**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**
**DOCKET NO. E-100, SUB 167**

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| **In the Matter of:** | ) | **JOINT REPLY COMMENTS** |
| **Biennial Determination of** | ) | **OF THE SOUTHERN** |
| **Avoided Cost** | ) | **ALLIANCE FOR CLEAN** |
| **Rates for Electric Utility** | ) | **ENERGY, NORTH CAROLINA** |
| **Purchases from** | ) | **CLEAN ENERGY BUSINESS** |
| **Qualifying Facilities – 2020** | ) | **ALLIANCE, AND THE NORTH** |
| | ) | **CAROLINA SUSTAINABLE** |
| | ) | **ENERGY ASSOCIATION** |

# JOINT REPLY COMMENTS OF THE SOUTHERN ALLIANCE FOR CLEAN ENERGY, NORTH CAROLINA CLEAN ENERGY BUSINESS ALLIANCE, AND THE NORTH CAROLINA SUSTAINABLE ENERGY ASSOCIATION

## I. INTRODUCTION

The Southern Alliance for Clean Energy ("SACE"), the North Carolina Clean Energy Business Alliance ("NCCEBA")[1], and the North Carolina Sustainable Energy Association ("NCSEA") (SACE, NCCEBA, and NCSEA, collectively, "Joint Commenters") file these reply comments pursuant to the *Order Establishing Biennial Proceeding, Requiring Data, and Scheduling Public Hearing* ("Order Establishing Biennial Proceeding") issued by the North Carolina Utilities Commission ("Commission") on August 13, 2020.

## II. BACKGROUND

On January 25, 2021, Joint Commenters filed their Joint Initial Comments and the Public Staff filed its Initial Statement of the Public Staff.

[1] NCCEBA recently assumed the prior functions of the South Carolina Solar Business Alliance and is now named the Carolinas Clean Energy Business Association ("CCEBA"). CCEBA has not yet updated its entity name in each of its Commission dockets and was advised by Clerk of the Commission to wait until after these comments were filed to request a name change within the docket.

On February 10, 2021, the Public Staff moved to cancel the public witness hearing scheduled for February 16, and on February 11 the Commission granted the motion.

On February 12, 2021, Duke Energy Carolinas, LLC ("DEC"), Duke Energy Progress, LLC ("DEP") (together "Duke" or the "Companies") filed their Supplemental Filing of Revised Energy Rate Calculations and Updated Avoided Energy Rates.

On February 22, 2021, in order to have sufficient time to review the new rate calculations, Joint Commenters moved for a seven-day extension of time through and including Friday, March 5, 2021, for parties to file reply comments in this docket. On February 23, the Commission granted the motion.

On February 25, 2021, Dominion Energy North Carolina ("DENC" or "Dominion") forwarded to Joint Commenters its Revised Energy Rates that it intends to file with the Commission on March 5, 2021. DENC re-ran its model without the federal CO2 costs (but maintaining RGGI costs). Joint Commenters represented that they do not oppose these revised rates, which they did at the urging of the Public Staff.

Joint Commenters have reviewed the Initial Statement of the Public Staff, the revised rates of DENC and Duke, and respectfully submit the following reply comments.

## III. ARGUMENT

### A. Duke's assumptions about gas transport

Joint Commenters strongly agree with the Public Staff's reservations regarding Duke's assumed ability to transport large volumes of natural gas on a daily basis to its gas-fired units. *See* Initial Comments of the Public Staff, p. 46. Joint Commenters agree with the Public Staff's recommendation that in its 2021 avoided-cost filing Duke should reevaluate its assumptions regarding the availability of additional interstate pipeline capacity, and that in its 2021 IRP update Duke should include a portfolio or sensitivity that includes import restrictions or less reliance on natural gas.

However, Joint Commenters do not agree that Duke's unfounded assumption of additional pipeline capacity could be substantiated by "a detailed narrative that identifies expected actions by various pipeline developers and other parties with expected timelines that are needed for project completion, as well as identification of major challenges associated with planned or potential new interstate pipelines." Initial Comments of the Public Staff, p. 46. Obstacles to constructing new pipelines, such as legal, regulatory, or other project development challenges, will persist regardless of Duke's expectations, and it is unclear why Duke is in a position to accurately predict expected actions related to pipeline capacity development. Relying on such predictions in this context is also contrary to the Public Staff's emphasis on reliance upon "known and verifiable" costs in other contexts of avoided cost calculations, such as carbon costs.

**B. <u>Inclusion of Carbon Costs</u>**

The Public Staff supports Duke's decision to exclude a cost of carbon on the grounds that a specific cost of carbon it is not "known and verifiable," citing the Commission's conclusions in its December 31, 2014 Order Setting Avoided Cost Input Parameters ("Sub 140 Order") that the costs were not sufficiently certain to be included in avoided costs at that time. Initial Statement of the Public Staff, pp. 37-38.

