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April 18, 2019

VIA ELECTRONIC FILING

Ms. M. Lynn Jarvis
Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, NC 27699-4300

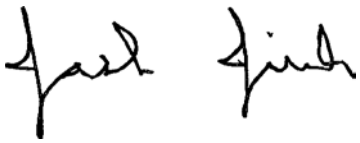
RE: Duke Energy Carolinas, LLC's and Duke Energy Progress, LLC's Green Source Advantage Program Compliance Filing Reply Comments Docket Nos. E-7, Sub 1169 and E-2, Sub 1170

Dear Ms. Jarvis:

Enclosed for filing with the North Carolina Utilities Commission please find Duke Energy Carolinas, LLC's and Duke Energy Progress, LLC's Green Source Advantage Program Compliance Filing Reply Comments in the above referenced matter.

Please contact me if you have any questions.

Sincerely,



Jack E. Jirak

Enclosures

cc: Parties of Record

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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

In the Matter of	)	**DUKE ENERGY CAROLINAS, LLC'S**
Petition for Approval of Green	)	**AND DUKE ENERGY PROGRESS, LLC'S**
Source Advantage Program and Rider	)	**GREEN SOURCE ADVANTAGE**
GSA to Implement N.C. Gen. Stat. §	)	**PROGRAM COMPLIANCE FILING**
62-159.2	)	**REPLY COMMENTS**

I. INTRODUCTION

On February 1, 2019, the North Carolina Utilities Commission ("Commission") issued its Order Modifying and Approving Green Source Advantage Program, Requiring Compliance Filing and Allowing Comments in the above captioned dockets ("Order"). As directed by the Order, Duke Energy Carolinas, LLC ("DEC") and Duke Energy Progress, LLC ("DEP" and together with DEC, the "Companies" or "Duke") filed their Green Source Advantage ("GSA") Program Compliance Filing ("Compliance Filing") on March 18, 2019. The Order directed the filing of comments by the Public Staff – North Carolina Utilities Commission ("Public Staff") and allowed the filing of comments by other parties, "for the sole purpose of aiding the Commission in determining whether the revised GSA Program complies with the requirements of this Order, responding to any additional issues identified by Duke, and addressing whether the GSA Service Agreements, GSA Program PPAs, and any other documents on which the parties have not had opportunity to comment, comply with this Order."[1] Pursuant to the Order, the Public Staff, North Carolina Sustainable Energy Association ("NCSEA"), North Carolina Clean Energy Business Alliance ("NCCEBA") and the Southern Alliance for Clean Energy ("SACE") filed comments on

[1] Order, at 64.

April 8, 2019. As provided for in the Order, the Companies hereby file these Reply Comment responding to the Public Staff and other parties.

II. RESPONSE TO COMMENTS ON COMPLIANCE FILING

The Companies have reviewed the comments filed by the Public Staff and intervenors on the Companies' Compliance Filing and have determined that only one minor modification to Rider GSA is needed, as is explained in Section II(b). Sections II(c) through II(f) respond to the other comments of the intervenors.

a. The Public Staff Found the Compliance Filing to be in Substantial Conformance with the Order

The Public Staff does not recommend any specific modifications to the GSA Service Agreements, GSA Riders, and other supporting GSA Program documents presented in the Compliance Filing and does not recommend any material modifications to the Compliance Filing.[2] The Public Staff does note that the GSA Program structure deviates from language in the Order directing that the "GSA PPA contract price" shall be the negotiated rate between the GSA Customer and the GSA Facility Owner. As discussed in Section II(c) below, however, the Public Staff finds Duke's Compliance Filing GSA Program structure complies with the Commission's intent in the GSA Order and should be approved.[3] The Public Staff also comments on the Companies' proposal in the Compliance Filing to reintroduce the requirement that a potential GSA Facility must have received a full System Impact Study in order to participate in the GSA

[2] Public Staff Comments, at 4-9.

[3] Public Staff Comments, at 8.

Program.[4] As further discussed in Section II(c)(i) below, the Public Staff finds this proposal "generally reasonable" but notes a possible alternative approach.[5]

b. <u>One limited clarification to the GSA Program Tariffs is Appropriate to Resolve Any Ambiguity Concerning the Contract Term</u>

SACE raises a concern regarding language in the Rider GSA regarding the Contract Term available to GSA Customers electing the Hourly Avoided Cost Bill Credit.[6] The Companies do not disagree with the intent of SACE's comment and note that the Compliance Filing clearly provides that eligible GSA Customers electing the Hourly Avoided Cost Bill Credit may enter into "a contract term of any number of years up to the 20-year limit provided in the GSA Statute . . ."[7] The GSA Service Agreement submitted in the Compliance Filing also includes similar language explaining the term options for GSA Customers selecting the Hourly Bill Credit Option.[8] Nevertheless, to address SACE's concern and to eliminate any ambiguity, the Companies are submitting as <u>Exhibit A</u> (DEC) and <u>Exhibit B</u> (DEP) a revised Rider GSA (in clean and redline format) that clarifies the provision noted by SACE and further confirms that a GSA Customer electing the Hourly Avoided Cost Bill Credit option may enter a GSA Service Agreement for any number of years up to 20. No other changes were made to Rider GSA.

[4] Duke Compliance Filing, at 12; Public Staff Comments, at 11-12.

[5] Public Staff Comments, at 11. The Public Staff states that eligible GSA Facilities "may not necessarily need a completed [System Impact Study]" and identifies the execution of a System Impact Study Agreement as another "possible alternative milestone."

[6] SACE Comments, at 3.

[7] Compliance Filing, at 13.

[8] *See* Compliance Filing, at Exhibit A at 2. (providing in Section 4 "Delivery Period" that a GSA Customer electing the Hourly Bill Credit option may elect a term of [1-20 years (for Bill Credit calculated based upon hourly, marginal cost data)]."

c. No Modifications to Duke's Compliance Filing are Needed Relating to the Interconnection of Potential GSA Facilities

i. Timing of Interconnection Study Process for Potential GSA Facilities

A number of parties raised issues related to the interconnection process that would be applicable to renewable energy facilities that are seeking to potentially participate in the GSA Program ("Potential GSA Facilities"). The Commission addressed this issue in its Order as follows:

> …the Commission recognizes that Duke must provide the eligible customer with information regarding the interconnection costs and/or grid upgrade costs fairly attributed to accommodating the renewable energy facility selected by the GSA customer relatively early in the GSA Program application process. Although Duke states that it has revised the GSA Program design to address the Public Staff's comments by eliminating the requirement to complete the system impact study, it is not clear to the Commission when the GSA Program customer and its selected renewable energy facility will be informed about these costs. Therefore, the Commission will require Duke to address these issues with more specificity through its compliance filing required by this Order.[9]

In the Compliance Filing, the Companies responded to the Commission's directive, explaining that a GSA Facility Owner will be required to pursue interconnection under the applicable interconnection procedures (whether North Carolina or South Carolina or FERC, collectively the "Interconnection Procedures") and no unique interconnection-related arrangements will be implemented in connection with the GSA Program.[10] In addition, the Companies also proposed for Commission consideration whether to require that a potential GSA Facility have a completed System Impact Study, as this requirement will ensure that GSA Facility

[9] Order at 62.

[10] Compliance Filing, at 11. The Companies note that certain intervenors engage in unnecessary hyperbole in characterizing certain aspects of Duke's Compliance Filing. For instance, NCSEA argues that that "Duke's footnote response is an outright refusal to attempt to comply with the Order." NCSEA Comments, at 10. Duke has not refused to "comply with the Order." Instead, the Companies have clearly acknowledged the Order but offered its perspective on the appropriate outcome in light of the Commission's directive to "to address these issues with more specificity."

Owners have received a preliminary estimate of the cost of any Interconnection Facilities and distribution and transmission network upgrades at the time a GSA Application is submitted, thereby ensuring that GSA capacity is not consumed by speculative projects.

