

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-100, SUB 158

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	
Biennial Determination of Avoided) ORDER SCHEDULING EVIDENTIARY
Cost Rates for Electric Utility Purchases) HEARING AND ESTABLISHING
from Qualifying Facilities – 2018) PROCEDURAL SCHEDULE

BY THE CHAIRMAN: On June 26, 2018, in the above-captioned proceeding, the Commission issued an Order Establishing Biennial Proceedings, Requiring Data, and Scheduling Public Hearing. That Order made Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina (Dominion), Duke Energy Carolinas, LLC (DEC), Duke Energy Progress, LLC (DEP) (together, Duke), Western Carolina University (WCU), and Appalachian State University, d/b/a/ New River Power and Light (New River) parties to this proceeding (collectively, the Utilities).

On November 1, 2018, the Utilities filed comments, data, and proposed rates, as required by the Commission's June 26, 2018 Order. As a part of its filing, Duke noted certain rate design issues that have not previously been presented to the Commission, and stated that it believes that the public interest would be served by the Commission holding an evidentiary hearing and receiving testimony on those issues. Duke, therefore, requested that the Commission issue a procedural order allowing for pre-filing of testimony by interested parties and setting a date for an evidentiary hearing to receive expert testimony on those issues.

The Commission subsequently issued orders allowing the following to intervene in this proceeding: North Carolina Sustainable Energy Association (NCSEA), North Carolina Clean Energy Business Alliance (NCCEBA), Carolina Utility Customers Association, Inc. (CUCA), Ecoplexus, Inc. (Ecoplexus), Southern Alliance for Clean Energy (SACE), NC Small Hydro Group (Hydro Group), Cube Yadkin Generation LLC (Cube Yadkin), and NC WARN, Inc. (NC WARN).

On January 25, 2019, the Commission issued an Order on Procedural Schedule and Requiring Report. That Order, among other things, required Duke to file a report identifying all substantive issues that are anticipated to come before the Commission for determination in this proceeding, including, (1) those issues where agreement exists or can reasonably be expected to be reached; (2) those issues that are in controversy, but do not merit consideration at an evidentiary hearing, and (3) those issues that are in controversy and merit consideration at an evidentiary hearing.

On April 10, 2019, Duke filed the report required by the Commission's January 25, 2019 Order. Duke's report demonstrates that there is agreement among those parties that expressed an opinion that an evidentiary hearing is not warranted as to the following issues:

- Duke's Proposal to Rely Upon 2018 IRP Commodity Price Forecast Using 10 Years of Forward Market Pricing;
- Dominion's Approach to Forecasting Commodity Prices;
- Dominion's Approach to Calculating Hedging Value;
- Duke's Proposal Regarding Fuel Hedging as a "Put Option" and Not Avoided Energy Costs;
- NCSEA's Proposal for a "Market Price Suppression" Adder;
- The Public Staff's Proposal to Consider Cost Increments and/or Decrements to CT Costs in Future Biennial Proceedings;
- NCSEA's Recommendation to Include an Adder to CT Costs for Firm Natural Gas Transportation;
- Duke and Dominion's Identification of their Respective First Avoidable Capacity need, as Presented in their 2018 Integrated Resource Plans (IRPs);
- Duke's and Dominion's Proposed Performance Adjustment Factor (PAF) Capacity Multipliers;
- Continuation of 2.0 PAF Multiplier for Hydro QFs 1 MW or Less;
- Hydro Group's Proposal to Continue to Offer a PAF Multiplier for Hydro QFs 5 MW or less;
- Duke's Demand-Side Management Assumptions Relating to Seasonal Allocation;
- Dominion's Annual Capacity Payment Limit & Seasonal Allocation of Avoided Capacity Costs;
- Duke's Updated Avoided Energy Rate Design Proposal;
- NCSEA's Hybrid Avoided Energy Rate Design Proposal;
- Dominion's Proposed Energy Seasons and Peak Hour Designations;

- Dominion's Continued Elimination of the Line Loss Adjustment for Distribution Connected QFs; and
- Duke's Proposal to Continue to Include Line Loss Adjustment for Distribution Connected QFs.

