

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

**STAFF CONFERENCE AGENDA
February 22, 2016**

COMMISSION STAFF

NO AGENDA ITEMS

PUBLIC STAFF

C. COMMUNICATIONS

P1. FILING OF INTERCONNECTION AGREEMENTS AND AMENDMENTS BY AT&T NORTH CAROLINA AND CENTURYLINK

EXPLANATION: The following interconnection agreements and amendments were filed for Commission approval between December 2, 2015, and December 18, 2015:

BellSouth Telecommunications, LLC, d/b/a AT&T North Carolina (AT&T)

Docket No. P-55, Sub 1460 – Amendment filed on December 16, 2015, to an existing interconnection agreement with Matrix Telecom, Inc., which the Commission approved on May 6, 2009. This amendment replaces certain Operations Support Systems (OSS) rates, implements changes pursuant to the Lifeline and Link Up Reform and Modernization et al., WC Docket No. 11-42 et al., Second Report and Order, FCC 15-71, and revises provisions related to Customer Information Services (CIS). The changes delete the rates for Lifeline and Link Up services which will no longer be available under this agreement beginning February 9, 2016. In addition, all rates, terms and conditions pertaining to CIS are deleted and separate appendices for CIS and its associated pricing are attached as Exhibit C & D respectively. The parties also agree to replace Section 13, which addresses notices and the contact information to be used by the companies, plus several new terms are added to the General Terms and Conditions in the agreement.

Docket No. P-55, Sub 1573 – Amendment filed on December 10, 2015, to an existing interconnection agreement with BCN Telecom, Inc., which the Commission approved on May 6, 2009. The amendment implements changes pursuant to the Lifeline and Link Up Reform and Modernization et al., WC Docket No. 11-42 et al., Second Report and Order, FCC 15-71, and revises provisions related to Customer Information Services (CIS). The

changes delete the rates for Lifeline and Link Up services which will no longer be available under this agreement. In addition, all rates, terms and conditions pertaining to CIS are deleted and separate appendices for CIS and its associated pricing are attached as Exhibit A & B respectively. AT&T-21STATE and CLEC are added to the Attachment or Appendix for Resale. The parties agree to add fifteen states, including North Carolina, to the agreement and add the associated Pricing Sheets for these states. Also, the parties agree to replace Section 21.0, which addresses notices and the contact information to be used by the companies, plus several new terms are added to the General Terms and Conditions in the agreement. Upon the effective date of this amendment, the original agreement will be terminated as the amendment replaces it in its entirety.

Docket No. P-55, Sub 1770 – An amendment filed on December 16, 2015, to an existing interconnection agreement with Tele Circuit Network Corporation, which the Commission approved on July 30, 2009. The amendment implements changes pursuant to the Lifeline and Link Up Reform and Modernization et al., WC Docket No. 11-42 et al., Second Report and Order, FCC 15-71, and revises provisions related to Customer Information Services (CIS). The changes delete the rates for Lifeline and Link Up services which will no longer be available under this agreement. In addition, all rates, terms and conditions pertaining to CIS are deleted and separate appendices for CIS and its associated pricing are attached as Exhibit A & B respectively. AT&T-21STATE and CLEC are added to the Attachment or Appendix for Resale. The parties agree to add seven states, including North Carolina, to the agreement in addition to adding Pricing Sheet(s), Exhibit C and State specific Appendices attached as Exhibit C & D respectively. Also, the parties agree to replace Section 21.0, which addresses notices and the contact information to be used by the companies, plus several new terms are added to the General Terms and Conditions in the agreement. Upon the effective date of this amendment, the original agreement will be terminated as the amendment replaces it in its entirety.

Docket No. P-55, Sub 1911 – Agreement and Amendment with Big River Telephone Company, LLC, filed on December 2, 2015, and December 4, 2015, respectively:

- (1) Agreement: Based on the language in the agreement it appears the parties intended for the agreement to become effective when the agreement was originally executed. However, Big River Telephone Company, LLC, was not certified to provide service in North Carolina and the agreement was not filed with the Commission. Subsequently Big River Telephone Company, LLC, received their certification in Docket No. P-1513, Sub 1, and the agreement has now been submitted for review and approval.

