

INFORMATION SHEET

PRESIDING: Commissioner ToNola D. Brown-Bland, Presiding
Chairman Edward S. Finley, Jr.
Commissioner Bryan E. Beatty
Commissioner Susan W. Rabon
Commissioner Jerry C. Dockham
Commissioner James G. Patterson
PLACE: Dobbs Building - Raleigh, North Carolina
DATE: October 30, 2013
TIME: 9:00 a.m. to 12:31 p.m.
DOCKET NO.: E-100, Sub 136, Volume 2
COMPANY: Duke Energy Carolinas, LLC and Duke Energy Progress, Inc.
DESCRIPTION: In the Matter of Biennial Determination of Avoided Cost Rates for
Electric Utility Purchases from Qualifying Facilities - 2012

APPEARANCES

Duke Energy Carolinas, LLC and Duke Energy Progress, Inc.:
Kendrick C. Fentress, Esq.
Lawrence B. Somers, Esq.
Dwight Allen, Esq.

Dominion North Carolina Power
Horace D. Payne, Jr., Esq.
Andrea R. Kells, Esq.
Patrick T. Horne, Esq.

Renewable Energy Group
Charlotte A. Mitchell, Esq.

NC Sustainable Energy Association:
Michael D. Youth, Esq.

Southern Alliance for Clean Energy
Gudrun Thompson, Esq.
Katie Ottenweller, Esq.

Using and Consuming Public:
Tim R. Dodge, Esq.

WITNESSES

Bruce E. Petrie (cont.)
Don C. Reading, Ph.D.
John E.P. Morrison
Karl R. Rabago

FILED

NOV 14 2013

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

NORTH CAROLINA UTILITIES COMMISSION

APPEARANCE SLIP

DATE 10/29/13 DOCKET #: E-100, Sub 136
 NAME AND TITLE OF ATTORNEY Lawrence B. Somers, Deputy General Counsel
 FIRM NAME Duke Energy Corp.
 ADDRESS P.O. Box 1551 - NC 20
 CITY Raleigh ZIP 27602

APPEARING FOR: Duke Energy Carolinas & Duke Energy Progress

APPLICANT ☒ COMPLAINANT _____ INTERVENER _____
 PROTESTANT _____ RESPONDENT _____ DEFENDANT _____

ARE YOU THE COMPANY OR REPRESENTED COMPANY PAYING FOR COURT REPORTING SERVICES (Yes) / No (Circle one)

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 Your name, phone number and email address:

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[Signature]
 Signature of Attorney

NORTH CAROLINA UTILITIES COMMISSION

APPEARANCE SLIP

DATE 10/29 DOCKET #: E-100, Sub-136
 NAME AND TITLE OF ATTORNEY Kenneth Fentress
 FIRM NAME Duke Energy Carolinas, LLC & Duke Energy Progress, Inc.
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 CITY Raleigh ZIP 27602

APPEARING FOR:

APPLICANT ☒ COMPLAINANT _____ INTERVENER _____
 PROTESTANT _____ RESPONDENT _____ DEFENDANT _____

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NORTH CAROLINA UTILITIES COMMISSION
APPEARANCE SLIP

DATE 10- DOCKET #: E-100, Sub 136
NAME AND TITLE OF ATTORNEY Dwight Allen
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ADDRESS 1514 Glenwood Ave, Suite 200
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APPEARING FOR:

APPLICANT ☒ COMPLAINANT _____ INTERVENER _____
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Signature of Attorney

NORTH CAROLINA UTILITIES COMMISSION
APPEARANCE SLIP

DATE Oct. 29, 2013 DOCKET #: E-100, Sub 136
NAME AND TITLE OF ATTORNEY Horace P. Payne Jr
FIRM NAME Dominion North Carolina Power
ADDRESS 120 Tredegar St.
CITY Richmond, VA ZIP 23219

APPEARING FOR:

APPLICANT ☒ COMPLAINANT _____ INTERVENER _____
PROTESTANT _____ RESPONDENT _____ DEFENDANT _____

ARE YOU THE COMPANY OR REPRESENTED COMPANY PAYING FOR COURT REPORTING SERVICES Yes ☒ No (Circle one)

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Your name, phone number and email address:

Horace P. Payne, 804-819-2682, Horace.P.Payne

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NORTH CAROLINA UTILITIES COMMISSION
APPEARANCE SLIP

DATE 10/29/13 DOCKET #: E-100 Sub 136
NAME AND TITLE OF ATTORNEY Andrea Kells
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APPEARING FOR: Dominion

