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April 11, 2014

Gail Mount
Chief Clerk
North Carolina Utilities Commission
430 N. Salisbury Street
Raleigh, NC 27603 – 5918

Re: NCUC Docket No. E-100, Sub 137

Dear Ms. Mount:

Enclosed herewith are the Initial Comments of the Mid-Atlantic Renewable Energy Coalition, to be filed in the above-referenced docket.

Should you have any questions or comments regarding this change, please do not hesitate to call me. Thank you in advance for your assistance and cooperation.

Kind Regards,

/s/ Charlotte Mitchell

STATE OF NORTH CAROLINA
UTILITIES COMMISSION

DOCKET NO. E-100, SUB 137

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of **2013 Integrated Resource Plans Update Reports and Related 2013 REPS Compliance Plans**	**INITIAL COMMENTS OF THE MID-ATLANTIC RENEWABLE ENERGY COALITION**

NOW COMES THE MID-ATLANTIC RENEWABLE ENERGY COALITION ("MAREC"), by and through the undersigned attorney, submits the following comments on the updated Integrated Resource Plans ("IRPs") and related Renewable Energy and Energy Efficiency Portfolio Standard ("REPS") compliance plans ("Compliance Plans") of Duke Energy Carolinas, LLC ("DEC") and Duke Energy Progress, Inc. ("DEP") (collectively, the "Companies") For purposes of these comments MAREC will focus primarily on the Companies' IRPs and Compliance Plans as they relate to planning for renewable resources with the emphasis on wind energy. MAREC appreciates the opportunity to comment in this proceeding.

I. <u>Introduction</u>

MAREC is a nonprofit corporation that was formed to help advance the opportunities for renewable energy development primarily in the region where the Regional Transmission Organization, PJM Interconnection, LLC ("PJM"), operates. MAREC's footprint includes North Carolina, Delaware, Pennsylvania, Maryland, New Jersey, Ohio, Virginia, West Virginia and the District of Columbia. MAREC's membership consists of wind developers, wind turbine manufacturers, service companies, nonprofit organizations and a transmission company dedicated to the growth of renewable energy technologies to boost economic development in the region, improve our environment and diversify our electric generation portfolio, thereby enhancing energy security. The primary areas of focus of MAREC are to work with state regulators to develop rules and supportive policies for renewable energy; provide education and expertise on the environmental sustainability of wind energy; and offer technical expertise and advice on integrating variable wind energy resources into the electric grid.

MAREC members are committed to significant growth in renewable energy technologies to support economic development in the region and to help meet North Carolina's legislative mandate for renewable energy through its REPS and similar mandates in other jurisdictions in the region. Under the REPS, DEC and DEP are required to procure an annually increasing amount of its energy from renewable energy resources to serve its customers.

N.C. Gen. Stat. §62-110.1 (c) provides that the North Carolina Utilities Commission ("NCUC" or "Commission") "[s]hall develop, publicize, and keep current an analysis of the long-range needs for expansion of facilities for the generation of electricity in North Carolina, including its estimate of the probable future growth of the use of electricity, the probable needed generating reserves, the extent, size, mix and general location of generating plants and arrangements for pooling power to the extent not regulated by the Federal Energy Regulatory

Commission." To meet this requirement the NCUC conducts an annual investigation into each utilities filed IRP. According to Commission Rule R8-60, electric utilities have to provide the Commission with a biennial IRP containing information specifically prescribed by the Commission in even-numbered years, as well as an update to the electric utilities filed IRP in odd-numbered years. Additionally, Commission Rule R8-67(b) requires electric suppliers to file a Renewable Energy and Energy Efficiency Portfolio Standard Compliance Plan as part of its IRP report.

On October 15, 2013 DEC and DEP filed their updated IRPs. Included in these filings, the companies submitted their 2012 REPS Compliance Plans.

II. There is Clear Public Policy Supporting Renewables in North Carolina

N.C. Gen. Stat. § 62-2 states that it shall be the policy of the state of North Carolina, "To promote the development of renewable energy and energy efficiency through the implementation of a Renewable Energy and Energy Efficiency Portfolio Standard (REPS) that will do all of the following:

a. Diversify the resources used to reliably meet the energy needs of consumers in the State.

b. Provide greater energy security through the use of indigenous energy resources available within the State.

c. Encourage private investment in renewable energy and energy efficiency.

d. Provide improved air quality and other benefits to energy consumers and citizens of the State."

In setting this policy, the General Assembly created a framework to encourage renewable energy use and development of renewable energy projects. In August 2007, North Carolina enacted comprehensive energy legislation, Session Law 2007-397 (Senate Bill 3), which, among other things, established the REPS. Renewable portfolio standards are policies designed to increase generation of electricity from renewable resources by requiring or encouraging electricity producers to supply a certain minimum share of their electricity from designated renewable resources. All electric power suppliers in North Carolina must meet an increasing amount of their retail customers' energy needs by a combination of renewable energy resources and reduced energy consumption.