While the Companies' proposed approach to GSA Facility interconnection processing is reasonable, non-discriminatory and consistent with the Interconnection Procedures, NCCEBA, NCSEA and SACE each argue that the Order expresses the Commission's intent to impose a new obligation outside of the Interconnection Procedures for the Companies to provide each Potential GSA Facility Owner information about the cost of Interconnection Facilities and distribution and transmission network upgrades outside of the processes required under the Interconnection Procedures.[11] The Companies disagree with this characterization of the Order and request the Commission clarify that the Order does not intend for the Companies to deviate from the standardized process for studying generator interconnections under the Interconnection Procedures.[12]

As background, it is important to understand that the cost of Interconnection Facilities and any applicable distribution and transmission network upgrades can only be meaningfully estimated through completion of a System Impact Study as required under the applicable generator interconnection procedures. There is no "shortcut" to producing such estimates. In light of this fact, the recommendation offered by NCCEBA, NCSEA and SACE in this respect is unworkable for a number of reasons.

[11] *See* NCCEBA Comments at 12-13; NCSEA Comments at 11; SACE Comments at 12.

[12] To the extent that the Commission did intend for the Order to direct the Companies to establish a special process for providing potential GSA Facility Owners with interconnection cost information in a manner that deviates from the NC Procedures, the Companies request the Commission reconsider this directive pursuant to N.C. Gen. Stat. § 62-80 for the reasons presented in these reply comments.

First, the Interconnection Procedures do not currently contemplate or permit the utility to study the interconnection impacts of project outside of the serial study process. Thus, any GSA-specific process that would deviate from the serial study construct would require modifications to the applicable Interconnection Procedures.[13]

Second, even if the Companies were permitted to do so, such a process would further delay the overall interconnection process for all non-GSA Facilities by requiring the Companies to divert study resources to Potential GSA Facilities that would otherwise have been devoted to studying projects within the current serial study construct. As described in detail in the Companies' direct and rebuttal testimony recently filed in Docket No. E-100, Sub 101, the System Impact Study process can take a substantial amount of time, a substantial portion of which is often outside of the Companies' control. Therefore, what NCCEBA, NCSEA, and SACE seem to request is that Potential GSA Facilities be granted preferential study treatment that would, in turn, adversely impact non-GSA Facilities. It should also be noted that this would create an incentive for every project in the queue to notify Duke that they are a Potential GSA Facility in order to receive this expedited treatment and there would be no way for Duke to evaluate which projects are "legitimate" Potential GSA Facilities and which are not.

Third, due to the serial study structure required under the Interconnection Procedures, the results so provided to the Potential GSA Facility—particularly in the case of later-queued projects—would have little value given the number of interdependencies and assumptions that would be made in deriving results. In very general terms, if a Potential GSA Facility was the 100th

[13] Any deviation from the currently effective North Carolina Interconnection Procedures ("NC Procedures") would presumably require modifications to the NC Procedures. The Companies also note the complexity of this issue given that Potential GSA Facilities could be located in South Carolina or be subject to the FERC Joint Open Access Transmission Tariff ("OATT").

project in the queue, any results for such project would have to make assumptions about the 99 preceding projects that have not yet been interconnected to determine the distribution and/or transmission Network Upgrades assignable to such project. If any of those assumptions turn out to be incorrect (e.g., if any of the earlier-queued projects are "phantom" or "speculative" projects that are never actually constructed), then the Potential GSA Facility would have to be re-restudied. This issue of speculative projects was highlighted in the recent Competitive Procurement of Renewable Energy ("CPRE") Tranche 1 IA report, which identified the fact that there appears to be many projects in the queue that are speculative and not certain to be constructed.[14] Similarly, the Companies' responses to recent Commission hearing requests in Docket No. E-100, Sub 101 confirmed that approximately only one half of the projects in the queue actually proceed to interconnection.[15]

In summary, any requirement to provide Potential GSA Facilities with cost information outside of the serial study process would (1) not conform with the existing Interconnection Procedures, (2) cause further delay to the interconnection process for non-Potential GSA Facilities, and (3) produce results that, in many cases, would have little to no meaningful value.[16] In contrast to NCCEBA, NCSEA, and SACE, the Public Staff agrees with Duke that that there is no provision in the GSA Program statute nor the NC Procedures that would permit Duke to provide expedited

[14] Independent Administrators' Report Conclusion of Step 2 Evaluation and Selection of Proposals, April 9, 2019, Docket Nos. E-2, Sub 1159 and E-7, Sub 1156, at 9.

[15] Commissioner Hearing Request Responses, Docket No. E-100, Sub 101, February 26, 2019, Question No. 7.

[16] SACE also argued that requiring full System Impact Study for Potential GSA Facility would "disfavor GSA Program facilities relative to CPRE Program facilities." SACE Comments, at 11-12. The reason that a System Impact Study was not a requirement for CPRE is because the Commission approved the CPRE Grouping study process to facilitate study and assignment of Upgrades based upon the competitiveness of projects bidding into the CPRE Program, as determined by the IA. See Order Approving Interim Modifications to North Carolina Connection Procedures for Tranche 1 of CPRE RFP, Docket No. E-100, Sub 101 (Oct. 5, 2019). No such process has been approved for GSA nor would it likely be workable.

or otherwise differential treatment to interconnection requests for potential GSA Facilities.[17] Accordingly, the Public Staff finds the Companies' plan to adhere to the applicable Interconnection Procedures "reasonable and in compliance" with the Order.[18]

The Public Staff also notes that adhering to the general interconnection study process will allow Potential GSA Facilities "further along in the interconnection process to more confidently negotiate with potential GSA Customers"[19] and asserts that Duke's proposed requirement that a potential GSA Facility has completed System Impact Study "is generally reasonable and has the potential to reduce the risk of GSA Program capacity being reserved by projects lacking significant information regarding their commercial viability."[20] Public Staff went on to suggest that an alternative might be to allow projects that have an executed System Impact Study Agreement to participate, noting that only a minority of projects in the DEC and DEP transmission queues have completed the System Impact Study step in the interconnection process.[21] Duke appreciates the intent behind this alternative approach and agrees with the Public Staff that allowing projects with an executed System Impact Study Agreement to participate in the GSA Program would increase the number of projects that are eligible for GSA participation and therefore the pool of eligible counterparties for GSA Customers. However, allowing participation by Potential GSA Facilities at this earlier step in the interconnection process also increase the likelihood that GSA capacity would be assigned to projects that are not ultimately constructed. One approach would be to

[17] Public Staff Comments, at 10.

[18] Public Staff Comments, at 10-11.

[19] Public Staff Comments, at 10.

[20] Public Staff Comments at 11-12.

[21] *Id*.

require a full System Impact Study report initially but then revisit the issue if it becomes apparent that such requirement is a barrier to full GSA Program subscription.

ii. Relationship between Interconnection Customer (GSA Facility Owner) and GSA Customer

SACE also appears to challenge the Companies' position that information related to interconnection costs will be provided to the GSA Facility Owner and not to the GSA Customer.[22] Once again, under the Interconnection Procedures, it is the facility owner (i.e., the Interconnection Customer) that submits an Interconnection Request and is responsible for all aspects of the interconnection process. A potential GSA Customer has no right to receive such information under the Interconnection Procedures. In fact, information regarding the interconnection process (such as the cost of Interconnection Facilities and distribution and transmission network upgrades) is, in some cases, treated as confidential information by the Interconnection Customer (i.e., the GSA Facility Owner) and Duke's business practice is not to share such information with third parties other than the Interconnection Customer. However, the GSA Facility Owner, as the designated recipient of such information under the Interconnection Procedures, is certainly free to share any and all information it receives with the GSA Customer. Both the Public Staff and NCCEBA agree with the Companies that it is the GSA Facility Owner that rightfully receives this information.[23]

NCSEA also alleges that "Duke has failed to provide clear guidance in its Compliance Filing who is responsible for the payment of interconnection costs." To the contrary, the Companies' Compliance Filing explains that "[t]he GSA Facility Owner will be responsible in accordance with the applicable interconnection procedures for the cost of Interconnection

[22] SACE Comments, at 10.

[23] Public Staff Comments, at 19; NCCEBA Comments, at 12.

