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**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

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JAN 27 2012

**DOCKET NO. E-100, SUB 128
DOCKET NO. E-100, SUB 131**

**Clerk's Office
N.C. Utilities Commission**

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-100, SUB 128)	
)	
In the Matter of)	REPLY COMMENTS OF
Investigation of Integrated Resource)	DOMINION NORTH
Planning in North Carolina - 2011)	CAROLINA POWER
)	
DOCKET NO. E-100, SUB 131)	
)	
In the Matter of)	
2011 REPS Compliance Plans and 2010)	
Compliance Reports)	

REPLY COMMENTS OF DOMINION NORTH CAROLINA POWER

On September 1, 2011, Virginia Electric and Power Company d/b/a Dominion North Carolina Power ("DNCP" or the "Company") filed its updates to the Integrated Resource Plan for 2011 ("2011 Plan" or the "Plan") pursuant to N.C. Gen. Stat. §§ 62-2 and 62-110.1 and Rule R8-60 of the North Carolina Utilities Commission (the "Commission"), and filed its Renewable Energy and Energy Efficiency Portfolio Standards Plan ("REPS Plan") pursuant to Rule R8-67(b).

Pursuant to an Order issued October 25, 2011, the Commission granted to the Public Staff and other intervenors in these proceedings an extension of time until January 13, 2012 in which to file comments on the integrated resource plans filed by electric power suppliers (the "utilities") in North Carolina. Comments on the utilities' integrated resource plans and REPS compliance plans were timely filed by the Public Staff, the North Carolina Sustainable

Energy Association (“NCSEA”) and the Southern Alliance for Clean Energy (“SACE”). No party objected to DNCP’s Plan or its REPS Compliance Plan. As SACE did not address DNCP’s Plan in its Comments, the Company hereby files its reply comments to the Comments submitted by the Public Staff and NCSEA.

REPLY COMMENTS

I. Public Staff

The Company agrees with the Public Staff’s statements and conclusions that:

(1) “[a]ll of the utilities use accepted econometric and end-use analytical models to forecast their peak and energy needs;”¹

(2) “DNCP’s peak load and energy sales forecasts are reasonable for planning purposes;”²

(3) The 2012-2026 growth rates for the [utilities]³ “are very similar to growth rates in recent IRPs approved by the Commission, and the Public Staff believes they are reasonable for planning in this proceeding;”⁴ and

(4) “The Public Staff believes that . . . DNCP can meet the general and solar REPS requirements for [itself] and the electric power suppliers for which they are providing REPS compliance services for the Planning Period.”⁵

a. Reserve Margins and Reserve Margin Adequacy

On page 12 of its Comments, the Public Staff discusses DNCP’s projected reserve margins for the planning period. Pursuant to Rule R8-60(i)(3):

¹ *In the Matter of Investigation of Integrated Resource Planning in North Carolina - 2011*, N.C.U.C. Docket No. E-100, Sub 128, *In the Matter of 2011 REPS Compliance Plans and 2010 Compliance Reports*, N.C.U.C. Docket No. E-100, Sub 131, Comments of the Public Staff at 5 (Jan. 13, 2012).

² *Id.* at 8.

³ The Public Staff excluded Rutherford EMC from this conclusion.

⁴ Comments of the Public Staff at 10-11.

⁵ *Id.* at 30.

the utility shall provide a calculation and analysis of its winter and summer peak reserve margins over the projected 15-year period. To the extent the margins produced in a given year differ from target reserve margins by plus or minus 3%, the utility shall explain the reasons for the difference.

Public Staff comments that “the reserve margins for two years of the planning period are 15.28% (2015), and 17.33% (2016) DNCP also offered no explanation for exceeding the planning reserve margin by greater than 3%.”⁶ The Public Staff recommends that “DNCP include the information required by Rule R8-60(i)(3) in its reply comments in regard to its 2011 IRP and comply with this requirement in subsequent IRP reports.”⁷

Pursuant to Rule R8-60(i)(3), the Company provides the following explanation regarding the reserve margins in planning years 2015 and 2016. The Plan includes reserve margins that are greater than 3% more than the Company’s effective reserve margin of 11.0% for the years 2015 and 2016 based on two factors. First, the Warren County Power Station, an approximately 1,300 MW natural gas-fired combined cycle (“CC”) electric generation facility to be located in Warren County, Virginia that is currently pending approval before the Virginia State Corporation Commission (“VSCC”),⁸ is included as a planned generation facility under development in the Plan. Upon the grant of a certificate of public convenience and necessity from the VSCC, the plant will become operational in late 2014 to meet the energy and capacity needs in 2015. In addition, to meet the Company’s capacity and energy gap, the Plan has identified another CC electric generation facility to be operational in 2016, which is expected to be similar in size to the Warren County Power Station. The inclusion of both of these facilities in 2015 and 2016 (a total of approximately

⁶ *Id.* at 12.