- (2) Amendment: An amendment was filed on December 4, 2015, to an existing interconnection agreement with Big River Telephone Company, LLC. The amendment implements changes pursuant to the Lifeline and Link Up Reform and Modernization et al., WC Docket No. 11-42 et al., Second Report and Order, FCC 15-71, and revises provisions related to Customer Information Services (CIS). The changes delete the rates for Lifeline and Link Up services which will no longer be available under this agreement. In addition, all rates, terms and conditions pertaining to CIS are deleted and separate appendices for CIS and its associated pricing are attached as Exhibit A & B respectively. AT&T-21STATE is added to the Attachment or Appendix for Resale. The parties agree to add the associated Pricing Sheets for these states. Also, the parties agree to replace Section 20, which addresses notices and the contact information to be used by the companies, plus several new terms are added to the General Terms and Conditions in the agreement.

Docket No. P-55, Sub 1912 – Agreement with Preferred Long Distance, Inc., filed on December 16, 2015.

Carolina Telephone and Telegraph Company LLC and Central Telephone Company d/b/a CenturyLink

Docket No. P-7, Sub 1275, and P-10, Sub 888 – Agreement with QuantumShift Communications, Inc., filed on December 18, 2015.

All of these filings were made in compliance with Commission Rule R17-4(d) and Sections 252(e) and 252(i) of the Telecommunications Act of 1996. The Act provides for the filing of such agreements and amendments with the state commission and approval or rejection by the state commission within 90 days after filing. On June 18, 1996, the Commission issued an Order in Docket No. P-100, Sub 133, allowing interim operation under negotiated agreements filed as public records prior to Commission approval of the agreements.

The Public Staff has reviewed each of these filings and recommends Commission approval.

RECOMMENDATION: (Britt) That an order be issued approving these agreements and amendments effective on the date they were filed. The Public Staff has provided copies of the proposed orders to the Commission's Legal Staff.

D. ELECTRIC

P1. APPLICATIONS FOR CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY TO CONSTRUCT SOLAR FACILITIES AND REGISTRATION STATEMENTS

EXPLANATION: The following applications seeking certificates of public convenience and necessity pursuant to G.S. 62-110.1 for construction of solar photovoltaic electric generating facilities have been filed pursuant to Commission Rule R8-64. Unless otherwise indicated below, registration statements for a new renewable energy facility were also filed pursuant to Commission Rule R8-66(b).

Duke Energy Carolinas:

- Docket No. SP-6372, Sub 3 – Application filed on August 31, 2015, by Enerparc Inc., for a certificate to construct a 5-MW_{AC} facility in Gaston County, North Carolina
- Docket No. SP-7440, Sub 0 – Application filed on December 29, 2015, by Salisbury Solar, LLC, for a certificate to construct a 5-MW_{AC} facility in Rowan County, North Carolina

Duke Energy Progress:

- Docket No. SP-5255, Sub 0 – Application filed on February 27, 2015, by C&S Solar, LLC, for certificate to construct a 4.99-MW_{AC} facility in Robeson County, North Carolina
- Docket No. SP-6532, Sub 0 – Application filed on November 16, 2015, by Brantley Farm Solar, LLC, for certificate to construct a 50.2-MW_{AC} facility in Nash County, North Carolina
- Docket No. SP-6936, Sub 0 – Application filed on November 17, 2015, by Lane Solar Farm II, LLC, for certificate to construct a 4.99-MW_{AC} facility in Wayne County, North Carolina
- Docket No. SP-7068, Sub 0 – Application filed on December 8, 2015, by Benson Solar Farm, LLC, for certificate to construct a 4.996-MW_{AC} facility in Johnston County, North Carolina

North Carolina Electric Membership Corporation:

- Docket No. SP-7168, Sub 0 – Application filed on November 17, 2015, by Horus North Carolina 2, LLC, for a certificate to construct a 5-MW_{AC} facility in Randolph County, North Carolina

The Public Staff has reviewed each of the applications and determined that they comply with the requirements of G.S. 62-110.1 and Commission Rule R8-64. The Public Staff has further determined that the registration statements contain the certified attestations required by Commission Rule R8-66(b).

RECOMMENDATION: That the Commission issue orders approving the applications, issuing the requested certificates, and accepting the registration statements for these facilities, as applicable. Proposed orders have been provided to the Commission Staff.

