

STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH

DOCKET NO. E-2, SUB 1089

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	)	
Application of Duke Energy Progress, LLC for a	)	RESPONSE
Certificate of Public Convenience and Necessity	)	BY NC WARN AND THE
to Construct a 752 Megawatt Natural Gas-Fueled	)	CLIMATE TIMES
Electric Generation Facility in Buncombe County	)	
Near the City of Asheville	)	

NOW COMES NC WARN and The Climate Times, by and through the undersigned attorney, with a preliminary response to the recommendations offered by the Public Staff on the certificate of public convenience and necessity (the “certificate”) Duke Energy Progress (“DEP”) is seeking in this docket for the Asheville project. This response supports the motion to DENY the application made by NC WARN and The Climate Times in their Position and Comments, filed February 12, 2016.

1. NC WARN and The Climate Times question the Public Staff’s position that the Mountain Energy Act, S.L. 2015-110 (the “Act”), does not require the Commission “to approve the estimated constructions costs of the [combined cycle] and [combustion turbine] units or make a finding that construction of the units will be consistent with the Commission’s plan for expansion of electric generating capacity.” Meeting agenda, page 13 / 18. This flies in the face of Section 1 of the Act, “[w]hen the public utility applies for a certificate as provided in this section, it shall submit to the Commission an estimate of the costs of

construction of the gas-fired generating unit in such detail as the Commission may require.” The breakdown of the costs of the Asheville project, much of which remains outside public scrutiny, is one of the basic considerations required by the Commission prior to issuing a certificate, i.e., will the public get adequate benefits from incurring the estimated \$1.1 billion in project costs?<sup>1</sup> This leads directly to the questions of alternatives and their costs, and whether those alternatives meet the needs of ratepayers in the Asheville area.

2. In support of the project, both the Public Staff and DEP rely on load forecasts supported by the DEP 2015 Integrated Resource Plan (“IRP”), which to date has not been approved by the Commission. The entire project’s need is based on a 17% peak demand growth rate forecast in DEP’s western North Carolina region – a forecast which has not been justified by either the Public Staff or DEP. In response to data requests, DEP provided NC WARN and The Climate Times with a simple spread sheet showing annual increases of 1.4% to 2.4% over the next decade, averaging out to the 17% increase. This load forecast was apparently made by a non-independent contractor, ITRON, whose “black box” computer program DEP considers to be proprietary. DEP did not report on how many computer runs ITRON made or whether other contractors were hired to do the same job. DEP’s argument of need for the Asheville project relies solely on a model that lacks transparency, is neither dated nor verified, and was

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<sup>1</sup> It should be noted Columbia Energy stated in its comments at page 7: “Even if the \$1.1 billion cost estimate is for all three units, based on LS Power’s significant experience relating to the costs of constructing such facilities, a projected cost of \$1.1 billion is approximately **60% higher than the market cost** of building such facilities. If, however, the \$1.1 billion cost estimate is to construct just the two 280 MW units, then that is approximately **double the market cost** of building such facilities. LS Power’s experience and other publically available information confirm that under current market conditions such facilities can be built for less than \$1,000 per KWH.”

commissioned and paid for by DEP as opposed to an independent party. The 17% growth rate, the expressed basis for the project, is not reasonable and does not have any value to the Commission for making its decision.

3. DEP has consistently overestimated in its demand forecasts in its IRPs over the past 15 years. The attached chart shows the actual DEP sales and growth since 2003, with an average of .47% annual growth rate during that period. ATTACHMENT A. During this period DEP projects a 1.4% increase, a substantial error compared to the .47%. It further should be noted that beginning with 2004, the actual average increase is closer to .30%. The difference between the actual growth and DPE estimates leads to overbuilding and wasted resources.

4. Projecting the .47% rate from today out ten years shows an increase of slightly more than 3,000 GWh. The zero growth rate projected in NC WARN's RESPONSIBLE ENERGY FUTURE report is added to represent the considerable difference between DEP's future projections and what is expected if recent trends continue. Exhibit E to NC WARN and The Climate Times Position and Comments. It should be noted the zero growth rate is supported by the U.S. Energy Information Administration and the American Council for an Energy-Efficient Economy given the expected increased use of energy-efficiency and demand-side management programs.

5. The chart further shows the overestimates of demand from the DEP (formerly Progress Energy) IRPs since 2003. In each of the IRPs from 2003 to 2005, DEP overestimated the growth in sales over the next decade by

approximately 12,000 GWh, an overestimate by an astounding 6 – 12 times the actual growth in sales. Subsequent IRPs overestimate the growth in sales by 2,000 to 9,000 GWh, with only the 2009 estimate made during the Recession of 2008 coming at all near to the actual or project growth over the next decade. DEP has consistently shown it is incapable of a rational projection of actual growth. Continued reliance on DEP's exaggerated growth projections, such as the one used to justify the Asheville project, will cost DEP ratepayers \$1.1 billion for a plant that is likely not even needed.

THEREFORE, NC WARN and The Climate Times renew their position opposing the Asheville project and urge the Commission to consider an independent, verified analysis of what growth in the Asheville region over next ten years before approving a project for the area.

Respectfully submitted, this the 19<sup>th</sup> day of February 2016.

*/s/ John D. Runkle*

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing RESPONSE BY NC WARN AND THE CLIMATE TIMES (E-2, Sub 1089) upon each of the parties of record in this proceeding or their attorneys of record by deposit in the U.S. Mail, postage prepaid, or by email transmission.

This is the 19<sup>th</sup> day of February 2016.

*/s/ John D. Runkle*

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