STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-100, SUB 179

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Duke Energy Progress, LLC, and Duke Energy Carolinas, LLC, 2022 Biennial Integrated Resource Plans and Carbon Plan	)	INITIAL COMMENTS AND PROPOSED ISSUES OF CLEAN ENERGY BUYERS ASSOCIATION

NOW COMES the Clean Energy Buyers Association ("CEBA"), formerly known as the Renewable Energy Buyers Alliance, pursuant to the Commission's Order Requiring Filing of Carbon Plan and Establishing Procedural Deadlines entered on November 19, 2021, the Commission's Order Granting Extension of Time entered on November 29, 2021, and the Order Establishing Additional Procedures And Requiring Issues Report entered on April 1, 2022, and respectfully submits the following Initial Comments And Proposed Issues of CEBA regarding the Verified Petition for Approval of Carbon Plan ("Petition") filed in this docket on behalf of Duke Energy Progress, LLC ("DEP") and Duke Energy Carolinas, LLC ("DEC", and collectively with DEP, "Duke" or the "Companies").

CEBA applauds the State of North Carolina's establishment of a framework to achieve carbon neutrality in the State by 2050, with a 70% reduction by 2030 as mandated via House Bill 951 ("HB 951")[1]. The North Carolina Legislature passed sweeping energy reform in 2021 with the passage of HB 951. HB 951 created ambitious new decarbonization targets for the state's electric generation fleet (i.e., 70% reduction by 2030 and carbon neutrality by 2050), seeks to expand solar generation, addresses coal plant securitization, and implemented a framework to

[1] https://www.ncleg.gov/Sessions/2021/Bills/House/PDF/H951v6.pdf.

adopt performance-based ratemaking. Duke's proposed Carbon Plan, however, is not a reasonable or coherent attempt to achieve the State's goals as outlined in HB 951. The Petition attempts to maximize Duke's control over the energy transition in this State at the expense of its ratepayers, and at the expense of the economic development that could follow from adoption of a Carbon Plan that relies more on competition and promotes and emphasizes renewable energy and substantially expands customers' access to a dynamic clean energy market.

I. INTRODUCTION

CEBA is a business association representing a diverse membership of more than 310 members[2], including some of the largest buyers of renewable energy that conduct business operations within North Carolina and the Southeast region. CEBA's aspiration is to achieve a 90% carbon-free U.S. electric system by 2030, and in furtherance of that goal, to cultivate a global community of energy customers driving expanded demand for clean energy. CEBA's members have ambitious renewable energy usage goals, and many of these members now consider, if not emphasize, potential market access to the development of expanded and directly accessible renewable electric power generation when determining which state within the region to locate new facilities and to use their private capital to support new clean energy projects.

Large energy customers are demanding access to clean energy resources when choosing where to site their operations and where to support new projects. If a state cannot provide meaningful access to such resources, these customers will site their new and/or expanded facilities, and the associated economic development, elsewhere in the region. In addition, the state will miss the opportunity to leverage corporate investment to drive new project development with stable operating costs, reducing energy costs and providing a hedge against fuel price volatility for all

[2] See representative members of Clean Energy Buyers Association at https://cebuyers.org/about/ceba-members/.

customers. Other investor-owned utilities have adopted more ambitious goals than those proposed in this Petition. For example, Florida Power & Light Company, which serves over 12 million customers, plans to reach a 100% carbon-free system by 2045, in part by increasing solar generation from 4 GW to 90 GW and battery storage from 500 MW to 50 GW.[3] The State of North Carolina must develop a new framework to achieve carbon neutrality in the State by 2050, with a 70% reduction by 2030; it needs a clear and dependable path forward to achieving the clean energy goals that customers and potential customers demand and need. The Commission should reject Duke's proposal and approve a Carbon Plan that is consistent with those goals of expanded direct access to renewable resources and use of a decarbonization strategy that is more cost-efficient for Duke's customers.

II. COMMENTS[4]

A. Customer Access to Clean Energy

The Duke-proposed Carbon Plan does not meaningfully expand direct customer access to renewable generation resources nor provide a viable pathway for North Carolina to meet its own mandated goals. We want access to meaningful customer-based programs to procure renewable energy in North Carolina and are willing to partner with Duke to find those solutions. We feel that this Petition is a step forward, but still lacks significant pieces to be implemented as filed. For example, much of Duke's proposed Grid Edge and Customer Programs are designed to reduce energy usage by customers, but Duke does not propose—or include in its modeling—any new or expanded programs designed to allow large utility customers to supply or match their electricity

[3] *See* NextEra Energy, News Release, June 2022. https://newsroom.nexteraenergy.com/2022-06-14-NextEra-Energy-sets-industry-leading-Real-Zero-TM-goal-to-eliminate-carbon-emissions-from-its-operations,-leverage-low-cost-renewables-to-drive-energy-affordability-for-customers.

