

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
DOCKET NO. E-2, SUB 1170
DOCKET NO. E-7, SUB 1169

In the Matter of:)	
Petition for Approval of Green Source)	NCSEA’S INITIAL
Advantage Program and Rider GSA to)	COMMENTS
Implement N.C. Gen. Stat. § 62-159.2)	

NCSEA’S INITIAL COMMENTS

The North Carolina Sustainable Energy Association (“NCSEA”), an intervenor in the above-captioned proceedings, files these initial comments pursuant to the *Order Establishing Proceeding to Review Proposed Green Source Rider Advantage Program and Rider GSA* issued by the North Carolina Utilities Commission (“Commission”) on January 26, 2018 and in response to *Duke Energy Carolinas, LLC’s and Duke Energy Progress, LLC’s Petition for Approval of Green Source Advantage Program and Rider GSA to Implement N.C. Gen. Stat. § 62-159.2* (“*Application*”) filed by Duke Energy Carolinas, LLC (“DEC”) and Duke Energy Progress, LLC (“DEP”) (collectively, “Duke”) on January 23, 2018. Duke’s *Application* proposes a new Green Source Advantage (“GSA”) program for DEC and DEP to implement N.C. Gen. Stat. § 62-159.2. However, as discussed below, Duke’s proposed GSA program fails to comply with the requirements of N.C. Gen. Stat. § 62-159.2 and should be rejected by the Commission.

NCSEA’s membership includes numerous large electricity consumers with sustainability and cost-savings goals who would be eligible to participate in Duke’s proposed GSA program. In the process of soliciting feedback, it became apparent that various businesses and academic institutions desired to voice their concerns about Duke’s proposed GSA program directly to the Commission. Those organizations crafted letters to

the Commission, which are attached to these initial comments. The first, a letter from businesses and included as Attachment A, is signed by **New Belgium Brewing, SAS Institute Inc., Sierra Nevada Brewing Co., Unilever, and VF Corporation**. The second, a letter from academic institutions and included as Attachment B, is signed by **Davidson College, Duke University, and Wake Forest University**.

NCSEA respectfully requests that the Commission reject Duke's proposal and instead direct Duke to engage stakeholders, including a wide array of large energy consumers such as the signatories to Attachment A and Attachment B, to craft a green tariff that complies with the language and legislative intent of N.C. Gen. Stat. § 62-159.2.

I. DUKE'S PROPOSED GSA TARIFF VIOLATES THE PROVISIONS OF N.C. GEN. STAT. § 62-159.2

A. DUKE'S PROPOSED GSA TARIFF PROVIDES PARTICIPATING CUSTOMERS WITH RECS, NOT ENERGY AND CAPACITY

As it was adopted, N.C. Gen. Stat. § 62-159.2 directs the creation of a program by which utilities will procure energy and capacity from renewable energy facilities on behalf of participating customers. N.C. Gen. Stat. § 62-159.2(b) ("Each public utility's program application . . . shall provide standard contract terms and conditions for participating customers and for renewable energy suppliers from which the electric public *utility procures energy and capacity on behalf of the participating customer.*") (emphasis added). This legislative language reflects the desire of large electricity consumers to procure energy and capacity through a power purchase agreement ("PPA"), or energy, capacity, and renewable energy certificates ("RECs") through a bundled PPA. However, as is made clear by Duke's *Application*, its proposed GSA tariff provides participating customers with only RECs, and not energy and capacity.

Duke notes in its opening paragraph that its proposed GSA tariff is designed to “facilitate these customers obtaining the renewable energy attributes and renewable energy certificates (“RECs”) associated with this new renewable energy generation to meet their sustainability goals.” *Application*, pp. 1-2. Duke’s misapprehension of the requirements of N.C. Gen. Stat. § 62-159.2 continues throughout their *Application* as they repeatedly make reference to the fact that the proposed GSA tariff provides participating customers with RECs. *See generally, Application*, para. 5, 9, 11, 22, 23, 26, 27, and 28. Duke’s misguided proposal even goes so far as to require participating customers enter into a contract to procure RECs from a renewable energy facility, even though N.C. Gen. Stat. § 62-159.2 clearly intended a program for the procurement of energy and capacity. *Application*, para. 23 (“Under the Self-Supply option, title to the RECs must be transferred from the Renewable Supplier directly to the GSA Customer, pursuant to a “REC Agreement” separately negotiated and documented between the Renewable Supplier and Self-Supply Customer.”).

B. DUKE’S PROPOSED GSA TARIFF TERM DOES NOT PROVIDE A RANGE OF TERMS FOR PARTICIPATING CUSTOMERS

The General Assembly was clear that the green tariffs offered by the utilities are to offer “a range of terms, between two years and 20 years, from which the participating customer may elect.” N.C. Gen. Stat. § 62-159.2(b). Duke’s proposal provides for only a 20-year term under the standard offer option, *Application*, para. 19, or a two-, five-, or 20-year term under the self-supply option. *Application*, para. 12. The term offered by the standard offer option is clearly in violation of the statutory requirement that Duke offer terms as short in duration as two years. Furthermore, the terms offered by the self-supply option are clearly inadequate and fail to provide a *range* of options, as there is no term

available between five and 20 years. Depending on the specific dynamics of a project, a participant or renewable energy project developer may prefer to enter into a 10 or 15-year contract instead of the very limiting two or -year durations proposed, but such durations are not permitted under Duke's proposed GSA tariff.

