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Jan 23 2018

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**VIA ELECTRONIC FILING**

Ms. M. Lynn Jarvis, Chief clerk  
North Carolina Utilities Commission  
Dobbs Building  
430 North Salisbury Street  
Raleigh, North Carolina 27603

Re: Docket Nos. E-2, Sub 1170 and E-7, Sub 1169

Dear Ms. Jarvis:

Enclosed for filing in the above-referenced proceedings is *Duke Energy Carolinas, LLC's and Duke Energy Progress, LLC's Petition for Approval of Green Source Advantage Program and Rider GSA to Implement N.C. Gen. Stat. § 62-159.2.*

Should you have any questions, please do not hesitate to contact me. Thank you for your assistance in this matter.

Very truly yours,

/s/E. Brett Breitschwerdt

EBB:kjg

Enclosures

cc: Timothy R. Dodge  
Layla Cummings

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

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

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	)	<b>DUKE ENERGY CAROLINAS, LLC'S</b>
Petition for Approval of Green	)	<b>AND DUKE ENERGY PROGRESS, LLC'S</b>
Source Advantage Program and Rider	)	<b>PETITION FOR APPROVAL OF GREEN</b>
GSA to Implement N.C. Gen. Stat. §	)	<b>SOURCE ADVANTAGE PROGRAM AND</b>
62-159.2	)	<b>RIDER GSA TO IMPLEMENT N.C. GEN.</b>
	)	<b>STAT. § 62-159.2</b>

Duke Energy Carolinas, LLC (“DEC”) and Duke Energy Progress, LLC (“DEP”) (collectively, the “Companies”) jointly petition the North Carolina Utilities Commission (“Commission”) for approval of the Green Source Advantage Program (“GSA Program” or the “Program”) and the Companies’ respective Rider GSA tariffs in compliance with Part III of recently-enacted Session Law 2017-192 (“HB589”). The GSA Program has been designed to implement the requirements of N.C. Gen. Stat. § 62-159.2 (the “Program statute”) and to cost-effectively facilitate the Companies’ direct procurement of new renewable energy resources on behalf of North Carolina’s major military installations (“Military Customers”), the University of North Carolina system (“UNC System Customers”), and large nonresidential customers served by DEC and DEP (collectively, along with the Military Customers and UNC System Customers, “Eligible GSA Customers”). The Program serves the public interest and meets HB589’s objective of enabling the Companies, on behalf of participating Eligible GSA Customers, to develop or procure new renewable energy facilities dedicated to the GSA Program (“GSA Facilities”), and to facilitate these customers obtaining the renewable energy attributes and renewable

energy certificates (“RECs”) associated with this new renewable energy generation to meet their sustainability goals. The Program is also designed to meet HB589’s objective of holding non-participating customers neutral from the Companies’ procurement of additional renewable energy on behalf of participating GSA Program customers (“Program Customers” or “GSA Customers”). In support of this Petition, the Companies respectfully show the following:

### **GENERAL INFORMATION**

1. DEP and DEC are public utilities operating in the states of North Carolina and South Carolina where they are engaged in the generation, transmission, distribution, and sale of electricity to the public for compensation. DEP’s general offices are located at 410 South Wilmington Street, Raleigh, North Carolina; and its mailing address is Post Office Box 1551, Raleigh, North Carolina 27602-1551. DEC’s general offices are located at 550 South Tryon Street, Charlotte, North Carolina; and its mailing address is Post Office Box 1321 (DEC 45A), Charlotte, North Carolina 28201.

2. The attorneys for the Companies, to whom all communications and pleadings should be addressed, are:

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*\*Application for admission pro hac vice is forthcoming.*

*\*\*Not licensed to practice in North Carolina.*

### **GSA PROGRAM OVERVIEW**

3. Since 2007, North Carolina has been a national leader in promoting the development of renewable energy generation through the State's implementation of the renewable energy and energy efficiency portfolio standard ("REPS"). The REPS requires DEC and DEP to each develop and/or procure increasing amounts of new renewable energy resources to meet a minimum of 12.5% of the Companies' retail energy sales by 2021. Through recently-enacted HB589, the State has taken another major policy step forward by mandating that DEC and DEP competitively procure and/or develop over 3,200 MW of additional cost-effective new renewable energy resources to serve the energy needs of customers throughout the State. Specifically, HB589 provides that the Companies, in the aggregate, shall procure 2,660 MW<sup>1</sup> of new renewable energy capacity through the competitive procurement of renewable energy program ("CPRE Program")<sup>2</sup> over the next 45 months, as well as implement the "direct procurement" of up to 600 MW of new

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<sup>1</sup> The 2,660 MW CPRE requirement is subject to potential reduction or increase depending on whether the Companies have contracted for renewable generation that is not subject to economic dispatch or curtailment either below or exceeding 3,500 MW. See N.C. Gen. Stat. § 62-110.8(b)(1).

<sup>2</sup> See *Petition for Approval of Competitive Procurement of Renewable Energy Program to Implement N.C. Gen. Stat. § 62-110.8* Docket Nos. E-2, Sub 1159, E-7, Sub 1156 (filed Nov. 27, 2017) ("CPRE Program Petition").

renewable energy capacity for Eligible GSA Customers through the GSA Program over the next five years (“Maximum GSA Program Capacity”). If the Maximum GSA Program Capacity is not fully subscribed by Eligible GSA Customers during the next five years, then the Companies must transition the remaining GSA Program capacity to the general renewable energy competitive procurement as an expansion of the CPRE Program. *See* N.C. Gen. Stat. § 62-159.2(d). Through this integrated renewable energy procurement plan, HB589 positions the State to continue to significantly expand the Companies’ procurement of cost effective renewable energy resources through both direct procurement on behalf of participating Eligible GSA Customers and the CPRE Program on behalf of all customers.

4. The GSA Program meets HB589’s mandate for the Companies to develop a new Customer-directed program to provide the State’s Military Customers, UNC System Customers, and large nonresidential customers an expanded opportunity to voluntarily increase their commitment to renewable energy. The Companies have designed the GSA Program to allow DEC or DEP to directly procure renewable energy on behalf of participating Eligible GSA Customers to meet such customers’ sustainability goals, while also ensuring that non-participating customers are held neutral, neither advantaged nor disadvantaged from the increased procurement of renewable energy on behalf of Program Customers. *See* N.C. Gen. Stat. § 62-159.2(e).

5. The Companies have accomplished these objectives in accordance with the GSA Program statutory requirements by developing two separate Program participation opportunities for Eligible GSA Customers. The first option is a “Standard Offer” GSA procurement option, pursuant to which participating Eligible GSA Customers would direct

the Companies to procure GSA Facilities on behalf of such customers. This Standard Offer procurement will be integrated with HB589's CPRE Program request for proposal ("RFP") process to ensure that the cost of renewable power procured at the direction of participating GSA Customers under the GSA Program is comparably cost-effective to that of new renewable energy resources procured under the CPRE Program for all customers. Consistent with the requirements of the GSA Program statute, the Companies have also developed a second option—the "Self-Supply option"—that allows customers to "negotiate with renewable energy suppliers regarding price terms" and "select the new renewable energy facility from which [DEC or DEP] shall procure energy and capacity." *See* N.C. Gen. Stat. § 62-159.2(b). Under both options, all retail customers receive the benefit of cost-effective energy and capacity, while each GSA Customer will receive the RECs generated by the respective GSA Facility(ies) developed or procured on its behalf. In this manner, the GSA Program provides a cost-effective new renewable energy generation procurement program for the benefit of all customers, while allowing individual GSA Customers to direct and support the development of new renewable energy resources and to commit to purchase the associated RECs.

### **GSA PROGRAM DESIGN**

#### **I. GSA Program Availability and Customer Eligibility**

6. The Companies have designed the GSA Program's availability and customer eligibility requirements to meet the requirements of the GSA Program statute, as further addressed in DEC's and DEP's respective Program tariffs (Rider GSA), attached hereto as Attachment A.