⁷ *Id.*

⁸ *Application of Virginia Electric and Power Company, For approval and certification of the proposed Warren County Power Station electric generation and related transmission facilities under §§56-580D, 56-265.2 and 56-46.1 of the Code of Virginia and for approval of a rate adjustment clause, designed Rider W, under §56-585.1 A 6 of the Code of Virginia, Case No. PUE-2011-00042 (filed May 2, 2011).*

2,600 MW) causes the projected reserve margins to be more than 3% above the Company's effective reserve margins in the years the two plants become operational. Such an effect is expected in a year in which large supply-side alternatives are added due to the lumpiness of supply-side options. In other words, once the need is identified for a supply-side alternative in a particular year, the Plan cannot put that alternative in over the course of a few years to minimize the capacity reserve margin. In addition, the industry's compliance with United States Environmental Protection Agency draft and final regulations concerning air, water and solid waste constituents expected to take effect beginning in 2015 will likely cause a significant number of coal plants to retire. The Company believes it is prudent to plan for its capacity reserve margin in this manner to not be exposed to an increased reliance on market purchases during this period of time.

b. Changes in Forecasted Energy Efficiency Savings

The Public Staff also notes that a review of the 2011 integrated resource plans "indicated a continuing decrease in the forecasted EE savings from the IOUs and EMCs' portfolios of DSM/EE programs."⁹ Based on this review, the Public Staff concludes that:

[w]hile not required by Commission Rule, the Public Staff believes it would assist the Commission in its review of biennial and annual IRP reports if the IOUs and EMCs addressed in future IRPs the reasons for significant variances from year to year in projections of EE savings. Thus, the Public Staff recommends that the Commission require the utilities to include a discussion of significant variances in projected EE savings in future IRPs.¹⁰

The Public Staff further proposes that "a variance of 10% in projected EE savings from one IRP report to the next trigger the requirement that the utility address the reason for the

⁹ *Id.* at 13.

¹⁰ *Id.*

variance.”¹¹

The Company does not oppose the Public Staff’s recommendation to require in future integrated resource plans, a discussion of variances of 10% or greater in projected EE savings from one report to the next.

c. Market Potential Studies for DSM/EE Resources

The Commission’s October 26, 2011 Order Approving 2010 Biennial Integrated Resources Plans and 2010 REPS Compliance Plans (“2010 IRP Order”) concluded that “each electric utility should use appropriately updated DSM/EE market potential studies.”¹² Citing this finding, the Public Staff “recommends that utilities include a discussion of the status of market potential studies or updates in their 2012 IRPs.”¹³

The Company does not oppose Public Staff’s recommendation to require a discussion of DNCP’s use of market potential studies or updates in the next IRP, to the extent the Company decides to use market potential studies. The Company notes that it currently requests data from its outside consultant to annually identify and propose new cost-effective DSM/EE programs based on its consultant’s assessment of market potential in the Company’s North Carolina and Virginia service territories.

d. Carbon Emissions Control

In its 2010 IRP Order, the Commission found that “[t]he current scenarios relating to carbon emissions, as provided in the IRPs, are responsive and appropriate for purposes of this proceeding.”¹⁴ Consistent with this finding, Public Staff recommends that “the Commission

¹¹ *Id.* n.12.

¹² *In the Matter of Investigation of Integrated Resource Planning in North Carolina - 2010*, N.C.U.C. Docket No. E-100, Sub 128, Order Approving 2010 Biennial Integrated Resource Plans and 2010 REPS Compliance Plans at 7 (Oct. 26, 2011).

¹³ Comments of the Public Staff at 14.