C. DUKE'S PROPOSED GSA TARIFF BENEFITS
NONPARTICIPATING CUSTOMERS

The General Assembly clearly directed the Commission to “ensure that *all other customers are held neutral, neither advantaged nor disadvantaged*, from the impact of the renewable electricity procured on behalf of the program customer.” N.C. Gen. Stat. § 62-159.2(e) (emphasis added). However, Duke's *Application* explicitly states that “the GSA Program provides a cost-effective new renewable energy generation procurement program *for the benefit of all customers[.]*” *Application*, para. 5 (emphasis added). *See also*, *Application*, para. 5 (“all retail customers receive the benefit of cost-effective energy and capacity”) and para. 29 (“non-GSA Customers who will be served by (and pay for) the energy and capacity generated by the GSA Facility.”).

Specifically, by capping of the bill credit mechanism for certain participants to the lesser of the PPA price or avoided cost, Duke's *Application* results in a cross-subsidization by transferring benefits from participants to all other customers, in violation of N.C. Gen. Stat. § 62-159.2(e). If the PPA price negotiated between a participant and a renewable energy facility developer is below Duke's avoided cost, then the difference between Duke's avoided cost and the PPA price would represent a benefit to either the Companies or to non-participating customers at the expense of participants.

NCSEA has advocated for years that clean energy provides financial benefits to ratepayers. Numerous corporations recognize this as well and seek to procure clean energy

not only to meet sustainability goals but also to hedge against future rate increases. The General Assembly explicitly directed that the financial benefit provided by clean energy procured through a green tariff pursuant to N.C. Gen. Stat. § 62-159.2 is to accrue to the benefit of the participating ratepayer, and not to all ratepayers. However, Duke's proposed GSA tariff blatantly disregards this requirement. Under Duke's proposal, renewable energy suppliers will be selling energy, capacity, and RECs at a price below Duke's avoided cost for just energy and capacity. Participating customers, however, do not realize these cost savings. In fact, Duke's application explicitly states that the benefits provided by customers who choose to participate in the proposed GSA tariff will accrue to all ratepayers. *Application*, para. 5.

D. DUKE'S APPLICATION IS MISSING PROVISIONS REQUIRED BY
N.C. GEN. STAT. § 62-159.2

The General Assembly clearly required Duke to provide standard contract terms and conditions for both participating customers and renewable energy suppliers. N.C. Gen. Stat. § 62-159.2(b) ("Each public utility's program application required by this section shall provide standard contract terms and conditions for participating customers and for renewable energy suppliers from which the electric public utility procures energy and capacity on behalf of the participating customer."). Duke's *Application* fails to provide standard contract terms and conditions for either participating customers or renewable energy suppliers. Rather, Duke's *Application* asserts that the self-supply option "complies with the Program statute by offering Eligible GSA Customers . . . standard contract conditions for participating customers[]" without setting forth what those standard contract conditions are. *Application*, para. 12. For the standard offer option, Duke's *Application* states that "The commercial terms of GSA PPA are planned to be the same in all material

respects as the PPA filed with the Commission for approval as part of the CPRE Program.” *Application*, note 15. Duke’s assertion that the PPA will be the same “in all material respects” to a PPA proposed to the Commission in a completely different context is not the same as providing standard contract terms and conditions, as Duke is required to do by N.C. Gen. Stat. § 62-159.2(b).

II. DUKE’S APPLICATION GOES BEYOND THE PROVISIONS OF N.C. GEN. STAT. § 62-159.2

As discussed above, there are several aspects of Duke’s proposed GSA tariff that fail to comply with the requirements of N.C. Gen. Stat. § 62-159.2. In addition, other aspects of the proposed GSA tariff introduce elements that are unnecessarily complicated or restrictive and not supported by the statute.

A. DUKE’S PROPOSAL INAPPROPRIATELY LINKS THE GSA TARIFF TO THE COMPETITIVE PROCUREMENT OF RENEWABLE ENERGY PROGRAM

Duke’s *Application* mistakenly asserts that its proposed GSA tariff is “integrally tied to” the CPRE program. *Application*, para. 26. NCSEA acknowledges that, pursuant to N.C. Gen. Stat. § 62-159.2(d), any of the 600 MW of green tariff capacity that is unused at the expiration of the green tariff program will instead be procured through the CPRE. However, this reallocation of capacity from the green tariff to the CPRE does not mean that the two programs are integrally tied together.

