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November 15, 2013

Gail L. Mount  
Chief Clerk  
North Carolina Utilities Commission  
4325 Mail Service Center  
Raleigh, North Carolina 27699-4325

Re: **Duke Energy Carolinas' Petition for Approval of  
Rider GS (Green Source Rider) Pilot  
Docket No. E-7, Sub 1043**

Dear Ms. Mount:

I enclose for filing with, and approval by, the North Carolina Utilities Commission ("the Commission"), Duke Energy Carolinas, LLC's ("Duke Energy Carolinas" or the "Company") proposed Rider GS (Green Source Rider) pilot program in connection with the referenced matter. A description of this new rider is as follows:

#### **Rider GS (Green Source Rider) Summary**

Based upon customer requests and in order to further the development of new renewable energy facilities, Duke Energy Carolinas proposes a pilot program, Rider GS (Green Source Rider), to enable certain nonresidential customers to elect to displace all or a portion of the energy supplied for the customer's new load with procurement of power (energy and capacity) from renewable energy resources (hereinafter referred to as "renewable energy"). Customers who elect Rider GS will purchase the new renewable energy from Duke Energy Carolinas, and in conjunction with Rider GS, a portion or all of the customer's new energy purchases will be displaced by new renewable energy from specific resources.

#### **Eligibility**

Duke Energy Carolinas proposes that Rider GS be available to nonresidential customers receiving concurrent service from the Company on Schedule OPT-G, OPT-H, or OPT-I and who

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have added new loads of at least 1.0 megawatt ("MW") to the Company's system since June 30, 2012.

The Company proposes that this Rider is available for enrollment for a three-year period following its initial approval, or until the annual aggregate program cap of approximately 1,000,000 annual megawatt hours ("MWhs") is reached, whichever occurs first.

No unbundled transmission service is offered pursuant to this filing; this retail service rate is offered for the specified customer premises served at retail by Duke Energy Carolinas (NC) in consideration of the customer's retail purchase commitment under this program having induced a specified and agreed upon commitment by Duke Energy Carolinas to purchase renewable energy or invest in a specified renewable energy generation resource.

### **Application**

To qualify for this Rider, the Customer must make an application to the Company requesting that an annual amount of renewable energy and the accompanying Renewable Energy Certificates ("RECs") be procured or produced over a specific term. The application shall be accompanied by the payment of an application fee of \$2000, which is intended to cover the Company's transaction fees related to the procurement of renewable energy pursuant to the Customer's application.

The Company will then enter into a purchased power agreement(s) ("PPA") with one or more renewable energy suppliers or supply the renewable energy directly from one or more Duke Energy Carolinas renewable energy assets that are dedicated to serving Rider GS customers. The Company will make reasonable efforts to match the supply source, in terms of annual output and contract term, with that requested by the Customer. Any new renewable energy facility in North Carolina that would serve a Rider GS customer would require a certificate of public convenience and necessity ("CPCN") based on the same standard as any other CPCN. The Company shall allow the Customer to review the negotiated price, and the terms and conditions, of a PPA or the price offered from a dedicated Company asset prior to the Customer's election to participate in this Rider. Upon review of the price, and the terms and conditions in the case of a PPA, the Customer may elect to proceed with or cancel its application. The terms and conditions of a PPA with the renewable energy supplier shall be set at Duke Energy Carolinas' sole discretion.

### **Billing and Rates**

The Customer that elects to participate in Rider GS will continue to purchase energy and capacity under the applicable rate schedule (OPT-G, OPT-H or OPT-I) and thus will be charged



a Basic Facilities Charge, On-Peak Demand Charge, Economy Demand Charge, On-Peak Energy Charge, and Off-Peak Energy Charge, as well as all applicable Riders.

The Company will amend the Customer's Electric Service Agreement ("ESA") in order to charge the Customer the cost of the renewable energy (including any embedded or explicitly quantified RECs) acquired through Rider GS. The Customer will be billed for the total cost of the renewable energy (including the cost of the embedded RECs) procured or produced during the previous billing period as a result of the Customer's election.

The Customer will also be billed for the Rider GS Administrative Charge of \$500 per month and 0.02 cents per kilowatt-hour ("¢/kWh") of renewable energy procured or produced during the previous billing period as a result of his election. The Company anticipates this will be sufficient to cover ongoing incremental billing and contract administrative costs.