7. The GSA Program statute establishes GSA Program availability, providing 250 MW of the Maximum GSA Program Capacity will initially be reserved exclusively for UNC System Customers and 100 MW will be reserved exclusively for Military Customers for a three-year period after Program approval (“Reserve Period”). *See* N.C. Gen. Stat. § 62-159.2(c). The remaining 250 MW of the Maximum Program Capacity (“Unreserved Capacity”) will be available to eligible large nonresidential customers. *See* N.C. Gen. Stat. § 62-159.2(a). If Program capacity reserved for Military Customers and UNC System Customers remains unsubscribed after the Reserve Period concludes, such capacity will become available to any Eligible GSA Customer subject to the Companies’ determination of the appropriate allocation between DEC and DEP, as discussed below.<sup>3</sup> *See* N.C. Gen. Stat. § 62-159.2(d).

8. The initial 250 MW of Unreserved Capacity available to the Companies’ large nonresidential customers has been allocated between DEC and DEP based upon the load-ratio share between DEC’s and DEP’s commercial and industrial customer classes. Specifically, Rider GSA identifies that 160 MW of this initial 250 MW of Unreserved Capacity shall be allocated to DEC customers, and 90 MW shall be allocated for DEP customers. The Companies will review and potentially update this allocation after expiration of the three-year Reserve Period.

9. As further described in Rider GSA, Eligible GSA Customers are limited to North Carolina retail customers receiving concurrent service from DEC or DEP that voluntarily elect to contract for the RECs associated with renewable energy generated by

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<sup>3</sup> Upon the Commission’s issuance of an Order approving the Program, the Companies plan to update the GSA Rider Tariff to identify the date that Program capacity reserved under N.C. Gen. Stat. § 62-159.2(d) would be released.

a GSA Facility(ies). Large nonresidential customers seeking to participate in the GSA Program must also have a contract demand (i) equal to or greater than one megawatt (“MW”) or (ii) at multiple services locations that, in aggregate, is equal to or greater than five MW. *See* N.C. Gen. Stat. § 62-159.2(a). If a GSA Customer’s Program eligibility is based on aggregating its accounts to meet the minimum five MW eligibility threshold, each of the aggregated accounts must be located within the same service territory. GSA Customers must also be in the same service territory as the GSA Facility(ies).

## **II. GSA Standard Offer Procurement and Self-Supply Option**

10. The Program provides Eligible GSA Customers the option to either request the Companies to contract with a third party renewable energy supplier(s) (“Renewable Supplier”) on behalf of the GSA Customer or to directly negotiate with a Renewable Supplier and submit a Self-Supply proposal identifying a designated GSA Facility to the Companies.<sup>4</sup> As described above, the Companies have designed the GSA Program to leverage the competitive and independently-administered multi-year RFP process mandated under the CPRE Program<sup>5</sup>—the “Standard Offer option”—while, also allowing Eligible GSA Customers to independently identify new renewable energy facilities to be procured by the Companies—the “Self-Supply option.”

11. Under the Standard Offer option, DEC and DEP will procure renewable energy from a portfolio of GSA Facilities based upon customer interest expressed prior to each CPRE Program RFP, providing a competitive option for GSA Customers to obtain

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<sup>4</sup> For simplicity, the Companies have characterized the “Renewable Supplier” as a third-party developer of renewable energy projects. However, for the avoidance of doubt, Eligible GSA Customers may also directly negotiate with DEC or DEP to develop a GSA Facility under the Self-Supply option.

<sup>5</sup> The Companies reserve the right to implement a separate GSA Standard Offer RFP at a future date if integration with the CPRE Tranche 1-4 RFPs is determined to be inefficient or otherwise not effective in achieving the objectives of the GSA Program and the CPRE Program, respectively.

and contract for cost-effective RECs associated with GSA capacity. The Companies intend to incorporate GSA Standard Offer procurement into future CPRE RFPs as an integrated component of the CPRE RFP process. GSA Program Standard Offer capacity would be included in the CPRE RFP solicitation issued by the Independent Administrator (“IA”) and proposals would be consistent with the CPRE Program Guidelines to be approved by the Commission.<sup>6</sup> Evaluation of GSA proposals will be independently managed by the IA and adhere to the process identified in NCUC Rule R8-74(f)(3). Future CPRE Plans will also identify GSA Program capacity forecasted to be procured by DEC and DEP under the Standard Offer option.

12. Under the Self-Supply option, GSA Customers may also independently “negotiate with renewable energy suppliers regarding price terms;” select from contract terms of 2, 5, and 20 years; and “select the new renewable energy facility from which [DEC or DEP] shall procure energy and capacity.” *See* N.C. Gen. Stat. § 62-159.2(b). Through the Self-Supply option, the GSA Program complies with the Program statute by offering Eligible GSA Customers standard contract terms ranging between two and twenty years and standard contract conditions for participating customers. *See* N.C. Gen. Stat. § 62-159.2(b).

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<sup>6</sup> *See CPRE Program Petition, supra* note 2 at Attachment 1. The Companies specifically note that a consistent approach to recovering the costs of Network Upgrades is necessary in order to effectively evaluate proposals between CPRE and GSA.



reflected in Figure 1.<sup>9</sup> After this first enrollment window concludes, the Companies will announce the aggregate GSA Capacity that has been applied for under both the Standard Offer and Self-Supply options for each Program segment (Military Customers, UNC System Customers, and large nonresidential), and then procure the GSA Capacity applied for under the Standard Offer as part of the Tranche 2 CPRE RFP Process in addition to the CPRE Program capacity solicited under that program.

16. After each CPRE RFP bid evaluation and shortlist period concludes, the Companies will establish the applicable GSA Bill Credit, as defined and described in Section V below, and then enter GSA power purchase agreements (“GSA PPAs”) with both Standard Offer and Self-Supply Renewable Suppliers.

17. Any remaining Program capacity will then be made available to Eligible GSA Customers through the subsequent GSA Period 2 enrollment window, which is anticipated to remain open until the issuance of the CPRE Tranche 3 RFP Solicitation, as shown in Figure 1. This iterative enrollment and capacity allocation process will repeat until the Maximum GSA Program Capacity is subscribed.<sup>10</sup> If Program capacity remains when the five-year GSA Program period concludes, the remaining GSA capacity will be transitioned to the general CPRE Program procurement obligation, in accordance with N.C. Gen. Stat. § 62-110.8(a). *See* N.C. Gen. Stat. § 62-159.2(d).

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<sup>9</sup> Because overlap is contemplated between CPRE Tranche 1 concluding and Tranche 2 being initiated, the Companies reserve the right to extend the initial GSA Period 1 enrollment window to the Tranche 2 proposal due date. In this instance, the Companies would include a projected amount of GSA Standard Offer capacity to be procured in the pre-issuance RFP Solicitation documents that would then be finalized based upon Customer Applications accepted prior to the proposal due date and before the IA bid evaluation process commences.

<sup>10</sup> Although not fully depicted in Figure 1, additional enrollment, procurement and contracting will occur as needed after the 45-month CPRE Period concludes through the year 2023.

### III. GSA Customer Application and Enrollment Process

18. To enroll in Rider GSA, an Eligible GSA Customer must first submit an application form (“Customer Application”) through a Program web platform on the Duke Energy website. Customer Applications will only be accepted during open Enrollment Periods based upon the Companies’ proposed GSA Implementation Timeline. The Customer Application will identify an annual amount of capacity to be procured from a GSA Facility<sup>11</sup> that shall not exceed “one hundred twenty-five percent (125%) of the maximum annual peak demand of the eligible customer premises.” *See* N.C. Gen. Stat. § 62-159.2(c). The Customer Application must also identify whether the prospective GSA Customer is requesting for DEC or DEP to develop or procure the customer’s desired renewable power through the next Standard Offer procurement process or whether the Customer has negotiated independently with a Renewable Supplier under the Self-Supply option.