In its *Application*, Duke proposes that “the GSA ‘renewable energy product’ to be procured under the GSA Standard Offer will be the same as the CPRE Program product,” *Application*, para. 26. However, Duke’s assertion is not supported by the law. Both N.C. Gen. Stat. § 62-159.2 and N.C. Gen. Stat. § 62-110.8 were both adopted by S.L. 2017-192. In fact, the sections of S.L. 2017-192 enacting these two statutes were immediately

adjacent to each other. If the General Assembly had intended for the green tariff program pursuant to N.C. Gen. Stat. § 62-159.2 to be linked to the CPRE program pursuant to N.C. Gen. Stat. § 62-110.8 it would have clearly and directly linked the two statutes. It appears that Duke is attempting to rewrite the provisions of S.L. 2017-192 to better suit its needs, rather than attempting to implement the legislation as it was written. As a result of this inappropriate linking of the two programs, Duke's proposed GSA tariff fails to comply with the requirements of N.C. Gen. Stat. § 62-159.2 in several different ways. This fundamentally flawed assumption leads Duke to propose procuring renewable energy facilities for the green tariff through the CPRE process. *Application*, para. 5 and 11. As set forth below, by modeling its proposed GSA tariff on the CPRE program, Duke imposes requirements found in N.C. Gen. Stat. § 62-110.8 on renewable energy facility developers that are not supported by the language of N.C. Gen. Stat. § 62-159.2.

First, N.C. Gen. Stat. § 62-110.8(b)(iii) explicitly allows Duke to include dispatch rights in a PPA with renewable energy facility developers under the CPRE program. However, N.C. Gen. Stat. § 62-159.2 gives Duke no similar authority for its proposed GSA tariff. Nonetheless, Duke's *Application* gives the utility dispatch rights. *Application*, para. 26. While there may be benefits to the electric grid by allowing Duke to have dispatch rights, these benefits are ultimately not provided to participating customers.

Second, N.C. Gen. Stat. § 62-110.8(d) establishes that the CPRE "shall be independently administered by a third-party entity to be approved by the Commission." N.C. Gen. Stat. § 62-159.2 does not set up a similar process for independent administration of the green tariff. However, Duke's *Application* proposes that renewable energy facilities

procured through its proposed GSA tariff are to be evaluated by the CPRE's independent administrator. *Application*, para. 11.

Third, N.C. Gen. Stat. § 62-110.8(b)(3) directs Duke to propose, and the Commission to approve, a pro forma PPA to be used in the CPRE program for the procurement of renewable energy, capacity, and environmental and renewable attributes from renewable energy facilities. N.C. Gen. Stat. § 62-159.2(b) has a similar, but distinctly different, directive for Duke to include in its application "standard contract terms and conditions for participating customers and for renewable energy suppliers" for its green tariff. However, as noted above, Duke's *Application* does not include standard contract terms and conditions, as required by N.C. Gen. Stat. § 62-159.2(b), but rather proposes that the PPA for renewable energy facilities procured through the green tariff will be "materially similar to the CPRE Program PPA[.]" *Application*, para. 27. Duke's *Application* further notes that "The commercial terms of GSA PPA are planned to be the same in all material respects as the PPA *filed with the Commission for approval* as part of the CPRE Program." *Id.*, note 15 (emphasis added). Finally, Duke's *Application* states that "additional eligibility requirements may be identified" that are not included in its *Application*. *Id.*, para. 47. Thus, Duke's *Application* (i) fails to provide the standard contract terms and conditions required by N.C. Gen. Stat. § 62-159.2(b), (ii) proposes a PPA that is "materially similar" or "the same in all material respects" to a PPA from a different program that has different statutory requirements, (iii) proposes to use the PPA that was proposed by Duke for that different program, rather than the PPA that is ultimately approved by the Commission, and (iv) acknowledges that additional eligibility requirements that are not set forth in the *Application* may be required.

Duke's reliance on the CPRE program as the basis for its proposed GSA program also results in the inclusion of restrictions on the eligibility of new renewable energy facilities to participate in the green tariff that are not supported by N.C. Gen. Stat. § 62-159.2. Duke's *Application* propose to require new renewable energy facilities participating in the proposed GSA program to pay "a GSA reservation fee, which shall be calculated in a manner substantially similar to the bid bond established in the CPRE Program Guidelines." *Application*, para. 21 (internal citations omitted). Duke makes this proposal based on its CPRE program but makes no justification for why it is appropriate for inclusion in a green tariff. Similarly, Duke's *Application* proposes to require that new renewable energy facilities "must have completed the System Impact Study under the North Carolina Interconnection Procedures[.]" *Application*, para. 47. As with its proposed reservation fee, Duke offers no support whatsoever for this arbitrary restriction on project eligibility.

B. DUKE'S PROPOSAL INAPPROPRIATELY LINKS THE GSA
TARIFF TO SERVICE TERRITORIES

N.C. Gen. Stat. § 62-110.8(c) explicitly grants Duke "the authority to determine the location and allocated amount of the competitive procurement within their respective balancing authority areas[.]" The General Assembly is clearly capable of granting Duke the authority to allocate the distribution of a statewide program between the DEC and DEP balancing areas. However, the General Assembly chose not grant Duke such authority in N.C. Gen. Stat. § 62-159.2. Nonetheless, Duke's *Application* proposes to divide the 600 MW green tariff program between its two balancing areas. *Application*, para. 8. Notably, Duke does not propose to allocate the 250 MW set aside for the University of North Carolina system nor the 100 MW set aside for the military between its two balancing areas;

rather, Duke proposes only to allocate the unreserved capacity eligible for all other customers. *Id.* In addition to being unsupported by statute, this proposal is inherently discriminatory against all non-military and non-University of North Carolina system customers.

