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November 13, 2017

Via Electronic Filing

Martha Lynn Jarvis
Chief Clerk
North Carolina Utilities Commission
430 North Salisbury Street
Dobbs Building
Raleigh, NC 27603-5918

RE: In the Matter of: Biennial Determination of Avoided Cost Rates for
Electric Utility Purchases from Qualifying Facilities – 2016
Docket No. E-100, Sub 148

Dear Ms. Jarvis:

Enclosed for filing in the referenced docket is a Joint Motion for Clarification and Modification, which is being filed on behalf of Southern Alliance for Clean Energy and North Carolina Sustainable Energy Association. By copy of this letter, I am serving all parties of record on the service list.

Please let me know if you have any questions about this filing.

Sincerely,

Lauren Bowen

Enclosures

cc: Parties of Record

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-100 Sub 148

In the Matter of:)	
)	Southern Alliance for Clean Energy and
Biennial Determination of Avoided Cost)	North Carolina Sustainable Energy
Rates for Electric Utility Purchases from)	Association's Joint Motion for
Qualifying Facilities – 2016)	Clarification
)	and Modification
)	
)	

NOW COME Southern Alliance for Clean Energy (“SACE”) and North Carolina Sustainable Energy Association (“NCSEA”) pursuant to Commission Rule R1-7 and respectfully move the Commission to clarify and modify the holding related to Finding of Fact No. 9 and Ordering Paragraph No. 7 in the Commission’s October 11, 2017 *Order Establishing Standard Rates and Contract Terms for Qualifying Facilities* (“Avoided Cost Order”) in the above-referenced proceeding. SACE and NCSEA’s request will not delay or impact the utilities’ recalculation of avoided cost rates for this biennial proceeding, but the additional guidance requested will help direct the parties’ actions prior to the next biennial avoided cost proceeding.

Specifically, SACE and NCSEA request that the Commission clarify the link between certain issues in this avoided cost proceeding and the 2016 integrated resource planning proceeding and modify the Avoided Cost Order to direct the utilities and Public Staff to consider and address the issues of seasonal allocation factors and solar contribution to peak in their work to prepare the report ordered by the Commission in its *Order Accepting Integrated Resource Plans and Accepting REPS Compliance Plans on Integrated Resource Planning* in Docket No. E-100, Sub 147 (“IRP Order”). SACE and

NCSEA further request that the Commission direct Duke Energy to take the results of this review and report into account in its avoided cost filings in the next biennial proceeding.

BACKGROUND

1. In Finding of Fact No. 9 of the Avoided Cost Order, the Commission determined that it was appropriate for Duke Energy Carolinas, LLC (“DEC”) and Duke Energy Progress, LLC (“DEP”) (together, “Duke”) to use seasonal allocation weightings of 80% for winter and 20% for summer for this proceeding.
2. In the Summary of Testimony for Finding of Fact No. 9, the Commission described Duke Witness Snider’s testimony that the “2016 resource adequacy studies demonstrated that the loss of load risk is now heavily concentrated during the winter period” and that Duke based this opinion on the “high penetration of solar resources [in the past two to three years] and the significant load response to cold weather [in 2014-2015]...” Avoided Cost Order at p. 58.
3. The Commission’s Ordering Paragraph No. 7 directed DEC and DEP to recalculate their avoided capacity rates using Duke’s requested seasonal allocation weightings of 80% winter and 20% summer.
4. In the Commission’s discussion and conclusions related to Finding of Fact 9, the Commission “expressly reserve[d] judgment on the parties’ arguments regarding winter peaking versus winter planning and whether the reserve margins referenced herein are appropriate for the Duke utilities’ integrated resource planning.” Avoided Cost Order at p. 61. The Commission referenced pages 14-

- 15 and 21-23 of its IRP Order, issued June 27, 2017 in Docket No. E-100, Sub 147.
5. The Commission further held that “[a]s with other determinations in this case, the issue of system planning is dynamic and conditions may change in the future. Therefore, the Commission will be receptive to revisiting this issue in future avoided cost cases.” Avoided Cost Order at p. 61.
 6. In the IRP Order, the Commission concluded that DEC and DEP’s peak load and energy sale forecasts were reasonable for planning purposes, but directed the utilities to address certain concerns in the 2017 IRP updates. The Commission noted that it “shar[ed] the concerns expressed by the Public Staff on issues related to statistical and econometric forecasting practices and by SACE that DEC’s load forecast may be higher than reasonably justified.” IRP Order at p. 14.
 7. In the IRP Order, the Commission further acknowledged concerns raised by Public Staff and the SACE, NRDC, and Sierra Club report by James F. Wilson related to the utilities’ winter reserve margin targets and winter peaking analyses. The Commission concluded that the “DEC load forecast may be high” and specifically referenced Mr. Wilson’s finding that the “DEC winter peak forecast seems somewhat high.” IRP Order at p. 15. The Commission held that the question of “whether DEC and DEP should move to a 17% winter reserve margin target ... is not supported by the evidence in this proceeding.” IRP Order at 21.
 8. The Commission also found “merit in the Public Staff’s recommendation that the issue of aggregate solar generation coincidence at peak for both winter and summer be evaluated further.” IRP Order at p. 54. The Commission recognized

the analysis by SACE Director of Research John D. Wilson as potentially “more rigorous,” and concluded that “Duke should include in a future IRP, an analysis of the methodology employed by Mr. Wilson and any recommended changes to DEC and DEP’s current approach.” *Id.*