The parties' agreement is based upon a common understanding that these issues are either ripe for settlement or, even in the absence of settlement, can appropriately be decided based on the verified comments filed with the Commission. The Chairman agrees with the parties' assessment of these issues and, therefore, finds good cause to exclude these issues from consideration at the evidentiary hearing scheduled pursuant to this Order. Nonetheless, the Commission expects the parties to address these issues, along with the other contested issues in this proceeding, through their proposed orders and briefs filed with the Commission at the appropriate time.

Duke's report also demonstrates that there is general agreement among all of the parties that expressed an opinion that the following issues are in controversy and merit consideration at an evidentiary hearing:

- Duke's Quantification of Ancillary Services Cost of Integrating QF Solar;
- Duke's Proposed Solar Integration Charge "Average Cost" Rate Design and Biennial Update; and
- NCSEA and Public Staff's Proposals Related to Differing Ancillary Services Costs for Innovative QFs.

The Chairman also agrees with the parties' assessment as to these issues, and will, therefore, include these issues for consideration at the hearing scheduled pursuant to this Order.

Duke's report further demonstrates that, as to the following issues, the parties are divided as to whether an evidentiary hearing is warranted:

- Duke and Dominion's CT cost calculations;
- NCSEA's Proposal to Account for Avoided Transmission and Distribution Capacity Costs;
- Duke's IRP Assumptions Regarding Expiring Wholesale Contracts;
- NCSEA's Recommendation to Calculate Avoided Capacity Rate Based Upon Hypothetical 12/31/2021 In-Service Date for Standard Offer QFs;

- Duke's Updated Avoided Capacity Rate Design, Including Seasonal Allocation of Avoided Capacity;¹
- Dominion's Proposed Re-Dispatch Charge; and
- Duke's Proposed Modifications to the Standard Terms and Conditions.

The Chairman has reviewed the parties' filings in this proceeding related to these issues, and finds it appropriate to evaluate whether these issues are of a "recurring nature" and are, therefore, appropriately decided "based on a record developed through public witness testimony, statements, exhibits, and avoided cost schedules verified by persons who would otherwise be qualified to present expert testimony in a formal hearing, and written comments on the statements, exhibits, and schedules."² In addition, the Chairman has considered whether these issues, while of a "recurring nature," have taken on new significance in establishing avoided cost rates that are just and reasonable because of recent legal and policy developments. Based upon this review and the parties comments cited below, the Chairman determines that the following issues are of a recurring nature and do not warrant consideration at the evidentiary hearing: (1) Duke and Dominion's CT cost calculations;³ and (2) NCSEA's proposal to account for avoided transmission and distribution capacity costs⁴. As with other issues that will not be addressed through testimony evidence, the Commission expects the parties to address these issues in their proposed orders and/or briefs. The Chairman further determines that the remaining issues listed immediately above are new or have taken on new significance and, thus, merit consideration at the evidentiary hearing scheduled pursuant to this Order.

On April 18, 2019, Duke and the Public Staff jointly filed a stipulation of partial settlement, reciting their agreement that the avoided energy and avoided capacity months and hours presented in Attachment A to their filing are reasonable and appropriate for approval in this proceeding. Duke and the Public Staff support their stipulation by providing further detail as to the methodology supporting their agreed-upon rate design, which is included with their filing as Attachment B, and which encompasses their

¹ Duke and the Public Staff further addressed the issue of avoided capacity rate design, along with avoided energy rate design, through the partial stipulation filed in this proceeding on April 18, 2019.

² See Order Establishing Biennial Proceeding, Requiring Data, and Scheduling Public Hearing, N.C.U.C. Docket No. E-100, Sub 158 (June 26, 2018).

³ See Joint Initial Statement and Proposed Standard Avoided Cost Rate Tariffs of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC, at 15, N.C.U.C. Docket No. E-100, Sub 158 (filed Nov. 1, 2016) (stating that DEC and DEP's proposed avoided capacity cost is based upon the overnight cost of a CT unit, consistent with the Commission's final Order in the 2016 Avoided Cost Proceeding and with direction provided in the Commission's Phase II Order in the 2014 Avoided Cost Proceeding); see also Initial Statement of the Public Staff, at 5-12, N.C.U.C. Docket No. E-100, Sub 158 (filed February 12, 2019) (citing prior Orders of the Commission addressing this issue).