In addition to giving Duke the authority to allocate the CPRE program between the DEC and DEP balancing areas, N.C. Gen. Stat. § 62-110.8(c) explicitly grants Duke the authority to set location and amount requirements within their balancing areas, “whether located inside or outside the geographic boundaries of the State[.]” As with allocation between balancing areas, N.C. Gen. Stat. § 62-159.2 grants Duke no such authority in its green tariff proposal. The General Assembly could have granted Duke this authority, as it did in N.C. Gen. Stat. § 62-110.8(c) but chose not to do so. Nonetheless, Duke’s *Application* proposes to allow new renewable energy facilities located in South Carolina to participate in its North Carolina-specific proposed GSA program. *Application*, para. 46.

Finally, in a similar manner, Duke’s *Application* proposes to require that aggregated customer load be located in the same service territory. *Application*, para. 9. As with the other issues discussed in this section, there is no support found in the language of N.C. Gen. Stat. § 62-159.2 for this proposal. The General Assembly clearly could have granted Duke this authority but chose not to. Accordingly, the Commission should reject these aspects of Duke’s proposed GSA program.

C. DUKE’S PROPOSAL INAPPROPRIATELY MAKES OTHER
ADDITIONS TO THE GSA TARIFF THAT ARE NOT SUPPORTED
BY N.C. GEN. STAT. § 62-159.2

The General Assembly explicitly authorized “renewable energy facilities to be constructed, owned, and operated by the soliciting public utility” to participate in the CPRE

program. N.C. Gen. Stat. § 62-110.8(b). However, the General Assembly gave no such authorization for the utility to construct, own, and operate new renewable energy facilities for the green tariff program in N.C. Gen. Stat. § 62-159.2. Nonetheless, Duke proposes that facilities constructed, owned, and operated by Duke be eligible to participate in its proposed GSA program. *Application*, note 4 (“Eligible GSA Customers may also directly negotiate with DEC or DEP to develop a GSA Facility under the Self-Supply option.”). *See also, Id.*, para. 49 (Duke proposes to recover costs associated with utility-owned GSA facilities through the fuel rider.). The General Assembly clearly could have granted Duke the ability to construct new renewable energy facilities for participation in the green tariff but chose not to do so.

Duke’s *Application* also proposes to artificially restrict the times at which eligible participants may enroll in its proposed GSA program. This is based on Duke’s inappropriate linking of its proposed GSA program to the CPRE program, as discussed in detail above. Specifically, Duke proposes that eligible customers may not be able to reserve capacity until January 1, 2019. *Application*, para. 14. Even after capacity is reserved, it is unclear when capacity would actually be delivered to eligible customers. *See generally, Application*, Figure 1.¹ Duke’s concept of enrollment windows is not supported by the language of N.C. Gen. Stat. § 62-159.2 and unnecessarily restricts the ability of eligible customers to participate in the green tariff in a timely manner.

¹ N.C. Gen. Stat. § 62-159.2(d) directs that the green tariff program shall be offered for “a period of five years or until December 31, 2022, whichever is later[.]” If the Commission decides to allow the timing included in Duke’s proposed GSA program, NCSEA is of the opinion that, for purposes of determining its sunset, the program would not begin until the opening of the initial enrollment window on January 1, 2019.

III. N.C. GEN. STAT. § 62-159.2 IS FLAWED

Under a regulated electric utility structure as in North Carolina, utility green tariff options, such as Duke's proposed GSA program, *should* provide large customers with a cost-competitive option for procuring in-state renewable energy. Access to renewable energy is a financial imperative for today's leading companies. Switching to renewable energy allows them to save money, hedge against volatile fossil fuel prices, and lock in cost-effective, fixed energy rates. These benefits are especially important given Duke's proposed rate increases, and the increases expected in the coming years as a result of Duke's capital investment plans. Clean energy also reduces their impact on the environment and helps them meet corporate sustainability goals.

Businesses want fair, cost-competitive options for sourcing renewable energy that provides them with flexibility to meet their energy needs without affecting other ratepayers and allows them to add new renewable energy to the grid. In order for a green tariff to be attractive to customers, it should follow these guidelines:

- Customers not only want to have a direct impact on new renewable energy development, but also want access to the financial benefits provided by the stable rates provided by fuel-less clean energy generation.
- In order to be attractive to consumer participants, a green tariff should reflect the actual costs of the renewable energy resource and the benefits of the services it provides. Green tariffs should seek out consumer-selected renewable energy that provides long-term price stability against future fuel and capacity price increases for utility-owned resources. Administrative costs should be transparently reported, and the bill credit mechanism should reflect a fair and transparent accounting of the

costs avoided by displacing the need for new energy and capacity owned by the utility.