19. In their Customer Applications, Self-Supply Customers must identify their intent to participate in the GSA Program for a period of 2, 5, or 20 years and, accordingly, express their intent to enter into 2-year, 5-year, or 20-year GSA Service Agreement with DEC or DEP (as applicable). Standard Offer procurements are limited to only a 20-year GSA Service Agreement term, consistent with the 20-year term of the CPRE Program procurement. All GSA Customers must submit an application fee of \$2,000 per Customer Application, which is intended to cover the Companies’ costs to review and process the application and, if approved, execute required contracts.<sup>12</sup> Customers not awarded GSA

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<sup>11</sup> The nominated capacity will be used to determine the pro-rata share of the facility output (i.e. % output = nominated capacity/facility nameplate capacity).

<sup>12</sup> A GSA Program Customer has the option to submit a single Customer Application for multiple eligible premises to be aggregated within the GSA Program or to submit separate applications for each customer

capacity will be placed on a prioritized waiting list based on the date of submittal of a completed Customer Application. The \$2,000 application fee will be refunded to the Customer only in the event that the Customer's application is rejected based on insufficient GSA Program capacity.

20. A Self-Supply Customer must already have identified and negotiated price terms with a Renewable Supplier and executed a standard form GSA term sheet to be provided by the Companies ("GSA Term Sheet") prior to submitting a Customer Application during the Program enrollment window. The Customer Application will require the prospective Self-Supply Customer to submit information about its selected Renewable Supplier by attaching the executed GSA Term Sheet to the Self-Supply Customer's Customer Application.<sup>13</sup> The GSA Term Sheet will also require the Renewable Supplier to attest that the GSA Facility will have corresponding supply that is exclusively dedicated as a GSA Program Facility and the renewable energy capacity is reserved on behalf of the identified Program applicant(s) requesting to enroll in the GSA Program.

21. Upon receipt of a completed Customer Application and applicable fees, DEC or DEP will assign GSA capacity to the Eligible GSA Customer on a "first-come, first-served" basis in either the reserved Military Customer queue, reserved UNC System Customer queue, or Unreserved Capacity queue. The Customer Application will be date- and time-stamped to designate each Eligible GSA Customer's position in the applicable

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premises. Rider GSA also provides that the 125% of maximum annual peak demand contract limit under the GSA Program statute may be aggregated if the customer elects to submit a single Customer Application for multiple customer premises.

<sup>13</sup> Renewable Supplier and GSA Facility information contemplated to be included in the GSA Term Sheet includes credit information about the Renewable Supplier; the site location; site capacity; planned GSA Facility commercial operation date, construction milestones; renewable capacity requested; negotiated contract price and terms; interconnection status; and other requested information, as applicable.

GSA Program queue. This process applies to both Standard Offer and Self-Supply Customers in an integrated fashion, and is designed to provide queueing parity among Eligible GSA Customers of the same class (*e.g.*, UNC System Customers). A Customer Application shall not be accepted until the applicant has paid the required Customer Application fee. A Self-Supply Customer's Application will not be accepted until the identified Renewable Supplier has paid a GSA reservation fee, which shall be calculated in a manner substantially similar to the bid bond established in the CPRE Program Guidelines.<sup>14</sup>

22. After accepting a GSA Customer Application, DEC or DEP will deliver a standard GSA Service Agreement to the GSA Customer. The GSA Service Agreement will describe the general terms and conditions applicable to either the Bundled Renewable Energy Product (defined and described in Section IV below) transaction to be procured under the Standard Offer or the Unbundled Self Supply Product to be procured through the Self-Supply option. The GSA Service Agreement will identify the material terms of the GSA Customer arrangement, including (i) the GSA Facility or Standard Offer Portfolio of GSA Facilities from which the Companies will be procuring renewable energy on behalf of the GSA Customer; (ii) the GSA Bill Credit that the participating GSA Customer will receive on its bill; (iii) the GSA Product Charge that the GSA Customer will pay to DEC or DEP, who will be responsible for then paying a third-party Renewable Supplier under the GSA PPA (if applicable); and (iv) administrative charges required to participate in the GSA Program. For GSA Customers enrolling under the Standard Offer option, the GSA Service Agreement will also identify the market price of RECs that the GSA Customer

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<sup>14</sup> *CPRE Program Petition*, *supra* note 2 at [Attachment 1](#), p. 11 (identifying proposal bond of \$20/kW, which shall be required to be posted at the time of proposal submission for each Facility).

agrees to pay to DEC or DEP under Rider GSA and memorialize the Companies' obligation to track and deposit the RECs generated by the designated GSA Facility or Standard Offer Portfolio of Facilities ("designated GSA Facility(ies)") in the GSA Customer's North Carolina Renewable Energy Tracking System ("NC RETS") account.

23. Under the Self-Supply option, the GSA Service Agreement will identify that the GSA Customer and Renewable Supplier have separately negotiated and contracted for the RECs generated by the GSA Facility and that DEC and DEP are neither purchasing nor taking title to the RECs associated with energy purchased by DEP and DEC on behalf of such customers. Under the Self-Supply option, title to the RECs must be transferred from the Renewable Supplier directly to the GSA Customer, pursuant to a "REC Agreement" separately negotiated and documented between the Renewable Supplier and Self-Supply Customer. As described above, the GSA Service Agreement also requires an attestation from the Self-Supply Customer concerning transfer of the RECs to the Customer under the REC Agreement.

24. The GSA Service Agreement will also set forth the financial security to be required from the GSA Customer to protect the Companies and customers from potential default by the GSA Customer during the term of the GSA Service Agreement. These financial security requirements are further addressed in Section IX below.

25. Failure by the GSA Customer to execute the GSA Service Agreement within 30 calendar days of delivery by DEC or DEP or, in the case of the Self Supply option, failure by the Renewable Supplier to execute the GSA PPA within 30 calendar days of delivery by DEC or DEP will result in the termination of the Customer Application, which would then require the Eligible GSA Customer to start the Program enrollment

process anew in order to participate in the Program. This condition ensures that other later-queued Program applicants will have reasonable access to unsubscribed Program capacity.

#### **IV. GSA Product Under the Standard Offer and Self-Supply Options**

26. As addressed in Section I above, the GSA Program is integrally tied to HB589's broader renewable energy procurement mandate on behalf of all customers through the CPRE Program, as any under-subscription of the Maximum GSA Program Capacity is transitioned into the CPRE Program at the conclusion of the Program. *See* N.C. Gen. Stat. § 62-159.2(d). Accordingly, the GSA "renewable energy product" to be procured under the GSA Standard Offer will be the same as the CPRE Program product, including requiring the Renewable Supplier to transfer the contractual rights to the "renewable energy, capacity and environmental and renewable attributes" generated by the GSA Facility as well as "rights to dispatch, operate and control the solicited renewable energy facilities in the same manner as the utility's own generating resources." N.C. Gen. Stat. § 62-110.8(a).

27. For renewable energy and capacity procured through the GSA Standard Offer option, DEC or DEP will enter into a bundled GSA PPA with the Renewable Supplier that is materially similar to the CPRE Program PPA for energy, capacity and RECs produced by the designated GSA Facility(ies) ("Bundled Renewable Energy Product"),<sup>15</sup> with the principal difference from the Self-Supply option being that the RECs generated by the designated GSA Facility(ies) will be transferred by DEC or DEP to the NC RETS

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<sup>15</sup> The commercial terms of GSA PPA are planned to be the same in all material respects as the PPA filed with the Commission for approval as part of the CPRE Program. *See CPRE Program Petition, supra* note 2 at [Attachment 2](#).

account designated by the GSA Customer.<sup>16</sup> For renewable energy and capacity procured through the Self-Supply option, DEC or DEP will enter into an unbundled GSA PPA with the Renewable Supplier for energy and capacity (but not the RECs) produced by the designated GSA Facility(ies) (“Unbundled Self Supply Product”). Under the Self Supply option, the RECs generated by the GSA Facility will be separately negotiated and contracted for between the GSA Customer and the Renewable Supplier.