[4] CEBA's list of proposed issues incorporates these comments and is attached for ease of reference hereto as Appendix A.

usage with renewable energy production. *See* Carbon Plan, Execution Plan at 29–36 & Appx. G. In response to a legislative mandate in 2017, Duke developed its Green Source Advantage ("GSA") program, a sleeve program for customers with a demand greater than 1 MW (or 5 MW aggregated). *See* Carbon Plan, Appx. G at 15–16. This program remains limited to very large-scale buyers with a sufficiently large load and resources to pay the application and administrative fees. Moreover, the GSA program was capped at 600 MW in North Carolina and is currently at capacity.[5] Duke notes that it plans to expand and develop new clean energy customer programs to allow both customer self-sourced renewable energy options and utility-sourced options (like new REC options) at some point in the future, but not in connection with the adopted Carbon Plan. *See* Carbon Plan, Appx. G at 17. The GSA program should be updated as it should be a significant part of the Carbon Plan, and the fact that the program is fully subscribed reflects how effective the program was. These types of customer plans—particularly programs that would allow customer self-sourced renewable energy options—would allow market demand to accelerate non-utility investment in the electric system and electric decarbonization in a more cost-efficient way than simply reducing customers' energy usage, and they should be included in any Carbon Plan ultimately approved by this Commission.

Large energy users are increasing their commitments to clean energy and are making decisions about expanding or siting facilities based on access to clean energy. In 2021, voluntary energy customers contracted for 11.06 GW of clean energy—the equivalent of 40% of all new carbon-free capacity installed that year. North Carolina needs to provide meaningful and scalable carbon-free energy options to most if not all commercial and industrial customers to keep pace with large and medium energy users' needs. Duke's proposed Carbon Plan significantly delays

[5] *See* https://www.duke-energy.com/business/products/renewables/green-source-advantage.

HB 951's statutorily mandated goal deadline of a 70% reduction in CO2 by 2030. Portfolio 2 would not achieve a 70% reduction in CO2 until 2032, and Portfolios 3 & 4 would not meet that target until 2034. Large energy buyers and independent clean energy suppliers are ready to lead North Carolina toward carbon neutrality on a shorter timeline —far before 2050, and well within the goals of HB 951. Duke needs to propose, or this Commission needs to independently develop and adopt, a Carbon Plan that is consistent with that timeline.

B. Methodology

Duke has requested Commission approval of its proposed methodologies for tracking CO2 reduction targets, as well as the modeling underlying its four potential Portfolios; however, Duke did not really submit a viable plan to effectively provide the Commission with a pathway to compliance with the HB 951 requirements. CEBA has several concerns with the methodology that Duke has proposed for measuring progress in achieving the goals of the adopted Carbon Plan.

Duke's proposed methodology raises inconsistencies on its face with the future scenarios that Duke itself forecasts. For example, in 2023 Duke plans to file for regulatory approval of the consolidation of DEC's & DEP's system generation operations into one Carolinas transmission zone with one set of tariff rates, with legal consolidation planned by year-end 2024. *See* Carbon Plan, Execution Plan at 27–29 & Appx. R. This near-term consolidation plan does not appear to be modeled in any of Duke's four modeled Portfolios, and the rate impacts of the scenarios set forth in the Petition appear to assume that DEC and DEP will remain separate entities indefinitely. On this basis alone, the Duke Portfolios and the overall Duke-proposed Carbon Plan modeling cannot be approved as reasonable for planning purposes, because they fail to reflect how a consolidated system will be operated in the future and those rate implications.

C. Cost Efficiency

Cost-Efficient Clean Generation Sources. Duke's proposed Carbon Plan attempts to maximize Duke's control over the energy transition in this State at the expense of its ratepayers and potential customers. Technology and emerging demands of the marketplace will require a greater reliance and emphasis on distributed resources and a reduced centralization of generation assets, and customers are pleading to have more options to procure clean energy. Giving customers more options in the form of programmatic options is of no risk to Duke, yet it is not an option provided in the Petition. In fact, customers' options appear to be more limited.