- A green tariff should have standardized contract terms concerning default, early termination, financial assurances, and other conditions that are approved by the Commission. Commission-approved standardized terms are essential for ensuring ratepayer protection and the program's long-term success.

The General Assembly improved greatly on DEC's original Green Source Rider pilot program when it adopted N.C. Gen. Stat. § 62-159.2. These improvements include allowing participation by customers with either new or existing load, allowing customer participants to negotiate price and duration terms directly with renewable energy providers, and allowing customer participants with multiple service accounts to aggregate their meters.² However, N.C. Gen. Stat. § 62-159.2 imposes an arbitrary limit on participation,³ places unnecessary restrictions on the eligibility of customer participants, and prevents customer participants from obtaining 100% of their annual energy consumption from renewable energy.⁴

In the future, NCSEA encourages Duke and the Commission to involve a greater number of potential customer participants in the design of a green tariff and, should Duke's proposed GSA tariff be approved, to continue to evaluate its success by taking into account all of the design recommendations mentioned above and the number of resulting customer

² The ability to aggregate meters is particularly beneficial to retailers with multiple locations, buildings with multiple meters, and multi-tenant commercial properties. Meter aggregation can help more customers meet minimum threshold requirements and encourage widespread participation.

³ It is unnecessary for N.C. Gen. Stat. § 62-159.2 to impose an aggregate participation cap, as the bill credit mechanism is specifically designed to hold harmless other ratepayers.

⁴ A green tariff should allow participating customers to achieve 100 percent renewable energy based on their annual energy consumption. Imposing a structural cap for customers based on peak demand rather than annual energy consumption (as is done in N.C. Gen. Stat. § 62-159.2) can prevent customers with 100 percent renewable energy goals from achieving their targets.

participants. The original Green Source Rider pilot program was unfortunately only utilized by a small handful of businesses. Low participation was not due to a lack of interest in renewable energy by large energy users or the cost competitiveness of renewables, but rather due to artificial restrictions on participation, unworkable and costly tariff design, and issues with implementation.

Finally, it should be noted that large energy customers are a diverse community with varied energy preferences, and who see green tariff programs like Duke's proposed GSA tariff as only one option for procuring renewable energy. Large customers may prefer other procurement mechanisms, including community solar, directly negotiated arrangements, and power purchase agreements ("PPAs") with non-utility energy service providers.

By increasing choice and competition in its energy market, North Carolina can provide low-cost, clean electricity options to its ratepayers and benefit from the resulting investments. Corporate and university-initiated renewable energy projects are already delivering multiple benefits in North Carolina and elsewhere, creating new local tax revenue, jobs, and investments, and are primed for additional growth. North Carolina can increase its profile as an attractive state for business and strengthen its economy by enhancing options for customers to procure affordable, reliable, and clean energy.

While much work remains to ensure successful participation by large energy consumers as N.C. Gen. Stat. § 62-159.2 is implemented, NCSEA and its members stand ready to help. We are encouraged by the progress that has been made in North Carolina to date, and we encourage further expansion and enhancement of options for large energy

consumers. We invite Duke to collaborate with us on opportunities to meet our mutual objective of increasing the supply of cost-effective renewable energy in the state.

IV. CONCLUSION

As set forth in these initial comments, Duke's proposed GSA program fails to comply with the requirements of N.C. Gen. Stat. § 62-159.2, imposes restrictions not found in the plain language of N.C. Gen. Stat. § 62-159.2, and most importantly, fails to provide large energy consumers with a venue through which they can procure clean energy to hedge against Duke's future rate increases. For these reasons, NCSEA respectfully requests that the Commission reject Duke's proposal and instead direct Duke to engage stakeholders, including a wide array of large energy consumers, to craft a green tariff that complies with the language and legislative intent of N.C. Gen. Stat. § 62-159.2.

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

/s/ Peter H. Ledford

Peter H. Ledford
General Counsel for NCSEA
N.C. State Bar No. 42999
4800 Six Forks Road, Suite 300
Raleigh, NC 27609
919-832-7601 Ext. 107
peter@energync.org

/s/ Benjamin W. Smith

Benjamin W. Smith
Regulatory Counsel for NCSEA
N.C. State Bar No. 48344
4800 Six Forks Road, Suite 300
Raleigh, NC 27609
919-832-7601 Ext. 111
ben@energync.org

CERTIFICATE OF SERVICE

I hereby certify that all persons on the docket service list have been served true and accurate copies of the foregoing Comments by hand delivery, first class mail deposited in the U.S. mail, postage pre-paid, or by email transmission with the party's consent.

This the 23rd day of February, 2018.