Facilities and any transmission or distribution Network Upgrade costs assigned to GSA Facility."[24] The Companies are not sure what is unclear about such statement. Moreover, as recognized by the Public Staff, the Negotiated Rate will presumably reflect all of the GSA Facility Owner's costs (including the cost of any Interconnection Facilities and distribution and transmission network upgrades).[25] But under the Interconnection Procedures, it is the Interconnection Customer (i.e., the GSA Facility Owner) that will be required to directly pay such costs.

iii. Interconnection Process and Costs for Duke-Owned Projects and Additional Interconnection-Related Comment Period

NCSEA makes a number of additional vague allegations related to the interconnection process and Duke-owned Potential GSA Facilities.[26] NCSEA asserts that "Duke fails to include a number of details" but then provides no additional clarity with respect to the allegation. NCSEA also asserts that there is a question "whether Duke will apply the same standards [i.e., requiring a full System Impact Study] to its own facilities." The Companies note for the sake of clarity that, as has always been the case, all Duke-owned generating facilities request interconnection and are studied under the same serial study process applicable to third-party generators. If the Commission approves the Companies' proposal to require a completed System Impact Study as a necessary condition for a Potential GSA Facility to participate in the GSA Program, then that same requirement would also apply to any Duke-owned generating facilities.

NCSEA goes on to state that "Duke has an inherent advantage insofar as they can develop projects for the CPRE program and, if necessary, sell those projects to GSA Customers as

[24] Compliance Filing, at 10.

[25] Public Staff Comments, at 10 (". . . the GSA Facility would presumably take into account any interconnection or upgrade costs associated with its project when negotiating with the GSA Customer").

[26] NCSEA Comments, at 11-12.

readymade clean energy."[27] While Duke is unclear what NCSEA means by this statement, it bears noting that third-party developers are also free to develop projects for CPRE but then, if unsuccessful, attempt to utilize such projects in the context of the GSA Program. The fundamental point is that all Interconnection Customers—whether Duke-owned or third party-owned, Potential GSA Facility or non-Potential GSA Facility—must follow the applicable Interconnection Procedures and Duke is neither advantaged nor disadvantaged in this regard.

Finally, NCSEA urges that the Commission "allow the parties to comment on the implementation of the System Impact Study within the constraints of the GSA Program."[28] It is wholly unclear to Duke what additional comments NCSEA believes are needed on this issue as well as why parties to these dockets could not have filed comments on this issue as part of this current comment process established by the Order. Given that all parties had such opportunity, Duke does not agree that a further comment process is necessary with respect to interconnection process applicable to Potential GSA Facilities, and NCSEA's recommendation should be rejected.

d. Cost Recovery

i. Post-Term Recovery of Potential Duke-owned GSA Facilities

The Commission's Order asserted that market-based cost recovery allowed in connection with the CPRE Program was "extraordinary," concluding that the Companies' default cost recovery is "cost of service, plus a reasonable return on capital invested to serve the utility's customers."[29] The Public Staff does not appear to contest this conclusion but does observe that

[27] Id.

[28] Id.

[29] Order at 63.

"the appropriate remaining net book value of a Duke-owned GSA Facility will have to be evaluated at the time the utility seeks to commence recovery in order to ensure that the revenues recovered under the market-based approach during the term of the GSA Service Agreement are fully offset."[30]

For the sake of clarity, the capital cost of any Duke-owned GSA Facility (including the cost of Interconnection Facilities and any distribution and transmission network upgrades) will not be included in the Companies' base rate cost of service (fully excluded from rate base) during the term of the applicable GSA Service Agreement. Such assets will be depreciated on the Companies' books in accordance with GAAP and the depreciation schedules established in the most recent base rate case for similar assets. Therefore, the Commission can be assured that (1) the cost recovery associated with any Duke-owned GSA Facility will be based solely on the GSA Bill Credit methodologies and recovery through the fuel adjustment clause, as recognized by the Order, during the term of the applicable GSA Service Agreement[31] and (2) the remaining Net Book Value ("NBV") of the asset at expiration of the GSA Service Agreement will reflect an equitable value consistent with the NBV of other similar assets of the Companies. Any future "transition" of a Duke-owned GSA Facility into the Companies' rate base and future recovery through general cost of service after the GSA Program concludes would occur through a general rate case and would be subject to review of the Commission, Public Staff and intervenors.

NCCEBA and NCSEA argue that the Commission's position bestows an unfair advantage on Duke-owned GSA Facilities. The Companies do not agree that Duke-owned projects are

[30] Public Staff Comments, at 16.

[31] Order, at 60-61 (recognizing that non-administrative GSA Program costs are to be recovered under N.C. Gen. Stat. § 62-133.2(a1)(11) subject to certain requirements included in the Order).

unfairly advantaged by the Commission's decision in this respect. While NCCEBA argues that "it is *possible* that non-participating GSA customers would ultimately pay more if Duke were allowed to pursue cost of service-based recovery for Duke-owned GSA facilities after the term of the GSA PPA expires than if Duke were able to recover revenues based upon an updated market-based mechanism"[32] the opposite is equally possible. Future market-based revenues may actually be higher than the cost of service based recovery (or extend longer if the generating facility's actual useful life extends beyond the facility's depreciable life). In such a scenario, Duke-owned facilities would be limited in their cost recovery compared to third-party owned GSA Facilities.

Further, NCCEBA inaccurately presumes that a Duke-owned GSA Facility is somehow exempt from the statutory requirement to obtain a certificate of public convenience and necessity ("CPCN") prior to construction of the generating facility. As recognized by the Public Staff's Comments, the Companies will be required to obtain a CPCN for a GSA Facility in the same manner as other utility-owned generating facilities under N.C. Gen. Stat. 62-110.1 and NCUC Rule R8-61. Duke also fails to understand NCCEBA's unsupported supposition that a Duke-owned GSA Facility might somehow be inconsistent with "the Commission's plan for expansion of the electric generating capacity [in the State]" as the General Assembly recently established the GSA Program to procure precisely this type of renewable energy capacity on behalf of eligible GSA Program customers. In any case, the Companies see no basis to support an exemption from the requirement to obtain a CPCN from the Commission for construction of a new GSA Facility and NCCEBA's comments on this issue should be disregarded.

[32] NCCEBA Comments, at 6-7 (emphasis added).

Finally, the Companies note the Public Staff's observation that "the Public Staff and Commission will have an opportunity to review the post-term cost recovery assumptions of the facilities at that time as part of the evaluation of whether the facility is in the public interest and required by public convenience and necessity prior to granting the certificate."[33] While the Companies generally agree with the premise of Public Staff's comments that such issues may be reviewed for an individual generating facility in a CPCN proceeding, the Companies note that confirmation of the applicable post-term cost recovery for Duke-owned facilities is necessary and appropriate at this time and should not be deferred to a later proceeding. To that end, the Companies request confirmation that some form of post-term recovery of costs will be allowed, either under the default cost-of-service-based cost recovery construct referenced in the Order, or through provision of market-based revenues similar to non-utility GSA Facility Owners.

ii. Recovery During the Term Under N.C. Gen. Stat. § 62-159.2

NCSEA re-hashes arguments it has previously raised in these dockets concerning the potential for "double-recovery" by Duke under the GSA Program. Consistent with its past allegations in this respect, NCSEA fails to provide any detailed accounting examples to demonstrate such supposed double recovery. Furthermore, NCSEA appears to acknowledge its lack of understanding of the cost recovery structure and questions its own assertion that such double recovery will occur.[34]

[33] Public Staff Comments, at 16.

[34] NCSEA Comments, at 6 ("…NCSEA acknowledges the mechanism involved here is complex….It is possible that the GSA Program Duke is seeking to implement will have no such double cost for energy or double recovery (in the case Duke is the GSA Supplier)").

As an initial matter, NCSEA reiterates its mistaken understanding that the Companies will be recovering fuel costs associated with those MWh of energy displaced by GSA Facilities.[35] No such cost recovery will occur, which should have been abundantly clear based on the very language NCSEA quotes from the Compliance Filing in its comments,[36] as well as by other filings by the Companies in these dockets.[37] Once again, there will be no fuel cost recovery associated with the "displaced" MWh and the cost borne by non-participating customers for each MWh generated by a GSA Facility will be the applicable Bill Credit. GSA Customers pay the GSA Product Charge (equal to the Negotiated Rate) but receive in exchange the applicable Bill Credit, which reduces the costs paid by the GSA Customer. Thus, because the amount paid by the GSA Customer as the GSA Product Charge is "offset" by the Bill Credit it receives, there is a real cost to non-participating customers of the MWh generated by the GSA Facility—and that cost is the applicable Bill Credit, which is the avoided cost value at which the Commission has determined that non-participating customers are held neutral. Notably, as the Order recognizes, the Public Staff agrees with Duke that the Bill Credit paid to GSA Customers is appropriately recovered through the fuel clause and, as such, no "double-recovery" will occur.[38]

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[35] NCSEA Comments, at 5 ("Apparently, Duke believes that nonadministrative costs include the so-called "displace" of MWh which would assumptively have been generated elsewhere in Duke's generation mix but for the GSA Facility.").

