

NORTH CAROLINA PUBLIC STAFF UTILITIES COMMISSION

October 19, 2021

Ms. A. Shonta Dunston, Chief Clerk North Carolina Utilities Commission 4325 Mail Service Center Raleigh, North Carolina 27699-4300

Re: Docket No. EMP-117, Sub 0 – Shawboro East Ridge Solar, LLC

CPCN to Construct a 150-MW Solar Facility in Currituck County,

North Carolina.

Dear Ms. Dunston:

In connection with the above-referenced docket, I transmit herewith for filing on behalf of the Public Staff the testimony and exhibits of Jay B. Lucas, Manager, Electric Section – Operations and Planning, Energy Division.

By copy of this letter, I am forwarding a copy of the public version to all parties of record by electronic delivery. The confidential version will be provided to those parties that have entered into a confidentiality agreement.

Sincerely,

Electronically submitted s/ Nadia L. Luhr Staff Attorney nadia.luhr@psncuc.nc.gov

NLL/cb

Attachments

Executive Director (919) 733-2435

Accounting (919) 733-4279

Consumer Services (919) 733-9277 Economic Research (919) 733-2267

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Water/Telephone (919) 733-5610

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. EMP-117, SUB 0

In the Matter of
Application of Shawboro East Ridge)
Solar, LLC, for a Certificate of Public)
Convenience and Necessity to)
Construct an 150-MW Solar Facility in)
Currituck County, North Carolina)

TESTIMONY OF
JAY B. LUCAS
PUBLIC STAFF – NORTH
CAROLINA UTILITIES
COMMISSION

DOCKET NO. EMP-117, SUB 0

Testimony of Jay B. Lucas

On Behalf of the Public Staff

North Carolina Utilities Commission

October 19, 2021

- 1 Q. PLEASE STATE YOUR NAME AND ADDRESS FOR THE
- 2 **RECORD.**
- 3 A. My name is Jay B. Lucas. My business address is 430 North
- 4 Salisbury Street, Raleigh, North Carolina.
- 5 Q. BRIEFLY STATE YOUR QUALIFICATIONS AND DUTIES.
- 6 A. My qualifications and duties are included in Appendix A.
- 7 Q. WHAT IS YOUR POSITION WITH THE PUBLIC STAFF?
- 8 A. I am the Manager of the Electric Section Operations and Planning
- 9 in the Public Staff's Energy Division.
- 10 Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL
- 11 TESTIMONY IN THIS PROCEEDING?
- 12 A. The purpose of my testimony is to make recommendations to the
- 13 Commission on the request filed on June 22, 2021, for a certificate

- of public convenience and necessity (CPCN) filed by Shawboro East Ridge Solar, LLC (Shawboro or Applicant), to construct a 150-
- megawatt AC (MW_{AC}) solar photovoltaic electric generating facility
- 4 near Shawboro in Currituck County, North Carolina (the Facility).
- 5 My testimony responds to the application and to matters raised in the
- 6 Commission's Order Scheduling Hearings, Filing of Testimony,
- 7 Establishing Procedural Guidelines, and Requiring Public Notice
- 8 issued on August 12, 2021 (August 12 Order).

9 I. <u>Background</u>

10 Q. PLEASE PROVIDE A BRIEF HISTORY OF THE APPLICATION.

- 11 A. The application filed on June 22, 2021, included exhibits and the
- 12 direct testimony of witness Linda Nwadike. The Facility will
- interconnect to the Shawboro-Sligo 230 kilovolt (kV) transmission
- line owned by Virginia Electric and Power Company, d/b/a Dominion
- 15 Energy North Carolina (DENC). Because DENC is part of PJM
- 16 Interconnection (PJM), the Applicant is required to enter into an
- interconnection service agreement with both entities. The Facility
- has PJM queue number AE1-072.
- On July 7, 2021, the Public Staff filed a Notice of Completeness and
- Motion to Stay.