⁴ See Reply Comments of the Public Staff, at 9-12, N.C.U.C. Docket No. E-100, Sub 158 (filed Mar. 27, 2019) (citing consideration of this issue in the 2014 Avoided Cost Proceeding).

agreement as to seasonal energy definitions, hourly energy allocation, seasonal allocation of capacity, and capacity hours. Duke and the Public Staff further agreed that these issues can appropriately be decided without expert witness testimony. While the stipulation encompasses some discrete issues that are of a recurring nature, the Chairman recognizes that the other parties have not had an opportunity to express their views on the agreements included in the stipulation, and that the approval of the stipulation would result in changes to the rate design component of the rates established in this proceeding. For these reasons, the Chairman determines that expert witness testimony addressing the stipulation would be helpful to the Commission in approaching the requested approval of the stipulation. Therefore, the rate design changes proposed in the stipulation filed by Duke and the Public Staff, including seasonal allocation, shall be included in the scope of issues considered through expert witness testimony.

Based upon the foregoing, the Chairman finds good cause to schedule a hearing in this proceeding for the purpose of receiving expert witness testimony on the issues identified herein and to establish a schedule for the filing of testimony in advance of the hearing. The Chairman cautions the parties that the Commission's calendar will not likely allow for the rescheduling of this hearing, and that requests for extensions of time for the filing of testimony will be looked upon with disfavor, owing to the need to begin the hearing as scheduled.

IT IS, THEREFORE, ORDERED as follows:

1. That a hearing solely for the purpose of receiving expert witness testimony shall be, and is hereby, scheduled for Monday, July 15, at 1:30 p.m., in Commission Hearing Room 2115, Dobbs Building, 430 N. Salisbury Street, Raleigh, North Carolina;
2. That the hearing scheduled pursuant to this Order shall continue, as necessary, according to the following tentative schedule:
 - a. Tuesday, July 16, from 9:30 a.m. through 5:30 p.m.;
 - b. Wednesday, July 17, from 9:30 a.m. through 1:00 p.m.;
 - c. Thursday, July 18, from 1:30 p.m. through 5:30 p.m.; and
 - d. Friday, July 19, from 9:30 a.m. through 5:30 p.m.;
3. That the expert witness testimony received at the hearing scheduled pursuant to this Order shall address only the following issues in dispute in this proceeding:
 - a. Duke's IRP Assumptions Regarding Expiring Wholesale Contracts;
 - b. NCSEA's Recommendation to Calculate Avoided Capacity Rate Based Upon Hypothetical 12/31/2021 In-Service Date for Standard Offer QFs;

- c. Duke's Quantification of Ancillary Services Cost of Integrating QF Solar;
- d. Duke's Proposed Solar Integration Charge "Average Cost" Rate Design and Biennial Update;
- e. Dominion's Proposed Re-Dispatch Charge;
- f. NCSEA and Public Staff's Proposals Related to Differing Ancillary Services Costs for Innovative QFs;
- g. Duke's Proposed Modifications to the Standard Terms and Conditions; and
- h. The Stipulation jointly filed by Duke and the Public Staff on April 18, 2019.

4. That the direct testimony and exhibits of the Utilities shall be filed on or before May 21, 2019;

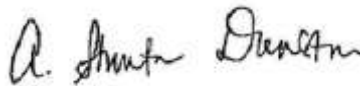
5. That the direct testimony and exhibits of intervenors and of the Public Staff, including any testimony responsive to the Utilities' direct testimony, shall be filed on or before June 21, 2019; and

6. That the rebuttal testimony and exhibits of the Utilities, if any, shall be filed on or before July 3, 2019.

ISSUED BY ORDER OF THE COMMISSION.

This the 24th day of April, 2019.

NORTH CAROLINA UTILITIES COMMISSION



A. Shonta Dunston, Deputy Clerk