[36] Compliance Filing, at 20 ("Each MWh generated by the GSA Facility will displace a MWh that would have been generated by another system asset and, contrary to assertions raised in the proceeding, ***Duke is not recovering any fuel costs associated with that 'displaced MWh'***")(emphasis added)).

[37] *See Duke Energy Carolinas, LLC an Duke Energy Progress, LLC Motion to Strike*, at 3, Fn. 2, Docket Nos. E-7, Sub 1169 and E-2, Sub 1170 (filed Sept. 26, 2019) (explaining that "[w]hen a GSA resource displaces another system asset, that displaced system asset does not generate the MWh and no fuel cost is incurred. Therefore, Duke Energy does not recover any fuel costs associated with such displaced generation. But there is a cost associated with the MWh produced by the GSA resource, which is the price that Duke Energy pays through the PPA [and seeks to recover through the fuel factor]").

[38] *See* Order, at 60 *citing* Tr. Vol. 1, at p. 159. (explaining that the bill credit is "basically the price that [Duke] would be paying for that additional power being added as a system resource" and confirming that it is the Public Staff's position that the bill credit is appropriate to be recovered through the fuel factor).

With respect to Duke-owned facilities, the cost recovery will be identical and non-participating customers will similarly be held neutral. While NCCEBA states that "it remains unclear whether what Duke envisioned recovering from ratepayers in this scenario was the Bill Credit paid to the GSA Customer (as it proposes in the case of third-party Renewable Suppliers) or something else,"[39] the Compliance Filing clearly describes that the cost recovery applicable to third party-owned or Duke-owned GSA Facilities will be identical.[40] As discussed above, the capital cost of the Duke-owned GSA Facility will be excluded from rate base for purposes of establishing base rates. Therefore, the only revenue that Duke will receive for such facilities is that which is permitted under N.C. Gen. Stat. § 62-159.2 as is described above—namely, that non-participating customers will pay the applicable Bill Credit methodology for each MWh generated (which is the avoided cost rate at which the Commission has concluded non-participating customers are held neutral). No double recovery will occur.

Finally, NCSEA's misplaced argument regarding the cost recovery mechanism is also procedurally inappropriate as this issue is not new and the Commission's Order did not direct Duke to modify the approach to cost recovery through the Compliance Filing. As noted above, NCSEA has raised this same issue before. Both Duke and the Public Staff have also previously addressed this argument finding no "double recovery" will occur under the structure of the Program.[41] The Commission's Order recognizes that the Bill Credit is a "'real cost' to be recovered" and generally accepted Duke's planned approach to cost recovery under the fuel factor subject to specified filing requirements demonstrating the GSA Program-related costs to be recovered.[42] To the extent

[39] NCCEBA Comments, at 3.

[40] Compliance Filing, at 18.

[41] *See* Oral Argument Tr. Vol. 1, at 158-159, 162.

[42] Order, at 60-61.

NCSEA seeks for the Commission to reconsider its findings and conclusions on this issue, it is not appropriate for NCSEA to incorporate such a request within Commission-directed comments on Duke's Compliance Filing. Moreover, NCSEA has presented no justifiable basis for the Commission to alter or amend its Order.[43]

In sum, contrary to NCSEA's recommendation, no further clarification is needed, as the Commission's Order accurately described the cost recovery construct and provided the Companies clear guidance regarding the information to be submitted in future fuel factor applications to verify the GSA Program costs to be recovered.

e. Contract Structure Issues

i. The Overall Program Structure Aligns with the Order

SACE also discusses its concerns regarding the contract structure detailed in the Compliance Filing, suggesting that "Duke appears to require in its Compliance Filing that the GSA customer and the renewable supplier set a contract price that equals the bill credit" and thereby prohibits the GSA Customer from "saving money by negotiating a PPA price with a GSA Facility Owner that is lower than Duke's avoided costs.[44] SACE goes on to assert that "Duke's proposed language narrowly limits the options for payments flowing from the GSA customer through Duke to the renewable supplier, i.e., the GSA Product Charge, rather than allowing it to be the contract price negotiated between the GSA customer and the renewable supplier," suggesting that this arrangement "appears to make these benefits [of saving money by participating in the GSA

[43] *See e.g., Order on Clarification*, at 2, Docket No. E-100, Sub 148 (Feb. 15, 2018) (explaining that "there must be some change in circumstances or a misapprehension or disregard of a fact that provides a basis for the Commission to rescind, alter, or amend a prior order")(internal citations omitted).

[44] SACE Comments, at 5-6.

Program] impossible, undermining one of the key purposes of negotiating a PPA."[45] SACE's statements are incorrect and its general criticisms of the Compliance Filing appear to be based on a fundamental misunderstanding of the GSA Program.

As explained in the Compliance Filing, the GSA Customer and Renewable Supplier are free to independently negotiate any MWh pricing without involvement by the Companies prior to submitting a GSA Application and term sheet.[46] The Compliance Filing explained that this independently negotiated price is recognized as the GSA Product Charge in the three-party GSA Program structure: "the GSA Customer would be responsible for paying the GSA Product Charge (equal to the Negotiated Price) and would receive the Bill Credit by way of assignment by the GSA Facility Owner. The GSA Facility Owner would, in turn, receive the GSA Product Charge via assignment by the GSA Customer."[47] While SACE is correct that the contract price specified in the GSA PPA is the applicable Bill Credit methodology, the Compliance Filing explained that the GSA Facility Owner continues to receive the Negotiated Price by way of assignment so long as the GSA Customer performs its obligations under the GSA Service Agreement.[48]

Notably, the Public Staff's comments extensively discuss the GSA Program payment structure and billing arrangement presented in the Compliance Filing and conclude that "[i]t is clear that the GSA Customer has been empowered, under the Self-Supply option, to negotiate a price with the renewable energy facility of its choice . . ."[49] Therefore, the Companies believe that it is abundantly clear that the GSA Customer and GSA Facility Owner can independently negotiate

[45] *Id.*, at 6.

[46] Compliance Filing at 2.

[47] *Id.*, at 3.

[48] *Id.*, at 7.

[49] Public Staff Comments, at 6.

the GSA Product Charge and that the GSA Customer can potentially achieve cost savings from participation in the GSA Program.

The Public Staff also noted language from the Order that could be read to create ambiguity regarding the actual price to be specified in the PPA. The Order states, in part, that: "the Commission…determines that the GSA PPA contract price shall be the rate negotiated between the eligible customer and the owner of the GSA renewable energy facility….This pricing mechanism shall apply for all contract term lengths, and shall establish the GSA Product Charge, consistent with that construct proposed under the Walmart Settlement."[50] As the Commission makes clear, the price negotiated between the GSA Customer and the GSA Facility Owner "shall establish the GSA Product Charge." That is precisely the arrangement reflected in the Compliance Filing. As described by Public Staff, this structure ensures that customers are not exposed to "financial risk" in the event of a default by the GSA Customer but so long as the GSA Customer continue to fulfill its obligations under the GSA Service Agreement, the GSA Facility Owner will receive the negotiated rate via assignment under the GSA Service Agreement.

The Companies also continue to recognize the value of visual depictions of the three-party GSA Program structure and billing arrangement and commit to present such information on the Companies' GSA Program webpage to assist potential GSA Program customers in understanding the GSA Program structure.

[50] Order, at 56.

ii. GSA Customer Default

As the Companies explained in their Compliance Filing, in the event of default under the GSA Service Agreement by the GSA Customer, the GSA Service Agreement will be terminated but the GSA PPA will remain in place. The price specified in the PPA—which, as described above, is the applicable Bill Credit selected by the GSA Customer (i.e., the price at which the Commission has found that non-participating customer are held neutral)—will be directly paid to the GSA Facility Owner pursuant to the terms of the PPA.

