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November 15, 2016

VIA ELECTRONIC FILING

Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

**Re: Duke Energy Carolinas, LLC and Duke Energy Progress, LLC's Joint
Initial Statement and Exhibits
Docket No. E-100, Sub 148**

Dear Chief Clerk:

Pursuant to the Commission's June 22, 2016 *Order Establishing Biennial Proceeding, Requiring Data and Scheduling Public Hearing* and October 22, 2016 *Order Granting Motion for Extension of Time*, enclosed please find the Joint Initial Statement and Exhibits of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC (collectively, the "Companies") for filing in the above-referenced docket.

The Companies have designated their respective Exhibit 2s as confidential and trade secret information. Pursuant to N.C. Gen. Stat. § 132-1.2, the Companies respectfully request that the Commission protect this data from public disclosure. The Joint Initial Statement and Exhibit 2 disclose estimated costs to procure additional energy as well as the projected cost of new utility-owned generation. Public disclosure could hinder the Companies from obtaining the most cost-effective energy and capacity necessary to meet the needs of its customers. The Companies will make this information available to other parties pursuant to an appropriate confidentiality agreement.

Please do not hesitate to contact me if you have any questions.

Sincerely,

Kendrick C. Fentress
Associate General Counsel

Enclosure

cc: Parties of Record

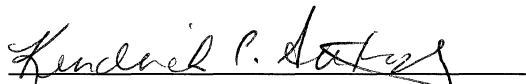
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Nov 15 2016

CERTIFICATE OF SERVICE

I certify that a copy of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC's Joint Initial Statement and Exhibits, in Docket No. E-100, Sub 148 has been served by electronic mail, hand delivery, or by depositing a copy in the United States Mail, 1st Class Postage Prepaid, property addressed to parties of record.

This the 15th day of November, 2016.

A handwritten signature in black ink, appearing to read "Kendrick C. Fentress", is written over a horizontal line.

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**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-100, SUB 148

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)	JOINT INITIAL STATEMENT AND
Biennial Determination of Avoided)	PROPOSED STANDARD AVOIDED
Cost Rates for Electric Utility)	COST RATE TARIFFS OF DUKE
Purchases from Qualifying Facilities)	ENERGY CAROLINAS, LLC AND DUKE
– 2016)	ENERGY PROGRESS, LLC

NOW COME Duke Energy Carolinas, LLC (“DEC”) and Duke Energy Progress, LLC (“DEP” and together with DEC “the Companies”), pursuant to the North Carolina Utilities Commission’s June 22, 2016 *Order Establishing Biennial Proceeding, Requiring Data, and Scheduling Public Hearing* (“2016 Scheduling Order”) and subsequent October 27, 2016 Order extending the time for filing, and submits the Companies’ Initial Statements and Exhibits presenting DEC’s and DEP’s proposed standard avoided cost rates and contract terms and conditions. As further described in Section V, the Companies respectfully request that the Commission expeditiously issue a procedural order setting the date for an evidentiary hearing and the filing of testimony by interested parties in this Docket.

INTRODUCTORY STATEMENT

North Carolina’s position as a national leader in renewable energy is a source of pride for customers, the industry, and policymakers alike. Forward-looking regulatory and legislative policies, strong partnership by the state’s major utilities, Duke Energy Carolinas and Duke Energy Progress, and aggressive construction and deployment of solar facilities by developers large and small have combined to make North Carolina

second only to California in interconnected solar capacity. As of September 30, 2016, there are more than 1,300 megawatts (“MW”) of third-party developed solar connected to DEC’s and DEP’s grid in North Carolina, with another 4,600 MW progressing through the interconnection queue.

DEC and DEP have embraced renewable energy and are leading the way to smarter, cleaner energy solutions for customers. Since 2007, Duke Energy Corporation (“Duke Energy”) has invested more than \$4 billion in renewable generation projects, including nearly \$300 million by DEP and \$175 million by DEC in North Carolina. In 2014, Duke Energy issued a request for proposals (“RFP”), targeted at solar facilities greater than 5 MW, which resulted in a \$500 million solar expansion commitment through acquisition and construction of new North Carolina solar facilities and execution of new purchase power agreements (“PPAs”) with additional solar projects in North Carolina. More recently, on October 24, 2016, DEC issued an RFP for 750,000 megawatt-hours (“MWh”) of renewable energy and associated renewable energy certificates (“RECs”) located in the DEC territory to encourage development of more renewable generation in the most competitive manner possible, giving developers the opportunity to either pursue projects themselves or sell current projects under development to DEC.

Today Duke Energy has more than 35 solar plants of over 1 MW in North Carolina. DEP currently owns and operates nearly 140 MWs of solar generation in North Carolina, while DEC owns and operates nearly 9 MWs of solar generation with an additional 75 MWs under development. Both DEC and DEP have achieved long-term compliance with North Carolina’s Renewable Energy and Energy Efficiency Portfolio

Standard (“REPS”) solar carve-out, and, as of August 2016, DEP has contracted for sufficient RECs to achieve full REPS compliance through at least 2028. The Companies’ commitment to solar and other renewable power in the State is clear and compelling. Just as important is their desire to continue bringing more solar power onto their systems for the benefit of North Carolina customers.

However, the North Carolina solar power success story that so many have helped shape is at a crossroads. The policies that supported such a rapid rise in utility-scale solar growth now need to be reevaluated. In short, existing policies have created a distorted marketplace for solar projects that could result in artificially high costs passed onto North Carolina residents, businesses, and industries, while potentially degrading operation of the Companies’ electric systems that serve those customers. By demonstrating the same foresight that helped establish unprecedented solar power growth in the State, however, this Commission can ensure its long-term viability and success. The key challenges posed by the current Public Utility Regulatory Policy Act (“PURPA”) and avoided costs policies are cost and complexity as outlined below:

Cost. 60% of all PURPA projects in the entire United States are in North Carolina in part because the price and terms the Companies are mandated to offer to those projects are unnecessarily generous compared to other utilities and States around the Country. This places a burden on customers who are exposed to significant purchased power expense in excess of avoided costs. DEC and DEP advocate for a competitive bidding process, which would ensure that the most attractive, most cost-efficient projects are built, helping further ensure a

more orderly addition of new solar power onto the Companies' systems.

Complexity. The current avoided cost policies have helped to draw an increasingly unmanageable number of solar projects into the queue seeking to interconnect with the Companies' systems. A backlogged queue prevents viable projects from coming online in a timely manner and increasingly causes a disconnect between forecasted avoided costs and actual system incremental avoided costs. Critical improvements are needed to North Carolina's current unplanned and uncontrolled process for developing, interconnecting, integrating, and operating in parallel with utility-scale solar generators to ensure that the State's energy policies and customers' long-term interest in reliable and affordable electric service is maintained.

Much-needed reforms in these areas will allow the solar industry to transition to smarter, more sustainable growth in North Carolina. To that end, and in addition to the other proposals the Companies are making in this Docket, the Companies ask the Commission to establish a separate proceeding to enable DEC and DEP to collaborate with interested parties in the development of a competitive solicitation process to provide for sustainable growth in new solar resources in North Carolina. Additional policy changes beyond the scope of this Docket will also likely be necessary to fully move North Carolina to a smarter, sustainable renewable energy future. The Companies believe that these important renewable energy policy issues should be reviewed in a comprehensive manner, and DEC and DEP look forward to continued collaboration with

interested parties to consider such improvements critical to North Carolina's sustainable energy future.

SUMMARY OF AVOIDED COST PROPOSAL

The Commission's implementation of PURPA over the past decade has been designed to encourage development of qualifying facility ("QF") generators, including utility-scale solar generators with a nameplate capacity of 5 MW or less, by requiring the Companies and Dominion North Carolina Power ("DNCP" and together with the Companies, the "NC Utilities") to offer standard 5-, 10-, and 15-year long-term levelized fixed rate PPAs. While the Commission's PURPA policies have remained relatively unchanged over the past decade, the importance and impact of these decisions has grown exponentially for the Companies, our State's energy grid, and our customers over the past few years. Since 2012, an unprecedented surge in utility-scale solar QF generators, including over 200 projects sized between 4.0 to 5.0 MW, have interconnected and are now selling energy to the Companies, especially to DEP, pursuant to Commission-approved long-term PURPA avoided cost rates. As of September 30, 2016, the Companies have interconnected more than 1,300 MWs of third-party utility-scale solar generation; importantly, with nearly 75% of those solar projects (960 MWs) interconnected in DEP. More importantly, however, approximately 4,600 MWs of additional utility-scale solar generators have requested to interconnect to the Companies' systems in North Carolina. Further, a significant number of these proposed QF generators have potentially established "legally enforceable obligations" or "LEOs" under the Commission's pre-existing PURPA policies and are requesting to sell power

under the Commission's previously-approved "Sub 136" or current "Sub 140" fixed, long-term avoided cost rates and terms and conditions.

The amount of PURPA-supported solar generation currently in development exceeds the Companies' near term energy needs in certain hours as well as projected near term capacity needs presented in the Companies' respective biennial 2016 Integrated Resource Plans ("IRPs"). Both DEC's and DEP's 2016 IRPs show that no additional unplanned capacity is needed to reliably serve customers' peak consumption, or energy demand, through the years 2022 and 2021 respectively. The Companies' IRPs show that, at least in the near term, the growing levels of utility-scale solar that the Companies must purchase under PURPA will be providing capacity and, at certain times, energy in excess of the Companies' needs. This surge in utility-scale solar development is also creating significant, excess long-term costs for our customers due to the trend in declining energy markets that have been seen in the past several years where actual incremental energy costs have been significantly lower than prior forecasts in earlier avoided cost filings. This calls into question whether entering into longer-term avoided cost PPA contracts is prudent, considering that DEC and DEP have long-term PPAs with Commission-set avoided cost rates ranging from \$55 to \$85 per MWh, while the Companies' current actual system incremental "avoided" costs are approximately \$35 per MWh. Under the current framework, our customers are exposed to the significant risk of avoided cost rates in excess of the Companies' actual avoided costs. In contrast to the current uncoordinated and unconstrained PURPA marketplace for solar development, the Companies believe a proposed competitive market solar solicitation process would provide superior value for our customers and attract the most competitive solar projects at

a cost potentially lower than the current avoided cost rates.

Reliably planning and operating the Companies' systems is also becoming increasingly challenging as the level of variable, non-dispatchable utility-scale solar continues to surge. The generation, transmission, and distribution systems must adjust minute to minute and even second to second to meet constantly fluctuating customer demand. PURPA regulations do not allow for effective real time control of QF generation, which creates operational impacts when significant QF generation, especially significant variable and intermittent QF solar generation, is added to the system. This proceeding represents the Companies' first opportunity in a biennial avoided cost proceeding to inform the Commission regarding the actual and detrimental impacts to the DEP system after approximately 1000 MWs of variable, non-dispatchable and non-curtailed utility-scale solar generation has come online – overwhelmingly in 5 MW increments on rural distribution feeders in Eastern North Carolina. The Companies have gained significantly greater experience over the past 18 months with the real operational impacts of the surging development of PURPA-driven utility-scale solar generation on the DEP and DEC systems, as well as new information on the growing impacts of these variable, non-dispatchable energy resources on the Companies' generation, transmission, and distribution system operations. The continuing surge in utility-scale solar QF generation is increasingly challenging how the Companies plan and operate their generation fleets, manage their transmission systems, and assure reliable power is delivered to our customers over local distribution circuits.

As further described in this Initial Statement, the economic and regulatory circumstances, as well as the growing system operational challenges now confronting DEP and DEC – and, most importantly, our customers who ultimately pay the costs of PURPA implementation – necessitate a focused review of the Commission’s PURPA policies to better facilitate the integration of utility-scale solar generation in a smarter, more sustainable, and reliable manner. This filing is an initial step in a path towards evolving the Commission’s PURPA policies and optimizing DEC’s and DEP’s solar procurement to provide for the continued long-term utility-scale solar development in North Carolina, while also ensuring that the Companies achieve their overarching mandate under the North Carolina Public Utilities Act to deliver cost-effective and reliable power to our customers on a well-planned and coordinated basis. Specifically, the Companies are proposing the following major changes to the Commission’s traditional PURPA standard contract policies in this Initial Statement:

- 1) Capping eligibility for DEC’s and DEP’s proposed standard Schedule PP avoided cost tariff at one MW;
- 2) Evolving DEC’s and DEP’s long-term standard Schedule PP tariffed rates to a single standard 10-year long-term rate offering with a fixed, levelized capacity component and biennial updates to the energy component to be reestablished every two years in future avoided cost proceedings;
- 3) Calculating value for “needed capacity” in a manner that recognizes the first year in which DEC and DEP show an actual need for incremental capacity;
- 4) Reducing the Performance Adjustment Factor from 1.2 to 1.05 to align better with the reliability of traditional capacity that would be avoided;

- 5) Amending the Companies' standard contract terms and conditions to incorporate compliance with mandatory and enforceable North American Electric Reliability Corporation ("NERC") and SERC Reliability Corporation ("SERC") regulations and standards within the "emergency conditions" provision under which the Companies may curtail QF energy output and discontinue purchases from QFs for such emergency periods; and
- 6) Updating the Companies' Notice of Commitment Form to incorporate completion of the North Carolina Interconnection Procedures ("NCIP") System Impact Study ("SIS") as a necessary pre-condition to a QF's commitment to sell power to the Companies.

The Companies' proposed revisions to DEC's and DEP's standard avoided cost tariffs and terms and conditions are well within the Commission's authority under PURPA, are just and reasonable to the Companies' customers, and are reasonable and non-discriminatory to QFs requesting to interconnect and sell power to the Companies.

As further supported in this Initial Statement, the Companies respectfully request expedited review and adoption of proposed DEC Schedule PP, DEC Schedule PP-H, DEP Schedule PP-3 and DEP Schedule PPH-1, as well as the supporting terms and conditions and PURPA policies presented herein as just and reasonable, consistent with PURPA and in the best interests of our customers.

JOINT INITIAL STATEMENT OF DEC AND DEP

- I. The Commission's implementation of PURPA should evolve to meet new economic and regulatory circumstances while ensuring PURPA's goals continue to be achieved.**

Congress enacted PURPA in 1978 to, among other things, encourage cogeneration and small power production generating facilities, and directed the Federal

Energy Regulatory Commission (“FERC”) to promulgate regulations to further this goal. 16 U.S.C. § 824a-3(a); *FERC v. Mississippi*, 456 U.S. 742, 750-51, 102 S.Ct. 2126, 72 L.Ed.2d 532 (1982). In 1980, FERC established its implementing regulations through Order No. 69.¹ As explained in Order No. 69, “[e]ach electric utility is required under section 210 [of PURPA] to offer to purchase available electric energy from cogeneration and small power production facilities which obtain qualifying status. . . [and] to pay rates which are just and reasonable to the ratepayers of the utility, in the public interest, and which do not discriminate against cogenerators or small power producers.”² Order No. 69 affords State Commissions “great latitude” in determining State PURPA policies, recognizing that the States would be best suited to consider and balance PURPA’s goals with the “economic and regulatory circumstances [that] vary from State to State and utility to utility.”³

Beginning with its initial implementation of PURPA in 1981, the Commission has sought to balance the benefits of QF development with evolving economic and regulatory circumstances and to set rates that are just and reasonable to North Carolina electric consumers and in the public interest. Economic and regulatory circumstances are constantly evolving. Existing policies have resulted in development of significant PURPA-driven utility-scale solar facilities that have requested to interconnect and sell power to the Companies at Commission-approved long-term avoided cost rates. The Companies previously highlighted the potential future impacts of significant PURPA-driven utility-scale solar development in joint comments filed in May 2013, in the Sub

¹ *Final Rule Regarding the Implementation of Section 210 of the Public Utility Regulatory Policies Act of 1978*, Order No. 69, FERC Stats. & Regs. ¶30,128, (1980) (“Order No. 69”).

² *Id.* at 3.

³ *Id.* at 93-94.

136 Proceeding, stating that the issue of integrating intermittent resources such as solar and wind was an “issue of growing importance.” In the spring of 2013, the Companies noted that

The electric industry is only beginning to understand the costs, benefits, and challenges associated with these types of resources. A resource that is available on a limited and unpredictable basis has a much different impact on system operations and reserve requirements than one that it is dispatchable and generally available. For example, from the perspective of what capacity costs such resources allow a utility to avoid, traditional and intermittent resources have significantly different values.⁴

North Carolina’s utility-scale solar development success now requires a comprehensive review of the Commission’s PURPA policies. This proceeding is the Companies’ first opportunity in a biennial avoided cost proceeding to inform the Commission of their growing experience with the operational impacts of utility-scale solar on the generation, transmission, and distribution systems. The Companies’ proposals in this Docket are a first step in transitioning solar development in North Carolina to a more “well-planned and coordinated” process⁵ that balances PURPA’s goal of encouraging QF development with the challenges of integrating solar into our system and potential harm to our customers of paying rates above current avoided cost, which is counter to the goals of PURPA. The Companies respectfully ask the Commission to reevaluate its historical PURPA policies to address these quickly evolving economic and regulatory circumstances consistent with the flexibility afforded to the Commission by PURPA and FERC’s implementing regulations.

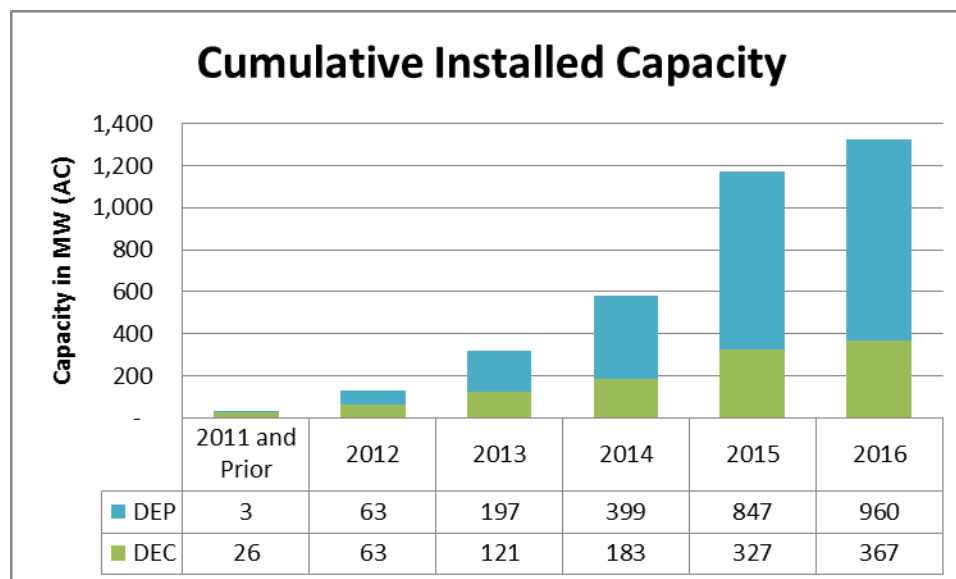
⁴*In the Matter of Biennial Determination of Avoided Cost Rates for Electric Utility Purchases from Qualifying Facilities – 2012*, Duke Energy Carolinas and Progress Energy Carolinas Joint Reply Comments, at 39, Docket No. E-100, Sub 136 (filed May 13, 2013).

⁵ The General Assembly has declared that the Commission shall, amongst other actions, “foster the continued service of public utilities on a well-planned and coordinated basis that is consistent with the level of energy needed for the protection of public health and safety and for the promotion of the general welfare . . .” G.S. § 62-2(a)(6).

II. North Carolina’s utility-scale solar development success is driving the need for comprehensive review of the Commission’s PURPA policies.

- a. REPS and other state policies have combined with PURPA to create a “living laboratory” of utility-scale solar growth.

Our State is now the “living laboratory” for interconnecting and integrating utility-scale solar energy and, more recently, for operating a utility system in parallel with a growing PURPA-driven renewables environment, consisting almost entirely of variable and intermittent utility-scale solar. In only five years, installed utility-scale solar capacity has increased in DEC and DEP from approximately 125 MWs to over 1,300 MWs (approximately 960 MWs in DEP and 340 MWs in DEC, respectively), with an additional 4,600 MWs of proposed projects requesting to interconnect and sell power to the Companies (approximately 3,700 MWs in DEP and 900 MWs in DEC, respectively). The following chart depicts year-over-year growth in installed solar PV capacity in DEP and DEC between 2011 and September 30, 2016.



**** Reflects 3rd Party-Owned Installed Nameplate (AC) Solar Capacity located in North Carolina only.**

In the near term, of the queued 4,600 MWs of proposed projects, the Companies project an additional 1,100 MWs (approximately 750 MWs in DEP and 350 MWs in DEC, respectively), to be installed in their North Carolina service territories by the end of 2017.

This extreme level of solar development growth was not anticipated in 2007 when North Carolina became the first state in the Southeast to enact a renewables portfolio standard. Senate Bill 3 contemplated that REPS could be met through a portfolio of traditional renewable resources, such as hydropower, biomass and landfill gas, as well as integration of new (and traditionally not cost-effective) renewable energy resource technologies, such as wind and solar. Specific to solar, the REPS recognized a State policy supporting its development, mandating each electric power supplier meet at least 0.20% of their REPS obligation using solar by 2018.⁶ This carve-out mandating solar procurement was important at the time as the installed cost of utility-scale solar PV was significantly higher than other more mature renewable technologies.⁷

Since REPS' enactment in 2007, the installed cost of utility-scale solar has declined significantly, while the economic value proposition for developers deploying utility scale solar in North Carolina as well as across the United States has exploded. According to a recent report by the research firm Greentech Media ("GTM"), the average installed cost of utility-scale solar has declined significantly in the last decade from [BEGIN CONFIDENTIAL] [REDACTED]

⁶ N.C.G.S. § 62-133.8(d).

⁷ See La Capra Associates, Inc., Technical Report: Analysis of a Renewable Portfolio Standard for the State of North Carolina, Prepared for the North Carolina Utilities Commission (December 2006) at 36 (solar PV deployment "is not limited by technical or practical considerations but rather by current levels of installed costs.").

██████████ [END CONFIDENTIAL] in the fall of 2016.⁸ Nationally, both utilities and non-utility developers of utility-scale solar PV have benefited from continued federal policy support, including Congress' December 2015 extension of the 30% Federal solar investment tax credit incentive ("ITC"). The current Federal ITC now extends through at least 2019 before it steps down to 10% after 2021.⁹ In North Carolina, in addition to REPS, the 35% Renewable Energy Tax Credit ("RETC") has also provided significant additional financial incentive to promote solar development in the State.¹⁰ Although the RETC expired at the end of 2015, the State enacted a "safe harbor" in April 2015 to provide projects in advanced stages of development until December 31, 2016, to complete development and be placed in service.¹¹ Notably, there has been no discernible decrease in utility-scale solar development in DEC and DEP as a result of the North Carolina RETC's expiration.¹²

While REPS may have initially fostered solar growth in North Carolina, the Commission's PURPA policies have been a predominant driver of North Carolina's recent surging utility-scale solar growth. An August 2016 report by the U.S. Energy Information Administration ("EIA") found that North Carolina is now leading all 50

⁸ Greentech Media Research, Q3 2016 Solar Executive Briefing, October 2016, available at <https://www.greentechmedia.com/research/publications/category/solar>.

⁹ 16 U.S.C. § 48(a)(6).

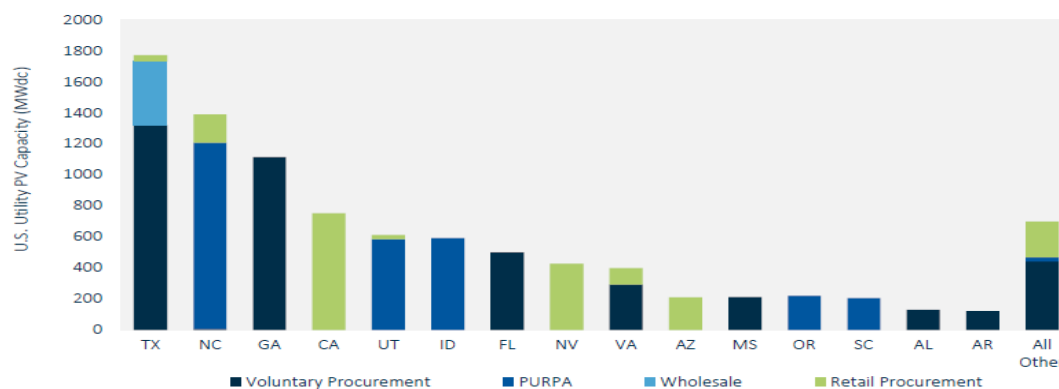
¹⁰ N.C.G.S. § 105-129.15 *et seq.*

¹¹ See Session Law 2015-11, enacting N.C.G.S. § 105-129.16A.

¹² *In the Matter of, Annual Reports for Interconnection and Net Metering Pursuant to Dockets E-100, Sub 83 and E-100, Sub 101*, DEC's and DEP's 3rd Qtr. 2016 Interconnection Queue Performance and Status Reports Docket No. E-100, Sub 101A (filed October 31, 2016) (showing that 168 utility-scale projects consisting of 960 MWs have requested to enter the Companies' Interconnection Queues since January 1, 2016).

states, including California, in PURPA-supported utility-scale solar installed capacity.¹³ Another February 2016 report by GTM similarly shows North Carolina's PURPA-driven solar growth compared to other states, and highlights that 60% of all installed PURPA solar is located in North Carolina.¹⁴

Top State Markets for Contracted Utility PV Projects Outside of RPS Obligations



The price level and term of avoided cost rates calculated under the Commission's historic PURPA policies, the low threshold to establish a LEO commitment to sell QF power, as well as the current longer fixed terms for PURPA standard contracts for generators up to 5 MWs have helped make North Carolina the fastest growing solar development marketplace in the Southeast and a leader in distributed utility-scale solar deployment nationally. In sum, the Companies are proud of the robust solar growth that has been achieved in North Carolina and desire to continue growing this resource in a managed and sustainable way. Aligning the Commission's current PURPA policies with this goal is a necessary first step.¹⁵

¹³ U.S. Energy Information Administration, North Carolina has more PURPA-qualifying solar facilities than any other state, (August 23, 2016), accessible at <http://www.eia.gov/todayinenergy/detail.php?id=27632>.

¹⁴ GTM Research, The Next Wave of U.S. Utility Solar, Procurement Beyond the RPS (Feb.2016) at 16, 28, accessible at <https://www.greentechmedia.com/research/report/the-next-wave-of-us-utility-solar>.

¹⁵ Other states experiencing significant and unmanaged PURPA-driven solar growth have recently taken steps to reevaluate standard avoided cost implementation under the flexibility afforded by PURPA. Most

- b. North Carolina has become a national leader in utility-scale solar development 5 MWs at a time.

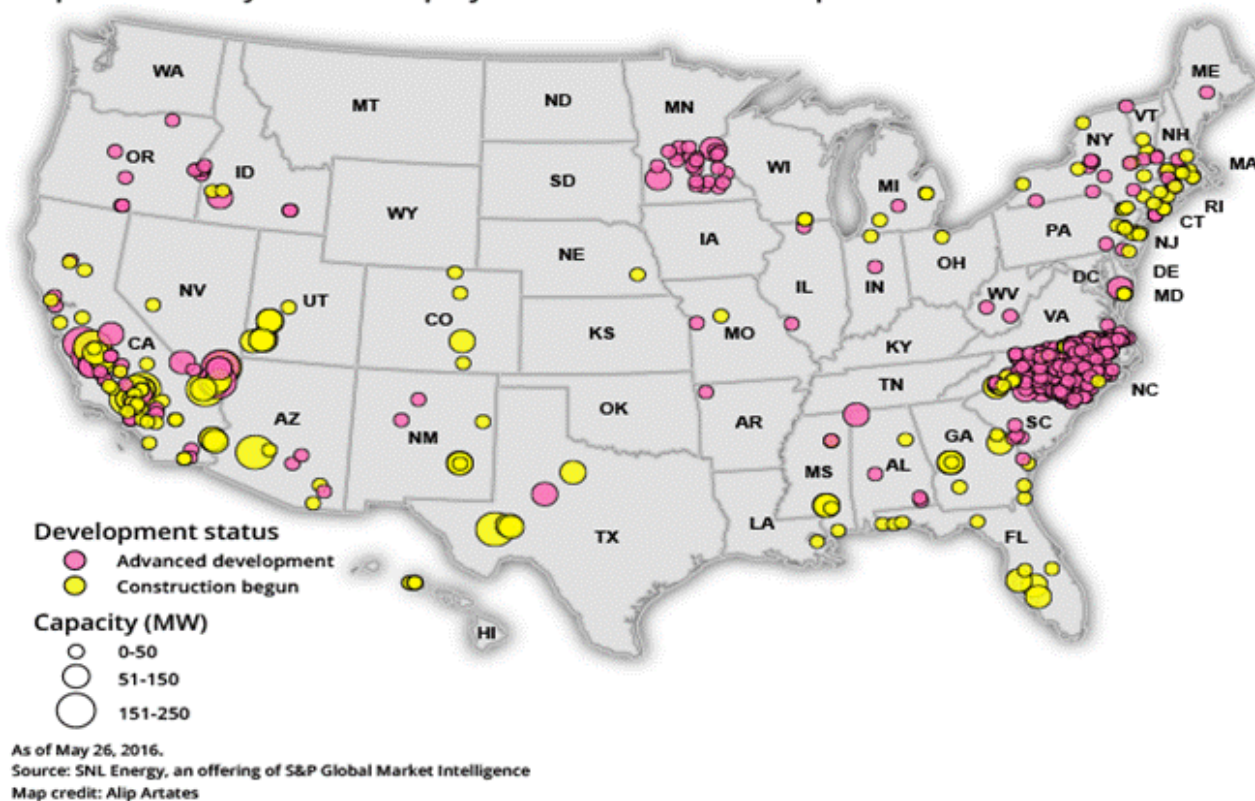
North Carolina has now become a national leader in distributed utility-scale solar generation development, moving from relatively modest amounts of installed solar generation when REPS was enacted in 2007 to 3rd in 2015 to 2nd overall behind only California in installed solar capacity in 2016.¹⁶ The surge in utility scale solar development in North Carolina has been most significant in DEP. Over the past five years, DEP has experienced exponential growth in interconnected utility scale solar generators above 1 MW from only 19 installed projects, totaling 62 MWs in 2011 to over 200 projects, totaling 960 MWs installed as of September 30, 2016.

The Commission's PURPA policies have also created a unique "profile" for solar development in North Carolina – utility-scale generators approximating 5 MWs proposing to interconnect to the Companies' distribution systems. The following chart highlights the significant growth in "small" distributed utility-scale solar PV in North Carolina compared to other states as of May 2016.

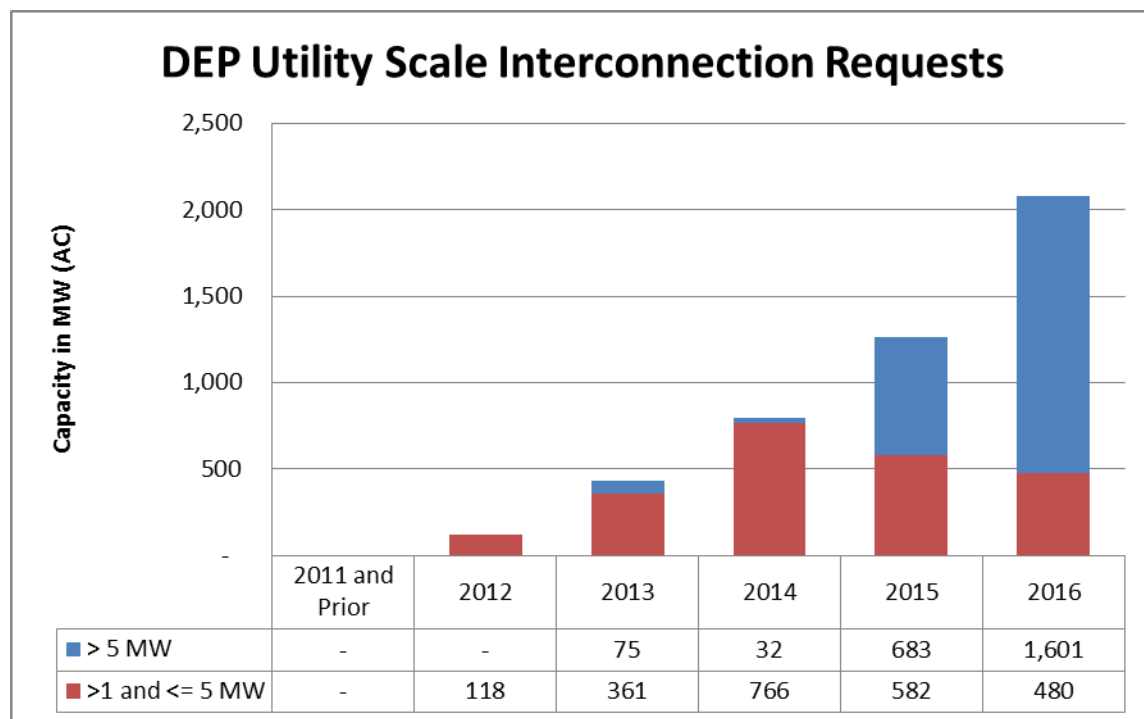
recently, the Montana Public Services Commission issued an order in July 2016 approving an emergency motion for suspension of NorthWestern Energy's long-term avoided cost rates for QFs over 100 kW that had previously been set in 2013. *In the Matter of NorthWestern Energy's Application for Interim and Final Approval of Revised Tariff No. QF-1, Qualifying Facility Power Purchase*, Docket No. D2016.5.39 (Pub. Serv. Comm'n. of Montana, July 25, 2016) (order on motion). The Oregon Public Utility Commission reduced its eligibility cap for avoided cost pricing from 10 MW to 3 MW on March 29, 2016. *In re PacifiCorp, dba Pacific Power, Application to Reduce the Qualifying Facility Contract Term and Lower the Qualifying Facility Standard Contract Eligibility Cap*, Order No. 16 130 (Mar. 29, 2016).

¹⁶ Hugh Bromley, Bloomberg New Energy Finance, 2016 US PV Market Outlook: Boom without a Bust, (June 2016).

US planned utility-scale solar projects in advanced development or under construction

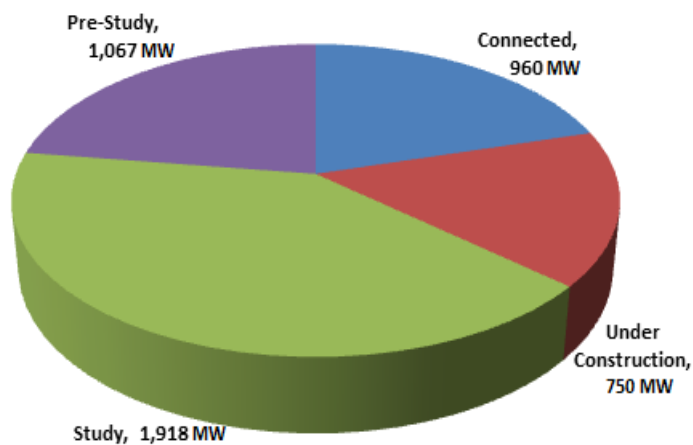


In total, DEC and DEP have interconnected over 200 QF solar generators between 4.0 and 5.0 MWs – mostly interconnecting to the Companies’ distribution systems – since 2012. Development of these “standard contract projects” is not slowing. Since January 1, 2015, the Commission has also approved over 400 applications for certificates of public convenience and necessity (“CPCNs”) to construct QF solar generators between 4.0 and 5.0 MWs throughout the State, with the majority of these projects being developed in DEP. In addition to continued 5.0 MW standard contract development, DEP has received a growing number of requests to interconnect generators significantly larger than 5.0 MWs during the past 18 months.



Looking ahead, QF solar generators totaling more than 3,700 MWs are either under construction or requesting to interconnect and sell their output to DEP. The following chart highlights the current status of the nearly 4,000 MWs of utility-scale solar in development and proposing to interconnect in the DEP service territory.

- 960 MW Connected and approximately 3,700 MW in pending status
 - It takes an average of 20 months to connect a project (> 2 MW) in DEP from the day a queue number is assigned. *DEP's 3rd Qtr. 2016 Interconnection Queue*



III. The Companies now have first-hand and growing experience with the impact of utility-scale solar on the generation, transmission, and distribution systems.

Two years after the Commission's previous detailed review of the NC Utilities' avoided cost input parameters,¹⁷ many of the then "proposed" solar generators are now a reality. DEP's current experience integrating and operating in parallel with approximately 1,000 MWs of solar generators indicates that the integration of additional unconstrained PURPA solar energy will increasingly challenge DEP's ability as a Balancing Authority ("BA")¹⁸ to reliably and cost-effectively operate its system during certain hours. In the foreseeable future, this may include challenging DEP's ability to plan for and maintain compliance with certain mandatory reliability regulations enforced by NERC. The Companies believe the Commission should have detailed knowledge of this growing challenge, as the level of unconstrained PURPA solar is projected to continue to grow in DEP over the next few years – increasing to over 1,700 MW of installed solar capacity by the end of 2017 and to approximately 2,200 MWs of installed PURPA solar capacity in 2018. The Companies are committed to working with the Commission and other stakeholders to address these challenges in a way that provides for continued solar development in a coordinated manner and assures continued reliable and cost-effective system operations for our customers.

¹⁷ *Order Setting Avoided Cost Input Parameters*, Docket No. E-100, Sub 140 (Dec. 31, 2014) ("Sub 140 Phase I Order").

¹⁸ The Balancing Authority is defined by NERC as "[t]he responsible entity that integrates resource plans ahead of time, maintains Demand and resource balance within a Balancing Authority Area, and supports Interconnection frequency in real time." Accessible at http://www.nerc.com/pa/Stand/Glossary%20of%20Terms/Glossary_of_Terms.pdf ("NERC Glossary").

a. Operating DEP's Utility System in a Growing Solar Environment – Challenges of "Unconstrained" PURPA Solar

The recent integration of significant levels of "unconstrained" and non-dispatchable variable generation on the utility system adds operational complexities to the way DEP manages its generating fleet and balances generation and load in the DEP BA in real time.¹⁹ DEP's generation resources are planned, designed and operated to meet the utility's projected system peak load (13,158 MW in 2017), but also to balance generation and load minute-to-minute, 24 hours a day, 365 days a year. Notably, DEP operates its Company-owned utility-scale solar as an integrated resource, providing DEP system operators with real-time control over those facilities' output when necessary to manage the transmission system and balance BA load and resources.

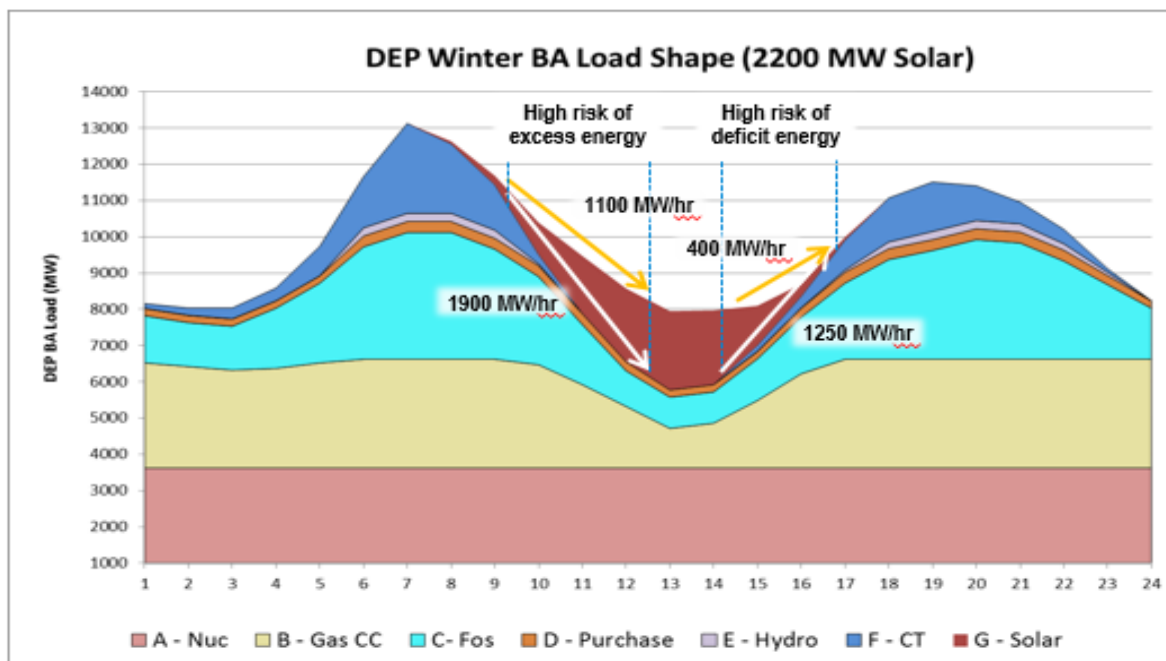
In contrast to the Companies' owned solar facilities, PURPA solar is "unconstrained" due to the curtailment limits imposed in PURPA on the utility interconnected to and purchasing from a QF. Under FERC's regulations, under contractual agreement, a QF selling power pursuant to a long-term contract may be curtailed and purchases discontinued only in a "system emergency."²⁰ Because

¹⁹ DEP's current operational experiences are increasingly resembling the challenges of other BA's with high levels of solar energy injections. *See*, ScottMadden, Revisiting the California Duck Curve, An exploration of its Existence, Impact, and Mitigation Potential at 6-7 (October 2016) (Oversupply and operating challenges driven by utility-scale solar. "North Carolina is already expecting to inject energy significantly in excess of system needs"), accessible at <http://www.scottmadden.com/insight/revisiting-duck-curve-exploration-existence-impact-migration-potential/>.

²⁰ 18 C.F.R. § 292.307(b) (2016), FERC's regulations define a "system emergency" as a condition on the utility's system "which is likely to result in disruption of service to a significant number of customers or is likely to endanger life or property." 18 C.F.R. § 292.101(b)(4) (2016). Where the QF elects to sell energy "as-available," the utility may also curtail under certain light-loading conditions. 18 C.F.R. § 292.304(f) (2016).

QF solar energy is injected into the grid whenever the sun shines, system operators have limited tools available to manage unconstrained must-take QF energy purchases.

Increasingly, the Companies' system operators are having to manage their dispatchable generating fleet in non-optimal ways to meet the system's "net load." Net load equals the total real-time system energy demands at a given point in time minus the energy being injected into the BA by variable and intermittent non-dispatchable generation. The levels of unconstrained solar energy already being experienced during mid-day hours on certain non-summer days are forcing DEP to increasingly ramp and cycle its intermediate and non-nuclear baseload generators creating real-time operating challenges. Looking ahead to 2017 and 2018, the challenges associated with the variability and intermittency of unconstrained PURPA utility-scale solar will be amplified as the quantity of solar installed in the DEP BA increases. The following chart is provided for illustrative purposes to show operational conditions that are projected to occur on a high peak winter day (e.g., a winter day with a system average temperature of 25 degrees (Fahrenheit) or lower at 7:00 a.m.) from the growing level of excess system energy and potential severe ramping of generating units that will be required in 2018 when installed third-party solar reaches 2200 MWs in DEP.

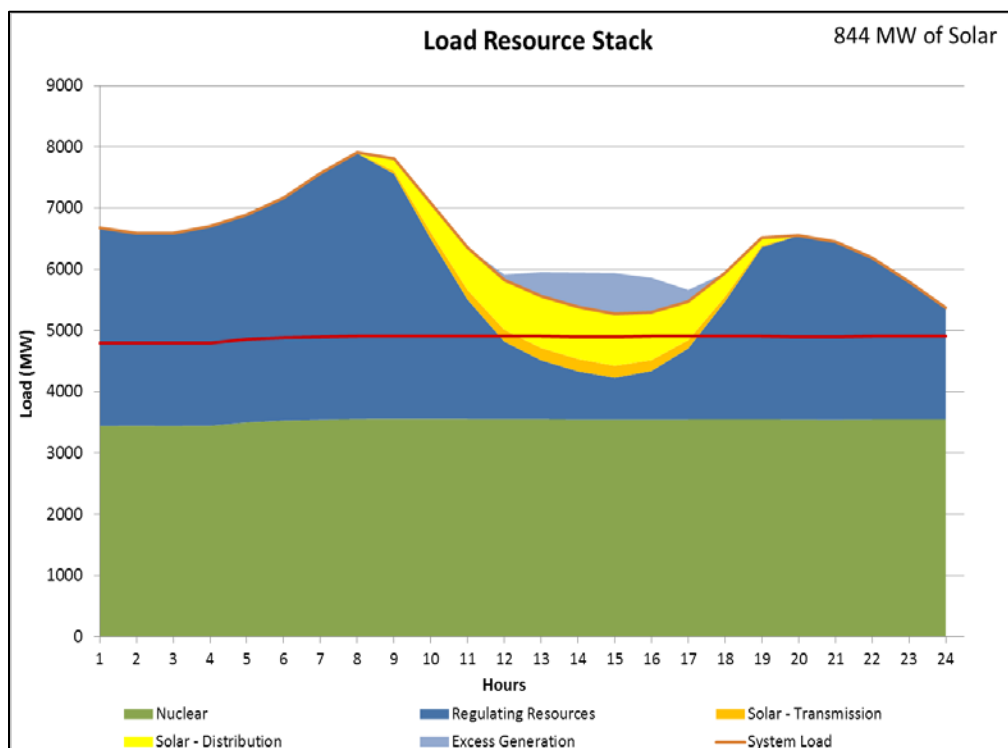


At 2200 MWs of installed solar, DEP's system operators will be required to take steps to cycle, ramp down, and/or de-commit load following baseload and intermediate generating units during the late morning hours to meet net load as actual system load decreases from the morning peak and solar energy increases during the mid-day hours. In the afternoon, as solar energy output declines and system load increases towards a late afternoon peak, DEP will need to dispatch and ramp up load-following generating units to increase energy output. Finally, as described below, a corollary challenge is managing this excess energy, while operating DEP's generating units within their capabilities and maintaining the load-following resources required to meet the lowest reliability operating level ("LROL") required to serve the forecasted day-ahead energy needs.

b. Solar Generation Profile Increasingly Causing Operationally Excess Energy

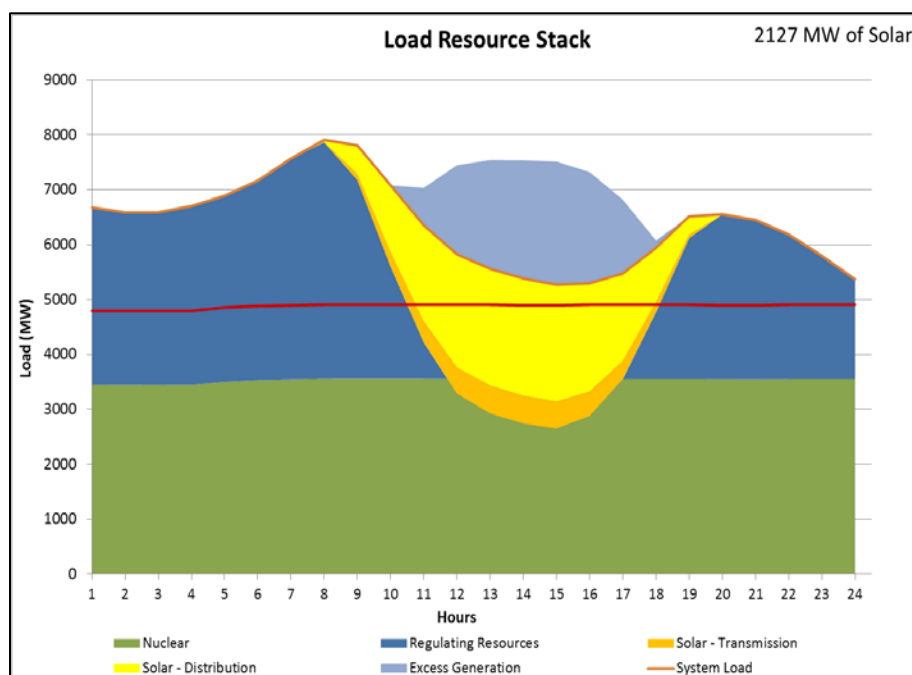
Managing unconstrained solar energy in real-time is a growing challenge during mid-day hours where, due to the high levels of solar energy being injected into the BA,

the system's "net" load drops below the level of the BA's resources needed to maintain reliable intra-day and day-ahead system operations. System operators must plan and operate generating resources to most reliably and cost-effectively meet increasing and decreasing intra-day and day-ahead system loads within reliability and generating unit availability and operating limits. The growing levels of unconstrained solar in the DEP BA during the lowest levels of actual system load demand are effectively causing "over-generation events" by injecting more energy than the BA can absorb while maintaining the load-following resources at the LROL that is required to meet the BA's upcoming energy demands for the afternoon and next day peaks. The following figure shows an actual excess energy event on the DEP BA on January 31, 2016 (a relatively mild winter day with afternoon system average temperatures ranging from the low to mid 60s (degrees Fahrenheit)), occurring with 844 MWs of PURPA capacity injecting energy into the BA.



