Action Item 3

PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COMMISSION DIRECTIVE

ADMINISTRATIVE MATTER	☐	DATE	**November 15, 2019**
MOTOR CARRIER MATTER	☐	DOCKET NO.	**2019-186-E**
UTILITIES MATTER	☑	ORDER NO.	

SUBJECT:
DOCKET NO. 2019-186-E - South Carolina Energy Freedom Act (H.3659) Proceeding to Establish Duke Energy Progress, LLC's Standard Offer, Avoided Cost Methodologies, Form Contract Power Purchase Agreements, Commitment to Sell Forms, and Any Other Terms or Conditions Necessary (Includes Small Power Producers as Defined in 16 United States Code 796, as Amended) - Staff Presents for Commission Consideration the South Carolina Energy Freedom Act (H.3659) Proceeding to Establish Duke Energy Progress, LLC's Standard Offer, Avoided Cost Methodologies, Form Contract Power Purchase Agreements, Commitment to Sell Forms, and Any Other Terms or Conditions Necessary (Includes Small Power Producers as Defined in 16 United States Code 796, as Amended) - S.C. Code Ann. Section 58-41-20(A).

COMMISSION ACTION:
See Attached

PRESIDING: Randall SESSION: Regular TIME: 2:00 p.m.

	MOTION	YES	NO	OTHER	
BELSER	☑	☑	☐		
ERVIN	☐	☑	☐		voting via telephone
HAMILTON	☐	☑	☐		
HOWARD	☐	☐	☐	Absent	Commission Business
RANDALL	☐	☑	☐		
WHITFIELD	☐	☑	☐		
WILLIAMS	☐	☐	☑		voting via telephone

(SEAL)

RECORDED BY: J. Schmieding

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Mr. Chairman,

I have a motion regarding the Duke Energy Carolinas and Duke Energy Progress dockets.

First, I note that a partial stipulation was reached among the parties. The five primary terms of this stipulation were that the stipulating parties agreed:

1. DEC and DEP's quantification of near-term project capacity reflected by "Existing plus Transition" solar QF's to be installed, namely 840 MW and 2,950 MW, is reasonable.

2. For the purposes of this proceeding, the SISC of $1.10/MWh and $2.39/MWh for DEC and DEP are reasonable. This applies to small solar power producers that enter into PPAs or any Legally Enforceable Obligation before the effective date of avoided cost calculations filed in the next DEC / DEP avoided cost proceeding before the Commission. These charges will not be subject to any adjustment during the term of the PPA. This SISC should apply prospectively only to projects subject to the avoided cost methodologies and contractual terms and conditions established in this proceeding and shall not apply to the rates established in prior avoided cost proceedings; not shall it be binding with respect to any subsequent avoided cost proceeding.

3. The SISC cannot be imposed on a "controlled solar generator." This refers to any solar QF that is capable and agrees to operate in a manner that materially reduces or eliminates the need for additional ancillary services incurred by Duke. This includes but is not limited to solar with battery storage. Duke is required to submit to the Commission, the guidelines to establish controlled solar generator by November 18, 2019.

4. The Astrapé study used to calculate the SISC warrants further review. Duke will submit all inputs and methodology of the Astrapé study for an independent technical review. The results of the review are to be filed in the next avoided cost filing by Duke for Commission review and interested parties to comment on.

5. Duke will submit revised Standard Offer and Large QF PPAs reflecting the stipulations of this settlement within 15 days of the Commission's final order approving the SISC.

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As part of my motion, I move that we approve this stipulation and include its terms into our order.

