforts, the Electric Suppliers are still unable to meet the aggregate 2015 Swine Set-Aside requirements.

II. THE REQUESTED DELAY OF COMPLIANCE WITH THE SWINE AND POULTRY WASTE SET-ASIDE REQUIREMENTS IS IN THE PUBLIC INTEREST.

11. The Electric Suppliers submit that given their reasonable efforts to comply with the Swine and Poultry Waste Set-Asides since the enactment of Senate Bill 3, and since the Commission's issuance of its November 29, 2012 Order Modifying the Poultry and Swine Waste Set-Aside Requirements and Granting Other Relief (2012 Delay Order) and the 2014 Delay and 2014 Final Orders, the granting of the relief requested in this motion is in the public interest. The Electric Suppliers continue to diligently pursue opportunities to procure RECs to comply with the statewide aggregate Swine and Poultry Waste Set-Aside requirements. Importantly, over the long term, the Electric Suppliers expect to reach full compliance with these requirements; however, over the short term, sufficient development of these new and unique resources to allow for such compliance will require additional time.

12. As stated above, the Swine and Poultry Waste Set-Asides have presented the Electric Suppliers with unique challenges. Primary among these challenges has been the lack of existing market participants in the United States and the fact that few of those market participants have actual or direct experience developing or operating those biomass technologies used to generate electric power from poultry waste or swine waste. Through Senate Bill 3, North Carolina has essentially become the test case for the scalable potential, limited or otherwise, for those biomass fuels. As the first and only state requiring the large-scale development of swine waste-to-energy generation projects, significant obstacles and hurdles have been encountered from the outset. The Electric Suppliers continue to support the development of qualifying resources to meet these set-aside requirements, as demonstrated by the long term REC purchase agreements they have executed, while still attempting to insulate their respective customers from the new and unique risks relating to capital costs, fuel and fuel transportation costs, environmental permitting, and operational challenges inherent in the development of new and different generation technologies.

13. This motion is not intended to address the Electric Suppliers' compliance with any REPS requirements beyond the 2015 compliance year for purposes of requesting relief under Rule R8-67(c)(5) and N.C. Gen. Stat. § 62-133.8(i)(2).

CONCLUSION

14. For the reasons set forth above, pursuant to N.C. Gen Stat. § 62-133.8(i)(2) and Commission Rules R1-5, R1-7 and R8-67(c)(5), the Electric Suppliers respectfully submit that the requested modification and delay of the Swine and Poultry Waste Set-Asides is reasonable and justified as a matter of law. The Electric Suppliers have reasonably and prudently attempted to comply with the requirements of the Swine and Poultry Waste Set-Asides since the enactment of Senate Bill 3. Despite those efforts, compliance with the aggregate requirements of the Swine and Poultry Waste Set-Asides cannot be achieved in 2015. The Electric Suppliers continue to make every reasonable effort to comply with the Swine and Poultry Waste Set-Asides and other REPS requirements. In view of the demonstrated past and continuing reasonable efforts to comply, the relief requested by the Electric Suppliers is in the public interest.

15. To the extent that any Electric Supplier has acquired swine and/or poultry waste RECs, given the escalation in the level of the aggregate Swine and Poultry Waste Set-Aside requirements applicable to the Electric Suppliers in the initial years of the compliance schedule under N.C. Gen Stat. § 62-133.8 (e) and (f), the Electric Suppliers submit that it is in the public interest, in connection with the relief requested herein, that they be allowed to continue banking any such RECs for use in future compliance years in order to better facilitate their efforts to collectively comply with these aggregate requirements in future compliance years. *See* 2014 Delay Order at 5 and Final Order at 7.

WHEREFORE, the Electric Suppliers respectfully request that the Commission grant this joint motion and relieve the Electric Suppliers from compliance with the requirements of N.C. Gen. Stat. §§ 62-133.8(e) and (f) in 2015; delay the Electric Suppliers' need to comply with the requirements of N.C. Gen. Stat. §§ 62-133.8(e) and (f) until calendar year 2016 by delaying all of the compliance obligations within those subsections for one year; allow the Electric Suppliers to bank any swine and/or poultry waste RECs previously or subsequently acquired for use in future compliance years; and allow the Electric Suppliers to replace compliance with such requirements in 2015 with compliance measures in accordance with N.C. Gen. Stat. §§ 62-133.8(b), (c) and (d). Furthermore, in light of the information contained herein and the essentially unchanged aggregate Swine and Poultry Waste Set-Aside compliance status since the issuance of the 2014 Delay and the 2014 Final Orders, and the triannual reports filed in 2015, the Electric Suppliers respectfully request that the Commission approve the Joint Motion

upon the basis of written submission of the parties without the need for an evidentiary hearing.

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Aug 12 2015

Respectfully submitted, this the 12th day of August 2015.

DUKE ENERGY PROGRESS, LLC DUKE ENERGY CAROLINAS, LLC

Robert w. Kaylon

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VIRGINIA ELECTRIC AND POWER COMPANY d/b/a DOMINION NORTH CAROLINA POWER

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Aug 12 2015

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Docket No. E-100, Sub 113

CERTIFICATE OF SERVICE

I certify that a copy of Joint Motion of Duke Energy Progress, LLC., Duke Energy Carolinas, LLC, Virginia Electric and Power Company, d/b/a Dominion North Carolina Power, Public Works Commission of the City of Fayetteville, GreenCo Solutions, Inc., Energy United Electric Membership Corporation, Halifax Electric Membership Corporation, the Tennessee Valley Authority, North Carolina Eastern Municipal Power Agency, and North Carolina Municipal Power Agency Number 1 (collectively, the "Electric Suppliers") to Modify and Delay the 2015 Requirements of N.C. Gen. Stat. Sect. 62-133.8 (e) and (f) Due to Lack of Sufficient Swine and Poultry Waste Resources has been served by electronic mail or by depositing a copy in the United States Mail, first class postage prepaid, to all parties of record in this docket.

This the 12th day of August, 2015.

Robert W. Kaglon

Robert W. Kaylor Law Office of Robert W. Kaylor, P.A. 353 E. Six Forks Road, Suite 260 Raleigh, N.C. 27609 Tel: 919.828.5250 North Carolina State Bar No. 6237