Pursuant to N.C. Gen. Stat § 62‑133.8(b)(1), in 2014, DEC and DEP are each required to purchase a minimum of 3% of its supply from these resources with the compliance requirement increasing to 6% in 2015 and to 10% in 2018 until it reaches 12.5% by 2021. N.C. Gen. Stat § 62‑133.8(d) requires that by 2014, at least .07% of the supply procured by DEC and DEP must come from solar resources and increases to 0.2% by the 2018 compliance year. Pursuant to N.C. Gen. Stat § 62‑133.8(a)(8) "renewable energy resources" for compliance with the REPS include a number of resources, such as solar electric, solar thermal, wind, hydropower , geothermal, certain biomass and a number of other resources as defined by subsection (a)(8). However, renewable energy resources do not include peat, fossil fuels, or nuclear energy resources. No more than 25% of the RECs procured to satisfy the REPS requirements can be derived from out-of-state renewable energy facilities. N.C. Gen. Stat § 62‑133.8(c)(2)d.

Commission Rule R8-67(b), Renewable Energy and Energy Efficiency Portfolio Standard (REPS), requires each electric power supplier to file its REPS Compliance Plan with the Commission each year. Additionally, any electric power supplier subject to Rule R8-60 is required to file its REPS compliance plan as part of its integrated resource plan filing. The Commission will review and approve of the REPS Compliance Plans pursuant to Rule R8-60.

II. <u>DEC and DEP Failed to Adequately Address the Inclusion of Wind Energy Resources</u>

As we addressed in our review of the Companies' 2012 Biennial Integrated Resource Plans and Related 2012 REPS Compliance Plans, MAREC again notes the serious deficiency in the Companies' review of wind energy resources as part of the updated IRPs. At the conclusion of the earlier matter, the Commission ordered in part:

> "That in future IRPs, DEC and DEP should consider additional resource scenarios that include larger amounts of renewable energy resources similar to DNCP's Renewable Plan, and to the extent those scenarios are not selected, discuss why the scenario was not selected."[1]

[1] Commission Order Approving Integrated Resource Plans and REPS Compliance Plans issued October 14, 2013, *In the Matter of 2012 Biennial Integrated Resource Plans and Related 2012 REPS Compliance Plans* at page 46.

MAREC recognizes that the Commission order in the earlier review of the 2012 Biennial filing was issued on October 14, 2013, only one day prior to the submission of the Companies' updated filings, which are the subject of the review in the current proceeding. For this reason, it would not be reasonable to expect that the Companies would be in any position to incorporate these directives, which anticipate the Companies conducting extensive additional analysis on renewables into future IRPs.

Nevertheless, the fact remains that given the clear policy requirements of the North Carolina General Assembly, as we addressed in our previous filings, wind energy resources have lacked any serious consideration in the Companies' IRPs and Compliance Plans. MAREC will not restate the deficiencies in the filings, as it is apparent that the Commission's directives to the Companies make it clear that the Companies must conduct more scenarios with greater amounts of renewable energy being selected and discuss why the Companies chose not to pursue any of the renewable resource scenarios not selected. MAREC fully expects that the scenario planning and the detailed analysis required will be provided in the Biennial IRP filings that are due by September 1, 2014. In these upcoming filings, the Companies will need to address an array of potential scenarios of renewable energy. However, MAREC strongly contends that the Companies must provide scenario planning as it relates to the addition of new wind resources both within and outside North Carolina. The current analysis sorely lacks any evaluation of the benefits of wind energy as part of a diverse and reasonably priced fuel mix consistent with state policy.

III. The Benefits of Wind Energy Must Be Considered

As indicated, the instant filings once again ignore the benefits that wind energy provides to the Companies' consumers. In addition, by failing to adequately address wind energy in the their updated IRPs and REPs, DEC and DEP do not sufficiently speak to state policy that requires a full analysis of renewable resources as a means by which the Companies can diversify their energy portfolios, utilize resources indigenous to the state, encourage private investment in these resources and allows for planning in a manner that leads to improved air quality. Wind energy is a critical resource positioned to provide the opportunity to the Companies to meet the General Assembly's goals specifically identified in the REPS, as well as meet general resource needs in a cost effective manner.