Next, I would address the issue of responsiveness and cooperation, what I think of as transparency. For purposes of these proceedings and in accordance with SC Code Ann 58-41-20(J) and (I), we consider the utilities' responsiveness in providing all documents, information, and items necessary for the Commission's third-party consultant to complete his report. Additionally, the utilities' avoided cost filing must be reasonably transparent so that underlying assumptions, data, and results can be independently reviewed and verified. According to the Commission's consultant, the avoided cost filing and responses to data requests and requests for production of documents by DEC and DEP were reasonably transparent. The Commission is appreciative of responsiveness, cooperation, and transparency in all matters – not just these – as such attributes help to ensure that we can all perform our jobs and discharge our obligations to establish just and reasonable rates and to serve the citizens of South Carolina. I do note that our third-party consultant noted suggestions by ORS witness Horri and SBA witness Burgess to assist in future filings, and I hope that DEC and DEP will consider those suggestions for future filings. I move that we find Duke adequately met responsiveness, cooperation and transparency as required by Act 62.

Mr. Chairman, the Duke Companies utilized the "Peaker Method" in these proceedings. I move that we find that this method reasonably reflects the utilities' actual avoided costs pursuant to S.C. Code Ann. 58-41-20(B)(3). When considering the avoided costs, such rates should be calculated based on current solar levels, not to include solar expected to be installed, such as the solar levels Duke expects due to North Carolina's legislative mandate. Further, I move that the Avoided Capacity seasonal weightings recommended by Mr. Horii are reasonable, and the Duke Companies should update the respective avoided costs to reflect such allocation.

With that allocation, the avoided costs resulting from the use of the Duke method are:

Duke Energy Carolinas

10-Year Avoided Capacity Rate Design

Summer On-Peak	Winter AM On-Peak	Winter PM On-Peak

$0.0330/kWh	$0.0394/kWh	$0.0131/kWh

10-Year Avoided Energy Rate Design

Summer PM Premium Peak	Summer PM On-Peak	Summer Off-Peak
$0.0458/kWh	$0.0448/kWh	$0.0260/kWh

Winter AM Premium Peak	Winter AM On-Peak	Winter PM On-Peak
$0.0504/kWh	$0.0461/kWh	$0.0415/kWh

Winter Off-Peak	Shoulder On-Peak	Shoulder Off-Peak
$0.0270/kWh	$0.0339/kWh	$0.0228/kWh

Duke Energy Progress

Avoided Capacity

	Summer On-Peak	Winter AM On-Peak	Winter PM On-Peak
Variable Rate Calculation	$0.0029/kWh	$0.1369/kWh	$0.0595/kWh
5-Year Fixed Rate Calculation	$0.0030/kWh	$0.1395/kWh	$0.0607/kWh
10-Year Fixed Rate Calculation	$0.0030/kWh	$0.1437/kWh	$0.0625/kWh

10-Year Avoided Energy Rate Design

Summer PM Premium Peak	Summer PM On-Peak	Summer Off-Peak
$0.0330/kWh	$0.0311/kWh	$0.0268/kWh

Winter AM Premium Peak	Winter AM On-Peak	Winter PM On-Peak
$0.0358/kWh	$0.0354/kWh	$0.0342/kWh

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Winter Off-Peak	Shoulder On-Peak	Shoulder Off-Peak
$0.0275/kWh	$0.0298/kWh	$0.0226/kWh

The Company has proposed to calculate the avoided cost rates for large QF's at the time of the request. This would ensure that the avoided cost rate reflects the most current assumptions and avoids the risk of stale avoided costs. It will also reflect the specific operating profile of the large QF and result in a more reliable avoided cost rate. Therefore, Mr. Chairman, I move that we approve the avoided cost rates as I have outlined.

The Solar Integration Services Charge has been stipulated between the parties. I move that we approve the rates I mentioned earlier: $1.10/MWh for DEC and $2.39/MWh for DEP for solar QF's in each territory respectively.

There are other contract terms that should be addressed. Most notably, the contract length should be addressed.