¹⁴ 2010 IRP Order at 7.

require the IOUs to evaluate no-carbon alternative plans or scenarios in their 2012 IRPs and future IRPs until the status of future carbon legislation becomes clearer.”¹⁵

The Company does not oppose Public Staff’s recommendation. Should the Commission adopt Public Staff’s recommendation, however, the Company urges the Commission to maintain the flexibility set forth in the recommendation that the IOU can evaluate the no-carbon view either through alternative plans *or* scenarios. This flexibility would allow each IOU to present the no-carbon results in the manner that most accurately shows the effect, in its opinion, of such a no-carbon view.

e. Swine and Poultry Waste Set-Asides

Under N.C.G.S. §§ 62-133.8(e) and (f), electric power suppliers are required to collectively procure energy or RECs from swine waste resource in order to meet 0.07% of sales in 2012 and 2013, and collectively procure energy from poultry waste resources in the amount of 170,000 MWH or equivalent in 2012, and 700,000 MWH or equivalent in 2013. DNCP is a member of the Swine Group and Poultry Group formed to jointly pursue the requirements under these provisions.

With respect to the swine waste set-aside, Public Staff comments that it believes all electric power suppliers will have difficulty obtaining enough swine waste resources to meet the 2012 requirements.¹⁶ Similarly, for the poultry waste set-aside, Public Staff states that:

[m]eeting the poultry waste set-aside has presented challenges to the Poultry Group; some are similar to those of meeting the swine waste set-aside. However, several actions by the General Assembly and the Commission in 2010 and 2011 have made compliance with the poultry waste set aside easier to achieve than the Public Staff anticipated before 2010.¹⁷

¹⁵ Comments of the Public Staff at 17.

¹⁶ *Id.* at 28.

¹⁷ *Id.*

The Company continues to work to meet its 2012 REPS requirements, including the swine waste and poultry waste set-asides, in a reasonable and prudent manner. As the Public Staff notes, DNCP is a member of the Swine and Poultry Groups which are conducting joint requests for proposals to find suppliers of tradable poultry litter or swine waste RECs that would allow it to meet the current set-aside requirements for both DNCP and the Town of Windsor. However, the Company recognizes that there are challenges in meeting these requirements.

As to the poultry litter set-aside requirements, the Company anticipates that it will be able to meet its 2012 poultry requirements using out-of-state poultry waste RECs. For the Town of Windsor, the Company anticipates it will meet 25% of its requirements with out-of-state poultry RECs. At this time, it is uncertain whether the Company will be able to obtain the North Carolina-produced poultry litter RECs for the remaining portion of the Town of Windsor's requirements.

As to the swine waste set-aside requirements, at this time it is uncertain whether the Company will be able to meet its own swine-waste requirements or the Town of Windsor's requirements. The Company is evaluating its options and will work with its counterparts in the working groups to inform the Commission if either set of these requirements cannot be met.

II. NCSEA

NCSEA's Comments cite two general issues with the IRPs filed by the three IOUs, DNCP, Progress Energy Carolinas, Inc. and Duke Energy Carolinas, LLC. First, NCSEA discusses its desire for the Commission to require the IOUs to disclose additional information

in their IRPs to allow for greater analysis by Public Staff and intervenors.¹⁸ Second, NCSEA questions the need for continued confidential treatment of past “REPs-related” filings.¹⁹ The Company addresses each of these issues in turn below.

a. Required Disclosures

NCSEA specifically requests the Commission to require the IOUs to include the following additional information in their future IRPs:

Levelized cost of energy – in a standardized metric, cents per kilowatt-hour – for each resource option for each year in the planning period *and* the delivered fuel costs for each resource option for each year in the planning period; and

Quantitative data used in creating the levelized busbar cost curves presented in the [IRPs], including (i) projected delivered fuel costs during the planning period, (ii) the utility’s fixed charge rates, (iii) technology specific unit capacity factors, and (iv) data for the remaining variables needed to create a levelized busbar cost curve as set out in Exhibit A (an excerpt from a power engineering text outlining the quantitative data needed to create a levelized busbar cost curve).²⁰

The Company believes that the existing IRP requirements provide sufficiently detailed information to allow the Commission, the Public Staff, and interested parties to evaluate the integrated resource plans of each electric utility in North Carolina. Moreover, the additional disclosures proposed by NCSEA are not suitable for providing detailed comparisons of projected costs.