- 1 The August 12 Order denied the Public Staff's motion to stay, called
- for a public witness hearing on the application to be held on October
- 3 14, 2021, and called for an expert witness hearing to be held on
- 4 October 28, 2021. Additionally, the August 12 Order required the
- 5 Applicant to respond to the following questions:

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- 6 1. Are there any network upgrades to DENC's or any affected 7 system's transmission system required to accommodate the operation of the Applicant's proposed facility? If so, provide 8 9 the amount of network upgrades on DENC's or any affected 10 transmission system, if any, system's required accommodate the operation of the Applicant's proposed 11 facility. 12
 - If there are any required system upgrades, does the Applicant have Levelized Cost of Transmission (LCOT) information for the system upgrades? If so, provide the LCOT information for any required transmission system upgrades or modifications.
- 17 3. Is there any interconnection study available for the proposed facility? If so, provide any interconnection study received for the proposed facility. If the Applicant has not received a study, provide a date by when the study is expected to be completed.
 - 4. Is the Applicant aware of any system other than the studied system that is or will be affected by the interconnection? If yes, explain the impact and basis.
 - 5. Is the Applicant proposing to sell energy and capacity from the facility to a distribution facility regulated by the Commission? If so, provide a discussion of how the facility's output conforms to or varies from the regulated utility's most recent integrated resource plan (IRP).
 - 6. Is the Applicant proposing to sell energy and capacity from the proposed facility to a purchaser who is subject to a statutory or regulatory mandate with respect to its energy sourcing (e.g., a REPS requirement or Virginia's new statutory mandate for renewables)? If so, explain how, if at all, the proposed facility will assist or enable compliance with that

- 1 mandate. In addition, provide any contracts that support that compliance.
- 7. Does the Applicant have a Power Purchase Agreement (PPA), REC sale contracts or contracts for compensation for environmental attributes for the output of the proposed facility? If so, provide any PPA agreements, REC sale contracts, or contracts for compensation for environmental attributes for the output of the facility.

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The questions above are similar to those asked by the Commission in previous electric merchant power proceedings. Witness Nwadike provided answers to these questions in her direct testimony.

12 Q. PLEASE DESCRIBE THE STATEMENT OF NEED PROVIDED BY 13 THE APPLICANT FOR ITS PROPOSED FACILITY.

Witness Nwadike provided a statement of need for the Facility in her direct testimony and in her Exhibit 3. As a result of the Facility's interconnection with DENC, the Facility has access to all load-serving suppliers participating in PJM. Witness Nwadike stated that the summer peak load in PJM is expected to grow by 0.5% per year over the next ten to fifteen years. In the Dominion Virginia Power Zone, energy requirements are expected to grow by 0.6% per year over the next ten to fifteen years. The Applicant is in negotiations to enter into a long-term power purchase agreement for the output of the Facility.

II. Affected System Potential Upgrades

- 2 Q. PLEASE DESCRIBE ANY TRANSMISSION SYSTEMS OTHER
 3 THAN PJM THAT COULD BE AFFECTED BY THE FACILITY.
- 4 A. Witness Nwadike stated that the Facility will not affect any
- 5 transmission systems other than PJM. The Public Staff submitted a
- data request to Duke Energy Progress, LLC (DEP), inquiring about
- 7 the potential for affected system upgrades. In response, DEP
- 8 provided its Affected System Study Report, which indicated that the
- 9 Facility will not cause the need for affected system upgrades as long
- 10 as DEP completes the upgrades from an earlier queued project,
- 11 Sumac Solar, LLC, which is assigned PJM queue number AD1-023.
- However, on June 3, 2021, the Commission granted stays in the
- applications of Sumac Solar, LLC, and Sweetleaf Solar, LLC, which
- is also in PJM's AD1 cluster. If DEP does not build the upgrades
- needed for AD1-023, the Facility will cause approximately \$10 million
- of affected system upgrades on the Everetts-Greenville 230-kV line.
- 17 In response to a Public Staff data request, DEP indicated that PJM
- is retooling its analysis of PJM cluster AE1, and should be finished
- in November or December of 2021. This retooling will likely require
- DEP to restudy the effects of AE1 on its transmission system.

¹ Docket No. EMP-110, Sub 0.

² Docket No. EMP-111, Sub 0.