#### **V. Establishing The GSA Bill Credit**

28. The methodology applied to calculate the billing credit that a GSA Customer will receive for participation in the Program (“GSA Bill Credit”) has been designed to meet the unique requirements of the GSA Program statute.<sup>17</sup> The Program provides GSA Customers the opportunity to procure RECs associated with new renewable energy resources “[i]n addition to the participating GSA customers’ normal retail bill.” N.C. Gen. Stat. § 62-159.2(e). GSA Customers remain full requirements retail customers of the Companies, and GSA Facilities will be system assets providing energy and capacity to serve all of the Companies’ native load customers. As such, the Program facilitates the GSA Customer directing the procurement of renewable energy from a GSA Facility to obtain the RECs generated by the GSA Facility; however, the customer is not responsible for the cost and risk associated with directly procuring its own energy and capacity solely from the GSA Facility. For example, in the event of default by the Renewable Supplier, DEC and DEP would continue to serve the GSA Customer’s full electric requirements from

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<sup>16</sup> Because the Companies will deposit the RECs generated by a GSA Facility in NC RETS on behalf of the GSA Customer, GSA Program RECs will not be used towards DEC’s or DEP’s respective REPS compliance obligation under G.S. 62-133.8, nor will GSA Program MW count towards the CPRE Program procurement requirement.

<sup>17</sup> A table that further describes the GSA Bill Credit as well as the charges applicable to GSA Customers is attached hereto as Attachment C.

other system resources.<sup>18</sup> Moreover, in the event of default by the GSA Customer, DEC or DEP would have recourse against the defaulting GSA Customer to recover any outstanding cost of RECs (for Standard Offer GSA Customers only) and administrative costs under the GSA Service Agreement from the GSA customer, including the right to claim any posted security, but would otherwise continue to provide retail electric service to the Customer and would also continue to perform and honor its obligations under the GSA PPA providing energy to all other customers.

29. Pursuant to this GSA Program statutory framework, the GSA Bill Credit applicable to both Standard Offer and 20-year Self-Supply Customers will be equal to the capacity-weighted average price of all proposals selected in the CPRE RFP Solicitation applicable to the Self-Supply or Standard Offer enrollment, as illustrated in Figure 1, above, (“CPRE Tranche Weighted Average Price”) minus the forecasted cost of RECs to be received by the GSA Customer participating in the Program (“GSA REC Value”). The GSA REC Value will be determined by the Companies prior to each GSA Enrollment Period, based on a national, voluntary market index for procuring RECs. Calculating the GSA Bill Credit in this manner appropriately recognizes that the Bundled Renewable Energy Product procured through the CPRE Program represents the current market price of renewable energy capacity available to serve non-GSA Customers who will be served by (and pay for) the energy and capacity generated by the GSA Facility. Further, because the CPRE Program is initially procuring bundled renewable energy to serve the electric requirements of all native load customers, reducing the Bill Credit by the total value of the

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<sup>18</sup> Under the GSA Service Agreement, if the GSA Facility defaults under its GSA PPA with the Company or otherwise fails to deliver the contracted renewable power, any obligation for the Companies to supply RECs will be suspended and/or terminated.

RECs procured (as determined based on the GSA REC Value) appropriately allocates the cost of the renewable energy attributes to the GSA Customer, who contracts and pays for the RECs generated by the GSA Facility. A Bill Credit that is higher than the price that the Companies can obtain alternative new renewable energy resources through the contemporaneous CPRE Program RFP would not “ensure that all other customers are held neutral, neither advantaged nor disadvantaged, from the impact of the renewable electricity procured on behalf of the program customer.” N.C. Gen. Stat. § 62-159.2(e).

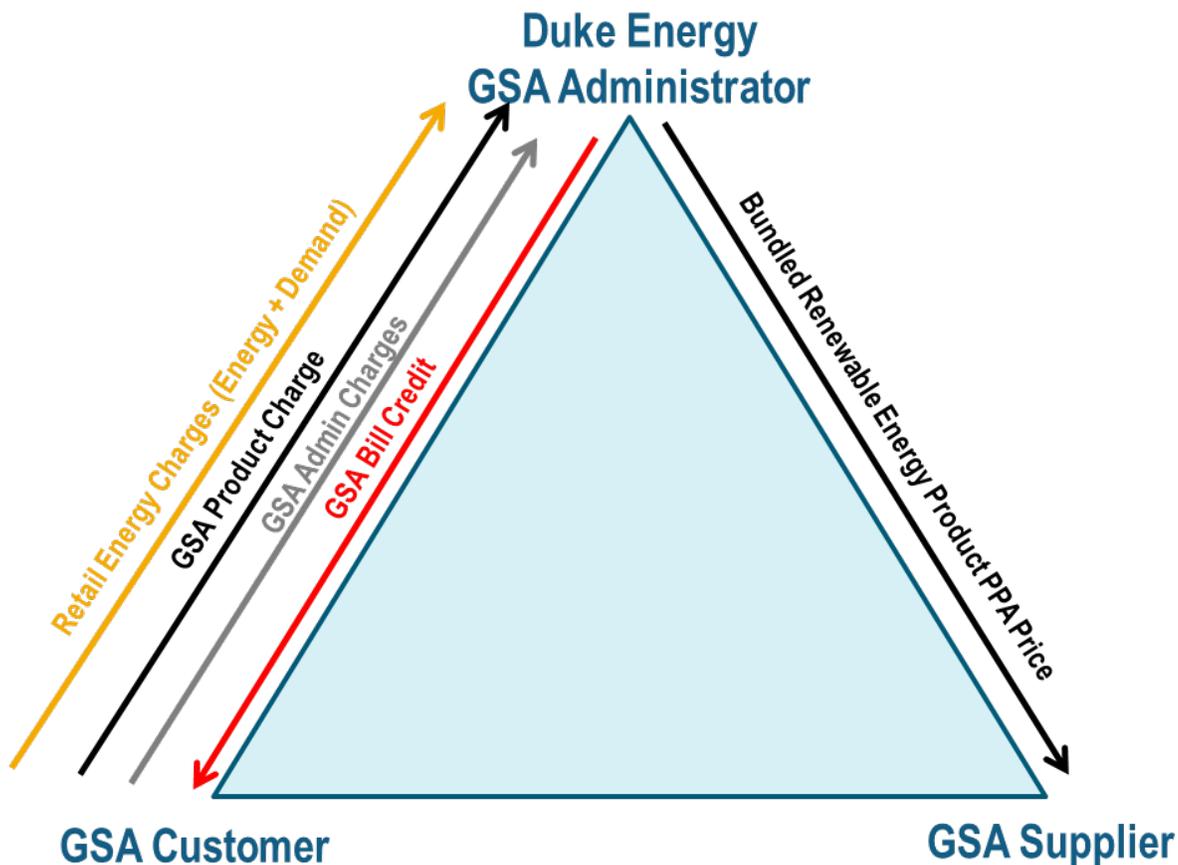
30. As prescribed by the Program statute, the GSA Bill Credit must also not exceed the forecasted avoided cost rate calculated by DEC or DEP and approved by the Commission, which is based upon the Companies’ avoided cost as of the date the Customer Application is submitted. *See* N.C. Gen. Stat. § 62-159.2(e).

31. For Customers selecting either the 2-year or 5-year contract term under the Self-Supply Option, the GSA Bill Credit will be set at lesser of the negotiated GSA PPA contract price (described in Section VI below) or the forecasted avoided cost rate for the applicable contract term.

## **VI. Rider GSA Rate Design**

32. As prescribed by N.C. Gen. Stat. § 62-159.2(e), in addition to the GSA Customer’s normal retail bill for energy and demand charges, the total cost of any renewable energy procured by the Companies pursuant to the GSA Service Agreement will be paid for by the GSA Customer. Figure 2 presents the various charges and credits between the Companies, the GSA Customer, and the Renewable Supplier under the Standard Offer option.

Figure 2: Rider GSA Rate Design for Standard Offer Customers



33. For a GSA Standard Offer Customer, the “GSA Product Charge” is computed as the product of the quantity of energy delivered to DEC or DEP by the designated GSA Facility(ies) (in kilowatt-hours (“kWh”)) during the prior billing month multiplied by the applicable CPRE Tranche Weighted Average Price (in dollars-per-kWh).