P2. DOCKET NO. E-2, SUB 936 – DUKE ENERGY PROGRESS, LLC – RESIDENTIAL HOME ENERGY IMPROVEMENT PROGRAM

EXPLANATION: On December 16, 2015, Duke Energy Progress, LLC (DEP), filed notice of a proposed modification to its Residential Home Energy Improvement Program (Program) to add a new energy efficient variable speed pool pump measure to the Program. According to DEP, the addition of this new measure requires only notice to the Commission, rather than approval, pursuant to the flexibility guidelines in the Commission's Order dated April 30, 2009, in this docket. Accordingly, DEP made the tariff change to implement the pool pump measure effective as of January 1, 2016.

The pool pump measure is similar to an existing measure offered by Duke Energy Carolinas, LLC, and is estimated to be cost effective under the Total Resource Cost, Utility Cost, and Participant tests, but not under the Ratepayer Impact Measure test.

As noted in its December 31, 2015, response to the notice filed by DEP, the Public Staff believes the proposed measure addition is a reasonable addition to the Program. The proposed measure addition is expected to marginally improve the cost-effectiveness of the Program.

RECOMMENDATION: (Floyd) That the Commission receive this filing for informational purposes.

P3. DOCKET NO. E-2, SUB 1021 – DUKE ENERGY PROGRESS, LLC – RESIDENTIAL NEW CONSTRUCTION PROGRAM

EXPLANATION: On December 3 and December 16, 2015, Duke Energy Progress, LLC (DEP), filed notice of proposed modifications to its Residential New Construction Program (Program) to add two new measures to the Program, and to modify the incentive structures of the heat pump/air conditioner measure and whole house building code standards measure. According to DEP, the addition of these new measures requires only notice to the Commission, rather than approval, pursuant to the flexibility guidelines in the Commission's Order dated October 2, 2012 in this docket. Accordingly, DEP made the tariff change effective as of December 31, 2015.

DEP's initial (December 3, 2015) proposed modifications to the Program included a new smart thermostat measure and a new quality installation measure. DEP also proposed to change the existing flat incentive for heat pump and air conditioner replacement with a tiered structure. Finally, for the whole house measure, DEP proposed to replace the current incentive based on the Home Energy Rating System (HERS) score with an incentive based on both the HERO standard and the energy savings calculated for the EE measures actually installed.

On December 16, 2015, DEP filed a revision to its December 3, 2015, notice removing the smart thermostat measure and the third tier of the heat pump and air conditioner incentive.

The modifications are estimated to be cost effective under the Total Resource Cost, Utility Cost, and Participant tests, but not under the Ratepayer Impact Measure test.

As noted in its December 31, 2015, response, the Public Staff believes the modifications are reasonable. The modifications are estimated to marginally improve the cost-effectiveness of the Program.

RECOMMENDATION: (Floyd) That the Commission receive this filing for informational purposes.

P4. DOCKET NO. E-2, SUB 1094 – DUKE ENERGY PROGRESS, LLC – APPLICATION FOR APPROVAL OF RESIDENTIAL ENERGY ASSESSMENT PROGRAM

EXPLANATION: On December 16, 2015, Duke Energy Progress, LLC (DEP or the Company), filed an application seeking approval of a Residential Energy Assessment Program (Program) as a new energy efficiency (EE) program under G.S. 62-133.9 and Commission Rule R8-68.

DEP states that the Program will provide residential customers with a free in-home energy assessment that is designed to help reduce energy usage and save money. The assessment will be performed by a certified energy specialist, who will discuss with the customer a customized report encompassing all measures that were installed as well as any recommendations for further savings. Savings will be realized from the installation of a variety of prescriptive EE measures that are included in a kit given to participants at the time of the energy assessment. Additional program savings will be realized from other measures that will be identified in the assessment and ultimately installed by the customer. No monetary incentive will be given to participants.

The application includes estimates of the Program's impacts, costs, and benefits used to calculate the cost-effectiveness of the Program. DEP's calculations indicate that the Program will be cost-effective under the Total Resource Cost and the Utility Cost tests, but not under the Ratepayer Impact Measure test.

On January 20, 2016, the Commission granted the Public Staff and other interested parties an extension of time to February 5, 2016, in which to file comments.

On February 5, 2015, the Southern Alliance for Clean Energy filed a letter in support of DEP's application.

On February 5, 2015, the Public Staff filed comments on the Program. No other party filed comments.

The Public Staff stated in its comments that the filing contains the information required by Commission Rule R8-68(c) and is consistent with G.S. 62-133.9, R8-68(c), and the Cost Recovery and Incentive Mechanism for Demand-Side Management and Energy Efficiency Programs (Mechanism), approved by Order dated January 20, 2015, in Docket No. E-2, Sub 931.