- 1 Q. PLEASE DESCRIBE DEP'S PREVIOUS PROCESS FOR
 2 AFFECTED SYSTEM REVIEW AND COST RECOVERY.
- 3 Α. In the past, if one or more generators caused affected system costs, 4 the generators would be responsible for these network upgrade 5 costs, consistent with the Joint Open Access Transmission Tariff 6 (OATT) of Duke Energy Carolinas, LLC (DEC), Duke Energy Florida, 7 LLC (DEF), and DEP (collectively, Duke). However, pursuant to the 8 previous Duke OATT, upon commercial operation, the generators 9 that paid for the network upgrades would be entitled to receive 10 repayment from DEP of the entire balance of the network upgrade 11 cost plus interest, even if the upgrade was not needed to serve 12 customer load. Following repayment, DEP would seek to recover 13 those costs from its wholesale and retail customers.
- 14 Q. PLEASE DESCRIBE DEP'S CURRENT PROCESS FOR
 15 AFFECTED SYSTEM REVIEW AND COST RECOVERY.
- A. On October 1, 2020, Duke revised its Affected System Operating
 Agreement (ASOA) template to assign the costs of affected system
 network upgrades directly to the interconnection customer,
 eliminating its prior policy of repayment to the interconnection
 customer for the affected system costs.³

³ See Docket No. E-100, Sub 170, Duke Energy Initial Comments filed on October 7, 2020, at 4 (Section 6.1 of the "Affected System Operating Agreement template" for Duke Companies (DEP, Duke Energy Carolinas, and Duke Energy Florida) effective October 1, 2020, states "The Affected System Network Upgrades shall be solely funded by Customer.").

1	Q.	DOES THE PUBLIC STAFF HAVE ANY CONCERNS REGARDING
2		REIMBURSEMENT FOR AFFECTED SYSTEM COSTS?
3	A.	Yes.
4		(1) On May 21, 2021, American Beech Solar, LLC (Docket No.
5		EMP-108, Sub 0) entered into an ASOA with DEP pursuant to
6		which American Beech agreed to pay DEP's costs for
7		construction of network upgrades without reimbursement for
8		such costs. On October 1, 2021, the Federal Energy
9		Regulatory Commission (FERC) issued an order rejecting the
10		ASOA between DEP and American Beech. In doing so, it
11		stated: ⁴
12 13 14 15 16 17 18 19 20 21 22 23		require the affected system operator to reimburse the interconnection customer for network upgrade costs turns on a fact-specific analysis of whether the filing party has shown that a deviation from the Order No. 2003 reimbursement requirement is necessary or is otherwise just and reasonable. As discussed above, having conducted that analysis based on the specific facts and record presented in this case, we find that DEP has not demonstrated that the DEP ASOA is just and reasonable.
24		If FERC similarly rejects future ASOAs in which
25		merchant facilities agree to pay costs of network
26		upgrades without reimbursement, or if DEP returns to

 $^{^4}$ Order Rejecting Affected System Operator Agreement, Docket No. ER21-1955-002, 177 FERC \P 61,001, at 15 (Oct. 1, 2021).

its policy of reimbursement, such upgrades could
 ultimately be paid for by DEP's customers.

- (2) Edgecombe Solar, LLC (Docket No. EMP-101, Sub 0) has filed a complaint against Duke before FERC challenging Duke's elimination of affected system cost reimbursement (Docket No. EL21-73-000).⁵ Currently, DENC has approximately 7,000 MW⁶ of generation in the PJM interconnection queue. This large amount of capacity could trigger hundreds of millions of dollars in affected system upgrades. If Edgecombe Solar, LLC, prevails at FERC, these upgrades could be ultimately paid for by DEP's customers.
 - (3) An affected system could build network upgrades that go unused for extended periods of time because some interconnection projects withdraw from the queue late in the review process. For example, over the past five years, approximately 3,800 MW of proposed capacity entered PJM's North Carolina queue but later withdrew. Over 3,600 MW of that capacity was solar.

⁵ Edgecombe Solar Energy LLC v. Duke Energy Progress, LLC, Duke Energy Carolinas, LLC, and Duke Energy Florida, LLC, FERC Docket No. EL21-73-000. Edgecombe received a CPCN to construct a 75-MW solar facility in Edgecombe County, North Carolina in Docket No. EMP-101, Sub 0 by Commission Order dated November 13, 2020. The Public Staff is monitoring the status of the Edgecombe Solar Complaint at FERC.