/s/ Benjamin W. Smith
Benjamin W. Smith
Regulatory Counsel for NCSEA
N.C. State Bar No. 48344
4800 Six Forks Road, Suite 300
Raleigh, NC 27609
919-832-7601 Ext. 111
ben@energync.org

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Feb 23 2018

Attachment A



February 23, 2018

RE: Docket Nos. E-2, Sub 1170 and E-7, Sub 1169; Perspective of Potential Green Source Advantage Business Participants

Dear North Carolina Utilities Commissioners:

As major employers and large electricity consumers in North Carolina, we are writing to express our support for improved options for businesses, universities, healthcare institutions, and other large energy users to procure, lease, and access renewable energy resources in our state. Under a regulated electric utility structure as in North Carolina, utility green tariff options, such as Duke Energy's proposed Green Source Advantage ("GSA") program, *should* provide large customers with a cost-competitive option for procuring in-state renewable energy. **However, Duke Energy's proposed Green Source Advantage program, as well as proscriptive language included in N.C. Gen. Stat. § 62-159.2 (enacted by Session Law 2017-192, commonly referred to as "House Bill 589"), fall short of meeting the needs of large energy users in North Carolina.**

Access to renewable energy is a financial imperative for today's leading companies. As large energy users, we understand that switching to renewable energy allows us to save money, hedge against volatile fossil fuel prices, and lock in cost-effective, fixed energy rates. The benefits of purchasing clean energy—and not merely the Renewable Energy Credits ("RECs") associated with clean energy resources—are especially important given expected rate hikes in North Carolina in the coming years. Clean energy also reduces our impact on the environment and helps us meet our sustainability goals.

Our businesses want fair, cost-competitive options for sourcing renewable energy that provide us with flexibility to meet our energy needs without affecting other ratepayers and allow us to add new renewable energy to the grid. In order for a green tariff or GSA program to be attractive to customers, it should include the following:

- **Flexibility:** As large energy users, we represent a wide array of different load profiles, preferences, risk tolerance levels, and needs that require a wide menu of options and give customers more flexibility. We appreciate Duke Energy's intent to create both standard offer and "self-supply" options for customers in their GSA program; however, as House Bill 589 requires, the program should offer more flexibility in contract length and other choices to meet diverse customer needs.
- **Sourcing additional renewable energy:** A successful green tariff program must provide consumer participants with energy and capacity from new renewable energy facilities, as required by House Bill 589, and not simply assign "RECs". Customers not only want to have a direct impact on new renewable energy development, but also want access to the financial benefits provided by the stable rates that fuel-less clean energy provides.

- **Fair, competitive pricing:** In order to be attractive to consumer participants, the program should reflect the actual costs of the renewable energy resource and the benefits of the services it provides. Utilities should seek out competitively-sourced renewable energy that provides long-term price stability against future fuel and capacity price increases for utility-owned resources. Administrative costs should be transparently reported, and the bill credit mechanism should reflect a fair and transparent accounting of the costs avoided by displacing the need for new energy and capacity owned by the utility. Duke Energy's GSA filing proposes very high administrative costs and is therefore unlikely to be attractive to customer participants.
- **Transparent, standard terms:** The program should have standardized contract terms concerning default, early termination, financial assurances, and other conditions that are approved by the Commission. Commission-approved standardized terms are essential for ensuring ratepayer protection and the program's long-term success.

Duke Energy's original Green Source Rider pilot program was only utilized by a small handful of businesses, and low participation was not due to a lack of interest in renewable energy by large energy users.¹ Unfortunately, Duke Energy's new proposed Green Source Advantage program also has shortcomings that will limit corporate participation.

In the future, we encourage legislators, Commissioners, Duke Energy, and energy stakeholders to involve a greater number of potential customer participants in the design of the program and to continue to evaluate the success of a green tariff program by taking into account all of the design recommendations mentioned above and the number of resulting customer participants. Moving forward, we urge lawmakers and Commissioners to refrain from imposing limitations on green tariff programs by imposing an arbitrary limit on participation,² by placing restrictions on the eligibility of customer participants, or by preventing customer participants from obtaining 100% of their annual energy consumption from renewable energy.³

Finally, it should be noted that large energy customers are a diverse community with varied energy preferences, and we see green tariff programs like Green Source Advantage as only one option for procuring renewable energy. Large customers may prefer other procurement mechanisms, including community solar, directly negotiated arrangements, and power purchase agreements ("PPAs") with non-utility energy service providers.

By increasing choice and competition in its energy market, North Carolina can provide low-cost, clean electricity options to its ratepayers and benefit from the resulting investments. Corporate and university-initiated renewable energy projects are already delivering multiple benefits in North Carolina and elsewhere, creating new local tax revenue, jobs, and investments, and are primed for additional growth. North Carolina can increase its profile as an attractive state for business and strengthen its economy by enhancing options for customers to procure affordable, reliable, and clean energy.

¹ The Green Source Rider pilot program had high fees, limitations to participation, and minimal flexibility, and the proposed Green Source Advantage program includes many of these elements.

² It is unnecessary for N.C. Gen. Stat. § 62-159.2 to impose an aggregate participation cap, as the bill credit mechanism is specifically designed to hold harmless other ratepayers.

³ The GSA should allow participating customers to achieve 100 percent renewable energy based on their annual energy consumption. Imposing a structural cap for customers based on peak demand rather than annual energy consumption (as done in HB589) can prevent customers with 100 percent renewable energy goals from achieving their targets.