For example, under HB 951, at least 45% of solar generation selected for the plan must be supplied through PPAs with unaffiliated third parties. The Duke-proposed Carbon Plan Portfolios only propose up to 11.9 GW (Portfolio 1), 8.6 GW (Portfolios 2 & 3), or 7.6 GW (Portfolio 4) of new solar generation capacity. Offshore wind, on the other hand—a relatively expensive, high-risk generation source that often requires a captive customer-base to achieve economic feasibility, and a form of renewable resource that can be wholly owned or controlled by Duke if development risks are transferred to ratepayers rather than borne by developer(s)—is proposed in three of the four Portfolios. While CEBA supports a diverse resource mix, CEBA also supports cost effective, sustainable solutions. The Commission also should not approve Duke's proposed initial project development activities for offshore wind without an analysis of the benefits and risks to ratepayers, an extensive look at cost containment measures, and deadlines for every tranche of the project. At present, Duke's buildout timeline of offshore wind is not aligned with meeting the 2030 goals associated with HB 951. The Commission should not approve these Portfolios as filed as reasonable for planning purposes; it should encourage Duke to develop a broader range of scenarios with more customer choices, and more reliance on distributed resources which allow

large energy users to play an active role in creating clean energy generation resources that can serve their—and the State's—clean energy needs.

Transmission Planning & Cost Allocation. Large energy buyers support a comprehensive and well-planned regional transmission buildout to unlock cost-efficient emissions reductions. Duke appears to want to continue to leverage control of transmission assets and services to suppress the development of independently developed, owned, or operated renewable generation in the Carolinas, and perhaps to exert undue influence over the electrification of the transportation industry. Duke urges the Commission to maintain the primary attributes of its legacy system by expanding Duke's control over whatever distributed generation system emerges in the future. Duke's Petition simply requests that the Commission direct it to continue to study future transmission needs to reliably implement the Carbon Plan through the North Carolina Transmission Planning Collaborative and other appropriate forums. *See* Petition at 12 & 17. Similarly, Duke also concedes that substantial concerns about its proposed Carbon Plan have already emerged, and notes that if differences in energy policy between North and South Carolina do not allow for alignment and system-wide planning, then Duke may need to plan and operate as two different systems, which could result in ultimate separation of the utilities along state lines. *See* Carbon Plan, Appx. R at 6. Notwithstanding the clear significance of this potential divergence in policy in its two jurisdictional retail markets, Duke's model of the four scenarios provides no basis for quantifying the potential economic or operational consequences that may flow from the separation of the existing transmission and distribution systems if South Carolina chooses a different path forward.

Major studies show that a well-planned, robust transmission system is crucial to least-cost decarbonization and that at least 2-3 times the current transmission capacity is needed.[6] Every $1 billion invested in large-scale transmission infrastructure creates about $2-3 billion in customer benefits,[7] about 7,000 construction jobs, and induces about 1,490 new, related jobs.[8] Expanding transmission investment and access will enhance grid operations by integrating renewable generation and clean energy resources into regional markets, increasing grid resilience and reliability, and facilitating electrification initiatives in North Carolina and other regions. Transmission availability also enables markets to deploy generation over larger areas, which optimizes the location and number of renewable energy resources that can be best managed and delivered across diverse geographic regions.

Fracturing transmission planning in the Carolinas along state lines would move the Southeast region, which already is disadvantaged by having transmission primarily planned for the benefit of owners of vertical monopolies, backwards. The centralized planning and cost allocation processes in Regional Transmission Organization ("RTO") and Independent System Operator ("ISO") regions facilitate the identification of needed transmission for our changing electricity sector and does so in a manner that should result in the identification of the most efficient solutions for the region, and not one market participant. CEBA respectfully submits that meaningful interregional transmission planning would not be mutually exclusive with honoring state

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[6] Brinkman, G., Novacheck, J., Bloom, A., McCalley, J. "Interconnections Seam Study." NREL, October 2020. https://www.nrel.gov/docs/fy21osti/78161.pdf.

[7] Researchers from Iowa State University found that $80 billion in transmission spending would create 562,000 construction jobs and a net gain of 3,083 jobs nationally across the energy sector. Swenson, D., "Economic Impact & Job Creation Relative to Large-Scale High Voltage Transmission Infrastructure." Iowa State University, July 2018. http://www2.econ.iastate.edu/prosci/swenson/Publications/The%20 Interconnection%20Seam%20Study%20Amended%20Title.pdf.

