

February 23, 2018

Ms. Lynn Jarvis
Chief Clerk
North Carolina Utilities Commission
430 N. Salisbury Street
Raleigh, NC 27603

**RE: Petition of Duke Energy Progress, LLC, and Duke Energy Carolinas, LLC, Requesting Approval of Green Source Advantage Program and Rider GSA to Implement G.S. 62-159.2
NCUC Docket E-2, Sub 1170 and E-7, Sub 1169**

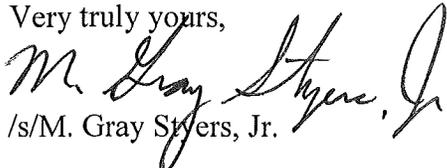
Dear Ms. Jarvis:

We hereby submit UNC-Chapel Hill's **Initial Comments** of the University of North Carolina at Chapel Hill in the above-referenced docket.

If you have any questions or comments regarding this filing, please do not hesitate to call me.

Thank you in advance for your assistance.

Very truly yours,


/s/M. Gray Styers, Jr.

skb

Enclosure

cc: Parties of Record

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-2, SUB 1170
DOCKET NO. E-7, SUB 1169

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of:
Petition of Duke Energy Progress, LLC,
and Duke Energy Carolinas, LLC,
Requesting Approval of Green Source
Advantage Program and Rider GSA to
Implement G.S. 62-159.2

INITIAL COMMENTS OF
THE UNIVERSITY
OF NORTH CAROLINA
AT CHAPEL HILL

The University of North Carolina at Chapel Hill (“UNC-Chapel Hill”) has moved to intervene in the above-captioned docket and files these Initial Comments, through its undersigned counsel, to express its concerns regarding the Petition Requesting Approval of the Green Source Advantage (“GSA”) Program and Rider GSA filed by Duke Energy Progress, LLC and Duke Energy Carolinas (hereinafter collectively “Duke Energy”).

As explained in greater detail below, UNC-Chapel Hill is a major consumer of electrical power and has a direct interest in ensuring that renewable energy is provided in a fair and cost-competitive manner that is consistent with Session Law 2017-92 (“House Bill 589”) that is codified as N.C. Gen. Stat. § 62-159.2 (“the GSA Statute”). UNC-Chapel Hill does not believe that Duke Energy’s Green Source Advantage Program, as currently proposed, meets the requirements of N.C. Gen. Stat. § 62-159.2, and, as a result, the 250 megawatts of renewable energy reserved for the University of North Carolina will not be provided in a manner consistent with the intent and language of the statute unless the program is modified.

UNC-Chapel Hill's Interest in this Proceeding

UNC-Chapel Hill brings a unique perspective to this proceeding. UNC-Chapel Hill is a constituent institution of The University of North Carolina as set forth in N.C. Gen. Stat. §§ 116-2(4) & 116-4. As a state-funded public institution of higher education, UNC-Chapel Hill takes seriously the statement in the Constitution of the State of North Carolina that higher education “as far as practicable, be extended to the people of the State free of expense.” N.C. Constitution, Art. IX, § 9. UNC-Chapel Hill strives to manage its costs -- including its energy costs -- so it can focus its resources on education, research, and support for the citizens of North Carolina and be a good steward of the state appropriations it receives to support its operations. UNC-Chapel Hill is also a major driver of economic development in North Carolina. More than \$7 billion in revenue is contributed to our state’s economy each year by businesses that got their start at the University.

UNC-Chapel Hill is also a significant consumer of electric power. Last year UNC-Chapel Hill used 290,074,425 kilowatt hours of electrical power. UNC-Chapel Hill estimates that, under a Green Source Program that is, in fact, consistent with the GSA Statute, its cost savings could approach \$1.7 million annually under a 20-year contract while reducing carbon dioxide emissions from the electric power it consumes by up to 10%. According to its understanding of Duke Energy’s proposal, UNC-Chapel Hill would not realize any savings by purchasing renewable electricity through Duke’s proposed plan and, in fact, would have to pay additional amounts for renewable energy

credits (“RECs”), plus administrative fees to Duke Energy to achieve a similar 10% reduction in carbon dioxide emissions.

UNC-Chapel Hill has been actively engaged for an extended period, generally, to find ways to produce and/or purchase cost-competitive renewable energy and, specifically, regarding the GSA Statute. A. Bradley Ives, Associate Vice Chancellor for Campus Enterprises and Chief Sustainability Officer for UNC-Chapel Hill, was actively involved in the legislative process that led to the passage of the House Bill 589, including Part III of the bill, the GSA Statute. He attended numerous stakeholder meetings and met regularly and at length with the drafters and sponsors of the legislation. Indeed, the GSA Statute specifically reserves 250 megawatts of renewable electricity for the entire University of North Carolina System. UNC-Chapel Hill believes it could purchase as much as 112.5 megawatts of that renewable electricity and realize the cost savings and reduction of carbon emissions described above with a properly designed Green Source Advantage program consistent with the intent and language of the GSA Statute.