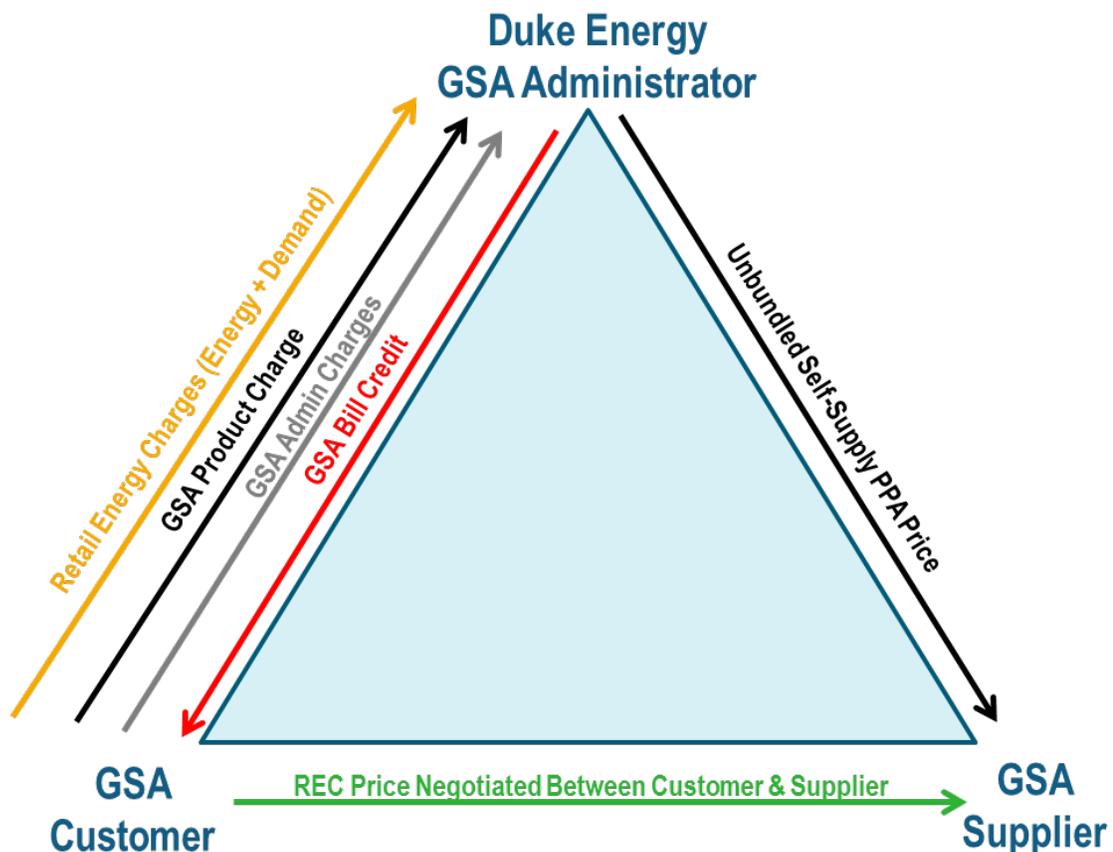
34. The GSA Bill Credit is then computed using the applicable CPRE Tranche Weighted Average Price (in dollars-per-kWh), and subtracting the GSA REC Value (in dollars-per- megawatt-hour (“MWh”)) divided by 1,000, and multiplied by the quantity of energy delivered to DEC or DEP by the designated GSA Facility(ies) (in kWh) during the prior billing month.

35. For Standard Offer Customers, the difference between the Standard Offer GSA Product Charge and the GSA Bill Credit will be the value of the RECs procured (as determined based on the GSA REC Value). In summary, the net customer bill for Standard Offer Customers is equal to the value of the RECs procured (as determined based on the GSA REC Value), applicable Administrative charges and retail energy charges.

36. The Bundled Renewable Energy Product PPA Price is the amount paid by the Company to a Renewable Supplier, and is equal to the Renewable's Supplier's "as-bid" RFP price (in dollars-per-MWh) divided by 1,000, and multiplied by the quantity of energy delivered to DEC or DEP by the designated GSA Facility(ies) (in kWh) during the prior billing month.

37. Figure 3 presents the various charges and credits between the Companies, the GSA Customer, and the Renewable Supplier under the Self-Supply option.

Figure 3: Rider GSA Rate Design for Self-Supply Customers



38. The “Self-Supply” GSA Product Charge is computed as the product of the applicable CPRE Tranche Weighted Average Price (in dollars-per-MWh) minus the GSA REC Value (in dollars-per-MWh) divided by 1,000 and then multiplied by the quantity of unbundled energy (excluding RECs) delivered to DEC or DEP by the designated GSA Facility(ies) (in kWh) during the prior billing month.

39. The GSA Self-Supply Customer will negotiate a total price with a Renewable Supplier for energy, capacity and RECs (“All-in Negotiated Price”). The Self-Supply All-in Negotiated Price will be agreed to between the Self-Supply Customer and the Renewable Supplier for the energy, capacity and RECs, with the RECs being transferred directly from the Renewable Supplier to the Self-Supply Customer. The Self-

Supply Customer will pay to DEC or DEP the “Self-Supply” GSA Product Charge, which will equal the Unbundled Self-Supply PPA Price to be paid by DEC or DEP to the Renewable Supplier under the GSA Self-Supply PPA.

40. As described above, the value of RECs in a Self-Supply transaction will be determined through a separately-negotiated REC Agreement, and paid by the GSA Self-Supply Customer directly to the Renewable Supplier.<sup>19</sup> For Self-Supply Customers, the Self-Supply GSA Product Charge and the GSA Bill Credit will be equal and will offset each other. The net customer bill for Self-Supply Customers is equal to their Administrative charges and retail energy charges (in addition to the separately-negotiated REC transaction).

41. The Unbundled Self-Supply PPA Price is the amount paid by the Company to a Renewable Supplier, and is computed as the product of the applicable CPRE Tranche Weighted Average Price minus the GSA REC Value (in dollars-per-MWh) divided by 1,000 multiplied by the quantity of unbundled energy (excluding RECs) delivered to DEC or DEP by the designated GSA Facility(ies) (in kWh) during the prior billing month.

42. All GSA Self-Supply Customers that enroll during the same Enrollment Period will receive the same fixed GSA Bill Credit for the monthly energy produced, which will be equal to the most recent CPRE Tranche Weighted Average Price less the GSA REC Value. All GSA Standard Offer Customers that enroll during the same Enrollment Period will receive the same fixed GSA Bill Credit for monthly energy produced, which will be

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<sup>19</sup> The Companies will not be a party to the Self-Supply REC Agreement or corresponding transactions. The GSA Customer and Renewable Supplier may agree to pricing for RECs above or below the GSA REC Value. Any such payments will be directly from the Self-Supply Customer to the Renewable Supplier, as applicable.

equal to the CPRE Tranche Weighted Average Price for the CPRE Tranche in which the supply is procured less the GSA REC Value.

43. The GSA Bill Credit for a Self-Supply Customer under the 2- and 5-year terms is calculated according to the corresponding avoided cost rates, limited to the lesser of the Unbundled Self-Supply PPA Price or the relevant avoided cost rate, as described in Section V above.

## **VII. Billing and Administrative Charges**

44. The Companies will continue to bill participating GSA Customers taking service on Rider GSA in accordance with the applicable rate schedule for their account(s). In other words, a participating GSA Customer will still pay the energy and demand charges associated with the full requirements of its energy load under its applicable primary rate schedule. Because Rider GSA has been designed as a companion tariff to an applicable primary rate schedule, a participating GSA Customer's monthly billing statement will look much as it does today, retaining its existing rate tariff associated with billing for energy consumption at their premises, but it will also reflect the cost associated with contracted-for renewable energy delivered by a GSA Facility during the previous billing period (the Standard Offer Renewable Energy Product Charge or Unbundled GSA Product Charge), net of the Rider GSA Bill Credit, and Rider GSA Administrative Charge.