[8] Wimsatt, K., "Transmission: A Key Aspect of New Climate Policies." Americans for a Clean Energy Grid, July 2019. https://cleanenergygrid.org/transmission-key-aspect-newclimate-policies/.

jurisdictions and the interests of state-jurisdictional retail ratepayers. The Commission should encourage Duke to join a RTO or ISO in the event Duke demonstrates that it cannot be reliably expected to plan transmission with the goal in mind of meeting regional needs cost-effectively. In the same manner that regional transmission planning is conducted under existing FERC-jurisdictional tariff processes without encroaching upon states' rights to siting or related matters, so too can interregional transmission planning proceed while honoring the rights of each and all states to exercise authority over certification and siting of generation and transmission resources.

III. CONCLUSION

While CEBA applauds the effort made by Duke, and the leadership by the Legislature in passing HB 951, the fact remains that the Petition as-is should not be accepted. Duke's Portfolios within the Petition are misaligned with what is needed to achieve success in North Carolina by 2030, they do not address how to build a robust transmission system that provides for the demand or load needed, there is little to no planning associated with interconnection, and customer options remain limited or obsolete. Additionally, none of the Portfolios are reasonable for planning purposes, and none adequately address the potential consequences of consolidation of DEC and DEP, or the separation of the planning for South Carolina from that of North Carolina. As currently proposed, the Plan represents a missed opportunity for Duke and the Carolinas to show their leadership in the development of a reliable, resilient, cost-effective, and clean energy system. However, with some substantial changes the Petition could be a viable pathway for the Commission to achieve carbon neutrality by 2050 as mandated. The first step should be a requirement that the GSA program is expanded to allow an incremental increase of "x" GWs per year. The program was successful, yet is not being utilized as a proven pathway to help decarbonize North Carolina's electrical system. Customers want to be a part of the Carbon Plan's success; they just need viable opportunities to do so. Lastly, we look forward to continuing to engage with the

Commission, other stakeholders, and Duke to ensure North Carolina reaches its carbon neutrality goals.

Respectfully submitted, this 14th day of July 2022.

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Appendix A

Substantive Issues

1. Duke's proposal fails to model planned consolidation of DEC's & DEP's system generation operations into one transmission zone with one set of tariff rates in the modeled Portfolios and rate impacts.

2. Duke's proposal unreasonably relies on offshore wind generation with no cost containment measures to protect ratepayers, and the timeline for in-service operation does meet the 2030 timeframe.

3. Duke's proposal unreasonably fails to develop a broad range of scenarios with several customer choices, that relies on distributed resources which allow large energy users to play a direct role in creating clean energy generation resources that can serve their—and the State's—clean energy needs.

4. Duke's modeled Portfolios and rate impacts fail to account for the potential economic or operational consequences that may flow from the separation of the existing transmission and distribution systems if South Carolina chooses a different path forward.

5. In the event the Duke demonstrates that it cannot be reliably expected to plan transmission with the goal in mind of meeting regional needs cost-effectively, the Commission should encourage Duke to join a RTO or ISO.

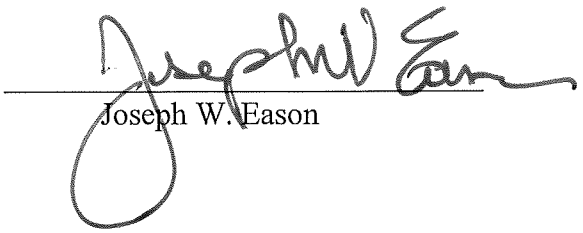
6. Duke's proposal unreasonably fails to include any new or expanded programs designed to allow meaningful and scalable carbon-free energy options to customers, including programs that would allow customer self-sourced renewable energy options.

7. Duke's proposed Portfolios 2, 3 & 4 significantly and unreasonably delay HB 951's statutorily mandated goal deadline of a 70% reduction in CO2 by 2030 and are therefore unreasonable for planning purposes.

CERTIFICATE OF SERVICE

The undersigned attorney for the Clean Energy Business Association hereby certifies that he served the foregoing Initial Comments And Proposed Issues upon the parties of record in this proceeding by electronic mail and/or depositing copies in the United States mail, postage prepaid.

This 14th day of July, 2022.



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