9. In the IRP Order, the Commission directed “DEC and DEP [to] work with the Public Staff to address the Public Staff’s and Mr. [James] Wilson’s reserve margin concerns and to implement changes as necessary to help ensure that the reserve margin target(s) are fully supported in future IRPs.” IRP Order at p. 22. The Commission directed Duke and the Public Staff to file a joint report (“IRP Joint Report”) summarizing their review and conclusions within 150 days of Duke filing its 2017 IRP updates. *Id.*
10. The overall load forecast, the winter peak forecast, and the solar generation coincidence at peak are all critical inputs to Duke’s resource adequacy studies. These topics were each explicitly identified by the Commission in its IRP Order as requiring further analysis and consideration. Although the Avoided Cost order does make explicit reference to the IRP Order on some of these points, the Avoided Cost Order relies heavily on the resource adequacy studies in key findings even though the additional analyses and any resulting changes directed by the Commission in the IRP Order have not yet been completed.

REQUEST FOR CLARIFICATION AND MODIFICATION

11. Given the significant overlap in the avoided cost seasonal allocation weighting issue and the IRP reserve margin planning, and the concerns raised by intervenors related to each, SACE and NCSEA respectfully request (1) clarification from the

Commission regarding the link between avoided cost seasonal allocation weighting and the IRP reserve margin planning and (2) a directive that Duke and Public Staff consider the overlapping issues in their IRP Joint Report and that Duke incorporate the results in future proceedings. Other intervenors may be able to provide input to Duke and the Public Staff as appropriate. The additional clarification and directive from the Commission would not impact the current avoided cost proceeding or recalculation of avoided costs by the utilities, but it would better inform subsequent avoided cost proceedings by addressing some of the intervenor's concerns prior to the start of those proceedings. The clarification and directive may also inform avoided-capacity calculation changes related to House Bill 589, particularly if consensus can be reached prior to the next biennial avoided cost proceeding.

12. Thus, SACE and NCSEA respectfully request that the Commission clarify the link between the IRP reserve margin studies and the avoided cost seasonal allocation weighting issues and concerns. SACE and NCSEA further request that the Commission direct Duke and Public Staff to include within their reserve margin review and IRP Joint Report the analysis of aggregate solar generation coincidence at peak (IRP Order at p. 54) as well as related seasonal allocation and solar contribution to peak issues raised by Public Staff, SACE, NCSEA, and other intervenors in the avoided cost proceeding and discussed in the Commission's Avoided Cost Order at pages 58-61.
13. SACE and NCSEA additionally request that the Commission direct Duke to revise and update its resource adequacy studies to incorporate changes described

in the IRP Joint Report, its updated load forecast, and any other improvements that Duke may identify based on comments and testimony raised in this avoided cost proceeding and related to the IRP.

14. Lastly, SACE and NCSEA request that the Commission direct Duke to use the results of the updated resource adequacy studies to (1) revise its recommendations regarding seasonal allocation weightings in the next avoided cost proceeding and (2) apply changes to its valuation of aggregate solar generation coincidence at peak in its IRP forecast and utilize those results for purposes of identifying capacity need and other related applications of its IRP in its next avoided cost filing. Notably, valuing solar capacity is directly relevant to the determination of which years the IRP forecast demonstrates a capacity need. As discussed in the Commission's Avoided Cost Order, House Bill 589 will make this demonstration an essential and impactful input into the calculation of avoided capacity rates going forward. Avoided Cost Order at p. 48.

WHEREFORE, movants respectfully request the Commission issue an order clarifying and modifying its October 11, 2017 Avoided Cost Order as follows:

- (1) Clarify that there is a link between the IRP determinations and avoided cost seasonal allocation weighting as they relate to seasonal planning, seasonal peaking, solar power's contribution to peak, and reserve margin planning;
- (2) Direct Duke and the Public Staff, with assistance or input from other parties as appropriate, to consider the following avoided cost issues and related intervenor concerns in the IRP Joint Report, to help inform future biennial avoided cost

proceedings: seasonal allocation weighting for the calculation of avoided costs and solar power's contribution to peak;

- (3) Direct that, in accordance with the Commission's *Order Accepting Integrated Resource Plans and Accepting REPS Compliance Plans* in Docket No. E-100 Sub 147, the IRP Joint Report, with additional avoided cost considerations, shall be filed within 150 days of the filing of Duke's 2017 IRP updates, unless the Commission deems it appropriate to grant additional time to address the IRP and avoided cost overlap;
- (4) Direct Duke to revise and update its resource adequacy studies to incorporate changes described in the IRP Joint Report, its updated load forecast, and any other improvements that Duke may identify based on comments and testimony raised in this avoided cost proceeding and related to the IRP;
- (5) And, direct Duke to use the results of the updated resource adequacy studies to revise its recommendations regarding seasonal allocation weightings in its next biennial avoided cost filing, and to apply changes to its valuation of aggregate solar generation coincidence at peak in its IRP forecast and utilize those results for purposes of identifying capacity need and other related applications of its IRP in its next avoided cost filing.

Respectfully submitted, this the 13th day of November, 2017.

s/Lauren J. Bowen

Lauren J. Bowen

Peter D. Stein

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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Motion for Clarification and Modification by Southern Alliance for Clean Energy and North Carolina Sustainable Energy Association, as filed today in Docket No. E-100, Sub 148, has been served on all parties of record by electronic mail or by deposit in the U.S. Mail, first-class, postage prepaid.

This 13th day of November, 2017.

s/ Lauren Bowen