The Public Staff suggests that in the event that a GSA Customer defaults under the terms of the GSA Service Agreement, the GSA Facility Owner be permitted to seek to obtain a new GSA Customer to assume the GSA Service Agreement.[51] Though it will introduce an additional level of complexity into the GSA Program, the Company would support allowing a GSA Facility Owner to pursue a new GSA Customer in the event of default by a GSA Customer. In any case, the Companies will continue to pay the GSA Facility Owner at the price specified in the PPA as a qualifying facility ("QF") and continue to recover the cost paid to the former GSA Facility Owner/QF under the fuel factor.[52]

NCCEBA argues that "an independent Renewable Supplier should not have to incur the time and expense of pursuing damages from a GSA Customer who defaulted on its obligations under a contract with Duke."[53] As an initial matter, the GSA Service Agreement is a three-way

[51] Public Staff Comments, at 13.

[52] As recognized in the Order, Duke will seek recovery of the GSA Bill Credit under subsection (a1)(11) of the fuel factor statute, N.C. Gen. Stat. 62-133,2. However, if the GSA Customer defaults, Duke would then seek to recover the cost paid to third-party GSA Facility Owner under subsection (a1)(10) of the fuel factor statute as purchased power from a QF.

[53] NCCEBA Comments at 11.

agreement with the GSA Customer and the GSA Facility Owner, and therefore, NCCEBA's statement that this issue involves "a contract with Duke" ignores the fact the GSA Facility Owner is a party to the agreement. More importantly, left unsaid by NCCEBA is which party should be obligated to "incur the time and expenses of pursuing damages from a GSA Customer who defaulted on its obligations under a contract with Duke." The implication of NCCEBA's position is that Duke—and therefore Duke's customers—should bear the expense of pursuing damages. But this would impose a risk and potentially a cost on customers in direct contravention of the statutory mandate that non-participating customers be held neutral from impact of the GSA Program.

Duke also points out that this is not, as NCCEBA alleged, a "remarkable and troubling new proposal not previously addressed in Duke's prior filings or in the Commission's Order." The concept that the PPA price would be established as the applicable Bill Credit methodology is plain on the face of the Walmart Settlement, which the Commission approved in its Order.[54] Thus, this concept was not "belatedly introduced by Duke" and is, in fact, authorized by the Order.[55]

iii. GSA Product Charge and Final GSA Documents

The Commission ordered the Company "to include revised versions" of the "GSA PPA, GSA Service Agreement, GSA Term Sheet, and other related documents with the Commission" as part of the Companies' Compliance Filing. Despite the fact that the Companies' Compliance

[54] See Section 3(a) (PPA) of the Walmart Settlement: "Notwithstanding the foregoing, the price specified in the power purchase agreement ("PPA") by and between DEP or DEC (as applicable) and the GSA Renewable Suppliers shall be equal to the Hourly Rate (as calculated above)."

[55] See discussion in Section II(e)(i) and Commission Order, at 56 ("This pricing mechanism shall apply for all contract term lengths, and shall establish the GSA Product Charge, consistent with that construct proposed under the Walmart Settlement.")

Filing included the "GSA PPA, GSA Service Agreement, GSA Term Sheet, and other related documents," NCSEA bizarrely alleges that the Companies "failed to comply with this directive."[56]

Without acknowledging that the Companies did, in fact, include the required documents in its Compliance Filing, NCSEA then proceeds to identify two extremely narrow concerns it has with the documents: (1) the fact that documents are marked "subject to Duke legal and management approval" and (2) the fact that Product Charge schedule to the GSA Service Agreement is blank.[57]

With respect to the first issue, the boilerplate language included on the documents is standard language for un-executed documents and will not alter or override the terms of the Commission's directives in this proceeding.

With respect to the second issue, NCSEA's critique is nonsensical. As explained in the Compliance Filing, the GSA Product Charge is equal to the Negotiated Rate. That rate will be determined through negotiations between particular GSA Customers and particular GSA Facility Owners and therefore is not known at this time. The GSA Customer and the GSA Facility Owner are free to establish the appropriate Negotiated Rate, to be included as the Product Charge in the GSA Service Agreement.

iv. Performance Assurance

As a general matter, the Companies' requirements with respect to performance assurance is always based on the risk profile of a particular transaction. Based on the revised GSA Program

[56] NCSEA Comments, at 13.

[57] *Id.*, at 2-3.

structure, no performance assurance requirements are included in the GSA Service Agreement, though the GSA Facility Owner may require additional security of the GSA Customer outside of the GSA Service Agreement. However, with respect to performance assurance requirements under the GSA PPA, the Companies explained in Section VII(b) of the Compliance Filing the differences in the risk profile exist between the two Bill Credit arrangements and how such differing risk profiles resulted in the differing post-commercial operation performance assurance requirements under the GSA PPA.[58]

Two parties—NCSEA and NCCEBA—criticized the differing post-commercial operation performance assurance requirements applicable under the GSA PPA.[59] While NCSEA "recognizes the inherent difference in the two projects," it nevertheless asserts that the differing performance assurance requirements are "unfair."[60] No attempt was made by NCSEA to address the Companies' explanation in the Compliance Filing for the differing treatment.

Similarly, NCCEBA's comments on this issue do not even attempt to respond to the Companies' assessment of the differing risk profiles of the two Bill Credit methodologies. In fact, NCCEBA simply ignores the Companies' explanation of this issue, asserting that "Duke has failed to provide a sufficient justification for why standard terms should not be required in the GSA PPAs." It is not clear why NCCEBA chose to ignore the Companies' explanation in Section VII(b) of the Compliance Filing, and while NCCEBA appears to disapprove of the "disparate treatment,"

[58] Compliance Filing, at 18.

[59] NCSEA Comments, at 12-13; NCCEBA Comments, at 11-12.

[60] NCSEA Comments, at 13.

its comments make no attempt to address the differing risk profile that gives rise to the differing performance assurance requirements.

It is overly simplistic to insist that the performance assurance requirements be made the same simply out of principal, and Duke continues to believe that the real and unrebutted difference in risk profiles between the two transactions, as addressed in the Compliance Filing, justifies differing post-commercial operation performance assurance requirements under the GSA PPA.

f. *Miscellaneous Issues*

i. Clerical GSA Application Errors

NCSEA requests that "Duke grant leeway to Customers who submit their Applications with clerical errors or other misunderstandings before rejecting the application and keeping the [$2,000 application processing] fee."[61] NCSEA's comments appear to be focused on the size of the application fee and the potential for requiring submission of multiple application fees due to clerical errors. The Companies do not intend to require multiple application fees due to errors in the GSA Application (whether material or not) and have never indicated an intent to do so. Thus, the Companies will notify the GSA Customer of the deficiency in writing and allow the GSA Customer a reasonable opportunity to cure the deficiency and proceed with the GSA Application without forfeiting its application fee. This cure opportunity will apply to both minor, clerical deficiencies and more substantial errors (e.g., the GSA Application does not include an executed term sheet or identifies a GSA Facility that does not meet the eligibility criteria).

[61] NCSEA Comments, at 15.

However, NCSEA's comments do not address a related important point, which is whether a "clerical error or misunderstanding" in a GSA Application would cause the GSA Customer to lose their position in the waiting list. As explained in the Compliance Filing, a completed GSA Application and GSA Term Sheet are required for a GSA Customer to reserve GSA Capacity[62] and Duke continues to believe that it is reasonable and equitable to require all potential GSA Customers to submit a "substantially complete" Application to keep their spot in line. Where a GSA Customer submits a substantially complete GSA Application and GSA Term Sheet, Duke will allow the GSA Customer a single cure period opportunity to correct minor, clerical errors without losing their spot in line. However, where the error is more material in nature, the GSA Customer would not retain its original GSA capacity reservation and would be required to establish a new GSA capacity reservation once the material deficiency is resolved.

In summary, Duke confirms that it will allow GSA Customers to correct any application errors without requiring a new application fee but that material errors will impact the relative position of the prospective GSA Customer's GSA application.

i. Subsequent GSA Capacity Allocation

NCCEBA and NCSEA both argue that additional "regulatory oversight" is needed with regard to potential future allocation of unsubscribed GSA Program capacity reserved for the University of North Carolina and Major Military Installations under the GSA Program statute.[63] With respect to potential future allocation of any unused reserved capacity, the Order was clear and unambiguous, approving Duke's proposed allocation methodology for the unreserved capacity

[62] Compliance Filing, at 15.