The red line depicts the LROL level of network generation resources that must remain available (i.e., cannot be de-committed for reliability reasons) to ramp up to meet the afternoon peak demands and the next morning's peak demands. The high levels of unconstrained solar injections into the BA during the mid-day valley lowered the net system load below the LROL, causing a system imbalance due to operationally excessive energy. Because the DEP BA cannot manufacture real system load to absorb the excess, DEP's system operators were forced to sell the excess energy into another BA at a loss to maintain balance and compliance with the NERC reliability regulations. So far during 2016, DEP has experienced over-generation events on more than 20 separate days.

The number and severity of the oversupply incidents are expected to increase as the level of variable and non-dispatchable solar energy increases. Using the same system load curve and configuration as the January 31, 2016 excess energy event, the following shows how the volume of excess energy will significantly increase once installed solar capacity increases to approximately 2200 MWs nameplate in 2018.



As these incidents occur and increase in magnitude, remedial actions will have to be taken. DEP is projecting that during the spring, fall, and winter seasons, due to excess levels of unconstrained, non-dispatchable QF energy being injected into the system greater than intra-day minimum load requirements, the utility will have to either: (i) cycle off or back down baseload generators (potentially including nuclear units) on an intra-day basis to balance loads, even though those units are needed to meet evening demand and are not intended to be cycled; or (ii) find ways to move the excess energy off-system, contingent on non-firm transmission availability and a willing buyer – both presenting potentially significant reliability challenges.

c. Future Challenge: Maintaining Compliance with NERC BAL Standards

The Energy Policy Act of 2005 enacted section 215 of the Federal Power Act, which mandated enforceable and mandatory reliability standards.²¹ In 2007, FERC approved the first set of NERC reliability standards,²² which have been expanded and refined over time to ensure interconnected “Bulk Power System” reliability is maintained across North America. Over the past decade, NERC has established over 100 mandatory reliability standards to regulate operation of the Bulk Power System, including the operations of BAs, such as DEP. Of particular note, the BAL-001, BAL-002, and BAL-003 Reliability Standards, which became effective July 1, 2016, require BAs to now maintain frequency regulation within defined limits every 30 minutes or risk violating the Standards. Maintaining compliance with these mandatory NERC reliability standards requires the BA to maintain proper generation reserves and to balance resources in real

²¹ 16 U.S.C. 824o (2016).

²² *Mandatory Reliability Standards for the Bulk-Power System*, Order No. 693, FERC Stats. & Regs. ¶ 31,242 (2007), *order on reh'g*, Order No. 693-A, 120 FERC ¶ 61,053 (2007).

time. The growing levels and instances of excess generation associated with the variable unconstrained PURPA solar, as described above, directly impacts and challenges DEP's ability to plan for and assure future compliance with these NERC standards.

IV. DEC and DEP propose just and reasonable changes to the Commission's PURPA policies to meet current economic and regulatory circumstances and to more effectively address growing system operational challenges.

The Companies have updated their respective avoided costs and, as introduced above, are proposing certain modifications to the Commission's existing PURPA policies applicable to all QFs except hydroelectric facilities ("hydro") without storage ("run-of-river hydro"), which have a special status under North Carolina law and are addressed below. The proposed changes seek to recognize changing economic and regulatory circumstances, while continuing to encourage QF development and, at the same time, more effectively address growing system operational challenges associated with PURPA-driven solar energy.

a. Proposed modifications to Standard Avoided Cost Rates

i. Standard contract eligibility should be "reset" to 1 MW

FERC's PURPA regulations mandate standard avoided cost rates for "small QFs" of 100 kW or less, and provide State commissions the flexibility to determine whether standard avoided cost rates should be offered to QFs above 100 kW.²³ While the Commission has historically maintained a policy preference for offering standard avoided cost rates to significantly larger QFs up to and including 5 MWs in size, economic and regulatory circumstances now strongly support reevaluation of this policy. The 5 MW standard contract has evolved from a necessary tool for encouraging development of

²³ 18 C.F.R. 292.304(c). See also Order No. 69, *supra* note 1 at 52-53.

relatively small QFs to a highly attractive solar development business model for sophisticated and well-capitalized entities from around the country. Since March 2015, approximately 300 projects between 4.0 and 5.0 MWs have obtained CPCNs and potentially established LEOs under the Companies' most recently approved Sub 140 rates. These standard contracts have resulted in significant long-term financial commitments on behalf of DEC's and DEP's customers that have proven to be well in excess of the Companies' current actual system incremental costs. For example, DEP's proposed 10-year on-peak energy rate of \$33.50/MWh, as of November 2016, is approximately 40% below DEP's 15-year on-peak energy rate of \$46.81/MWh, as approved in the Sub 140 proceeding. Maintaining long-term standardized tariffed avoided cost rates for utility-scale QF generators up to 5 MWs increasingly shifts the risks and burdens of avoided cost overpayments to our customers. The Companies now also routinely negotiate PURPA PPAs with larger QFs, mitigating concerns raised in 2014 in the Sub 140 proceeding.²⁴ Since March 2015, DEC and DEP have executed more than a dozen renewable and PURPA-only PPAs with numerous more under development today. Based upon current economic and regulatory circumstances, the Companies recommend that the standard contract be limited to QFs of one MW or less. Establishing the proposed standard contract eligibility at 1 MW maintains the Commission's traditional goal of facilitating efficient contracting for truly small and potentially unsophisticated QFs while ensuring that the Companies' customers are not unduly burdened by long-term rate obligations that can significantly exceed the Companies' avoided costs.

²⁴ *Sub 140 Phase I Order*, *supra* note 18 at 21.

ii. Preserving long-term levelized rate option while protecting customers from long-term risk of over-payment

As the Commission recognized during Phase I of the Sub 140 proceeding, the Companies have repeatedly raised concerns that long-term levelized 15-year avoided cost rates unreasonably subject customers to significant risk of paying QFs more than the utility's future avoided costs.²⁵ Today, QFs entitled to current long-term standard avoided cost rates are no longer "of limited number and size."²⁶ As a result, maintaining these forecasted long-term rate options increasingly results in unjust and unreasonable financial burdens on the Companies' customers in excess of avoided costs. Put another way, as the number of QFs requesting to sell power under standard avoided cost rates increases, the financial burden and "overpayment risk" for customers similarly increases. This is especially significant in this proceeding, as the Companies' updated avoided costs and respective Schedule PP rates show that the recent steep decline in natural gas commodity prices has resulted in the Companies' previously-set standard avoided cost rates being well above today's actual system incremental costs. Accordingly, the Companies have taken current economic and regulatory circumstances into account in designing their proposed 2016 avoided cost rates in an effort to better achieve the Commission's long-standing goal of "balancing the need to encourage QF development, on the one hand, and the risks of overpayments and stranded costs, on the other."²⁷

The Companies continue to use the Commission's long-standing peaker methodology to derive DEC's and DEP's respective avoided energy and capacity costs;

²⁵ *Sub 140 Phase I Order*, *supra* note 18 at 19.

²⁶ See e.g., *Order Establishing Standard Rates and Contract Terms for Qualifying Facilities*, at 11 Docket No. E-100, Sub 100 (Sept. 29, 2005).

²⁷ *Order Establishing Standard Rates and Contract Terms for Qualifying Facilities*, at 9-10 Docket No. E-100, Sub 140 (Dec. 17, 2015).

however, the term and structure of the proposed standard avoided cost rates as well as certain inputs to the peaker-based calculation of avoided energy and capacity costs must be adjusted to more accurately reflect the Companies' true avoided costs. The Companies' respective Schedules PP eliminate the traditional 5-year and 15-year standard contract term options and instead propose a single 10-year long-term avoided cost contract with fixed capacity rates and the corresponding energy rates being updated every two years as part of the Commission's biennial review of the Companies' avoided cost. Specifically, the energy component will be reset in future biennial proceedings, mitigating the significant forecast risk of over- or under-projecting long-term commodity prices.²⁸ This rate structure will better protect customers from over-paying for avoided energy in future years where commodity forecasts are not as certain. At the same time, it will provide QFs a continuing revenue stream and the potential upside benefit of increased rates if energy prices increase above forecasted levels during the contract term. The capacity component of the peaker methodology must also be changed to recognize capacity value (and including the associated cost of QF capacity) only in years where the Companies' IRPs show an actual capacity need. The Companies' proposed rates also moderate the impact of DEC's and DEP's near-term lack of capacity need by leveling the capacity component over the 10-year term of the proposed standard offer.

iii. Aligning the Performance Adjustment Factor with the reliability of a Combustion Turbine ("CT")

The Companies also propose to modify the Performance Adjustment Factor ("PAF") from 1.2 to 1.05, for all QFs except for run-of-river hydro QFs discussed below.

²⁸ The Companies recognize that the Commission has previously reviewed proposals similar to the structure of Schedule PP proposed in this case; however, the Companies request the Commission review this proposal and revisit its prior decisions in light of changing economic and regulatory circumstances.

The Companies contend that the PAF should reflect the reliability of a natural gas CT, the unit which the QF is presumed to avoid under the peaker method. A PAF reflecting CT reliability would be set at 1.05. A higher PAF of 1.2 results in unjustifiably increased avoided capacity rates being paid to QFs by our customers. The Companies acknowledge that the Commission previously reviewed this PAF structure in the Sub 140 proceeding and determined that a PAF of 1.2 for QFs other than run-of-river hydros was appropriate in part because “there has been widespread QF development under the existing framework without adverse impacts to utility ratepayers.”²⁹ The Companies respectfully request, however, that the Commission revisit its previous PAF decisions in light of changing economic and regulatory circumstances of this present avoided cost proceeding.

iv. Modifications to Terms and Conditions

The Companies have amended their Schedule PPs, their PPAs and their Terms and Conditions to reflect the above proposals. In addition, the Companies have amended Paragraph 14 of their Terms and Conditions to provide the circumstances that are considered “an emergency condition.” These circumstances expressly include any circumstance that requires action by the Companies to comply with NERC/SERC regulations or standards, such as the BAL standard, discussed above. Finally, the Companies have amended Paragraph 1(e) of their Terms and Conditions to clarify that PPAs shall not be transferred and assigned by a Seller QF to any person, firm, or corporation that is party to any other PPA under which it sells or seeks to sell power to the Companies as a QF, if that party is located within one-half mile of the original Seller QF. This clarification relates to the availability of the Companies’ Schedule PPs.

²⁹ *Sub 140 Phase I Order*, *supra* note 18, at 56.

Schedule PP is not available to a QF owned by a customer or affiliate or partner of a customer who sells power to the Companies from another QF of the same energy resource located within one half mile, as measured from electrical generating equipment, unless the combined capacity is equal to or less than one MW. These amendments to the Terms and Conditions are intended to prevent evasion of this geographic restriction through subsequent consolidation of ownership of QFs after their PPAs under the standard offer have been executed.

b. Update to LEO Notice of Commitment Form

FERC's PURPA regulations provide QFs the option to elect to sell energy "as available" or pursuant to a LEO.³⁰ Whether a QF has made a "legally enforceable commitment to sell" is a critical determination made by the Commission, because the LEO establishes the date by which the current avoided cost rates to be paid to QFs are set.³¹ Most recently, in the Sub 140 proceeding, the Commission ordered the Companies to develop a Notice of Commitment Form ("NoC Forms") that memorialized the Commission's prior informal LEO guidelines and now provides a clear and transparent process for QFs to establish LEOs. The Companies filed their proposed NoC Forms with the Commission in January 2016, and have found use of the NoC Form to be a beneficial improvement to the historic process of managing QF commitments to sell PURPA power.

Under the Commission's current LEO standard, a QF must do the following to establish a LEO: (1) have self-certified with the FERC as a QF; (2) have made a

³⁰ 18 C.F.R. 292.304(d).

³¹ See *Order Establishing Date of Legally Enforceable Obligation*, at 6, Docket No. E-22, Sub 522 (Sept. 22, 2015); *Va. Elec. & Power Co.*, 151 FERC ¶61,038 (2015) (The "determination of whether a [LEO] exists is a matter of state law that is generally made by the state regulatory authority that implements the requirements of PURPA.").

commitment to sell the facility's output to a utility pursuant to PURPA via the use of an approved NoC Form, and (3) have received a CPCN for the construction of the facility. In this proceeding, the Companies propose an additional prong to the existing LEO requirement by also requiring a QF to either be exempt from or have completed the SIS step of the interconnection study process under the approved NCIP.³² The SIS is the first study under the currently-approved NCIP Section 4 “full study” process, and is required for all proposed “utility-scale” generators above two MWs, as well as certain smaller generators that do not qualify for the expedited Section 3 Fast Track process.³³ The SIS is designed to “identify and detail the electric system impacts that would result if a proposed Generating Facility were interconnected . . . and to evaluate the impact of the proposed interconnection on the reliability of the electric system.”³⁴

The Companies are proposing to incorporate completion of the SIS and the QF's commitment to proceed to the detailed Facilities Study as a prong of the LEO standard because the Companies' growing experience shows that many QF projects are not truly “committing” to a proposed generating facility until the SIS process is completed. Due to the significant volumes of generators proposing to interconnect to the DEC and especially DEP systems, the Companies are increasingly providing significantly higher interconnection cost estimates to interconnection customers seeking to interconnect to the Companies' grid. These higher system upgrade costs may, in certain cases, challenge project economics and result in a QF developer electing not to proceed with the project.

³² *Order Approving Revised Interconnection Standard*, Docket No. E-100, Sub 101 (May 15, 2015) (“2015 Order Approving NCIP”).

³³ Under the prior iteration of the NCIP, a “feasibility study” preceded the SIS, but that step was removed in an effort to more expeditiously process interconnection requests.

³⁴ *2015 Order Approving NCIP*, *supra* note 33 at 5.

Further, as more and more solar generation proposes to interconnect to the Companies' distribution systems, the "feasibility" of interconnecting additional generators to the grid, especially to saturated localized distribution circuits, is reduced.

- c. DEC and DEP propose to maintain separate Standard Contracts and Terms and Conditions to enhance the economic feasibility of Run-of-River Hydro "Small Power Producer" QFs

The Commission has a long-standing practice of supporting run-of-river hydro QFs through the biennial avoided cost proceedings. This practice stems from G.S. § 62-156, enacted in 1979, which codifies the State's policy of promoting and supporting hydro facilities. Noting this policy and the relatively small and finite amount of hydro capacity in North Carolina, the Companies entered into a Stipulation of Settlement ("Hydro Stipulation") with the North Carolina Hydroelectric Group in the Sub 140 avoided cost proceedings. The Companies filed the Hydro Stipulation with the Commission in Docket No. E-100, Sub 140 on June 24, 2014, and it was approved by the Commission in the Sub 140 proceeding.³⁵ Consistent with the direction in G.S. § 62-156 to "encourage . . . [and] enhance the economic feasibility" of hydro QFs, the Hydro Stipulation, which expires December 31, 2020, provides that the Companies shall maintain certain pre-existing avoided cost policies, including a 2.0 PAF when calculating the avoided capacity costs for run-of-river hydroelectric QFs that are 5.0 MW and less. In addition, the Hydro Stipulation provides that the Companies shall continue to offer the option of 5, 10 and 15 year terms for contracts with the same hour options as provided under previously approved DEC and DEP rate schedules. Accordingly, consistent with the Hydro Stipulation, the Companies are filing a separate DEC Schedule PP-H and DEP

³⁵ *Sub 140 Phase I Order*, *supra* note 18, at 56 and 66.

Schedule PPH-1 applicable solely to run-of-river hydro QFs for approval in this Docket.

d. DEC and DEP's Proposed Standard Contracts and Terms and Conditions

As required by Ordering Paragraph three of the Commission's 2016 Scheduling Order, DEC and DEP each submit for filing and approval proposed standard avoided cost rates for qualifying cogeneration and small power production facilities.

- DEC Exhibit 1 presents proposed clean and "redlined" copies of DEC's Purchased Power Schedule PP and Purchased Power (Hydroelectric Qualifying Facilities Without Storage Capability) Schedule PP-H.
- Confidential DEC Exhibit 2 presents the supporting calculations used to derive the energy and capacity credits, inflation rates, and discount rates used to derive DEC's proposed avoided cost rates for hydro QFs and other QFs respectively.
- DEC Exhibit 3 presents clean and "redlined" copies of DEC's proposed Standard PPA.
- DEC Exhibit 4 presents clean and "redlined" copies of DEC's proposed Terms and Conditions for the Purchase of Electric Power.
- DEC Exhibit 5 presents clean and "redlined" copies of DEC's updated Notice of Commitment Form.
- DEC Exhibit 6 presents DEC's annualized rates.

DEP Exhibits 1-6 present the same information for DEP as described above for DEC.

- V. **The Companies respectfully request the Commission establish a procedural schedule and set a date for hearing to receive evidence in this proceeding, as well as open a new docket to transition North Carolina's solar generation landscape towards a smarter, more sustainable, and reliable future.**

The Companies respectfully request that the Commission issue a procedural order establishing a reasonably expedient date for an evidentiary hearing and the filing of testimony and exhibits by interested parties. Joint DEC-DEP Exhibit 7 presents a proposed procedural schedule.

The Companies also request that the Commission open a new docket to transition North Carolina's solar generation landscape towards a smarter, more sustainable, and reliable future. Specifically, the Companies recommend that a process be established for the Companies to work with the Public Staff and other stakeholders in 2017 to address the following:

Initiate Competitive Solicitation Stakeholder Process: The Companies support the use of a competitive solicitation for utility-scale renewable resources to better align deployment with the Companies' IRPs and REPS compliance needs as well as to overcome the operational limitations imposed by PURPA on managing QF resources. A primary focus will be to design a procurement process that achieves the benefits of solar resources for DEC's and DEP's customers (1) at least cost through a managed bidding and procurement process; and (2) assures that solar resources can be operated as "effectively dispatchable" generators, similar to the Company's own solar generator resources. The Companies respectfully request the Commission to establish a stakeholder process in a separate docket to begin in early 2017 that will enable interested parties to collaborate with the Companies in the development of a competitive solicitation process for North Carolina.

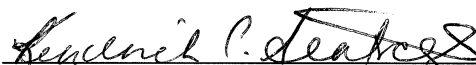
Resume E-100, Sub 101 Interconnection Stakeholder Process: The Companies are committed to continuing to make all reasonable efforts to interconnect QFs and other generators to the grid. Resuming the interconnection stakeholder process in spring 2017 will allow the Companies, the Public Staff, and industry participants to address lessons learned since the current interconnection procedures were established in May 2015, and continue to improve the North Carolina interconnection process.

Consider and recommend future, additional modifications to PURPA policies: The Companies also believe a number of additional PURPA policies should be more fully evaluated in the near future, including: (1) quantification of solar integration and ancillary service costs and benefits as installed capacity increases; (2) evaluation of future avoided energy and capacity rate design in recognition of DEP's growing experience with mid-day excess solar energy production; (3) evaluation of whether growing levels of non-dispatchable PURPA solar is "useful capacity" that allows the Companies to reduce or defer future resource needs; and (4) evaluation of continued appropriateness of the Commission's LEO policies.

WHEREFORE, DEC and DEP respectfully request that for the foregoing reasons the Commission approve the Companies' proposed respective Schedule PPs' avoided cost rates and terms and conditions as presented in this Joint Initial Statement and grant the other relief requested herein.

Respectfully submitted,

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and Duke Energy Progress, LLC*

DEC Exhibit 1

Duke Energy Carolinas, LLC

**Proposed Purchased Power
Schedule PP**

Clean and Redlined

SCHEDULE PP (NC)
PURCHASED POWER

OFFICIAL COPY

Nov 15 2016

AVAILABILITY (North Carolina only)

Upon Seller's completion and Company's acceptance of a Purchase Power Agreement, this Schedule is available for electrical energy and capacity supplied by Eligible Qualifying Facilities (as defined below) to Company, provided Seller is a Qualifying Facility as defined by the Federal Energy Regulatory Commission's (FERC) Order No. 70 under Docket No. RM79-54 and 18 C.F.R. §§ 292.203, 292.204, and 292.205. This Schedule is not available for electric service supplied by Company to Seller or to Seller who has negotiated rate credits or conditions with Company which are different from those below. This Schedule is not available to a Qualifying Facility owned by a Customer or affiliate or partner of a Customer, who sells power to the Company from another Qualifying Facility of the same energy resource located within one-half mile, as measured from the electrical generating equipment, unless the combined capacity is equal to or less than one (1) megawatt.

Service necessary for the delivery of power from the Seller's generating facilities into Company's system shall be furnished solely to the individual contracting Seller in a single enterprise, located entirely on a single, contiguous premise. Service hereunder shall be restricted to Company's purchase of energy or energy and capacity from the Customer's generating facilities up to the Contract Capacity specified in the Purchase Power Agreement which may be operated in parallel with Company's system. Power delivered to Company under this Schedule shall not offset or be substituted for power contracted for or which may be contracted for under any other schedule of Company. If Seller requires supplemental, back-up, or standby services, Seller shall enter into a separate service agreement with Company in accordance with Company's applicable electric rates, riders, and Service Regulations on file with and authorized by the state regulatory agency having jurisdiction.

All qualifying facilities have the option to sell energy to the Company on an "as available" basis and receive energy credits only calculated using the Variable Rates identified in this Schedule for the delivered energy. The Variable Energy Credit shall constitute the "as available" avoided cost credit for Non-Eligible Qualifying Facilities. The Fixed Long Term Credit rates on this schedule are available only to otherwise eligible Sellers that establish a Legally Enforceable Obligation on or before the filing date of proposed rates in the next biennial avoided cost proceeding, provided eligible Seller begins delivery of power no later than thirty (30) months from the date of the order approving avoided cost rates in Docket No. E-100, Sub 148, but may be extended beyond 30 months if construction is nearly complete and Seller demonstrates that it is making a good faith effort to complete its project in a timely manner.

Sellers not qualifying for the Fixed Long Term Credit rates remain eligible for the Variable Credit rates or the Fixed Long Term Credit rates proposed in the next biennial avoided cost proceeding, which will be subject to adjustment if different rates are approved by the North Carolina Utilities Commission in that proceeding.

QUALIFYING FACILITIES ELIGIBLE FOR CAPACITY AND/OR ENERGY CREDITS

In order to be an Eligible Qualifying Facility and receive Energy Credits under this Schedule, the Qualifying Facility must be a hydroelectric with storage capability or a generator fueled by trash or methane derived from landfills, solar, wind, hog or poultry waste-fueled or non-animal biomass-fueled Qualifying Facility with a Contract Capacity of one (1) megawatt or less, based on the nameplate rating of the generator, which are interconnected directly with the Company's system and which are Qualifying Facilities as defined by the Federal Energy Regulatory Commission pursuant to Section 210 of the Public Utility Regulatory Policies Act of 1978.

Capacity Credits are limited to Eligible Qualifying Facilities located within Company's service area that are classified as New Capacity in accordance with FERC Order No. 69 under Docket No. RM79-55 and interconnected to Company's transmission or distribution facilities in accordance with the North Carolina Utilities Commission's Order dated September 21, 1981 in Docket No. E-100, Sub 41. The availability of Fixed Long-Term and Variable Capacity Credits is subject to the following conditions:

The 10-Year Fixed Long-Term and Variable Capacity Credits below are available to hydroelectric qualifying facilities with storage capability owned or operated by small power producers as defined in G.S. 62-3(27a) or a non-hydroelectric qualifying facilities fueled by trash or methane derived from landfills, solar, wind, hog or poultry waste-fueled or non-animal biomass-fueled Eligible Qualifying Facilities with Contract Capacities of one (1) megawatt or less.

Eligible Qualifying Facilities receiving Capacity Credits under this Schedule shall also receive corresponding Energy Credits of like term, as set forth in the "Rate" section of this Schedule.

TYPE OF SERVICE

Company will furnish 60 Hertz service through one metering point, at one delivery point, at one of the following approximate voltages, where available, upon mutual agreement:

Single-phase, 120/240; 120/208, 240/480 or other available single-phase voltages at the Company's option, or
3-phase, 208Y/120, 460Y/265, 480Y/277 volts, or
3-phase, 3-wire, 240, 480, 575 or 2300 volts, or
3-phase, 4160Y/2400, 12470Y/7200, or 24940Y/14400 volts, or

SCHEDULE PP (NC)
PURCHASED POWER

3-phase voltages other than the those listed above may be available at the Company's option if the size of the Customer's contract warrants a substation solely to serve that Customer, and if the Customer furnishes suitable outdoor space on the premises to accommodate a ground-type transformer installation, or substation, or a transformer vault built in accordance with the Company's specifications.

The type of service under this Schedule shall be determined by the Company. Prospective customers shall ascertain the available voltage by written inquiry of the Company before purchasing equipment.

RATE

The Company shall pay Eligible Qualifying Facilities for energy and/or capacity furnished to Company at the Credits set forth below, as applicable. Such payments shall be reduced by both the Administrative Charge and any applicable Interconnection Facilities Charge. The Seller may elect to receive payments under either Option A or Option B based upon the Seller's preference for on-peak time-of-use hours.

Energy and Capacity Credits

Eligible Qualifying Facilities eligible for Company's Fixed Long-Term and/or Variable Energy and Capacity Credits shall be paid based upon the Seller's interconnection with Company's distribution or transmission system for all energy delivered to Company's system as registered or computed from Company's metering facilities. The Energy and Capacity Credit will be in accordance with the length of rate term for energy sales so established in the Purchase Agreement.

Option A

Administrative Charge

\$19.91 per month

Interconnection Facilities Charge:

The Interconnection Charge for each customer is set forth in the Agreement as outlined in the Terms and Conditions; however, the \$25.00 minimum will not apply if the charge is for a meter only.

	<u>Interconnected to Distribution</u>		<u>Interconnected to Transmission</u>	
	<u>Variable Rate</u>	<u>Fixed Long-Term Rate (10 years)</u>	<u>Variable Rate</u>	<u>Fixed Long-Term Rate (10 years)</u>
I. Capacity Credits per kWh ¹				
a. All On-Peak Energy per On-peak Month:	0.00 ¢	0.85 ¢	0.00 ¢	0.83 ¢
b. All On-Peak Energy per Off-peak Month:	0.00 ¢	0.00 ¢	0.00 ¢	0.00 ¢
II. Energy Credits per kWh ¹				
a. All On-Peak Energy per Month:	3.58 ¢	3.58 ¢	3.49 ¢	3.49 ¢
b. All Off-Peak Energy per Month:	2.98 ¢	2.98 ¢	2.92 ¢	2.92 ¢

¹ The Variable Energy and Capacity Credit Rates and Energy Credit Rates applicable under Fixed Long-Term (10-year) options will be updated every two years.

Option B

Administrative Charge

\$ 19.91 per month

Interconnection Charge

The Interconnection Facilities Charge for each customer is set forth in the Agreement as outlined in the Terms and Conditions; however, the \$25.00 minimum will not apply if the charge is for a meter only.

SCHEDULE PP (NC)
PURCHASED POWER

	<u>Interconnected to Distribution</u>		<u>Interconnected to Transmission</u>	
	<u>Variable Rate</u>	<u>Fixed Long-Term Rate (10 years)</u>	<u>Variable Rate</u>	<u>Fixed Long-Term Rate (10 years)</u>
I. Capacity Credits per kWh ¹				
a. All On-Peak Energy per Summer Month:	0.00 ¢	0.69 ¢	0.00 ¢	0.68 ¢
b. All On-Peak Energy Non-Summer per Month:	0.00 ¢	1.61 ¢	0.00 ¢	1.57 ¢
II. Energy Credit per kWh ¹				
a. All On-peak Energy per Month:	3.59 ¢	3.59 ¢	3.50 ¢	3.50 ¢
b. All Off-peak Energy per Month:	3.16 ¢	3.16 ¢	3.09 ¢	3.09 ¢

¹ The Variable Energy and Capacity Credit Rates and Energy Credit Rates applicable under Fixed Long-Term (10-year) options will be updated every two years.

RENEWABLE ENERGY CREDITS

Unless otherwise specified in the Company's agreements with the Seller, the sale of power under this schedule does not convey to the Company the right to renewable energy credits (RECs) or green tags associated with the energy delivered.

DEFINITION OF MONTH FOR BILLING PURPOSES

For Option A Rates, the On-Peak Months shall be the billing Months of June through September and December through March. The Off-Peak Months shall be the billing Months of April, May, October and November.

For Option B Rates, the Summer Months are the period from June 1 through September 30. The Non-Summer Months are the period from October 1 through May 31.

DETERMINATION OF ON-PEAK AND OFF-PEAK ENERGY

On-Peak Energy shall be energy, in kilowatt-hours, which is supplied to the Company during On-Peak Period Hours. Off-Peak Energy shall be energy, in kilowatt-hours, which is supplied to the Company during the Off-Peak Period Hours.

For Option A Rates, the On-Peak Period Hours shall be those hours, Monday through Friday, beginning at 7 A.M. and ending at 11 P.M. The Off-Peak Period Hours shall be all other weekday hours and all Saturday and Sunday hours.

For Option B Rates, the On-Peak Period Hours shall be those hours, Monday through Friday, beginning at 1 P.M. and ending at 9 P.M. during Summer Months, and beginning at 6 A.M. and ending at 1 P.M. during Non-Summer Months. The Off-Peak Period Hours shall be all other weekday hours and all Saturday and Sunday hours. All hours for the following holidays shall be considered as Off-Peak: New Year's Day, Memorial Day, Good Friday, Independence Day, Labor Day, Thanksgiving Day, Day after Thanksgiving, and Christmas Day.

INTERCONNECTION FACILITIES CHARGE

For Eligible Qualifying Facilities, the installed costs for all facilities constructed or installed by Company to interconnect and safely operate in parallel with Seller's equipment shall be determined in accordance with Company's Terms and Conditions for the Purchase of Electric Power. Interconnection of Customer's generation to Company's system shall be in accordance with the North Carolina Interconnection Procedures, Forms, and Agreements for State-Jurisdictional Generation Interconnections.

POWER FACTOR CORRECTION

Unless the Seller is required by an Operating Agreement to adjust VAR production to support voltage control, when the Seller consumes VARs supplied by the Company or the Seller delivers VARs to Company, the Company may reduce the purchased energy measured in kilowatt-hours for that month by multiplying by the Average Consumed Power Factor. The Average Consumed Power Factor shall be the calculated on a monthly basis as the average kWh divided the average kVAh, where average kVAh shall be the square root of the sum of the average kWh squared plus the average consumed and delivered kVARh squared. Company reserves the right to install facilities necessary for the measurement of power factor and to adjust the Interconnection Facilities Charge accordingly, solely at the option of Company. If a Seller without an Operating Agreement is requested by the Company to operate pursuant to a voltage schedule by providing or absorbing VARS, the Seller shall be compensated in the same manner as sellers with Operating Agreements.

North Carolina Proposed Sixth Revised Leaf No. 90

Effective _____

NCUC Docket No. E-100, Sub 148, Order dated _____

**SCHEDULE PP (NC)
PURCHASED POWER****CONTRACT CAPACITY**

The Contract Capacity shall be as specified in the Purchase Power Agreement between Company and Seller. Only one such Standard Contract shall be permitted for any Qualifying Facility.

RATE UPDATES

The Credits and Administrative Charge under this Schedule will be updated every two years. Sellers who have contracted for the Fixed Long-Term Capacity Credits will not be affected by updates in the Capacity Credits until their rate term expires. For all Qualifying Facilities selling to Company pursuant to the Variable Capacity Rate provisions of this schedule, such capacity credits shall be updated and changed in accordance with the Commission's revisions to such credits in the Company's biennial avoided cost proceedings. For all Qualifying Facilities selling to Company pursuant to the Variable Energy Rate or Fixed Long-Term 10 Year Energy Rate provisions of this Schedule, such energy credits shall be updated and changed in accordance with the Commission's revisions to such credits in the Company's biennial avoided cost proceedings.

The sale, delivery, and use of electric power hereunder, and all services of whatever type to be rendered or performed in connection therewith, shall in all respects be subject to and in accordance with the Variable or Long-Term rates selected by Seller in Company's Schedule PP and the Terms and Conditions for the Purchase of Electric Power. Said Rate Schedule and Terms and Conditions for the Purchase of Electric Power are subject to change, revision, alteration or substitution, either in whole or in part, upon order of the Commission or any other regulatory authority having jurisdiction, and any such change, revision, alteration or substitution shall immediately be made a part of the Agreement as though fully written herein, and shall nullify any prior provision in conflict therewith. Any change to the Rate Schedule or Terms and Conditions shall not apply to the Fixed Long-Term Capacity Rates themselves, but it shall apply to all other provisions of the Rate Schedule and Terms and Conditions for the Purchase of Electric Power, including but not limited to Variable Rates and Fixed Long-Term 10 Year Energy Rates, other types of charges, and all non-rate provisions. For Purchased Power Agreements executed pursuant to the Fixed Long Term rates approved in Docket No. E-100, Sub 148 or its predecessors, any change to the schedule shall not apply to the Fixed Long Term Energy and Capacity Rates during the Contract Period.

PAYMENTS

Credit billings to the Seller shall be payable to the Seller within fifteen (15) days of the date of the bill.

Bills under this Schedule are due and payable on the date of the bill at the office of the Company. Bills are past due and delinquent on the fifteenth day after the date of the bill. If any bill is not so paid, the Company has the right to suspend service. In addition, all bills not paid by the twenty-fifth day after the date of the bill shall be subject to a one percent (1%) late payment charge on the unpaid amount. This late payment charge shall be rendered on the following month's bill and it shall become part of and be due and payable with the bill on which it is rendered.

CONTRACT PERIOD

Each Seller shall enter into a Purchase Power Agreement which shall specify the Contract Capacity committed for delivery throughout the term of the contract and shall specify the initial term and associated rate.

SCHEDULE PP (NC)
PURCHASED POWER

AVAILABILITY (North Carolina only)

Upon Seller's completion and Company's acceptance of a Purchase Power Agreement, this Schedule is available for electrical energy and capacity supplied by Eligible Qualifying Facilities (as defined below) to Company, provided Seller is a Qualifying Facility as defined by the Federal Energy Regulatory Commission's (FERC) Order No. 70 under Docket No. RM79-54 and 18 C.F.R. §§ 292.203, 292.204, and 292.205. This Schedule is not available for electric service supplied by Company to Seller or to Seller who has negotiated rate credits or conditions with Company which are different from those below. This Schedule is not available to a Qualifying Facility owned by a Customer or affiliate or partner of a Customer, who sells power to the Company from another Qualifying Facility of the same energy resource located within one-half mile, as measured from the electrical generating equipment, unless the combined capacity is equal to or less than ~~five (5)~~^{one (1)} megawatts.

Service necessary for the delivery of power from the Seller's generating facilities into Company's system shall be furnished solely to the individual contracting Seller in a single enterprise, located entirely on a single, contiguous premise. Service hereunder shall be restricted to Company's purchase of energy or energy and capacity from the Customer's generating facilities up to the Contract Capacity specified in the Purchase Power Agreement which may be operated in parallel with Company's system. Power delivered to Company under this Schedule shall not offset or be substituted for power contracted for or which may be contracted for under any other schedule of Company. If Seller requires supplemental, back-up, or standby services, Seller shall enter into a separate service agreement with Company in accordance with Company's applicable electric rates, riders, and Service Regulations on file with and authorized by the state regulatory agency having jurisdiction.

All qualifying facilities have the option to sell energy to the Company on an "as available" basis and receive energy credits only calculated using the Variable Rates identified in this Schedule for the delivered energy. The Variable Energy Credit shall constitute the "as available" avoided cost credit for Non-Eligible Qualifying Facilities. The Fixed Long Term Credit rates on this schedule are available only to otherwise eligible Sellers that establish a Legally Enforceable Obligation on or before the filing date of proposed rates in the next biennial avoided cost proceeding, provided eligible Seller begins delivery of power no later than thirty (30) months from the date of the order approving avoided cost rates in Docket No. E-100, Sub ~~140~~¹⁴⁸, but may be extended beyond 30 months if construction is nearly complete and Seller demonstrates that it is making a good faith effort to complete its project in a timely manner.

Sellers not qualifying for the Fixed Long Term Credit rates remain eligible for the Variable Credit rates or the Fixed Long Term Credit rates proposed in the next biennial avoided cost proceeding, which will be subject to adjustment if different rates are approved by the North Carolina Utilities Commission in that proceeding.

QUALIFYING FACILITIES ELIGIBLE FOR CAPACITY AND/OR ENERGY CREDITS

In order to be an Eligible Qualifying Facility and receive Energy Credits under this Schedule, the Qualifying Facility must be a hydroelectric with storage capability or a generator fueled by trash or methane derived from landfills, solar, wind, hog or poultry waste-fueled or non-animal biomass-fueled Qualifying Facility with a Contract Capacity of ~~one five (51)~~^{one (1)} megawatts or less, based on the nameplate rating of the generator ~~or other non-hydroelectric generating facilities contracting to sell generating capacity and energy not in excess of three (3) megawatts~~, which are interconnected directly with the Company's system and which are Qualifying Facilities as defined by the Federal Energy Regulatory Commission pursuant to Section 210 of the Public Utility Regulatory Policies Act of 1978.

Capacity Credits are limited to Eligible Qualifying Facilities located within Company's service area that are classified as New Capacity in accordance with FERC Order No. 69 under Docket No. RM79-55 and interconnected to Company's transmission or distribution facilities in accordance with the North Carolina Utilities Commission's Order dated September 21, 1981 in Docket No. E-100, Sub 41, ~~or to those Eligible Qualifying Facilities who were selling electricity to Company and receiving Capacity Credits under an existing Purchase Power Agreement on April 1, 2005~~. The availability of Fixed Long-Term and Variable Capacity Credits is subject to the following conditions:

The ~~5-Year, 10-Year, and 15-Year~~ Fixed Long-Term and Variable Capacity Credits below are available to hydroelectric qualifying facilities with storage capability owned or operated by small power producers as defined in G.S. 62-3(27a) ~~or a~~ non-hydroelectric qualifying facilities fueled by trash or methane derived from landfills, solar, wind, hog or poultry waste-fueled or non-animal biomass-fueled Eligible Qualifying Facilities with Contract Capacities of ~~five one (51)~~^{one (1)} megawatts or less. ~~Other Eligible Qualifying Facilities with Contract Capacities of three (3) megawatts or less are eligible for 5 Year Fixed Long Term and Variable Capacity Credits below.~~

Eligible Qualifying Facilities receiving Capacity Credits under this Schedule shall also receive corresponding Energy Credits of like term, as set forth in the "Rate" section of this Schedule.

TYPE OF SERVICE

Company will furnish 60 Hertz service through one metering point, at one delivery point, at one of the following approximate voltages, where available, upon mutual agreement:

North Carolina ~~Proposed Fifth-Sixth~~^{Revised} Leaf No. 90
Effective ~~March 1, 2016~~
NCUC Docket No. E-100, Sub ~~140~~¹⁴⁸,
Order dated ~~December 17, 2015~~

SCHEDULE PP (NC)
PURCHASED POWER

Single-phase, 120/240 ~~volts; 120/208, 240/480 or other available single-phase voltages at the Company's option, or~~
~~3-phase, 208Y/120, 460Y/265, 480Y/277 volts, or~~
 3-phase, 3-wire, 240, 480, ~~575/4160, 12470, or 24940~~ or 2300 volts, or
~~3-phase, 4160Y/2400, 12470Y/7200, or 24940Y/14400 volts, or~~
 3-phase voltages other than the ~~foregoing those listed above~~ may be available, ~~but only~~ at the Company's option, ~~and provided that if~~
 the size of the Customer's contract warrants a substation solely to serve that Customer, and ~~if further provided that~~ the Customer
 furnishes suitable outdoor space on the premises to accommodate a ground-type transformer installation, or substation, or a
 transformer vault built in accordance with the Company's specifications.

The type of service under this Schedule shall be determined by the Company. Prospective customers shall ascertain the available voltage by written inquiry of the Company before purchasing equipment.

RATE

The Company shall pay Eligible Qualifying Facilities for energy and/or capacity furnished to Company at the Credits set forth below, as applicable. ~~Such payments shall be reduced by both the Administrative Charge and any applicable Interconnection Facilities Charge.~~ The Seller may elect to receive payments under either Option A or Option B based upon the Seller's preference for on-peak time-of-use hours.

Energy and Capacity Credits

Eligible Qualifying Facilities eligible for Company's Fixed Long-Term and/or Variable Energy and Capacity Credits shall be paid based upon the Seller's interconnection with Company's distribution or transmission system for all energy delivered to Company's system as registered or computed from Company's metering facilities. The Energy and Capacity Credit will be in accordance with the length of rate term for energy sales so established in the Purchase Agreement.

Option A

Administrative Charge

\$19.91 per month

Interconnection Facilities Charge:

The Interconnection Charge for each customer is set forth in the Agreement as outlined in the Terms and Conditions; however, the \$25.00 minimum will not apply if the charge is for a meter only.

	<u>Interconnected to Distribution</u>		<u>Interconnected to Transmission</u>	
	<u>Variable Rate</u>	<u>Fixed Long-Term Rate (10 years)</u>	<u>Variable Rate</u>	<u>Fixed Long-Term Rate (10 years)</u>
<u>I. Capacity Credits per kWh¹</u>				
<u>a. All On-Peak Energy per On-peak Month:</u>	<u>0.00 ¢</u>	<u>0.85 ¢</u>	<u>0.00 ¢</u>	<u>0.83 ¢</u>
<u>b. All On-Peak Energy per Off-peak Month:</u>	<u>0.00 ¢</u>	<u>0.00 ¢</u>	<u>0.00 ¢</u>	<u>0.00 ¢</u>
<u>II. Energy Credits per kWh¹</u>				
<u>a. All On-Peak Energy per Month:</u>	<u>3.58 ¢</u>	<u>3.58 ¢</u>	<u>3.49 ¢</u>	<u>3.49 ¢</u>
<u>b. All Off-Peak Energy per Month:</u>	<u>2.98 ¢</u>	<u>2.98 ¢</u>	<u>2.92 ¢</u>	<u>2.92 ¢</u>

¹ The Variable Energy and Capacity Credit Rates and Energy Credit Rates applicable under Fixed Long-Term (10-year) options will be updated every two years.

Option B

Administrative Charge

\$ 19.91 per month

Interconnection Charge

The Interconnection Facilities Charge for each customer is set forth in the Agreement as outlined in the Terms and Conditions; however, the \$25.00 minimum will not apply if the charge is for a meter only.

North Carolina ~~Proposed Fifth-Sixth~~ Revised Leaf No. 90

Effective ~~March 1, 2016~~

NCUC Docket No. E-100, Sub ~~440148~~

Order dated ~~December 17, 2015~~

SCHEDULE PP (NC)
PURCHASED POWER

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Nov 15 2016

~~Interconnected to Distribution System:~~

I. Capacity Credit	Variable Rate	Fixed Long-Term Rate (a)		
		5 Years	10 Years (a)	15 Years (a)
a. All On-Peak Energy per Summer Month per kWh:				
— i. Hydroelectric facilities with no storage capability	10.19¢	10.55¢	11.12¢	11.67¢
— and no other type generation				
— ii. for all other hydroelectric and all non-hydroelectric facilities	6.11¢	6.33¢	6.68¢	7.00¢
b. All On-Peak Energy per Non-Summer Month per kWh:				
— i. Hydroelectric facilities with no storage capability	3.94¢	4.08¢	4.31¢	4.52¢
— and no other type generation				
— ii. for all other hydroelectric and all non-hydroelectric facilities	2.37¢	2.45¢	2.58¢	2.71¢
II. Energy Credit				
a. All On-Peak Energy per Month per kWh:	4.24¢	4.46¢	5.04¢	5.47¢
b. All Off-Peak Energy per Month per kWh:	3.34¢	3.49¢	4.09¢	4.50¢

~~Interconnected to Transmission System:~~

I. Capacity Credit	Variable Rate	Fixed Long-Term Rate (a)		
		5 Years	10 Years (a)	15 Years (a)
a. All On-Peak Energy per Summer Month per kWh:				
— i. Hydroelectric facilities with no storage capability	9.95¢	10.30¢	10.87¢	11.39¢
— and no other type generation				
— ii. for all other hydroelectric and all nonhydroelectric facilities	5.97¢	6.18¢	6.52¢	6.84¢
b. All On-Peak Energy per Non-Summer Month per kWh:				
— i. Hydroelectric facilities with no storage capability	3.85¢	3.99¢	4.21¢	4.41¢
— and no other type generation				
— ii. for all other hydroelectric and all nonhydroelectric facilities	2.31¢	2.39¢	2.52¢	2.65¢
II. Energy Credit				
a. All On-Peak Energy per Month per kWh:	4.14¢	4.35¢	4.92¢	5.34¢
b. All Off-Peak Energy per Month per kWh:	3.26¢	3.42¢	4.00¢	4.41¢

	<u>Interconnected to Distribution</u>		<u>Interconnected to Transmission</u>	
	<u>Variable Rate</u>	<u>Fixed Long-Term Rate (10 years)</u>	<u>Variable Rate</u>	<u>Fixed Long-Term Rate (10 years)</u>
<u>I. Capacity Credits per kWh¹</u>				
<u>a. All On-Peak Energy per Summer Month:</u>	<u>0.00 ¢</u>	<u>0.69 ¢</u>	<u>0.00 ¢</u>	<u>0.68 ¢</u>
<u>b. All On-Peak Energy Non-Summer per Month:</u>	<u>0.00 ¢</u>	<u>1.61 ¢</u>	<u>0.00 ¢</u>	<u>1.57 ¢</u>
<u>II. Energy Credit per kWh¹</u>				
<u>a. All On-peak Energy per Month:</u>	<u>3.59 ¢</u>	<u>3.59 ¢</u>	<u>3.50 ¢</u>	<u>3.50 ¢</u>
<u>b. All Off-peak Energy per Month:</u>	<u>3.16 ¢</u>	<u>3.16 ¢</u>	<u>3.09 ¢</u>	<u>3.09 ¢</u>

¹ The Variable Energy and Capacity Credit Rates and Energy Credit Rates applicable under Fixed Long-Term (10-year) options will be updated every two years.

RENEWABLE ENERGY CREDITS

North Carolina ~~Proposed Fifth~~^{Sixth} Revised Leaf No. 90
Effective ~~March 1, 2016~~
NCUC Docket No. E-100, Sub ~~440148~~
Order dated ~~December 17, 2015~~

SCHEDULE PP (NC) PURCHASED POWER

Unless otherwise specified in the Company's agreements with the Seller, the sale of power under this schedule does not convey to the Company the right to renewable energy credits (RECs) or green tags associated with the energy delivered.

DEFINITION OF MONTH FOR BILLING PURPOSES

For Option A Rates, the On-Peak Months shall be the billing Months of June through September and December through March. The Off-Peak Months shall be the billing Months of April, May, October and November.

For Option B Rates, the Summer Months are the period from June 1 through September 30. The Non-Summer Months are the period from October 1 through May 31.

DETERMINATION OF ON-PEAK AND OFF-PEAK ENERGY

On-Peak Energy shall be energy, in kilowatt-hours, which is supplied to the Company during On-Peak Period Hours. Off-Peak Energy shall be energy, in kilowatt-hours, which is supplied to the Company during the Off-Peak Period Hours.

For Option A Rates, the On-Peak Period Hours shall be those hours, Monday through Friday, beginning at 7 A.M. and ending at 11 P.M. The Off-Peak Period Hours shall be all other weekday hours and all Saturday and Sunday hours.

For Option B Rates, the On-Peak Period Hours shall be those hours, Monday through Friday, beginning at 1 P.M. and ending at 9 P.M. during Summer Months, and beginning at 6 A.M. and ending at 1 P.M. during Non-Summer Months. The Off-Peak Period Hours shall be all other weekday hours and all Saturday and Sunday hours. All hours for the following holidays shall be considered as Off-Peak: New Year's Day, Memorial Day, Good Friday, Independence Day, Labor Day, Thanksgiving Day, Day after Thanksgiving, and Christmas Day.

INTERCONNECTION FACILITIES CHARGE

For Eligible Qualifying Facilities, the installed costs for all facilities constructed or installed by Company to interconnect and safely operate in parallel with Seller's equipment shall be determined in accordance with Company's Terms and Conditions for the Purchase of Electric Power. Interconnection of Customer's generation to Company's system shall be in accordance with the North Carolina Interconnection Procedures, Forms, and Agreements for State-Jurisdictional Generation Interconnections.