APPLICANT ☒ COMPLAINANT _____ INTERVENER _____
PROTESTANT _____ RESPONDENT _____ DEFENDANT _____

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AK
Signature of Attorney

NORTH CAROLINA UTILITIES COMMISSION
APPEARANCE SLIP

DATE 10/29/13 DOCKET #: E-100 Sub 136
NAME AND TITLE OF ATTORNEY Patrick T. Horne
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APPEARING FOR:

APPLICANT ✓ COMPLAINANT _____ INTERVENER _____
PROTESTANT _____ RESPONDENT _____ DEFENDANT _____

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Patrick T. Horne
Signature of Attorney

NORTH CAROLINA UTILITIES COMMISSION
APPEARANCE SLIP

DATE 9/29/13 DOCKET #: E-100 Sub 136
NAME AND TITLE OF ATTORNEY Charlotte Mitchell
FIRM NAME Styers Kemura & Mitchell
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CITY Raleigh NC ZIP 27604

APPEARING FOR: Renewable Energy Group

APPLICANT	COMPLAINANT	INTERVENER <input checked="" type="checkbox"/>
PROTESTANT	RESPONDENT	DEFENDANT

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 Charlotte Mitchell


Signature of Attorney

NORTH CAROLINA UTILITIES COMMISSION
APPEARANCE SLIP

DATE 10/29/13 DOCKET #: E-100, Sub ~~11~~ 136
NAME AND TITLE OF ATTORNEY Michael Youth
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CITY Raleigh ZIP 27604

APPEARING FOR: NCSEA

APPLICANT _____ COMPLAINANT _____ INTERVENER X
PROTESTANT _____ RESPONDENT _____ DEFENDANT _____

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w/ DNCP, DEC, ~~DEP~~

Signature of Attorney

NORTH CAROLINA UTILITIES COMMISSION
APPEARANCE SLIP

DATE 10/29/13 DOCKET #: E-100
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APPEARING FOR: Southern Alliance for Clean Energy

APPLICANT _____ COMPLAINANT _____ INTERVENER ☒
PROTESTANT _____ RESPONDENT _____ DEFENDANT _____

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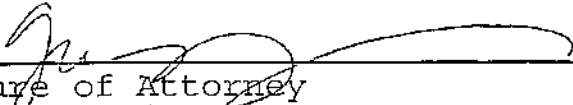
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W DEC/DEP only


Signature of Attorney

NORTH CAROLINA UTILITIES COMMISSION
APPEARANCE SLIP

DATE 10/29/13 DOCKET #: E-100,136
NAME AND TITLE OF ATTORNEY Katie Ottenweller
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CITY Atlanta GA ZIP 30303

APPEARING FOR: Southern Alliance for Clean Energy

APPLICANT _____ COMPLAINANT _____ INTERVENER ☒
PROTESTANT _____ RESPONDENT _____ DEFENDANT _____

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Katie Ottenweller
Signature of Attorney

NORTH CAROLINA UTILITIES COMMISSION
PUBLIC STAFF - APPEARANCE SLIP

DATE 10/29/13-10/30/13 DOCKET #: E-100, Sub 136

PUBLIC STAFF MEMBER Gisele L. Rankin; Tim R. Dodge

ORDER FOR TRANSCRIPT OF TESTIMONY TO BE EMAILED TO THE
PUBLIC STAFF - PLEASE INDICATE YOUR DIVISION AS WELL AS
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WATER _____

COMMUNICATIONS _____

ELECTRIC _____

GAS _____

TRANSPORTATION _____

ECONOMICS _____

LEGAL gisele.rankin@psncuc.nc.gov, tim.dodge@psncuc.nc.gov

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Annunzio/Work for Gisele Rankin + Tim Dodge
Signature of Public Staff Member

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STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-100, SUB 79

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	
Biennial Determination of Avoided Cost)	ORDER ESTABLISHING STANDARD
Rates for Electric Utility Purchases)	RATES AND CONTRACT TERMS FOR
from Qualifying Facilities - 1996)	QUALIFYING FACILITIES

HEARD IN: Commission Hearing Room, Dobbs Building, 430 North Salisbury Street,
Raleigh, North Carolina, on Tuesday, February 4, 1997.