45. The Rider GSA monthly Administrative Charge for Standard Offer and Self-Supply Customers is \$375 per month, plus \$50 per billed account monthly. This monthly GSA Administrative Charge is intended to recover costs for manual billing, labor, program management, and support costs.

## VIII. GSA Facilities

46. GSA Facilities must be located within DEC's and DEP's respective North Carolina or South Carolina jurisdictional assigned service territories and in the same service territory as the Eligible GSA Customer's accounts designated on the GSA Application.

47. For GSA Facilities to be procured through the Standard Offer process, the Companies plan to require the same "market participant" and "Facility" eligibility requirements for GSA Facilities as are applicable to generating facilities that participate in the Companies' CPRE Program.<sup>20</sup> For GSA Facilities to be procured under the Self-Supply option, additional eligibility requirements may be identified under the Program and included in the form GSA Facility Renewable Supplier Term Sheet submitted by Self-Supply Customers as part of the GSA Customer Application. At minimum, a Renewable Supplier's GSA Facility offered through the Self-Supply option must have completed the System Impact Study under the North Carolina Interconnection Procedures ("NCIP") or the South Carolina Generator Interconnection Procedures ("SC GIP") to interconnect the planned generating facility to the Companies' transmission or distribution systems. Requiring the proposed GSA Facility to have completed System Impact Study as of GSA Customer Application submission assures that the generating facility has an initial indication of viability at the time the GSA Customer reserves GSA capacity under the Program.

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<sup>20</sup> See *CPRE Program Petition*, *supra* note 2, at Section 3.

48. A Self-Supply Customer will also be required to submit all GSA Facility documentation required in the GSA Facility Term Sheet at the time a Customer Application is submitted. All GSA Facilities located in North Carolina must also obtain a certificate of public convenience and necessity (“CPCN”) from the Commission prior to initiating construction of the GSA Facility, but not prior to submitting a Customer Application.

#### **IX. Reasonable Credit Requirements**

44. Major military facilities and the University of North Carolina are exempt from credit requirements under the Program statute. Other Eligible GSA Customers desiring to participate in the GSA Program must comply with the credit requirements set forth in the GSA Service Agreement. As specified in the GSA Service Agreement, customers that have a minimum acceptable credit rating from either Standard & Poor’s Global Ratings Inc. (“S&P”) or Moody’s Investor Service will be assigned an unsecured credit limit based on such GSA Customer’s particular credit rating. GSA Customers that do not have such a credit rating may provide a parent guarantee from an entity with such a credit rating or, alternatively, may submit financial statements for review by the Company, which will then assign an appropriate rating on a commercially reasonable basis for purposes of the GSA Service Agreement. Unaudited or incomplete financial information will negatively impact the assigned rating. GSA Customers that are unable to demonstrate creditworthiness equivalent to at least a BB- rating (per S&P rating scale) will not be eligible for participation in the Program.

45. The amount of the performance security shall be sufficient to cover the early termination payment as determined under the GSA Service Agreement and specified in a termination schedule attached to the GSA Service Agreement for each year of the term of

the GSA Service Agreement (the “Security Amount”). If a GSA Customer does not have an unsecured credit limit, or if the Security Amount exceeds a GSA Customer’s unsecured credit limit, then the GSA Customer will be required to provide credit support in the form of a guarantee from a credit-worthy entity, letter of credit acceptable to the Companies, or a cash deposit in amount equal to the difference between the Security Amount and the unsecured credit limit (if any). Such credit support is intended to protect the Company and its non-participating customers from the cost impacts in the event of a GSA Customer’s failure to perform its obligations under the GSA Service Agreement. This includes but is not limited to cost of RECs under the Standard Offer GSA PPA and unrecovered administrative costs associated with the GSA Service Agreement.

46. In the event there is a change in a GSA Customer’s credit rating during the term of the GSA Service Agreement, the unsecured credit limit (if any) will be adjusted accordingly. If a GSA Customer enters into multiple GSA Service Agreements under the Program, then the total Security Amount will be aggregated across all GSA Service Agreements. If an entity wishes to act as a guarantor for multiple GSA Service Agreements under the Program, then the unsecured credit limit available to such guarantor will be allocated to such agreements in the amounts requested by the guarantor. The Company believes it unlikely that GSA Customers having an investment grade credit rating or a guarantee from an investment grade rated entity will be required to provide additional credit support.

#### **X. Cost Recovery and Impacts to Cost of Service**

47. The Companies have designed the GSA Program such that all administrative costs and REC costs will be recovered from or, in the case of Self-Supply

REC costs, paid directly by GSA Customers, while the cost of the energy and capacity generated by Company-owned and third-party GSA Facilities will be recovered from all native load customers. The Company-owned and third-party GSA Facilities will be “system supply resources” delivering energy and capacity to the Companies’ grid to serve all North Carolina retail, South Carolina retail, and wholesale jurisdictional customers. As such, the cost of the energy and capacity generated by GSA Facilities should also be recoverable from all jurisdictions and customers, as the cost of energy and capacity delivered by GSA Facilities is required to be at or below the Companies’ respective forecasted avoided costs. N.C. Gen. Stat. § 62-159.2(e).

48. The Companies plan to annually petition the Commission under new Section (a1)(11) of the fuel factor to recover the cost of energy and capacity generated or delivered by all Company-owned and third-party GSA Facilities. N.C. Gen. Stat. § 62-133.2(a)(11). This new cost recovery provision provides for recovery of “[a]ll nonadministrative costs related to the renewable energy procurement pursuant to [the GSA Program statute] not recovered from program participants.” *Id.* The Companies’ non-administrative/non-REC costs for energy and capacity to be recovered through the fuel factor will be equal to the GSA Bill Credit provided to the GSA Customer multiplied by the megawatt-hours generated by the GSA Facility during the annual fuel factor test period. Because the GSA Bill Credit for energy delivered by GSA Facilities under a GSA PPA or generated by a Company-owned GSA Facility is equal to or below the Companies’ forecasted avoided cost, non-participating customers will be held neutral, neither advantaged nor disadvantaged, from the impact of the renewable energy procured on behalf of participating Rider GSA Customers. *See* N.C. Gen. Stat. § 62-159.2(e).

**XI. Continued Market Based Revenues After GSA Service Agreement Concludes**

49. If a DEC- or DEP-owned proposal is selected through the CPRE RFP to deliver a cost-effective GSA Facility dedicated under the GSA Program or, alternatively, DEC or DEP enters into an arrangement to facilitate a Self-Supply Customer's participation in the Program, the Companies' annualized recovery of its GSA investment through the fuel factor will effectively provide for market-based recovery similar to the market-based recovery mechanism contemplated for CPRE assets under N.C. Gen. Stat. § 62-110.8(g). The Companies have similar competitive concerns to those addressed through NCUC Rule R8-71(I)(4) for CPRE Program assets, and seek to ensure that the Companies have an equal opportunity to continue recovering revenues based upon an updated market based mechanism after the initial term of the GSA Service Agreement expires. Put another way, both third party-owned GSA Facilities recovering their costs through a PPA and utility-owned GSA Facilities recovering their costs on a market basis through the fuel factor, if authorized by the Commission, should be given an equal opportunity to recover market based revenues after the 20-year GSA Service Agreement concludes at a rate that does not exceed the Companies' then-prevailing avoided cost rate established pursuant to N.C. Gen. Stat. § 62-156.

**CONCLUSION**

In summary, the Companies have developed the proposed GSA Program, including their respective Rider GSA tariffs, to achieve the mandates and objectives of N.C. Gen. Stat. § 62-159.2 and to facilitate cost-effective, direct renewable energy procurement on behalf of North Carolina's Military Customers, UNC System Customers, and large nonresidential customers, while ensuring that non-participating customers are held neutral.