POWER FACTOR CORRECTION

Unless the Seller is required by an Operating Agreement to adjust VAR production to support voltage control, when the Seller consumes VARs supplied by the Company or the Seller delivers VARs to Company, the Company may reduce the purchased energy measured in kilowatt-hours for that month by multiplying by the Average Consumed Power Factor. The Average Consumed Power Factor shall be the calculated on a monthly basis as the average kWh divided the average kVAh, where average kVAh shall be the square root of the sum of the average kWh squared plus the average consumed and delivered kVARh squared. Company reserves the right to install facilities necessary for the measurement of power factor and to adjust the Interconnection Facilities Charge accordingly, solely at the option of Company. If a Seller without an Operating Agreement is requested by the Company to operate pursuant to a voltage schedule by providing or absorbing VARS, the Seller shall be compensated in the same manner as sellers with Operating Agreements.

CONTRACT CAPACITY

The Contract Capacity shall be as specified in the Purchase Power Agreement between Company and Seller. Only one such Standard Contract shall be permitted for any Qualifying Facility.

RATE UPDATES

The Credits and Administrative Charge under this Schedule will be updated every two years. Sellers who have contracted for the Fixed Long-Term ~~Capacity~~ Credits will not be affected by updates in the ~~Energy and~~ Capacity Credits until their rate term expires. For all Qualifying Facilities selling to Company pursuant to the Variable ~~Capacity~~ Rate provisions of this schedule, such ~~capacity~~ credits shall be updated and changed in accordance with the Commission's revisions to such credits in the Company's biennial avoided cost proceedings. For all Qualifying Facilities selling to Company pursuant to the Variable Energy Rate or Fixed Long-Term 10 Year Energy Rate provisions of this Schedule, such energy credits shall be updated and changed in accordance with the Commission's revisions to such credits in the Company's biennial avoided cost proceedings.

The sale, delivery, and use of electric power hereunder, and all services of whatever type to be rendered or performed in connection therewith, shall in all respects be subject to and in accordance with the Variable or Long-Term rates selected by Seller in Company's Schedule PP and the Terms and Conditions for the Purchase of Electric Power. Said Rate Schedule and Terms and Conditions for the Purchase of Electric Power are subject to change, revision, alteration or substitution, either in whole or in part, upon order of the Commission or any other regulatory authority having jurisdiction, and any such change, revision, alteration or substitution shall immediately be made a part of the Agreement as though fully written herein, and shall nullify any prior provision in conflict

North Carolina ~~Proposed Fifth-Sixth~~^{Fifth} Revised Leaf No. 90

Effective ~~March 1, 2016~~

NCUC Docket No. E-100, Sub ~~440148~~

Order dated ~~December 17, 2015~~

Duke Energy Carolinas, LLC

Electricity No. 4

North Carolina ~~Proposed Sixth~~^{Fifth} Revised Leaf No. 90Superseding North Carolina ~~Twelfth-Fifth~~ Revised Leaves No. ~~91-90~~^{and 92}

SCHEDULE PP (NC)
PURCHASED POWER

therewith. Any change to the Rate Schedule or Terms and Conditions shall not apply to the Fixed Long-Term Capacity Rates themselves, but it shall apply to all other provisions of the Rate Schedule and Terms and Conditions for the Purchase of Electric Power, including but not limited to Variable Rates and Fixed Long-Term 10 Year Energy Rates, other types of charges, and all non-rate provisions. For Purchased Power Agreements executed pursuant to the Fixed Long Term rates approved in Docket No. E-100, Sub 148 or its predecessors, any change to the schedule shall not apply to the Fixed Long Term Energy and Capacity Rates during the Contract Period.

PAYMENTS

Credit billings to the Seller shall be payable to the Seller within fifteen (15) days of the date of the bill.

Bills under this Schedule are due and payable on the date of the bill at the office of the Company. Bills are past due and delinquent on the fifteenth day after the date of the bill. If any bill is not so paid, the Company has the right to suspend service. In addition, all bills not paid by the twenty-fifth day after the date of the bill shall be subject to a one percent (1%) late payment charge on the unpaid amount. This late payment charge shall be rendered on the following month's bill and it shall become part of and be due and payable with the bill on which it is rendered.

CONTRACT PERIOD

Each Seller shall enter into a Purchase Power Agreement which shall specify the Contract Capacity committed for delivery throughout the term of the contract and shall specify the initial term and associated rate.

North Carolina ~~Proposed Fifth-Sixth~~ Revised Leaf No. 90

Effective ~~March 1, 2016~~

NCUC Docket No. E-100, Sub ~~440~~¹⁴⁸

Order dated ~~December 17, 2015~~

DEC Exhibit 1

Duke Energy Carolinas, LLC

**Proposed Purchased Power
Schedule PP-H**

Clean and Redlined

SCHEDULE PP-H (NC)
HYDROELECTRIC QUALIFYING FACILITIES WITH NO STORAGE CAPABILITY
PURCHASED POWER

AVAILABILITY (North Carolina only)

Upon Seller's completion and Company's acceptance of a Purchase Power Agreement, this Schedule is available for electrical energy and capacity supplied by Eligible Qualifying Facilities (as defined below) to Company, provided Seller is a Qualifying Facility as defined by the Federal Energy Regulatory Commission's (FERC) Order No. 70 under Docket No. RM79-54 and 18 C.F.R. §§ 292.203, 292.204, and 292.205. This Schedule is not available for electric service supplied by Company to Seller or to Seller who has negotiated rate credits or conditions with Company which are different from those below. This Schedule is not available to a Qualifying Facility owned by a Customer or affiliate or partner of a Customer, who sells power to the Company from another Qualifying Facility of the same energy resource located within one-half mile, as measured from the electrical generating equipment, unless the combined capacity is equal to or less than five (5) megawatts.

Service necessary for the delivery of power from the Seller's generating facilities into Company's system shall be furnished solely to the individual contracting Seller in a single enterprise, located entirely on a single, contiguous premise. Service hereunder shall be restricted to Company's purchase of energy or energy and capacity from the Customer's generating facilities up to the Contract Capacity specified in the Purchase Power Agreement which may be operated in parallel with Company's system. Power delivered to Company under this Schedule shall not offset or be substituted for power contracted for or which may be contracted for under any other schedule of Company. If Seller requires supplemental, back-up, or standby services, Seller shall enter into a separate service agreement with Company in accordance with Company's applicable electric rates, riders, and Service Regulations on file with and authorized by the state regulatory agency having jurisdiction.

All qualifying facilities have the option to sell energy to the Company on an "as available" basis and receive energy credits only calculated using the Variable Rates identified in this Schedule for the delivered energy. The Variable Energy Credit shall constitute the "as available" avoided cost credit for Non-Eligible Qualifying Facilities. The Fixed Long Term Credit rates on this schedule are available only to otherwise eligible Sellers that establish a Legally Enforceable Obligation on or before the filing date of proposed rates in the next biennial avoided cost proceeding, provided eligible Seller begins delivery of power no later than thirty (30) months from the date of the order approving avoided cost rates in Docket No. E-100, Sub 148, but may be extended beyond 30 months if construction is nearly complete and Seller demonstrates that it is making a good faith effort to complete its project in a timely manner.

Sellers not qualifying for the Fixed Long Term Credit rates remain eligible for the Variable Credit rates or the Fixed Long Term Credit rates proposed in the next biennial avoided cost proceeding, which will be subject to adjustment if different rates are approved by the North Carolina Utilities Commission in that proceeding.

QUALIFYING FACILITIES ELIGIBLE FOR CAPACITY AND/OR ENERGY CREDITS

In order to be an Eligible Qualifying Facility and receive Energy Credits under this Schedule, the Qualifying Facility must be a hydroelectric Qualifying Facility with no storage capability and a Contract Capacity of five (5) megawatts or less, based on the nameplate rating of the generator(s) which are interconnected directly with the Company's system and which are Qualifying Facilities as defined by the Federal Energy Regulatory Commission pursuant to Section 210 of the Public Utility Regulatory Policies Act of 1978.

Capacity Credits are limited to Eligible Qualifying Facilities located within Company's service area that are classified as New Capacity in accordance with FERC Order No. 69 under Docket No. RM79-55 and interconnected to Company's transmission or distribution facilities in accordance with the North Carolina Utilities Commission's Order dated September 21, 1981 in Docket No. E-100, Sub 41. The availability of Fixed Long-Term and Variable Capacity Credits is subject to the following conditions:

The 5-Year, 10-Year, and 15-Year Fixed Long-Term and Variable Capacity Credits below are available to hydroelectric qualifying facilities with no storage capability owned or operated by small power producers as defined in G.S. 62-3(27a) with Contract Capacities of five (5) megawatts or less.

Eligible Qualifying Facilities receiving Capacity Credits under this Schedule shall also receive corresponding Energy Credits of like term, as reflected below.

TYPE OF SERVICE

Company will furnish 60 Hertz service through one metering point, at one delivery point, at one of the following approximate voltages, where available, upon mutual agreement:

Single-phase, 120/240; 120/208, 240/480 or other available single-phase voltages at the Company's option, or
3-phase, 208Y/120, 460Y/265, 480Y/277 volts, or
3-phase, 3-wire, 240, 480, 575 or 2300 volts, or
3-phase, 4160Y/2400, 12470Y/7200, or 24940Y/14400 volts, or

SCHEDULE PP-H (NC)
HYDROELECTRIC QUALIFYING FACILITIES WITH NO STORAGE CAPABILITY
PURCHASED POWER

3-phase voltages other than the those listed above may be available at the Company's option if the size of the Customer's contract warrants a substation solely to serve that Customer, and if the Customer furnishes suitable outdoor space on the premises to accommodate a ground-type transformer installation, or substation, or a transformer vault built in accordance with the Company's specifications.

The type of service under this Schedule shall be determined by the Company. Prospective customers shall ascertain the available voltage by written inquiry of the Company before purchasing equipment.

RATE

The Company shall pay Eligible Qualifying Facilities for energy and/or capacity furnished to Company at the Credits set forth below as applicable. Such payments shall be reduced by both the Administrative Charge and any applicable Interconnection Facilities Charge. The Seller may elect to receive payments under either Option A or Option B based upon the Seller's preference for on-peak time-of-use hours.

Energy and Capacity Credits

Eligible Qualifying Facilities eligible for Company's Fixed Long-Term and/or Variable Energy and Capacity Credits shall be paid based upon the Seller's interconnection with Company's distribution or transmission system for all energy delivered to Company's system as registered or computed from Company's metering facilities. The Energy and Capacity Credit will be in accordance with the length of rate term for energy sales so established in the Purchase Agreement.

Option A

Administrative Charge \$19.91 per month

Interconnection Facilities Charge

The Interconnection Charge for each customer is set forth in the Agreement as outlined in the Terms and Conditions; however, the \$25.00 minimum will not apply if the charge is for a meter only.

Interconnected to Distribution System:

	<u>Variable Rate</u>	<u>5 Years</u>	<u>Fixed Long-Term Rate</u>	
			<u>10 Years</u>	<u>15 Years</u>
I. Capacity Credit				
a. All On-Peak Energy per On-Peak Month per kWh:	4.27 ¢	4.42 ¢	4.66 ¢	4.89 ¢
b. All On-Peak Energy per Off-Peak Month per kWh:	0.00 ¢	0.00 ¢	0.00 ¢	0.00 ¢
II. Energy Credit				
a. All On-Peak Energy per Month per kWh:	3.58 ¢	3.62 ¢	3.88 ¢	4.34 ¢
b. All Off-Peak Energy per Month per kWh:	2.98 ¢	3.17 ¢	3.26 ¢	3.44 ¢

Interconnected to Transmission System:

	<u>Variable Rate</u>	<u>5 Years</u>	<u>Fixed Long-Term Rate</u>	
			<u>10 Years</u>	<u>15 Years</u>
I. Capacity Credit				
a. All On-Peak Energy per On-Peak Month per kWh:	4.17 ¢	4.32 ¢	4.55 ¢	4.77 ¢
b. All On-Peak Energy per Off-Peak Month per kWh:	0.00 ¢	0.00 ¢	0.00 ¢	0.00 ¢
II. Energy Credit				
a. All On-Peak Energy per Month per kWh:	3.49 ¢	3.53 ¢	3.79 ¢	4.24 ¢
b. All Off-Peak Energy per Month per kWh:	2.92 ¢	3.10 ¢	3.19 ¢	3.37 ¢

Option B

Administrative Charge \$ 19.91 per month

Interconnection Charge

The Interconnection Facilities Charge for each customer is set forth in the Agreement as outlined in the Terms and Conditions; however, the \$25.00 minimum will not apply if the charge is for a meter only.

SCHEDULE PP-H (NC)
HYDROELECTRIC QUALIFYING FACILITIES WITH NO STORAGE CAPABILITY
PURCHASED POWER

Interconnected to Distribution System:

	Variable Rate	5 Years	Fixed Long-Term Rate	
			10 Years	15 Years
I. Capacity Credit				
a. All On-Peak Energy per Summer Month per kWh:	3.48 ¢	3.60 ¢	3.80 ¢	3.98 ¢
b. All On-Peak Energy per Non-Summer Month per kWh:	8.08 ¢	8.36 ¢	8.82 ¢	9.25 ¢
II. Energy Credit				
a. All On-Peak Energy per Month per kWh:	3.59 ¢	3.74 ¢	4.06 ¢	4.59 ¢
b. All Off-Peak Energy per Month per kWh:	3.16 ¢	3.27 ¢	3.42 ¢	3.66 ¢

Interconnected to Transmission System:

	Variable Rate	5 Years	Fixed Long-Term Rate	
			10 Years	15 Years
I. Capacity Credits				
a. All On-Peak Energy per Summer Month per kWh:	3.40 ¢	3.52 ¢	3.71 ¢	3.89 ¢
b. All On-Peak Energy per Non-Summer Month per kWh:	7.89 ¢	8.17 ¢	8.61 ¢	9.03 ¢
II. Energy Credit				
a. All On-Peak Energy per Month per kWh:	3.50 ¢	3.65 ¢	3.97 ¢	4.48 ¢
b. All Off-Peak Energy per Month per kWh:	3.09 ¢	3.20 ¢	3.35 ¢	3.59 ¢

RENEWABLE ENERGY CREDITS

Unless otherwise specified in the Company's agreements with the Seller, the sale of power under this schedule does not convey to the Company the right to renewable energy credits (RECs) or green tags associated with the energy delivered.

DEFINITION OF MONTH FOR BILLING PURPOSES

For Option A Rates, the On-Peak Months shall be the billing Months of June through September and December through March. The Off-Peak Months shall be the billing Months of April, May, October and November.

For Option B Rates, the Summer Months are the period from June 1 through September 30. The Non-Summer Months are the period from October 1 through May 31.

DETERMINATION OF ON-PEAK AND OFF-PEAK ENERGY

On-Peak Energy shall be energy, in kilowatt-hours, which is supplied to the Company during On-Peak Period Hours. Off-Peak Energy shall be energy, in kilowatt-hours, which is supplied to the Company during the Off-Peak Period Hours.

For Option A Rates, the On-Peak Period Hours shall be those hours, Monday through Friday, beginning at 7 A.M. and ending at 11 P.M. The Off-Peak Period Hours shall be all other weekday hours and all Saturday and Sunday hours.

For Option B Rates, the On-Peak Period Hours shall be those hours, Monday through Friday, beginning at 1 P.M. and ending at 9 P.M. during Summer Months, and beginning at 6 A.M. and ending at 1 P.M. during Non-Summer Months. The Off-Peak Period Hours shall be all other weekday hours and all Saturday and Sunday hours. All hours for the following holidays shall be considered as Off-Peak: New Year's Day, Memorial Day, Good Friday, Independence Day, Labor Day, Thanksgiving Day, Day after Thanksgiving, and Christmas Day.

INTERCONNECTION FACILITIES CHARGE

For Eligible Qualifying Facilities, the installed costs for all facilities constructed or installed by Company to interconnect and safely operate in parallel with Seller's equipment shall be determined in accordance with Company's Terms and Conditions for the Purchase of Electric Power. Interconnection of Customer's generation to Company's system shall be in accordance with the North Carolina Interconnection Procedures, Forms, and Agreements for State-Jurisdictional Generation Interconnections.

POWER FACTOR CORRECTION

Unless the Seller is required by an Operating Agreement to adjust VAR production to support voltage control, when the Seller consumes VARs supplied by the Company or the Seller delivers VARs to Company, the Company may reduce the purchased energy measured in kilowatt-hours for that month by multiplying by the Average Consumed Power Factor. The Average Consumed Power Factor shall be the calculated on a monthly basis as the average kWh divided the average kVAh, where average kVAh shall be the square root of the sum of the average kWh squared plus the average consumed and delivered kVARh squared. Company reserves the right to install facilities

SCHEDULE PP-H (NC)
HYDROELECTRIC QUALIFYING FACILITIES WITH NO STORAGE CAPABILITY
PURCHASED POWER

necessary for the measurement of power factor and to adjust the Interconnection Facilities Charge accordingly, solely at the option of Company. If a Seller without an Operating Agreement is requested by the Company to operate pursuant to a voltage schedule by providing or absorbing VARS, the Seller shall be compensated in the same manner as sellers with Operating Agreements.

CONTRACT CAPACITY

The Contract Capacity shall be as specified in the Purchase Power Agreement between Company and Seller. Only one such Standard Contract shall be permitted for any Qualifying Facility.

RATE UPDATES

The Credits and Administrative Charge under this Schedule will be updated every two years. Sellers who have contracted for the Fixed Long-Term Credits will not be affected by updates in the Energy and Capacity Credits until their rate term expires. For all Qualifying Facilities selling to Company pursuant to the Variable Rate provisions of this schedule, such credits shall be updated and changed in accordance with the Commission's revisions to such credits in the Company's biennial avoided cost proceedings.

The sale, delivery, and use of electric power hereunder, and all services of whatever type to be rendered or performed in connection therewith, shall in all respects be subject to and in accordance with the Variable or Long-Term rates selected by Seller in Company's Schedule PP-H and the Terms and Conditions for the Purchase of Electric Power. Said Rate Schedule and Terms and Conditions for the Purchase of Electric Power are subject to change, revision, alteration or substitution, either in whole or in part, upon order of the Commission or any other regulatory authority having jurisdiction, and any such change, revision, alteration or substitution shall immediately be made a part of the Agreement as though fully written herein, and shall nullify any prior provision in conflict therewith. Any change to the Rate Schedule or Terms and Conditions shall not apply to the Fixed Long-Term Rates themselves, but it shall apply to all other provisions of the Rate Schedule and Terms and Conditions for the Purchase of Electric Power, including but not limited to Variable Rates, other types of charges, and all non-rate provisions.

PAYMENTS

Credit billings to the Seller shall be payable to the Seller within fifteen (15) days of the date of the bill.

Bills under this Schedule are due and payable on the date of the bill at the office of the Company. Bills are past due and delinquent on the fifteenth day after the date of the bill. If any bill is not so paid, the Company has the right to suspend service. In addition, all bills not paid by the twenty-fifth day after the date of the bill shall be subject to a one percent (1%) late payment charge on the unpaid amount. This late payment charge shall be rendered on the following month's bill and it shall become part of and be due and payable with the bill on which it is rendered.

CONTRACT PERIOD

Each Seller shall enter into a Purchase Power Agreement which shall specify the Contract Capacity committed for delivery throughout the term of the contract and shall specify the initial term and associated rate.

SCHEDULE PP-~~H~~ (NC)HYDROELECTRIC QUALIFYING FACILITIES WITH NO STORAGE CAPABILITY
PURCHASED POWERAVAILABILITY (North Carolina only)

Upon Seller's completion and Company's acceptance of a Purchase Power Agreement, this Schedule is available for electrical energy and capacity supplied by Eligible Qualifying Facilities (as defined below)- to Company, provided Seller is a Qualifying Facility as defined by the Federal Energy Regulatory Commission's (FERC) Order No. 70 under Docket No. RM79-54 and 18 C.F.R. §§ 292.203, 292.204, and 292.205. This Schedule is not available for electric service supplied by Company to Seller or to Seller who has negotiated rate credits or conditions with Company which are different from those below. This Schedule is not available to a Qualifying Facility owned by a Customer or affiliate or partner of a Customer, who sells power to the Company from another Qualifying Facility of the same energy resource located within one-half mile, as measured from the electrical generating equipment, unless the combined capacity is equal to or less than five (5) megawatts.

Service necessary for the delivery of power from the Seller's generating facilities into Company's system shall be furnished solely to the individual contracting Seller in a single enterprise, located entirely on a single, contiguous premise. Service hereunder shall be restricted to Company's purchase of energy or energy and capacity from the Customer's generating facilities up to the Contract Capacity specified in the Purchase Power Agreement which may be operated in parallel with Company's system. Power delivered to Company under this Schedule shall not offset or be substituted for power contracted for or which may be contracted for under any other schedule of Company. If Seller requires supplemental, back-up, or standby services, Seller shall enter into a separate service agreement with Company in accordance with Company's applicable electric rates, riders, and Service Regulations on file with and authorized by the state regulatory agency having jurisdiction.

All qualifying facilities have the option to sell energy to the Company on an "as available" basis and receive energy credits only calculated using the Variable Rates identified in this Schedule for the delivered energy. The Variable Energy Credit shall constitute the "as available" avoided cost credit for Non-Eligible Qualifying Facilities. The Fixed Long Term Credit rates on this schedule are available only to otherwise eligible Sellers that establish a Legally Enforceable Obligation on or before the filing date of proposed rates in the next biennial avoided cost proceeding, provided eligible Seller begins delivery of power no later than thirty (30) months from the date of the order approving avoided cost rates in Docket No. E-100, Sub ~~140148~~, but may be extended beyond 30 months if construction is nearly complete and Seller demonstrates that it is making a good faith effort to complete its project in a timely manner.

Sellers not qualifying for the Fixed Long Term Credit rates remain eligible for the Variable Credit rates or the Fixed Long Term Credit rates proposed in the next biennial avoided cost proceeding, which will be subject to adjustment if different rates are approved by the North Carolina Utilities Commission in that proceeding.

QUALIFYING FACILITIES ELIGIBLE FOR CAPACITY AND/OR ENERGY CREDITS

In order to be an Eligible Qualifying Facility and receive Energy Credits under this Schedule, the Qualifying Facility must be a hydroelectric ~~-or a generator fueled by trash or methane derived from landfills, solar, wind, hog or poultry waste fueled or non animal biomass fueled~~ Qualifying Facility with no storage capability and a Contract Capacity of five (5) megawatts or less, based on the nameplate rating of the generator(s) ~~-or other non hydroelectric generating facilities contracting to sell generating capacity and energy not in excess of three (3) megawatts,~~ which are interconnected directly with the Company's system and which are Qualifying Facilities as defined by the Federal Energy Regulatory Commission pursuant to Section 210 of the Public Utility Regulatory Policies Act of 1978.

Capacity Credits are limited to Eligible Qualifying Facilities located within Company's service area that are classified as New Capacity in accordance with FERC Order No. 69 under Docket No. RM79-55 and interconnected to Company's transmission or distribution facilities in accordance with the North Carolina Utilities Commission's Order dated September 21, 1981 in Docket No. E-100, Sub 41, ~~-or to those Eligible Qualifying Facilities who were selling electricity to Company and receiving Capacity Credits under an existing Purchase Power Agreement on April 1, 2005.~~ The availability of Fixed Long-Term and Variable Capacity Credits is subject to the following conditions:

The 5-Year, 10-Year, and 15-Year Fixed Long-Term and Variable Capacity Credits below are available to hydroelectric qualifying facilities with no storage capability owned or operated by small power producers as defined in G.S. 62-3(27a), ~~non hydroelectric qualifying facilities fueled by trash or methane derived from landfills, solar, wind, hog or poultry waste fueled or non animal biomass fueled~~ Eligible Qualifying Facilities with Contract Capacities of five (5) megawatts or less. ~~Other Eligible Qualifying Facilities with Contract Capacities of three (3) megawatts or less are eligible for 5 Year Fixed Long Term and Variable Capacity Credits below.~~

Eligible Qualifying Facilities receiving Capacity Credits under this Schedule shall also receive corresponding Energy Credits of like term, as reflected below.

TYPE OF SERVICE

North Carolina ~~Fifth~~ Proposed Thirteenth Revised Leaf-No. ~~9092~~
Effective March 1, 2016
NCUC Docket No. E-100, Sub 140148,
Order dated December 17, 2015

SCHEDULE PP-H (NC)

HYDROELECTRIC QUALIFYING FACILITIES WITH NO STORAGE CAPABILITY
PURCHASED POWER

Company will furnish 60 Hertz service through one metering point, at one delivery point, at one of the following approximate voltages, where available, upon mutual agreement:

Single-phase, 120/240 ~~volts~~; 120/208, 240/480 or other available single-phase voltages at the Company's option, or 3-phase, 208Y/120, 460Y/265, 480Y/277 volts, or
3-phase, 3-wire, 240, 480, 575/4160, 12470, or 24940 or 2300 volts, or
3-phase, 4160Y/2400, 12470Y/7200, or 24940Y/14400 volts, or
3-phase voltages other than the ~~foregoing those listed above~~ may be available, ~~but only~~ at the Company's option, ~~and provided that if~~ the size of the Customer's contract warrants a substation solely to serve that Customer, and ~~if further provided that~~ the Customer furnishes suitable outdoor space on the premises to accommodate a ground-type transformer installation, or substation, or a transformer vault built in accordance with the Company's specifications.

The type of service under this Schedule shall be determined by the Company. Prospective customers shall ascertain the available voltage by written inquiry of the Company before purchasing equipment.

RATE

The Company shall pay Eligible Qualifying Facilities for energy and/or capacity furnished to Company at the Credits set forth below as applicable. Such payments shall be reduced by both the Administrative Charge and any applicable Interconnection Facilities Charge. The Seller may elect to receive payments under either Option A or Option B based upon the Seller's preference for on-peak time-of-use hours.

Energy and Capacity Credits

Eligible Qualifying Facilities eligible for Company's Fixed Long-Term and/or Variable Energy and Capacity Credits shall be paid based upon the Seller's interconnection with Company's distribution or transmission system for all energy delivered to Company's system as registered or computed from Company's metering facilities. The Energy and Capacity Credit will be in accordance with the length of rate term for energy sales so established in the Purchase Agreement.

Option A

Administrative Charge

\$19.91 per month

Interconnection Facilities Charge

The Interconnection Charge for each customer is set forth in the Agreement as outlined in the Terms and Conditions; however, the \$25.00 minimum will not apply if the charge is for a meter only.

Interconnected to Distribution System:

I. Capacity Credit

a. All On-Peak Energy per On-Peak Month per kWh:

a—i. All On-Peak Energy per On-Peak Month per kWh: ~~Hydroelectric facilities with no storage capability and no other type generation~~

—ii. for all other hydroelectric and all non-hydroelectric facilities

Variable Rate

5 Years

Fixed Long-Term Rate ~~(a)~~10 Years ~~(a)~~15 Years ~~(a)~~4.27 ~~3.34~~¢4.42 ~~3.45~~¢4.66 ~~3.64~~¢4.89 ~~3.82~~¢

2.00¢

2.07¢

2.19¢

2.29¢

b. All On-Peak Energy per Off-Peak Month per kWh:

b—i. All On-Peak Energy per Off-Peak Month per kWh: ~~Hydroelectric facilities with no storage capability and no other type generation~~

—ii. for all other hydroelectric and all non-hydroelectric facilities

0.00 ~~1.67~~¢0.00 ~~1.73~~¢0.00 ~~1.82~~¢0.00 ~~1.91~~¢

1.00¢

1.04¢

1.09¢

1.15¢

II. Energy Credit

a. All On-Peak Energy per Month per kWh:

3.58 ~~4.05~~¢3.62 ~~4.31~~¢3.88 ~~4.87~~¢4.34 ~~5.28~~¢

b. All Off-Peak Energy per Month per kWh:

2.98 ~~3.07~~¢3.17 ~~3.17~~¢3.26 ~~3.79~~¢3.44 ~~4.20~~¢

Interconnected to Transmission System:

I. Capacity Credit

a. All On-Peak Energy per On-Peak Month per kWh:

—ia. All On-Peak Energy per On-Peak Month per kWh: ~~Hydroelectric facilities with no storage capability and no other type generation~~

Variable Rate

5 Years

Fixed Long-Term Rate ~~(a)~~10 Years ~~(a)~~15 Years ~~(a)~~4.17 ~~3.26~~¢4.32 ~~3.37~~¢4.55 ~~3.56~~¢4.77 ~~3.73~~¢

SCHEDULE PP-H (NC)

HYDROELECTRIC QUALIFYING FACILITIES WITH NO STORAGE CAPABILITY

PURCHASED POWER

—ii. for all other hydroelectric and all non-hydroelectric facilities	1.96¢	2.02¢	2.14¢	2.24¢
b. All On-Peak Energy per Off-Peak Month per kWh:				
—ia. All On-Peak Energy per Off-Peak Month per kWh: Hydroelectric facilities with no storage capability	0.00 1.63¢	0.00 1.69¢	0.00 1.78¢	0.00 1.87¢
— and no other type generation				
—ii. for all other hydroelectric and all non-hydroelectric facilities	0.98¢	1.01¢	1.07¢	1.12¢
II. Energy Credit				
a. All On-Peak Energy per Month per kWh:	3.49 3.95¢	3.53 4.21¢	3.79 4.76¢	4.24 5.16¢
b. All Off-Peak Energy per Month per kWh:	2.92 3.01¢	3.10 3.10¢	3.19 3.71¢	3.37 4.11¢

Option B

Administrative Charge

\$ 19.91 per month

Interconnection Charge

The Interconnection Facilities Charge for each customer is set forth in the Agreement as outlined in the Terms and Conditions; however, the \$25.00 minimum will not apply if the charge is for a meter only.

Interconnected to Distribution System:

	Variable Rate	5 Years	Fixed Long-Term Rate (a)	
			10 Years (a)	15 Years (a)
I. Capacity Credit				
a. All On-Peak Energy per Summer Month per kWh:				
—ia. All On-Peak Energy per Summer Month per kWh: Hydroelectric facilities with no storage capability	3.48 4.19¢	3.60 4.55¢	3.80 4.12¢	3.98 4.67¢
— and no other type generation				
—ii. for all other hydroelectric and all non-hydroelectric facilities	6.11¢	6.33¢	6.68¢	7.00¢
b. All On-Peak Energy per Non-Summer Month per kWh:				
—ib. All On-Peak Energy per Non-Summer Month per kWh: Hydroelectric facilities with no storage capability	8.08 3.94¢	8.36 4.08¢	8.82 4.31¢	9.25 4.52¢
— and no other type generation				
—ii. for all other hydroelectric and all non-hydroelectric facilities	2.37¢	2.45¢	2.58¢	2.71¢
II. Energy Credit				
a. All On-Peak Energy per Month per kWh:	3.59 4.24¢	3.74 4.46¢	4.06 5.04¢	4.59 5.47¢
b. All Off-Peak Energy per Month per kWh:	3.16 3.34¢	3.27 3.49¢	3.42 4.09¢	3.66 4.50¢

Interconnected to Transmission System:

	Variable Rate	5 Years	Fixed Long-Term Rate (a)	
			10 Years (a)	15 Years (a)
I. Capacity Credit				
a. All On-Peak Energy per Summer Month per kWh:				
—ai. All On-Peak Energy per Summer Month per kWh: Hydroelectric facilities with no storage capability	3.40 9.95¢	3.52 10.30¢	3.71 10.87¢	3.89 11.39¢
— and no other type generation				
—ii. for all other hydroelectric and all nonhydroelectric facilities	5.97¢	6.18¢	6.52¢	6.84¢
b. All On-Peak Energy per Non-Summer Month per kWh:				
—ib. All On-Peak Energy per Non-Summer Month per kWh: Hydroelectric facilities with no storage capability	7.89 3.85¢	8.17 3.99¢	8.61 4.21¢	9.03 4.41¢
— and no other type generation				
—ii. for all other hydroelectric and all nonhydroelectric facilities	2.31¢	2.39¢	2.52¢	2.65¢
II. Energy Credit				
a. All On-Peak Energy per Month per kWh:	3.50 4.14¢	3.65 4.35¢	3.97 4.92¢	4.48 5.34¢
b. All Off-Peak Energy per Month per kWh:	3.09 3.26¢	3.20 3.42¢	3.35 4.00¢	3.59 4.41¢

RENEWABLE ENERGY CREDITS

Unless otherwise specified in the Company's agreements with the Seller, the sale of power under this schedule does not convey to the Company the right to renewable energy credits (RECs) or green tags associated with the energy delivered.

North Carolina ~~Fifth~~^{Proposed Thirteenth} Revised Leaf-No. ~~9092~~Effective ~~March 1, 2016~~NCUC Docket No. E-100, Sub ~~140148~~Order dated ~~December 17, 2015~~

SCHEDULE PP-~~H~~ (NC)HYDROELECTRIC QUALIFYING FACILITIES WITH NO STORAGE CAPABILITY
PURCHASED POWERDEFINITION OF MONTH FOR BILLING PURPOSES

For Option A Rates, the On-Peak Months shall be the billing Months of June through September and December through March. The Off-Peak Months shall be the billing Months of April, May, October and November.

For Option B Rates, the Summer Months are the period from June 1 through September 30. The Non-Summer Months are the period from October 1 through May 31.

DETERMINATION OF ON-PEAK AND OFF-PEAK ENERGY

On-Peak Energy shall be energy, in kilowatt-hours, which is supplied to the Company during On-Peak Period Hours. Off-Peak Energy shall be energy, in kilowatt-hours, which is supplied to the Company during the Off-Peak Period Hours.

For Option A Rates, the On-Peak Period Hours shall be those hours, Monday through Friday, beginning at 7 A.M. and ending at 11 P.M. The Off-Peak Period Hours shall be all other weekday hours and all Saturday and Sunday hours.

For Option B Rates, the On-Peak Period Hours shall be those hours, Monday through Friday, beginning at 1 P.M. and ending at 9 P.M. during Summer Months, and beginning at 6 A.M. and ending at 1 P.M. during Non-Summer Months. The Off-Peak Period Hours shall be all other weekday hours and all Saturday and Sunday hours. All hours for the following holidays shall be considered as Off-Peak: New Year's Day, Memorial Day, Good Friday, Independence Day, Labor Day, Thanksgiving Day, Day after Thanksgiving, and Christmas Day.

INTERCONNECTION FACILITIES CHARGE

For Eligible Qualifying Facilities, the installed costs for all facilities constructed or installed by Company to interconnect and safely operate in parallel with Seller's equipment shall be determined in accordance with Company's Terms and Conditions for the Purchase of Electric Power. Interconnection of Customer's generation to Company's system shall be in accordance with the North Carolina Interconnection Procedures, Forms, and Agreements for State-Jurisdictional Generation Interconnections.

POWER FACTOR CORRECTION

Unless the Seller is required by an Operating Agreement to adjust VAR production to support voltage control, when the Seller consumes VARs supplied by the Company or the Seller delivers VARs to Company, the Company may reduce the purchased energy measured in kilowatt-hours for that month by multiplying by the Average Consumed Power Factor. The Average Consumed Power Factor shall be the calculated on a monthly basis as the average kWh divided the average kVAh, where average kVAh shall be the square root of the sum of the average kWh squared plus the average consumed and delivered kVARh squared. Company reserves the right to install facilities necessary for the measurement of power factor and to adjust the Interconnection Facilities Charge accordingly, solely at the option of Company. If a Seller without an Operating Agreement is requested by the Company to operate pursuant to a voltage schedule by providing or absorbing VARS, the Seller shall be compensated in the same manner as sellers with Operating Agreements.

CONTRACT CAPACITY

The Contract Capacity shall be as specified in the Purchase Power Agreement between Company and Seller. Only one such Standard Contract shall be permitted for any Qualifying Facility.

RATE UPDATES

The Credits and Administrative Charge under this Schedule will be updated every two years. Sellers who have contracted for the Fixed Long-Term Credits will not be affected by updates in the Energy and Capacity Credits until their rate term expires. For all Qualifying Facilities selling to Company pursuant to the Variable Rate provisions of this schedule, such credits shall be updated and changed in accordance with the Commission's revisions to such credits in the Company's biennial avoided cost proceedings.

The sale, delivery, and use of electric power hereunder, and all services of whatever type to be rendered or performed in connection therewith, shall in all respects be subject to and in accordance with the Variable or Long-Term rates selected by Seller in Company's Schedule PP-~~H~~ and the Terms and Conditions for the Purchase of Electric Power. Said Rate Schedule and Terms and Conditions for the Purchase of Electric Power are subject to change, revision, alteration or substitution, either in whole or in part, upon order of the Commission or any other regulatory authority having jurisdiction, and any such change, revision, alteration or substitution shall immediately be made a part of the Agreement as though fully written herein, and shall nullify any prior provision in conflict therewith. Any change to the Rate Schedule or Terms and Conditions shall not apply to the Fixed Long-Term Rates themselves, but it shall apply to all other provisions of the Rate Schedule and Terms and Conditions for the Purchase of Electric Power, including but not limited to Variable Rates, other types of charges, and all non-rate provisions.

Duke Energy Carolinas, LLC

Electricity No. 4

North Carolina ~~Fifth~~ Proposed Thirteenth Revised Leaf No. ~~9092~~
 Superseding North Carolina ~~Twelfth-Fifth~~ Revised Leaves No. ~~91-90and 92~~

SCHEDULE PP-H (NC)

HYDROELECTRIC QUALIFYING FACILITIES WITH NO STORAGE CAPABILITY
PURCHASED POWER

PAYMENTS

Credit billings to the Seller shall be payable to the Seller within fifteen (15) days of the date of the bill.

Bills under this Schedule are due and payable on the date of the bill at the office of the Company. Bills are past due and delinquent on the fifteenth day after the date of the bill. If any bill is not so paid, the Company has the right to suspend service. In addition, all bills not paid by the twenty-fifth day after the date of the bill shall be subject to a one percent (1%) late payment charge on the unpaid amount. This late payment charge shall be rendered on the following month's bill and it shall become part of and be due and payable with the bill on which it is rendered.

CONTRACT PERIOD

Each Seller shall enter into a Purchase Power Agreement which shall specify the Contract Capacity committed for delivery throughout the term of the contract and shall specify the initial term and associated rate.

Confidential DEC Exhibit 2

Duke Energy Carolinas, LLC

**Supporting Calculations
for Schedule PP
(filed under seal)**

Confidential DEC Exhibit 2

Duke Energy Carolinas, LLC

**Supporting Calculations
for Schedule PP-H
(filed under seal)**

DEC Exhibit 3

Duke Energy Carolinas, LLC

Proposed Standard Contract

Clean and Redlined

PURCHASE POWER AGREEMENT

between

DUKE ENERGY CAROLINAS, LLC

and

SELLER NAME

“Facility Name” Project

Initial Delivery Date:

**PURCHASE POWER AGREEMENT BY A
QUALIFYING COGENERATOR OR SMALL POWER PRODUCER**

1 **THIS PURCHASE POWER AGREEMENT** ("Agreement") is made this _____ day
2 of _____, 20____, by and between

3
4
5 **DUKE ENERGY CAROLINAS, LLC,**
6 a North Carolina Limited Liability Company ("Company")

7
8 , and

9
10 _____,
11
12 a(n) _____ Company/Corporation ("Seller" or "Customer"), for the

13
14 " _____," Project

15
16 which Seller certifies that this facility (is/is not) "new capacity," as defined by the Federal Energy
17 Regulatory Commission (FERC), and that construction (was/was not) commenced on or after
18 November 9, 1978 and is or will be a qualifying facility as defined by the Federal Energy
19 Regulatory Commission ("FERC") pursuant to Section 210 of the Public Utility Regulatory Policies
20 Act of 1978 *[and which is or will be a hydroelectric generating facility owned and operated by a*
21 *small power producer as defined in G.S. 62-3(27a) - (if applicable)]*, consisting of
22 _____ (the "Facility"),
23 which is located at _____.

24
25 (Hereinafter, the parties are also referred to individually as "Party" and collectively as "Parties").

26
27 In consideration of the mutual covenants herein contained, the Parties hereto, for themselves, their
28 successors and assigns, do hereby agree to the following:

29
30 **1. Service Requirements**

- 31
32 1.1 Seller shall sell and deliver exclusively to Company all of the electric power generated by the
33 Facility, net of the Facility's own auxiliary electrical requirements, and Company shall
34 purchase, receive, use and pay for the same, subject to the conditions contained in this
35 Agreement. Upon the completion of the installation, by Company, of its system upgrades and
36 interconnection facilities at the point of delivery of Seller's and Company's conductors, Seller
37 shall become responsible for the payment to Company of any and all charges that may apply,
38 whether or not Seller actually delivers any electricity to Company. If Seller requests retail
39 electric service for the Facility's auxiliary electrical requirements from Company when
40 Seller's generation is reduced, such power shall be provided to Supplier pursuant to a separate
41 electric service agreement under Company's rate tariffs appropriate for such service.
42
43 1.2 Electricity supplied by Seller shall be *[single (1)/three (3)]* phase, alternating at a frequency of
44 approximately sixty (60) cycles, and at a delivery voltage of approximately _____ volts,

____ wires at a sufficient power factor to maintain system operating parameters as specified by Company.

1.3 Delivery of said Seller's power shall be at a point of delivery described as follows:_____

1.4 Based upon the alternating current rating, the Contract Capacity of Seller's generating facility, as defined in the Terms and Conditions for the Purchase of Electric Power is _____ kW_{AC}/MW_{AC} and estimated annual energy production of _____ kWh is the amount Seller contracts to deliver to Company and Company agrees to receive.

2. Rate Schedule

The sale, delivery, and use of electric power hereunder, and all services of whatever type to be rendered or performed in connection therewith, shall in all respects be subject to and in accordance with Company's *[Rate Schedule PP-H, Electricity No. 4, North Carolina _____ Revised Leaf No. 92, [Variable Rate], [5-year Fixed Long Term Rate], [10-year Fixed Long-Term Rate], [15-year Long term rate] Option [A][B] for [Distribution][Transmission] OR Rate Schedule PP, Electricity No. 4, North Carolina _____ Revised Leaf No. 90, [Variable Rate], [10-year Fixed Long-Term Rate] Option [A][B] for [Distribution][Transmission]]* ("Rate Schedule") and the Terms and Conditions for the Purchase of Electric Power, both of which are now on file with the North Carolina Utilities Commission ("Commission"), and are hereby incorporated by reference and made a part hereof as though fully set forth herein. Said Rate Schedule and Terms and Conditions for the Purchase of Electric Power are subject to change, revision, alteration or substitution, either in whole or in part, upon order of said Commission or any other regulatory authority having jurisdiction, and any such change, revision, alteration or substitution shall immediately be made a part hereof as though fully written herein, and shall nullify any prior provision in conflict therewith.

The language above beginning with "Said Rate Schedule" shall not apply to the Fixed Long-Term Capacity Credit Rates or Fixed Long -Term Energy Credit Rates Only Under Schedule PP-H themselves, but it shall apply to all other provisions of the Rate Schedule and Terms and Conditions for the Purchase of Electric Power, including but not limited to Variable Rates, Fixed Long-Term Energy Rates Only Under Schedule PP, other types of charges (e.g., administrative charges), and all non-rate provisions.

3. Initial Delivery Date

The term of this Agreement shall be a minimum of 5 years when contracting for capacity payments and shall begin upon the first date when energy is generated by the Facility and delivered to the Company and continuing for the term specified in the Rate Schedule paragraph above and shall automatically extend thereafter unless terminated by either party by giving not less than thirty (30) days prior written notice. The extension will be at the Variable Rates in effect at the time of extension. The term shall begin no earlier than the date the Company's Interconnection Facilities are installed and are ready to accept electricity from the Seller which is requested to be _____. The Company at its sole discretion may terminate this Agreement on _____, 20__ (30 months following the date of the order initially approving the rates selection shown above which may be extended beyond 30 months if construction is nearly complete and the Seller demonstrates that it is making a good

faith effort to complete its project in a timely manner) if the Seller is unable to provide generation capacity and energy production consistent with the energy production levels specified in Provision No. 1.4 above.

4. Interconnection Facilities

Unless otherwise required by Company, an Interconnection Agreement pursuant to the North Carolina Interconnection Procedures, Forms, And Agreements For State-Jurisdictional Generator Interconnections (Interconnection Standard) shall be executed by Seller, including payments of all charges and fees associated with the interconnection, before Company will accept this Agreement. *(Either sentence (a) or (b) as follows is inserted into the agreement as appropriate)* (a) The Interconnection Facilities Charge shall be specified in the Interconnection Agreement. or (b) The Interconnection Facilities Charge shall be 1.1 % of the installed cost of metering and other equipment and is \$_____ per month.

5. Reporting Requirements

Upon request, facilities larger than 3,000 kW may be required to provide prior notice of annual, monthly, and day-ahead forecast of hourly production, as specified by the Company. If the Seller is required to notify the Company of planned or unplanned outages, notification should be made as soon as known. The Seller shall include the start time, the time for return to service, the amount of unavailable capacity, and the reason for the outage.

Upon the acceptance hereof by Company, evidenced by the signature of its Presidents, Vice-Presidents or Authorized Representatives in the block provided below, this document together with attachments shall become an agreement for Seller to deliver and sell to Company and for Company to receive and purchase from Seller the electricity generated and declared by Seller from its above-described qualifying generating facility at the rates, in the quantities, for the term, and upon the terms and conditions set forth herein.

Witness as to Seller:

_____	_____, Seller
Printed: _____	
_____	By _____
Printed: _____	Printed: _____
	Title _____
	This _____ day of _____, 20_____

ACCEPTED: DUKE ENERGY CAROLINAS LLC

Mail Payment/Bill to:

By _____	_____
Title _____	_____
This _____ day of _____, 20_____	_____

PURCHASE POWER AGREEMENT

between

DUKE ENERGY CAROLINAS, LLC

and

SELLER NAME

“Facility Name” Project

Initial Delivery Date: ~~(date interconnection facilities~~
~~installed)~~

**PURCHASE POWER AGREEMENT BY A
QUALIFYING COGENERATOR OR SMALL POWER PRODUCER**

1 **THIS PURCHASE POWER AGREEMENT** ("Agreement") is made this _____ day
2 of _____, 20____, by and between

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6 a North Carolina Limited Liability Company ("Company")

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8 , and

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10 _____,
11
12 a(n) _____ Company/Corporation ("Seller" or "Customer"), for the

13
14 " _____," Project

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16 which Seller certifies that this facility (is/is not) "new capacity," as defined by the Federal Energy
17 Regulatory Commission (FERC), and that construction (was/was not) commenced on or after
18 November 9, 1978 and is or will be a qualifying facility as defined by the Federal Energy
19 Regulatory Commission ("FERC") pursuant to Section 210 of the Public Utility Regulatory Policies
20 Act of 1978 *[and which is or will be a hydroelectric generating facility owned and operated by a*
21 *small power producer as defined in G.S. 62-3(27a) - (if applicable)]*, consisting of
22 _____ (the "Facility"),
23 which is located at _____.

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25 (Hereinafter, the parties are also referred to individually as "Party" and collectively as "Parties").

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27 In consideration of the mutual covenants herein contained, the Parties hereto, for themselves, their
28 successors and assigns, do hereby agree to the following:

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33 Facility, net of the Facility's own auxiliary electrical requirements, and Company shall
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35 Agreement. Upon the completion of the installation, by Company, of its system upgrades and
36 interconnection facilities at the point of delivery of Seller's and Company's conductors, Seller
37 shall become responsible for the payment to Company of any and all charges that may apply,
38 whether or not Seller actually delivers any electricity to Company. If Seller requests retail
39 electric service for the Facility's auxiliary electrical requirements from Company when
40 Seller's generation is reduced, such power shall be provided to Supplier pursuant to a separate
41 electric service agreement under Company's rate tariffs appropriate for such service.
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43 1.2 Electricity supplied by Seller shall be *[single (1)/three (3)]* phase, alternating at a frequency of
44 approximately sixty (60) cycles, and at a delivery voltage of approximately _____ volts,

____ wires at a sufficient power factor to maintain system operating parameters as specified by Company.

1.3 Delivery of said Seller's power shall be at a point of delivery described as follows:_____.

1.4 Based upon the alternating current rating, the Contract Capacity of Seller's generating facility, as defined in the Terms and Conditions for the Purchase of Electric Power is _____ kW_{AC}/MW_{AC} and estimated annual energy production of _____ kWh is the amount Seller contracts to deliver to Company and Company agrees to receive.