While much work remains to ensure successful participation by large energy consumers as N.C. Gen. Stat. § 62-159.2 is implemented, our businesses stand ready to help. We are encouraged by the progress that has been made in North Carolina to date, and we encourage lawmakers to build upon the hard work and momentum of the House Bill 589 stakeholders process by further expanding and enhancing options for large energy consumers. We invite North Carolina's utilities, third-party energy developers and providers, policymakers, and Commissioners to collaborate with us on opportunities to meet our mutual objective of increasing the supply of cost-effective renewable energy in the state.

Sincerely,

New Belgium Brewing
SAS Institute Inc.
Sierra Nevada Brewing Co.
Unilever
VF Corporation

CC:
Chris Ayers, North Carolina Public Staff
Members of the North Carolina General Assembly
Governor Roy Cooper
N.C. Secretary of Environmental Quality Michael Regan
N.C. Secretary of Commerce Tony Copeland
David Fountain, NC President of Duke Energy

About the company signatories:

New Belgium Brewing

New Belgium Brewing, makers of Fat Tire Belgian Style Ale and a host of Belgian-inspired beers in Asheville, North Carolina and Fort Collins, Colorado is consistently recognized as a great place to work and a sustainable business. New Belgium's core value to honor the environment is lived out in part through an internal energy tax to help fund sustainable business practices as well as on site solar and biogas energy generation.

SAS Institute Inc.

SAS is the leader in analytics. Through innovative software and services, SAS empowers and inspires customers around the world to transform data into intelligence. SAS world headquarters in Cary, North Carolina employs more than 5,600 people, serving customers across 149 countries. SAS recognizes the value of renewable energy and energy efficiency, and SAS solar farms in Cary supply us with 3.8 million kilowatt-hours of clean, renewable energy each year.

Sierra Nevada Brewing Co.

Founded in 1980 in Chico, California, Sierra Nevada Brewing Co. brews award-winning beers in the most responsible way possible. Sierra Nevada opened a second brewery in Mills River, North Carolina, using 100% renewable energy from multiple sources including onsite solar, microturbines running on biogas from wastewater treatment and purchased renewable energy via NC Green Power. Sierra Nevada's Chico brewery is also home to the largest privately-owned solar array in craft brewing.

Unilever

On any given day, 2.5 billion people use Unilever products to feel good, look good and get more out of life – giving us a unique opportunity to build a brighter future. Great products from our range of more than 400 brands such as Lipton, Knorr, Dove, Axe, Hellmann’s and Ben and Jerry’s give us a unique place in the lives of people all over the world. Whatever the brand, wherever it is bought, we’re working to ensure that it plays a part in helping fulfill our purpose as a business – making sustainable living commonplace. Unilever has announced intentions to go carbon positive in our operations by 2030. Being carbon positive means that in partnership with others, we will directly support the production of more zero carbon renewable energy than we need for our own operations. This reflects our ambition to play a leadership role in the transition to a zero carbon economy. In North Carolina, Unilever employs 315 people at our personal care product manufacturing facility in Raeford.

VF Corporation

VF Corporation is a global leader in the design, manufacture, marketing and distribution of branded lifestyle apparel, footwear and accessories. The Greensboro, North Carolina-based company’s largest brands are The North Face®, Vans®, Timberland®, Wrangler®, Lee® and Nautica®. VF has committed to using 100% renewable energy at all owned and operated facilities globally by 2025.

For questions or to contact any of the signatories, please contact esteves@ceres.org.

Attachment B



February 23, 2018

RE: Docket Nos. E-2, Sub 1170 and E-7, Sub 1169; Perspective of Potential Green Source Advantage Participants in Higher Education

Dear North Carolina Utilities Commissioners:

As institutions of higher education in North Carolina, we are writing to express our support for improved options for universities, businesses, healthcare institutions, and other large energy users to procure, lease, and access renewable energy resources in our state. Under a regulated electric utility structure as in North Carolina, utility green tariff options, such as Duke Energy's proposed Green Source Advantage ("GSA") program, *should* provide large customers with a cost-competitive option for procuring clean in-state renewable energy. However, Duke Energy's proposed Green Source Advantage program and proscriptive language included in N.C. Gen. Stat. § 62-159.2 (enacted by Session Law 2017-192, commonly referred to as "House Bill 589") both fall short of meeting the energy needs of our campuses.

Access to renewable energy is an imperative for today's leading universities and colleges. As large energy users, we understand that switching to renewable energy allows us to save money, hedge against volatile fossil fuel prices, and meet our goals of creating a more sustainable future through economic and environmental change on our campuses and beyond.

Our campus communities want fair, cost-competitive options for sourcing renewable energy that provide us with flexibility to meet our energy needs without affecting other ratepayers and allow us to add new renewable energy to the grid. In order for a green tariff or GSA program to be attractive to customers, it should include the following:

- **Flexibility:** As large energy users, we represent a wide array of different load profiles, preferences, risk tolerance levels, and needs that require a wide menu of options and give customers more flexibility. We appreciate Duke Energy's intent to create both standard offer and "self-supply" options for customers in their GSA program; however, as House Bill 589 requires, the program should offer more flexibility in contract length, fully allow direct negotiation between developers and customers, and other choices to meet our diverse needs.