BEFORE: Commissioner Allyson K. Duncan, Presiding, Jo Anne Sanford, Chair,
Commissioners Charles H. Hughes, Laurence A. Cobb, Ralph A. Hunt, Judy
Hunt, and William R. Pittman

APPEARANCES:

For Carolina Power & Light Company:

Len S. Anthony, Associate General Counsel, Post Office Box 1551, Raleigh,
North Carolina 27602

For Duke Power Company:

Mary Lynne Grigg, Senior Attorney I, 422 South Church Street, PB05E,
Charlotte, North Carolina

Robert W. Kaylor, Attorney at Law, 225 Hillsborough Place, Suite 480,
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For Nantahala Power & Light Company:

Edward S. Finley, Jr., Attorney at Law, Hunton & Williams, Post Office
Box 109, Raleigh, North Carolina 27602

NCSEA
PETRIE
CROSS-



of air pollution, nuclear decommissioning, and other environmental costs that are avoided because of hydro generation on their systems:

Avoided cost capacity rates established by the Commission using the peaker methodology have traditionally included a performance adjustment factor, the function of which is to allow a QF to experience some level of outages and yet still recover its full capacity credits. The calculation of a performance adjustment factor is a critical part of developing avoided cost capacity rates under the peaker methodology. A performance adjustment factor is not an essential part of calculating avoided cost capacity rates under the DRR method, and this is therefore not an issue as to NC Power. The Commission has previously found that a performance adjustment factor of 1.2 is appropriate for CP&L and Duke. The use of a 1.2 performance adjustment factor requires a QF to operate 83% of the time in order to collect its entire capacity credit. All parties agree that a QF should be allowed to have some appropriate level of outages without losing the ability to earn full capacity credits; the issue is the appropriate outage level to incorporate into the avoided cost capacity rate through the performance adjustment factor.

The Public Staff contends that the Commission should continue to prescribe a 1.2 performance adjustment factor for calculating avoided capacity costs, just as in previous proceedings. This performance adjustment factor allows a QF to experience up to 17% outages and still receive its full capacity credits. The Public Staff pointed out that CP&L and Duke run their baseload nuclear units at capacity factors in the low 80% range and still recover the total cost of the units from ratepayers. They each have system-wide capacity factors near 60%. According to the Public Staff, it would be discriminatory to require QFs to operate at an average capacity factor of 85% to 90% in order to receive the total capacity payments to which they are entitled.

The Public Staff further pointed out that G.S. 62-156 encourages hydro generation, that hydro generation is environmentally friendly, and that hydro facilities are generally unable to control the availability of their "fuel" and thus the timing of their capacity deliveries. The Public Staff therefore supported use of a 2.0 performance adjustment factor for hydro facilities with no storage capability and no other type of generation. The Public Staff argued that use of a higher factor does not change the avoided costs of the utility; it merely changes the manner of pricing out such avoided costs in payments to the QF.

Duke contended that the performance adjustment factor should be 1.129, which is comparable to the approximate 89% availability of its peaking units. Duke stated that the performance adjustment factor should be based upon neither a planning reserve margin (because a reserve margin incorporates factors such as load forecast error, weather variations and other unexpected operating conditions), nor upon the capacity factors of the utility's units or system (because the utility's capacity factors are influenced primarily by economic dispatch, not forced and schedule outages). In Duke's opinion, the fact that utilities are able to recover the full costs of their generating units that operate at low capacity factors is irrelevant to the establishment of an appropriate performance

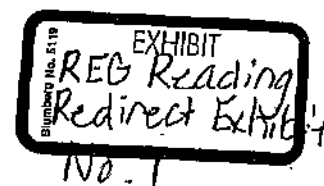
the appropriate performance adjustment factor. The Commission is unpersuaded by the utilities' arguments and concludes that a performance adjustment factor of 1.2 should continue to be used by CP&L and Duke for their respective avoided capacity cost calculations for all QFs other than hydroelectric facilities with no storage capability and no other type of generation.

The Commission also concludes that a performance adjustment factor of 2.0 should be utilized by CP&L and Duke in determining the avoided capacity cost rates for hydroelectric facilities with no storage capability and no other type of generation. This is consistent with the agreement between CP&L and the Public Staff, but the Commission concludes that it should be ordered for Duke as well based on the statewide policy of encouraging hydro generation as expressed in G.S. 62-156. Some parties comment that a higher performance adjustment factor for certain QFs is discriminatory or in excess of avoided costs decreed by PURPA. These QFs are unique since their ability to generate is beyond the control of their operators because their fuel is essentially stream flow which is influenced by rainfall and since G.S. 62-156 establishes a policy of encouraging hydro generation. Further, use of a higher performance factor for these hydro facilities does not exceed avoided costs; it simply changes the method by which avoided costs are paid. It allows these QFs to operate less in order to receive the full capacity payments to which they are entitled, and this seems appropriate and reasonable considering the limitations on their control of their generation.