2. Rate Schedule

The sale, delivery, and use of electric power hereunder, and all services of whatever type to be rendered or performed in connection therewith, shall in all respects be subject to and in accordance with Company's [Rate Schedule PP-H, Electricity No. 4, North Carolina Revised Leaf No. 92, [Variable Rate], [5-year Fixed Long Term Rate], [10-year Fixed Long-Term Rate], [15-year Long term rate] Option [A][B] for [Distribution][Transmission] OR Rate Schedule PP, Electricity No. 4, North Carolina _____ Revised Leaf No. 90, [Variable Rate] ~~[5-year Fixed Long Term Rate]~~, [10-year Fixed Long-Term Rate] ~~[15-year Fixed Long-Term Rate]~~ Option [A][B] for [Distribution][Transmission] ("Rate Schedule") and the Terms and Conditions for the Purchase of Electric Power, both of which are now on file with the North Carolina Utilities Commission ("Commission"), and are hereby incorporated by reference and made a part hereof as though fully set forth herein. Said Rate Schedule and Terms and Conditions for the Purchase of Electric Power are subject to change, revision, alteration or substitution, either in whole or in part, upon order of said Commission or any other regulatory authority having jurisdiction, and any such change, revision, alteration or substitution shall immediately be made a part hereof as though fully written herein, and shall nullify any prior provision in conflict therewith.

The language above beginning with "Said Rate Schedule" shall not apply to the Fixed Long-Term Capacity Credit Rates or Fixed Long -Term Energy Credit Rates Only Under Schedule PP-H themselves, but it shall apply to all other provisions of the Rate Schedule and Terms and Conditions for the Purchase of Electric Power, including but not limited to Variable Rates, Fixed Long-Term Energy Rates Only Under Schedule PP, other types of charges (e.g., administrative charges), and all non-rate provisions.

3. Initial Delivery Date

The term of this Agreement shall be a minimum of 5 years when contracting for capacity payments and shall begin upon the first date when energy is generated by the Facility and delivered to the Company and continuing for the term specified in the Rate Schedule paragraph above and shall automatically extend thereafter unless terminated by either party by giving not less than thirty (30) days prior written notice. The extension will be at the Variable Rates in effect at the time of extension. The term shall begin no earlier than the date the Company's Interconnection Facilities are installed and are ready to accept electricity from the Seller which is requested to be _____. The Company at its sole discretion may terminate this Agreement on _____, 20__ (30 months following the date of the order initially approving the rates selection shown above which may be extended beyond 30

months if construction is nearly complete and the Seller demonstrates that it is making a good faith effort to complete its project in a timely manner) if the Seller is unable to provide generation capacity and energy production consistent with the energy production levels specified in Provision No. 2-1.4 above.

4. Interconnection Facilities

Unless otherwise required by Company, an Interconnection Agreement pursuant to the North Carolina Interconnection Procedures, Forms, And Agreements For State-Jurisdictional Generator Interconnections (Interconnection Standard) shall be executed by Seller, including payments of all charges and fees associated with the interconnection, before Company will accept this Agreement. *(Either sentence (a) or (b) as follows is inserted into the agreement as appropriate)* (a) The Interconnection Facilities Charge shall be specified in the Interconnection Agreement. or (b) The Interconnection Facilities Charge shall be 1.1 % of the installed cost of metering and other equipment and is \$_____ per month.

5. Reporting Requirements

Upon request, facilities larger than 3,000 kW may be required to ~~provide~~ prior notice of annual, monthly, and day-ahead forecast of hourly production, as specified by the Company. If the Seller is required to notify the Company of planned or unplanned outages, notification should be made as soon as known. The Seller shall include the start time, the time for return to service, the amount of unavailable capacity, and the reason for the outage.

Upon the acceptance hereof by Company, evidenced by the signature of its Presidents, Vice-Presidents or Authorized Representatives in the block provided below, this document together with attachments shall become an agreement for Seller to deliver and sell to Company and for Company to receive and purchase from Seller the electricity generated and declared by Seller from its above-described qualifying generating facility at the rates, in the quantities, for the term, and upon the terms and conditions set forth herein.

Witness as to Seller:

_____	_____, Seller
Printed: _____	
_____	By _____
Printed: _____	Printed: _____
	Title _____
	This ____ day of _____, 20____

ACCEPTED: DUKE ENERGY CAROLINAS LLC

Mail Payment/Bill to:

By _____	_____
Title _____	_____
This ____ day of _____, 20____	_____

DEC Exhibit 4

Duke Energy Carolinas, LLC

Proposed Terms and Conditions

Clean and Redlined

TERMS AND CONDITIONS FOR THE PURCHASE OF ELECTRIC POWER

1. PURCHASE POWER AGREEMENT

These "Terms and Conditions" provide a mechanism through which Duke Energy Carolinas, LLC, hereafter called "Company," will agree to purchase energy or capacity or both from an Eligible Qualifying Facility as defined in either the Purchased Power Schedule PP or Hydroelectric Qualifying Facilities Purchased Power Schedule PP-H. This Purchase Power Agreement is solely for the purchase of electricity produced by Seller's generation, net of generator auxiliary requirement, and does not provide for the sale of any electric service by Company to Seller.

- (a) Description - The Purchase Power Agreement (hereinafter sometimes termed "Agreement") shall consist of (1) Company's form of Purchase Power Agreement when signed by Seller and accepted by Company, (2) the applicable Schedule for the purchase of electricity as specified in the Purchase Power Agreement, and (3) these Terms and Conditions for the Purchase of Electric Power (hereinafter referred to as "Terms and Conditions"), and all changes, revisions, alterations therein, or substitutions therefor lawfully made.
- (b) Application of Terms and Conditions and Schedules - All Purchase Agreements in effect at the effective date of this tariff or that may be entered into in the future, are made expressly subject to these Terms and Conditions, and subject to all applicable Schedules as specified in the Purchase Power Agreement, and any changes therein, substitutions thereof, or additions thereto lawfully made, provided no change may be made in rates or in essential terms and conditions of this contract except by agreement of the parties to this contract or by order of the state regulatory authority having jurisdiction (hereinafter "Commission").
- (c) Conflicts - In case of conflict between any provision of a Schedule and of these Terms and Conditions, the provision of the Schedule shall prevail.
- (d) Waiver - The failure of either Party to enforce or insist upon compliance with any of the terms or conditions of this Agreement shall not constitute a waiver or relinquishment of any such terms or conditions, but the same shall be and remain at all times in full force and effect.
- (e) Assignment of Agreement - A Purchase Power Agreement between the Company and the Seller may not be transferred and assigned by Seller to any person, firm, or corporation purchasing or leasing and intending to continue the operation of the plant or business which is interconnected under such Agreement, without the prior written approval of Company. A Purchase Power Agreement shall not be transferred and assigned by Seller to any person, firm, or corporation that is party to any other purchase agreement under which a party sells or seeks to sell power to the Company from another Qualifying Facility that is located within one-half mile, as measured from the electrical generating equipment. The Company will not unreasonably withhold consent provided that such assignment does not require any amendment to the terms and conditions of this Agreement, other than the notice provision thereof. Any assignment that the Company has not approved in writing shall be null and void and not effective for all purposes. However, before such rights and obligations are assigned, the assignee must first obtain necessary approval from all regulatory bodies including, but not limited to, the Commission.
- (f) Notification of Assignment, Transfer or Sale - In the event of an assignment of the rights and obligations accruing to the Seller under this Agreement, or in the event of any contemplated sale, transfer or assignment of the Facility or the Certificate of Public Convenience and Necessity, the Seller shall, in addition to obtaining the approvals hereof, provide a minimum of 30 days prior written notice advising the Company and the Commission of any plans for such an assignment,

TERMS AND CONDITIONS FOR THE PURCHASE OF ELECTRIC POWER

sale or transfer, or of any accompanying significant changes in the information required by Commission Rule R8-64, R9-65 or R8-66 which are incorporated by reference herein.

- (g) Suspension of Sales Under Agreement at the Seller's Request - If the Seller is temporarily unable to produce the electricity contracted for due to physical destruction of, or damage to, his premises, the Company will, upon written request of the Seller, and for a period the Company deems as reasonably required to replace or repair such premises, suspend billing under the Agreement, exclusive of any Monthly Facilities Charges, effective with the beginning of the next sales period.
- (h) Termination of Agreement at the Seller's Request - If the Seller desires to terminate the Agreement, the Company will agree to such termination if all bills for services previously rendered to Seller including any termination or other charges applicable under any Interconnection Agreement, plus any applicable termination charges, have been paid. Termination charges shall consist of any applicable termination charges for premature termination of capacity as set forth in paragraphs 4 and 6 of these Terms and Conditions. The Company may waive the foregoing provision if Company has secured or expects to secure from a new occupant or operator of the premises an Agreement satisfactory to Company for the delivery of electricity to Company for a term not less than the unexpired portion of Seller's Agreement.
- (i) Company's Right to Terminate or Suspend Agreement - The Company, in addition to all other legal remedies, may either terminate the Agreement or suspend purchases of electricity from the Seller (1) for any default or breach of Agreement by the Seller, (2) for fraudulent or unauthorized use of the Company's meter, (3) for failure to pay any applicable bills when due and payable, (4) for a condition on the Seller's side of the point of delivery actually known by the Company to be, or which the Company reasonably anticipates may be, dangerous to life or property, or Termination of the contract is at the Company's sole option and is only appropriate when the Seller either cannot or will not cure its default, or if the Seller fails to deliver energy to the Company for six (6) consecutive months.

No such termination or suspension, however, will be made by the Company without written notice delivered to the Seller, personally or by mail, stating what in particular in the Agreement has been violated, except that no notice need to be given in instances set forth in 1.(i)(2). The Company shall give Seller thirty (30) calendar days prior written notice before suspending or terminating the Agreement pursuant to provisions 1.(i)(1) and (3). The Company shall give the Seller five (5) calendar days prior written notice before suspending or terminating the Agreement pursuant to provision 1.(i)(4).

Failure of the Company to terminate the Agreement or to suspend the purchase of electricity at any time after the occurrence of grounds therefor, or to resort to any other legal remedy or to exercise any one or more of such alternative remedies, shall not waive or in any manner affect the Company's right later to resort to any one or more of such rights or remedies on account of any such ground then existing or which may subsequently occur.

Any suspension of the purchase of electricity by the Company or termination of the Agreement upon any authorized grounds shall in no way operate to relieve the Seller of Seller's liability to compensate Company for services and/or facilities supplied, nor shall it relieve the Seller (1) of the Seller's liability for the payment of minimum monthly charges during the period of suspension, nor (2) of the Seller's liability for damages, if the Agreement has been terminated, in the amount of (a) the minimum monthly charges which would have been payable during the

TERMS AND CONDITIONS FOR THE PURCHASE OF ELECTRIC POWER

unexpired term of the Agreement plus (b) the Early Contract Termination charge as set forth in these Terms and Conditions.

2. CONDITIONS OF SERVICE

- (a) The Company is not obligated to purchase electricity from the Seller unless and until: (1) the Company's form of Purchase Power Agreement is executed by the Seller and accepted by the Company; (2) in cases where it is necessary to cross private property to accept delivery of electricity from the Seller, the Seller conveys or causes to be conveyed to the Company, without cost to Company, a right of way easement, satisfactory to the Company, across such private property which will provide for the construction, maintenance, and operation of the Company's lines and facilities, necessary to receive electricity from the Seller; provided, however, in the absence of a formal conveyance, the Company nevertheless, shall be vested with an easement over the Seller's premises authorizing it to do all things necessary including the construction, maintenance, and operation of its lines and facilities for such purpose; and (3) any inspection certificates or permits that may be required by law in the local area are furnished to the Company. Where not required by law, an inspection by a Company-approved inspector shall be made at the Seller's expense. In the event the Seller is unable to secure such necessary rights of way, the Seller shall reimburse the Company for all costs the Company may incur for the securing of such rights of way.

The obligation of the Company in regard to service under the Agreement are dependent upon the Company securing and retaining all necessary rights-of-way, privileges, franchises, and permits, for such service. The Company shall not be liable to any Seller in the event the Company is delayed or prevented from purchasing power by the Company failure to secure and retain such rights-of-way, privileges, franchises, and permits.

- (b) The Seller shall operate its Facility in compliance with all applicable operating guidelines established by the North American Electric Reliability Corporation ("NERC") and the SERC Reliability Corporation ("SERC") or any successor thereto.
- (c) The Seller shall submit an Interconnection Request as set forth in the North Carolina Interconnection Procedures, Forms and Agreements for State-Jurisdictional Generation Interconnections. The Company shall not be required to install facilities to support interconnection of the Seller's generation or execute the Purchase Power Agreement until the Seller has signed an Interconnection Agreement as set forth in the North Carolina Interconnection Procedures, Forms and Agreements for State-Jurisdictional Generation Interconnections, as may be required by the Company.
- (d) If electricity is received through lines which cross the lands of the United States of America, a state, or any agency or subdivision of the United States of America or of a state, the Company shall have the right, upon 30 days' written notice, to discontinue receiving electricity from any Seller or Sellers interconnected to such lines, if and when (1) the Company is required by governmental authority to incur expenses in the relocation or the reconstruction underground of any portion of said lines, unless the Company is reimbursed for such expense by the Sellers or customers connected thereto, or (2) the right of the Company to maintain and operate said lines is terminated, revoked, or denied by governmental authority for any reason.

3. DEFINITIONS

TERMS AND CONDITIONS FOR THE PURCHASE OF ELECTRIC POWER

- (a) **Nameplate Capacity:** The term “Nameplate Capacity” shall mean the manufacturer’s kW_{AC} nameplate rated output capability of the generator. For multi-unit generator facilities, the “Nameplate Capacity” of the facility shall be the sum of the individual manufacturer’s kW_{AC} nameplate rated output capabilities of the generators. For inverted-based generating facilities, the “Nameplate Capacity” shall be the manufacturer’s rated kW_{AC} output on the inverters.
- (b) **Net Capacity:** The term “Net Capacity” shall mean the Nameplate Capacity of the Seller’s generating facilities, less the portion of that capacity needed to serve the generating facilities’ Auxiliary Load.
- (c) **Auxiliary Load:** The term “Auxiliary Load” shall mean power used to operate auxiliary equipment in the facility necessary for power generation (such as pumps, blowers, fuel preparation machinery, and exciters).
- (d) Whenever the term “purchase” or “purchase of electricity” is used in these Terms and Conditions or other portions of the Agreement, it shall be construed to refer to the electricity supplied to the Company by the Seller.
- (e) The term “Company’s conductors” shall mean the Company’s wires extending from the point of connection with the Company’s existing electric system to the point of delivery.
- (f) The term “Seller’s conductors” shall mean the Seller’s wires extending from the point of delivery to the switch box or other point where the Seller’s circuits connect for the purpose of supplying the electricity produced by the Seller.
- (g) The term “interconnection” shall mean the connection of the Company’s conductors to the Seller’s conductors.

4. CONTRACT CAPACITY

- (a) The Contract Capacity shall be the kW_{AC} of capacity specified in the Purchase Power Agreement and shall not exceed the capacity specified in the Seller’s Interconnection Agreement. This term shall mean the maximum continuous electrical output capability expressed on an alternating current basis of the generator(s) at any time, at a power factor of approximately unity, without consuming VARs supplied by Company, as measured at the Point of Delivery and shall be the maximum kW_{AC} delivered to the Company during any billing period. In cases where any change is required in Company’s facilities due to the actual capacity delivered exceeding the Contract Capacity or due to the Seller requesting an increase in the capacity of Company’s facilities, the Company may require Seller to execute a new Agreement or amend an existing Agreement, thereby establishing a new Contract Capacity. If the Company’s facilities cannot be upgraded to accept such actual or requested increase, then upon written notice, the Seller shall not exceed the existing Contract Capacity or such amount in excess thereof as the Company determines it is able to accept.
- (b) The Seller shall not change its generating capacity or contracted estimated annual kWh energy production without adequate notice to the Company, and without receiving the Company’s consent, and if such unauthorized increase causes loss of or damage to the Company’s facilities, the cost of making good such loss or repairing such damage shall be paid by the Seller.
- (c) The Company may require that a new Contract Capacity be determined when it reasonably appears that the capacity of the Seller’s generating facility will deviate from contracted or

TERMS AND CONDITIONS FOR THE PURCHASE OF ELECTRIC POWER

established levels for any reason, including, but not limited to, a change in water flow, steam supply, or fuel supply.

- (d) In the event that the Contract Capacity is terminated prior to the completion of the term of the Agreement, the Seller shall pay to the Company a penalty as set forth in paragraph 6, below.

5. CONTRACT ENERGY

The Contract Energy specified in the Purchase Power Agreement shall be the estimated total annual kilowatt-hours registered or computed by or from the Company's metering facilities for each time period during a continuous 12-month interval.

6. EARLY CONTRACT TERMINATION OR INCREASE IN CONTRACT CAPACITY

If the Seller terminates the Agreement or increases the Contract Capacity prior to the expiration of the initial (or extended) term of the Purchase Agreement, the following payment shall be made to the Company by the Seller:

Early Contract Termination – The Seller shall pay to Company the total Energy and/or Capacity credits received in excess of the sum of what would have been received under the Variable Rate for Energy and/or Capacity Credits applicable at the initial term of the contract period and as updated every two years, plus interest. The interest should be the weighted average rate for new debt issued by the Company in the calendar year previous to that in which the Agreement was commenced.

Increase In Contract Capacity – The Seller may apply to the Company to increase the Contract Capacity during the Contract Period and, upon approval by Company, future Monthly Delivered Capacities shall not exceed the revised Contract Capacity. If such increase in Contract Capacity results in additional costs associated with redesign or a resizing of Company's facilities, such additional costs to the Seller shall be determined in accordance with the Interconnection Agreement.

7. CONTRACT RENEWAL

This Agreement shall be subject to renewal for subsequent term(s) at the option of the Company on substantially the same terms and provisions and at a rate either (1) mutually agreed upon by the parties negotiating in good faith and taking into consideration the Company's then avoided cost rates and other relevant factors, or (2) set by arbitration.

8. QUALITY OF ENERGY RECEIVED

- (a) The Seller has full responsibility for the routine maintenance of his generating and protective equipment to insure that reliable, utility grade electric energy is being delivered to the Company.
- (b) The Seller's facility shall be operated in such a manner as to generate reactive power as may be reasonably necessary to maintain voltage levels and reactive area support as specified by the Company. Any operating requirement is subject to modification or revision if warranted by future changes in the distribution or transmission circuit conditions.
- (c) The Seller may operate direct current generators in parallel with the Company through a synchronous inverter. The inverter installation shall be designed such that a utility system interruption will result in the removal of the inverter infeed into the Company's system.

TERMS AND CONDITIONS FOR THE PURCHASE OF ELECTRIC POWER

Harmonics generated by a DC generator-inverter combination must not adversely affect the Company's supply of electric service to, or the use of electric service by the Company's other customers, and any correction thereof is the full responsibility of the Seller.

- (d) In the event the Company determines, based on calculations, studies, analyses, monitoring, measurement or observation, that the output of the Facility will cause or is causing the Company to be unable to provide proper voltage levels to its customers, the Seller shall be required to comply with a voltage schedule and/or reactive power output schedule as prescribed by the Company.
- (e) The Seller shall provide the Company written notification of any changes to their generation system, support equipment such as inverters, or interconnection facilities and shall provide the Company adequate time to review such changes to ensure continued safe interconnection prior to implementation.
- (f) Failure of the Seller to comply with either (a), (b), (c), (d) or (e) above will constitute grounds for the Company to cease parallel operation with the Seller's generation equipment and constitute grounds for termination or suspension of the Agreement as set forth under paragraph 1, above.

9. BILLING

- (a) Meters will be read and bills rendered monthly. Readings are taken each month at intervals of approximately thirty (30) days.
- (b) If Company is unable to read its purchase meter for any reason, the Seller's production may be estimated by Company on the basis of Seller's production during the most recent preceding billing period for which readings were obtained, unless some unusual condition is known to exist. A bill or payment rendered on the basis of such estimate shall be as valid as if made from actual meter readings.
- (c) The term "Month" or "Monthly", as used in Company's Schedules and Riders, refers to the period of time between the regular meter readings by the Company. Bills rendered for periods of less than 25 or more than 35 days as a result of rerouting of the Seller's account, and all initial and final bills rendered on a Seller's account will be prorated on the basis of a normal 30-day billing period.
- (d) Payments for capacity and/or energy will be made to the Seller based on the rate schedule stated in the Purchase Power Agreement.
- (e) The Company reserves the right to set off against any amounts due from the Company to the Seller, any amounts which are due from the Seller to the Company, including, but not limited to, unpaid charges pursuant to the Interconnection Agreement or past due balances on any accounts Seller has with Company for other services.

10. RECORDS

In addition to the regular meter readings to be taken monthly for billing purposes, Company may require additional meter readings, records, transfer of information, etc. as may be agreed upon by the Parties. The Company reserves the right to provide to the Commission or the FERC or any other regulatory body, upon request, information pertaining to this Agreement, including but not limited to: records of the Facility's generation output and the Company's purchases thereof (including copies of monthly statements of power purchases and data from load recorders and telemetering installed at the

North Carolina Proposed First Revised Leaf No. 300

Effective _____

NCUC Docket No. E-100 Sub 148

Order dated _____

TERMS AND CONDITIONS FOR THE PURCHASE OF ELECTRIC POWER

Facility); copies of this Agreement. The Company will not provide any information developed solely by the Seller and designated by the Seller in writing to be "proprietary" unless required to do so by order of the Commission or the FERC or any other regulatory body or court, in which event, the Company will notify the Seller prior to supplying the proprietary information.

The Seller shall provide to the Company, on a monthly basis within ten (10) days of the meter reading date and in form to be mutually agreed upon by the Parties, information on the Facility's fuel costs (coal, oil natural gas, supplemental firing, etc.), if any, for the power delivered to the Company during the preceding month's billing period.

11. METER STOPPAGE OR ERROR

In the event a meter fails to register accurately within the allowable limits established by the state regulatory body having jurisdiction, the Company will adjust the measured energy for the period of time the meter was shown to be in error, and shall, as provided in the rules and regulations of the state regulatory body having jurisdiction, pay to the Seller, or the Seller shall refund to the Company, the difference between the amount billed and the estimated amount which would have been billed had the meter accurately registered the kilowatt hours provided by the Seller. No part of any minimum service charge shall be refunded.

12. POINT OF DELIVERY

The point of delivery is the point where the Company's conductors are, or are to be, connected to the Seller's conductors. The Seller shall do all things necessary to bring its conductors to such point of delivery for connection to the Company's conductors, and shall maintain said conductors in good order at all times. If the Seller chooses to deliver power to the Company through a point of delivery where Seller presently receives power from Company, then the point of delivery for the purchase of generation shall be the same point as the point of delivery for electric service.

13. INTERCONNECTION FACILITIES

If the Seller is not subject to the terms and conditions of to the North Carolina Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnection, as approved by the Commission in Docket No. E-100 Sub 101 the following conditions shall apply to Interconnection Facilities necessary to deliver the Seller's electricity to the Company. Otherwise, the terms and conditions of the North Carolina Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnection, as approved by the Commission in Docket No. E-100 Sub 101 govern.

- (a) By Company: The Company shall install, own, operate, maintain, and otherwise furnish all lines and equipment located on its side of the point of delivery to permit parallel operation of the Seller's facilities with the Company's system. It shall also install and own the necessary metering equipment, and meter transformers, where necessary, for measuring the electricity delivered to the Company, though such meter may be located on the Seller's side of the point of delivery. Interconnection facilities, installed by either Company or the Seller, solely for such purpose, include, but are not limited to connection, line extension, transformation, switching equipment, protective relaying, metering, telemetering, communications, and appropriate safety equipment.

Any interconnection facilities installed by Company necessary to receive power from the Seller shall be considered Interconnection Facilities and shall be provided, if Company finds it practicable, under the following conditions:

TERMS AND CONDITIONS FOR THE PURCHASE OF ELECTRIC POWER

- (1) The facilities will be of a kind and type normally used by or acceptable to Company and will be installed at a place and in a manner satisfactory to Company.
 - (2) The Seller will pay to Company a Monthly Interconnection Facilities Charge based on 1.1 percent of the estimated original installed cost and rearrangement cost of all facilities, including metering, required to accept interconnection, but not less than \$25 per month. The monthly charge for the Interconnection Facilities to be provided under this Agreement is subject to the rates, Service Regulations and conditions of the Company as the same are now on file with the Commission and may be changed or modified from time to time upon approval by the Commission. Any such changes or modifications, including those which may result in increased charges for the Interconnection Facilities to be provided by the Company, shall be made a part of this Agreement to the same effect as if fully set forth herein.
 - (3) If the Company increases its investment in interconnection facilities or other special facilities required by the Seller (including conversion of the Company's primary voltage to a higher voltage), the Monthly Interconnection Facilities Charge for providing the additional facilities will be adjusted at that time. If the Monthly Interconnection Facilities Charge increases, the Seller may terminate the Interconnection Facilities in accordance with the applicable termination paragraph 1 above, or continue Interconnection Facilities under the changed conditions.
 - (4) The Monthly Interconnection Facilities Charge as determined shall continue regardless of the term of the Agreement until Seller no longer has need for such facilities. In the event Seller's interconnection facilities should be discontinued or terminated in whole or in part, such discontinuation or termination should be calculated in accordance with 1, above.
 - (5) The Seller's wiring and appurtenant structures shall provide for the location, connection, and installation of the Company's standard metering equipment or other equipment deemed necessary by the Company for the metering of Seller's electrical output. The Company shall, at its expense, be permitted to install, in the Seller's wiring or equipment, any special metering devices or equipment as deemed necessary for experimental or monitoring purposes.
 - (6) The Company shall furnish and install the Interconnection Facilities no later than the date requested by the Seller for such installation. The Seller's obligation to pay the Interconnection Facilities charges shall begin upon the earlier of (1) completion of the installation but no earlier than the requested in-service date specified in the Interconnection Agreement or (2) the first date when energy is generated and delivered to the Company and such charges shall apply at all times thereafter during the term of this Agreement, whether or not the Seller is actually supplying electric power to the Company.
- (b) By Seller: The Seller shall install, own, operate, and maintain all lines, and equipment, exclusive of the Company's meter and meter transformers, on the Seller's side of the point of delivery. The Seller will be the owner and have the exclusive control of, and responsibility for, all electricity on the Seller's side of the point of delivery. The Seller must conform to the North Carolina Interconnection Procedures, Forms and Agreements for State-Jurisdictional Generation Interconnections. The Seller's wiring shall be arranged such that all electricity generated for sale can be supplied to one point of delivery and measured by a single meter. The Company's meter may be located on the Seller's side of the point of delivery, and when it is to be so located, the

TERMS AND CONDITIONS FOR THE PURCHASE OF ELECTRIC POWER

Seller must make suitable provisions in the Seller's wiring, at a place suitable to the Company, for the convenient installation of the type of meter the Company will use. All of the Seller's conductors installed on the Company's side of the meter and not installed in conduit must be readily visible.

The Seller shall install and maintain devices adequate to protect the Seller's equipment against irregularities on the Company's system, including devices to protect against single-phasing. The Seller shall also install and maintain such devices as may be necessary to automatically disconnect the Seller's generating equipment, which is operated in parallel with the Company, when service provided by the Seller is affected by electrical disturbances on the Company's or the Seller's systems, or at any time when the Company's system is de-energized from its prime source.

- (c) Access to Premises: The duly authorized agents of the Company shall have the right of ingress and egress to the premises of the Seller at all reasonable hours for the purpose of reading meters, inspecting the Company's wiring and apparatus, changing, exchanging, or repairing the Company's property on the premises of the Seller, or removing such property at the time of or at any time after suspension of purchases or termination of this Agreement.
- (d) Protection: The Seller shall protect the Company's wiring and apparatus on the Seller's premises and shall permit no one but the Company's agents to handle same. In the event of any loss of or damage to such property of the Company caused by or arising out of carelessness, neglect, or misuse by the Seller or the Seller's employees or agents, the cost of making good such loss or repairing such damage shall be paid by the Seller. In cases where the Company's service facilities on the Seller's premises require abnormal maintenance due to the Seller's operation, the Seller shall reimburse Company for such abnormal maintenance cost.

14. CONTINUANCE OF PURCHASES AND LIABILITY THEREFOR

The Parties do not guarantee continuous service but shall use reasonable diligence at all times to provide for uninterrupted acceptance and supply of electricity. Each party shall at all times use reasonable diligence to provide satisfactory service for the acceptance or supply of electricity, and to remove the cause or causes in the event of failure, interruption, reduction or suspension of service for the acceptance or supply of electricity, but neither Party shall be liable for any loss or damage resulting from such failure, interruption, reduction or suspension of service, nor shall same be a default hereunder, when any interruption of service for the acceptance or supply of electricity is due to any of the following:

- (a) An emergency condition or action due to an adverse condition, event, and/or disturbance on the Company's system, or on any other system directly or indirectly interconnected with it, which requires automatic or manual interruption of the supply of electricity to some customers or areas or automatic or manual interruption, reduction, or cessation of the acceptance of electricity into Company's electrical system in order to limit the occurrence of extent or damage of the adverse condition or disturbance to Company's system or capability to reliably provide service in compliance and accordance with prudent practices, regulatory requirements, and/or reliability standards, or to prevent damage to generating or transmission facilities, or to expedite restoration of service, or to effect a reduction in service to compensate for an emergency condition on an interconnected system. An emergency condition or action shall include any circumstance that requires action by the Company to comply with any electric reliability organization or NERC/SERC regulations or standards, including without limitation

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actions to respond to, prevent, limit, or manage loss or damage to Seller's Facility, reliability impairment, loss or damage to the Company's system, disruption of generation by the Seller, disruption of reliability or service on the Company's system, an abnormal condition on the system, and/or endangerment to human life or safety.

- (b) An event or condition of force majeure, as described below.
- (c) Making necessary adjustments to, changes in, or repairs on the Company lines, substations, and facilities, and in cases where, in its opinion, the continuance of service from the Seller's premises would endanger persons or property.

Seller shall be responsible for promptly taking all actions requested or required by Company to avoid, prevent, or recover from the occurrence and/or imminent occurrence of any emergency condition and in response to any emergency condition or condition of force majeure, including without limitation installing and operating any equipment necessary to take such actions.

The Seller shall be responsible for insuring the safe operation of his equipment at all times, and will install and maintain, to the Company's satisfaction, the necessary automatic equipment to prevent the back feed of power into, or damage to the Company's de-energized system, and shall be subject to immediate disconnection of its equipment from the Company's system if the Company determines that such equipment is unsafe or adversely affects the Company's transmission/distribution system or service to its other customers.

The Seller assumes responsibility for and shall indemnify, defend, and save the Company harmless against all liability, claims, judgments, losses, costs, and expenses for injury, loss, or damage to persons or property including personal injury or property damage to the Seller or the Seller's employees on account of defective construction, wiring, or equipment, or improper or careless use of electricity, on the Seller's side of the point of delivery.

15. FORCE MAJEURE

Circumstances beyond the reasonable control of a Party which solely cause that Party to experience delay or failure in delivering or receiving electricity or in providing continuous service hereunder, including: acts of God; unusually severe weather conditions; earthquake; strikes or other labor difficulties; war; riots; fire; requirements shall be deemed to be "events or conditions of force majeure". It also includes actions or failures to act on the part of governmental authorities (including the adoption or change in any rule or regulation or environmental constraints lawfully imposed by federal, state or local government bodies), but only if such requirements, actions or failures to act prevent or delay performance; or transportation delays or accidents. Events or conditions of force majeure do not include such circumstances which merely affect the cost of operating the Facility.

Neither Party shall be responsible nor liable for any delay or failure in its performance hereunder due solely to events or conditions of force majeure, provided that:

- (a) The affected Party gives the other Party written notice describing the particulars of the event or condition of force majeure, such notice to be provided within forty-eight (48) hours of the determination by the affected Party that an event or condition of force majeure has occurred, but in no event later than thirty (30) days from the date of the occurrence of the event or condition of force majeure;

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- (b) The delay or failure of performance is of no longer duration and of no greater scope than is required by the event or condition of force majeure, provided that in no event shall such delay or failure of performance extend beyond a period of twelve (12) months;
- (c) The affected Party uses its best efforts to remedy its inability to perform;
- (d) When the affected Party is able to resume performance of its obligations under this Agreement, that Party shall give the other Party prompt written notice to that effect; and,
- (e) The event or condition of force majeure was not caused by or connected with any negligent or intentional acts, errors, or omissions, or failure to comply with any law, rule, regulation, order or ordinance, or any breach or default of this Agreement.

16. INSURANCE

The Seller shall obtain and retain, for as long as the generation is interconnected with Company's system, either the applicable homeowners insurance policy with liability coverage of at least \$100,000 per occurrence or a the applicable comprehensive general liability insurance policy with liability coverage in the amount of at least \$300,000 per occurrence, which protects the Seller from claims for bodily injury and/or property damage. This insurance shall be primary for all purposes. The Seller shall provide certificates evidencing this coverage as required by the Company. The Company reserves the right to refuse to establish, or continue the interconnection of the Seller's generation with Company's system, if such insurance is not in effect.

17. GOVERNMENTAL RESTRICTIONS

This Agreement is subject to the jurisdiction of those governmental agencies having control over either party or over this Agreement. This Agreement shall not become effective until all required governmental authorizations are obtained. Certification of receipt of all permits and authorizations shall be furnished by the Seller to the Company upon the Company's request. This Agreement shall not become effective unless it and all provisions thereof are authorized and permitted by such governmental agencies without change or conditions.

This Agreement shall at all times be subject to changes by such governmental agencies, and the parties shall be subject to conditions and obligations, as such governmental agencies may, from time to time, direct in the exercise of their jurisdiction, provided no change may be made in rates or in essential terms and conditions of this contract except by agreement of the parties to this contract. Both parties agree to exert their best efforts to comply with all of the applicable rules and regulations of all governmental agencies having control over either party or this Agreement. The parties shall take all reasonable action necessary to secure all required governmental approval of this Agreement in its entirety and without change.

The delivery date, quantity, and type of electricity to be accepted for purchase by the Company, from the Seller, are subject to changes, restrictions, curtailments, or complete suspensions by Company as may be deemed by it to be necessary or advisable (a) on account of any lawful order or regulation of any municipal, State, or Federal government or agency thereof, or order of any court of competent jurisdiction, or (b) on account of any emergency due to war, or catastrophe, all without liability on the part of the Company therefor.

TERMS AND CONDITIONS FOR THE PURCHASE OF ELECTRIC POWER

1. PURCHASE POWER AGREEMENT

These "Terms and Conditions" provide a mechanism through which Duke Energy Carolinas, LLC, hereafter called "Company," will agree to purchase energy or capacity or both from an Eligible Qualifying Facility as defined in either the Purchased Power Schedule PP or Hydroelectric Qualifying Facilities Purchased Power Schedule PP-H. This Purchase Power Agreement is solely for the purchase of electricity produced by Seller's generation, net of generator auxiliary requirement, and does not provide for the sale of any electric service by Company to Seller.

- (a) Description - The Purchase Power Agreement (hereinafter sometimes termed "Agreement") shall consist of (1) Company's form of Purchase Power Agreement when signed by Seller and accepted by Company, (2) the applicable Schedule for the purchase of electricity as specified in the Purchase Power Agreement, and (3) these Terms and Conditions for the Purchase of Electric Power (hereinafter referred to as "Terms and Conditions"), and all changes, revisions, alterations therein, or substitutions therefor lawfully made.
- (b) Application of Terms and Conditions and Schedules - All Purchase Agreements in effect at the effective date of this tariff or that may be entered into in the future, are made expressly subject to these Terms and Conditions, and subject to all applicable Schedules as specified in the Purchase Power Agreement, and any changes therein, substitutions thereof, or additions thereto lawfully made, provided no change may be made in rates or in essential terms and conditions of this contract except by agreement of the parties to this contract or by order of the state regulatory authority having jurisdiction (hereinafter "Commission").
- (c) Conflicts - In case of conflict between any provision of a Schedule and of these Terms and Conditions, the provision of the Schedule shall prevail.
- (d) Waiver - The failure of either Party to enforce or insist upon compliance with any of the terms or conditions of this Agreement shall not constitute a waiver or relinquishment of any such terms or conditions, but the same shall be and remain at all times in full force and effect.
- (e) Assignment of Agreement - A Purchase ~~Power~~ Agreement between the Company and the Seller may not be transferred and assigned by Seller to any person, firm, or corporation purchasing or leasing and intending to continue the operation of the plant or business which is interconnected under such Agreement, without the prior written approval of Company. A Purchase Power Agreement shall not be transferred and assigned by Seller to any person, firm, or corporation that is party to any other purchase agreement under which a party sells or seeks to sell power to the Company from another Qualifying Facility that is located within one-half mile, as measured from the electrical generating equipment. The Company will not unreasonably withhold consent provided that such assignment does not require any amendment to the terms and conditions of this Agreement, other than the notice provision thereof. Any assignment that the Company has not approved in writing shall be null and void and not effective for all purposes. However, before such rights and obligations are assigned, the assignee must first obtain necessary approval from all regulatory bodies including, but not limited to, the Commission.
- (f) Notification of Assignment, Transfer or Sale - In the event of an assignment of the rights and obligations accruing to the Seller under this Agreement, or in the event of any contemplated sale, transfer or assignment of the Facility or the Certificate of Public Convenience and Necessity, the Seller shall, in addition to obtaining the approvals hereof, provide a minimum of 30 days prior written notice advising the Company and the Commission of any plans for such an assignment,

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sale or transfer, or of any accompanying significant changes in the information required by Commission Rule R8-64, R9-65 or R8-66 which are incorporated by reference herein.

- (g) Suspension of Sales Under Agreement at the Seller's Request - If the Seller is temporarily unable to produce the electricity contracted for due to physical destruction of, or damage to, his premises, the Company will, upon written request of the Seller, and for a period the Company deems as reasonably required to replace or repair such premises, suspend billing under the Agreement, exclusive of any Monthly Facilities Charges, effective with the beginning of the next sales period.
- (h) Termination of Agreement at the Seller's Request - If the Seller desires to terminate the Agreement, the Company will agree to such termination if all bills for services previously rendered to Seller including any termination or other charges applicable under any Interconnection Agreement, plus any applicable termination charges, have been paid. Termination charges shall consist of any applicable termination charges for premature termination of capacity as set forth in paragraphs 4 and 6 of these Terms and Conditions. The Company may waive the foregoing provision if Company has secured or expects to secure from a new occupant or operator of the premises an Agreement satisfactory to Company for the delivery of electricity to Company for a term not less than the unexpired portion of Seller's Agreement.
- (i) Company's Right to Terminate or Suspend Agreement - The Company, in addition to all other legal remedies, may either terminate the Agreement or suspend purchases of electricity from the Seller (1) for any default or breach of Agreement by the Seller, (2) for fraudulent or unauthorized use of the Company's meter, (3) for failure to pay any applicable bills when due and payable, (4) for a condition on the Seller's side of the point of delivery actually known by the Company to be, or which the Company reasonably anticipates may be, dangerous to life or property, or Termination of the contract is at the Company's sole option and is only appropriate when the Seller either cannot or will not cure its default, or if the Seller fails to deliver energy to the Company for six (6) consecutive months.

No such termination or suspension, however, will be made by the Company without written notice delivered to the Seller, personally or by mail, stating what in particular in the Agreement has been violated, except that no notice need to be given in instances set forth in 1.(i)(2). The Company shall give Seller thirty (30) calendar days prior written notice before suspending or terminating the Agreement pursuant to provisions 1.(i)(1) and (3). The Company shall give the Seller five (5) calendar days prior written notice before suspending or terminating the Agreement pursuant to provision 1.(i)(4).

Failure of the Company to terminate the Agreement or to suspend the purchase of electricity at any time after the occurrence of grounds therefor, or to resort to any other legal remedy or to exercise any one or more of such alternative remedies, shall not waive or in any manner affect the Company's right later to resort to any one or more of such rights or remedies on account of any such ground then existing or which may subsequently occur.

Any suspension of the purchase of electricity by the Company or termination of the Agreement upon any authorized grounds shall in no way operate to relieve the Seller of Seller's liability to compensate Company for services and/or facilities supplied, nor shall it relieve the Seller (1) of the Seller's liability for the payment of minimum monthly charges during the period of suspension, nor (2) of the Seller's liability for damages, if the Agreement has been terminated, in the amount of (a) the minimum monthly charges which would have been payable during the

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unexpired term of the Agreement plus (b) the Early Contract Termination charge as set forth in these Terms and Conditions.

2. CONDITIONS OF SERVICE

- (a) The Company is not obligated to purchase electricity from the Seller unless and until: (1) the Company's form of Purchase Power Agreement is executed by the Seller and accepted by the Company; (2) in cases where it is necessary to cross private property to accept delivery of electricity from the Seller, the Seller conveys or causes to be conveyed to the Company, without cost to Company, a right of way easement, satisfactory to the Company, across such private property which will provide for the construction, maintenance, and operation of the Company's lines and facilities, necessary to receive electricity from the Seller; provided, however, in the absence of a formal conveyance, the Company nevertheless, shall be vested with an easement over the Seller's premises authorizing it to do all things necessary including the construction, maintenance, and operation of its lines and facilities for such purpose; and (3) any inspection certificates or permits that may be required by law in the local area are furnished to the Company. Where not required by law, an inspection by a Company-approved inspector shall be made at the Seller's expense. In the event the Seller is unable to secure such necessary rights of way, the Seller shall reimburse the Company for all costs the Company may incur for the securing of such rights of way.

The obligation of the Company in regard to service under the Agreement are dependent upon the Company securing and retaining all necessary rights-of-way, privileges, franchises, and permits, for such service. The Company shall not be liable to any Seller in the event the Company is delayed or prevented from purchasing power by the Company failure to secure and retain such rights-of-way, privileges, franchises, and permits.

- (b) The Seller shall operate its Facility in compliance with all applicable operating guidelines established by the North American Electric Reliability Corporation ("NERC") and the SERC Reliability Corporation ("SERC") or any successor thereto.
- (c) The Seller shall submit an Interconnection ~~Agreement-Request~~ as set forth in the North Carolina Interconnection Procedures, Forms and Agreements for State-Jurisdictional Generation Interconnections. The Company shall not be required to install facilities to support interconnection of the Seller's generation or execute the Purchase Power Agreement until the Seller has signed an Interconnection Agreement as set forth in the North Carolina Interconnection Procedures, Forms and Agreements for State-Jurisdictional Generation Interconnections, as may be required by the Company.
- (d) If electricity is received through lines which cross the lands of the United States of America, a state, or any agency or subdivision of the United States of America or of a state, the Company shall have the right, upon 30 days' written notice, to discontinue receiving electricity from any Seller or Sellers interconnected to such lines, if and when (1) the Company is required by governmental authority to incur expenses in the relocation or the reconstruction underground of any portion of said lines, unless the Company is reimbursed for such expense by the Sellers or customers connected thereto, or (2) the right of the Company to maintain and operate said lines is terminated, revoked, or denied by governmental authority for any reason.

3. DEFINITIONS

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- (a) Nameplate Capacity: The term "Nameplate Capacity" shall mean the manufacturer's kW_{AC} nameplate rated output capability of the generator. For multi-unit generator facilities, the "Nameplate Capacity" of the facility shall be the sum of the individual manufacturer's kW_{AC} nameplate rated output capabilities of the generators. For inverted-based generating facilities, the "Nameplate Capacity" shall be the manufacturer's rated kW_{AC} output on the inverters.
- (b) Net Capacity: The term "Net Capacity" shall mean the Nameplate Capacity of the Seller's generating facilities, less the portion of that capacity needed to serve the generating facilities' Auxiliary Load.
- (c) Auxiliary Load: The term "Auxiliary Load" shall mean power used to operate auxiliary equipment in the facility necessary for power generation (such as pumps, blowers, fuel preparation machinery, and exciters).
- (d) Whenever the term "purchase" or "purchase of electricity" is used in these Terms and Conditions or other portions of the Agreement, it shall be construed to refer to the electricity supplied to the Company by the Seller.
- (e) The term "Company's conductors" shall mean the Company's wires extending from the point of connection with the Company's existing electric system to the point of delivery.
- (f) The term "Seller's conductors" shall mean the Seller's wires extending from the point of delivery to the switch box or other point where the Seller's circuits connect for the purpose of supplying the electricity produced by the Seller.
- (g) The term "interconnection" shall mean the connection of the Company's conductors to the Seller's conductors.

4. CONTRACT CAPACITY

- (a) The Contract Capacity shall be the kW_{AC} of capacity specified in the Purchase Power Agreement and shall not exceed the capacity specified in the Seller's Interconnection Agreement. This term shall mean the maximum continuous electrical output capability expressed on an alternating current basis of the generator(s) at any time, at a power factor of approximately unity, without consuming VARs supplied by Company, as measured at the Point of Delivery and shall be the maximum kW_{AC} delivered to the Company during any billing period. In cases where any change is required in Company's facilities due to the actual capacity delivered exceeding the Contract Capacity or due to the Seller requesting an increase in the capacity of Company's facilities, the Company may require Seller to execute a new Agreement or amend an existing Agreement, thereby establishing a new Contract Capacity. If the Company's facilities cannot be upgraded to accept such actual or requested increase, then upon written notice, the Seller shall not exceed the existing Contract Capacity or such amount in excess thereof as the Company determines it is able to accept.
- (b) The Seller shall not change its generating capacity or contracted estimated annual kWh energy production without adequate notice to the Company, and without receiving the Company's consent, and if such unauthorized increase causes loss of or damage to the Company's facilities, the cost of making good such loss or repairing such damage shall be paid by the Seller.
- (c) The Company may require that a new Contract Capacity be determined when it reasonably appears that the capacity of the Seller's generating facility will deviate from contracted or

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established levels for any reason, including, but not limited to, a change in water flow, steam supply, or fuel supply.

- (d) In the event that the Contract Capacity is terminated prior to the completion of the term of the Agreement, the Seller shall pay to the Company a penalty as set forth in paragraph 6, below.

5. CONTRACT ENERGY

The Contract Energy specified in the Purchase Power Agreement shall be the estimated total annual kilowatt-hours registered or computed by or from the Company's metering facilities for each time period during a continuous 12-month interval.

6. EARLY CONTRACT TERMINATION OR INCREASE IN CONTRACT CAPACITY

If the Seller terminates the Agreement or increases the Contract Capacity prior to the expiration of the initial (or extended) term of the Purchase Agreement, the following payment shall be made to the Company by the Seller:

Early Contract Termination – The Seller shall pay to Company the total Energy and/or Capacity credits received in excess of the sum of what would have been received under the Variable Rate for Energy and/or Capacity Credits applicable at the initial term of the contract period and as updated every two years, plus interest. The interest should be the weighted average rate for new debt issued by the Company in the calendar year previous to that in which the Agreement was commenced.

Increase In Contract Capacity – The Seller may apply to the Company to increase the Contract Capacity during the Contract Period and, upon approval by Company, future Monthly Delivered Capacities shall not exceed the revised Contract Capacity. If such increase in Contract Capacity results in additional costs associated with redesign or a resizing of Company's facilities, such additional costs to the Seller shall be determined in accordance with the Interconnection Agreement.

7. CONTRACT RENEWAL

This Agreement shall be subject to renewal for subsequent term(s) at the option of the Company on substantially the same terms and provisions and at a rate either (1) mutually agreed upon by the parties negotiating in good faith and taking into consideration the Company's then avoided cost rates and other relevant factors, or (2) set by arbitration.

8. QUALITY OF ENERGY RECEIVED

- (a) The Seller has full responsibility for the routine maintenance of his generating and protective equipment to insure that reliable, utility grade electric energy is being delivered to the Company.
- (b) The Seller's facility shall be operated in such a manner as to generate reactive power as may be reasonably necessary to maintain voltage levels and reactive area support as specified by the Company. Any operating requirement is subject to modification or revision if warranted by future changes in the distribution or transmission circuit conditions.
- (c) The Seller may operate direct current generators in parallel with the Company through a synchronous inverter. The inverter installation shall be designed such that a utility system interruption will result in the removal of the inverter infeed into the Company's system.

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Harmonics generated by a DC generator-inverter combination must not adversely affect the Company's supply of electric service to, or the use of electric service by the Company's other customers, and any correction thereof is the full responsibility of the Seller.

- (d) In the event the Company determines, based on calculations, studies, analyses, monitoring, measurement or observation, that the output of the Facility will cause or is causing the Company to be unable to provide proper voltage levels to its customers, the Seller shall be required to comply with a voltage schedule and/or reactive power output schedule as prescribed by the Company.
- (e) The Seller shall provide the Company written notification of any changes to their generation system, support equipment such as inverters, or interconnection facilities and shall provide the Company adequate time to review such changes to ensure continued safe interconnection prior to implementation.
- (f) Failure of the Seller to comply with either (a), (b), (c), (d) or (e) above will constitute grounds for the Company to cease parallel operation with the Seller's generation equipment and constitute grounds for termination or suspension of the Agreement as set forth under paragraph 1, above.