WHEREFORE, the Companies respectfully request that the Commission issue an order (1) approving the Companies' GSA Program; (2) approving DEC's and DEP's respective Rider GSA tariffs as reasonable and appropriate for implementing the Rider GSA Program; (3) authorizing the Companies to integrate the GSA Standard Offer procurement as part of the CPRE Program RFP process; (4) authorizing the Companies to seek future recovery of DEC- or DEP-owned and third-party GSA Facilities on a market basis pursuant to N.C. Gen. Stat. § 62-133.2(a)(11); (5) providing the Companies an equal opportunity to continue recovering revenues based upon an updated market based mechanism after the initial term of the GSA Service Agreement expires, similar to NCUC Rule R8-71(I)(4); and (6) granting such other and further relief as the Commission deems just and reasonable and in furtherance of the public interest.

Respectfully submitted, this the 23<sup>rd</sup> day of January, 2018.

*/s/E. Brett Breitschwerdt*

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**Duke Energy Carolinas, LLC's and  
Duke Energy Progress, LLC's  
GREEN SOURCE ADVANTAGE PROGRAM**

**Attachment A**

**Duke Energy Carolinas, LLC's Rider GSA  
Duke Energy Progress, LLC's Rider GSA-1**

RIDER GSA  
GREEN SOURCE ADVANTAGE (NC)

AVAILABILITY

This Green Source Advantage Program (“GSA Program” or “Program”) is available, at the Company’s option, 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”). 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 and allows the Customer to obtain the renewable energy certificates (“RECs”) generated by a GSA Facility or portfolio of GSA Facilities (“GSA Facility(ies)”). 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 owner (“Renewable Supplier”).

Customers seeking to participate in the Program shall have the option to either request Duke Energy Carolinas to develop or competitively procure a GSA Facility(ies) to meet the Customer’s requirements (the “Standard Offer option”) or identify and propose to the Company a GSA Facility(ies) offered by a Renewable Supplier (the “Self-Supply option”). Under both the Standard Offer option and the Self-Supply option, the Renewable Supplier will enter into a power purchase agreement (“GSA PPA”) with the Company to supply the desired renewable energy.

If the Customer requests the Standard Offer option, the Company will select a GSA Facility(ies) through the Company’s independently-administered competitive procurement of renewable energy program (“CPRE Program”) request for proposal (“RFP”) process. Under the Self-Supply option, the Customer can choose to either have the Company meet the requirement from one or more Company-developed GSA Facilities with supply that will be dedicated to serving the Program or negotiate price terms directly with a Renewable Supplier.

Under the Standard Offer option, the GSA Standard Offer product procured by the Company will be the same as the CPRE Program product in all material respects, and shall include renewable energy, capacity, and RECs. Under the Self-Supply option, the Company will procure an unbundled renewable energy product from a Renewable Supplier, which shall include delivery of energy and capacity only, without transfer of the RECs generated by the GSA Facility(ies) to the Company. As described below, under the Self-Supply option, the Renewable Supplier shall transfer RECs directly to the Self-Supply Customer through a separate contractual arrangement.

APPLICATION PROCESS AND GSA SERVICE AGREEMENT

North Carolina (Proposed) Original Leaf 145  
Effective \_\_\_\_\_  
NCUC Docket No. E-7, Sub 1169  
Order dated \_\_\_\_\_

RIDER GSA  
GREEN SOURCE ADVANTAGE (NC)

To participate in the GSA Program, a Customer must submit an application to the Company during a GSA Program enrollment window, as prescribed on the Company's Program website, 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 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 whether the Customer is requesting the Company develop a GSA Facility or whether the Customer is electing to participate under the Standard Offer option or the Self-Supply option. The application shall also identify the requested contract term for the Customer's enrollment in the Program, which shall be twenty years, if the Customer elects the Standard Offer option and may be two, five, or twenty years, if the Customer elects the Self-Supply option. 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 Self-Supply 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. In addition, the Renewable Supplier must also provide, at the time of the application, a capacity reservation bond in an amount to be determined by the Company in accordance with the methodology used in the CPRE Program.

Upon review of the Customer's application and after completion of the CPRE RFP, including procurement of Standard Offer GSA Capacity, the Company will inform the Customer of the applicable "GSA Bill Credit." The GSA Bill Credit for both Standard Offer and Self-Supply Customers will be equal to the capacity-weighted average of the awarded CPRE RFP bids (for both CPRE and GSA Program supply) minus the GSA REC Value, as defined below. The GSA Bill Credit may not exceed the forecasted avoided cost rate over the term of the contract calculated by Duke Energy Carolinas based upon the methodology approved by the Commission.

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 Self-Supply option only, 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 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 under the Standard Offer option shall be in substantially the same form as the PPA approved for the CPRE Program procurement, and shall include delivery of renewable energy, capacity, and RECs. The Standard Offer GSA PPA contract price shall be equal to the Renewable Supplier's proposal price, as bid into the CPRE RFP.

The GSA PPA delivered to a Renewable Supplier under the Self-Supply option shall also be in substantially the same form as the PPA approved for the CPRE Program procurement but shall exclude the transfer of RECs to the Company, as discussed above. The GSA PPA contract price for a twenty-year term shall be equal to the capacity-weighted

RIDER GSA  
GREEN SOURCE ADVANTAGE (NC)

average of all proposals selected through the combined CPRE and GSA RFP minus the GSA REC Value. The GSA PPA contract price in the case of a two- or five-year term shall be the lesser of the Company's avoided cost rate or the GSA PPA rate (excluding RECs) negotiated between the Renewable Supplier and the Customer.

RENEWABLE ENERGY CREDITS

For Standard Offer Customers, the value of the RECs will be equal to a market index based "GSA REC Value," as determined by the Company and published on the Company's website prior to each enrollment period. All RECs provided by the Company pursuant to the GSA Service Agreement will be managed by the Company through the North Carolina Renewable Energy Tracking System ("NC RETS") and transferred annually to a NC RETS account designated by the GSA Customer upon receipt of payment in full under the GSA Service Agreement for such annual period.

For Self-Supply Customers, the value of RECs shall be negotiated and agreed to through a REC purchase agreement between the Customer and the Renewable Supplier ("REC Agreement"). The Customer shall acquire the RECs directly from the Renewable Supplier, 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 NC RETS account identified by the GSA Customer. The Company shall not be responsible for procuring, delivering, or transferring RECs to the Customer and shall bear no liability to the Customer for the failure of the Renewable Supplier to perform its obligations under the applicable REC Agreement.

Any obligation or agreement by the Company to supply RECs under this Rider shall be terminated if the Renewable Supplier defaults on the GSA PPA or fails to deliver the contracted renewable generation to the Company.

MONTHLY RATE

An amount computed under the GSA Customer's primary rate schedule and any other applicable riders with which this Rider is used plus the sum of the following amounts:

1. GSA Product Charge – the energy produced by the GSA Facility in the prior billing month times the fixed rate for purchased power from the Renewable Supplier specified in the GSA Service Agreement
2. GSA Bill Credit – the energy produced by the GSA Facility in the prior billing month times the fixed GSA Bill Credit rate specified in the GSA Service Agreement
3. 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

The Customer shall provide security as required in the GSA Service Agreement. For the avoidance of doubt, the Company shall not be liable to the Customer in the event that a GSA Facility fails to produce renewable energy as required under a GSA PPA or otherwise consistent with the Customer's expectations. The Company shall also have no liability under any REC Agreement between the Customer and the Renewable Supplier.

If the Customer requests termination of the GSA Service Agreement, or defaults on the GSA Service Agreement before the expiration of the term of the GSA Service Agreement, the Customer shall pay to the Company an early termination charge as determined under the GSA Service Agreement. 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 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. If the Renewable Supplier defaults on the GSA PPA, the Company will terminate the Customer's GSA Service

Duke Energy Carolinas, LLC

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

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Agreement with no further liability on the part of either party except for those liabilities accruing prior to default by the Renewable Supplier under the GSA PPA.

North Carolina (Proposed) Original Leaf 145  
Effective \_\_\_\_\_  
NCUC Docket No. E-7, Sub 1169  
Order dated \_\_\_\_\_

RIDER GSA-1  
GREEN SOURCE ADVANTAGE (NC)

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Customers seeking to participate in the Program shall have the option to either request Duke Energy Progress to develop or competitively procure a GSA Facility(ies) to meet the Customer’s requirements (the “Standard Offer option”) or identify and propose to the Company a GSA Facility(ies) offered by a Renewable Supplier (the “Self-Supply option”). Under both the Standard Offer option and the Self-Supply option, the Renewable Supplier will enter into a power purchase agreement (“GSA PPA”) with the Company to supply the desired renewable energy.