Joint Commenters respectfully disagree with the Public Staff's position and submit that it is appropriate for the Commission to reconsider the application of the "known and verifiable" standard with respect to carbon costs that it applied in the Sub 140 Order. The likelihood of a carbon price in the near term is substantially greater than at the time the Commission issued its Sub 140 Order, more than six years ago, either through expected federal regulation replacing the Affordable Clean Energy ("ACE") Rule, *see Am. Lung Ass'n v. Envt'l Prot. Agency*, 985 F.3d 914, 935–36 (D.C. Cir. 2021) (discussing "statutory mandate" to regulate greenhouse gas emissions), or state policy including participation in regional emissions coordination efforts. Since the Sub 140 Order, Duke itself has established carbon reduction goals along with many other utilities across the country, and recently as December 2020 Duke's CEO acknowledged Duke's support for "an economywide approach to carbon" in the form of a carbon tax.[2] All of these factors result in a significantly higher likelihood that a cost of carbon will apply during the avoided cost forecast period than at the time of the Sub 140 Order. When the Commission found it appropriate to exclude a cost of carbon from avoided-cost calculations, it stated that it would be appropriate to revisit the issue if and when the costs become "known and verifiable." Sub 140 Order, p. 44. Joint Commenters respectfully submit that the high likelihood of forthcoming carbon regulations warrants revisiting the question of including a cost of carbon and that it would be appropriate to do so more fully in the fall 2021 avoided cost proceeding.

**C. <u>DENC Re-Dispatch Avoidance Requirements</u>**

Joint Commenters respectfully disagree with the Public Staff's suggestion that there is a risk that Controlled Solar Generators ("CSG") might "game" the Re-Dispatch Charge ("RDC"). Initial Statement of the Public Staff, p. 37. To qualify for the RDC, a qualifying facility ("QF") has to provide an hourly forecast of its output for the entire year, and then every April Dominion calculates the variance between the forecast solar-only output and

[2] *See* Esther Wieldon, *Duke Energy CEO supports carbon tax but says devil in details*, S&P Global Market Intelligence, December 1, 2020, https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/duke-energy-ceo-supports-carbon-tax-but-says-devil-in-details-61530595 (last reviewed March 4, 2021).

actual solar-only output, and between the forecast solar + storage combined output and actual combined output. The QF gets a credit of $0.78/MWh multiplied by its output in MWh and then by one minus its combined variability divided by its solar-only variability. Initial Statement of the Public Staff, p. 32.

The Public Staff suggests that QFs might "game their forecasts and output to obtain excessive RDC credits." Initial Statement of the Public Staff, p. 37. It is not clear how the Public Staff envisions that QFs would do so, but it would seem to assume that a QF would artificially increase its solar-only variability and/or reduce its combined variability, so that combined variability divided by solar variability appears closer to zero than it is in reality, and the last part of the formula closer to one. The likelihood of a QF undertaking such a ploy and not being detected seems close to non-existent. For one thing, the strategy could work at most only in the first year that a QF operated, and would be detected even then. If a QF developed a forecast for the coming year that was substantially different from its actual output the previous year, that too would be detected. Furthermore, estimating output for any year should be straightforward given standard inputs such as nameplate capacity, technology, orientation, public direct normal irradiance ("DNI") data, and how the plant will be operated, such as using storage to shift output.

Joint Commenters also respectfully disagree with the Public Staff's contention that CSGs that engage in energy-shifting should not receive a higher RDC than those that engage solely in energy smoothing because "it is unclear if ratepayers actually benefit more from energy shifting dispatch than smoothing dispatch." Initial Comments of the Public Staff, p. 36. Shifting energy to peak times generally benefits customers more because it displaces costly on-peak generation. If a CSG earns a higher RDC as a result of engaging in energy-shifting, that is a natural result of the design and application of the RDC. The RDC reduces the avoided-cost rate that a solar QF receives in order to compensate the utility for fuel and purchased energy costs associated with integrating the variable energy. If a controlled solar QF that uses its storage not just to smooth output but to shift energy operates in a controlled manner and does not cause those integration costs, there is no reason to deduct those costs from the QF's avoided-cost compensation. Indeed, deducting the RDC in that scenario improperly yields a rate *less* than avoided cost.

## IV. QF REPORTING REQUIREMENTS

Joint Commenters agree with the Public Staff's position that lowering the threshold for requiring prior notice of annual, monthly, and day-ahead forecasted hourly production from 3MW to 100kW would be onerous and costly for some small QFs, and likely unnecessary because Duke is unlikely to rely on forecasts from small QFs. *See* Initial Comments of the Public Staff, pp. 50-51. Joint Commenters support the Public Staff's proposal to lower the threshold to 1MW as a reasonable compromise.

## V. AVOIDED ENERGY RATES

In response to the Initial Comments of the Public Staff and Joint Commenters' Joint Initial Comments, Duke filed its Supplemental Filing of Revised Energy Rate Calculations and Updated Avoided Energy Rates. Duke's revisions appear reasonable and Joint Commenters do not object to the revisions that Duke made for purposes of calculating avoided cost rates in this proceeding.

## VI. CONCLUSION

Joint Commenters request that the Commission order Duke to correct and adjust its avoided cost calculations consistent with the recommendations in the Joint Initial Comments and these reply comments.

Respectfully submitted this the 5th day of March, 2021.


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**CERTIFICATE OF SERVICE**

I hereby certify that all persons on the docket service list have been served true and accurate copies of the foregoing reply comments by hand delivery, first class mail deposited in the U.S. mail, postage pre-paid, or by email transmission with the party's consent.

This the 5th day of March, 2021.

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