9. BILLING

- (a) Meters will be read and bills rendered monthly. Readings are taken each month at intervals of approximately thirty (30) days.
- (b) If Company is unable to read its purchase meter for any reason, the Seller's production may be estimated by Company on the basis of Seller's production during the most recent preceding billing period for which readings were obtained, unless some unusual condition is known to exist. A bill or payment rendered on the basis of such estimate shall be as valid as if made from actual meter readings.
- (c) The term "Month" or "Monthly", as used in Company's Schedules and Riders, refers to the period of time between the regular meter readings by the Company. Bills rendered for periods of less than 25 or more than 35 days as a result of rerouting of the Seller's account, and all initial and final bills rendered on a Seller's account will be prorated on the basis of a normal 30-day billing period.
- (d) Payments for capacity and/or energy will be made to the Seller based on the rate schedule stated in the Purchase Power Agreement.
- (e) The Company reserves the right to set off against any amounts due from the Company to the Seller, any amounts which are due from the Seller to the Company, including, but not limited to, unpaid charges pursuant to the Interconnection Agreement or past due balances on any accounts Seller has with Company for other services.

10. RECORDS

In addition to the regular meter readings to be taken monthly for billing purposes, Company may require additional meter readings, records, transfer of information, etc. as may be agreed upon by the Parties. The Company reserves the right to provide to the Commission or the FERC or any other regulatory body, upon request, information pertaining to this Agreement, including but not limited to: records of the Facility's generation output and the Company's purchases thereof (including copies of monthly statements of power purchases and data from load recorders and telemetering installed at the

TERMS AND CONDITIONS FOR THE PURCHASE OF ELECTRIC POWER

Facility); copies of this Agreement. The Company will not provide any information developed solely by the Seller and designated by the Seller in writing to be "proprietary" unless required to do so by order of the Commission or the FERC or any other regulatory body or court, in which event, the Company will notify the Seller prior to supplying the proprietary information.

The Seller shall provide to the Company, on a monthly basis within ten (10) days of the meter reading date and in form to be mutually agreed upon by the Parties, information on the Facility's fuel costs (coal, oil natural gas, supplemental firing, etc.), if any, for the power delivered to the Company during the preceding month's billing period.

11. METER STOPPAGE OR ERROR

In the event a meter fails to register accurately within the allowable limits established by the state regulatory body having jurisdiction, the Company will adjust the measured energy for the period of time the meter was shown to be in error, and shall, as provided in the rules and regulations of the state regulatory body having jurisdiction, pay to the Seller, or the Seller shall refund to the Company, the difference between the amount billed and the estimated amount which would have been billed had the meter accurately registered the kilowatt hours provided by the Seller. No part of any minimum service charge shall be refunded.

12. POINT OF DELIVERY

The point of delivery is the point where the Company's conductors are, or are to be, connected to the Seller's conductors. The Seller shall do all things necessary to bring its conductors to such point of delivery for connection to the Company's conductors, and shall maintain said conductors in good order at all times. If the Seller chooses to deliver power to the Company through a point of delivery where Seller presently receives power from Company, then the point of delivery for the purchase of generation shall be the same point as the point of delivery for electric service.

13. INTERCONNECTION FACILITIES

If the Seller is not subject to the terms and conditions of to the North Carolina Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnection, as approved by the Commission in Docket No. E-100 Sub 101 the following conditions shall apply to Interconnection Facilities necessary to deliver the Seller's electricity to the Company. Otherwise, the terms and conditions of the North Carolina Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnection, as approved by the Commission in Docket No. E-100 Sub 101 govern.

- (a) By Company: The Company shall install, own, operate, maintain, and otherwise furnish all lines and equipment located on its side of the point of delivery to permit parallel operation of the Seller's facilities with the Company's system. It shall also install and own the necessary metering equipment, and meter transformers, where necessary, for measuring the electricity delivered to the Company, though such meter may be located on the Seller's side of the point of delivery. Interconnection facilities, installed by either Company or the Seller, solely for such purpose, include, but are not limited to connection, line extension, transformation, switching equipment, protective relaying, metering, telemetering, communications, and appropriate safety equipment.

Any interconnection facilities installed by Company necessary to receive power from the Seller shall be considered Interconnection Facilities and shall be provided, if Company finds it practicable, under the following conditions:

TERMS AND CONDITIONS FOR THE PURCHASE OF ELECTRIC POWER

- (1) The facilities will be of a kind and type normally used by or acceptable to Company and will be installed at a place and in a manner satisfactory to Company.
 - (2) The Seller will pay to Company a Monthly Interconnection Facilities Charge based on 1.1 percent of the estimated original installed cost and rearrangement cost of all facilities, including metering, required to accept interconnection, but not less than \$25 per month. The monthly charge for the Interconnection Facilities to be provided under this Agreement is subject to the rates, Service Regulations and conditions of the Company as the same are now on file with the Commission and may be changed or modified from time to time upon approval by the Commission. Any such changes or modifications, including those which may result in increased charges for the Interconnection Facilities to be provided by the Company, shall be made a part of this Agreement to the same effect as if fully set forth herein.
 - (3) If the Company increases its investment in interconnection facilities or other special facilities required by the Seller (including conversion of the Company's primary voltage to a higher voltage), the Monthly Interconnection Facilities Charge for providing the additional facilities will be adjusted at that time. If the Monthly Interconnection Facilities Charge increases, the Seller may terminate the Interconnection Facilities in accordance with the applicable termination paragraph 1 above, or continue Interconnection Facilities under the changed conditions.
 - (4) The Monthly Interconnection Facilities Charge as determined shall continue regardless of the term of the Agreement until Seller no longer has need for such facilities. In the event Seller's interconnection facilities should be discontinued or terminated in whole or in part, such discontinuation or termination should be calculated in accordance with 1, above.
 - (5) The Seller's wiring and appurtenant structures shall provide for the location, connection, and installation of the Company's standard metering equipment or other equipment deemed necessary by the Company for the metering of Seller's electrical output. The Company shall, at its expense, be permitted to install, in the Seller's wiring or equipment, any special metering devices or equipment as deemed necessary for experimental or monitoring purposes.
 - (6) The Company shall furnish and install the Interconnection Facilities no later than the date requested by the Seller for such installation. The Seller's obligation to pay the Interconnection Facilities charges shall begin upon the earlier of (1) completion of the installation but no earlier than the requested on the in-service date that such specified in the Interconnection Agreement or (2) the first date when energy is generated and delivered to the Company Facilities become operational, except as provided in Paragraph 3.4 hereof, and such charges shall apply at all times thereafter during the term of this Agreement, whether or not the Seller is actually supplying electric power to the Company.
- (b) By Seller: The Seller shall install, own, operate, and maintain all lines, and equipment, exclusive of the Company's meter and meter transformers, on the Seller's side of the point of delivery. The Seller will be the owner and have the exclusive control of, and responsibility for, all electricity on the Seller's side of the point of delivery. The Seller must conform to the North Carolina Interconnection Procedures, Forms and Agreements for State-Jurisdictional Generation Interconnections. The Seller's wiring shall be arranged such that all electricity generated for sale can be supplied to one point of delivery and measured by a single meter. The Company's meter

TERMS AND CONDITIONS FOR THE PURCHASE OF ELECTRIC POWER

may be located on the Seller's side of the point of delivery, and when it is to be so located, the Seller must make suitable provisions in the Seller's wiring, at a place suitable to the Company, for the convenient installation of the type of meter the Company will use. All of the Seller's conductors installed on the Company's side of the meter and not installed in conduit must be readily visible.

The Seller shall install and maintain devices adequate to protect the Seller's equipment against irregularities on the Company's system, including devices to protect against single-phasing. The Seller shall also install and maintain such devices as may be necessary to automatically disconnect the Seller's generating equipment, which is operated in parallel with the Company, when service provided by the Seller is affected by electrical disturbances on the Company's or the Seller's systems, or at any time when the Company's system is de-energized from its prime source.

- (c) Access to Premises: The duly authorized agents of the Company shall have the right of ingress and egress to the premises of the Seller at all reasonable hours for the purpose of reading meters, inspecting the Company's wiring and apparatus, changing, exchanging, or repairing the Company's property on the premises of the Seller, or removing such property at the time of or at any time after suspension of purchases or termination of this Agreement.
- (d) Protection: The Seller shall protect the Company's wiring and apparatus on the Seller's premises and shall permit no one but the Company's agents to handle same. In the event of any loss of or damage to such property of the Company caused by or arising out of carelessness, neglect, or misuse by the Seller or the Seller's employees or agents, the cost of making good such loss or repairing such damage shall be paid by the Seller. In cases where the Company's service facilities on the Seller's premises require abnormal maintenance due to the Seller's operation, the Seller shall reimburse Company for such abnormal maintenance cost.

14. CONTINUANCE OF PURCHASES AND LIABILITY THEREFOR

The Parties do not guarantee continuous service but shall use reasonable diligence at all times to provide for uninterrupted acceptance and supply of electricity. ~~They~~ Each party shall at all times use reasonable diligence ~~at all times~~ to provide satisfactory service for the acceptance or supply of electricity, and to remove the cause or causes in the event of failure, interruption, reduction or suspension of service for the acceptance or supply of electricity, but neither Party shall be liable for any loss or damage resulting from such failure, interruption, reduction or suspension of service, nor shall same be a default hereunder, when any interruption of service for the acceptance or supply of electricity is due to any of the following:

- (a) An emergency condition or action due to an adverse condition, event, and/or disturbance on the Company's system, or on any other system directly or indirectly interconnected with it, which requires automatic or manual interruption of the supply of electricity to some customers or areas or automatic or manual interruption, reduction, or cessation of the acceptance of electricity into Company's electrical system in order to limit the occurrence of extent or damage of the adverse condition or disturbance to Company's system or capability to reliably provide service in compliance and accordance with prudent practices, regulatory requirements, and/or reliability standards, or to prevent damage to generating or transmission facilities, or to expedite restoration of service, or to effect a reduction in service to compensate for an emergency condition on an interconnected system. An emergency condition or action shall include any circumstance that requires action by the Company to comply with any electric

TERMS AND CONDITIONS FOR THE PURCHASE OF ELECTRIC POWER

reliability organization or NERC/SERC regulations or standards, including without limitation actions to respond to, prevent, limit, or manage loss or damage to Seller's Facility, reliability impairment, loss or damage to the Company's system, disruption of generation by the Seller, disruption of reliability or service on the Company's system, an abnormal condition on the system, and/or endangerment to human life or safety.

- (b) An event or condition of force majeure, as described below.
- (c) Making necessary adjustments to, changes in, or repairs on the Company lines, substations, and facilities, and in cases where, in its opinion, the continuance of service from the Seller's premises would endanger persons or property.

Seller shall be responsible for promptly taking all actions requested or required by Company to avoid, prevent, or recover from the occurrence and/or imminent occurrence of any emergency condition and in response to any emergency condition or condition of force majeure, including without limitation installing and operating any equipment necessary to take such actions.

The Seller shall be responsible for insuring the safe operation of his equipment at all times, and will install and maintain, to the Company's satisfaction, the necessary automatic equipment to prevent the back feed of power into, or damage to the Company's de-energized system, and shall be subject to immediate disconnection of its equipment from the Company's system if the Company determines that such equipment is unsafe or adversely affects the Company's transmission/distribution system or service to its other customers.

The Seller assumes responsibility for and shall indemnify, defend, and save the Company harmless against all liability, claims, judgments, losses, costs, and expenses for injury, loss, or damage to persons or property including personal injury or property damage to the Seller or the Seller's employees on account of defective construction, wiring, or equipment, or improper or careless use of electricity, on the Seller's side of the point of delivery.

15. FORCE MAJEURE

Circumstances beyond the reasonable control of a Party which solely cause that Party to experience delay or failure in delivering or receiving electricity or in providing continuous service hereunder, including: acts of God; unusually severe weather conditions; earthquake; strikes or other labor difficulties; war; riots; fire; requirements shall be deemed to be "events or conditions of force majeure". It also includes actions or failures to act on the part of governmental authorities (including the adoption or change in any rule or regulation or environmental constraints lawfully imposed by federal, state or local government bodies), but only if such requirements, actions or failures to act prevent or delay performance; or transportation delays or accidents. Events or conditions of force majeure do not include such circumstances which merely affect the cost of operating the Facility.

Neither Party shall be responsible nor liable for any delay or failure in its performance hereunder due solely to events or conditions of force majeure, provided that:

- (a) The affected Party gives the other Party written notice describing the particulars of the event or condition of force majeure, such notice to be provided within forty-eight (48) hours of the determination by the affected Party that an event or condition of force majeure has occurred, but in no event later than thirty (30) days from the date of the occurrence of the event or condition of force majeure;

TERMS AND CONDITIONS FOR THE PURCHASE OF ELECTRIC POWER

- (b) The delay or failure of performance is of no longer duration and of no greater scope than is required by the event or condition of force majeure, provided that in no event shall such delay or failure of performance extend beyond a period of twelve (12) months;
- (c) The affected Party uses its best efforts to remedy its inability to perform;
- (d) When the affected Party is able to resume performance of its obligations under this Agreement, that Party shall give the other Party prompt written notice to that effect; and,
- (e) The event or condition of force majeure was not caused by or connected with any negligent or intentional acts, errors, or omissions, or failure to comply with any law, rule, regulation, order or ordinance, or any breach or default of this Agreement.

16. INSURANCE

The Seller shall obtain and retain, for as long as the generation is interconnected with Company's system, either the applicable homeowners insurance policy with liability coverage of at least \$100,000 per occurrence or a the applicable comprehensive general liability insurance policy with liability coverage in the amount of at least \$300,000 per occurrence, which protects the Seller from claims for bodily injury and/or property damage. This insurance shall be primary for all purposes. The Seller shall provide certificates evidencing this coverage as required by the Company. The Company reserves the right to refuse to establish, or continue the interconnection of the Seller's generation with Company's system, if such insurance is not in effect.

17. GOVERNMENTAL RESTRICTIONS

This Agreement is subject to the jurisdiction of those governmental agencies having control over either party or over this Agreement. This Agreement shall not become effective until all required governmental authorizations are obtained. Certification of receipt of all permits and authorizations shall be furnished by the Seller to the Company upon the Company's request. This Agreement shall not become effective unless it and all provisions thereof are authorized and permitted by such governmental agencies without change or conditions.

This Agreement shall at all times be subject to changes by such governmental agencies, and the parties shall be subject to conditions and obligations, as such governmental agencies may, from time to time, direct in the exercise of their jurisdiction, provided no change may be made in rates or in essential terms and conditions of this contract except by agreement of the parties to this contract. Both parties agree to exert their best efforts to comply with all of the applicable rules and regulations of all governmental agencies having control over either party or this Agreement. The parties shall take all reasonable action necessary to secure all required governmental approval of this Agreement in its entirety and without change.

The delivery date, quantity, and type of electricity to be accepted for purchase by the Company, from the Seller, are subject to changes, restrictions, curtailments, or complete suspensions by Company as may be deemed by it to be necessary or advisable (a) on account of any lawful order or regulation of any municipal, State, or Federal government or agency thereof, or order of any court of competent jurisdiction, or (b) on account of any emergency due to war, or catastrophe, all without liability on the part of the Company therefor.

DEC Exhibit 5

Duke Energy Carolinas, LLC

Updated Notice of Commitment Form

Clean and Redlined

**NOTICE OF COMMITMENT TO SELL THE OUTPUT
OF A QUALIFYING FACILITY TO
Duke Energy Carolinas, LLC or Duke Energy Progress, LLC**

Instructions to QF: The QF shall deliver, via certified mail, courier, hand delivery or email, its executed Notice of Commitment to:

Director – Power Contracts
400 South Tryon Street
Mail Code: ST 13A
Charlotte, North Carolina 28202
Attn.: Wholesale Renewable Manager
DERContracts@duke-energy.com

Any subsequent notice that a QF is required to provide to Company pursuant to this Notice of Commitment shall be delivered to the same address by one of the foregoing delivery methods.

1. [_____] (“Seller”) hereby commits to sell to Duke Energy Carolinas, LLC or Duke Energy Progress, LLC (the “Company”) all of the electrical output of the Seller’s qualifying facility (“QF”) described in Seller’s self-certification of QF status filed with the Federal Energy Regulatory Commission in Docket No. QF_____ (the “Facility”).
2. The name, address, and contact information for Seller is:

Telephone: _____

Email: _____
3. By execution and submittal of this commitment to sell the output of the Facility (the “Notice of Commitment”), Seller certifies as follows:

(Select the applicable certification below)

Certificate of Public Convenience and Necessity

- i. _____ Seller has received a certificate of public convenience and necessity (“CPCN”) for the construction of its _____ kW (net capacity ac) Facility from the North Carolina Utilities Commission (“NCUC”) pursuant to North Carolina General Statute § 62-110.1 and NCUC Rule R8-64, which CPCN was granted by NCUC on [insert date] in Docket No. _____.
- ii. _____ Seller is exempt from the CPCN requirements pursuant to North Carolina General Statute § 62-110.1(g) and has filed a report of proposed construction for its _____ kW (net capacity ac) Facility with the NCUC

pursuant to NCUC Rule R8-65 (“Report of Proposed Construction”) on [insert date] in Docket No. _____.

- iii. _____ Seller has applied or will apply for a CPCN for the construction of its _____ kW (net capacity ac) Facility on [insert date] in Docket No. _____. If the Seller does not know the docket number on the date of submission of this Notice of Commitment, Seller shall notify the Company of the docket number when it is assigned by the NCUC. Seller shall notify the Company upon issuance of an order by the Commission granting the CPCN.
- iv. _____ Seller is exempt from the CPCN requirements pursuant to North Carolina General Statute § 62-110.1(g) and will file a Report of Proposed Construction for its _____ kW (net capacity ac) Facility with the NCUC pursuant to NCUC Rule R8-65 and shall notify the Company at the address specified in paragraph 1 of the docket number of such filing when it is assigned by the NCUC.

Application to Interconnect Generator to Company’s System

Seller is requesting to become an Interconnection Customer of the Company, as that term is defined in the North Carolina Interconnection Procedures (“NCIP”), and

- i. _____ is eligible for interconnection under NCIP Section 2 (Inverter-based Generators no larger than 20 kW) and has submitted the NCIP Attachment 6 Interconnection Request Application Form for Certified Inverter-Based Generating Facilities No Larger Than 20 kW.
 - ii. _____ is eligible for interconnection under NCIP Section 3 (Fast Track, as defined in NCIP Section 3.1), and has submitted the NCIP Attachment 1 Interconnection Request Application Form requesting Fast Track review.
 - iii. _____ has submitted the NCIP Attachment 1 Interconnection Request Application Form requesting to interconnect under the NCIP Section 4 Study Process
4. This Notice of Commitment shall take effect on its “Submittal Date” as hereinafter defined. “Submittal Date” means (a) the receipted date of deposit of this Notice of Commitment with the U.S. Postal Service for certified mail delivery to the Company, (b) the receipted date of deposit of this Notice of Commitment with a third-party courier (e.g., Federal Express, United Parcel Service) for trackable delivery to the Company, (c) the receipted date of hand delivery of this Notice of Commitment to the Company at the address set forth in paragraph 1, above, or (d) the date on which an electronic copy of this

Notice of Commitment is sent via email to the Company if such email is sent during regular business hours (9:00 a.m. to 5:00 p.m.) on a business day (Monday through Friday excluding federal and state holidays). Emails sent after regular business hours or on days that are not business days shall be deemed submitted on the next business day.

5. By execution and submittal of this Notice of Commitment Seller acknowledges that:
 - a. The legally enforceable obligation date (“LEO Date”) for the Facility will be determined in accordance with subsections (b) and (c) below. For QFs of 1 MW or less, the LEO Date will be used to determine Seller’s eligibility for the rates, terms and conditions of the Company’s currently effective Schedule PP. If the Seller’s Facility does not qualify for Schedule PP, rates for purchases from the Facility will be based on the Company’s avoided costs as of the LEO Date, calculated using data current as of the LEO Date. A QF shall meet both of the following requirements to establish its LEO Date.
 - b. CPCN: If on the Submittal Date, Seller has a CPCN from or has filed a Report of Proposed Construction with NCUC for the Facility, the LEO Date will be the Submittal Date.~~e~~— If on the Submittal Date, Seller does not have a CPCN for the Facility or has not filed a Report of Proposed Construction with the NCUC for the Facility, the LEO Date will be the date on which the NCUC issues a CPCN for the Facility or the filing date of the Report of Proposed Construction for the Facility, as applicable.
 - c. Request for Interconnection: For Interconnection Customers that have applied to interconnect to the Company’s system under the Section 2 Certified Inverter-based Small Generator Process or Section 3 Fast Track Process, the LEO Date shall be on or after the date that the Company accepts the Section 2 or Section 3 Interconnection Request as complete. For Interconnection Customers that have applied to interconnect to the Company’s system under the Section 4 Study Process, the LEO Date shall be on or after the date that the Company receives an executed Attachment 8 Facilities Study Agreement from the Interconnection Customer pursuant to NCIP Section 4.4.1, indicating that the Interconnection Customer intends for the Company to proceed with developing detailed Facilities Study cost estimates in support of a final Interconnection Agreement under NCIP Section 5.
6. This Notice of Commitment shall automatically terminate and be of no further force and effect in the following circumstances:
 - a. Upon execution of a PPA between Seller and Company.
 - b. For a seller eligible for Schedule PP, if such Seller does not execute a PPA within thirty (30) days of the Company’s delivery of an “executable” PPA. An executable PPA shall mean a PPA delivered to the QF by the Company that contains all information necessary for execution and that the Company has

requested that the QF execute and return.

- c. For a Seller that is not eligible for Schedule PP, if such Seller does not execute a PPA within six months (as such period may be extended by mutual agreement of Seller and Company) after the Company's submittal of the PPA to the QF, provided, however, that if no interconnection agreement for the Facility has been tendered to Seller prior to the expiration of such deadline, the deadline for execution of the PPA shall be automatically extended until the date that is five days after the date that the interconnection agreement is tendered to the Seller. Notwithstanding the foregoing, if the PPA proposed by the Company becomes the subject of an arbitration or complaint proceeding, the six month deadline for execution of the PPA shall be tolled upon the filing of the pleading commencing such proceeding and thereafter the deadline for execution of the PPA will be as directed by the NCUC.

The undersigned is duly authorized to execute this Notice of Commitment for the Seller:

[Name]

[Title]

[Company]

[Date]

**NOTICE OF COMMITMENT TO SELL THE OUTPUT
OF A QUALIFYING FACILITY TO
Duke Energy Carolinas, LLC or Duke Energy Progress, LLC**

Instructions to QF: The QF shall deliver, via certified mail, courier, hand delivery or email, its executed Notice of Commitment to:

Director – Power Contracts
400 South Tryon Street
Mail Code: ST 13A
Charlotte, North Carolina 28202
Attn.: Wholesale Renewable Manager
DERContracts@duke-energy.com

Any subsequent notice that a QF is required to provide to Company pursuant to this Notice of Commitment shall be delivered to the same address by one of the foregoing delivery methods.

1. [_____] (“Seller”) hereby commits to sell to Duke Energy Carolinas, LLC or Duke Energy Progress, LLC (the “Company”) all of the electrical output of the Seller’s qualifying facility (“QF”) described in Seller’s self-certification of QF status filed with the Federal Energy Regulatory Commission in Docket No. QF_____ (the “Facility”).
2. The name, address, and contact information for Seller is:

Telephone: _____

Email: _____
3. By execution and submittal of this commitment to sell the output of the Facility (the “Notice of Commitment”), Seller certifies as follows:

(Select the applicable certification below)

Certificate of Public Convenience and Necessity

- i. _____ Seller has received a certificate of public convenience and necessity (“CPCN”) for the construction of its _____ kW (net capacity ac) Facility from the North Carolina Utilities Commission (“NCUC”) pursuant to North Carolina General Statute § 62-110.1 and NCUC Rule R8-64, which CPCN was granted by NCUC on [insert date] in Docket No. _____.
- ii. _____ Seller is exempt from the CPCN requirements pursuant to North Carolina General Statute § 62-110.1(g) and has filed a report of proposed construction for its _____ kW (net capacity ac) Facility with the NCUC

pursuant to NCUC Rule R8-65 ("Report of Proposed Construction") on [insert date] in Docket No. _____.

- iii. _____ Seller has applied or will apply for a CPCN for the construction of its _____ kW (net capacity ac) Facility on [insert date] in Docket No. _____. If the Seller does not know the docket number on the date of submission of this Notice of Commitment, Seller shall notify the Company of the docket number when it is assigned by the NCUC. Seller shall notify the Company upon issuance of an order by the Commission granting the CPCN.
- iv. _____ Seller is exempt from the CPCN requirements pursuant to North Carolina General Statute § 62-110.1(g) and will file a Report of Proposed Construction for its _____ kW (net capacity ac) Facility with the NCUC pursuant to NCUC Rule R8-65 and shall notify the Company at the address specified in paragraph 1 of the docket number of such filing when it is assigned by the NCUC.

Application to Interconnect Generator to Company's System

Seller is requesting to become an Interconnection Customer of the Company, as that term is defined in the North Carolina Interconnection Procedures ("NCIP"), and

- i. _____ is eligible for interconnection under NCIP Section 2 (Inverter-based Generators no larger than 20 kW) and has submitted the NCIP Attachment 6 Interconnection Request Application Form for Certified Inverter-Based Generating Facilities No Larger Than 20 kW.**
 - ii. _____ is eligible for interconnection under NCIP Section 3 (Fast Track, as defined in NCIP Section 3.1), and has submitted the NCIP Attachment 1 Interconnection Request Application Form requesting Fast Track review.**
 - iii. _____ has submitted the NCIP Attachment 1 Interconnection Request Application Form requesting to interconnect under the NCIP Section 4 Study Process**
4. This Notice of Commitment shall take effect on its "Submittal Date" as hereinafter defined. "Submittal Date" means (a) the receipted date of deposit of this Notice of Commitment with the U.S. Postal Service for certified mail delivery to the Company, (b) the receipted date of deposit of this Notice of Commitment with a third-party courier (e.g., Federal Express, United Parcel Service) for trackable delivery to the Company, (c) the

receipted date of hand delivery of this Notice of Commitment to the Company at the address set forth in paragraph 1, above, or (d) the date on which an electronic copy of this Notice of Commitment is sent via email to the Company if such email is sent during regular business hours (9:00 a.m. to 5:00 p.m.) on a business day (Monday through Friday excluding federal and state holidays). Emails sent after regular business hours or on days that are not business days shall be deemed submitted on the next business day.

5. By execution and submittal of this Notice of Commitment Seller acknowledges that:
 - a. The legally enforceable obligation date ("LEO Date") for the Facility will be determined in accordance with subsections ~~(e)~~ ~~or~~ and ~~(d)~~ below. For QFs of 51 MW or less, the LEO Date will be used to determine Seller's eligibility for the rates, terms and conditions of the Company's currently effective Schedule PP. If the Seller's Facility does not qualify for Schedule PP, rates for purchases from the Facility will be based on the Company's avoided costs as of the LEO Date, calculated using data current as of the LEO Date. **A QF shall meet both of the following requirements to establish its LEO Date.**
 - b. **CPCN:** If on the Submittal Date, Seller has a CPCN from or has filed a Report of Proposed Construction with NCUC for the Facility, the LEO Date will be the Submittal Date.~~e.~~—— If on the Submittal Date, Seller does not have a CPCN for the Facility or has not filed a Report of Proposed Construction with the NCUC for the Facility, the LEO Date will be the date on which the NCUC issues a CPCN for the Facility or the filing date of the Report of Proposed Construction for the Facility, as applicable.
 - c. **Request for Interconnection:** **For Interconnection Customers that have applied to interconnect to the Company's system under the Section 2 Certified Inverter-based Small Generator Process or Section 3 Fast Track Process, the LEO Date shall be on or after the date that the Company accepts the Section 2 or Section 3 Interconnection Request as complete. For Interconnection Customers that have applied to interconnect to the Company's system under the Section 4 Study Process, the LEO Date shall be on or after the date that the Company receives an executed Attachment 8 Facilities Study Agreement from the Interconnection Customer pursuant to NCIP Section 4.4.1, indicating that the Interconnection Customer intends for the Company to proceed with developing detailed Facilities Study cost estimates in support of a final Interconnection Agreement under NCIP Section 5.**
6. This Notice of Commitment shall automatically terminate and be of no further force and effect in the following circumstances:
 - a. Upon execution of a PPA between Seller and Company.

- b. For a seller eligible for Schedule PP, if such Seller does not execute a PPA within thirty (30) days of the Company's delivery of an "executable" PPA. An executable PPA shall mean a PPA delivered to the QF by the Company that contains all information necessary for execution and that the Company has requested that the QF execute and return.
- c. For a Seller that is not eligible for Schedule PP, if such Seller does not execute a PPA within six months (as such period may be extended by mutual agreement of Seller and Company) after the Company's submittal of the PPA to the QF, provided, however, that if no interconnection agreement for the Facility has been tendered to Seller prior to the expiration of such deadline, the deadline for execution of the PPA shall be automatically extended until the date that is five days after the date that the interconnection agreement is tendered to the Seller. Notwithstanding the foregoing, if the PPA proposed by the Company becomes the subject of an arbitration or ~~complain~~**complaint** proceeding, the six month deadline for execution of the PPA shall be tolled upon the filing of the pleading commencing such proceeding and thereafter the deadline for execution of the PPA will be as directed by the NCUC.

The undersigned is duly authorized to execute this Notice of Commitment for the Seller:

[Name]

[Title]

[Company]

[Date]

DEC Exhibit 6

Duke Energy Carolinas, LLC

Annualized Rates

DUKE ENERGY CAROLINAS, LLC
Option A - All Other Purchased Power Schedule PP
Proposed Rates (Annualized)
Cents per KWH

Performance Adjustment Factor: 1.05

<u>Line No.</u>	<u>Description</u>	<u>Variable Rate</u>	<u>Fixed Long-Term Rates 10 Years</u>
INTERCONNECTED TO: DISTRIBUTION SYSTEM			
1	Energy Credit On-Peak	3.58	3.58
2	Off-Peak	2.98	2.98
3	Capacity Credit On-Peak Month	0.00	0.85
4	Off-Peak Month	0.00	0.00
5	Annualized Energy	3.25	3.25
6	Annualized Capacity	0.00	0.27
7	Annualized Total	3.25	3.52

INTERCONNECTED TO: TRANSMISSION SYSTEM

8	Energy Credit On-Peak	3.49	3.49
9	Off-Peak	2.92	2.92
10	Capacity Credit On-Peak Month	0.00	0.83
11	Off-Peak Month	0.00	0.00
12	Annualized Energy	3.18	3.18
13	Annualized Capacity	0.00	0.26
14	Annualized Total	3.18	3.44

NOTE: Calculation of Annualized Numbers

Peak Hours On-Peak Mths	2773	Annualized Energy	(On-Peak rate*4160 + Off-Peak rate*4600)/8760
Peak Hours Off-Peak Mths	1387	Annualized Capacity	(On-Peak month rate*2773 + Off-Peak month rate*1387)/8760
Total On-Peak Hours	4160	Annualized Total	Capacity + Energy
Total Hours in Year	8760		
Total Off-Peak Hours	4600		

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Nov 15 2016

DUKE ENERGY CAROLINAS, LLC
Option B - All Other Purchased Power Schedule PP
Proposed Rates (Annualized)
Cents per KWH

Performance Adjustment Factor: 1.05

<u>Line No.</u>	<u>Description</u>	<u>Variable Rate</u>	<u>10 Years</u>
INTERCONNECTED TO: DISTRIBUTION SYSTEM			
1	Energy Credit	On-Peak	3.59
2		Off-Peak	3.16
3	Capacity Credit	Summer Month	0.69
4		Non-Summer Month	1.61
5	Annualized Energy		3.25
6	Annualized Capacity		0.27
7	Annualized Total		3.52

INTERCONNECTED TO: TRANSMISSION SYSTEM

8	Energy Credit	On-Peak	3.50	3.50
9		Off-Peak	3.09	3.09
10	Capacity Credit	Summer Month	0.68	0.68
11		Non-Summer Month	1.57	1.57
12	Annualized Energy		3.18	3.18
13	Annualized Capacity		0.26	0.26
14	Annualized Total		3.18	3.44

NOTE: Calculation of Annualized Numbers

Peak Hours Summer Mths	681	Annualized Energy	(On-Peak rate*1854 + Off-Peak rate*6906)/8760
Peak Hours Non-Summer Mths	1173	Annualized Capacity	(Summer month rate*681 + Non-Summer month rate*1173)/8760
Total On-Peak Hours	1854	Annualized Total	Capacity + Energy
Total Hours in Year	8760		
Total Off-Peak Hours	6906		

DUKE ENERGY CAROLINAS, LLC
Option A - Purchased Power (Hydroelectric Qualifying Facilities Without Storage Capability) Schedule PP-H
Proposed Rates (Annualized)
Cents per KWH

Performance Adjustment Factor: 2.0

			Variable	Fixed Long-Term Rates		
<u>Line No.</u>	<u>Description</u>		<u>Rate</u>	<u>5 Years</u>	<u>10 Years</u>	<u>15 Years</u>
INTERCONNECTED TO: DISTRIBUTION SYSTEM						
1	Energy Credit	On-Peak	3.58	3.62	3.88	4.34
2		Off-Peak	2.98	3.17	3.26	3.44
3	Capacity Credit	On-Peak Month	4.27	4.42	4.66	4.89
4		Off-Peak Month	0.00	0.00	0.00	0.00
5	Annualized Energy		3.25	3.37	3.56	3.86
6	Annualized Capacity		1.35	1.40	1.48	1.55
7	Annualized Total		4.60	4.77	5.04	5.41

INTERCONNECTED TO: TRANSMISSION SYSTEM

8	Energy Credit	On-Peak	3.49	3.53	3.79	4.24
9		Off-Peak	2.92	3.10	3.19	3.37
10	Capacity Credit	On-Peak Month	4.17	4.32	4.55	4.77
11		Off-Peak Month	0.00	0.00	0.00	0.00
12	Annualized Energy		3.18	3.30	3.48	3.78
13	Annualized Capacity		1.32	1.37	1.44	1.51
14	Annualized Total		4.50	4.67	4.92	5.29

NOTE: Calculation of Annualized Numbers

Peak Hours On-Peak Mths	2773	Annualized Energy	(On-Peak rate*4160 + Off-Peak rate*4600)/8760
Peak Hours Off-Peak Mths	1387	Annualized Capacity	(On-Peak month rate*2773 + Off-Peak month rate*1387)/8760
Total On-Peak Hours	4160	Annualized Total	Capacity + Energy
Total Hours in Year	8760		
Total Off-Peak Hours	4600		

DUKE ENERGY CAROLINAS, LLC

Option B - Purchased Power (Hydroelectric Qualifying Facilities Without Storage Capability) Schedule PP-H
Proposed Rates (Annualized)
Cents per KWH

Performance Adjustment Factor:**2.0**

			Variable	Fixed Long-Term Rates		
<u>Line No.</u>	<u>Description</u>		<u>Rate</u>	<u>5 Years</u>	<u>10 Years</u>	<u>15 Years</u>
INTERCONNECTED TO: DISTRIBUTION SYSTEM						
1	Energy Credit	On-Peak	3.59	3.74	4.06	4.59
2		Off-Peak	3.16	3.27	3.42	3.66
3	Capacity Credit	Summer Month	3.48	3.60	3.80	3.98
4		Non-Summer Month	8.08	8.36	8.82	9.25
5	Annualized Energy		3.25	3.37	3.56	3.86
6	Annualized Capacity		1.35	1.40	1.48	1.55
7	Annualized Total		4.60	4.77	5.04	5.41

INTERCONNECTED TO: TRANSMISSION SYSTEM

8	Energy Credit	On-Peak	3.50	3.65	3.97	4.48
9		Off-Peak	3.09	3.20	3.35	3.59
10	Capacity Credit	Summer Month	3.40	3.52	3.71	3.89
11		Non-Summer Month	7.89	8.17	8.61	9.03
12	Annualized Energy		3.18	3.30	3.48	3.78
13	Annualized Capacity		1.32	1.37	1.44	1.51
14	Annualized Total		4.50	4.67	4.92	5.29

NOTE: Calculation of Annualized Numbers

Peak Hours Summer Mths	681	Annualized Energy	(On-Peak rate*1854 + Off-Peak rate*6906)/8760
Peak Hours Non-Summer Mths	1173	Annualized Capacity	(Summer month rate*681 + Non-Summer month rate*1173)/8760
Total On-Peak Hours	1854	Annualized Total	Capacity + Energy
Total Hours in Year	8760		
Total Off-Peak Hours	6906		

DEC-DEP Exhibit 7

Duke Energy Carolinas, LLC and Duke Energy Progress, LLC

Proposed Procedural Schedule

Proposed Establishment of Evidentiary Hearing and Procedural Schedule

Consistent with their request that the Commission schedule an evidentiary hearing and establish a procedural schedule in this matter, the Companies respectfully propose the following procedural schedule for the Commission's consideration:

1. That an evidentiary hearing be scheduled for Tuesday, April 4, 2017, at 9:30 a.m. in Commission Hearing Room 2115, Dobbs Building, 430 N. Salisbury Street, Raleigh, North Carolina;
2. That the direct testimony and exhibits of the Utilities be filed on or before February 21, 2017;
3. That other persons desiring to become formal participants and parties of record in this proceeding file verified petitions to intervene in accordance with the applicable Commission Rules on or before March 14, 2017;
4. That the direct testimony and exhibits of the intervenors be filed on or before March 14, 2017;
5. That any rebuttal testimony and exhibits of the Utilities shall be filed on or before March 24, 2017.

DEP Exhibit 1

Duke Energy Progress, LLC

**Proposed Purchased Power
Schedule PP-3**

Clean and Redlined

PURCHASED POWER SCHEDULE PP-3

AVAILABILITY

Upon Seller's completion and Company's acceptance of a Purchase Power Agreement, this Schedule is available for electrical energy and capacity supplied by Eligible Qualifying Facilities (as defined below) to Company, provided Seller is a Qualifying Facility as defined by the Federal Energy Regulatory Commission's (FERC) Order No. 70 under Docket No. RM79-54 and 18 C.F.R. §§ 292.203, 292.204, and 292.205. This Schedule is not available for electric service supplied by Company to Seller or to Seller who has negotiated rate credits or conditions with Company which are different from those below. This Schedule is not available to a Qualifying Facility owned by a Seller or affiliate or partner of a Seller, who sells power to the Company from another Qualifying Facility of the same energy resource located within one-half mile, as measured from the electrical generating equipment, unless the combined capacity is equal to or less than one (1) megawatt.

Service necessary for the delivery of power from the Seller's generating facilities into Company's system shall be furnished solely to the individual contracting Seller in a single enterprise, located entirely on a single, contiguous premise. Service hereunder shall be restricted to Company's purchase of energy or energy and capacity from the Seller's generating facilities up to the Contract Capacity specified in the Purchase Power Agreement which may be operated in parallel with Company's system. Power delivered to Company under this Schedule shall not offset or be substituted for power contracted for or which may be contracted for under any other schedule of Company. If Seller requires supplemental, back-up, or standby services, Seller shall enter into a separate service agreement with Company in accordance with Company's applicable electric rates, riders, and Service Regulations on file with and authorized by the state regulatory agency having jurisdiction.

All qualifying facilities have the option to sell energy to the Company on an "as available" basis and receive energy credits only calculated using the Variable Rates identified in this Schedule for the delivered energy. The Variable Energy Credit shall constitute the "as available" avoided cost credit for Non-Eligible Qualifying Facilities. The Fixed Long Term Credit rates on this schedule are available only to otherwise eligible Sellers that establish a Legally Enforceable Obligation on or before the filing date of proposed rates in the next biennial avoided cost proceeding, provided eligible Seller begins delivery of power no later than thirty (30) months from the date of the order approving avoided cost rates in Docket No. E-100, Sub 148, but may be extended beyond 30 months if construction is nearly complete and Seller demonstrates that it is making a good faith effort to complete its project in a timely manner.

Sellers not qualifying for the Fixed Long Term Credit rates remain eligible for the Variable Credit rates or the Fixed Long Term Credit rates proposed in the next biennial avoided cost proceeding, which will be subject to adjustment if different rates are approved by the North Carolina Utilities Commission in that proceeding.

Qualifying Facilities Eligible for Capacity and/or Energy Credits

In order to be an Eligible Qualifying Facility and receive Energy Credits under this Schedule, the Qualifying Facility must be a hydroelectric with storage capability or a generator fueled by trash or methane derived from landfills, solar, wind, hog or poultry waste-fueled or non-animal biomass-fueled Qualifying Facility with a Contract Capacity of one (1) megawatt or less, based on the nameplate rating of the generator which are interconnected directly with the Company's system and which are Qualifying Facilities as defined by the Federal Energy Regulatory Commission pursuant to Section 210 of the Public Utility Regulatory Policies Act of 1978.

Capacity Credits are limited to Eligible Qualifying Facilities located within Company's service area that are classified as New Capacity in accordance with FERC Order No. 69 under Docket No. RM79-55 and

interconnected to Company's transmission or distribution facilities in accordance with the North Carolina Utilities Commission's Order dated September 21, 1981 in Docket No. E-100, Sub 41. The availability of Fixed Long-Term and Variable Capacity Credits is subject to the following conditions:

The 5-Year, 10-Year, and 15-Year Fixed Long-Term and Variable Capacity Credits below are available to hydroelectric qualifying facilities owned or operated by small power producers as defined in G.S. 62-3(27a), non-hydroelectric qualifying facilities fueled by trash or methane derived from landfills, solar, wind, hog or poultry waste-fueled or non-animal biomass-fueled Eligible Qualifying Facilities with Contract Capacities of five (5) megawatts or less. Other Eligible Qualifying Facilities with Contract Capacities of three (3) megawatts or less are eligible for 5-Year Fixed Long-Term and Variable Capacity Credits below.

Eligible Qualifying Facilities receiving Capacity Credits under this Schedule shall also receive corresponding Energy Credits of like term as set forth in the "MONTHLY RATE" section of this Schedule.

APPLICABILITY

This Schedule is applicable to all electric energy and capacity supplied by Eligible Qualifying Facility to Company at one point of delivery through Company's metering facilities.

MONTHLY RATE

Monthly Payment

Company shall pay Eligible Qualifying Facilities for energy and/or capacity furnished to Company the Credits set forth below as applicable. Such payments shall be reduced by both the Seller Charge and any applicable Interconnection Cost. Payments to Qualifying Facilities with Contract Capacities of 10 kW or less shall only be made on a calendar year basis.

Seller Charge

An Eligible Qualifying Facility shall pay to Company a Seller Charge outlined below in accordance with the Contract Capacity specified in the Purchase Power Agreement between Company and Seller:

Monthly Seller Charge

\$23.06

Energy and Capacity Credits

Eligible Qualifying Facilities eligible for Company's Fixed Long-Term and/or Variable Energy and Capacity Credits shall be paid based upon the Seller's interconnection with Company's distribution or transmission system for all energy delivered to Company's system as registered or computed from Company's metering facilities. The Energy and Capacity Credit will be in accordance with the length of rate term for energy sales so established in the Purchase Agreement. Company shall pay a Capacity Credit based on the on-peak kWh supplied by the Eligible Qualifying Facility based upon the season. Seller may elect to receive payments under either Option A or Option B based upon the Seller's preference for on-peak time-of-use hours.

Option A

	<u>Interconnected to Distribution</u>		<u>Interconnected to Transmission</u>	
	<u>Variable Rate</u>	<u>Fixed Long- Term Rate (10 years)</u>	<u>Variable Rate</u>	<u>Fixed Long- Term Rate (10 years)</u>
I. Capacity Credits (¢/kWh) ²				
a. On-Peak kWh - Summer	0.00	0.55	0.00	0.54
b. On-Peak Energy - Non-Summer	0.00	1.12	0.00	1.10
II. Energy Credit (¢/kWh) ²				
a. On-peak kWh	3.54	3.54	3.48	3.48
b. Off-peak kWh	3.25	3.25	3.22	3.22

Option B

	<u>Interconnected to Distribution</u>		<u>Interconnected to Transmission</u>	
	<u>Variable Rate</u>	<u>Fixed Long- Term Rate (10 years)</u>	<u>Variable Rate</u>	<u>Fixed Long- Term Rate (10 years)</u>
I. Capacity Credits (¢/kWh) ²				
a. On-Peak kWh - Summer	0.00	0.83	0.00	0.82
b. On-Peak Energy - Non-Summer	0.00	1.93	0.00	1.89
II. Energy Credit (¢/kWh) ²				
a. On-peak kWh	3.63	3.63	3.55	3.55
b. Off-peak kWh	3.28	3.28	3.24	3.24

¹ Summer months under both Options A and B are defined as the calendar months of June through September. All other months are Non-Summer for purposes of applying the capacity credits.

² The Variable Energy and Capacity Credit Rates and Energy Credit Rates applicable under Fixed Long-Term (10-year) options will be updated every two years.

POWER FACTOR CORRECTION

Unless Seller is required by an Operating Agreement to adjust VAR production to support voltage control, when Seller consumes VARs supplied by the Company or Seller delivers VARs to Company, the monthly bill will be increased by a sum equal to \$0.34 multiplied by the maximum consumed or supplied reactive kilovolt-amperes (kVAR) registered by a demand meter suitable for measuring the demand used during a 15-minute interval. The Company reserves the right to install facilities necessary for the measurement of power factor and to adjust the Interconnection Facilities Charge accordingly, solely at the option of the Company. If a Seller without an Operating Agreement is requested by Company to operate pursuant to a voltage schedule by providing or absorbing VARS, the Seller shall be compensated in the same manner as a Seller with an Operating Agreement.

RATE UPDATES

The Credits and Seller Charge of this Schedule will be updated every two years. Sellers who have contracted for the Fixed Long-Term Capacity Credits will not be affected by updates in the Capacity Credits until their rate term expires. For all Qualifying Facilities selling to Company pursuant to the Variable Capacity Credit provisions of this schedule, such capacity credits shall be updated and changed in accordance with the Commission's revisions to such credits in Company's biennial avoided cost proceedings. For all Qualifying Facilities selling to Company pursuant to the Variable Energy Rate or Fixed Long-Term 10 Year Energy Rate provisions of this Schedule, such energy credits shall be updated and changed in accordance with the Commission's revisions to such credits in the Company's biennial avoided cost proceedings.

The sale, delivery, and use of electric power hereunder, and all services of whatever type to be rendered or performed in connection therewith, shall in all respects be subject to and in accordance with the Variable or Long-Term rates selected by Seller in Company's Schedule PP and the Terms and Conditions for the Purchase of Electric Power. Said Rate Schedule and Terms and Conditions for the Purchase of Electric Power are subject to change, revision, alteration or substitution, either in whole or in part, upon order of the Commission or any other regulatory authority having jurisdiction, and any such change, revision, alteration or substitution shall immediately be made a part of the Agreement as though fully written herein, and shall nullify any prior provision in conflict therewith. Any change to the Rate Schedule or Terms and Conditions shall not apply to the Fixed Long-Term Capacity Rates themselves, but it shall apply to all other provisions of the Rate Schedule and Terms and Conditions for the Purchase of Electric Power, including but not limited to Variable Rates and Fixed Long-Term Energy Rates, other types of charges, and all non-rate provisions. For Purchased Power Agreements executed pursuant to the Fixed Long-Term rates approved in Docket No. E-100, Sub 148 or its predecessors, any change to the Schedule shall not apply to the Fixed Long Term Energy and Capacity Rates during the Contract Period

DETERMINATION OF ON-PEAK AND OFF-PEAK HOURS

The on-peak and off-peak hours by summer and non-summer month are defined by calendar month as follows:

Option A Time of Use Hours

TOU Season	Summer Calendar Months of April through September	Non-Summer Calendar Months of October through March
On-peak Hours	Hours between 10:00 a.m. and 10:00 p.m., Monday through Friday, excluding holidays ¹ considered as off-peak.	Hours between 6:00 a.m. and 1:00 p.m., plus 4:00 p.m. through 9:00 p.m., Monday through Friday, excluding holidays ¹ considered as off-peak.
Off-peak Hours	The off-peak hours in any month are defined as all hours not specified above as on-peak hours.	

Option B Time of Use Hours

TOU Season	Summer Calendar Months of June through September	Non-Summer Calendar Months of October through May
On-peak Hours	Hours between 1:00 p.m. and 9:00 p.m., Monday through Friday, excluding holidays ¹ considered as off-peak.	Hours between 6:00 a.m. and 1:00 p.m., Monday through Friday, excluding holidays ¹ considered as off-peak.
Off-peak Hours	The off-peak hours in any month are defined as all hours not specified above as on-peak hours.	

¹ All hours for the following holidays will be considered as off-peak: New Year's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and the day after, and Christmas

Day. When one of the above holidays falls on a Saturday, the Friday before the holiday will be considered off-peak; when the holiday falls on a Sunday, the following Monday will be considered off-peak.

RENEWABLE ENERGY CREDITS

Unless otherwise specified in Company's agreements with Seller, the sale of power under this schedule does not convey to Company the right to renewable energy credits (RECs) or green tags associated with the energy delivered.