[63] NCCEBA Comments, at 13; NCSEA Comments, at 14.

and stating that "the Commission may consider making adjustments to this allocation in future years of the GSA Program, particularly in those years when any un-awarded 'reserved' capacity becomes available to other eligible customers."[64] The Companies believe the Order is sufficiently clear that the Commission will exercise its oversight of the allocation of future reserved capacity in the manner that it deems appropriate. Therefore, contrary to the comments of NCSEA and NCCEBA, no further clarification is needed from the Commission.

ii. Initial GSA Customer Application and Selection

On page 54, the Order highlights that Duke's GSA Program provides that "applications be accepted on a first-come-first-served basis based on the date and time of the receipt of the application and application fee" and goes on to note that that this issue is "largely administrative and non-controversial." This first-come, first-served concept has been a part of Duke's GSA Program since the Initial Application. NCCEBA has actively participated in this proceeding and has never raised concerns with this approach until these recently-filed comments on the Compliance Filing. These issues should have been raised during the extensive comment proceeding or at oral argument if NCCEBA had an alternative recommendation for the Companies' and the Commission's consideration. NCCEBA failed to raise these issues and it is inappropriate to consider such new proposals at this juncture of the proceeding. The Companies continue to believe that a first-come, first-served approach is reasonable and consistent with the practice utilized for other programs. The requirement of third-party overseen lottery process is unnecessary and would imposed additional costs and, likely, significant, additional complexity on the GSA Program.

[64] Order, at 51.

iii. GSA Customer Peak Demand Information

NCSEA states that the "Compliance Filing requires that Customers include their annual peak demand and also the amount of capacity they intend to procure from the GSA Supplier."[65] NCSEA asserts that this Program requirement presumes a level of sophistication and knowledge of energy usage that not all customers may have, even those large consumers for the GSA Program is designed. NCSEA encourages Duke to provide knowledge and resources to those customers who may not know this information where requested." Duke will certainly have personnel available to provide additional information for GSA Customer, including the account executives already assigned to such customers, the GSA website identifies a contact email for any additional questions.

III. CONCLUSION

WHEREFORE, the Companies respectfully request the Commission to approve the GSA Program as amended herein.

Respectfully submitted this 18th day of April, 2019.

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[65] NCSEA Comments, at 14.

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Duke Energy Carolinas, LLC

Electricity No. 4
North Carolina (Proposed) Original Leaf 145

RIDER GSA
GREEN SOURCE ADVANTAGE (NC)

AVAILABILITY

This Green Source Advantage Program ("GSA Program" or "Program") is available to nonresidential customers meeting the eligibility criteria specified herein and receiving concurrent service on another rate schedule, excluding service under outdoor lighting schedules, who elect to direct the Company to procure renewable energy on the Customer's behalf pursuant to the terms of the GSA Program, as approved by the Commission. Eligibility for the Program is limited under N.C. Gen. Stat. § 62-159.2 to the University of North Carolina ("UNC") system, major military installations, and nonresidential customers with a minimum Maximum Annual Peak Demand of 1,000 kW or an aggregated Maximum Annual Peak Demand at multiple service locations of 5,000 kW (collectively, "Eligible GSA Customers" or "Customer"). The Program is also limited to a combined total of 600 MW of renewable energy facilities between the Duke Energy Carolinas and Duke Energy Progress service territories ("Maximum GSA Program Capacity"). Of the 600 MW of Maximum GSA Program Capacity available under the Program, 250 MW shall be reserved exclusively for use by the UNC system, and 100 MW shall be reserved exclusively for use by major military installations in North Carolina (together, the "Reserved Capacity"). Of the remaining 250 MW, 160 MW shall be reserved for use by eligible Duke Energy Carolinas customers, and 90 MW shall be reserved for use by eligible Duke Energy Progress customers. Any Reserved Capacity that is not subscribed by the UNC system or major military installations, as applicable, within the three-year Reserved Capacity period following initial Program approval of **[Date]** shall then be made available for subscription by any Eligible GSA Customer. This Rider and the Program shall remain open to Eligible GSA Customers pursuant to the Program's terms and conditions, as approved by the Commission, for a period of five years following initial Program approval of **[Date]**.

DIRECTED PROCUREMENT OF GSA FACILITIES

The Program allows Eligible GSA Customers to direct the Company to procure renewable energy that will be used to supply all customers and allows the Customer to obtain the renewable energy certificates ("RECs") generated by a GSA Facility ("GSA Facility"). A GSA Facility must be a new renewable energy facility located in the Duke Energy Carolinas service territory in either North Carolina or South Carolina with supply that will be dedicated to the Program by the facility owner ("Renewable Supplier") and used to serve all customers.

Customers seeking to participate in the Program shall have the option to either (1) request Duke Energy Carolinas to develop a facility or (2) identify and propose to the Company a GSA Facility developed by another Renewable Supplier. For renewable facilities not owned by the Company, the Renewable Supplier will enter into a power purchase agreement ("GSA PPA") with the Company. The Customer will negotiate price terms directly with a Renewable Supplier. As described below, the Renewable Supplier shall transfer RECs directly to the Customer through a separate contractual arrangement.

APPLICATION PROCESS AND GSA SERVICE AGREEMENT

To participate in the GSA Program, a Customer must submit an application to the Company requesting an annual amount of renewable capacity to be developed or procured on the Customer's behalf. The Customer may apply for the Company to develop or procure renewable generation capacity up to 125% of the Customer's aggregate Maximum Annual Peak Demand at eligible Customer service location(s) within Duke Energy Carolinas' North Carolina service territory.

The Customer's application will designate the Renewable Supplier selected by the Customer. The application shall also identify the requested Bill Credit option and contract term ~~for the Customer's enrollment in the Program (~~two, five, ten, fifteen, or twenty years for a Customer electing Administratively Established Avoided Cost Bill Credit or any number of years up to the 20 year limit for a Customer electing the Hourly Marginal Avoided Cost Bill Credit)~~and may be two, five, ten, fifteen or twenty years as well as the Bill Credit option the Customer is choosing~~. All Customer applications shall be accompanied by the payment of a $2,000 nonrefundable application fee. Program reservations

will be accepted on a "first-come-first-served" basis based upon the date and time of receipt of the Customer's completed application and application fee. Subsequent applications will be held until earlier applications are resolved and will not be rejected until the Company's Maximum GSA Program Capacity is satisfied. The $2,000 application fee will be refunded to the Customer only in the event that the Customer's application is rejected due to insufficient GSA Program Capacity.

A Customer submitting an application shall also be required to deliver, at the time of application, a standard-form term sheet executed by the Customer and Renewable Supplier, which shall identify the Renewable Supplier and provide information about the proposed GSA Facility and other information as requested by the Company and identified in the term sheet.

The GSA Service Agreement shall include the general terms and conditions applicable under this Rider and shall specify the rates and charges applicable under the GSA Program for the contract term. The Customer must execute and return the GSA Service Agreement within 30 days of delivery by the Company and, in the case of GSA Facility not owned by the Company, the Renewable Supplier must execute and return the GSA PPA within 30 days of delivery by the Company. Failure to timely execute and return the GSA Service Agreement or GSA PPA (where applicable) will result in termination of the Customer's application and GSA capacity reservation, which would then require the Customer to start the Program enrollment process anew in order to participate in the Program.

GSA PPA RATES AND TERMS

The GSA PPA delivered to a Renewable Supplier selected to provide a GSA Facility shall include delivery of energy and capacity. The GSA PPA contract price shall be equal to the applicable Bill Credit selected by the Customer. No GSA PPA will be required in the case of a GSA Facility that is owned by the Company.

RENEWABLE ENERGY CREDITS

The Renewable Supplier is required to register the Renewable Facility with NC-RETS pursuant to Commission Rule R8-66 or another REC tracking system to facilitate the issuance of RECs. The Renewable Supplier shall transfer all RECs to the Customer pursuant to the GSA Service Agreement, and the GSA Service Agreement shall include an attestation by the Customer that the RECs generated by the designated GSA Facility will be transferred by the Renewable Supplier to the applicable tracking account identified by the GSA Customer. The Renewable Supplier shall be solely responsible for procuring, delivering, and transferring RECs to the Customer.