As set forth in its comments, the Public Staff has concluded that the Program has the potential to encourage DSM and EE, appears to be cost effective, will be included in future DEP IRPs, and is in the public interest. The Public Staff recommends that the Commission approve the Program as a new EE program pursuant to Commission Rule R8-68, and determine the appropriate recovery of program costs, net lost revenues, and performance incentives associated with the Program in the annual DSM/EE rider

proceeding consistent with G.S. 62-133.9, Commission Rule R8-69, and the current DSM/EE cost recovery mechanism.

EXHIBIT: A proposed order is attached as Exhibit No. P-1.

RECOMMENDATION: (Williamson) That the Commission issue the proposed order approving DEP's proposed Residential Energy Assessment EE program.

P5. DOCKET NO. E-2, SUB 1089 – DUKE ENERGY PROGRESS, LLC – APPLICATION FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

EXPLANATION: On December 16, 2015, Duke Energy Progress, LLC (DEP or Company), filed a letter notifying the Commission of its intent to file an application on or after January 15, 2016, for a certificate of public convenience and necessity (CPCN) to construct the Western Carolinas Modernization Project (WCMP), consisting of 752 megawatts (MW) (winter rating) of natural gas-fired electric generation¹ at the site of its existing 379 MW (winter rating) Asheville 1 and 2 coal-fired units (the Asheville Steam Generating Plant or the Asheville Plant) in Buncombe County near the City of Asheville. The notice of intent was filed pursuant to Section 1 of Session Law 2015-110 (the Mountain Energy Act), which provides as follows²:

Notwithstanding G.S. 62-110.1, the Commission shall provide an expedited decision on an application for a certificate to construct a generating facility that uses natural gas as the primary fuel if the application meets the requirements of this section. A public utility shall provide written notice to the Commission of the date the utility intends to file an application under this section no less than 30 days prior to the submission of the application. When the public utility applies for a certificate as provided in this section, it shall submit to the Commission an estimate of the costs of construction of the gas-fired generating unit in such detail as the Commission may require. G.S. 62-110.1(e) and G.S. 62-82(a) shall not apply to a certificate applied for under this section. The Commission shall hold a single public hearing on the application applied for under this section and require the applicant to publish a single notice of the public hearing in a newspaper of general circulation in Buncombe County. The Commission shall render its decision on an application for a certificate, including any related transmission line located on the site of the new generation facility, within 45 days of the date the application is filed if all of the following apply:

- (1) The application for a certificate is for a generating facility to be constructed at the site of the Asheville Steam Electric Generating Plant located in Buncombe County.

¹ Two 280 MW (winter rating) natural gas-fired combined cycle (CC) units and one 192 MW (winter rating) natural gas-fired simple cycle combustion turbine (CT) unit. In the application, the Company revised its request for the contingent CT unit from a 192 MW CT to a 186 MW CT.

² This section of the Mountain Energy Act is substantially similar to G.S. 62-110.1(h). Pursuant to G.S. 62-110.1(h), the Commission rendered an expedited decision granting DEP (then Progress Energy Carolinas, Inc.) a CPCN to construct 950 MW of natural gas-fired generation at the site of its three existing coal-fired units totaling approximately 400 MW in Wayne County near the City of Goldsboro, which enabled the Company to permanently cease operation of those units upon completion of the new generation.

- (2) The public utility will permanently cease operations of all coal-fired generating units at the site on or before the commercial operation of the generating unit that is the subject of the certificate application.
- (3) The new natural gas-fired generating facility has no more than twice the generation capacity as the coal-fired generating units to be retired.

Section 2 of the Mountain Energy Act amends Section 3(b) of Session Law 2014-122 (the Coal Ash Management Act, or CAMA) by extending the deadline for closing the coal combustion residual (coal ash) surface impoundments at the Asheville Plant by three years if, on or before August 1, 2016, the Commission has issued a CPCN to DEP for a new natural gas-fired facility to replace the coal units at the Asheville Plant, based upon written notice by DEP to the Commission that it will permanently cease operations at the coal units no later than January 31, 2020. In addition, replacement of coal generation with gas-fired generation within the deadlines set forth in the Act exempts impoundments and electric generating facilities located at the Asheville Plant from the prohibitions in CAMA related to storm water discharge and the requirements for conversion to “dry” fly and bottom ash.