UNC-Chapel Hill’s Objections to the Duke Energy Proposal

The principal objection to Duke Energy’s proposed Green Source filing is that it would not allow the procurement of renewable electricity at fair and competitive rates. UNC-Chapel Hill’s analysis of Duke Energy’s filing concludes that it is not consistent with the intent or language of the GSA Statute and would result in the benefits of the legislation being realized solely by non-participating customers rather than shared with participants in the program. The GSA Statute requires that all customers be held neutral - - neither advantaged nor disadvantaged -- by the program it authorizes. In contrast, the Duke Energy filing would unfairly advantage non-participating customers by passing the

benefits from the procurement of renewable energy below Duke Energy's avoided rate cost to non-participating customers. Duke's proposed program allows the Green Source Advantage bill credit to be below the utility's avoided costs and to apply associated cost savings to all ratepayers. UNC-Chapel Hill would end up paying what it currently pays, plus a cost for RECs, plus an administrative fee to Duke Energy. In contrast, the intent of the GSA Statute was for the bill credit to customers in the Green Source Program to be equal to Duke Energy's cost of purchasing electricity overall and not just the lower cost associated with buying renewable power. The result of Duke's program, as proposed, is that participating customers would pay higher, not lower, energy costs, and would not seek supplies from renewable energy sources. Very few, if any, cost-conscience consumers, such as UNC-Chapel Hill, would participate in the program. This may benefit Duke Energy, but would be contrary to the intent of the General Assembly in enacting the GSA Statute and would not be in the public interest.

UNC-Chapel Hill has other concerns with Duke Energy's proposed program. Although it appreciates Duke Energy's efforts to create a standard offer and "self-supply options" in the Green Source Advantage Program, the University believes that the GSA Statute requires greater flexibility in contract length, direct and full negotiating rights between developers and customers, and more options to meet diverse and changing customer needs. The proposed Green Source Advantage Program would also benefit from standardized contract terms regarding default, early termination, financial assurances and other provisions approved by the Commission.

The Green Source Advantage program's design, as proposed, would result in neither the Green Source Advantage customer nor the renewable energy supplier

receiving any financial advantage from participating in the program. In contrast, if the bill credit were set at or near Duke Energy's avoided costs, as the GSA Statute authorizes, customers and suppliers could share in the benefits when renewable energy can be procured at below avoided cost.

Conclusion

UNC-Chapel takes its role as a public university -- "the people's University," in the words of Charles Kuralt -- very seriously. This value characterizes the University and shapes its policies. It appreciates the appropriations it receives from the State and is committed to using its resources wisely and prudently. Its obligations to its own stakeholders -- its students, its faculty, the taxpayers who provide funds to support it, and the State as a whole -- demand no less. It appreciates the role and standards of the Commission in making decisions "in the public interest," because of the similar standards of the university in making its own operating and purchasing decisions in the public interest.

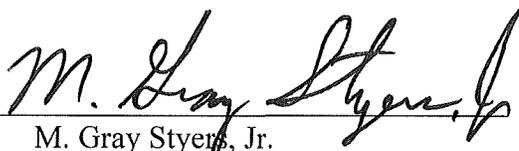
Procuring electricity at fair and competitive rates assists UNC-Chapel Hill in overall cost management and frees up resources to focus on its core mission of education, research, and service. Any Green Source Advantage proposal that unfairly inflates the cost of renewable energy, so that it is not competitive from a pricing standpoint, frustrates the intent of the GSA Statute and makes the program economically unattractive to UNC-Chapel Hill. A cost competitive, 20-year contract for renewable energy that is compliant with the GSA Statute would allow UNC-Chapel Hill to reduce its power costs, have an effective hedge against future price increases for energy costs, and assist it in reducing its

carbon emissions. Duke Energy's initial proposal, as filed, would not allow any of these important goals to be achieved.

UNC-Chapel Hill is greatly encouraged by the progress made in North Carolina with respect to renewable energy over the past decade and is confident that the collective efforts of stakeholders, Duke Energy, the Public Staff, and the Commission will result in a program that fulfills the intent of the GSA Statute. The University is looking forward to participating in this docket and providing input that will allow North Carolina Green Source Advantage customers to realize the benefits intended by the General Assembly.

Respectfully submitted this 23rd day February, 2018.

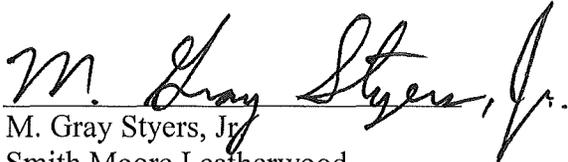
SMITH MOORE LEATHERWOOD LLP

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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 **Initial Comments of UNC-Chapel Hill** by hand delivery, first class mail deposited in the U.S. mail, postage pre-paid, or by email transmission to all parties of record.

Respectfully submitted, this the 23rd day of February, 2018.

BY: 
M. Gray Styers, Jr.
Smith Moore Leatherwood
Attorney for the University of North
Carolina at Chapel Hill