

## Wind Energy Lease Holder Pre-ARFI Engagement Q&A From December 19, 2024 Meeting

**Q&A #1      Does this ownership model mean 100% Duke ownership or is there any option of a different ownership share?**

The proposal must result in utility ownership. How financing and cost/risk sharing is structured during offshore wind project development prior to fully transferring the asset to the utilities is flexible and we are open to a variety of options; however, the ultimate result of the project must be a full transfer of offshore wind asset(s) for utility ownership per North Carolina law.

**Q&A #2      Will there be an opportunity for further engagement after today's webinar in the event of developer questions and feedback?**

Prospective ARFI participants have until December 31, 2024 to provide comments. In addition, we are planning on having a second meeting to seek input on the ARFI with prospective ARFI participants the week of January 6<sup>th</sup>. Finally, prospective ARFI participants will be able to ask questions regarding the ARFI prior to the April 30, 2025 submission date.

**Q&A #3      Will PA and DNV be involved in development of the Reference Price? What will their role(s) be?**

The Reference Price will be developed by the utilities in consultation with Public Staff. Power Advisory in its role as the IE will be offering comments on the assumptions and methodology for establishing the Reference Price.

**Q&A #4      What will be the process for setting the Reference Price?**

The Reference Price will be developed by the utilities in consultation with Public Staff. Power Advisory in its role as the IE will be offering comments on the assumptions and methodology for establishing the Reference Price. The development of the specific Reference Price is a separate workstream from the ARFI proposal submissions.

**Q&A #5      Can you please clarify when the reference price will be determined - will it be before or after the submission of the ARFI proposals?**

The Reference Price will be developed by the utilities in consultation with Public Staff prior to the submission of ARFI proposals. The development of the specific Reference Price is a separate workstream from the ARFI proposal submissions. As a point of reference, the intent is to establish the reference price prior to the due date for ARFI responses.

**Q&A #6      Is there going to be another meeting to discuss the development of the ARFI?**

See response to Q&A #2

**Q&A #7      How should the ARFI response pricing be structured for the minimum structure requirement bid (and others), especially since it's focused on asset acquisition (the BOT model) - lump sum \$? \$/MW? In that case, what role does LCOE or other metric(s) play -- are there multiple pricing/cost metrics that will be requested?**

In general, the response pricing will be structured as a \$ value or set of progress payments for the minimum structure requirement. Optional service level agreements (SLAs) may be priced as a fixed annual fee, \$/MW or \$/MWh, or some other method at the respondents choosing. The utilities will take this information, add additional cost elements necessary to take the offer from a BOT to a representation of the entire cost of ownership of the asset over the project life. This information will then be converted to a levelized cost of ownership using this information, tax benefits and regulated rate making mechanics.

**Q&A #8      You mentioned the Evaluation Team can send clarifying questions during the open period, will there be a Q&A period for bidders?**

The Evaluation Team will be issuing questions to ARFI participants to better understand their offering after they submit their ARFI submission. There will be an opportunity for prospective ARFI participants to ask questions regarding the ARFI prior to the April 30, 2025 submittal date.

**Q&A #9      Is there still any potential for joint ownership of assets, as was discussed during the expert witness hearing, including by the Public Staff?**

See response to Q&A #1.

**Q&A #10    If network upgrades are to be included in developers' responses, how are these to be commonly estimated between respondents, especially given that we (and likely other bidders) do not currently hold Queue Positions with associated System Impact Study information?**

We do not expect respondents to include these costs in their responses. The evaluation team will be adding these network upgrade costs to each offering to ensure consistency with respect to these cost estimates. The minimum response requirements for a build-own-transfer will need to utilize New Bern as the point of interconnection ("POI") for that requirement. Additional POI's can be offered but those responses must include applicable costs and information to deliver energy to this optional POI. Network upgrades and interconnection facilities costs typically included in a FERC Large Generator Interconnection Agreement ("LGIA") will be estimated by the utilities based on the capacity and interconnection date in the response at the POI and included as part of the total cost of ownership for the applicable response.

**Q&A #11 Are there COD requirements or base bid requirements? (E.g., are all bids focused on 800-1,100 MW, and are all bidders required to submit a 800-1,100 MW project coming online in 2034?)**

No, there are no minimum requirements for initial supply of capacity or amount. However, we would ask the minimum response to strongly consider the information provided. For example, if a respondent can provide 800-1,100MW in 2034, we would like to see that as part of the minimum response. If a lease area or development timeline is unable to meet the minimums, the response should incorporate the earliest date for at least a significant amount of capacity.

**Q&A #12 When will Duke provide formal written feedback to each question / feedback sent to the specified email?**

The Independent Evaluator will provide feedback as available to all participants no later than January 3, 2025 and will indicate if any responses require extension to January 6, 2025.

**Q&A #13 Is there any potential for the ARFI as proposed today to be revised in response to developer feedback?**

There is no formal process outlined in the approved ARFI Settlement to incorporate feedback. However, it is reasonable to assume dialogue via the question and answer process would be considered in the development of certain aspects of the ARFI. In addition, the second meeting regarding the ARFI, scheduled for the week of January 6<sup>th</sup>, is likely to influence the final form of the ARFI.