The General Assembly has mandated that electric utilities must initially offer to purchase power from QFs pursuant to fixed price PURPA PPAs with commercially reasonable terms and a duration of ten years. Act 62 also provides that the Commission "may . . . approve commercially reasonable fixed price power purchase agreements with a duration longer than ten years, which **must contain additional terms, conditions, and/or rate structures** as proposed by intervening parties and approved by the commission, **including** but not limited to, **a reduction in the contract price** relative to the ten year avoided cost." S.C. Code. Ann. § 58-41-20(F)(1). During the hearing, Johnson Development Witness Chilton agreed that a decrement to the 10-year avoided cost rate is required in order for the Commission to adopt a fixed price contract for a term longer than 10 years. However, in response to Commission questions, she did not identify any specific proposal that Johnson Development supported to comply with the statutory requirements for the Commission to consider a longer-term fixed price PPA. Therefore, Commission approval of a fixed price power purchase agreement with a duration longer than 10 years is not supported by the evidence in this record; only a 10-year contract term is. Further, according to the Companies' Witness Brown, the

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proposed fixed 10-year fixed avoided cost rates under Act 62 will be the longest fixed rates offered under PURPA in the Southeast for projects larger than one MW. Because any determination by the Commission to approve contracts with a duration of longer than ten years must be predicated on specific proposals from intervenors that comply with S.C. Code Ann. § 58-41-20(F)(1) and are entered into the evidentiary record during the course of this proceeding, I move we decline to approve the proposals from Johnson Development and SCSBA at this time. I do note that such proposals, and others, may appropriately be addressed in the record of the next avoided cost proceeding such that all parties may have their due process rights protected.

Other contract terms and conditions in Docket No. 2019-185 and 186-E pertaining to standard offer PPA's are as follows:

1. Regarding whether material alterations to the Standard Offer PPA should apply retroactively or only prospectively, I move that we adopt Witness Levitas' modification that states "Duke's Terms and Conditions need to provide that Duke's consent to requested material alterations will not be unreasonably withheld, conditioned or delayed." I also move that material alterations should apply prospectively.

2. Regarding Duke's proposed 30-month in-service date following avoided cost rate approval, I move that we Adopt the position proposed by SBA witness Levitas of a COD deadline under the contract that is extended based on interconnection delays. Mr. Levitas stated that SBA does not object to the Duke's proposed in-service date, provided it is linked to the interconnection facilities and network in-service date. The record reflects Duke has agreed to this provision with respect to Large QF PPAs.

For large PPAs:

1. Regarding Facilities Study Agreement as a Condition of Signing Large QF PPA, I move that Duke should be required to provide a System Impact Study within a timely manner to the QF from the time of Interconnection Request, and if a System Impact Study is not provided in a timely manner (either one year or an amount of time that is mutually agreeable between the buyer and seller), then the requirement that the QF execute and return a Facilities Study Agreement (FSA) in order to sign a PPA should be lifted.

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2. Responding to the risk to the QF of entering into a PPA and then facing either interconnection costs that make the project unviable or significant liquidated damages because of termination is unreasonable, I move that we accept Power Advisory's recommendation that if Duke does not provide the System Impact Study within 1 year of interconnection request (or an amount of time that is mutually agreeable between the contracting parties), then the QF should be provided an offramp allowing it to terminate the PPA without liability if the interconnection facilities and network upgrades required for interconnection exceed $75,000 per MW AC.

3. I move that we allow surety bonds as a permissible performance assurance.

Notice of Commitment Form:

1. Adopt the proposed changes offered by Duke witness Johnson in his rebuttal testimony.

2. Reject Duke's proposed requirement that a QF must secure all required permits and land-use approvals prior to establishing a LEO.

3. Adopt the 365 day in-service requirement following executing the Notice of Commitment form but extend the deadline to account for additional time needed by the utility to complete required interconnection facilities and network upgrades. This is similar to the Duke's Large QF PPA term.

4. Regarding an Offramp should interconnection Facilities and Network Upgrades exceed $75,000/MW, I move that we treat this the same way as item 2 above, which is that if Duke does not provide the System Impact Study within 1 year of interconnection request (or an amount of time that is mutually agreeable between the contracting parties), then the QF should be provided an offramp allowing it to terminate the PPA without liability if the interconnection facilities and network upgrades required for interconnection exceed $75,000 per MW AC.

An order more fully setting out our rulings will follow. Mr. Chairman, that is my motion.