Finally, the participating Customer will also receive a bill credit for renewable energy procured or produced, determined by applying an "all-in" avoided energy and capacity ¢/kWh rate to the actual renewable kWh procured or produced. The total bill credit is intended to be approximately equal to the avoided capacity and energy expense experienced during the term in which the renewable energy supplier delivers renewable energy to the Company or the Company supplies renewable energy from a dedicated asset. The amount of the bill credit will be determined at the sole discretion of the Company consistent with applicable North Carolina and federal law and regulation, using the Company's avoided cost model to determine the avoided capacity and energy cost(s) fixed over the term during which the renewable energy supplier delivers to the Company or the Company supplies renewable energy from a dedicated asset. In the event that the credits for avoided capacity and energy, as calculated above, exceed the cost of the renewable energy and RECs produced or procured by the Company, on a ¢/kWh basis, such credits will be limited to a ¢/kWh amount equal to the ¢/kWh cost of the renewable energy and RECs produced or procured by the Company. The Company will allow the Customer to review the proposed bill credit prior to the Customer's election to participate in this Rider. As is the case with the Customer's opportunity to review the negotiated price of a PPA or the price offered from a dedicated Company asset, upon review of the proposed bill credits, the Customer may elect to proceed with or cancel its application to participate.

The Company will make commercially reasonable efforts to guard against the event of a participant's failure to pay for the renewable energy and RECs it has requested through Rider GS. The Company proposes that the Customer shall provide the Company with a guarantee, surety bond, letter of credit, or other form of security that is acceptable to the Company. Such security for payment of all obligations to the Company under this Rider shall be in an amount sufficient to cover the Company's full costs and other obligations, including a termination or default of Customer's obligations under this Rider during its term. In the event that the

Customer requests an amendment to or termination of the service agreement (except in the case of the pre-review of PPAs and avoided cost calculations described above), or defaults on the service agreement before the expiration of the term of the agreement, the Customer shall pay to the Company an early termination charge equal to the net present value of remaining costs under the PPA(s).

### **REC Tracking and Retirement**

Duke Energy Carolinas proposes to retire annually those RECs procured or produced as a result of a Rider GS Customer's election.

The Company proposes to utilize the North Carolina Renewable Energy Tracking System ("NC-RETS") for tracking and retiring these RECs.

Due to the fact that RECs will be retired rather than transferred to the Customer or resold by the Customer, the Company believes that a statement by a Rider GS participating customer such as "[insert customer name] is offsetting its grid energy consumption with renewable energy purchased at its request by Duke Energy" would be valid once renewable energy and RECs procured or produced as a result of the Customer's election has been delivered and paid for by said Customer.

### **Impacts**

#### ***To REPS Obligation and the REPS Rider***

The Company will neither apply the RECs associated with Rider GS to its compliance obligation under North Carolina General Statute § 62-133.8 ("Renewable Energy and Energy Efficiency Portfolio Standard" or "REPS") nor will it use energy or RECs acquired for the REPS for Rider GS. Duke Energy Carolinas' annual retail sales will not be reduced by Rider GS and thus the Company's renewable obligation under REPS will not be affected by Rider GS.

No costs associated with the program will be recovered through the REPS Rider. The Rider GS Administrative Charge will be utilized by the Company to cover the costs associated with utilizing NC-RETS and DEC's EMA account for Rider GS purposes. In addition, the Rider GS Administrative Charge will cover costs associated with the retirement of RECs procured or produced as a result of a Rider GS customer's election.

The Company will make reasonable efforts to separate the procurement processes for REPS compliance and for Rider GS, account for the costs of procurement or production as a result of Rider GS, and ensure that these costs are borne by the Rider GS customer. The



Company recognizes its continuing obligation to comply with the REPS in the most cost effective manner on behalf of all of its North Carolina retail ratepayers. The Company will ensure that its activities on behalf of Rider GS participants are not in conflict with the fulfillment of this obligation.

### *To the Fuel Rider*

The Company intends to fairly allocate its actual fuel costs among its customers, so that the Green Source Rider will have no impact, either positive or negative, on the fuel and fuel-related costs (hereinafter referred to as fuel costs) paid by non-Rider GS participants. The PPAs for renewable energy and RECs will displace energy from generation and purchased power supply resources that would otherwise be used to supply customer load, resulting in lower aggregate fuel costs from those sources. The lower fuel costs will be reflected in the Company's aggregate system fuel cost calculations. However, the Company proposes to allocate the actual fuel cost incurred among jurisdictions and customer classes such that the North Carolina retail customer classes are equitably assigned the fuel cost and benefit impacts of Rider GS, and, as described above, non-GS rate schedules will be kept neutral as to Rider GS impacts. In order to achieve such neutrality the Company requests that, for purposes of allocating its actual fuel costs among jurisdictions and customer classes, a cost allocation adjustment be permitted that increases the allocation of actual costs to rate jurisdictions and non-GS rate schedules by the amount of the normally allocated avoided fuel cost benefit of Rider GS while decreasing the allocation of costs to Rider GS by an equal and offsetting amount (i.e., a zero sum adjustment). The avoided fuel cost benefit used would be the fuel-related component of the avoided energy credit received by the GS customers, as referenced in the "Billing and Rates" section above. Except as noted below, this method of cost allocation would produce fuel and fuel-related cost factors for non-GS rate schedules as if Rider GS-related renewable energy purchases or renewable generation did not exist, and the Company otherwise served its North Carolina retail load from generation and purchased power supply resources according to its normal practices. Congruently, the fuel and fuel-related cost factors for GS customers would reflect the avoided fuel cost benefit resulting from the renewable PPAs since these customers bear the full cost of the renewable PPAs and have been provided associated avoided cost credits. Using this approach, the total amount collected by the Company from all customers will equal the Company's actual fuel and fuel-related costs incurred as defined under North Carolina General Statute § 62-133.2. The Company believes that this approach fairly assigns fuel and fuel-related costs among its North Carolina retail customer classes and is allowable under North Carolina general statutes and Commission rules. The Company specifically requests that the Commission approve this cost allocation approach as part of its request for approval of Rider GS in order to avoid uncertainty with respect to cost recovery.