- **Sourcing additional renewable energy:** Our campuses contribute a great deal to the North Carolina economy, and we would prefer our economic investment go directly to in-state renewable energy and capacity, not just renewable energy credits (“RECs”). We want to further progress in this sector of our state’s clean technology development, while accessing the long-term price stability of renewable energy that fossil-fuel-derived electricity cannot provide.
- **Fair, competitive pricing:** In order to be attractive to consumer participants, the program should reflect the actual costs of the renewable energy resource and the benefits of the services it provides. Utilities should seek out competitively-sourced renewable energy that provides long-term price stability against future fuel and capacity price increases for utility-owned resources. Administrative costs should be transparently reported, and the bill credit mechanism should reflect a fair and transparent accounting of the costs avoided by displacing the need for new energy and capacity owned by the utility.
- **Transparent, standard terms:** The program should have standardized contract terms concerning default, early termination, financial assurances, and other conditions that are approved by the Commission. Commission-approved standardized terms are essential for ensuring ratepayer protection and the program’s long-term success.

In the future, we encourage legislators, Commissioners, Duke Energy, and energy stakeholders to involve a greater number of potential customer participants in the design of the program and, should Duke Energy’s proposed program be approved, to continue to evaluate the success of a Green Source Advantage program by taking into account all of the design recommendations mentioned above and the number of resulting customer participants. The original Green Source Rider pilot program was unfortunately only utilized by a small handful of customers. Low participation was not due to a lack of interest in renewable energy by large energy users, but rather to artificial restrictions on participation, unworkable and costly tariff design, and issues with implementation.

Finally, it should be noted that large energy customers are a diverse community with varied energy preferences, and we see green tariff programs like Green Source Advantage as only one option for procuring renewable energy. Large customers may prefer other procurement mechanisms, including community solar, directly negotiated arrangements, and power purchase agreements (“PPAs”) with non-utility energy service providers.

By increasing choice and competition in its energy market, North Carolina can provide low-cost, clean electricity options to its ratepayers and benefit from the resulting investments. Corporate and university-initiated renewable energy projects are already delivering multiple benefits in North Carolina and elsewhere, creating new local tax revenue, jobs, and investments, and are primed for additional growth. North Carolina can increase its profile as an attractive state for business and higher education and strengthen its economy by enhancing options for customers to procure affordable, reliable, and clean energy.

While much work remains to ensure successful participation by large energy consumers as N.C. Gen. Stat. § 62-159.2 is implemented, our institutions stand ready to help. We are encouraged by the progress that has been made in North Carolina to date, and we encourage lawmakers to build upon the hard work and momentum of the House Bill 589 stakeholders process by further expanding and enhancing options for large energy consumers. We invite North Carolina's utilities, third-party energy developers and providers, policymakers, and Commissioners to collaborate with us on opportunities to meet our mutual objective of increasing the supply of cost-effective renewable energy in the state.

Sincerely,

Davidson College

Duke University

Wake Forest University

CC:

Chris Ayers, North Carolina Public Staff

Governor Roy Cooper

N.C. Secretary of Environmental Quality Michael Regan

N.C. Secretary of Commerce Tony Copeland

David Fountain, NC President of Duke Energy

APPENDIX:

Davidson College is a highly selective independent liberal arts college for 1920 students located 20 miles north of Charlotte in Davidson, N.C. The institution employs 794 full-time faculty and staff and consumes approximately 25,000,000 kWh electricity annually. Congruent with its primary purpose to assist students in developing humane instincts and disciplined and creative minds for lives of leadership and service, Davidson College was a charter signatory to the American College and University Presidents' Climate Commitment and is committed to carbon neutrality by 2050. For additional information, questions may be directed to Director of Sustainability Yancey Fouché.

Duke University is a world-renowned teaching and research university located in Durham, North Carolina with 13,000 undergraduate and graduate students. Duke is the second-largest private employer in North Carolina with 37,000 employees and consumes approximately 450,000 MWh of electricity annually. Given Duke's strong focus on applying knowledge in service to society, the institution strives to create a more sustainable future through social, economic, and environmental change on the campus and beyond. As part of this commitment, Duke has adopted an aggressive target date of 2024 to achieve carbon neutrality. For additional information, questions may be directed to Energy Manager Casey Collins or Sustainability Director Tavey Capps.

Wake Forest University is a premiere liberal arts university with an enrollment of 8,000 students on the Reynolda campus in Winston-Salem, NC. With over 5 million square feet of building space, this campus uses 47 million kWh annually. With additional science and medical school campuses downtown, Wake Forest is one of the largest employers in the region. Our commitment to renewable energy begins in the laboratory and extends to demonstration sites across campus. With a strong commitment to greenhouse gas reduction strategies, the university seeks competitively-priced opportunities for large-scale deployment of renewable energy. For additional information, questions may be directed to Executive Vice President Hof Milam.