⁶ This number includes a 1,210 MW solar project in Tyrrell County, North Carolina, that I describe more thoroughly below.

1	(4)	If network upgrades on the Everetts-Greenville 230-kV line
2		are necessitated by the Facility, the upgrades could soon be
3		inadequate due to the needs of future facilities in PJM's North
4		Carolina queue. Because of future clusters, upgrades to
5		accommodate the Facility could soon need to be replaced
6		with even greater transmission assets long before the end of
7		their normal service life (40 to 60 years). As such, a large par
8		of the approximately \$10 million spent to upgrade the
9		Everetts-Greenville line, costs which could ultimately be borne
10		by DEP customers, could be wasted. For example, PJM
11		queue number AF1-236 is a proposed solar project in Tyrrel
12		County, North Carolina, that will affect the Everetts-Greenville
13		line. The project's capacity is 1,210 MW, which is eight times
14		larger than Shawboro's capacity. PJM expects the project to
15		be in service on September 30, 2024; however, DEP has no
16		yet completed an affected system study for PJM cluster AF1.
17	(5)	PJM is retooling its interconnection review process and
18		should have the new results for cluster AE1 in November or
19		December of 2021. DEP will likely have to re-evaluate the
20		effect of cluster AE1 on its transmission system at that time.

III. Network Upgrade Analysis

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- 3 PJM NETWORK UPGRADES IN HER DIRECT TESTIMONY?
- 4 A. Yes, in her direct testimony filed on June 22, 2021, witness Nwadike
- 5 provided an LCOT analysis for the network upgrades and DEP's
- 6 affected system upgrades based on the project's August 2019
- 7 System Impact Study. Shawboro later provided an updated LCOT
- 8 analysis in response to a Public Staff data request. This updated
- 9 LCOT analysis is attached as **Confidential Lucas Exhibit 1**.
- 10 In the updated analysis, Witness Nwadike determined an LCOT of
- 11 \$6.27 per MWh.

12 Q. WHAT IS THE PUBLIC STAFF'S OPINION ON WITNESS

13 **NWADIKE'S LCOT CALCULATION?**

- 14 A. The Public Staff does not disagree with witness Nwadike's LCOT
- 15 calculation; however, the Public Staff has developed an LCOT
- calculation that uses the average capacity factor of the Facility over
- 17 its entire service life as shown in Confidential Lucas Exhibit 2.
- rather than the capacity factor during the first year of operation. This
- 19 calculation yields an LCOT of \$6.89 per MWh. However, I have
- 20 concerns about use of the LCOT that I describe more fully below.

ı	Q.	PLEASE DESCRIBE YOUR CONCERNS ABOUT USE OF THE
2		LCOT.
3	A.	On June 11, 2020, the Commission issued an Order Denying
4		Application for a Certificate of Public Convenience and Necessity for
5		a Merchant Generating Facility requested by Friesian Holdings, LLC
6		(Friesian), in Docket No. EMP-105, Sub 0. In that order, the
7		Commission found that, "The use of the levelized cost of
8		transmission (LCOT) provides a benchmark as to the
9		reasonableness of the transmission network upgrade cost
10		associated with interconnecting a proposed new generating facility."
11		However, Finding of Fact No. 11 in the Commission's order in the
12		Friesian case stated, "It is appropriate for the Commission to
13		consider the total construction costs of a facility, including the cost to
14		interconnect and to construct any necessary transmission network
15		upgrades, when determining the public convenience and necessity
16		of a proposed new generating facility."
17		As noted in the concurring opinion to the Commission's September

2, 2020 Order on Reconsideration in Docket No. EMP-107, Sub 0

(Halifax Order on Reconsideration), a properly-calculated LCOT may

be used as a benchmark to consider the overall costs of transmission

needed to interconnect a solar facility, but it is just one factor to be

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1 considered in determining whether to grant a CPCN to a merchant 2 generating facility:⁷