**Q&A #14 Can we have more time to submit comments, given the upcoming holiday?**

We need to maintain the December 31, 2024 deadline for comments given the aggressive schedule for issuance of the ARFI. In addition, the second meeting regarding the ARFI, scheduled for the week of January 6<sup>th</sup>.

**Q&A #15    Regarding the comments on the approach for developing the reference price, will you be modeling based on the 2023 IRP or the 2025 IRP?**

The approach will be determined in consultation with the Public Staff in January/early February 2025.

**Q&A #16    What calendar should be assumed for construction and development, given that we do not know when the ensuing award decision will take place?**

Respondents should state the key milestones that must be met with respect to final selection and contract execution associated with each offer to meet the targeted in-service date for such response. The response should include key milestones for items, both in and out of scope, that would significantly impact the delivery of the offered capacity by the date proposed.

**Q&A #17    Will there be access to Duke or state experts or resources regarding local content and economic benefit requirements or expectations?**

The utilities do not contemplate coordinating or participating in these discussions for purposes of the ARFI. Respondents may contact entities outside of Duke for such discussions at their convenience. However, economics benefits unrelated to the life cycle cost of the assets and their direct cost to retail customers of Duke Energy Progress or Duke Energy Carolinas are not incorporated into the LCOE or reference price and therefore would have no direct bearing on how the proposal compared to the reference price. As mentioned previously, respondents will be asked to state whether the projects are expected to comply with tax credits and incentives which accrue to the utilities.

**Q&A #18    How long will the "binding pricing" be applicable given the uncertainty of the follow-on step after the conclusion of the ARFI?**

For the avoidance of doubt, the ARFI is a non-binding request for information. However, the stipulation as approved by the NCUC does provide the "ARFI should to the greatest extent possible request binding information."

The utilities interpret this to require that the ARFI be designed to seek meaningful, accurate, and actionable information for a future binding Request for Proposals. Absent the significant passage of time between the ARFI and any proposal submitted in response to the RFP, we would anticipate that there would not be significant deviations in pricing or contextual information informing pricing provided in the ARFI from information provided in a subsequent RFP process – and if there are significant differences or inconsistencies, that would inform RFP decision-making. The Commission could also provide additional guidance between the ARFI and RFP for next steps in subsequent orders.

**Q&A #19    For the development of cost estimates of the turbines, should developers only use turbines that are currently commercially available or turbines that are anticipated to be available prior to construction?**

We are open to developers' technology proposals, including multiple proposals. However, if developers offer different proposals, these proposals need to be clear with respect to the technology basis for the specific costs across those different ranges – or which proposal is the primary or preferred to be used as a cost basis for evaluation. Respondents are not limited to proposals based on commercially available equipment at the time ARFI responses are due. Additionally, in the case of proposed turbine models which are not currently commercially available, developers would be expected to provide certification schedules and other manufacturer's information to support their use and pricing of such technologies in proposals. Proposals will be expected to include information sufficient to provide the current status of such equipment, key milestones to achieve commercial operation to support the offer and any information to support the reasonableness of this schedule.

**Q&A #20 As a follow up to Q&A #12, please confirm that responses to each question submitted will be shared with all participants and the public staff (possibly via a Q&A posted online), not only the participant that sent the question.**

Yes, answers to all questions will be shared with all participants and the Public Staff and will be posted to the ARFI website.

**Q&A #21 In the 12/19 WEA Leaseholder meeting, it was mentioned that extensive documentation is not necessarily required. Will there be a document length limit? Will additional details be looked down upon? Conversely, will robustness of information informing offers be viewed positively?**

The ARFI will include a description for the minimum level of project description to accompany each submission. The intent of the minimum requirements are to provide enough information about each project's site conditions, proposed design concepts, status of development activities, and expected construction and operations logistics such that the evaluation team can substantiate each submission's pricing and development/construction schedule, without over-burdening the leaseholder with content which is not required at this stage. There will not be a page limit for a submission. Provided the minimum requirements are met, additional detail or documentation provided will not be viewed negatively. If the minimum requirements are met, and the additional information provided helps to substantiate the pricing and/or schedule of the project, such that the evaluation team's confidence in the project submission is increased, that additional information would be viewed positively.

**Q&A #22 If any one offer comes in under the reference price and a next stage takes place, will all leaseholders be invited to the next stage (presumably an RFP)? If not - will all leaseholders who submitted any offer that came in under the price (even for "alternative offers") be included in that next stage? Or will the results of this process be a competitive one for reaching the next stage?**

If there is more than one project that comes in under the reference price and the utilities recommend proceeding to an RFP, the utilities intend to seek clarity from the Commission as to whether projects that did not come in under the reference price should be allowed to proceed to the RFP. The appropriate time to seek that clarity we believe is post bid submission as developers should be incentivized to submit competitive bids.

**Q&A #23    The answer to Q #22 during the meeting referenced a broader discussion. When will the broader discussion take place and between whom? Will it be baked into the evaluation protocol of the ARFI?**

The broader discussion that was referenced was anticipated to be between the Evaluation Team and the IE. The ARFI will provide additional guidance regarding this issue.