MONTHLY RATE

An amount computed under the GSA Customer's primary rate schedule and any other applicable riders plus the sum of the (1) the GSA Product Charge, (2) the GSA Bill Credit, and (3) the GSA Administrative Charge.

1. GSA Product Charge – The GSA Product Charge shall be equal to the Negotiated Price. The monthly GSA Product Charge shall be determined by multiplying the Negotiated Price times the energy produced by the GSA Facility in the prior billing month.

   GSA Bill Credit – The GSA Bill Credit shall, as elected by the Customer and designated in the GSA Service Agreement, be either (1) the avoided cost bill credit ("Administratively Established Avoided Cost Bill Credit") or (2) the hourly rate bill credit ("Hourly Marginal Avoided Cost Bill Credit").

   Administratively Established Avoided Cost Bill Credit:

RIDER GSA
GREEN SOURCE ADVANTAGE (NC)

The Administratively Established Avoided Cost Bill Credit shall be equal to the fixed levelized avoided energy and capacity rate calculated using the methodology approved pursuant to N.C. Gen. Stat. § 62-156(c) calculated over a period of 2 years (for contract terms of 2 years) or 5 years (for contract terms of 5 years or more). In the case of contract terms longer than 5 years, the Administratively Established Avoided Cost Bill Credit will be recalculated every five (5) years using the then approved methodology. If the Administratively Established Avoided Cost Bill Credit is designated in the GSA Service Agreement as the applicable bill credit, the Monthly GSA Bill Credit shall be determined by multiplying the applicable Administratively Established Avoided Cost Bill Credit times the energy produced in the applicable hours by the GSA Facility in the prior billing month.

Hourly Marginal Avoided Cost Bill Credit:

The Hourly Marginal Avoided Cost Bill Credit applicable to each hour shall be equal to the following:

Hourly Rate = (Hourly Energy Charges + Rationing Charges).

i. Hourly Energy Charge = Expected marginal production cost, and other directly-related costs.

ii. Rationing Charge = marginal capacity cost during hours with generation constraint.

iii. The Hourly Rate will not, under any circumstance, be lower than zero.

If the Hourly Marginal Avoided Cost Bill Credit is designated in the GSA Service Agreement as the applicable bill credit, the Monthly Bill Credit shall be determined by multiplying the applicable Hourly Marginal Avoided Cost Bill Credit times the energy produced by the GSA Facility in the applicable hours in the prior billing month.

2. GSA Administrative Charge – the applicable monthly administrative charge shall be $375 per Customer Account, plus an additional $50 charge per additional account billed.

GENERAL PROVISIONS

For the avoidance of doubt, the Company (1) shall not be liable to the Customer in the event that a GSA Facility fails to produce energy as required under a GSA PPA or as otherwise consistent with the Customer's expectations and (2) shall have no obligation under any circumstance to supply RECs to the Customer. The GSA Facility shall be a system resource and energy produced and delivered under the GSA PPA shall not be directly delivered to the GSA Customer.

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GREEN SOURCE ADVANTAGE (NC)

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DIRECTED PROCUREMENT OF GSA FACILITIES

The Program allows Eligible GSA Customers to direct the Company to procure renewable energy that will be used to supply all customers and allows the Customer to obtain the renewable energy certificates ("RECs") generated by a GSA Facility ("GSA Facility"). A GSA Facility must be a new renewable energy facility located in the Duke Energy Carolinas service territory in either North Carolina or South Carolina with supply that will be dedicated to the Program by the facility owner ("Renewable Supplier") and used to serve all customers.

Customers seeking to participate in the Program shall have the option to either (1) request Duke Energy Carolinas to develop a facility or (2) identify and propose to the Company a GSA Facility developed by another Renewable Supplier. For renewable facilities not owned by the Company, the Renewable Supplier will enter into a power purchase agreement ("GSA PPA") with the Company. The Customer will negotiate price terms directly with a Renewable Supplier. As described below, the Renewable Supplier shall transfer RECs directly to the Customer through a separate contractual arrangement.

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The Customer's application will designate the Renewable Supplier selected by the Customer. The application shall also identify the requested Bill Credit option and contract term (two, five, ten, fifteen, or twenty years for a Customer electing Administratively Established Avoided Cost Bill Credit or any number of years up to the 20 year limit for a Customer electing the Hourly Marginal Avoided Cost Bill Credit). All Customer applications shall be accompanied by the payment of a $2,000 nonrefundable application fee. Program reservations will be accepted on a "first-come-first-served" basis based upon the date and time of receipt of the Customer's completed application and application

fee. Subsequent applications will be held until earlier applications are resolved and will not be rejected until the Company's Maximum GSA Program Capacity is satisfied. The $2,000 application fee will be refunded to the Customer only in the event that the Customer's application is rejected due to insufficient GSA Program Capacity.

A Customer submitting an application shall also be required to deliver, at the time of application, a standard-form term sheet executed by the Customer and Renewable Supplier, which shall identify the Renewable Supplier and provide information about the proposed GSA Facility and other information as requested by the Company and identified in the term sheet.

The GSA Service Agreement shall include the general terms and conditions applicable under this Rider and shall specify the rates and charges applicable under the GSA Program for the contract term. The Customer must execute and return the GSA Service Agreement within 30 days of delivery by the Company and, in the case of GSA Facility not owned by the Company, the Renewable Supplier must execute and return the GSA PPA within 30 days of delivery by the Company. Failure to timely execute and return the GSA Service Agreement or GSA PPA (where applicable) will result in termination of the Customer's application and GSA capacity reservation, which would then require the Customer to start the Program enrollment process anew in order to participate in the Program.

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The Renewable Supplier is required to register the Renewable Facility with NC-RETS pursuant to Commission Rule R8-66 or another REC tracking system to facilitate the issuance of RECs. The Renewable Supplier shall transfer all RECs to the Customer pursuant to the GSA Service Agreement, and the GSA Service Agreement shall include an attestation by the Customer that the RECs generated by the designated GSA Facility will be transferred by the Renewable Supplier to the applicable tracking account identified by the GSA Customer. The Renewable Supplier shall be solely responsible for procuring, delivering, and transferring RECs to the Customer.

MONTHLY RATE

An amount computed under the GSA Customer's primary rate schedule and any other applicable riders plus the sum of the (1) the GSA Product Charge, (2) the GSA Bill Credit, and (3) the GSA Administrative Charge.

1. GSA Product Charge – The GSA Product Charge shall be equal to the Negotiated Price. The monthly GSA Product Charge shall be determined by multiplying the Negotiated Price times the energy produced by the GSA Facility in the prior billing month.

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i. Hourly Energy Charge = Expected marginal production cost, and other directly-related costs.

ii. Rationing Charge = marginal capacity cost during hours with generation constraint.

iii. The Hourly Rate will not, under any circumstance, be lower than zero.

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Duke Energy Progress, LLC
(North Carolina Only)

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GREEN SOURCE ADVANTAGE (NC)

AVAILABILITY

This Green Source Advantage Program ("GSA Program" or "Program") is available to nonresidential customers meeting the eligibility criteria specified herein and receiving concurrent service on another rate schedule, excluding service under outdoor lighting schedules, who elect to direct the Company to procure renewable energy on the Customer's behalf pursuant to the terms of the GSA Program, as approved by the Commission. Eligibility for the Program is limited under N.C. Gen. Stat. § 62-159.2 to the University of North Carolina ("UNC") system, major military installations, and nonresidential customers with a minimum Maximum Annual Peak Demand of 1,000 kW or an aggregated Maximum Annual Peak Demand at multiple service locations of 5,000 kW (collectively, "Eligible GSA Customers" or "Customer"). The Program is also limited to a combined total of 600 MW of renewable energy facilities between the Duke Energy Carolinas and Duke Energy Progress service territories ("Maximum GSA Program Capacity"). Of the 600 MW of Maximum GSA Program Capacity available under the Program, 250 MW shall be reserved exclusively for use by the UNC system, and 100 MW shall be reserved exclusively for use by major military installations in North Carolina (together, the "Reserved Capacity"). Of the remaining 250 MW, 160 MW shall be reserved for use by eligible Duke Energy Carolinas customers, and 90 MW shall be reserved for use by eligible Duke Energy Progress customers. Any Reserved Capacity that is not subscribed by the UNC system or major military installations, as applicable, within the three-year Reserved Capacity period following initial Program approval of **[Date]** shall then be made available for subscription by any Eligible GSA Customer. This Rider and the Program shall remain open to Eligible GSA Customers pursuant to the Program's terms and conditions, as approved by the Commission, for a period of five years following initial Program approval of **[Date]**.