### ***Exception to the Fuel Rider Calculation Described Above***

As noted above, the objective of the Company's proposed fuel rider treatment is to allocate fuel costs such that non-Rider GS customers will be kept neutral as to Rider GS impacts. However, the fuel costs listed in North Carolina General Statute § 62-133.2(a1) (4), (5), and (6) must be allocated as prescribed in North Carolina General Statute § 62-133.2(a2) (1) and (2). Therefore, in certain cases, a portion of the make-neutral calculations described above may not be allowed in annual fuel rider proceedings until they are approved in a future Company general rate case. Therefore, to the extent necessary, the Company plans to request that the impact of any make-neutral allocation not currently allowed pursuant to those provisions be deferred on the Company's books as a regulatory asset or liability until the reasonableness of allocation as applied to the specified portions of fuel costs can be addressed in the Company's next general rate case.

### ***To Cost of Service and Base Rates***

The Company intends for Rider GS to be a standalone program and for North Carolina retail ratepayers to be held harmless from the costs of the program. The costs associated with implementing and administering the program will be deemed to be recovered by the application fee and the Rider GS Administrative Charge. All other costs of serving a Rider GS participant will be recovered through base rates under the applicable rate schedule and riders. Costs will be initially allocated based on factors resulting from the Company's most recently completed cost of service study utilizing the allocation methodology approved by the Commission in the Company's most recent general rate proceeding, and will include each Rider GS participant's entire load and energy consumed, including that supplied through Rider GS, subject to the following. First, all costs incurred by the Company under the PPA, or incurred by the Company in the provision of renewable energy from a dedicated Company asset, will be directly assigned to Rider GS customers. Second, the Company will assign or allocate costs and benefits as necessary to place the customers on non-GS rate schedules in the same position they would have been if Rider GS transactions had not occurred. These adjustments will also be applied to the Company's quarterly ES-1 filings, as applicable.

### ***Pilot***

The Company will track key metrics and make annual updates to the Commission, as well as a final comprehensive report within 90 days of the conclusion of the three-year enrollment period.



Please direct all notices and communications to the following attorneys for Duke Energy Carolinas:

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In order to meet customer expectations, Duke Energy Carolinas respectfully requests that the Commission consider its request for approval of Rate Schedule GS at its earliest opportunity.

Thank you for your attention to this matter. If you have any questions, please let me know.

Sincerely,



Charles A. Castle

Enclosures

cc: Antoinette R. Wike, Chief Counsel, Public Staff  
Tim Dodge, Staff Counsel, Public Staff

RIDER GS  
Green Source  
Experimental

AVAILABILITY (North Carolina only)

This Rider is available on a limited and voluntary basis, at the Company's option, to nonresidential customers receiving concurrent service from the Company on Schedule OPT-G, OPT-H, OPT-I, who elect to displace all or a portion of the energy supplied for the customer's new load added to the Company's system after June 30, 2012, with procurement of renewable energy resources. The Customer's new load must be a minimum of 1000 kW. This Rider is not available to customers receiving service under Rider PS, PSC, SCG or NM. This Rider is available for enrollment for a three-year period following its initial approval, or until the aggregate program cap of approximately 1,000,000 annual megawatt hours is reached, whichever occurs first.