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Prior to the Federal Energy Regulatory Commission's open access transmission rule, Order No. 888, and the formation of regional transmission organizations, the Commission would not approve siting of a true merchant plant. When the Commission adopted Rule R8-63 and opened the door for the construction of merchant generating facilities, it was assumed that the developer of a facility would bear all of the financial risk and that no costs would be imposed upon retail ratepayers other than those costs that would flow from the purchase of power from the facility by a utility under least cost principles. When that is still the case, the LCOT analysis is less important. Whatever costs are caused are borne by the developer and recovered through the sale of power, which is bounded either by such least costs principles if in a traditional bilateral wholesale power market such as most of this State or by the market clearing price in a restructured market, such as PJM. When that is not the case, it is the Commission's role and obligation to protect retail ratepayers from unreasonable costs.

Furthermore, LCOT calculations can vary greatly depending on chosen inputs, as shown in **Confidential Lucas Exhibits 3 and 4**.

Altering the inputs to the calculations can yield LCOTs ranging from \$3.75 to \$7.31 per MWh for PJM costs only and from \$4.41 to \$9.58 per MWh for both PJM costs and DEP's affected system costs.

⁷ Order on Reconsideration, *Application of Halifax County Solar, LLC, for a Certificate of Public Convenience and Necessity to Construct an 80-MW Solar Facility in Halifax County, North Carolina*, No. EMP-107, Sub 0, at 2 (Mitchell, C., concurring) (N.C.U.C. September 2, 2020).

1		There	fore, while an LCOT can be a useful and informative
2		bencl	mark, it should only be considered as one factor in determining
3		wheth	er to grant a CPCN.
4	Q.	DO Y	OU HAVE CONCERNS ABOUT APPLYING THE LCOT TO
5		THE	COSTS OF AFFECTED SYSTEM UPGRADES?
6	A.	Yes.	
7		(1)	Currently, PJM has over 7,000 MW of capacity in its North Carolina
8			queue. Even if an LCOT for all or parts of this capacity is low, the
9			cumulative capacity could still trigger hundreds of millions of
10			dollars' worth of affected system upgrades that DEP's customers
11			would have to pay for. Furthermore, DEP's customers are currently
12			receiving reliable electric service without the upgrades.
13		(2)	The LCOT calculation provides the ratio of the cost of transmission
14			needed to interconnect a generator to the amount of energy the
15			generator creates. The \$10 million cost for DEP's transmission
16			upgrade could be funded by DEP's customers; however, they will
17			not receive the energy. The benefit of the transmission upgrade to
18			DEP's customers, if any, is very limited.

1 IV. Timing

- 2 Q. DOES THE CLUSTER STUDY REVIEW PERIOD AFFECT THE
- 3 PUBLIC STAFF'S REVIEW OF CPCN APPLICATIONS?
- 4 A. Yes. The development of cluster studies and accurate cost estimates
- for network upgrades can take years, but CPCN application review
- by the Public Staff must be completed in just several months.
- 7 The Public Staff cannot provide a fully-informed recommendation to
- 8 the Commission on approval of a CPCN application without knowing
- 9 the effect of those upgrades on DEP's ability to provide safe and
- reliable electric service and without knowing the potential costs to be
- borne by the using and consuming public for network upgrades.

12 V. Conclusions and Recommendations

13 Q. DOES THE PUBLIC STAFF HAVE ANY OTHER COMMENTS?

- 15 constructed and interconnected in North Carolina raises questions

Yes. The continued increase in non-utility generation seeking to be

- about the costs and long-range needs for the generation. The
- amount of capacity in PJM's interconnection queue for North
- Carolina is over 7,000 MW and is large compared to the 1,863 MW
- of capacity that has been recently reviewed by or is pending before
- the Commission. **Lucas Exhibit 5** provides a summary of these
- 21 recent proceedings.