On December 18, 2015, the Commission entered an Order scheduling a public hearing for public witness testimony on the application on January 26, 2016; setting a February 12, 2016, deadline for interested parties to intervene;³ directing the Public Staff to investigate the application, when filed, and present its findings, conclusions, and recommendations to the Commission at its Regular Staff Conference on February 22, 2016; and requiring DEP to publish notice. On January 22, 2016, the Commission entered an Order providing that any party may file a statement of position or other comments on or before the deadline for intervention.⁴

On January 15, 2016, the Company filed a verified application for the CPCN. As set forth in the application, the proposed facility consists of two new 280 megawatt (MW) (expected winter rating) natural gas-fired CC units, with fuel oil backup; a contingent natural gas-fired 186 MW (expected winter rating) simple cycle CT unit, with fuel oil back up, the need for which may be avoided or delayed due to the utilization of other technologies and programs to meet the future peak demand requirements of DEP customers in the region;

³ Petitions to intervene were timely filed by Carolina Industrial Group for Fair Utility Rates II (CIGFUR II), Carolina Utility Customers Association, Inc. (CUCA), Columbia Energy, LLC, Richard Fireman, Grant Millin, Mountain True and the Sierra Club, North Carolina Sustainable Energy Association, NC WARN and The Climate Times, and Brad Rouse. The Commission issued Orders granting each of the petitions.

⁴ Each of the intervenors except CIGFUR II and CUCA filed a statement of position or comments.

and related on-site transmission facilities.^{5 6} Attached to the application are four exhibits, portions of which were filed under seal on the ground that they contain confidential information and are not subject to disclosure pursuant to G.S. 132-1.2. Exhibit 1A is the public version of DEP's 2015 Integrated Resource Plan (IRP).⁷ Exhibit 1B is a Statement of Need and contains additional resource planning information required by Commission Rule R8-61(b)(1). Exhibit 2 contains Plant Description, Siting, and Permitting Information, Exhibit 3 contains Cost Information, and Exhibit 4 contains Construction Information. DEP requests the Commission issue a certificate that the public convenience and necessity requires construction of the two new 280 MW CC units and the contingent 186 MW CT unit.

As set forth in the application, the CC units will consist of two power blocks, each with one CT, one heat recovery steam generator (HRSG), and one steam turbine (ST), which will be designed to operate in a simple cycle configuration if the steam cycle is not available. The power blocks will be sited in the former "1982 Ash Pond" area, which is currently being excavated. One power block will be connected to the Company's existing 230 kV switchyard with a single 230 kV line.⁸ The other power block will be connected to the existing 115 kV switchyard via two 115 kV lines.⁹ The contingent CT unit would be sited near the two existing 185 MW (winter rating) CT units at the Asheville facility.

Natural gas for the CC units will be provided by a new intrastate pipeline being constructed by Public Service Company of North Carolina, Inc. (PSNC), pursuant to an agreement for firm transportation redelivery service between PSNC and the Company.

According to the application, DEP serves 160,000 households and businesses in its DEP-Western Region. The Company states that the WCMP will enable the early retirement of the 379 MW (winter rating) Asheville 1 and 2 coal units on or before the commercial operation of the new CC units, thereby permanently ceasing operations of all coal-fired units at the site.¹⁰ The CC units are planned for commercial operation in the fall of 2019. The contingent CT unit would potentially begin commercial operation in 2024 if the current

⁵ Future new solar is also part of the WCMP but is not part of the CPCN application.

⁶ The North Carolina Electric Membership Corporation (NCEMC) has an option to purchase and own 100 MW of the proposed facility, but the load required to be served by the Company in the DEP-Western Region will be the same regardless of NCEMC's ownership decision.

⁷ 2015 is an update year for the IRP. DEP's 2015 IRP includes replacement of the Asheville coal units and the 147 MW (winter rating) fast start CT units identified in the 2014 IRP with a single 733 MW (winter rating) CC in November 2019.

⁸ Both the ST and the CT will be connected to the single 230 kV line.

⁹ The ST will be connected to one 115 kV line, and the CT will be connected to the other 115 kV line.

¹⁰ DEP's 2014 IRP calls for continued operation of the Asheville coal units until 2031 with the construction of two fast-start CTs in 2019 to meet reliability requirements in the Company's western region.

peak demand growth is not sufficiently reduced by the alternative approach discussed in the application. The existing on-site CT units will continue in operation.