GENERAL PROVISIONS

To qualify for this Rider, the Customer must make an application to the Company requesting an annual amount of energy and Renewable Energy Certificates ("RECs") be produced or procured over a specific term. The application shall be accompanied by the payment of a nonrefundable application fee of \$2000, which is intended to cover the Company's transaction fees related to the procurement of renewable energy pursuant to the Customer's application. The Company will make its best efforts to match the supply source, in terms of annual output and term of contract, with that requested by the Customer either by entering into a purchased power agreement(s) ("PPA") with a renewable energy supplier(s) or supplying the energy directly from one or more Duke Energy Carolina renewable energy assets that are dedicated to serving Rider GS customers. The Company shall allow the Customer to review the negotiated price terms and the terms and conditions of a PPA or the price offered from a dedicated Company asset prior to the Customer's election to participate in this Rider. Upon review of the price, and terms and conditions in the case of a PPA, the Customer may elect to move to proceed with or cancel its application; provided however, the terms and conditions of a PPA with a renewable energy supplier shall be set in Duke Energy Carolinas' sole discretion. In either case, the Customer shall be responsible for the entire cost incurred under the PPA or use of Company's asset. The renewable energy supplier is a renewable energy resource from which the Company procures energy and "RECs" as a result of the Customer's election under this rider.

In order to participate in this Rider, the Customer shall provide the Company a guarantee, surety bond, letter of credit or other form of security that is acceptable to the Company. Such security for payment of all obligations to the Company under this Rider shall be in an amount sufficient to cover the Company's full costs and other obligations of Company, including a termination or default of Customer's obligations under this Rider during its term.

In procuring the renewable energy, the Company will ensure that renewable energy resources utilized under this rider are or have been placed in service on or after January 1, 2007.

The Company shall not be liable to the Customer in the event that the renewable energy supplier fails to provide renewable energy to the Company and will make reasonable efforts to encourage the renewable energy supplier to resume production as soon as possible. However, in the event that the renewable energy supplier terminates the renewable energy contract with the Company, for any reason during the term of contract with the Customers, the Company, at the election of the Customer, shall make reasonable efforts to enter into a new purchased power agreement with another renewable energy supplier or to provide renewable energy from a Duke Energy Carolinas facility as soon as practicable with the cost of the renewable energy to the Customer revised accordingly.

This Rider is for retail service, in conjunction with the electric service agreement for the customer served at retail by the Company, in consideration of the Customer's retail purchase commitment under this Rider having induced a specified and agreed upon commitment by the Company to purchase or invest in a specified renewable energy resource.

The Company will retire the RECs associated with the energy procured for the participating customer upon receipt of payment from the Customer.



RIDER GS  
Green Source  
ExperimentalRATECHARGES

- I. The rate for service supplied to the customer shall be the applicable time of use rate schedule including the Basic Facilities Charge, On-Peak Demand Charge, Economy Demand Charge, On-Peak Energy Charge, Off-Peak Energy Charge, and all applicable Riders, plus
- II. Charges for the total cost of the renewable energy and RECs produced by the Company or procured under a PPA as a result of the Customer's election, during the previous billing period, determined on an hourly basis, plus
- III. Rider GS Administrative Charge of \$500.00 per month plus .02¢/kWh of renewable energy produced or procured as a result of the Customer's election during the previous billing period

CREDITS

- I. Bill credits for renewable energy shall be based on a ¢/kWh rate equal to the avoided capacity and energy expense during the term in which the renewable energy supplier delivers renewable energy to the Company or the Company supplies renewable energy from a dedicated asset, applied to the actual renewable kWh produced or procured. The amount of the bill credits shall be determined at the sole discretion of the Company consistent with applicable North Carolina and federal law and regulation, including 18 C.F.R. § 292, using the Company's avoided cost model to determine the avoided capacity and energy fixed over the term the term in which the renewable energy supplier delivers to the Company. In the event that the credits for avoided capacity and energy, as calculated above, exceed the cost of the renewable energy and RECs produced or procured by the Company, on a ¢/kWh basis, such credits shall be limited to a ¢/kWh amount equal to the ¢/kWh cost of the renewable energy and RECs produced or procured by the Company. The Company shall allow the Customer to review the proposed bill credit prior to the Customer's election to participate in this Rider. Upon review of the proposed bill credit, the Customer may elect to proceed with or cancel its application to participate.

All terms and conditions of the rate schedule applicable to the individual Customer shall apply to the service supplied to the Customer except as modified by this Rider.

CONTRACT PERIOD

Each Customer shall enter into a contract for service under this Rider for a term and with terms and conditions consistent with the term and terms and conditions of the contract with the renewable energy supplier, or as agreed upon between Company and Customer in the case of renewable energy produced from a Duke Energy Carolinas facility, but, in either case the contract will not be for less than 3 years and not more than 15 years. If the Customer requests an amendment to or termination of the service agreement, or defaults on the service agreement before the expiration of the term of the agreement, the Customer shall pay to the Company an early termination charge equal to the full amount due under the termination and damages provisions set forth in the PPA(s). Such termination charge may be adjusted if and to the extent a successor customer requests service under this Rider and fully assumes the obligation for the purchase of renewable energy prior to the effective date of the contract amendment or termination; provided, however, Company will not utilize or change utilization of its assets and positions to minimize Customer's costs due to such early termination.