CONTRACT CAPACITY

The Contract Capacity shall be as specified in the Purchase Power Agreement between Company and Seller. Only one such Standard Contract shall be permitted for any Qualifying Facility.

PAYMENTS

Credit billings to Seller shall be payable to the Seller within fifteen (15) days of the date of the bill. Bills under this Schedule are due and payable on the date of the bill. Bills are past due and delinquent on the fifteenth day after the date of the bill. If any bill is not so paid, the Company has the right to suspend service. In addition, all bills not paid by the twenty-fifth day after the date of the bill shall be subject to a one percent (1%) late payment charge on the unpaid amount. This late payment charge shall be rendered on the following month's bill and it shall become part of and be due and payable with the bill on which it is rendered.

CONTRACT PERIOD

Each Seller shall enter into a Purchase Power Agreement which shall specify the Contract Capacity committed for delivery throughout the term of the contract and shall specify the initial term and associated rate.

INTERCONNECTION FACILITIES COSTS

For Eligible Qualifying Facilities, the installed costs for all facilities constructed or installed by Company to interconnect and safely operate in parallel with Seller's equipment shall be determined in accordance with Company's Terms and Conditions for the Purchase of Electric Power. When only the installation of Company's meter is required for the purchase of electric power, the \$25 minimum monthly Interconnection Facilities Charge shall not be applicable. Interconnection of Seller's generation to Company's system shall be in accordance with the North Carolina Interconnection Procedures, Forms, and Agreements for State-Jurisdictional Generation Interconnections.

Supersedes Schedule PP-1

Effective for energy and capacity rendered on and after _____

NCUC Docket No. E-100, Sub 148

Duke Energy Progress, LLC
(North Carolina)

C-1

PURCHASED POWER SCHEDULE PP-~~13~~AVAILABILITY

Upon Seller's completion and Company's acceptance of a Purchase Power Agreement, this Schedule is available for electrical energy and capacity supplied by Eligible Qualifying Facilities (as defined below) to Company, provided Seller is a Qualifying Facility as defined by the Federal Energy Regulatory Commission's (FERC) Order No. 70 under Docket No. RM79-54 and 18 C.F.R. §§ 292.203, 292.204, and 292.205. This Schedule is not available for electric service supplied by Company to Seller or to Seller who has negotiated rate credits or conditions with Company which are different from those below. This Schedule is not available to a Qualifying Facility owned by a Seller or affiliate or partner of a Seller, who sells power to the Company from another Qualifying Facility of the same energy resource located within one-half mile, as measured from the electrical generating equipment, unless the combined capacity is equal to or less than ~~five-one~~ (51) megawatts.

Service necessary for the delivery of power from the Seller's generating facilities into Company's system shall be furnished solely to the individual contracting Seller in a single enterprise, located entirely on a single, contiguous premise. Service hereunder shall be restricted to Company's purchase of energy or energy and capacity from the Seller's generating facilities up to the Contract Capacity specified in the Purchase Power Agreement which may be operated in parallel with Company's system. Power delivered to Company under this Schedule shall not offset or be substituted for power contracted for or which may be contracted for under any other schedule of Company. If Seller requires supplemental, back-up, or standby services, Seller shall enter into a separate service agreement with Company in accordance with Company's applicable electric rates, riders, and Service Regulations on file with and authorized by the state regulatory agency having jurisdiction.

All qualifying facilities have the option to sell energy to the Company on an "as available" basis and receive energy credits only calculated using the Variable Rates identified in this Schedule for the delivered energy. The Variable Energy Credit shall constitute the "as available" avoided cost credit for Non-Eligible Qualifying Facilities. The Fixed Long Term Credit rates on this schedule are available only to otherwise eligible Sellers that establish a Legally Enforceable Obligation on or before the filing date of proposed rates in the next biennial avoided cost proceeding, provided eligible Seller begins delivery of power no later than thirty (30) months from the date of the order approving avoided cost rates in Docket No. E-100, Sub ~~140~~148, but may be extended beyond 30 months if construction is nearly complete and Seller demonstrates that it is making a good faith effort to complete its project in a timely manner.

Sellers not qualifying for the Fixed Long Term Credit rates remain eligible for the Variable Credit rates or the Fixed Long Term Credit rates proposed in the next biennial avoided cost proceeding, which will be subject to adjustment if different rates are approved by the North Carolina Utilities Commission in that proceeding.

Qualifying Facilities Eligible for Capacity and/or Energy Credits

In order to be an Eligible Qualifying Facility and receive Energy Credits under this Schedule, the Qualifying Facility must be a hydroelectric with storage capability or a generator fueled by trash or methane derived from landfills, solar, wind, hog or poultry waste-fueled or non-animal biomass-fueled Qualifying Facility with a Contract Capacity of ~~five-one~~ (51) megawatts or less, based on the nameplate rating of the generator ~~or other non-hydroelectric generating facilities contracting to sell generating capacity and energy not in excess of three (3) megawatts~~, which are interconnected directly with the Company's system and which are Qualifying Facilities as defined by the Federal Energy Regulatory Commission pursuant to Section 210 of the Public Utility Regulatory Policies Act of 1978.

Capacity Credits are limited to Eligible Qualifying Facilities located within Company's service area that are classified as New Capacity in accordance with FERC Order No. 69 under Docket No. RM79-55 and interconnected to Company's transmission or distribution facilities in accordance with the North Carolina Utilities Commission's Order dated September 21, 1981 in Docket No. E-100, Sub 41, ~~or to those Eligible Qualifying Facilities who were selling electricity to Company and receiving Capacity Credits under an existing Purchase Power Agreement on April 1, 2005.~~ The availability of Fixed Long-Term and Variable Capacity Credits is subject to the following conditions:

The 5-Year, 10-Year, and 15-Year Fixed Long-Term and Variable Capacity Credits below are available to hydroelectric qualifying facilities owned or operated by small power producers as defined in G.S. 62-3(27a), non-hydroelectric qualifying facilities fueled by trash or methane derived from landfills, solar, wind, hog or poultry waste-fueled or non-animal biomass-fueled Eligible Qualifying Facilities with Contract Capacities of five (5) megawatts or less. Other Eligible Qualifying Facilities with Contract Capacities of three (3) megawatts or less are eligible for 5-Year Fixed Long-Term and Variable Capacity Credits below.

Eligible Qualifying Facilities receiving Capacity Credits under this Schedule shall also receive corresponding Energy Credits of like term as set forth in the "MONTHLY RATE" section of this Schedule.

APPLICABILITY

This Schedule is applicable to all electric energy and capacity supplied by Eligible Qualifying Facility to Company at one point of delivery through Company's metering facilities.

MONTHLY RATE

Monthly Payment

Company shall pay Eligible Qualifying Facilities for energy and/or capacity furnished to Company the Credits set forth below as applicable. ~~Such payments shall be reduced by both the Seller Charge and any applicable Interconnection Cost.~~ Payments to Qualifying Facilities with Contract Capacities of 10 kW or less shall only be made on a calendar year basis.

Seller Charge

An Eligible Qualifying Facility shall pay to Company a Seller Charge outlined below in accordance with the Contract Capacity specified in the Purchase Power Agreement between Company and Seller:

Monthly Seller Charge

\$23.06

Energy and Capacity Credits

Eligible Qualifying Facilities eligible for Company's Fixed Long-Term and/or Variable Energy and Capacity Credits shall be paid based upon the Seller's interconnection with Company's distribution or transmission system for all energy delivered to Company's system as registered or computed from Company's metering facilities. The Energy and Capacity Credit will be in accordance with the length of rate term for energy sales so established in the Purchase Agreement. Company shall pay a Capacity Credit based on the on-peak kWh supplied by the Eligible Qualifying Facility based upon the season. Seller may elect to receive payments under either Option A or Option B based upon the Seller's preference for on-peak time-of-use hours.

Option A

	<u>Interconnected to Distribution</u>		<u>Interconnected to Transmission</u>	
	<u>Variable Rate</u>	<u>Fixed Long- Term Rate (10 years)</u>	<u>Variable Rate</u>	<u>Fixed Long- Term Rate (10 years)</u>
<u>I. Capacity Credits (¢/kWh)²</u>				
<u>a. On-Peak kWh - Summer</u>	<u>0.00</u>	<u>0.55</u>	<u>0.00</u>	<u>0.54</u>
<u>b. On-Peak Energy - Non-Summer</u>	<u>0.00</u>	<u>1.12</u>	<u>0.00</u>	<u>1.10</u>
<u>II. Energy Credit (¢/kWh)²</u>				
<u>a. On-peak kWh</u>	<u>3.54</u>	<u>3.54</u>	<u>3.48</u>	<u>3.48</u>
<u>b. Off-peak kWh</u>	<u>3.25</u>	<u>3.25</u>	<u>3.22</u>	<u>3.22</u>

~~Credits for Facilities Interconnected to Company's Distribution System:~~

	<u>Variable Credit</u>	<u>Fixed Long Term Credits</u>		
		<u>5-Year</u>	<u>10-Year</u>	<u>15-Year</u>
Energy Credits				
On-peak kWh (¢/kWh)	3.89	4.04	4.71	5.15
Off-peak kWh (¢/kWh)	3.36	3.44	4.03	4.42
Capacity Credits—For Hydro Facilities with no storage capabilities				
On-peak kWh (¢/kWh)—Summer⁺	6.35	6.58	6.94	7.28
On-peak kWh (¢/kWh)—Non-Summer⁺	2.15	2.23	2.35	2.47
Capacity Credits—For All Other Hydro and All Non-Hydro Facilities				
On-peak kWh (¢/kWh)—Summer⁺	3.84	3.95	4.16	4.37
On-peak kWh (¢/kWh)—Non-Summer⁺	1.29	1.34	1.41	1.48

~~Credits for Facilities Interconnected to Company's Transmission System:~~

	<u>Variable Credit</u>	<u>Fixed Long Term Credits</u>		
		<u>5-Year</u>	<u>10-Year</u>	<u>15-Year</u>
Energy Credits				
On-peak kWh (¢/kWh)	3.81	3.94	4.62	5.05
Off-peak kWh (¢/kWh)	3.32	3.41	3.99	4.37
Capacity Credits—For Hydro Facilities with no storage capabilities				
On-peak kWh (¢/kWh)—Summer⁺	6.23	6.45	6.80	7.14
On-peak kWh (¢/kWh)—Non-Summer⁺	2.11	2.19	2.31	2.42
Capacity Credits—For All Other Hydro and All Non-Hydro Facilities				
On-peak kWh (¢/kWh)—Summer⁺	3.74	3.87	4.08	4.28
On-peak kWh (¢/kWh)—Non-Summer⁺	1.27	1.31	1.38	1.45

Option B

	<u>Interconnected to Distribution</u>		<u>Interconnected to Transmission</u>	
	<u>Variable Rate</u>	<u>Fixed Long- Term Rate (10 years)</u>	<u>Variable Rate</u>	<u>Fixed Long- Term Rate (10 years)</u>
<u>I. Capacity Credits (¢/kWh)²</u>				
<u>a. On-Peak kWh - Summer</u>	<u>0.00</u>	<u>0.83</u>	<u>0.00</u>	<u>0.82</u>
<u>b. On-Peak Energy - Non-Summer</u>	<u>0.00</u>	<u>1.93</u>	<u>0.00</u>	<u>1.89</u>
<u>II. Energy Credit (¢/kWh)²</u>				
<u>a. On-peak kWh</u>	<u>3.63</u>	<u>3.63</u>	<u>3.55</u>	<u>3.55</u>
<u>b. Off-peak kWh</u>	<u>3.28</u>	<u>3.28</u>	<u>3.24</u>	<u>3.24</u>

Credits for Facilities Interconnected to Company's Distribution System:

	Variable Credit	Fixed Long-Term Credits		
		5-Year	10-Year	15-Year
Energy Credits				
On-peak kWh (¢/kWh)	3.89	3.97	4.71	5.15
Off-peak kWh (¢/kWh)	3.46	3.56	4.15	4.55
Capacity Credits—For Hydro Facilities with no storage capabilities				
On-peak kWh (¢/kWh)—Summer [†]	9.57	9.91	10.45	10.97
On-peak kWh (¢/kWh)—Non-Summer [†]	3.70	3.83	4.05	4.25
Capacity Credits—For All Other Hydro and All Non-Hydro Facilities				
On-peak kWh (¢/kWh)—Summer [†]	5.74	5.94	6.27	6.58
On-peak kWh (¢/kWh)—Non-Summer [†]	2.22	2.30	2.43	2.55

Credits for Facilities Interconnected to Company's Transmission System:

	Variable Credit	Fixed Long-Term Credits		
		5-Year	10-Year	15-Year
Energy Credits				
On-peak kWh (¢/kWh)	3.80	3.88	4.60	5.04
Off-peak kWh (¢/kWh)	3.42	3.52	4.10	4.50
Capacity Credits — For Hydro Facilities with no storage capabilities				
On-peak kWh (¢/kWh) — Summer [†]	9.35	9.68	10.21	10.72
On-peak kWh (¢/kWh) — Non-Summer [†]	3.62	3.75	3.95	4.15
Capacity Credits — For All Other Hydro and All Non-Hydro Facilities				
On-peak kWh (¢/kWh) — Summer [†]	5.61	5.81	6.13	6.43
On-peak kWh (¢/kWh) — Non-Summer [†]	2.17	2.25	2.37	2.49

¹ Summer months under both Options A and B are defined as the calendar months of June through September. All other months are Non-Summer for purposes of applying the capacity credits.

² The Variable Energy and Capacity Credit Rates and Energy Credit Rates applicable under Fixed Long-Term (10-year) options will be updated every two years.

POWER FACTOR CORRECTION

Unless Seller is required by an Operating Agreement to adjust VAR production to support voltage control, when Seller consumes VARs supplied by the Company or Seller delivers VARs to Company, the monthly bill will be increased by a sum equal to \$0.34 multiplied by the maximum consumed or supplied reactive kilovolt-amperes (kVAr) registered by a demand meter suitable for measuring the demand used during a 15-minute interval. The Company reserves the right to install facilities necessary for the measurement of power factor and to adjust the Interconnection Facilities Charge accordingly, solely at the option of the Company. If a Seller without an Operating Agreement is requested by Company to operate pursuant to a voltage schedule by providing or absorbing VARS, the Seller shall be compensated in the same manner as a Seller with an Operating Agreement.

RATE UPDATES

The Credits and Seller Charge of this Schedule will be updated every two years. Sellers who have contracted for the Fixed Long-Term Capacity Credits will not be affected by updates in the Energy and Capacity Credits until their rate term expires. For all Qualifying Facilities selling to Company pursuant to the Variable Capacity Credit provisions of this schedule, such capacity credits shall be updated and changed in accordance with the Commission's revisions to such credits in Company's biennial avoided cost proceedings. For all Qualifying Facilities selling to Company pursuant to the Variable Energy Rate or Fixed Long-Term 10 Year Energy Rate provisions of this Schedule, such energy credits shall be updated and changed in accordance with the Commission's revisions to such credits in the Company's biennial avoided cost proceedings.

The sale, delivery, and use of electric power hereunder, and all services of whatever type to be rendered or performed in connection therewith, shall in all respects be subject to and in accordance with the Variable or Long-Term rates selected by Seller in Company's Schedule PP and the Terms and Conditions for the Purchase of Electric Power. Said Rate Schedule and Terms and Conditions for the Purchase of Electric Power are subject to change, revision, alteration or substitution, either in whole or in part, upon order of the Commission or any other regulatory authority having jurisdiction, and any such change, revision, alteration or substitution shall immediately be made a part of the Agreement as though fully written herein, and shall nullify any prior provision in conflict therewith. Any change to the Rate Schedule or Terms and Conditions shall not apply to the Fixed Long-Term Capacity Rates themselves, but it shall apply to all other provisions of the Rate Schedule and Terms and Conditions for the Purchase of Electric Power, including but not limited to Variable Rates and Fixed Long-Term Energy Rates, other types of charges, and all non-rate provisions. For Purchased Power Agreements executed pursuant to the Fixed Long-Term rates approved in Docket No. E-100, Sub 148 or its predecessors, any change to the Schedule shall not apply to the Fixed Long Term Energy and Capacity Rates during the Contract Period

DETERMINATION OF ON-PEAK AND OFF-PEAK HOURS

The on-peak and off-peak hours by summer and non-summer month are defined by calendar month as follows:

Option A Time of Use Hours

TOU Season	Summer Calendar Months of April through September	Non-Summer Calendar Months of October through March
On-peak Hours	Hours between 10:00 a.m. and 10:00 p.m., Monday through Friday, excluding holidays ¹ considered as off-peak.	Hours between 6:00 a.m. and 1:00 p.m., plus 4:00 p.m. through 9:00 p.m., Monday through Friday, excluding holidays ¹ considered as off-peak.
Off-peak Hours	The off-peak hours in any month are defined as all hours not specified above as on-peak hours.	

Option B Time of Use Hours

TOU Season	Summer Calendar Months of June through September	Non-Summer Calendar Months of October through May
On-peak Hours	Hours between 1:00 p.m. and 9:00 p.m., Monday through Friday, excluding holidays ¹ considered as off-peak.	Hours between 6:00 a.m. and 1:00 p.m., Monday through Friday, excluding holidays ¹ considered as off-peak.
Off-peak Hours	The off-peak hours in any month are defined as all hours not specified above as on-peak hours.	

¹ All hours for the following holidays will be considered as off-peak: New Year's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and the day after, and Christmas Day. When one of the above holidays falls on a Saturday, the Friday before the holiday will be considered off-peak; when the holiday falls on a Sunday, the following Monday will be considered off-peak.

RENEWABLE ENERGY CREDITS

Unless otherwise specified in Company's agreements with Seller, the sale of power under this schedule does not convey to Company the right to renewable energy credits (RECs) or green tags associated with the energy delivered.

CONTRACT CAPACITY

The Contract Capacity shall be as specified in the Purchase Power Agreement between Company and Seller. Only one such Standard Contract shall be permitted for any Qualifying Facility.

PAYMENTS

Credit billings to Seller shall be payable to the Seller within fifteen (15) days of the date of the bill. Bills under this Schedule are due and payable on the date of the bill. Bills are past due and delinquent on the fifteenth day after the date of the bill. If any bill is not so paid, the Company has the right to suspend service. In addition, all bills not paid by the twenty-fifth day after the date of the bill shall be subject to a one percent (1%) late payment charge on the unpaid amount. This late payment charge shall be rendered on the following month's bill and it shall become part of and be due and payable with the bill on which it is rendered.

CONTRACT PERIOD

Each Seller shall enter into a Purchase Power Agreement which shall specify the Contract Capacity committed for delivery throughout the term of the contract and shall specify the initial term and associated rate.

INTERCONNECTION FACILITIES COSTS

For Eligible Qualifying Facilities, the installed costs for all facilities constructed or installed by Company to interconnect and safely operate in parallel with Seller's equipment shall be determined in accordance with Company's Terms and Conditions for the Purchase of Electric Power. When only the installation of Company's meter is required for the purchase of electric power, the \$25 minimum monthly Interconnection Facilities Charge shall not be applicable. Interconnection of Seller's generation to Company's system shall be in accordance with the North Carolina Interconnection Procedures, Forms, and Agreements for State-Jurisdictional Generation Interconnections.

Supersedes Schedule ~~CSP-29BPP-1~~

Effective for energy and capacity rendered on and after ~~March 1, 2016~~ _____

NCUC Docket No. E-100, Sub ~~140148~~

DEP Exhibit 1

Duke Energy Progress, LLC

**Proposed Purchased Power
Schedule PPH-1**

Clean and Redlined

Duke Energy Progress, LLC
(North Carolina)

C-1

PURCHASED POWER (HYDROELECTRIC QUALIFYING FACILITIES WITH
NO STORAGE CAPABILITY) SCHEDULE PPH-1

AVAILABILITY

Upon Seller's completion and Company's acceptance of a Purchase Power Agreement, this Schedule is available for electrical energy and capacity supplied by Eligible Qualifying Facilities (as defined below) to Company, provided Seller is a Qualifying Facility as defined by the Federal Energy Regulatory Commission's (FERC) Order No. 70 under Docket No. RM79-54 and 18 C.F.R. §§ 292.203, 292.204, and 292.205. This Schedule is not available for electric service supplied by Company to Seller or to Seller who has negotiated rate credits or conditions with Company which are different from those below. This Schedule is not available to a Qualifying Facility owned by a Seller or affiliate or partner of a Seller, who sells power to the Company from another Qualifying Facility of the same energy resource located within one-half mile, as measured from the electrical generating equipment, unless the combined capacity is equal to or less than five (5) megawatts.

Service necessary for the delivery of power from the Seller's generating facilities into Company's system shall be furnished solely to the individual contracting Seller in a single enterprise, located entirely on a single, contiguous premise. Service hereunder shall be restricted to Company's purchase of energy or energy and capacity from the Seller's generating facilities up to the Contract Capacity specified in the Purchase Power Agreement which may be operated in parallel with Company's system. Power delivered to Company under this Schedule shall not offset or be substituted for power contracted for or which may be contracted for under any other schedule of Company. If Seller requires supplemental, back-up, or standby services, Seller shall enter into a separate service agreement with Company in accordance with Company's applicable electric rates, riders, and Service Regulations on file with and authorized by the state regulatory agency having jurisdiction.

All qualifying facilities have the option to sell energy to the Company on an "as available" basis and receive energy credits only calculated using the Variable Rates identified in this Schedule for the delivered energy. The Variable Energy Credit shall constitute the "as available" avoided cost credit for Non-Eligible Qualifying Facilities. The Fixed Long Term Credit rates on this schedule are available only to otherwise eligible Sellers that establish a Legally Enforceable Obligation on or before the filing date of proposed rates in the next biennial avoided cost proceeding, provided eligible Seller begins delivery of power no later than thirty (30) months from the date of the order approving avoided cost rates in Docket No. E-100, Sub 148, but may be extended beyond 30 months if Company has performed all activities necessary for Seller to connect to Company's system and Seller has performed all activities necessary for Seller to connect to Company's system.

Sellers not qualifying for the Fixed Long Term Credit rates remain eligible for the Variable Credit rates or the Fixed Long Term Credit rates proposed in the next biennial avoided cost proceeding, which will be subject to adjustment if different rates are approved by the North Carolina Utilities Commission in that proceeding.

Qualifying Facilities Eligible for Capacity and/or Energy Credits

In order to be an Eligible Qualifying Facility and receive Energy Credits under this Schedule, the Qualifying Facility must be a hydroelectric Qualifying Facility with no storage capability and a Contract Capacity of five (5) megawatts or less, based on the nameplate rating of the generator(s) which are interconnected directly with the Company's system and which are Qualifying Facilities as defined by the Federal Energy Regulatory Commission pursuant to Section 210 of the Public Utility Regulatory Policies Act of 1978.

Capacity Credits are limited to Eligible Qualifying Facilities located within Company's service area that are classified as New Capacity in accordance with FERC Order No. 69 under Docket No. RM79-55 and interconnected to Company's transmission or distribution facilities in accordance with the North Carolina Utilities Commission's Order dated September 21, 1981 in Docket No. E-100, Sub 41. The availability of Fixed Long-Term and Variable Capacity Credits is subject to the following conditions:

The 5-Year, 10-Year, and 15-Year Fixed Long-Term and Variable Capacity Credits below are available to hydroelectric qualifying facilities with no storage capability owned or operated by small power producers as defined in G.S. 62-3(27a) with Contract Capacities of five (5) megawatts or less.

Eligible Qualifying Facilities receiving Capacity Credits under this Schedule shall also receive corresponding Energy Credits of like term as set forth in the "MONTHLY RATE" section of this Schedule.

APPLICABILITY

This Schedule is applicable to all electric energy and capacity supplied by Eligible Qualifying Facility to Company at one point of delivery through Company's metering facilities.

MONTHLY RATE

Monthly Payment

Company shall pay Eligible Qualifying Facilities for energy and/or capacity furnished to Company the Credits set forth below as applicable. Such payments shall be reduced by both the Seller Charge and any applicable Interconnection Cost. Payments to Qualifying Facilities with Contract Capacities of 10 kW or less shall only be made on a calendar year basis.

Seller Charge

An Eligible Qualifying Facility shall pay to Company a Seller Charge outlined below in accordance with the Contract Capacity specified in the Purchase Power Agreement between Company and Seller:

Monthly Seller Charge	\$23.06
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Energy and Capacity Credits

Eligible Qualifying Facilities eligible for Company's Fixed Long-Term and/or Variable Energy and Capacity Credits shall be paid based upon the Seller's interconnection with Company's distribution or transmission system for all energy delivered to Company's system as registered or computed from Company's metering facilities. The Energy and Capacity Credit will be in accordance with the length of rate term for energy sales so established in the Purchase Agreement. Company shall pay a Capacity Credit based on the on-peak kWh supplied by the Eligible Qualifying Facility based upon the season. Seller may elect to receive payments under either Option A or Option B based upon the Seller's preference for on-peak time-of-use hours.

Option A

Credits for Facilities Interconnected to Company's Distribution System:

	Variable Credit	Fixed Long-Term Credits		
		5-Year	10-Year	15-Year
Capacity Credits - For Hydro Facilities with no storage capabilities				
On-peak kWh (¢/kWh) - Summer ¹	2.15	2.22	2.34	2.46
On-peak kWh (¢/kWh) – Non-Summer ¹	4.36	4.52	4.76	5.00

Energy Credits

On-peak kWh (¢/kWh)	3.54	3.47	3.60	3.92
Off-peak kWh (¢/kWh)	3.25	3.14	3.28	3.55

Credits for Facilities Interconnected to Company's Transmission System:

	Variable Credit	Fixed Long-Term Credits		
		5-Year	10-Year	15-Year
Capacity Credits - For Hydro Facilities with no storage capabilities				
On-peak kWh (¢/kWh) - Summer ¹	2.11	2.18	2.30	2.42
On-peak kWh (¢/kWh) – Non-Summer ¹	4.29	4.44	4.68	4.91
Energy Credits				
On-peak kWh (¢/kWh)	3.48	3.41	3.53	3.85
Off-peak kWh (¢/kWh)	3.22	3.10	3.25	3.51

Option B

Credits for Facilities Interconnected to Company's Distribution System:

	Variable Credit	Fixed Long-Term Credits		
		5-Year	10-Year	15-Year
Capacity Credits - For Hydro Facilities with no storage capabilities				
On-peak kWh (¢/kWh) - Summer ¹	3.23	3.34	3.53	3.70
On-peak kWh (¢/kWh) – Non-Summer ¹	7.50	7.76	8.19	8.59
Energy Credits				
On-peak kWh (¢/kWh)	3.63	3.47	3.58	3.92
Off-peak kWh (¢/kWh)	3.28	3.21	3.34	3.62

Credits for Facilities Interconnected to Company's Transmission System:

	Variable Credit	Fixed Long-Term Credits		
		5-Year	10-Year	15-Year
Capacity Credits - For Hydro Facilities with no storage capabilities				
On-peak kWh (¢/kWh) - Summer ¹	3.16	3.28	3.46	3.63
On-peak kWh (¢/kWh) – Non-Summer ¹	7.35	7.61	8.03	8.43
Energy Credits				
On-peak kWh (¢/kWh)	3.55	3.40	3.51	3.84
Off-peak kWh (¢/kWh)	3.24	3.17	3.30	3.57

- ¹ Summer months under both Options A and B are defined as the calendar months of June through September. All other months are Non-Summer for purposes of applying the capacity credits.

POWER FACTOR CORRECTION

Unless Seller is required by an Operating Agreement to adjust VAR production to support voltage control, when Seller consumes VARs supplied by the Company or Seller delivers VARs to Company, the monthly bill will be increased by a sum equal to \$0.34 multiplied by the maximum consumed or supplied reactive kilovolt-amperes (kVAr) registered by a demand meter suitable for measuring the demand used during a 15-minute interval. The Company reserves the right to install facilities necessary for the measurement of power factor and to adjust the Interconnection Facilities Charge accordingly, solely at the option of the Company. If a Seller without an Operating Agreement is requested by Company to operate pursuant to a voltage schedule by providing or absorbing VARS, the Seller shall be compensated in the same manner as a Seller with an Operating Agreement.

RATE UPDATES

The Credits and Seller Charge of this Schedule will be updated every two years. Sellers who have contracted for the Fixed Long-Term Credits will not be affected by updates in the Energy and Capacity Credits until their rate term expires. For all Qualifying Facilities selling to Company pursuant to the Variable Credit provisions of this schedule, such credits shall be updated and changed in accordance with the Commission's revisions to such credits in Company's biennial avoided cost proceedings.

The sale, delivery, and use of electric power hereunder, and all services of whatever type to be rendered or performed in connection therewith, shall in all respects be subject to and in accordance with the Variable or Long-Term rates selected by Seller in Company's Schedule PPH and the Terms and Conditions for the Purchase of Electric Power. Said Rate Schedule and Terms and Conditions for the Purchase of Electric Power are subject to change, revision, alteration or substitution, either in whole or in part, upon order of the Commission or any other regulatory authority having jurisdiction, and any such change, revision, alteration or substitution shall immediately be made a part of the Agreement as though fully written herein, and shall nullify any prior provision in conflict therewith. Any change to the Rate Schedule or Terms and Conditions shall not apply to the Fixed Long-Term Rates themselves, but it shall apply to all other provisions of the Rate Schedule and Terms and Conditions for the Purchase of Electric Power, including but not limited to Variable Rates, other types of charges, and all non-rate provisions.

DETERMINATION OF ON-PEAK AND OFF-PEAK HOURS

The on-peak and off-peak hours by summer and non-summer month are defined by calendar month as follows:

Option A Time of Use Hours

TOU Season	Summer Calendar Months of April through September	Non-Summer Calendar Months of October through March
On-peak Hours	Hours between 10:00 a.m. and 10:00 p.m., Monday through Friday, excluding holidays ¹ considered as off-peak.	Hours between 6:00 a.m. and 1:00 p.m., plus 4:00 p.m. through 9:00 p.m., Monday through Friday, excluding holidays ¹ considered as off-peak.
Off-peak Hours	The off-peak hours in any month are defined as all hours not specified above as on-peak hours.	

Option B Time of Use Hours

TOU Season	Summer Calendar Months of June through September	Non-Summer Calendar Months of October through May
On-peak Hours	Hours between 1:00 p.m. and	Hours between 6:00 a.m. and 1:00 p.m.,

	9:00 p.m., Monday through Friday, excluding holidays ¹ considered as off-peak.	Monday through Friday, excluding holidays ¹ considered as off-peak.
Off-peak Hours	The off-peak hours in any month are defined as all hours not specified above as on-peak hours.	

- ¹ All hours for the following holidays will be considered as off-peak: New Year's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and the day after, and Christmas Day. When one of the above holidays falls on a Saturday, the Friday before the holiday will be considered off-peak; when the holiday falls on a Sunday, the following Monday will be considered off-peak.

RENEWABLE ENERGY CREDITS

Unless otherwise specified in Company's agreements with Seller, the sale of power under this schedule does not convey to Company the right to renewable energy credits (RECs) or green tags associated with the energy delivered.

CONTRACT CAPACITY

The Contract Capacity shall be as specified in the Purchase Power Agreement between Company and Seller. Only one such Standard Contract shall be permitted for any Qualifying Facility.

PAYMENTS

Credit billings to Seller shall be payable to the Seller within fifteen (15) days of the date of the bill. Bills under this Schedule are due and payable on the date of the bill. Bills are past due and delinquent on the fifteenth day after the date of the bill. If any bill is not so paid, the Company has the right to suspend service. In addition, all bills not paid by the twenty-fifth day after the date of the bill shall be subject to a one percent (1%) late payment charge on the unpaid amount. This late payment charge shall be rendered on the following month's bill and it shall become part of and be due and payable with the bill on which it is rendered.

CONTRACT PERIOD

Each Seller shall enter into a Purchase Power Agreement which shall specify the Contract Capacity committed for delivery throughout the term of the contract and shall specify the initial term and associated rate.

INTERCONNECTION FACILITIES COSTS

For Eligible Qualifying Facilities, the installed costs for all facilities constructed or installed by Company to interconnect and safely operate in parallel with Seller's equipment shall be determined in accordance with Company's Terms and Conditions for the Purchase of Electric Power. When only the installation of Company's meter is required for the purchase of electric power, the \$25 minimum monthly Interconnection Facilities Charge shall not be applicable. Interconnection of Seller's generation to Company's system shall be in accordance with the North Carolina Interconnection Procedures, Forms, and Agreements for State-Jurisdictional Generation Interconnections.

Supersedes Schedule PP-1

Effective for energy and capacity rendered on and after _____

NCUC Docket No. E-100, Sub 148

PURCHASED POWER (HYDROELECTRIC QUALIFYING FACILITIES WITH
NO STORAGE CAPABILITY) SCHEDULE PPH-1

AVAILABILITY

Upon Seller's completion and Company's acceptance of a Purchase Power Agreement, this Schedule is available for electrical energy and capacity supplied by Eligible Qualifying Facilities (as defined below) to Company, provided Seller is a Qualifying Facility as defined by the Federal Energy Regulatory Commission's (FERC) Order No. 70 under Docket No. RM79-54 and 18 C.F.R. §§ 292.203, 292.204, and 292.205. This Schedule is not available for electric service supplied by Company to Seller or to Seller who has negotiated rate credits or conditions with Company which are different from those below. This Schedule is not available to a Qualifying Facility owned by a Seller or affiliate or partner of a Seller, who sells power to the Company from another Qualifying Facility of the same energy resource located within one-half mile, as measured from the electrical generating equipment, unless the combined capacity is equal to or less than five (5) megawatts.

Service necessary for the delivery of power from the Seller's generating facilities into Company's system shall be furnished solely to the individual contracting Seller in a single enterprise, located entirely on a single, contiguous premise. Service hereunder shall be restricted to Company's purchase of energy or energy and capacity from the Seller's generating facilities up to the Contract Capacity specified in the Purchase Power Agreement which may be operated in parallel with Company's system. Power delivered to Company under this Schedule shall not offset or be substituted for power contracted for or which may be contracted for under any other schedule of Company. If Seller requires supplemental, back-up, or standby services, Seller shall enter into a separate service agreement with Company in accordance with Company's applicable electric rates, riders, and Service Regulations on file with and authorized by the state regulatory agency having jurisdiction.

All qualifying facilities have the option to sell energy to the Company on an "as available" basis and receive energy credits only calculated using the Variable Rates identified in this Schedule for the delivered energy. The Variable Energy Credit shall constitute the "as available" avoided cost credit for Non-Eligible Qualifying Facilities. The Fixed Long Term Credit rates on this schedule are available only to otherwise eligible Sellers that establish a Legally Enforceable Obligation on or before the filing date of proposed rates in the next biennial avoided cost proceeding, provided eligible Seller begins delivery of power no later than thirty (30) months from the date of the order approving avoided cost rates in Docket No. E-100, Sub ~~140148~~, but may be extended beyond 30 months if Company has performed all activities necessary for Seller to connect to Company's system~~construction is nearly complete and Seller demonstrates that it is making a good faith effort to complete its project in a timely manner~~has performed all activities necessary for Seller to connect to Company's system.

Sellers not qualifying for the Fixed Long Term Credit rates remain eligible for the Variable Credit rates or the Fixed Long Term Credit rates proposed in the next biennial avoided cost proceeding, which will be subject to adjustment if different rates are approved by the North Carolina Utilities Commission in that proceeding.

Qualifying Facilities Eligible for Capacity and/or Energy Credits

In order to be an Eligible Qualifying Facility and receive Energy Credits under this Schedule, the Qualifying Facility must be a hydroelectric ~~or a generator fueled by trash or methane derived from landfills, solar, wind, hog or poultry waste fueled or non-animal biomass fueled~~ Qualifying Facility with no storage capability and a Contract Capacity of five (5) megawatts or less, based on the nameplate rating of the generator~~(s) or other non-hydroelectric generating facilities contracting to sell generating capacity and energy not in excess of three (3) megawatts~~, which are interconnected directly with the Company's

system and which are Qualifying Facilities as defined by the Federal Energy Regulatory Commission pursuant to Section 210 of the Public Utility Regulatory Policies Act of 1978.

Capacity Credits are limited to Eligible Qualifying Facilities located within Company's service area that are classified as New Capacity in accordance with FERC Order No. 69 under Docket No. RM79-55 and interconnected to Company's transmission or distribution facilities in accordance with the North Carolina Utilities Commission's Order dated September 21, 1981 in Docket No. E-100, Sub 41, ~~or to those Eligible Qualifying Facilities who were selling electricity to Company and receiving Capacity Credits under an existing Purchase Power Agreement on April 1, 2005.~~ The availability of Fixed Long-Term and Variable Capacity Credits is subject to the following conditions:

The 5-Year, 10-Year, and 15-Year Fixed Long-Term and Variable Capacity Credits below are available to hydroelectric qualifying facilities with no storage capability owned or operated by small power producers as defined in G.S. 62-3(27a), ~~non-hydroelectric qualifying facilities fueled by trash or methane derived from landfills, solar, wind, hog or poultry waste fueled or non-animal biomass fueled Eligible Qualifying Facilities~~ with Contract Capacities of five (5) megawatts or less. ~~Other Eligible Qualifying Facilities with Contract Capacities of three (3) megawatts or less are eligible for 5-Year Fixed Long-Term and Variable Capacity Credits below.~~

Eligible Qualifying Facilities receiving Capacity Credits under this Schedule shall also receive corresponding Energy Credits of like term as set forth in the "MONTHLY RATE" section of this Schedule.

APPLICABILITY

This Schedule is applicable to all electric energy and capacity supplied by Eligible Qualifying Facility to Company at one point of delivery through Company's metering facilities.

MONTHLY RATE

Monthly Payment

Company shall pay Eligible Qualifying Facilities for energy and/or capacity furnished to Company the Credits set forth below as applicable. ~~Such payments shall be reduced by both the Seller Charge and any applicable Interconnection Cost.~~ Payments to Qualifying Facilities with Contract Capacities of 10 kW or less shall only be made on a calendar year basis.

Seller Charge

An Eligible Qualifying Facility shall pay to Company a Seller Charge outlined below in accordance with the Contract Capacity specified in the Purchase Power Agreement between Company and Seller:

Monthly Seller Charge	\$23.06
-----------------------	---------

Energy and Capacity Credits

Eligible Qualifying Facilities eligible for Company's Fixed Long-Term and/or Variable Energy and Capacity Credits shall be paid based upon the Seller's interconnection with Company's distribution or transmission system for all energy delivered to Company's system as registered or computed from Company's metering facilities. The Energy and Capacity Credit will be in accordance with the length of rate term for energy sales so established in the Purchase Agreement. Company shall pay a Capacity Credit based on the on-peak kWh supplied by the Eligible Qualifying Facility based upon the season. Seller may elect to receive payments under either Option A or Option B based upon the Seller's preference for on-peak time-of-use hours.

Option A

Credits for Facilities Interconnected to Company's Distribution System:

Schedule PPH-1

	Variable Credit	Fixed Long-Term Credits		
		5-Year	10-Year	15-Year
<u>Energy Credits</u>				
On-peak kWh (¢/kWh)	3.89	4.01	4.71	5.15
Off-peak kWh (¢/kWh)	3.36	3.44	4.03	4.42
Capacity Credits - For Hydro Facilities with no storage capabilities				
On-peak kWh (¢/kWh) - Summer ¹	2.156.35	2.226.58	2.346.94	2.467.28
On-peak kWh (¢/kWh) - Non-Summer ¹	4.362.15	4.522.23	4.762.35	5.002.47
<u>Energy Credits</u>				
On-peak kWh (¢/kWh)	3.54	3.47	3.60	3.92
Off-peak kWh (¢/kWh)	3.25	3.14	3.28	3.55
<u>Capacity Credits - For All Other Hydro and All Non-Hydro Facilities</u>				
On-peak kWh (¢/kWh) - Summer ⁺	3.81	3.95	4.16	4.37
On-peak kWh (¢/kWh) - Non-Summer ⁺	1.29	1.34	1.41	1.48

Credits for Facilities Interconnected to Company's Transmission System:

	Variable Credit	Fixed Long-Term Credits		
		5-Year	10-Year	15-Year
<u>Energy Credits</u>				
On-peak kWh (¢/kWh)	3.81	3.94	4.62	5.05
Off-peak kWh (¢/kWh)	3.32	3.41	3.99	4.37
Capacity Credits - For Hydro Facilities with no storage capabilities				
On-peak kWh (¢/kWh) - Summer ¹	2.116.23	2.186.45	2.306.80	2.427.14
On-peak kWh (¢/kWh) - Non-Summer ¹	4.292.11	4.442.19	4.682.31	4.912.42
<u>Energy Credits</u>				
On-peak kWh (¢/kWh)	3.48	3.41	3.53	3.85
Off-peak kWh (¢/kWh)	3.22	3.10	3.25	3.51
<u>Capacity Credits - For All Other Hydro and All Non-Hydro Facilities</u>				
On-peak kWh (¢/kWh) - Summer ⁺	3.74	3.87	4.08	4.28
On-peak kWh (¢/kWh) - Non-Summer ⁺	1.27	1.31	1.38	1.45

Option B

Credits for Facilities Interconnected to Company's Distribution System:

	Variable Credit	Fixed Long-Term Credits		
		5-Year	10-Year	15-Year
<u>Energy Credits</u>				
On-peak kWh (¢/kWh)	3.89	3.97	4.71	5.15
Off-peak kWh (¢/kWh)	3.46	3.56	4.15	4.55
Capacity Credits - For Hydro Facilities with no storage capabilities				
On-peak kWh (¢/kWh) - Summer ¹	3.239.57	3.349.91	3.5310.45	3.7010.97
On-peak kWh (¢/kWh) - Non-Summer ¹	7.503.70	7.763.83	8.194.05	8.594.25
<u>Energy Credits</u>				
On-peak kWh (¢/kWh)	3.63	3.47	3.58	3.92

<u>Off-peak kWh (¢/kWh)</u>	<u>3.28</u>	<u>3.21</u>	<u>3.34</u>	<u>3.62</u>
Capacity Credits — For All Other Hydro and All Non-Hydro Facilities				
On-peak kWh (¢/kWh) — Summer¹	5.74	5.94	6.27	6.58
On-peak kWh (¢/kWh) — Non-Summer¹	2.22	2.30	2.43	2.55

Credits for Facilities Interconnected to Company's Transmission System:

	Variable Credit	Fixed Long-Term Credits		
		5-Year	10-Year	15-Year
Energy Credits				
On-peak kWh (¢/kWh)	3.80	3.88	4.60	5.04
Off-peak kWh (¢/kWh)	3.42	3.52	4.10	4.50
Capacity Credits - For Hydro Facilities with no storage capabilities				
On-peak kWh (¢/kWh) - Summer ¹	<u>3.169.35</u>	<u>3.289.68</u>	<u>3.4610.21</u>	<u>3.6310.72</u>
On-peak kWh (¢/kWh) - Non-Summer ¹	<u>7.353.62</u>	<u>7.613.75</u>	<u>8.033.95</u>	<u>8.434.15</u>
Energy Credits				
On-peak kWh (¢/kWh)	3.55	3.40	3.51	3.84
Off-peak kWh (¢/kWh)	3.24	3.17	3.30	3.57
Capacity Credits — For All Other Hydro and All Non-Hydro Facilities				
On-peak kWh (¢/kWh) — Summer¹	5.61	5.81	6.13	6.43
On-peak kWh (¢/kWh) — Non-Summer¹	2.17	2.25	2.37	2.49

¹ Summer months under both Options A and B are defined as the calendar months of June through September. All other months are Non-Summer for purposes of applying the capacity credits.

POWER FACTOR CORRECTION

Unless Seller is required by an Operating Agreement to adjust VAR production to support voltage control, when Seller consumes VARs supplied by the Company or Seller delivers VARs to Company, the monthly bill will be increased by a sum equal to \$0.34 multiplied by the maximum consumed or supplied reactive kilovolt-amperes (kVAR) registered by a demand meter suitable for measuring the demand used during a 15-minute interval. The Company reserves the right to install facilities necessary for the measurement of power factor and to adjust the Interconnection Facilities Charge accordingly, solely at the option of the Company. If a Seller without an Operating Agreement is requested by Company to operate pursuant to a voltage schedule by providing or absorbing VARS, the Seller shall be compensated in the same manner as a Seller with an Operating Agreement.

RATE UPDATES

The Credits and Seller Charge of this Schedule will be updated every two years. Sellers who have contracted for the Fixed Long-Term Credits will not be affected by updates in the Energy and Capacity Credits until their rate term expires. For all Qualifying Facilities selling to Company pursuant to the Variable Credit provisions of this schedule, such credits shall be updated and changed in accordance with the Commission's revisions to such credits in Company's biennial avoided cost proceedings.

The sale, delivery, and use of electric power hereunder, and all services of whatever type to be rendered or performed in connection therewith, shall in all respects be subject to and in accordance with the Variable or Long-Term rates selected by Seller in Company's Schedule PPH and the Terms and Conditions for the Purchase of Electric Power. Said Rate Schedule and Terms and Conditions for the Purchase of Electric Power are subject to change, revision, alteration or substitution, either in whole or in part, upon order of the Commission or any other regulatory authority having jurisdiction, and any such

change, revision, alteration or substitution shall immediately be made a part of the Agreement as though fully written herein, and shall nullify any prior provision in conflict therewith. Any change to the Rate Schedule or Terms and Conditions shall not apply to the Fixed Long-Term Rates themselves, but it shall apply to all other provisions of the Rate Schedule and Terms and Conditions for the Purchase of Electric Power, including but not limited to Variable Rates, other types of charges, and all non-rate provisions.

DETERMINATION OF ON-PEAK AND OFF-PEAK HOURS

The on-peak and off-peak hours by summer and non-summer month are defined by calendar month as follows:

Option A Time of Use Hours

TOU Season	Summer Calendar Months of April through September	Non-Summer Calendar Months of October through March
On-peak Hours	Hours between 10:00 a.m. and 10:00 p.m., Monday through Friday, excluding holidays ¹ considered as off-peak.	Hours between 6:00 a.m. and 1:00 p.m., plus 4:00 p.m. through 9:00 p.m., Monday through Friday, excluding holidays ¹ considered as off-peak.
Off-peak Hours	The off-peak hours in any month are defined as all hours not specified above as on-peak hours.	

Option B Time of Use Hours

TOU Season	Summer Calendar Months of June through September	Non-Summer Calendar Months of October through May
On-peak Hours	Hours between 1:00 p.m. and 9:00 p.m., Monday through Friday, excluding holidays ¹ considered as off-peak.	Hours between 6:00 a.m. and 1:00 p.m., Monday through Friday, excluding holidays ¹ considered as off-peak.
Off-peak Hours	The off-peak hours in any month are defined as all hours not specified above as on-peak hours.	

¹ All hours for the following holidays will be considered as off-peak: New Year's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and the day after, and Christmas Day. When one of the above holidays falls on a Saturday, the Friday before the holiday will be considered off-peak; when the holiday falls on a Sunday, the following Monday will be considered off-peak.

RENEWABLE ENERGY CREDITS

Unless otherwise specified in Company's agreements with Seller, the sale of power under this schedule does not convey to Company the right to renewable energy credits (RECs) or green tags associated with the energy delivered.

CONTRACT CAPACITY

The Contract Capacity shall be as specified in the Purchase Power Agreement between Company and Seller. Only one such Standard Contract shall be permitted for any Qualifying Facility.

PAYMENTS

Credit billings to Seller shall be payable to the Seller within fifteen (15) days of the date of the bill. Bills under this Schedule are due and payable on the date of the bill. Bills are past due and delinquent on the fifteenth day after the date of the bill. If any bill is not so paid, the Company has the right to suspend

service. In addition, all bills not paid by the twenty-fifth day after the date of the bill shall be subject to a one percent (1%) late payment charge on the unpaid amount. This late payment charge shall be rendered on the following month's bill and it shall become part of and be due and payable with the bill on which it is rendered.

CONTRACT PERIOD

Each Seller shall enter into a Purchase Power Agreement which shall specify the Contract Capacity committed for delivery throughout the term of the contract and shall specify the initial term and associated rate.

INTERCONNECTION FACILITIES COSTS

For Eligible Qualifying Facilities, the installed costs for all facilities constructed or installed by Company to interconnect and safely operate in parallel with Seller's equipment shall be determined in accordance with Company's Terms and Conditions for the Purchase of Electric Power. When only the installation of Company's meter is required for the purchase of electric power, the \$25 minimum monthly Interconnection Facilities Charge shall not be applicable. Interconnection of Seller's generation to Company's system shall be in accordance with the North Carolina Interconnection Procedures, Forms, and Agreements for State-Jurisdictional Generation Interconnections.