DIRECTED PROCUREMENT OF GSA FACILITIES

The Program allows Eligible GSA Customers to direct the Company to procure renewable energy that will be used to supply all customers and allows the Customer to obtain the renewable energy certificates ("RECs") generated by a GSA Facility ("GSA Facility"). A GSA Facility must be a new renewable energy facility located in the Duke Energy Progress service territory in either North Carolina or South Carolina with supply that will be dedicated to the Program by the facility owner ("Renewable Supplier") and used to serve all customers.

Customers seeking to participate in the Program shall have the option to either (1) request Duke Energy Progress to develop a facility or (2) identify and propose to the Company a GSA Facility developed by another Renewable Supplier. For renewable facilities not owned by the Company, the Renewable Supplier will enter into a power purchase agreement ("GSA PPA") with the Company. The Customer will negotiate price terms directly with a Renewable Supplier. As described below, the Renewable Supplier shall transfer RECs directly to the Customer through a separate contractual arrangement.

APPLICATION PROCESS AND GSA SERVICE AGREEMENT

To participate in the GSA Program, a Customer must submit an application to the Company requesting an annual amount of renewable capacity to be developed or procured on the Customer's behalf. The Customer may apply for the Company to develop or procure renewable generation capacity up to 125% of the Customer's aggregate Maximum Annual Peak Demand at eligible Customer service location(s) within Duke Energy Progress' North Carolina service territory.

The Customer's application will designate the Renewable Supplier selected by the Customer. The application shall also identify the requested Bill Credit option and contract term (two, five, ten, fifteen, or twenty years for a Customer electing Administratively Established Avoided Cost Bill Credit or any number of years up to the 20 year limit for a Customer electing the Hourly Marginal Avoided Cost Bill Credit)~~for the Customer's enrollment in the Program and may be two, five, ten, fifteen or twenty years as well as the Bill Credit option the Customer is choosing~~. All Customer applications shall be accompanied by the payment of a $2,000 nonrefundable application fee. Program reservations will be accepted on a "first-come-first-served" basis based upon the date and time of receipt of the Customer's completed application and application fee. Subsequent applications will be held until earlier applications are resolved and will not be rejected until the Company's Maximum GSA Program Capacity is satisfied. The $2,000 application

fee will be refunded to the Customer only in the event that the Customer's application is rejected due to insufficient GSA Program Capacity.

A Customer submitting an application shall also be required to deliver, at the time of application, a standard-form term sheet executed by the Customer and Renewable Supplier, which shall identify the Renewable Supplier and provide information about the proposed GSA Facility and other information as requested by the Company and identified in the term sheet.

The GSA Service Agreement shall include the general terms and conditions applicable under this Rider and shall specify the rates and charges applicable under the GSA Program for the contract term. The Customer must execute and return the GSA Service Agreement within 30 days of delivery by the Company and in the case of a GSA Facility not owned by the Company, the Renewable Supplier must execute and return the GSA PPA within 30 days of delivery by the Company. Failure to timely execute and return the GSA Service Agreement or GSA PPA (where applicable) will result in termination of the Customer's application and GSA capacity reservation, which would then require the Customer to start the Program enrollment process anew in order to participate in the Program.

GSA PPA RATES AND TERMS

The GSA PPA delivered to a Renewable Supplier selected to provide a GSA Facility shall include delivery of energy and capacity. The GSA PPA contract price shall be equal to the applicable Bill Credit selected by the Customer. No GSA PPA will be required in the case of a GSA Facility that is owned by the Company.

RENEWABLE ENERGY CREDITS

The Renewable Supplier is required to register the Renewable Facility with NC-RETS pursuant to Commission Rule R8-66 or another REC tracking system to facilitate the issuance of RECs. The Renewable Supplier shall transfer all RECs to the Customer pursuant to the GSA Service Agreement, and the GSA Service Agreement shall include an attestation by the Customer that the RECs generated by the designated GSA Facility will be transferred by the Renewable Supplier to the applicable tracking account identified by the GSA Customer. The Renewable Supplier shall be solely responsible for procuring, delivering, and transferring RECs to the Customer.

MONTHLY RATE

An amount computed under the GSA Customer's primary rate schedule and any other applicable riders plus the sum of the (1) the GSA Product Charge, (2) the GSA Bill Credit, and (3) the GSA Administrative Charge.

1. GSA Product Charge – The GSA Product Charge shall be equal to the Negotiated Price. The monthly GSA Product Charge shall be determined by multiplying the Negotiated Price times the energy produced by the GSA Facility in the prior billing month.

   GSA Bill Credit – The GSA Bill Credit shall, as elected by the Customer and designated in the GSA Service Agreement, be either (1) the avoided cost bill credit ("Administratively Established Avoided Cost Bill Credit) or (2) the hourly rate bill credit ("Hourly Marginal Avoided Cost Bill Credit").

   Administratively Established Avoided Cost Bill Credit:

   The Administratively Established Avoided Cost Bill Credit shall be equal to the fixed levelized avoided energy and capacity rate calculated using the methodology approved pursuant to N.C. Gen. Stat. § 62-156(c) calculated over a period of 2 years (for contract terms of 2 years) or 5 years (for contract terms of 5 years or more). In the case of contract terms longer than 5 years, the Administratively Established Avoided Cost Bill Credit will be recalculated every five (5) years using the then approved methodology. If the Administratively Established Avoided Cost Bill Credit is designated in the GSA Service Agreement as the applicable bill credit, the Monthly GSA Bill Credit shall be determined by multiplying the applicable Administratively Established Avoided Cost Bill Credit times the energy produced in the applicable hours by the GSA Facility in the prior billing month.

Hourly Marginal Avoided Cost Bill Credit:

The Hourly Marginal Avoided Cost Bill Credit applicable to each hour shall be equal to the following:

Hourly RTP Rate = MENERGY + CAP

where:

MENERGY = Marginal Energy Cost per kilowatt-hour including marginal fuel and variable operating and maintenance expenses

CAP = Tiered Capacity Charge per kilowatt-hour applicable whenever the day-ahead forecast of the ratio of hourly available generation to hourly demand is equal or less than 1.15

The hourly RTP rate will not, under any circumstances, be lower than zero. If the Hourly Marginal Avoided Cost Bill Credit is designated in the GSA Service Agreement as the applicable bill credit, the Monthly Bill Credit shall be determined by multiplying the applicable Hourly Marginal Avoided Cost Bill Credit times the energy produced by the GSA Facility in the applicable hours in the prior billing month.

2. GSA Administrative Charge - the applicable monthly administrative charge shall be $375 per Customer Account, plus an additional $50 charge per additional account billed

GENERAL PROVISIONS

For the avoidance of doubt, the Company (1) shall not be liable to the Customer in the event that a GSA Facility fails to produce energy as required under a GSA PPA or as otherwise consistent with the Customer's expectations and (2) shall have no obligation under any circumstance to supply RECs to the Customer. The GSA Facility shall be a system resource and energy produced and delivered under the GSA PPA shall not be directly delivered to the GSA Customer.

Effective for service rendered on and after _____
NCUC Docket No. E-2, Sub 1170

Duke Energy Progress, LLC
(North Carolina Only)

RR-32

RIDER GSA-1
GREEN SOURCE ADVANTAGE (NC)

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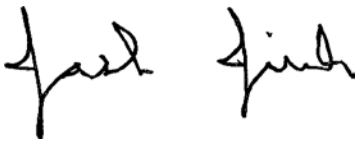
Effective for service rendered on and after _____
NCUC Docket No. E-2, Sub 1170

CERTIFICATE OF SERVICE

I certify that a copy of Duke Energy Carolinas, LLC's and Duke Energy Progress, LLC's Green Source Advantage Program Compliance Filing Reply Comments, in Docket Nos. E-7, Sub 1169 and E-2, Sub 1170, has been served by electronic mail, hand delivery or by depositing a copy in the United States mail, postage prepaid to parties of record.

This the 18th day of April, 2019.



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