With respect to the issue of whether direct and indirect costs of air pollution, nuclear decommissioning, and other environmental costs can be avoided by hydro generation, CP&L, Duke, and NC Power pointed out that the costs of compliance with various environmental regulations, such as air pollution requirements, is already factored into the operating costs of their own generating units, and are therefore included in their avoided cost rates. They stated that hydro QFs receive credit for these avoided costs the same as other QFs. They also pointed out that nuclear decommissioning costs are associated with existing nuclear facilities and cannot be avoided. The Public Staff contended that environmental compliance costs should be included in avoided costs to the extent they are quantifiable, but conceded the difficulty of quantifying them to a greater extent than they now are. CUCA contended that only directly avoidable environmental compliance costs should be included. The Commission finds no basis upon which to quantify costs avoided by hydro generation beyond those already included in the rates approved herein.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 9

The Public Staff's initial comments stated that CP&L should be required to develop standard avoided cost rates for QFs that connect to CP&L's system at the transmission level rather than the distribution level. CUCA also supported such a requirement. CP&L's reply comments stated that it does not object to doing so provided the standard 5-, 10-, and 15-year levelized rates for purchases from QFs are limited as discussed elsewhere herein. CP&L's proposed order states that the Public Staff agrees with CP&L's position.



California Sets Quarterly Record for Solar PV in Q2?13 as US Adds 976 MW, According to NPD Solarbuzz

9.03.2013

Strong utility-scale solar PV deployment to drive 2013 US demand to 4.2 gigawatts

Santa Clara, Calif., September 3, 2013?The US added 976 megawatts (MW) of new solar photovoltaic (PV) capacity during the second quarter of 2013 (Q2?13), up 24% Q/Q from 788 MW in Q1?13, according to the latest NPD Solarbuzz North America PV Markets Quarterly ⁽¹⁾ report.

In Q2?13, new PV installed in California alone reached 521 MW, which is a new record for PV added by any state in the US for a three-month period and 53% of PV added in the US, according to Finlay Colville ⁽²⁾, Vice President at NPD Solarbuzz. California has added 1.6 GW in the past 12 months, with a further 1.1 GW forecast for the second half of the year.

During Q2?13, 72% of solar PV installations were ground mounted, with the remaining 28% from residential and commercial rooftops. Utility-based PV projects accounted for 59% of quarterly demand, with the remaining 41% split between commercial and residential installations.

Strong demand continues to come from the ground-mount utility segment. Several large-scale projects have been completed within California, including the final phase of the 250 MW California Valley Solar Ranch, phase three of Topaz Solar Project, phase two of Antelope Valley Solar Ranch One, and Gates Solar Farm. Other large ground-mount projects include completion of the 290 MW Agua Caliente plant in Arizona and the 12 MW first phase of Semptra U.S. Gas & Power's 150 MW Copper Mountain Solar 2 in Nevada.

Solar PV demand in the US is forecast to grow 14% Q/Q to 1.04 GW in Q3?13. During 2H?13, Arizona and North Carolina together will add 400 MW and an additional 500 MW will come from New Jersey, New Mexico, New York, and Texas.

Outside California, Arizona, New Jersey, and other established US state markets, new solar PV markets are developing. In particular, North Carolina is forecast to grow by 80% Y/Y in 2013 to reach 285 MW, with further growth of 30% in 2014. As the leading project developer in the state, Strata Solar completed almost 100 MW of projects during the twelve-month period ending in June 2013.

Between Q3?12 and Q2?13, First Solar continued to lead module suppliers to the US market, with a market share of 22%, followed by SunPower at 12%. Leading tier-one Chinese suppliers Yingli Green Energy, Trina

Solar, Canadian Solar, and Suntech filled the next four ranking positions and collectively supplied 27% of US market demand.

Figure 1: 976 MW of New Solar PV Capacity in Q2'13

Source: NPD Solarbuzz *North America PV Markets Quarterly* ^[1] report

US PV demand for 2013 is forecast to increase 17% Y/Y to reach 4.22 GW. NPD Solarbuzz expects 2014 PV demand to exceed 5.3 GW. Further growth over the next five years will result in the US having 20% of global PV demand.

Confirming the strong PV growth potential of the U.S. market, the pipeline of commercial and utility projects now exceeds 44 GW. This pipeline includes more than 2,300 projects of 50 kW and higher, with commercial applications accounting for more than half of the total.

For more information about the NPD Solarbuzz *North America PV Markets Quarterly* ^[1], contact us at one of our seven global locations ^[3], email us at contact@solarbuzz.com ^[4], or call Charles Camaroto at .516.625.2452 for more information.

About NPD Solarbuzz

NPD Solarbuzz, part of The NPD Group, offers *North America PV Markets Quarterly* ^[1], *Marketbuzz* ^[5], *Solarbuzz Quarterly* ^[6], and other upstream and downstream photovoltaic (PV) market quarterly reports, providing the solar energy and PV industries with global historical and forecast data for the PV supply chain. For more information, visit www.solarbuzz.com ^[7] or follow us on Twitter at [@Solarbuzz](https://twitter.com/Solarbuzz) ^[8].

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