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1		As of December 31, 2020, DEP had over 2,700 MVV of solar capacity
2		operating in North Carolina and DEP's interconnection queue for
3		North Carolina had over 3,200 MW of solar capacity.8
4	Q.	WHAT IS THE PUBLIC STAFF'S RECOMMENDATION ON
5		SHAWBORO'S APPLICATION FOR A CPCN?
6	A.	The Public Staff has reviewed the application, the direct testimony of
7		witness Nwadike, and other evidence in the record and obtained
8		through discovery. The Public Staff recommends that the
9		Commission hold the record in this docket open until after the
10		following:
11		i. PJM releases its retooling of PJM cluster AE1, which is
12		scheduled for November or December of 2021; and
13		ii. DEP completes its study of the retooling and develops a
14		revised affected system study if necessary.
15		The Public Staff requests that, upon the completion of the two items
16		above, the Commission issue an order requiring the Applicant to file
17		supplemental testimony addressing the new studies by PJM and
18		DEP, and allowing the Public Staff to file supplemental testimony.
19		In the alternative, the Public Staff recommends that the Commission
20		approve the application subject to the following conditions:

⁸ DEP's 2020 Small Generator Interconnection Consolidated Annual Report filed on March 31, 2021, in Docket No. E-100, Sub 113B.

i. The Applicant shall notify the Commission of any significant change to the cost estimates for the construction of the Facility itself, interconnection facilities, network upgrades, or affected system costs within 30 days of becoming aware of such revisions.

- ii. That the Applicant file a copy of any executed Affected System Operating Agreement (ASOA) with the Commission at the same time such filing is made at FERC (at least 61 days prior to commencing construction on the upgrades).
- iii. If at any time the Applicant seeks to be reimbursed for any interconnection facilities, network upgrade costs, affected system costs, or other costs required to allow energization and operation of the facility, the Applicant shall notify the Commission.
- iv. The three conditions above shall cease after commercial operation if no reimbursement of costs to the Applicant have been paid or agreed to via a legal binding agreement or contract. If reimbursement does occur, the conditions will cease upon the completion of full reimbursement of costs to the Applicant. The Applicant shall file in this docket the total amount reimbursed by DEP and the end date of the agreement or contract.

- 1 Q. DOES THIS CONCLUDE YOUR TESTIMONY?
- 2 A. Yes, it does.

APPENDIX A

QUALIFICATIONS AND EXPERIENCE

JAY B. LUCAS

I graduated from the Virginia Military Institute in 1985, earning a Bachelor of Science Degree in Civil Engineering. Afterwards, I served for four years as an engineer in the U. S. Air Force performing many civil and environmental engineering tasks. I left the Air Force in 1989 and attended the Virginia Polytechnic Institute and State University (Virginia Tech), earning a Master of Science degree in Environmental Engineering. After completing my graduate degree, I worked for an engineering consulting firm and worked for the North Carolina Department of Environmental Quality in its water quality programs. Since joining the Public Staff in January 2000, I have worked on utility cost recovery, renewable energy program management, customer complaints, and other aspects of utility regulation. Since September 2020, I have been the Manager of the Electric Section – Operations and Planning in the Public Staff's Energy Division. I am a licensed Professional Engineer in North Carolina.

Confidential Exhibit 1

Confidential Exhibit 2

Confidential Exhibit 3

Confidential Exhibit 4

EMP-	Sub	Applicant Name	Filing Date	Approval Date	Capacity, MW _{AC}	County
101	0	Edgecombe Solar LLC	10-05-18		75	Edgecombe
102	1	Pitt Solar, LLC	08-10-20		150	Pitt
103	0	Albemarle Beach Solar, LLC	09-21-15		80	Washington
104	0	Fern Solar LLC	11-27-18	03-16-20	100	Edgecombe
107	0	Halifax County Solar LLC	08-30-19	09-02-20	80	Halifax
108	0	American Beech Solar LLC	01-28-20		110	Halifax
109	0	Camden Solar LLC	04-01-20	09-14-20	20	Camden
110	0	Sumac Solar LLC	04-16-20		120	Bertie
111	0	Sweetleaf Solar LLC	06-02-20		94	Halifax
112	0	Oak Solar, LLC	07-15-20		120	Northampton
114	0	Oak Trail Solar, LLC	09-17-20	10-08-21	100	Currituck
115	0	Cherry Solar, LLC	11-13-20		180	Northamptor
117	0	Shawboro East Ridge Solar, LLC	06-22-21		150	Currituck
119	0	Macadamia Solar, LLC	08-30-21		484	Washington

Total = 1863