Supersedes Schedule ~~CSP-29BPP-1~~

Effective for energy and capacity rendered on and after ~~March 1, 2016~~ _____

NCUC Docket No. E-100, Sub ~~140148~~

Confidential DEP Exhibit 2

Duke Energy Progress, LLC

**Supporting Calculations
for Schedule PP-3
(filed under seal)**

Confidential DEP Exhibit 2

Duke Energy Progress, LLC

**Supporting Calculations
for Schedule PPH-1
(filed under seal)**

DEP Exhibit 3

Duke Energy Progress, LLC

Proposed Standard Contract

Clean and Redlined

PURCHASE POWER AGREEMENT

between

DUKE ENERGY PROGRESS, LLC

and

SELLER NAME

“Facility Name” Project

Initial Delivery Date: _____

**PURCHASE POWER AGREEMENT BY A
QUALIFYING COGENERATOR OR SMALL POWER PRODUCER**

1 **THIS PURCHASE POWER AGREEMENT** ("Agreement") is made this _____ day
2 of _____, 20____, by and between

3
4
5 **DUKE ENERGY PROGRESS, LLC** ("Company")

6
7 , and

8
9 _____,
10
11 a(n) _____ Company/Corporation ("Seller" or "Customer"), for the

12
13 " _____," Project

14
15 which Seller certifies that this facility (is/is not) "new capacity," as defined by the Federal Energy
16 Regulatory Commission (FERC), and that construction (was/was not) commenced on or after
17 November 9, 1978 and is or will be a qualifying facility as defined by the Federal Energy
18 Regulatory Commission ("FERC") pursuant to Section 210 of the Public Utility Regulatory Policies
19 Act of 1978 *[and which is or will be a hydroelectric generating facility owned and operated by a*
20 *small power producer as defined in G.S. 62-3(27a) - (if applicable)]*, consisting of
21 _____(the "Facility"),
22 which is located at _____.

23
24 (Hereinafter, the parties are also referred to individually as "Party" and collectively as "Parties").

25
26 In consideration of the mutual covenants herein contained, the Parties hereto, for themselves, their
27 successors and assigns, do hereby agree to the following:

28
29 **1. Service Requirements**

- 30
31 1.1 Seller shall sell and deliver exclusively to Company all of the electric power generated by the
32 Facility, net of the Facility's own auxiliary electrical requirements, and Company shall
33 purchase, receive, use and pay for the same, subject to the conditions contained in this
34 Agreement. Upon the completion of the installation, by Company, of its system upgrades and
35 interconnection facilities at the point of delivery of Seller's and Company's conductors, Seller
36 shall become responsible for the payment to Company of any and all charges that may apply,
37 whether or not Seller actually delivers any electricity to Company. If Seller requests standby,
38 back-up and/or maintenance power for the Facility's auxiliary electrical requirements from
39 Company, such power shall be provided to Supplier pursuant to a separate electric service
40 agreement under Company's rate tariffs appropriate for such service.
41
42 1.2 Electricity supplied by Seller shall be *[single (1)/three (3)]* phase, alternating at a frequency of
43 approximately sixty (60) cycles, and at a delivery voltage of approximately _____
44 volts, _____ wires at a sufficient power factor to maintain system operating parameters as
45 specified by Company.

- 46
47 1.3 Delivery of said Seller's power shall be at a point of delivery described as follows:
48 _____
49
50 1.4 Based upon the alternating current rating, the Contract Capacity of Seller's generating facility,
51 as defined in the Terms and Conditions for the Purchase of Electric Power is _____
52 kW/MW and estimated annual energy production of _____ kWh is the amount Seller
53 contracts to deliver to Company and Company agrees to receive.
54

55 **2. Rate Schedule**

56
57 The sale, delivery, and use of electric power hereunder, and all services of whatever type to be
58 rendered or performed in connection therewith, shall in all respects be subject to and in
59 accordance with Company's Schedule PPH-____ [*Variable Rate*][*5-year Fixed Long-Term*
60 *Rate*], [*10-year Fixed Long-Term Rate*] [*15-year Fixed Long-Term Rate*] Option [A][B] for
61 [*Distribution*][*Transmission*] Interconnection] OR Schedule PP-____ [*Variable Rate*] [*10-year*
62 *Fixed Long-Term Rate*] Option [A][B] for [*Distribution*] [*Transmission*] Interconnection]
63 ("Rate Schedule") and the Terms and Conditions for the Purchase of Electric Power, both of
64 which are now on file with the North Carolina Utilities Commission ("Commission"), and are
65 hereby incorporated by reference and made a part hereof as though fully set forth herein. Said
66 Rate Schedule and Terms and Conditions for the Purchase of Electric Power are subject to
67 change, revision, alteration or substitution, either in whole or in part, upon order of said
68 Commission or any other regulatory authority having jurisdiction, and any such change,
69 revision, alteration or substitution shall immediately be made a part hereof as though fully
70 written herein, and shall nullify any prior provision in conflict therewith.
71

72 The language above beginning with "Said Rate Schedule" shall not apply to the Fixed Long-
73 Term Capacity Credit Rates or Fixed Long-Term Energy Credit Rates Only Under Schedule
74 PPH themselves, but it shall apply to all other provisions of the Rate Schedule and Terms and
75 Conditions for the Purchase of Electric Power, including but not limited to Variable Rates,
76 Fixed Long-Term Energy Rates Only Under Schedule PP, other types of charges (e.g.,
77 administrative charges), and all non-rate provisions.
78

79 **3. Initial Delivery Date**

80
81 The term of this Agreement shall be a minimum of 5 years when contracting for capacity
82 payments and shall begin upon the first date when energy is generated by the Facility and
83 delivered to Company and continuing for the term specified in the Rate Schedule paragraph
84 above and shall automatically extend thereafter unless terminated by either party by giving not
85 less than thirty (30) days prior written notice. The extension will be at the Variable Rates in
86 effect at the time of extension. The term shall begin no earlier than the date Company's
87 Interconnection Facilities are installed and are ready to accept electricity from Seller which is
88 requested to be _____, 20____. Company at its sole discretion may terminate this
89 Agreement on _____, 20____ (30 months following the date of the order initially
90 approving the rates selection shown above which may be extended beyond 30 months if
91 construction is nearly complete and the Seller demonstrates that it is making a good faith
92 effort to complete its project in a timely manner) if Seller is unable to provide generation
93 capacity and energy production consistent with the energy production levels specified in
94 Provision No. 1.4 above.

95
96 **4. Interconnection Facilities**
97

98 Unless otherwise required by Company, an Interconnection Agreement pursuant to the North
99 Carolina Interconnection Procedures, Forms, And Agreements For State-Jurisdictional
100 Generator Interconnections (Interconnection Standard) shall be executed by Seller, including
101 payments of all charges and fees associated with the interconnection, before Company will
102 accept this Agreement. *(Either sentence (a) or (b) as follows is inserted into the agreement as
103 appropriate) (a) The Interconnection Facilities Charge shall be specified in the
104 Interconnection Agreement. or (b) The Interconnection Facilities Charge shall be 1.1 % of
105 the installed cost of metering and other equipment and is \$_____ per month.*
106

107 **5. Reporting Requirements**
108

109 Upon request, facilities larger than 3,000 kW may be required to provide prior notice of
110 annual, monthly, and day-ahead forecast of hourly production, as specified by the Company.
111 If the Seller is required to notify the Company of planned or unplanned outages, notification
112 should be made as soon as known. Seller shall include the start time, the time for return to
113 service, the amount of unavailable capacity, and the reason for the outage.
114

115 Upon the acceptance hereof by Company, evidenced by the signature of its Presidents,
116 Vice-Presidents or Authorized Representatives in the block provided below, this document together
117 with attachments shall become an agreement for Seller to deliver and sell to Company and for
118 Company to receive and purchase from Seller the electricity generated and declared by Seller from
119 its above-described qualifying generating facility at the rates, in the quantities, for the term, and
120 upon the terms and conditions set forth herein.

Witness as to Seller:

_____	_____, Seller
Printed: _____	By _____
_____	Printed: _____
Printed: _____	Title _____
	This ____ day of _____, 20____

ACCEPTED: DUKE ENERGY PROGRESS, LLC

Mail Payment/Bill to:

By _____	_____
Title _____	_____
This ____ day of _____, 20____	_____

PURCHASE POWER AGREEMENT

between

DUKE ENERGY PROGRESS, LLC

and

SELLER NAME

“Facility Name” Project

Initial Delivery Date: _____

**PURCHASE POWER AGREEMENT BY A
QUALIFYING COGENERATOR OR SMALL POWER PRODUCER**

1 **THIS PURCHASE POWER AGREEMENT** ("Agreement") is made this _____ day
2 of _____, 20____, by and between

3
4
5 **DUKE ENERGY PROGRESS, LLC** ("Company")

6
7 , and

8
9 _____,
10
11 a(n) _____ Company/Corporation ("Seller" or "Customer"), for the

12
13 " _____," Project

14
15 which Seller certifies that this facility (is/is not) "new capacity," as defined by the Federal Energy
16 Regulatory Commission (FERC), and that construction (was/was not) commenced on or after
17 November 9, 1978 and is or will be a qualifying facility as defined by the Federal Energy
18 Regulatory Commission ("FERC") pursuant to Section 210 of the Public Utility Regulatory Policies
19 Act of 1978 *[and which is or will be a hydroelectric generating facility owned and operated by a*
20 *small power producer as defined in G.S. 62-3(27a) - (if applicable)]*, consisting of
21 _____(the "Facility"),
22 which is located at _____.

23
24 (Hereinafter, the parties are also referred to individually as "Party" and collectively as "Parties").

25
26 In consideration of the mutual covenants herein contained, the Parties hereto, for themselves, their
27 successors and assigns, do hereby agree to the following:

28
29 **1. Service Requirements**

- 30
31 1.1 Seller shall sell and deliver exclusively to Company all of the electric power generated by the
32 Facility, net of the Facility's own auxiliary electrical requirements, and Company shall
33 purchase, receive, use and pay for the same, subject to the conditions contained in this
34 Agreement. Upon the completion of the installation, by Company, of its system upgrades and
35 interconnection facilities at the point of delivery of Seller's and Company's conductors, Seller
36 shall become responsible for the payment to Company of any and all charges that may apply,
37 whether or not Seller actually delivers any electricity to Company. If Seller requests standby,
38 back-up and/or maintenance power for the Facility's auxiliary electrical requirements from
39 Company, such power shall be provided to Supplier pursuant to a separate electric service
40 agreement under Company's rate tariffs appropriate for such service.
41
42 1.2 Electricity supplied by Seller shall be *[single (1)/three (3)]* phase, alternating at a frequency of
43 approximately sixty (60) cycles, and at a delivery voltage of approximately _____
44 volts, _____ wires at a sufficient power factor to maintain system operating parameters as
45 specified by Company.

- 46
47 1.3 Delivery of said Seller's power shall be at a point of delivery described as follows:
48 _____
49
- 50 1.4 Based upon the alternating current rating, the Contract Capacity of Seller's generating facility,
51 as defined in the Terms and Conditions for the Purchase of Electric Power is _____
52 kW/MW and estimated annual energy production of _____ kWh is the amount Seller
53 contracts to deliver to Company and Company agrees to receive.
54

55 **2. Rate Schedule**

56
57 The sale, delivery, and use of electric power hereunder, and all services of whatever type to be
58 rendered or performed in connection therewith, shall in all respects be subject to and in
59 accordance with Company's ~~Purchased Power~~ Schedule PPH-____ [Variable Rate][5-year
60 Fixed Long-Term Rate], [10-year Fixed Long-Term Rate] [15-year Fixed Long-Term Rate]
61 Option [A][B] for [Distribution][Transmission] Interconnection] OR Schedule PP-
62 [Variable Rate] [10-year Fixed Long-Term Rate] Option [A][B] for [Distribution]
63 [Transmission] Interconnection] ("Rate Schedule") and the Terms and Conditions for the
64 Purchase of Electric Power, both of which are now on file with the North Carolina Utilities
65 Commission ("Commission"), and are hereby incorporated by reference and made a part
66 hereof as though fully set forth herein. Said Rate Schedule and Terms and Conditions for the
67 Purchase of Electric Power are subject to change, revision, alteration or substitution, either in
68 whole or in part, upon order of said Commission or any other regulatory authority having
69 jurisdiction, and any such change, revision, alteration or substitution shall immediately be
70 made a part hereof as though fully written herein, and shall nullify any prior provision in
71 conflict therewith.
72

73 The language above beginning with "Said Rate Schedule" shall not apply to the Fixed Long-
74 Term Capacity Credit Rates or Fixed Long-Term Energy Credit Rates Only Under Schedule
75 PPH themselves, but it shall apply to all other provisions of the Rate Schedule and Terms and
76 Conditions for the Purchase of Electric Power, including but not limited to Variable Rates,
77 Fixed Long-Term Energy Rates Only Under Schedule PP, other types of charges (e.g.,
78 administrative charges), and all non-rate provisions.
79

80 **3. Initial Delivery Date**

81
82 The term of this Agreement shall be a minimum of 5 years when contracting for capacity
83 payments and shall begin upon the first date when energy is generated by the Facility and
84 delivered to Company and continuing for the term specified in the Rate Schedule paragraph
85 above and shall automatically extend thereafter unless terminated by either party by giving not
86 less than thirty (30) days prior written notice. The extension will be at the Variable Rates in
87 effect at the time of extension. The term shall begin no earlier than the date Company's
88 Interconnection Facilities are installed and are ready to accept electricity from Seller which is
89 requested to be _____, 20____. Company at its sole discretion may terminate this
90 Agreement on _____, 20____ (30 months following the date of the order initially
91 approving the rates selection shown above which may be extended beyond 30 months if
92 construction is nearly complete and the Seller demonstrates that it is making a good faith
93 effort to complete its project in a timely manner) if Seller is unable to provide generation

capacity and energy production consistent with the energy production levels specified in Provision No. 2-1.4 above.

4. Interconnection Facilities

Unless otherwise required by Company, an Interconnection Agreement pursuant to the North Carolina Interconnection Procedures, Forms, And Agreements For State-Jurisdictional Generator Interconnections (Interconnection Standard) shall be executed by Seller, including payments of all charges and fees associated with the interconnection, before Company will accept this Agreement. *(Either sentence (a) or (b) as follows is inserted into the agreement as appropriate)* (a) The Interconnection Facilities Charge shall be specified in the Interconnection Agreement. or (b) The Interconnection Facilities Charge shall be 1.1 % of the installed cost of metering and other equipment and is \$_____ per month.

5. Reporting Requirements

Upon request, facilities larger than 3,000 kW may be required to provide prior notice of annual, monthly, and day-ahead forecast of hourly production, as specified by the Company. If the Seller is required to notify the Company of planned or unplanned outages, notification should be made as soon as known. Seller shall include the start time, the time for return to service, the amount of unavailable capacity, and the reason for the outage.

Upon the acceptance hereof by Company, evidenced by the signature of its Presidents, Vice-Presidents or Authorized Representatives in the block provided below, this document together with attachments shall become an agreement for Seller to deliver and sell to Company and for Company to receive and purchase from Seller the electricity generated and declared by Seller from its above-described qualifying generating facility at the rates, in the quantities, for the term, and upon the terms and conditions set forth herein.

Witness as to Seller:

_____	_____, Seller
Printed: _____	By _____
_____	Printed: _____
Printed: _____	Title _____
	This ____ day of _____, 20____

ACCEPTED: DUKE ENERGY PROGRESS, LLC

Mail Payment/Bill to:

By _____	_____
Title _____	_____
This ____ day of _____, 20____	_____

DEP Exhibit 4

Duke Energy Progress, LLC

Proposed Terms and Conditions

Clean and Redlined

TERMS AND CONDITIONS FOR THE PURCHASE OF ELECTRIC POWER

I. PURCHASE POWER AGREEMENT

These "Terms and Conditions" provide a mechanism through which Duke Energy Progress, LLC, hereafter called "Company," will agree to purchase energy or capacity or both from an Eligible Qualifying Facility as defined in either the Purchased Power Schedule PP or Purchased Power (Hydroelectric Qualifying Facility With No Storage Capability) Schedule PPH. This Purchase Power Agreement is solely for the purchase of electricity produced by Seller's generation, net of generator auxiliary requirement, and does not provide for the sale of any electric service by Company to Seller.

- (a) Description - The Purchase Power Agreement (hereinafter sometimes termed "Agreement") shall consist of (1) Company's form of Purchase Power Agreement when signed by Seller and accepted by Company, (2) the applicable Schedule for the purchase of electricity as specified in the Purchase Power Agreement, and (3) these Terms and Conditions for the Purchase of Electric Power (hereinafter referred to as "Terms and Conditions"), and all changes, revisions, alterations therein, or substitutions therefor lawfully made.
- (b) Application of Terms and Conditions and Schedules - All Purchase Agreements in effect at the effective date of this tariff or that may be entered into in the future, are made expressly subject to these Terms and Conditions, and subject to all applicable Schedules as specified in the Purchase Power Agreement, and any changes therein, substitutions thereof, or additions thereto lawfully made, provided no change may be made in rates or in essential terms and conditions of this contract except by agreement of the parties to this contract or by order of the state regulatory authority having jurisdiction (hereinafter "Commission").
- (c) Conflicts - In case of conflict between any provision of a Schedule and of these Terms and Conditions, the provision of the Schedule shall prevail.
- (d) Waiver - The failure of either Party to enforce or insist upon compliance with any of the terms or conditions of this Agreement shall not constitute a waiver or relinquishment of any such terms or conditions, but the same shall be and remain at all times in full force and effect.
- (e) Assignment of Agreement - A Purchase Power Agreement between Company and Seller may not be transferred and assigned by Seller to any person, firm, or corporation purchasing or leasing and intending to continue the operation of the plant or business which is interconnected under such Agreement, without the prior written approval of Company. A Purchase Power Agreement shall not be transferred and assigned by Seller to any person, firm, or corporation that is party to any other purchase agreement under which a party sells or seeks to sell power to the Company from another Qualifying Facility that is located within one-half mile, as measured from the electrical generating equipment. Company will not unreasonably withhold consent provided that such assignment does not require any amendment to the terms and conditions of this Agreement, other than the notice provision thereof. Any assignment that Company has not approved in writing shall be null and void and not effective for all purposes. However, before such rights and obligations are assigned, the assignee must first obtain necessary approval from all regulatory bodies including, but not limited to, the Commission.
- (f) Notification of Assignment, Transfer or Sale - In the event of an assignment of the rights and obligations accruing to Seller under this Agreement, or in the event of any contemplated sale, transfer or assignment of the Facility or the Certificate of Public Convenience and Necessity, the Seller shall, in addition to obtaining the approvals hereof, provide a minimum of 30 days prior written notice advising Company and the Commission of any plans for such an assignment, sale

or transfer, or of any accompanying significant changes in the information required by Commission Rule R8-64, R9-65 or R8-66 which are incorporated by reference herein.

- (g) Suspension of Sales Under Agreement at Seller's Request - If Seller is temporarily unable to produce the electricity contracted for due to physical destruction of, or damage to, his premises, Company will, upon written request of Seller, and for a period Company deems as reasonably required to replace or repair such premises, suspend billing under the Agreement, exclusive of any Monthly Facilities Charges, effective with the beginning of the next sales period.
- (h) Termination of Agreement at Seller's Request - If Seller desires to terminate the Agreement, Company will agree to such termination if all bills for services previously rendered to Seller including any termination or other charges applicable under any Interconnection Agreement, plus any applicable termination charges, have been paid. Termination charges shall consist of any applicable termination charges for premature termination of capacity as set forth in paragraphs 4 and 6 of these Terms and Conditions. Company may waive the foregoing provision if Company has secured or expects to secure from a new occupant or operator of the premises an Agreement satisfactory to Company for the delivery of electricity to Company for a term not less than the unexpired portion of Seller's Agreement.
- (i) Company's Right to Terminate or Suspend Agreement - Company, in addition to all other legal remedies, may either terminate the Agreement or suspend purchases of electricity from Seller (1) for any default or breach of Agreement by Seller, (2) for fraudulent or unauthorized use of Company's meter, (3) for failure to pay any applicable bills when due and payable, or (4) for a condition on Seller's side of the point of delivery actually known by Company to be, or which Company reasonably anticipates may be, dangerous to life or property. Termination of the contract is at Company's sole option and is only appropriate when Seller either cannot or will not cure its default or if Seller fails to deliver energy to Company for six (6) consecutive months.

No such termination or suspension, however, will be made by Company without written notice delivered to Seller, personally or by mail, stating what in particular in the Agreement has been violated, except that no notice need to be given in instances set forth in 1.(i)(2) above. Company shall give Seller thirty (30) calendar days prior written notice before suspending or terminating the Agreement pursuant to provisions 1.(i)(1) and (3). Company shall give Seller five (5) calendar days prior written notice before suspending or terminating the Agreement pursuant to provision 1.(i)(4).

Failure of Company to terminate the Agreement or to suspend the purchase of electricity at any time after the occurrence of grounds therefor, or to resort to any other legal remedy or to exercise any one or more of such alternative remedies, shall not waive or in any manner affect Company's right later to resort to any one or more of such rights or remedies on account of any such ground then existing or which may subsequently occur.

Any suspension of the purchase of electricity by Company or termination of the Agreement upon any authorized grounds shall in no way operate to relieve Seller of Seller's liability to compensate Company for services and/or facilities supplied, nor shall it relieve Seller (1) of Seller's liability for the payment of minimum monthly charges during the period of suspension, nor (2) of Seller's liability for damages, if the Agreement has been terminated, in the amount of (a) the minimum monthly charges which would have been payable during the unexpired term of the Agreement plus (b) the Early Contract Termination charge as set forth in these Terms and Conditions.

2. CONDITIONS OF SERVICE

- (a) Company is not obligated to purchase electricity from Seller unless and until: (1) Company's form of Purchase Power Agreement is executed by Seller and accepted by Company; (2) in cases where it is necessary to cross private property to accept delivery of electricity from Seller, Seller conveys or causes to be conveyed to Company, without cost to Company, a right-of-way

easement, satisfactory to Company, across such private property which will provide for the construction, maintenance, and operation of Company's lines and facilities, necessary to receive electricity from Seller; provided, however, in the absence of a formal conveyance, Company nevertheless, shall be vested with an easement over Seller's premises authorizing it to do all things necessary including the construction, maintenance, and operation of its lines and facilities for such purpose; and (3) any inspection certificates or permits that may be required by law in the local area are furnished to Company. Where not required by law, an inspection by a Company-approved inspector shall be made at Seller's expense. In the event Seller is unable to secure such necessary rights of way, Seller shall reimburse Company for all costs Company may incur for the securing of such rights of way.

The obligation of Company in regard to service under the Agreement are dependent upon Company securing and retaining all necessary rights-of-way, privileges, franchises, and permits, for such service. Company shall not be liable to any Seller in the event Company is delayed or prevented from purchasing power by Company failure to secure and retain such rights-of-way, privileges, franchises, and permits.

- (b) Seller shall operate its Facility in compliance with all applicable operating guidelines established by the North American Electric Reliability Corporation ("NERC") and the SERC Reliability Corporation ("SERC") or any successor thereto.
- (c) Seller shall submit an Interconnection Request as set forth in the North Carolina Interconnection Procedures, Forms and Agreements for State-Jurisdictional Generation Interconnections. Company shall not be required to install facilities to support interconnection of Seller's generation or execute the Purchase Power Agreement until Seller has signed an Interconnection Agreement as set forth in the North Carolina Interconnection Procedures, Forms and Agreements for State-Jurisdictional Generation Interconnections, as may be required by Company.
- (d) If electricity is received through lines which cross the lands of the United States of America, a state, or any agency or subdivision of the United States of America or of a state, Company shall have the right, upon 30 days' written notice, to discontinue receiving electricity from any Seller or Sellers interconnected to such lines, if and when (1) Company is required by governmental authority to incur expenses in the relocation or the reconstruction underground of any portion of said lines, unless Company is reimbursed for such expense by Sellers or customers connected thereto, or (2) the right of Company to maintain and operate said lines is terminated, revoked, or denied by governmental authority for any reason.

3. DEFINITIONS

- (a) Nameplate Capacity: The term "Nameplate Capacity" shall mean the manufacturer's kW_{AC} nameplate rated output capability of the generator. For multi-unit generator facilities, the "Nameplate Capacity" of the facility shall be the sum of the individual manufacturer's kW_{AC} nameplate rated output capabilities of the generators. For inverted-based generating facilities, the "Nameplate Capacity" shall be the manufacturer's rated kW_{AC} output on the inverters.
- (b) Net Capacity: The term "Net Capacity" shall mean the Nameplate Capacity of the Seller's generating facilities, less the portion of that capacity needed to serve the generating facilities' Auxiliary Load.
- (c) Auxiliary Load: The term "Auxiliary Load" shall mean power used to operate auxiliary equipment in the facility necessary for power generation (such as pumps, blowers, fuel preparation machinery, and exciters).
- (d) Whenever the term "purchase" or "purchase of electricity" is used in these Terms and Conditions or other portions of the Agreement, it shall be construed to refer to the electricity supplied to Company by Seller.

- (e) The term "Company's conductors" shall mean Company's wires extending from the point of connection with Company's existing electric system to the point of delivery.
- (f) The term "Seller's conductors" shall mean Seller's wires extending from the point of delivery to the switch box or other point where Seller's circuits connect for the purpose of supplying the electricity produced by Seller.
- (g) The term "interconnection" shall mean the connection of Company's conductors to Seller's conductors.

4. CONTRACT CAPACITY

- (a) The Contract Capacity shall be the kW_{AC} of capacity specified in the Purchase Power Agreement and shall not exceed the capacity specified in the Seller's Interconnection Agreement. This term shall mean the maximum continuous electrical output capability expressed on an alternating current basis of the generator(s) at any time, at a power factor of approximately unity, without consuming VARs supplied by Company, as measured at the Point of Delivery and shall be the maximum kW_{AC} delivered to Company during any billing period. In cases where any change is required in Company's facilities due to the actual capacity delivered exceeding the Contract Capacity or due to Seller requesting an increase in the capacity of Company's facilities, Company may require Seller to execute a new Agreement or amend an existing Agreement, thereby establishing a new Contract Capacity. If Company's facilities cannot be upgraded to accept such actual or requested increase, then upon written notice, Seller shall not exceed the existing Contract Capacity or such amount in excess thereof as Company determine it is able to accept.
- (b) Seller shall not change its generating capacity or contracted estimated annual kWh energy production without adequate notice to Company, and without receiving Company's consent, and if such unauthorized increase causes loss of or damage to Company's facilities, the cost of making good such loss or repairing such damage shall be paid by Seller.
- (c) Company may require that a new Contract Capacity be determined when it reasonably appears that the capacity of Seller's generating facility will deviate from contracted or established levels for any reason, including, but not limited to, a change in water flow, steam supply, or fuel supply.
- (d) In the event that the Contract Capacity is terminated prior to the completion of the term of the Agreement, the Seller shall pay to Company a penalty as set forth in paragraph 6, below.

5. CONTRACT ENERGY

The Contract Energy specified in the Purchase Power Agreement shall be the estimated total annual kilowatt-hours registered or computed by or from Company's metering facilities for each time period during a continuous 12-month interval.

6. EARLY CONTRACT TERMINATION OR INCREASE IN CONTRACT CAPACITY

If Seller terminates the Agreement or seeks to increase the Contract Capacity prior to the expiration of the initial (or extended) term of the Purchase Agreement:

Early Contract Termination – Seller shall pay to Company the total Energy and/or Capacity credits received in excess of the sum of what would have been received under the Variable Rate for Energy and/or Capacity Credits applicable at the initial term of the contract period and as updated every two years, plus interest. The interest should be the weighted average rate for new debt issued by the Company in the calendar year previous to that in which the Agreement was commenced.

Increase In Contract Capacity – Seller may apply to Company to increase the Contract Capacity during the Contract Period and, upon approval by Company, future Monthly Delivered Capacities shall not exceed the revised Contract Capacity. If such increase in Contract Capacity results in

additional costs associated with redesign or a resizing of Company's facilities, such additional costs to Seller shall be determined in accordance with the Interconnection Agreement.

7. CONTRACT RENEWAL

This Agreement shall be subject to renewal for subsequent term(s) at the option of Company on substantially the same terms and provisions and at a rate either (1) mutually agreed upon by the parties negotiating in good faith and taking into consideration the Company's then avoided cost rates and other relevant factors, or (2) set by arbitration.

8. QUALITY OF ENERGY RECEIVED

- (a) Seller has full responsibility for the routine maintenance of his generating and protective equipment to insure that reliable, utility grade electric energy is being delivered to Company.
- (b) Seller's facility shall be operated in such a manner as to generate reactive power as may be reasonably necessary to maintain voltage levels and reactive area support as specified by Company. Any operating requirement is subject to modification or revision if warranted by future changes in the distribution or transmission circuit conditions.
- (c) Seller may operate direct current generators in parallel with Company through a synchronous inverter. The inverter installation shall be designed such that a utility system interruption will result in the removal of the inverter infeed into the Company's system. Harmonics generated by a DC generator-inverter combination must not adversely affect Company's supply of electric service to, or the use of electric service by Company's other customers, and any correction thereof is the full responsibility of Seller.
- (d) In the event Company determines, based on calculations, studies, analyses, monitoring, measurement or observation, that the output of the Facility will cause or is causing the Company to be unable to provide proper voltage levels to its customers, Seller shall be required to comply with a voltage schedule and/or reactive power output schedule as prescribed by Company.
- (e) Seller shall provide Company written notification of any changes to their generation system, support equipment such as inverters, or interconnection facilities and shall provide Company adequate time to review such changes to ensure continued safe interconnection prior to implementation.
- (f) Failure of Seller to comply with either (a), (b), (c), (d) or (e) above will constitute grounds for Company to cease parallel operation with Seller's generation equipment and constitute grounds for termination or suspension of the Agreement as set forth under paragraph 1, above.

9. BILLING

- (a) Meters will be read and bills rendered monthly. Readings are taken each month at intervals of approximately thirty (30) days.
- (b) If Company is unable to read its purchase meter for any reason, Seller's production may be estimated by Company on the basis of Seller's production during the most recent preceding billing period for which readings were obtained, unless some unusual condition is known to exist. A bill or payment rendered on the basis of such estimate shall be as valid as if made from actual meter readings.
- (c) The term "Month" or "Monthly", as used in Company's Schedules and Riders, refers to the period of time between the regular meter readings by the Company, except that if the period covered by an initial or final bill, or due to rerouting of the meter reading schedule, is more 33 or less than 27 days, the bill will be prorated based on a 30-day billing month.

- (d) Payments for capacity and/or energy will be made to Seller based on the rate schedule stated in the Purchase Power Agreement.
- (e) Company reserves the right to set off against any amounts due from the Company to Seller, any amounts which are due from Seller to Company, including, but not limited to, unpaid charges pursuant to the Interconnection Agreement or past due balances on any accounts Seller has with Company for other services.

10. RECORDS

In addition to the regular meter readings to be taken monthly for billing purposes, Company may require additional meter readings, records, transfer of information, etc. as may be agreed upon by the Parties. Company reserves the right to provide to the Commission or the FERC or any other regulatory body, upon request, information pertaining to this Agreement, including but not limited to: records of the Facility's generation output and Company's purchases thereof (including copies of monthly statements of power purchases and data from load recorders and telemetering installed at the Facility); copies of this Agreement. The Company will not provide any information developed solely by Seller and designated by Seller in writing to be "proprietary" unless required to do so by order of the Commission or the FERC or any other regulatory body or court, in which event, the Company will notify Seller prior to supplying the proprietary information.

Seller shall provide to Company, on a monthly basis within ten (10) days of the meter reading date and in form to be mutually agreed upon by the Parties, information on the Facility's fuel costs (coal, oil natural gas, supplemental firing, etc.), if any, for the power delivered to Company during the preceding month's billing period.

11. METER STOPPAGE OR ERROR

In the event a meter fails to register accurately within the allowable limits established by the state regulatory body having jurisdiction, Company will adjust the measured energy for the period of time the meter was shown to be in error, and shall, as provided in the rules and regulations of the state regulatory body having jurisdiction, pay to Seller, or Seller shall refund to Company, the difference between the amount billed and the estimated amount which would have been billed had the meter accurately registered the kilowatt hours provided by Seller. No part of any minimum service charge shall be refunded.

12. POINT OF DELIVERY

The point of delivery is the point where Company's conductors are, or are to be, connected to Seller's conductors. Seller shall do all things necessary to bring its conductors to such point of delivery for connection to Company's conductors, and shall maintain said conductors in good order at all times. If Seller chooses to deliver power to Company through a point of delivery where Seller presently receives power from Company, then the point of delivery for the purchase of generation shall be the same point as the point of delivery for electric service.

13. INTERCONNECTION FACILITIES

If Seller is not subject to the terms and conditions of the North Carolina Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnection, as approved by the Commission in Docket No. E-100, Sub 101, the following conditions shall apply to Interconnection Facilities necessary to deliver Seller's electricity to Company. Otherwise, the terms and conditions of the North Carolina Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnection, as approved by the Commission in Docket No. E-100, Sub 101 govern.

- (a) By Company: Company shall install, own, operate, maintain, and otherwise furnish all lines and equipment located on its side of the point of delivery to permit parallel operation of the Seller's facilities with the Company's system. It shall also install and own the necessary

metering equipment, and meter transformers, where necessary, for measuring the electricity delivered to Company, though such meter may be located on Seller's side of the point of delivery. Interconnection facilities, installed by either Company or Seller, solely for such purpose, include, but are not limited to connection, line extension, transformation, switching equipment, protective relaying, metering, telemetering, communications, and appropriate safety equipment.

Any interconnection facilities installed by Company necessary to receive power from Seller shall be considered additional facilities and shall be provided, if Company finds it practicable, under the following conditions:

- (1) The facilities will be of a kind and type normally used by or acceptable to Company and will be installed at a place and in a manner satisfactory to Company.
- (2) Seller will pay to Company a Monthly Interconnection Facilities Charge of 1.3 percent of the estimated original installed cost and rearrangement cost of all facilities, including metering, required to accept interconnection, but not less than \$25 per month.. The monthly charge for the Interconnection Facilities to be provided under this Agreement is subject to the rates, Service Regulations and conditions of the Company as the same are now on file with the Commission and may be changed or modified from time to time upon approval by the Commission. Any such changes or modifications, including those which may result in increased charges for the Interconnection Facilities to be provided by the Company, shall be made a part of this Agreement to the same effect as if fully set forth herein.
- (3) If Company increases its investment, other than replacement of existing equipment with equipment of equal capacity and kind, in interconnection facilities or other special facilities required by Seller (including conversion of the Company's primary voltage to a higher voltage), the Monthly Interconnection Facilities Charge for providing the interconnection facilities will be adjusted at that time. Seller may terminate the interconnection facilities in accordance with the applicable termination paragraph 1 above, or continue the interconnection facilities under the changed conditions.
- (4) In lieu of the Monthly Interconnection Facilities Charge of 1.3 percent, Seller may elect to make a contribution equal to the total interconnection facilities investment, plus associated tax gross-ups. After such payment, the Monthly Interconnection Facilities Charge for the interconnection facilities will be 0.5 percent of said payment.
- (5) The Monthly Interconnection Facilities Charge as determined shall continue regardless of the term of the Agreement until Seller no longer has need for such facilities. In the event Seller's interconnection facilities should be discontinued or terminated in whole or in part, such discontinuation or termination should be calculated in accordance with 1, above.
- (6) Seller's wiring and appurtenant structures shall provide for the location, connection, and installation of Company's standard metering equipment or other equipment deemed necessary by Company for the metering of Seller's electrical output. Company shall, at its expense, be permitted to install, in Seller's wiring or equipment, any special metering devices or equipment as deemed necessary for experimental or monitoring purposes.
- (7) Company shall furnish and install the Interconnection Facilities no later than the date requested by Seller for such installation. Seller's obligation to pay the Interconnection Facilities charges shall begin upon the earlier of (1) completion of the installation but no earlier than the requested in-service date specified in the Interconnection Agreement or (2) the first date when energy is generated and delivered to the Company and such

charges shall apply at all times thereafter during the term of this Agreement, whether or not Seller is actually supplying electric power to Company.

- (b) By Seller: Seller shall install, own, operate, and maintain all lines, and equipment, exclusive of Company's meter and meter transformers, on Seller's side of the point of delivery. Seller will be the owner and have the exclusive control of, and responsibility for, all electricity on Seller's side of the point of delivery. Seller must conform to the North Carolina Interconnection Procedures, Forms and Agreements for State-Jurisdictional Generation Interconnections. Seller's wiring shall be arranged such that all electricity generated for sale can be supplied to one point of delivery and measured by a single meter. Company's meter may be located on Seller's side of the point of delivery, and when it is to be so located, Seller must make suitable provisions in Seller's wiring, at a place suitable to Company, for the convenient installation of the type of meter Company will use. All of Seller's conductors installed on the Company's side of the meter and not installed in conduit must be readily visible.

Seller shall install and maintain devices adequate to protect Seller's equipment against irregularities on Company's system, including devices to protect against single-phasing. Seller shall also install and maintain such devices as may be necessary to automatically disconnect Seller's generating equipment, which is operated in parallel with Company, when service provided by Seller is affected by electrical disturbances on Company's or Seller's systems, or at any time when Company's system is de-energized from its prime source.

- (c) Access to Premises: The duly authorized agents of Company shall have the right of ingress and egress to the premises of Seller at all reasonable hours for the purpose of reading meters, inspecting Company's wiring and apparatus, changing, exchanging, or repairing Company's property on the premises of Seller, or removing such property at the time of or at any time after suspension of purchases or termination of this Agreement.
- (d) Protection: Seller shall protect Company's wiring and apparatus on Seller's premises and shall permit no one but Company's agents to handle same. In the event of any loss of or damage to such property of Company caused by or arising out of carelessness, neglect, or misuse by Seller or Seller's employees or agents, the cost of making good such loss or repairing such damage shall be paid by Seller. In cases where Company's service facilities on Seller's premises require abnormal maintenance due to Seller's operation, Seller shall reimburse Company for such abnormal maintenance cost.

14. CONTINUANCE OF PURCHASES AND LIABILITY THEREFOR

The Parties do not guarantee continuous service but shall use reasonable diligence at all times to provide for uninterrupted acceptance and supply of electricity. Each party shall at all times use reasonable diligence to provide satisfactory service for the acceptance or supply of electricity, and to remove the cause or causes in the event of failure, interruption, reduction or suspension of service for the acceptance or supply of electricity, but neither Party shall be liable for any loss or damage resulting from such failure, interruption, reduction or suspension of service, nor shall same be a default hereunder, when any interruption of service for the acceptance or supply of electricity is due to any of the following:

- (a) An emergency condition or action due to an adverse condition, event, and/or disturbance on Company's system, or on any other system directly or indirectly interconnected with it, which requires automatic or manual interruption of the supply of electricity to some customers or areas or automatic or manual interruption, reduction, or cessation of the acceptance of electricity into Company's electrical system in order to limit the occurrence of or extent or damage of the adverse condition or disturbance to Company's system or capability to reliably provide service in compliance and accordance with prudent practices, regulatory requirements, and/or reliability standards, or to prevent damage to generating or transmission facilities, or to expedite restoration of service, or to effect a reduction in service to compensate for an emergency condition on an interconnected system.

An emergency condition or action shall include any circumstance that requires action by the Company to comply with any electric reliability organization or NERC/SERC regulations or standards, including without limitation actions to respond to, prevent, limit, or manage loss or damage to Seller's Facility, reliability impairment, loss or damage to the Company's system, disruption of generation by the Seller, disruption of reliability or service on the Company's system, an abnormal condition on the system, and/or endangerment to human life or safety.

- (b) An event or condition of force majeure, as described below.
- (c) Making necessary adjustments to, changes in, or repairs on Company lines, substations, and facilities, and in cases where, in its opinion, the continuance of service from Seller's premises would endanger persons or property.

Seller shall be responsible for promptly taking all actions requested or required by Company to avoid, prevent, or recover from the occurrence and/or imminent occurrence of any emergency condition and in response to any emergency condition or condition of force majeure, including without limitation installing and operating any equipment necessary to take such actions.

Seller shall be responsible for insuring the safe operation of his equipment at all times, and will install and maintain, to Company's satisfaction, the necessary automatic equipment to prevent the back feed of power into, or damage to Company's de-energized system, and shall be subject to immediate disconnection of its equipment from Company's system if Company determines that such equipment is unsafe or adversely affects Company's transmission/distribution system or service to its other customers.

Seller assumes responsibility for and shall indemnify, defend, and save Company harmless against all liability, claims, judgments, losses, costs, and expenses for injury, loss, or damage to persons or property including personal injury or property damage to Seller or Seller's employees on account of defective construction, wiring, or equipment, or improper or careless use of electricity, on Seller's side of the point of delivery.

15. FORCE MAJEURE

Circumstances beyond the reasonable control of a Party which solely cause that Party to experience delay or failure in delivering or receiving electricity or in providing continuous service hereunder, including: acts of God; unusually severe weather conditions; earthquake; strikes or other labor difficulties; war; riots; fire; requirements shall be deemed to be "events or conditions of force majeure". It also includes actions or failures to act on the part of governmental authorities (including the adoption or change in any rule or regulation or environmental constraints lawfully imposed by federal, state or local government bodies), but only if such requirements, actions or failures to act prevent or delay performance; or transportation delays or accidents. Events or conditions of force majeure do not include such circumstances which merely affect the cost of operating the Facility.

Neither Party shall be responsible nor liable for any delay or failure in its performance hereunder due solely to events or conditions of force majeure, provided that:

- (a) The affected Party gives the other Party written notice describing the particulars of the event or condition of force majeure, such notice to be provided within forty-eight (48) hours of the determination by the affected Party that an event or condition of force majeure has occurred, but in no event later than thirty (30) days from the date of the occurrence of the event or condition of force majeure;
- (b) The delay or failure of performance is of no longer duration and of no greater scope than is required by the event or condition of force majeure, provided that in no event shall such delay or failure of performance extend beyond a period of twelve (12) months;

- (c) The affected Party uses its best efforts to remedy its inability to perform;
- (d) When the affected Party is able to resume performance of its obligations under this Agreement, that Party shall give the other Party prompt written notice to that effect; and,
- (e) The event or condition of force majeure was not caused by or connected with any negligent or intentional acts, errors, or omissions, or failure to comply with any law, rule, regulation, order or ordinance, or any breach or default of this Agreement.

16. INSURANCE

Seller shall obtain and retain, for as long as the generation is interconnected with Company's system, either the applicable homeowners insurance policy with liability coverage of at least \$100,000 per occurrence or the applicable comprehensive general liability insurance policy with liability coverage in the amount of at least \$300,000 per occurrence, which protects Seller from claims for bodily injury and/or property damage. This insurance shall be primary for all purposes. Seller shall provide certificates evidencing this coverage as required by Company. Company reserves the right to refuse to establish, or continue the interconnection of Seller's generation with Company's system, if such insurance is not in effect.

17. GOVERNMENTAL RESTRICTIONS

This Agreement is subject to the jurisdiction of those governmental agencies having control over either party or over this Agreement. This Agreement shall not become effective until all required governmental authorizations are obtained. Certification of receipt of all permits and authorizations shall be furnished by Seller to Company upon Company's request. This Agreement shall not become effective unless it and all provisions thereof are authorized and permitted by such governmental agencies without change or conditions.

This Agreement shall at all times be subject to changes by such governmental agencies, and the parties shall be subject to conditions and obligations, as such governmental agencies may, from time to time, direct in the exercise of their jurisdiction, provided no change may be made in rates or in essential terms and conditions of this contract except by agreement of the parties to this contract. Both parties agree to exert their best efforts to comply with all of the applicable rules and regulations of all governmental agencies having control over either party or this Agreement. The parties shall take all reasonable action necessary to secure all required governmental approval of this Agreement in its entirety and without change.

The delivery date, quantity, and type of electricity to be accepted for purchase by Company, from Seller, are subject to changes, restrictions, curtailments, or complete suspensions by Company as may be deemed by it to be necessary or advisable (a) on account of any lawful order or regulation of any municipal, State, or Federal government or agency thereof, or order of any court of competent jurisdiction, or (b) on account of any emergency due to war, or catastrophe, all without liability on the part of the Company therefor.

Supersedes: March 1, 2016

Effective: _____

NCUC Docket No E-100, Sub _____

TERMS AND CONDITIONS FOR THE PURCHASE OF ELECTRIC POWER

I. PURCHASE POWER AGREEMENT

These "Terms and Conditions" provide a mechanism through which Duke Energy Progress, LLC, hereafter called "Company," will agree to purchase energy or capacity or both from an Eligible Qualifying Facility as defined in either the Purchased Power Schedule PP or Purchased Power (Hydroelectric Qualifying Facility With No Storage Capability) Schedule PPH. This Purchase Power Agreement is solely for the purchase of electricity produced by Seller's generation, net of generator auxiliary requirement, and does not provide for the sale of any electric service by Company to Seller.

- (a) Description - The Purchase Power Agreement (hereinafter sometimes termed "Agreement") shall consist of (1) Company's form of Purchase Power Agreement when signed by Seller and accepted by Company, (2) the applicable Schedule for the purchase of electricity as specified in the Purchase Power Agreement, and (3) these Terms and Conditions for the Purchase of Electric Power (hereinafter referred to as "Terms and Conditions"), and all changes, revisions, alterations therein, or substitutions therefor lawfully made.
- (b) Application of Terms and Conditions and Schedules - All Purchase Agreements in effect at the effective date of this tariff or that may be entered into in the future, are made expressly subject to these Terms and Conditions, and subject to all applicable Schedules as specified in the Purchase Power Agreement, and any changes therein, substitutions thereof, or additions thereto lawfully made, provided no change may be made in rates or in essential terms and conditions of this contract except by agreement of the parties to this contract or by order of the state regulatory authority having jurisdiction (hereinafter "Commission").
- (c) Conflicts - In case of conflict between any provision of a Schedule and of these Terms and Conditions, the provision of the Schedule shall prevail.
- (d) Waiver - The failure of either Party to enforce or insist upon compliance with any of the terms or conditions of this Agreement shall not constitute a waiver or relinquishment of any such terms or conditions, but the same shall be and remain at all times in full force and effect.
- (e) Assignment of Agreement - A Purchase Power Agreement between Company and Seller may not be transferred and assigned by Seller to any person, firm, or corporation purchasing or leasing and intending to continue the operation of the plant or business which is interconnected under such Agreement, without the prior written approval of Company. A Purchase Power Agreement shall not be transferred and assigned by Seller to any person, firm, or corporation that is party to any other purchase agreement under which a party sells or seeks to sell power to the Company from another Qualifying Facility that is located within one-half mile, as measured from the electrical generating equipment. Company will not unreasonably withhold consent provided that such assignment does not require any amendment to the terms and conditions of this Agreement, other than the notice provision thereof. Any assignment that Company has not approved in writing shall be null and void and not effective for all purposes. However, before such rights and obligations are assigned, the assignee must first obtain necessary approval from all regulatory bodies including, but not limited to, the Commission.
- (f) Notification of Assignment, Transfer or Sale - In the event of an assignment of the rights and obligations accruing to Seller under this Agreement, or in the event of any contemplated sale, transfer or assignment of the Facility or the Certificate of Public Convenience and Necessity, the Seller shall, in addition to obtaining the approvals hereof, provide a minimum of 30 days prior written notice advising Company and the Commission of any plans for such an assignment, sale

or transfer, or of any accompanying significant changes in the information required by Commission Rule R8-64, R9-65 or R8-66 which are incorporated by reference herein.

- (g) Suspension of Sales Under Agreement at Seller's Request - If Seller is temporarily unable to produce the electricity contracted for due to physical destruction of, or damage to, his premises, Company will, upon written request of Seller, and for a period Company deems as reasonably required to replace or repair such premises, suspend billing under the Agreement, exclusive of any Monthly Facilities Charges, effective with the beginning of the next sales period.
- (h) Termination of Agreement at Seller's Request - If Seller desires to terminate the Agreement, Company will agree to such termination if all bills for services previously rendered to Seller including any termination or other charges applicable under any Interconnection Agreement, plus any applicable termination charges, have been paid. Termination charges shall consist of any applicable termination charges for premature termination of capacity as set forth in paragraphs 4 and 6 of these Terms and Conditions. Company may waive the foregoing provision if Company has secured or expects to secure from a new occupant or operator of the premises an Agreement satisfactory to Company for the delivery of electricity to Company for a term not less than the unexpired portion of Seller's Agreement.
- (i) Company's Right to Terminate or Suspend Agreement - Company, in addition to all other legal remedies, may either terminate the Agreement or suspend purchases of electricity from Seller (1) for any default or breach of Agreement by Seller, (2) for fraudulent or unauthorized use of Company's meter, (3) for failure to pay any applicable bills when due and payable, or (4) for a condition on Seller's side of the point of delivery actually known by Company to be, or which Company reasonably anticipates may be, dangerous to life or property. Termination of the contract is at Company's sole option and is only appropriate when Seller either cannot or will not cure its default or if Seller fails to deliver energy to Company for six (6) consecutive months.