DEP asserts that the application is subject to expedited review under the Mountain Energy Act in that 1) the application for the CPCN is for a generating facility to be constructed at the Asheville Plant site; 2) DEP has proposed to permanently cease operations of its coal-fired units at the Asheville Plant site on or before the commercial operation of the CC units; and 3) the proposed natural gas-fired generating facility would have no more than twice the generation capacity as the coal-fired units to be retired.

In accordance with the Commission's December 18, 2015, Order, the Public Staff has investigated the Company's application. In connection with its investigation, the Public Staff has reviewed the application and exhibits and supporting documentation provided in response to data requests. As in all of the Public Staff's investigations of CPCN applications, this review included evaluation of the methodology, inputs, and assumptions underlying the Company's statement of need and economic justification for the WCMP compared to viable alternatives. The Public Staff has also had discussions and meetings with DEP representatives and with intervenors, visited the Asheville Plant site, attended the public hearing, and reviewed customer statements of position and intervenor comments filed with the Commission.

Section 1 of the Mountain Energy Act provides that "G.S. 62-110.1(e) and G.S. 62-82(a) shall not apply to a certificate applied for under this section." Thus, in rendering a decision on an application for a CPCN under the Act, the Commission is not required to approve the estimated construction costs of the CC and CT units or to make a finding that construction of the units will be consistent with the Commission's plan for expansion of electric generating capacity. However, in order to grant the requested CPCN, the Commission must, by definition, find that the public convenience and necessity requires, or will require, the construction of the new units. Such a determination necessarily involves consideration of information related to construction costs and generation planning as well as other factors specific to the WCMP, all of which have been submitted with the verified application in this case.

Through the passage of the Mountain Energy Act, the General Assembly has expressed, as a matter of public policy, its desire that the coal units at Asheville be replaced with natural gas-fired generation. To this end, the General Assembly has directed the Commission to conduct an expedited proceeding on an application for a certificate to construct a natural gas-fired generating facility to replace the coal-fired units at the Asheville Plant. Based on its understanding of the Mountain Energy Act and its investigation of DEP's application, the Public Staff has concluded that replacement of the coal units at the Asheville Plant with the CC units proposed by the Company is consistent with the purposes of the Act and that the public convenience and necessity requires the construction of the CC units in the time frame proposed.

As stated in the application, since the year 2000, the annual winter peak loads in the DEP-Western Region have increased at an average rate of 2.5%. Over the next decade, winter

peak demand in the DEP-Western Region is projected to outpace that of the rest of the DEP system in North Carolina and South Carolina, and to grow at an annual rate of 1.6%, with a total growth of approximately 17% over the next decade. As a result, the Company's 2014 IRP shows a resource need of 126/147 MW (summer/winter) of fast start CT¹¹ capacity in the DEP-Western Region. Construction of the CC units will allow for the elimination of this CT capacity as well as the retirement of the 376/379 MW (summer/winter) of coal capacity at the Asheville Plant. Retirement of the coal units at the Asheville Plant in the time frame provided under the Mountain Energy Act (January 31, 2020) will also allow the Company to avoid significant capital investments in environmental controls required by CAMA (i.e., new dry fly ash and bottom ash handling technology and storm water requirements).

A significant additional benefit associated with constructing the CC units in the proposed time frame rather than constructing CC units for commercial operation commencing in 2031 is the opportunity for DEP to participate at incremental cost in a new intrastate pipeline project being constructed by PSNC in western North Carolina.¹² Postponement of the project likely would result in significant future costs associated with incremental capacity upgrades to the pipeline to serve the CC units. The confluence of events involving the extension of gas capacity in the region and construction of the CC units in the proposed timeframe produces cost-saving synergies that will benefit ratepayers.

As stated in the application, the CC units will have a total generating capacity of 560 MW compared to the 379 MW of coal that DEP will be retiring. However, given the projected energy and peak demand growth along with the transmission constraints in the DEP-Western Region, the Public Staff believes the incremental additional generating capacity to be reasonable and necessary to maintain adequate and reliable service in the area both now and in the future and, as stated above, will eliminate the need to construct fast start CT capacity in the near future.

Replacement of the coal units at the Asheville Plant with the CC units will provide benefits to both the DEP-Western Region and the DEP system as a whole. Currently, at the time of the system peak, all Company-owned resources in the DEP-Western Region are required to meet demand. In addition, even with those resources fully dispatched, the

¹¹Fast start CTs provide greater system reliability and flexibility due to their ability to quickly respond to balancing authority area (BAA) changes in demand or loss of generation. For example, a fast start CT can achieve 100% of its rated output in less than 15 minutes, whereas a coal unit takes several hours before it can produce any power at all.