Wind energy has no fuel costs and would provide both DEC and DEP customers a hedge against rising fossil fuel costs. As this past winter confirmed, even natural gas prices are not immune from wide price fluctuations - - even with the increased supplies as a result of fracking technology. North Carolina's electric suppliers can enter into long-term contracts with wind energy suppliers that would provide stable pricing for the entire duration of these contracts, while electric suppliers resorting to fuel resource mixes heavy on fossil fuels can incur great price volatility as a result of weather occurrences, such as a cold winter, or the disruptions of a particular resource

Wind energy is a zero-emitting resource and consequently the generation of wind energy produces no harmful emissions. While it acts as a hedge against rising fossil fuel prices, because it does not produce any greenhouse gas emissions, wind energy can also act as a hedge against the potential that future federal policies would put a price on greenhouse gas emissions or restrict such emissions, thus causing higher cost for a resource.

Another significant benefit of wind is that its cost has become increasingly cost competitive with other forms of power generation. Since 2009, wind energy costs have fallen nearly 43%.[2] In fact, as a new generating resource, wind energy is a least cost option, along with natural gas.

Another significant benefit from wind energy is that projects that are developed in-state can provide substantial economic development benefits, which include: jobs during construction and in operations after the facility is completed; investment in local communities and the state; lease payments to farmers and other local landowners; substantial tax payments to the counties where the projects are located; and new in-state supply chain opportunities for businesses. Even though the Companies acknowledge that there are wind energy projects under development in North Carolina, they fail to consider wind energy as an important part of its energy supply portfolio. Moreover, they do not acknowledge any economic development benefits that would accrue to the local communities and the state if these projects were to receive the appropriate evaluation in their IRPs.

Another example of the benefit of wind energy has to do with the manner in which wind is dispatched onto the electric grid. It is generally the case that wind resources are dispatched earlier than traditionally produced energy, thus at various

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[2] http://blog.ucsusa.org/falling-cost-of-wind-power-spurs-new-investments-289

times renewable resources will displace the need for generation resources tied to higher fuel costs. Due to the lower production costs of these renewable resources, a utility that includes sufficient levels of these resources in its generation mix could see significant fuel costs savings as a result – which lowers the cost of all forms of generation to ratepayers.

IV. <u>An Annual Competitive Solicitation for New Renewables</u>

MAREC also proposes, as it did during the review of the Companies 2012 Biennial IRPs and REPs, that each company be required to engage in a competitive solicitation for new renewables. The process should not be limited to a particular eligible resource. This annual procurement process could allow for the procurement of up to the full REPS requirements for energy and renewable energy credits ("RECs"). However, it should be based on the price offered for such resources and the attendant benefits associated with procuring such resources, such as: economic development benefits to the state; price stability benefits of the resource; fuel diversity attributes of the resource to DEC's and DEP's resource mixes; and how the selected resource(s) would help meet the REPS requirements for each company. A long-term strategy, especially in the context of the IRP process, makes economic sense. As previously indicated, a long-term procurements of renewable energy through an RFP process would act as a hedge against price volatility and be a competitive tool utilized to help meet DEC's and DEP's present and future REPS requirements. These contracts enable projects to be financed at more advantageous financing terms, which also benefits ratepayers. Additionally, changing state and federal tax incentives will continue to modify the economics of new generation. Structuring procurements to take advantage of federal tax credits is prudent for North Carolina ratepayers to ensure they get the lowest cost of renewable energy.

The proposed procurement process would be competitive, open, and transparent, which could result in the development of new land based wind energy projects and other renewable energy projects. Of course, any RFP process should include safeguards to ensure that the process was truly competitive and that the goals and objectives of the procurement were achieved. MAREC proposes that a working group be convened by the Commission to help address any technical issues posed by the RFP process and procurement and to provide recommendations on any safeguards that should be implemented.

By enhancing their wind energy portfolio though a competitive procurement process, DEC and DEP could diversify their energy resource portfolios; increase their opportunity to use more energy resources that are indigenous to the state of North Carolina; encourage more investment in renewable resources; and improve air quality for the citizens of North Carolina – all factors which the General Assembly deemed to be the policy of the State of North Carolina.

VI. CONCLUSION

For the reasons stated herein, MAREC proposes the following actions:

1. Consistent with the Commission's prior order, direct DEC and DEP in their next IRP filings and all future IRP filings to include a thorough examination of renewable energy scenarios with larger amounts

of renewable energy resources and explain in detail the reasons why any particular scenario was not selected.

2. Direct DEC and DEP to include a provision for a new RFP process in their next IRP filing and all future IRP filings that would solicit new wind energy and other renewable energy capacity through long-term contract(s) for energy and RECs, as detailed herein.

Respectfully submitted this 11th day of April, 2014

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4810-6276-5338, v. 1

CERTIFICATE OF SERVICE

It is hereby certified that the foregoing Initial Comments of the Mid-Atlantic Renewable Energy Coalition have been served this day by hand delivery, electronic mail or by depositing copies of same in a depository under the exclusive care and custody of the United States Postal Service in postage prepaid envelopes and properly addressed to all parties of record.

This 11th day of April, 2014.

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/s/ Charlotte Mitchell

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