No such termination or suspension, however, will be made by Company without written notice delivered to Seller, personally or by mail, stating what in particular in the Agreement has been violated, except that no notice need to be given in instances set forth in 1.(i)(2) above. Company shall give Seller thirty (30) calendar days prior written notice before suspending or terminating the Agreement pursuant to provisions 1.(i)(1) and (3). Company shall give Seller five (5) calendar days prior written notice before suspending or terminating the Agreement pursuant to provision 1.(i)(4).

Failure of Company to terminate the Agreement or to suspend the purchase of electricity at any time after the occurrence of grounds therefor, or to resort to any other legal remedy or to exercise any one or more of such alternative remedies, shall not waive or in any manner affect Company's right later to resort to any one or more of such rights or remedies on account of any such ground then existing or which may subsequently occur.

Any suspension of the purchase of electricity by Company or termination of the Agreement upon any authorized grounds shall in no way operate to relieve Seller of Seller's liability to compensate Company for services and/or facilities supplied, nor shall it relieve Seller (1) of Seller's liability for the payment of minimum monthly charges during the period of suspension, nor (2) of Seller's liability for damages, if the Agreement has been terminated, in the amount of (a) the minimum monthly charges which would have been payable during the unexpired term of the Agreement plus (b) the Early Contract Termination charge as set forth in these Terms and Conditions.

2. CONDITIONS OF SERVICE

- (a) Company is not obligated to purchase electricity from Seller unless and until: (1) Company's form of Purchase Power Agreement is executed by Seller and accepted by Company; (2) in cases where it is necessary to cross private property to accept delivery of electricity from Seller, Seller conveys or causes to be conveyed to Company, without cost to Company, a right-of-way

easement, satisfactory to Company, across such private property which will provide for the construction, maintenance, and operation of Company's lines and facilities, necessary to receive electricity from Seller; provided, however, in the absence of a formal conveyance, Company nevertheless, shall be vested with an easement over Seller's premises authorizing it to do all things necessary including the construction, maintenance, and operation of its lines and facilities for such purpose; and (3) any inspection certificates or permits that may be required by law in the local area are furnished to Company. Where not required by law, an inspection by a Company-approved inspector shall be made at Seller's expense. In the event Seller is unable to secure such necessary rights of way, Seller shall reimburse Company for all costs Company may incur for the securing of such rights of way.

The obligation of Company in regard to service under the Agreement are dependent upon Company securing and retaining all necessary rights-of-way, privileges, franchises, and permits, for such service. Company shall not be liable to any Seller in the event Company is delayed or prevented from purchasing power by Company failure to secure and retain such rights-of-way, privileges, franchises, and permits.

- (b) Seller shall operate its Facility in compliance with all applicable operating guidelines established by the North American Electric Reliability Corporation ("NERC") and the SERC Reliability Corporation ("SERC") or any successor thereto.
- (c) Seller shall submit an Interconnection ~~Agreement-Request~~ as set forth in the North Carolina Interconnection Procedures, Forms and Agreements for State-Jurisdictional Generation Interconnections. Company shall not be required to install facilities to support interconnection of Seller's generation or execute the Purchase Power Agreement until Seller has signed an Interconnection Agreement as set forth in the North Carolina Interconnection Procedures, Forms and Agreements for State-Jurisdictional Generation Interconnections, as may be required by Company.
- (d) If electricity is received through lines which cross the lands of the United States of America, a state, or any agency or subdivision of the United States of America or of a state, Company shall have the right, upon 30 days' written notice, to discontinue receiving electricity from any Seller or Sellers interconnected to such lines, if and when (1) Company is required by governmental authority to incur expenses in the relocation or the reconstruction underground of any portion of said lines, unless Company is reimbursed for such expense by Sellers or customers connected thereto, or (2) the right of Company to maintain and operate said lines is terminated, revoked, or denied by governmental authority for any reason.

3. DEFINITIONS

- (a) Nameplate Capacity: The term "Nameplate Capacity" shall mean the manufacturer's kW_{AC} nameplate rated output capability of the generator. For multi-unit generator facilities, the "Nameplate Capacity" of the facility shall be the sum of the individual manufacturer's kW_{AC} nameplate rated output capabilities of the generators. For inverted-based generating facilities, the "Nameplate Capacity" shall be the manufacturer's rated kW_{AC} output on the inverters.
- (b) Net Capacity: The term "Net Capacity" shall mean the Nameplate Capacity of the Seller's generating facilities, less the portion of that capacity needed to serve the generating facilities' Auxiliary Load.
- (c) Auxiliary Load: The term "Auxiliary Load" shall mean power used to operate auxiliary equipment in the facility necessary for power generation (such as pumps, blowers, fuel preparation machinery, and exciters).
- (d) Whenever the term "purchase" or "purchase of electricity" is used in these Terms and Conditions or other portions of the Agreement, it shall be construed to refer to the electricity supplied to Company by Seller.

- (e) The term "Company's conductors" shall mean Company's wires extending from the point of connection with Company's existing electric system to the point of delivery.
- (f) The term "Seller's conductors" shall mean Seller's wires extending from the point of delivery to the switch box or other point where Seller's circuits connect for the purpose of supplying the electricity produced by Seller.
- (g) The term "interconnection" shall mean the connection of Company's conductors to Seller's conductors.

4. CONTRACT CAPACITY

- (a) The Contract Capacity shall be the kW_{AC} of capacity specified in the Purchase Power Agreement and shall not exceed the capacity specified in the Seller's Interconnection Agreement. This term shall mean the maximum continuous electrical output capability expressed on an alternating current basis of the generator(s) at any time, at a power factor of approximately unity, without consuming VARs supplied by Company, as measured at the Point of Delivery and shall be the maximum kW_{AC} delivered to Company during any billing period. In cases where any change is required in Company's facilities due to the actual capacity delivered exceeding the Contract Capacity or due to Seller requesting an increase in the capacity of Company's facilities, Company may require Seller to execute a new Agreement or amend an existing Agreement, thereby establishing a new Contract Capacity. If Company's facilities cannot be upgraded to accept such actual or requested increase, then upon written notice, Seller shall not exceed the existing Contract Capacity or such amount in excess thereof as Company determine it is able to accept.
- (b) Seller shall not change its generating capacity or contracted estimated annual kWh energy production without adequate notice to Company, and without receiving Company's consent, and if such unauthorized increase causes loss of or damage to Company's facilities, the cost of making good such loss or repairing such damage shall be paid by Seller.
- (c) Company may require that a new Contract Capacity be determined when it reasonably appears that the capacity of Seller's generating facility will deviate from contracted or established levels for any reason, including, but not limited to, a change in water flow, steam supply, or fuel supply.
- (d) In the event that the Contract Capacity is terminated prior to the completion of the term of the Agreement, the Seller shall pay to Company a penalty as set forth in paragraph 6, below.

5. CONTRACT ENERGY

The Contract Energy specified in the Purchase Power Agreement shall be the estimated total annual kilowatt-hours registered or computed by or from Company's metering facilities for each time period during a continuous 12-month interval.

6. EARLY CONTRACT TERMINATION OR INCREASE IN CONTRACT CAPACITY

If Seller terminates the Agreement or seeks to increase the Contract Capacity prior to the expiration of the initial (or extended) term of the Purchase Agreement:

Early Contract Termination – Seller shall pay to Company the total Energy and/or Capacity credits received in excess of the sum of what would have been received under the Variable Rate for Energy and/or Capacity Credits applicable at the initial term of the contract period and as updated every two years, plus interest. The interest should be the weighted average rate for new debt issued by the Company in the calendar year previous to that in which the Agreement was commenced.

Increase In Contract Capacity – Seller may apply to Company to increase the Contract Capacity during the Contract Period and, upon approval by Company, future Monthly Delivered Capacities shall not exceed the revised Contract Capacity. If such increase in Contract Capacity results in

additional costs associated with redesign or a resizing of Company's facilities, such additional costs to Seller shall be determined in accordance with the Interconnection Agreement.

7. CONTRACT RENEWAL

This Agreement shall be subject to renewal for subsequent term(s) at the option of Company on substantially the same terms and provisions and at a rate either (1) mutually agreed upon by the parties negotiating in good faith and taking into consideration the Company's then avoided cost rates and other relevant factors, or (2) set by arbitration.

8. QUALITY OF ENERGY RECEIVED

- (a) Seller has full responsibility for the routine maintenance of his generating and protective equipment to insure that reliable, utility grade electric energy is being delivered to Company.
- (b) Seller's facility shall be operated in such a manner as to generate reactive power as may be reasonably necessary to maintain voltage levels and reactive area support as specified by Company. Any operating requirement is subject to modification or revision if warranted by future changes in the distribution or transmission circuit conditions.
- (c) Seller may operate direct current generators in parallel with Company through a synchronous inverter. The inverter installation shall be designed such that a utility system interruption will result in the removal of the inverter infeed into the Company's system. Harmonics generated by a DC generator-inverter combination must not adversely affect Company's supply of electric service to, or the use of electric service by Company's other customers, and any correction thereof is the full responsibility of Seller.
- (d) In the event Company determines, based on calculations, studies, analyses, monitoring, measurement or observation, that the output of the Facility will cause or is causing the Company to be unable to provide proper voltage levels to its customers, Seller shall be required to comply with a voltage schedule and/or reactive power output schedule as prescribed by Company.
- (e) Seller shall provide Company written notification of any changes to their generation system, support equipment such as inverters, or interconnection facilities and shall provide Company adequate time to review such changes to ensure continued safe interconnection prior to implementation.
- (f) Failure of Seller to comply with either (a), (b), (c), (d) or (e) above will constitute grounds for Company to cease parallel operation with Seller's generation equipment and constitute grounds for termination or suspension of the Agreement as set forth under paragraph 1, above.

9. BILLING

- (a) Meters will be read and bills rendered monthly. Readings are taken each month at intervals of approximately thirty (30) days.
- (b) If Company is unable to read its purchase meter for any reason, Seller's production may be estimated by Company on the basis of Seller's production during the most recent preceding billing period for which readings were obtained, unless some unusual condition is known to exist. A bill or payment rendered on the basis of such estimate shall be as valid as if made from actual meter readings.
- (c) The term "Month" or "Monthly", as used in Company's Schedules and Riders, refers to the period of time between the regular meter readings by the Company, except that if the period covered by an initial or final bill, or due to rerouting of the meter reading schedule, is more 33 or less than 27 days, the bill will be prorated based on a 30-day billing month.

- (d) Payments for capacity and/or energy will be made to Seller based on the rate schedule stated in the Purchase Power Agreement.
- (e) Company reserves the right to set off against any amounts due from the Company to Seller, any amounts which are due from Seller to Company, including, but not limited to, unpaid charges pursuant to the Interconnection Agreement or past due balances on any accounts Seller has with Company for other services.

10. RECORDS

In addition to the regular meter readings to be taken monthly for billing purposes, Company may require additional meter readings, records, transfer of information, etc. as may be agreed upon by the Parties. Company reserves the right to provide to the Commission or the FERC or any other regulatory body, upon request, information pertaining to this Agreement, including but not limited to: records of the Facility's generation output and Company's purchases thereof (including copies of monthly statements of power purchases and data from load recorders and telemetering installed at the Facility); copies of this Agreement. The Company will not provide any information developed solely by Seller and designated by Seller in writing to be "proprietary" unless required to do so by order of the Commission or the FERC or any other regulatory body or court, in which event, the Company will notify Seller prior to supplying the proprietary information.

Seller shall provide to Company, on a monthly basis within ten (10) days of the meter reading date and in form to be mutually agreed upon by the Parties, information on the Facility's fuel costs (coal, oil natural gas, supplemental firing, etc.), if any, for the power delivered to Company during the preceding month's billing period.

11. METER STOPPAGE OR ERROR

In the event a meter fails to register accurately within the allowable limits established by the state regulatory body having jurisdiction, Company will adjust the measured energy for the period of time the meter was shown to be in error, and shall, as provided in the rules and regulations of the state regulatory body having jurisdiction, pay to Seller, or Seller shall refund to Company, the difference between the amount billed and the estimated amount which would have been billed had the meter accurately registered the kilowatt hours provided by Seller. No part of any minimum service charge shall be refunded.

12. POINT OF DELIVERY

The point of delivery is the point where Company's conductors are, or are to be, connected to Seller's conductors. Seller shall do all things necessary to bring its conductors to such point of delivery for connection to Company's conductors, and shall maintain said conductors in good order at all times. If Seller chooses to deliver power to Company through a point of delivery where Seller presently receives power from Company, then the point of delivery for the purchase of generation shall be the same point as the point of delivery for electric service.

13. INTERCONNECTION FACILITIES

If Seller is not subject to the terms and conditions of the North Carolina Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnection, as approved by the Commission in Docket No. E-100, Sub 101, the following conditions shall apply to Interconnection Facilities necessary to deliver Seller's electricity to Company. Otherwise, the terms and conditions of the North Carolina Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnection, as approved by the Commission in Docket No. E-100, Sub 101 govern.

- (a) By Company: Company shall install, own, operate, maintain, and otherwise furnish all lines and equipment located on its side of the point of delivery to permit parallel operation of the

Seller's facilities with the Company's system. It shall also install and own the necessary metering equipment, and meter transformers, where necessary, for measuring the electricity delivered to Company, though such meter may be located on Seller's side of the point of delivery. Interconnection facilities, installed by either Company or Seller, solely for such purpose, include, but are not limited to connection, line extension, transformation, switching equipment, protective relaying, metering, telemetering, communications, and appropriate safety equipment.

Any interconnection facilities installed by Company necessary to receive power from Seller shall be considered additional facilities and shall be provided, if Company finds it practicable, under the following conditions:

- (1) The facilities will be of a kind and type normally used by or acceptable to Company and will be installed at a place and in a manner satisfactory to Company.
- (2) Seller will pay to Company a Monthly Interconnection Facilities Charge of 1.3 percent of the estimated original installed cost and rearrangement cost of all facilities, including metering, required to accept interconnection, but not less than \$25 per month.. The monthly charge for the Interconnection Facilities to be provided under this Agreement is subject to the rates, Service Regulations and conditions of the Company as the same are now on file with the Commission and may be changed or modified from time to time upon approval by the Commission. Any such changes or modifications, including those which may result in increased charges for the Interconnection Facilities to be provided by the Company, shall be made a part of this Agreement to the same effect as if fully set forth herein.
- (3) If Company increases its investment, other than replacement of existing equipment with equipment of equal capacity and kind, in interconnection facilities or other special facilities required by Seller (including conversion of the Company's primary voltage to a higher voltage), the Monthly Interconnection Facilities Charge for providing the interconnection facilities will be adjusted at that time. Seller may terminate the interconnection facilities in accordance with the applicable termination paragraph 1 above, or continue the interconnection facilities under the changed conditions.
- (4) In lieu of the Monthly Interconnection Facilities Charge of 1.3 percent, Seller may elect to make a contribution equal to the total interconnection facilities investment, plus associated tax gross-ups. After such payment, the Monthly Interconnection Facilities Charge for the interconnection facilities will be 0.5 percent of said payment.
- (5) The Monthly Interconnection Facilities Charge as determined shall continue regardless of the term of the Agreement until Seller no longer has need for such facilities. In the event Seller's interconnection facilities should be discontinued or terminated in whole or in part, such discontinuation or termination should be calculated in accordance with 1, above.
- (6) Seller's wiring and appurtenant structures shall provide for the location, connection, and installation of Company's standard metering equipment or other equipment deemed necessary by Company for the metering of Seller's electrical output. Company shall, at its expense, be permitted to install, in Seller's wiring or equipment, any special metering devices or equipment as deemed necessary for experimental or monitoring purposes.
- (7) Company shall furnish and install the Interconnection Facilities no later than the date requested by Seller for such installation. Seller's obligation to pay the Interconnection Facilities charges shall begin upon the earlier of (1) completion of the installation but no earlier than the requested on-the in-service date that such specified in the Interconnection Agreement or (2) the first date when energy is generated and delivered to the

~~Company Facilities become operational, except as provided in Paragraph 3.4 hereof,~~ and such charges shall apply at all times thereafter during the term of this Agreement, whether or not Seller is actually supplying electric power to Company.

- (b) By Seller: Seller shall install, own, operate, and maintain all lines, and equipment, exclusive of Company's meter and meter transformers, on Seller's side of the point of delivery. Seller will be the owner and have the exclusive control of, and responsibility for, all electricity on Seller's side of the point of delivery. Seller must conform to the North Carolina Interconnection Procedures, Forms and Agreements for State-Jurisdictional Generation Interconnections. Seller's wiring shall be arranged such that all electricity generated for sale can be supplied to one point of delivery and measured by a single meter. Company's meter may be located on Seller's side of the point of delivery, and when it is to be so located, Seller must make suitable provisions in Seller's wiring, at a place suitable to Company, for the convenient installation of the type of meter Company will use. All of Seller's conductors installed on the Company's side of the meter and not installed in conduit must be readily visible.

Seller shall install and maintain devices adequate to protect Seller's equipment against irregularities on Company's system, including devices to protect against single-phasing. Seller shall also install and maintain such devices as may be necessary to automatically disconnect Seller's generating equipment, which is operated in parallel with Company, when service provided by Seller is affected by electrical disturbances on Company's or Seller's systems, or at any time when Company's system is de-energized from its prime source.

- (c) Access to Premises: The duly authorized agents of Company shall have the right of ingress and egress to the premises of Seller at all reasonable hours for the purpose of reading meters, inspecting Company's wiring and apparatus, changing, exchanging, or repairing Company's property on the premises of Seller, or removing such property at the time of or at any time after suspension of purchases or termination of this Agreement.
- (d) Protection: Seller shall protect Company's wiring and apparatus on Seller's premises and shall permit no one but Company's agents to handle same. In the event of any loss of or damage to such property of Company caused by or arising out of carelessness, neglect, or misuse by Seller or Seller's employees or agents, the cost of making good such loss or repairing such damage shall be paid by Seller. In cases where Company's service facilities on Seller's premises require abnormal maintenance due to Seller's operation, Seller shall reimburse Company for such abnormal maintenance cost.

14. CONTINUANCE OF PURCHASES AND LIABILITY THEREFOR

The Parties do not guarantee continuous service but shall use reasonable diligence at all times to provide for uninterrupted acceptance and supply of electricity. ~~They-Each party shall at all times use~~ reasonable diligence ~~at all times~~ to provide satisfactory service ~~for the acceptance or supply of electricity~~, and to remove the cause or causes in the event of failure, interruption, reduction or suspension of service ~~for the acceptance or supply of electricity~~, but neither Party shall be liable for any loss or damage resulting from such failure, interruption, reduction or suspension of service, nor shall same be a default hereunder, when ~~any interruption of service for the acceptance or supply of electricity is~~ due to any of the following:

- (a) An emergency ~~condition or~~ action due to an adverse condition, ~~event, and/or~~ disturbance on Company's system, or on any other system directly or indirectly interconnected with it, which requires automatic or manual interruption of the supply of electricity to some customers or areas ~~or automatic or manual interruption, reduction, or cessation of the acceptance of electricity into Company's electrical system~~ in order to limit the ~~occurrence of or~~ extent or damage of the adverse condition or disturbance ~~to Company's system or capability to reliably provide service in compliance~~

and accordance with prudent practices, regulatory requirements, and/or reliability standards, or to prevent damage to generating or transmission facilities, or to expedite restoration of service, or to effect a reduction in service to compensate for an emergency condition on an interconnected system. An emergency condition or action shall include any circumstance that requires action by the Company to comply with any electric reliability organization or NERC/SERC regulations or standards, including without limitation actions to respond to, prevent, limit, or manage loss or damage to Seller's Facility, reliability impairment, loss or damage to the Company's system, disruption of generation by the Seller, disruption of reliability or service on the Company's system, an abnormal condition on the system, and/or endangerment to human life or safety.

- (b) An event or condition of force majeure, as described below.
- (c) Making necessary adjustments to, changes in, or repairs on Company lines, substations, and facilities, and in cases where, in its opinion, the continuance of service from Seller's premises would endanger persons or property.

Seller shall be responsible for promptly taking all actions requested or required by Company to avoid, prevent, or recover from the occurrence and/or imminent occurrence of any emergency condition and in response to any emergency condition or condition of force majeure, including without limitation installing and operating any equipment necessary to take such actions.

Seller shall be responsible for insuring the safe operation of his equipment at all times, and will install and maintain, to Company's satisfaction, the necessary automatic equipment to prevent the ~~backfeed~~back feed of power into, or damage to Company's de-energized system, and shall be subject to immediate disconnection of its equipment from Company's system if Company determines that such equipment is unsafe or adversely affects Company's transmission/distribution system or service to its other customers.

Seller assumes responsibility for and shall indemnify, defend, and save Company harmless against all liability, claims, judgments, losses, costs, and expenses for injury, loss, or damage to persons or property including personal injury or property damage to Seller or Seller's employees on account of defective construction, wiring, or equipment, or improper or careless use of electricity, on Seller's side of the point of delivery.

15. FORCE MAJEURE

Circumstances beyond the reasonable control of a Party which solely cause that Party to experience delay or failure in delivering or receiving electricity or in providing continuous service hereunder, including: acts of God; unusually severe weather conditions; earthquake; strikes or other labor difficulties; war; riots; fire; requirements shall be deemed to be "events or conditions of force majeure". It also includes actions or failures to act on the part of governmental authorities (including the adoption or change in any rule or regulation or environmental constraints lawfully imposed by federal, state or local government bodies), but only if such requirements, actions or failures to act prevent or delay performance; or transportation delays or accidents. Events or conditions of force majeure do not include such circumstances which merely affect the cost of operating the Facility.

Neither Party shall be responsible nor liable for any delay or failure in its performance hereunder due solely to events or conditions of force majeure, provided that:

- (a) The affected Party gives the other Party written notice describing the particulars of the event or condition of force majeure, such notice to be provided within forty-eight (48) hours of the determination by the affected Party that an event or condition of force majeure has occurred, but in no event later than thirty (30) days from the date of the occurrence of the event or condition of force majeure;

- (b) The delay or failure of performance is of no longer duration and of no greater scope than is required by the event or condition of force majeure, provided that in no event shall such delay or failure of performance extend beyond a period of twelve (12) months;
- (c) The affected Party uses its best efforts to remedy its inability to perform;
- (d) When the affected Party is able to resume performance of its obligations under this Agreement, that Party shall give the other Party prompt written notice to that effect; and,
- (e) The event or condition of force majeure was not caused by or connected with any negligent or intentional acts, errors, or omissions, or failure to comply with any law, rule, regulation, order or ordinance, or any breach or default of this Agreement.

16. INSURANCE

Seller shall obtain and retain, for as long as the generation is interconnected with Company's system, either the applicable homeowners insurance policy with liability coverage of at least \$100,000 per occurrence or the applicable comprehensive general liability insurance policy with liability coverage in the amount of at least \$300,000 per occurrence, which protects Seller from claims for bodily injury and/or property damage. This insurance shall be primary for all purposes. Seller shall provide certificates evidencing this coverage as required by Company. Company reserves the right to refuse to establish, or continue the interconnection of Seller's generation with Company's system, if such insurance is not in effect.

17. GOVERNMENTAL RESTRICTIONS

This Agreement is subject to the jurisdiction of those governmental agencies having control over either party or over this Agreement. This Agreement shall not become effective until all required governmental authorizations are obtained. Certification of receipt of all permits and authorizations shall be furnished by Seller to Company upon Company's request. This Agreement shall not become effective unless it and all provisions thereof are authorized and permitted by such governmental agencies without change or conditions.

This Agreement shall at all times be subject to changes by such governmental agencies, and the parties shall be subject to conditions and obligations, as such governmental agencies may, from time to time, direct in the exercise of their jurisdiction, provided no change may be made in rates or in essential terms and conditions of this contract except by agreement of the parties to this contract. Both parties agree to exert their best efforts to comply with all of the applicable rules and regulations of all governmental agencies having control over either party or this Agreement. The parties shall take all reasonable action necessary to secure all required governmental approval of this Agreement in its entirety and without change.

The delivery date, quantity, and type of electricity to be accepted for purchase by Company, from Seller, are subject to changes, restrictions, curtailments, or complete suspensions by Company as may be deemed by it to be necessary or advisable (a) on account of any lawful order or regulation of any municipal, State, or Federal government or agency thereof, or order of any court of competent jurisdiction, or (b) on account of any emergency due to war, or catastrophe, all without liability on the part of the Company therefor.

Supersedes: ~~March 1, 2016~~ April 1, 2014

Effective: ~~March 1, 2016~~ _____

NCUC Docket No E-100, Sub ~~140~~ _____

DEP Exhibit 5

Duke Energy Progress, LLC

Updated Notice of Commitment Form

Clean and Redlined

**NOTICE OF COMMITMENT TO SELL THE OUTPUT
OF A QUALIFYING FACILITY TO
Duke Energy Carolinas, LLC or Duke Energy Progress, LLC**

Instructions to QF: The QF shall deliver, via certified mail, courier, hand delivery or email, its executed Notice of Commitment to:

Director – Power Contracts
400 South Tryon Street
Mail Code: ST 13A
Charlotte, North Carolina 28202
Attn.: Wholesale Renewable Manager
DERContracts@duke-energy.com

Any subsequent notice that a QF is required to provide to Company pursuant to this Notice of Commitment shall be delivered to the same address by one of the foregoing delivery methods.

1. [_____] (“Seller”) hereby commits to sell to Duke Energy Carolinas, LLC or Duke Energy Progress, LLC (the “Company”) all of the electrical output of the Seller’s qualifying facility (“QF”) described in Seller’s self-certification of QF status filed with the Federal Energy Regulatory Commission in Docket No. QF_____ (the “Facility”).
2. The name, address, and contact information for Seller is:

Telephone: _____

Email: _____
3. By execution and submittal of this commitment to sell the output of the Facility (the “Notice of Commitment”), Seller certifies as follows:

(Select the applicable certification below)

Certificate of Public Convenience and Necessity

- i. _____ Seller has received a certificate of public convenience and necessity (“CPCN”) for the construction of its _____ kW (net capacity ac) Facility from the North Carolina Utilities Commission (“NCUC”) pursuant to North Carolina General Statute § 62-110.1 and NCUC Rule R8-64, which CPCN was granted by NCUC on [insert date] in Docket No. _____.
- ii. _____ Seller is exempt from the CPCN requirements pursuant to North Carolina General Statute § 62-110.1(g) and has filed a report of proposed construction for its _____ kW (net capacity ac) Facility with the NCUC

pursuant to NCUC Rule R8-65 (“Report of Proposed Construction”) on [insert date] in Docket No. _____.

- iii. _____ Seller has applied or will apply for a CPCN for the construction of its _____ kW (net capacity ac) Facility on [insert date] in Docket No. _____. If the Seller does not know the docket number on the date of submission of this Notice of Commitment, Seller shall notify the Company of the docket number when it is assigned by the NCUC. Seller shall notify the Company upon issuance of an order by the Commission granting the CPCN.
- iv. _____ Seller is exempt from the CPCN requirements pursuant to North Carolina General Statute § 62-110.1(g) and will file a Report of Proposed Construction for its _____ kW (net capacity ac) Facility with the NCUC pursuant to NCUC Rule R8-65 and shall notify the Company at the address specified in paragraph 1 of the docket number of such filing when it is assigned by the NCUC.

Application to Interconnect Generator to Company’s System

Seller is requesting to become an Interconnection Customer of the Company, as that term is defined in the North Carolina Interconnection Procedures (“NCIP”), and

- i. _____ is eligible for interconnection under NCIP Section 2 (Inverter-based Generators no larger than 20 kW) and has submitted the NCIP Attachment 6 Interconnection Request Application Form for Certified Inverter-Based Generating Facilities No Larger Than 20 kW.
 - ii. _____ is eligible for interconnection under NCIP Section 3 (Fast Track, as defined in NCIP Section 3.1), and has submitted the NCIP Attachment 1 Interconnection Request Application Form requesting Fast Track review.
 - iii. _____ has submitted the NCIP Attachment 1 Interconnection Request Application Form requesting to interconnect under the NCIP Section 4 Study Process
4. This Notice of Commitment shall take effect on its “Submittal Date” as hereinafter defined. “Submittal Date” means (a) the receipted date of deposit of this Notice of Commitment with the U.S. Postal Service for certified mail delivery to the Company, (b) the receipted date of deposit of this Notice of Commitment with a third-party courier (e.g., Federal Express, United Parcel Service) for trackable delivery to the Company, (c) the receipted date of hand delivery of this Notice of Commitment to the Company at the address set forth in paragraph 1, above, or (d) the date on which an electronic copy of this

Notice of Commitment is sent via email to the Company if such email is sent during regular business hours (9:00 a.m. to 5:00 p.m.) on a business day (Monday through Friday excluding federal and state holidays). Emails sent after regular business hours or on days that are not business days shall be deemed submitted on the next business day.

5. By execution and submittal of this Notice of Commitment Seller acknowledges that:
 - a. The legally enforceable obligation date (“LEO Date”) for the Facility will be determined in accordance with subsections (b) and (c) below. For QFs of 1 MW or less, the LEO Date will be used to determine Seller’s eligibility for the rates, terms and conditions of the Company’s currently effective Schedule PP. If the Seller’s Facility does not qualify for Schedule PP, rates for purchases from the Facility will be based on the Company’s avoided costs as of the LEO Date, calculated using data current as of the LEO Date. A QF shall meet both of the following requirements to establish its LEO Date.
 - b. CPCN: If on the Submittal Date, Seller has a CPCN from or has filed a Report of Proposed Construction with NCUC for the Facility, the LEO Date will be the Submittal Date.~~e~~— If on the Submittal Date, Seller does not have a CPCN for the Facility or has not filed a Report of Proposed Construction with the NCUC for the Facility, the LEO Date will be the date on which the NCUC issues a CPCN for the Facility or the filing date of the Report of Proposed Construction for the Facility, as applicable.
 - c. Request for Interconnection: For Interconnection Customers that have applied to interconnect to the Company’s system under the Section 2 Certified Inverter-based Small Generator Process or Section 3 Fast Track Process, the LEO Date shall be on or after the date that the Company accepts the Section 2 or Section 3 Interconnection Request as complete. For Interconnection Customers that have applied to interconnect to the Company’s system under the Section 4 Study Process, the LEO Date shall be on or after the date that the Company receives an executed Attachment 8 Facilities Study Agreement from the Interconnection Customer pursuant to NCIP Section 4.4.1, indicating that the Interconnection Customer intends for the Company to proceed with developing detailed Facilities Study cost estimates in support of a final Interconnection Agreement under NCIP Section 5.
6. This Notice of Commitment shall automatically terminate and be of no further force and effect in the following circumstances:
 - a. Upon execution of a PPA between Seller and Company.
 - b. For a seller eligible for Schedule PP, if such Seller does not execute a PPA within thirty (30) days of the Company’s delivery of an “executable” PPA. An executable PPA shall mean a PPA delivered to the QF by the Company that contains all information necessary for execution and that the Company has

requested that the QF execute and return.

- c. For a Seller that is not eligible for Schedule PP, if such Seller does not execute a PPA within six months (as such period may be extended by mutual agreement of Seller and Company) after the Company's submittal of the PPA to the QF, provided, however, that if no interconnection agreement for the Facility has been tendered to Seller prior to the expiration of such deadline, the deadline for execution of the PPA shall be automatically extended until the date that is five days after the date that the interconnection agreement is tendered to the Seller. Notwithstanding the foregoing, if the PPA proposed by the Company becomes the subject of an arbitration or complaint proceeding, the six month deadline for execution of the PPA shall be tolled upon the filing of the pleading commencing such proceeding and thereafter the deadline for execution of the PPA will be as directed by the NCUC.

The undersigned is duly authorized to execute this Notice of Commitment for the Seller:

[Name]

[Title]

[Company]

[Date]

**NOTICE OF COMMITMENT TO SELL THE OUTPUT
OF A QUALIFYING FACILITY TO
Duke Energy Carolinas, LLC or Duke Energy Progress, LLC**

Instructions to QF: The QF shall deliver, via certified mail, courier, hand delivery or email, its executed Notice of Commitment to:

Director – Power Contracts
400 South Tryon Street
Mail Code: ST 13A
Charlotte, North Carolina 28202
Attn.: Wholesale Renewable Manager
DERContracts@duke-energy.com

Any subsequent notice that a QF is required to provide to Company pursuant to this Notice of Commitment shall be delivered to the same address by one of the foregoing delivery methods.

1. [_____] (“Seller”) hereby commits to sell to Duke Energy Carolinas, LLC or Duke Energy Progress, LLC (the “Company”) all of the electrical output of the Seller’s qualifying facility (“QF”) described in Seller’s self-certification of QF status filed with the Federal Energy Regulatory Commission in Docket No. QF_____ (the “Facility”).
2. The name, address, and contact information for Seller is:

Telephone: _____

Email: _____
3. By execution and submittal of this commitment to sell the output of the Facility (the “Notice of Commitment”), Seller certifies as follows:

(Select the applicable certification below)

Certificate of Public Convenience and Necessity

- i. _____ Seller has received a certificate of public convenience and necessity (“CPCN”) for the construction of its _____ kW (net capacity ac) Facility from the North Carolina Utilities Commission (“NCUC”) pursuant to North Carolina General Statute § 62-110.1 and NCUC Rule R8-64, which CPCN was granted by NCUC on [insert date] in Docket No. _____.
- ii. _____ Seller is exempt from the CPCN requirements pursuant to North Carolina General Statute § 62-110.1(g) and has filed a report of proposed construction for its _____ kW (net capacity ac) Facility with the NCUC

pursuant to NCUC Rule R8-65 ("Report of Proposed Construction") on [insert date] in Docket No. _____.

- iii. _____ Seller has applied or will apply for a CPCN for the construction of its _____ kW (net capacity ac) Facility on [insert date] in Docket No. _____. If the Seller does not know the docket number on the date of submission of this Notice of Commitment, Seller shall notify the Company of the docket number when it is assigned by the NCUC. Seller shall notify the Company upon issuance of an order by the Commission granting the CPCN.
- iv. _____ Seller is exempt from the CPCN requirements pursuant to North Carolina General Statute § 62-110.1(g) and will file a Report of Proposed Construction for its _____ kW (net capacity ac) Facility with the NCUC pursuant to NCUC Rule R8-65 and shall notify the Company at the address specified in paragraph 1 of the docket number of such filing when it is assigned by the NCUC.

Application to Interconnect Generator to Company's System

Seller is requesting to become an Interconnection Customer of the Company, as that term is defined in the North Carolina Interconnection Procedures ("NCIP"), and

- i. _____ is eligible for interconnection under NCIP Section 2 (Inverter-based Generators no larger than 20 kW) and has submitted the NCIP Attachment 6 Interconnection Request Application Form for Certified Inverter-Based Generating Facilities No Larger Than 20 kW.**
 - ii. _____ is eligible for interconnection under NCIP Section 3 (Fast Track, as defined in NCIP Section 3.1), and has submitted the NCIP Attachment 1 Interconnection Request Application Form requesting Fast Track review.**
 - iii. _____ has submitted the NCIP Attachment 1 Interconnection Request Application Form requesting to interconnect under the NCIP Section 4 Study Process**
4. This Notice of Commitment shall take effect on its "Submittal Date" as hereinafter defined. "Submittal Date" means (a) the receipted date of deposit of this Notice of Commitment with the U.S. Postal Service for certified mail delivery to the Company, (b) the receipted date of deposit of this Notice of Commitment with a third-party courier (e.g., Federal Express, United Parcel Service) for trackable delivery to the Company, (c) the

receipted date of hand delivery of this Notice of Commitment to the Company at the address set forth in paragraph 1, above, or (d) the date on which an electronic copy of this Notice of Commitment is sent via email to the Company if such email is sent during regular business hours (9:00 a.m. to 5:00 p.m.) on a business day (Monday through Friday excluding federal and state holidays). Emails sent after regular business hours or on days that are not business days shall be deemed submitted on the next business day.

5. By execution and submittal of this Notice of Commitment Seller acknowledges that:
 - a. The legally enforceable obligation date ("LEO Date") for the Facility will be determined in accordance with subsections ~~(e)~~ ~~or~~ and ~~(d)~~ below. For QFs of 51 MW or less, the LEO Date will be used to determine Seller's eligibility for the rates, terms and conditions of the Company's currently effective Schedule PP. If the Seller's Facility does not qualify for Schedule PP, rates for purchases from the Facility will be based on the Company's avoided costs as of the LEO Date, calculated using data current as of the LEO Date. **A QF shall meet both of the following requirements to establish its LEO Date.**
 - b. **CPCN:** If on the Submittal Date, Seller has a CPCN from or has filed a Report of Proposed Construction with NCUC for the Facility, the LEO Date will be the Submittal Date.~~e.~~—— If on the Submittal Date, Seller does not have a CPCN for the Facility or has not filed a Report of Proposed Construction with the NCUC for the Facility, the LEO Date will be the date on which the NCUC issues a CPCN for the Facility or the filing date of the Report of Proposed Construction for the Facility, as applicable.
 - c. **Request for Interconnection:** **For Interconnection Customers that have applied to interconnect to the Company's system under the Section 2 Certified Inverter-based Small Generator Process or Section 3 Fast Track Process, the LEO Date shall be on or after the date that the Company accepts the Section 2 or Section 3 Interconnection Request as complete. For Interconnection Customers that have applied to interconnect to the Company's system under the Section 4 Study Process, the LEO Date shall be on or after the date that the Company receives an executed Attachment 8 Facilities Study Agreement from the Interconnection Customer pursuant to NCIP Section 4.4.1, indicating that the Interconnection Customer intends for the Company to proceed with developing detailed Facilities Study cost estimates in support of a final Interconnection Agreement under NCIP Section 5.**
6. This Notice of Commitment shall automatically terminate and be of no further force and effect in the following circumstances:
 - a. Upon execution of a PPA between Seller and Company.

- b. For a seller eligible for Schedule PP, if such Seller does not execute a PPA within thirty (30) days of the Company's delivery of an "executable" PPA. An executable PPA shall mean a PPA delivered to the QF by the Company that contains all information necessary for execution and that the Company has requested that the QF execute and return.
- c. For a Seller that is not eligible for Schedule PP, if such Seller does not execute a PPA within six months (as such period may be extended by mutual agreement of Seller and Company) after the Company's submittal of the PPA to the QF, provided, however, that if no interconnection agreement for the Facility has been tendered to Seller prior to the expiration of such deadline, the deadline for execution of the PPA shall be automatically extended until the date that is five days after the date that the interconnection agreement is tendered to the Seller. Notwithstanding the foregoing, if the PPA proposed by the Company becomes the subject of an arbitration or ~~complain~~**complaint** proceeding, the six month deadline for execution of the PPA shall be tolled upon the filing of the pleading commencing such proceeding and thereafter the deadline for execution of the PPA will be as directed by the NCUC.

The undersigned is duly authorized to execute this Notice of Commitment for the Seller:

[Name]

[Title]

[Company]

[Date]

DEP Exhibit 6

Duke Energy Progress, LLC

Annualized Rates

DUKE ENERGY PROGRESS, LLC
Option A - All Other Purchased Power Schedule PP
Proposed Rates (Annualized)
Cents per KWH

Performance Adjustment Factor: 1.05

<u>Line No.</u>	<u>Description</u>	<u>Variable Rate</u>	<u>Fixed Long-Term Rates 10 Years</u>
INTERCONNECTED TO: DISTRIBUTION SYSTEM			
1	Energy Credit On-Peak	3.54	3.54
2	Off-Peak	3.25	3.25
3	Capacity Credit Summer Month	0.00	0.55
4	Non-Summer Month	0.00	1.12
5	Annualized Energy	3.35	3.35
6	Annualized Capacity	<u>0.00</u>	<u>0.32</u>
7	Annualized Total	3.35	3.67

INTERCONNECTED TO: TRANSMISSION SYSTEM

8	Energy Credit On-Peak	3.48	3.48
9	Off-Peak	3.22	3.22
10	Capacity Credit Summer Month	0.00	0.54
11	Non-Summer Month	0.00	1.10
12	Annualized Energy	3.31	3.31
13	Annualized Capacity	<u>0.00</u>	<u>0.32</u>
14	Annualized Total	3.31	3.63

NOTE: Calculation of Annualized Numbers

Peak Hours Summer Mths	1022	Annualized Energy	(On-Peak rate*3033 + Off-Peak rate*5727)/8760
Peak Hours Non-Summer Mths	2011	Annualized Capacity	(Summer month rate*1022 + Non-Summer month rate*2011)/8760
Total On-Peak Hours	3033	Annualized Total	Capacity + Energy
Total Hours in Year	8760		
Total Off-Peak Hours	5727		

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Nov 15 2016

DUKE ENERGY PROGRESS, LLC
Option B - All Other Purchased Power Schedule PP
Proposed Rates (Annualized)
Cents per KWH

Performance Adjustment Factor: 1.05

<u>Line No.</u>	<u>Description</u>	<u>Variable Rate</u>	<u>Fixed Long-Term Rates 10 Years</u>
INTERCONNECTED TO: DISTRIBUTION SYSTEM			
1	Energy Credit On-Peak	3.63	3.63
2	Off-Peak	3.28	3.28
3	Capacity Credit Summer Month	0.00	0.83
4	Non-Summer Month	0.00	1.93
5	Annualized Energy	3.35	3.35
6	Annualized Capacity	<u>0.00</u>	<u>0.32</u>
7	Annualized Total	3.35	3.67

INTERCONNECTED TO: TRANSMISSION SYSTEM

8	Energy Credit On-Peak	3.55	3.55
9	Off-Peak	3.24	3.24
10	Capacity Credit Summer Month	0.00	0.82
11	Non-Summer Month	0.00	1.89
12	Annualized Energy	3.31	3.31
13	Annualized Capacity	<u>0.00</u>	<u>0.32</u>
14	Annualized Total	3.31	3.63

NOTE: Calculation of Annualized Numbers

Peak Hours Summer Mths	681	Annualized Energy	(On-Peak rate*1854 + Off-Peak rate*6906)/8760
Peak Hours Non-Summer Mths	1173	Annualized Capacity	(Summer month rate*681 + Non-Summer month rate*1173)/8760
Total On-Peak Hours	1854	Annualized Total	Capacity + Energy
Total Hours in Year	8760		
Total Off-Peak Hours	6906		

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Nov 15 2016

DUKE ENERGY PROGRESS, LLC
Option A - Purchased Power (Hydroelectric Qualifying Facilities Without Storage Capability) Schedule PP-H
Proposed Rates (Annualized)
Cents per KWH

Performance Adjustment Factor:

2.0

<u>Line No.</u>	<u>Description</u>	<u>Variable Rate</u>	<u>5 Years</u>	<u>Fixed Long-Term Rates</u>		
				<u>10 Years</u>	<u>15 Years</u>	
INTERCONNECTED TO: DISTRIBUTION SYSTEM						
1	Energy Credit	On-Peak	3.54	3.47	3.60	3.92
2		Off-Peak	3.25	3.14	3.28	3.55
3	Capacity Credit	Summer Month	2.15	2.22	2.34	2.46
4		Non-Summer Month	4.36	4.52	4.76	5.00
5	Annualized Energy		3.35	3.25	3.39	3.68
6	Annualized Capacity		<u>1.25</u>	<u>1.30</u>	<u>1.37</u>	<u>1.43</u>
7	Annualized Total		4.60	4.55	4.76	5.11

INTERCONNECTED TO: TRANSMISSION SYSTEM

8	Energy Credit	On-Peak	3.48	3.41	3.53	3.85
9		Off-Peak	3.22	3.10	3.25	3.51
10	Capacity Credit	Summer Month	2.11	2.18	2.30	2.42
11		Non-Summer Month	4.29	4.44	4.68	4.91
12	Annualized Energy		3.31	3.21	3.35	3.63
13	Annualized Capacity		<u>1.23</u>	<u>1.27</u>	<u>1.34</u>	<u>1.41</u>
14	Annualized Total		4.54	4.48	4.69	5.04

NOTE: Calculation of Annualized Numbers

Peak Hours Summer Mths	1022	Annualized Energy	(On-Peak rate*3033 + Off-Peak rate*5727)/8760
Peak Hours Non-Summer Mths	2011	Annualized Capacity	(Summer month rate*1022 + Non-Summer month rate*2011)/8760
Total On-Peak Hours	3033	Annualized Total	Capacity + Energy
Total Hours in Year	8760		
Total Off-Peak Hours	5727		

DUKE ENERGY PROGRESS, LLC
Option B - Purchased Power (Hydroelectric Qualifying Facilities Without Storage Capability) Schedule PP-H
Proposed Rates (Annualized)
Cents per KWH

Performance Adjustment Factor:

2.0

<u>Line No.</u>			<u>Description</u>	Variable <u>Rate</u>	Fixed Long-Term Rates		
					<u>5 Years</u>	<u>10 Years</u>	<u>15 Years</u>
INTERCONNECTED TO: DISTRIBUTION SYSTEM							
1	Energy Credit	On-Peak	3.63	3.47	3.58	3.92	
2		Off-Peak	3.28	3.21	3.34	3.62	
3	Capacity Credit	Summer Month	3.23	3.34	3.53	3.70	
4		Non-Summer Month	7.50	7.76	8.19	8.59	
5	Annualized Energy		3.35	3.27	3.39	3.68	
6	Annualized Capacity		<u>1.26</u>	<u>1.30</u>	<u>1.37</u>	<u>1.44</u>	
7	Annualized Total		4.61	4.57	4.76	5.12	

INTERCONNECTED TO: TRANSMISSION SYSTEM

8	Energy Credit	On-Peak	3.55	3.40	3.51	3.84
9		Off-Peak	3.24	3.17	3.30	3.57
10	Capacity Credit	Summer Month	3.16	3.28	3.46	3.63
11		Non-Summer Month	7.35	7.61	8.03	8.43
12	Annualized Energy		3.31	3.22	3.34	3.63
13	Annualized Capacity		<u>1.23</u>	<u>1.27</u>	<u>1.34</u>	<u>1.41</u>
14	Annualized Total		4.54	4.49	4.68	5.04

NOTE: Calculation of Annualized Numbers

Peak Hours Summer Mths	681	Annualized Energy	(On-Peak rate*1854 + Off-Peak rate*6906)/8760
Peak Hours Non-Summer Mths	1173	Annualized Capacity	(Summer month rate*681 + Non-Summer month rate*1173)/8760
Total On-Peak Hours	1854	Annualized Total	Capacity + Energy
Total Hours in Year	8760		
Total Off-Peak Hours	6906		

DEC-DEP Exhibit 7

Duke Energy Carolinas, LLC and Duke Energy Progress, LLC

Proposed Procedural Schedule

Proposed Establishment of Evidentiary Hearing and Procedural Schedule

Consistent with their request that the Commission schedule an evidentiary hearing and establish a procedural schedule in this matter, the Companies respectfully propose the following procedural schedule for the Commission's consideration:

1. That an evidentiary hearing be scheduled for Tuesday, April 4, 2017, at 9:30 a.m. in Commission Hearing Room 2115, Dobbs Building, 430 N. Salisbury Street, Raleigh, North Carolina;
2. That the direct testimony and exhibits of the Utilities be filed on or before February 21, 2017;
3. That other persons desiring to become formal participants and parties of record in this proceeding file verified petitions to intervene in accordance with the applicable Commission Rules on or before March 14, 2017;
4. That the direct testimony and exhibits of the intervenors be filed on or before March 14, 2017;
5. That any rebuttal testimony and exhibits of the Utilities shall be filed on or before March 24, 2017.

VERIFICATION

STATE OF NORTH CAROLINA

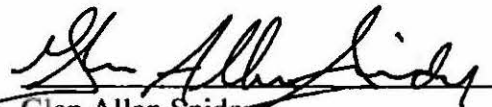
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DOCKET NO. E-100, SUB 148

COUNTY OF MECKLENBURG

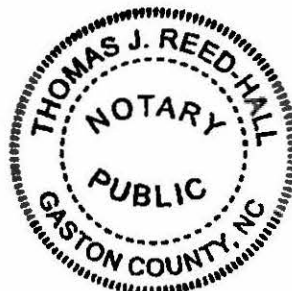
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The undersigned, Glen Allen Snider, being first duly sworn, deposes and says that he is Director – Integrated Resource Planning and Analytics – Carolinas for Duke Energy Carolinas, LLC; that he has read the foregoing Initial Statement and Exhibits of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC and knows the contents thereof; that the same are true of his own knowledge, except as to those matters stated on information and belief, and as to those matters, he believes them to be true.


Glen Allen Snider

Sworn to and subscribed before me
this 15th day of November, 2016.


Notary Public



My Commission Expires:

7-31-17