¹²See Order issued October 6, 2015, in Docket No. G-5, Sub 559. In addition to system upgrades to serve future growth and address integrity management issues, PSNC will construct the incremental pipeline facilities for service to DEP for use at the proposed CC facility.

region requires the utilization of imported power via limited transmission options.¹³ NERC reliability standards require mandatory compliance by balancing authority areas (BAAs) to ensure sufficient reserve transmission capacity into the BAA to respond to system disturbances in a timely manner.¹⁴ As load continues to grow, either more generation or more power import capability or both is required to maintain system reliability. The Company's original WCMP proposal -- to add transmission capacity in the region (the Foothills Transmission Line), along with constructing a 650 MW CC unit at the Asheville Plant -- was met with extensive community opposition and has been cancelled. The revised configuration of the CC units reduced the size of the CC capacity as originally proposed and was selected by the Company to optimize existing transmission capacity, while improving the economic dispatch of the generation serving the DEP-Western Region and the entire DEP system. The new CC units are projected to operate at significantly higher capacity factors than the existing coal units, providing system-wide fuel cost savings and potential emission benefits. Thus, the new CC units will provide some room for load growth in the region, provide greater operational flexibility due to their ability to operate as intermediate and peaking units as needed, in addition to their primary use as baseload, and serve as a resource for the broader DEP system when not fully required to meet demand in the DEP-Western Region.

The Public Staff has reviewed the Company's cost estimates, including the basis of the estimates and process being undertaken to contract with vendors for the CC units, and believes the estimates and contracting process are consistent with recent additions of CC units in DEP's and Duke Energy Carolinas, LLC's service areas. However, the Public Staff is not making a recommendation with respect to approval of the final costs associated with the CC units and reserves the right to take issue with the treatment of the final costs for ratemaking purposes in a future proceeding.

While the Public Staff believes that granting the Company's request for a CPCN for the CC units will accomplish the purpose of the Mountain Energy Act and is otherwise required by the public convenience and necessity, DEP's request that the CPCN include the construction of a 186 MW (winter rating) natural gas-fired contingent CT unit at the Asheville Plant is problematic. Unlike the CC units, which must be in commercial operation in time for the coal units to cease operation by January 31, 2020, the CT unit does not require the expedited decision-making prescribed under the Mountain Energy Act. Based on current projections, it is likely that additional CT capacity eventually will be required to meet future demand in the DEP-Western Region, but such additional capacity

¹³ In its application, DEP asserts that there is a maximum Total Transmission Import Capability of 750 MW into the DEP-Western Region. Of this total, 198 MW must be held in reserve as Transmission Reliability Margin in the event of the loss of the largest single unit in the BAA, currently Asheville Unit 1. DEP also has 164 MW of import commitments. DEP uses the remaining 388 MW of import capability into its West BAA to transfer firm capacity and energy from its East BAA into its West BAA. The West BAA has 865 MW of internal generation and a realized peak load of nearly 1,200 MW.

¹⁴ NERC reliability standard TOP-004 requires each transmission operator to operate within certain limits so that instability, uncontrolled separation, or cascading outages will not occur as a result of the most severe credible single contingency (e.g., loss of the largest generating unit or loss of a major transmission line within the BAA).

(which takes 24 months to construct) is not expected to be needed until 2024, eight years from now, and that need is contingent on (a) the success of energy efficiency and demand side management efforts, (b) load growth in the area and (c) potential least cost developments that may materialize in the future. In the Public Staff's view, the better course of action at this time would be for the Commission to wait and see how load growth develops in the region and whether collaboration between the Company and the Asheville community results in significantly reduced electricity usage and demand. Not granting a CPCN for the additional CT unit will allow time for advances in generation, transmission, and storage technologies that may provide other least cost resource options for the Company to consider should load growth continue as projected without significant reductions in demand as a result of community collaborative efforts with the Company.