A screening curve (also known as Levelized Busbar Cost curve) is a plot of annualized cost of electricity generation as a function of unit utilization level (capacity factor). The Company’s Levelized Busbar Curves are shown in Figures 5.2.1 and 5.2.2 of its 2011 Plan. Screening curves are useful aids for narrowing the range of possible new supply-

¹⁸ NCSEA Comments at 2.

¹⁹ *Id.* at 8-9.

²⁰ *Id.* at 4, 10.

side and demand-side alternatives to be considered in more detailed analysis that occurs later in the IRP process. They are primarily used for screening out options with obvious high economic cost, distinguishing possible dispatch order in modeling, and testing the validity of the model outputs at certain stages of expansion.

Screening curve analysis, however, is not an adequate substitute for detailed production cost or expansion planning analysis because it provides rough approximations and is not appropriate for evaluations requiring a greater degree of accuracy. Important factors such as forced outages, maintenance requirements, unit sizes, unequal asset lives and system reliability are not addressed by screening curves. As such, the specific costs underlying the screening curves would not be appropriate for conducting an “apples-to-apples” comparison across technologies and across IOUs, as NCSEA suggests.²¹

For these reasons, the Company opposes NCSEA’s recommendation for the Commission to require IOUs to provide these additional disclosures with relation to screening curves.

b. Confidential Treatment

NCSEA also challenges the need for confidential portions of the IOUs’ past “REPS-related” filings to remain sealed, stating that “non-intervening business persons are being deprived of access to information critical to their investment decisions, and in this way the REPS law’s private business development purpose is being thwarted.”²² Specifically, NCSEA recommends that:

the Commission should direct the IOUs to show cause why their past REPS-related [IRP] filings should not be unsealed and made public at this time. Alternatively, the Commission should provide NCSEA and others guidance as to whether IRP

²¹ See NCSEA Comments at 4.

²² *Id.* at 9.

is an appropriate docket in which to file a motion for disclosure of some or all of the IOUs' past REPS-related [IRP] filings.²³

In support of its recommendation, NCSEA cites to N.C.G.S. § 62-2(a)(10), which sets forth the various policy goals intended to be advanced by the REPS requirements, including "to encourage private investment in renewable energy and energy efficiency."

Pursuant to N.C. Gen. Stat. § 132-1.2, information deemed to be confidential may be designated as such and filed under seal with the Commission. The Company's REPS Compliance Plans and Reports contain competitive, market sensitive information which if disclosed to third party developers, bidders and other REC market participants could harm the Company and its customers. Specifically, DNCP's REPS filings contain information related to terms, conditions and pricing of competitively negotiated and secured REC contracts, forecasted REPS compliance expenditures and projected energy savings from energy efficiency programs. If known by third parties engaged in the REC market, this information would give them market intelligence that they could use to their competitive advantage to the detriment of the Company and its customers. Specifically, access to this information would give them an advantage in future negotiations with the Company as well as an advantage over other vendors or developers.

Importantly, the passage of time does not negate the need for confidential treatment. As discussed above, the REPS filings contain sensitive forecasted information which remains confidential into the future. In addition, disclosure of the terms and conditions of competitively negotiated and secured contracts from prior REPS filings would impair DNCP's ability to negotiate favorable prices and terms with third parties in the future. Continued confidential treatment of this information is not only necessary and warranted, it is

²³ *Id.* at 10.

also is in the best interests of customers. The Company strives to publicly disclose as much information as possible without harming its ability to meet its REPS requirements in a reasonable and prudent manner, and will continue to do so in its future IRP and REPS filings. Therefore, DNCP opposes NCSEA's recommendation that the Commission require past REPS-related filings to be unsealed.

CONCLUSION

Wherefore, Dominion North Carolina Power respectfully requests that the Commission accept these Reply Comments and approve its 2011 Integrated Resource Plan and REPS Plan.

Respectfully submitted,

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Dated: January 27, 2012

Certificate of Service

I hereby certify that, pursuant to Rule R1-7(c), a copy of the foregoing *Reply Comments of Dominion North Carolina Power* in Docket Nos. E-100, Sub 128 and E-100, Sub 131 was served electronically or by first-class mail, postage prepaid, upon all parties of record.

This, the 27th day of January, 2012.



E. Brett Breitschwerdt