Based on the foregoing, the Public Staff recommends the issuance of an order granting the requested CPCN only for the CC units, with the following conditions:

1. That DEP shall retire its existing coal units at the Asheville Plant no later than the commercial operation date of the CC units;
2. That DEP shall construct and operate the CC units in strict accordance with all applicable laws and regulations, including the provisions of all permits issued by the North Carolina Department of Environmental Quality;
3. That DEP shall file with the Commission in this docket a progress report and any revisions in the cost estimates for the CC units on an annual basis, with the first report due no later than one year from the issuance of this Order;
4. That DEP shall file with the Commission in this docket a progress report annually, including actual accomplishments to date, on its efforts to work with its customers in the DEP-Western Region to reduce peak load growth and on its efforts to site solar and storage capacity in the DEP-Western Region, with the first report due no later than one year from the issuance of this Order; and
5. That for ratemaking purposes, the issuance of this Order and CPCN does not constitute approval of the final costs associated therewith, and that the approval and grant is without prejudice to the right of any party to take issue with the treatment of the final costs for ratemaking purposes in a future proceeding.

RECOMMENDATION: (McLawhorn/Downey) That the Commission issue an order granting DEP a CPCN to construct two 280 MW (winter rating) natural gas fired (with fuel oil backup) CC units at the existing Asheville Plant site, with the conditions outlined above.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-2, SUB 1094

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	
Application by Duke Energy Progress, LLC,)	ORDER APPROVING
for Approval of Residential Energy)	PROGRAM
Assessment Program)	

BY THE COMMISSION: On December 16, 2015, Duke Energy Progress, LLC (DEP or the Company), filed an application seeking approval of a Residential Energy Assessment Program (Program) as a new energy efficiency (EE) program under G.S. 62-133.9 and Commission Rule R8-68.

DEP states that the Program will provide residential customers with a free in-home energy assessment that is designed to help reduce energy usage and save money. The assessment will be performed by a certified energy specialist, who will discuss with the customer a customized report encompassing all measures that were installed as well as any recommendations for further savings. Savings will be realized from the installation of a variety of prescriptive EE measures that are included in a kit given to participants at the time of the energy assessment. Additional program savings will be realized from other measures that will be identified in the assessment and ultimately installed by the customer. No monetary incentive will be given to participants.

DEP's application includes estimates of the Program's impacts, costs, and benefits used to calculate the cost-effectiveness of the Program. DEP's calculations indicate that the Program will be cost-effective under the Total Resource Cost and the Utility Cost tests, but not under the Ratepayer Impact Measure test.

On January 20, 2016, the Commission granted the Public Staff and other interested parties an extension of time to February 5, 2016, in which to file comments.

On February 5, 2016, the Southern Alliance for Clean Energy filed a letter in support of DEP's application.

On February 5, 2016, the Public Staff filed comments on the Program. No other party filed comments.

The Public Staff stated in its comments that the filing contains the information required by Commission Rule R8-68(c) and is consistent with G.S. 62-133.9, R8-68(c), and the Cost Recovery and Incentive Mechanism for Demand-Side Management and Energy Efficiency Programs (Mechanism), approved by Order dated January 20, 2015, in Docket No. E-2, Sub 931.

The Public Staff presented this matter at the Commission's Regular Staff Conference on February 22, 2015. The Public Staff stated that the Program has the potential to encourage DSM and EE, appears to be cost effective, will be included in future DEP IRPs, and is in the public interest. The Public Staff recommended that the Commission approve the Program as a new EE program pursuant to Commission Rule R8-68, and determine the appropriate recovery of program costs, net lost revenues, and performance incentives associated with the Program in the annual DSM/EE rider proceeding consistent with G.S. 62-133.9, Commission Rule R8-69, and the current DSM/EE cost recovery mechanism.

Based on the foregoing and the entire record in this proceeding, the Commission finds good cause to approve the Program as a new EE program. The Commission further finds and concludes that the appropriate ratemaking treatment for the Program, including program costs, net lost revenues, and performance incentives, should be determined in DEP's annual cost recovery rider approved pursuant to Commission Rule R8-69.

IT IS, THEREFORE, ORDERED as follows:

1. That the Program is hereby approved as a new Energy Efficiency program pursuant to Commission Rule R8-68.
2. That the Commission shall determine the appropriate ratemaking treatment for the Program, including program costs, net lost revenues, and performance incentives, in DEP's annual cost recovery rider, in accordance with G.S. 62-133.9 and Commission Rule R8-69.
3. That DEP shall file with the Commission, within 10 days following the date of this order, a revised tariff showing the effective date of the tariff.

ISSUED BY ORDER OF THE COMMISSION.

This the ___ day of February, 2016.

NORTH CAROLINA UTILITIES COMMISSION

Gail L. Mount, Chief Clerk