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APPLICATION PROCESS AND GSA SERVICE AGREEMENT

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The Customer's application will designate whether the Customer is requesting the Company develop a GSA Facility or whether the Customer is electing to participate under the Standard Offer option or the Self-Supply option. The application shall also identify the requested contract term for the Customer's enrollment in the Program, which shall be twenty years, if the Customer elects the Standard Offer option and may be two, five, or twenty years, if the Customer elects the Self-Supply option. 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 Self-Supply 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. In addition, the Renewable Supplier must also provide, at the time of the application, a capacity reservation bond in an amount to be determined by the Company in accordance with the methodology used in the CPRE Program.

Upon review of the Customer's application and after completion of the CPRE RFP, including procurement of Standard Offer GSA Capacity, the Company will inform the Customer of the applicable "GSA Bill Credit." The GSA Bill Credit for both Standard Offer and Self-Supply Customers will be equal to the capacity-weighted average of the awarded CPRE RFP bids (for both CPRE and GSA Program supply) minus the GSA REC Value, as defined below. The GSA Bill Credit may not exceed the forecasted avoided cost rate over the term of the contract calculated by Duke Energy Progress based upon the methodology approved by the Commission.

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 Self-Supply option only, 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 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 under the Standard Offer option shall be in substantially the same form as the PPA approved for the CPRE Program procurement, and shall include delivery of renewable energy, capacity, and RECs. The Standard Offer GSA PPA contract price shall be equal to the Renewable Supplier's proposal price, as bid into the CPRE RFP.

The GSA PPA delivered to a Renewable Supplier under the Self-Supply option shall also be in substantially the same form as the PPA approved for the CPRE Program procurement but shall exclude the transfer of RECs to the Company, as discussed above. The GSA PPA contract price for a twenty-year term shall be equal to the capacity-weighted average of all proposals selected through the combined CPRE and GSA RFP minus the GSA REC Value. The GSA

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PPA contract price in the case of a two- or five-year term shall be the lesser of the Company's avoided cost rate or the GSA PPA rate (excluding RECs) negotiated between the Renewable Supplier and the Customer.

RENEWABLE ENERGY CREDITS

For Standard Offer Customers, the value of the RECs will be equal to a market index based "GSA REC Value," as determined by the Company and published on the Company's website prior to each enrollment period. All RECs provided by the Company pursuant to the GSA Service Agreement will be managed by the Company through the North Carolina Renewable Energy Tracking System ("NC RETS") and transferred annually to a NC RETS account designated by the GSA Customer upon receipt of payment in full under the GSA Service Agreement for such annual period.

For Self-Supply Customers, the value of RECs shall be negotiated and agreed to through a REC purchase agreement between the Customer and the Renewable Supplier ("REC Agreement"). The Customer shall acquire the RECs directly from the Renewable Supplier, 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 NC RETS account identified by the GSA Customer. The Company shall not be responsible for procuring, delivering, or transferring RECs to the Customer and shall bear no liability to the Customer for the failure of the Renewable Supplier to perform its obligations under the applicable REC Agreement.

Any obligation or agreement by the Company to supply RECs under this Rider shall be terminated if the Renewable Supplier defaults on the GSA PPA or fails to deliver the contracted renewable generation to the Company.

MONTHLY RATE

An amount computed under the GSA Customer's primary rate schedule and any other applicable riders with which this Rider is used plus the sum of the following amounts:

1. GSA Product Charge – the energy produced by the GSA Facility in the prior billing month times the fixed rate for purchased power from the Renewable Supplier specified in the GSA Service Agreement
2. GSA Bill Credit – the energy produced by the GSA Facility in the prior billing month times the fixed GSA Bill Credit rate specified in the GSA Service Agreement
3. 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

The Customer shall provide security as required in the GSA Service Agreement. For the avoidance of doubt, the Company shall not be liable to the Customer in the event that a GSA Facility fails to produce renewable energy as required under a GSA PPA or otherwise consistent with the Customer's expectations. The Company shall also have no liability under any REC Agreement between the Customer and the Renewable Supplier.

If the Customer requests termination of the GSA Service Agreement, or defaults on the GSA Service Agreement before the expiration of the term of the GSA Service Agreement, the Customer shall pay to the Company an early termination charge as determined under the GSA Service Agreement. 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 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. If the Renewable Supplier defaults on the GSA PPA, the Company will terminate the Customer's GSA Service Agreement with no further liability on the part of either party except for those liabilities accruing prior to default by the Renewable Supplier under the GSA PPA.

Duke Energy Progress, LLC  
(North Carolina Only)

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

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**Duke Energy Carolinas, LLC's and  
Duke Energy Progress, LLC's  
GREEN SOURCE ADVANTAGE PROGRAM**

**Attachment B**

**Petition Figure 1: GSA Program Enrollment and Implementation Timeline**



**Duke Energy Carolinas, LLC's and  
Duke Energy Progress, LLC's  
GREEN SOURCE ADVANTAGE PROGRAM**

**Attachment C**

**GSA Rate Design Detail: Charges, Credits, and REC Values**

Term	Standard Offer (Bundled)	Self Supply (Unbundled)
<b>Retail Charges</b>	<ul style="list-style-type: none"> <li>A participating GSA Customer’s monthly billing statement will retain their existing rate tariff associated with billing for energy and demand consumption at their premises</li> </ul>	
<b>GSA REC Value</b>	<ul style="list-style-type: none"> <li>This represents the value of the REC(s) received by the GSA Customer, which is based on a national, voluntary market index for procuring RECs</li> </ul>	
<b>GSA Administrative Charge</b>	<ul style="list-style-type: none"> <li>\$375 per Customer Account per month, plus an additional \$50 monthly charge per additional account billed</li> <li>This charge is designed to recover program administrative costs, including expenses for manual billing</li> </ul>	
<b>GSA Product Charge</b>	<p><b>“GSA Standard Offer Bundled Product Charge”</b> (includes Energy, Capacity, and RECs)</p> <ul style="list-style-type: none"> <li>Equal to the CPRE Tranche Weighted Average Cost in which standard offer supply is procured (see Fig. 1)</li> </ul>	<p><b>“GSA Self Supply Unbundled Product Charge”</b> (includes Energy and Capacity)</p> <ul style="list-style-type: none"> <li>For the 20 year term, equal to the most recent CPRE Weighted Average Cost minus the <b>GSA REC Value</b> (see Fig. 1)</li> <li>For the 2- and 5-year terms, equal to the lower of the Company’s forecasted Avoided Cost rate or the negotiated <b>Unbundled Self-Supply PPA Price</b></li> </ul>
<b>GSA Bill Credit</b>	<ul style="list-style-type: none"> <li>Equals the <b>GSA Standard Offer Bundled Product Charge</b> minus the <b>GSA REC Value</b> capped at forecasted Avoided Cost</li> </ul>	<ul style="list-style-type: none"> <li>For the 2, 5 and 20 year term, equals the <b>GSA Self Supply Unbundled Product Charge</b>, capped at forecasted Avoided Cost</li> </ul>
<b>Supply PPA Price</b>	<p><b>“Bundled Renewable Energy Product PPA Price”</b></p> <ul style="list-style-type: none"> <li>“As-Bid” RFP Price submitted by the Renewable Supplier</li> </ul>	<p><b>“Unbundled Renewable Energy Product PPA Price”</b></p> <ul style="list-style-type: none"> <li>Equal to the most recent CPRE Weighted Average Cost minus the GSA REC Value (see Fig. 1)</li> <li>For the 2- and 5-year terms, equal to the lower of the Company’s forecasted Avoided Cost rate or the negotiated <b>GSA Self-Supply Unbundled PPA Price</b></li> </ul>
<b>Negotiated REC Agreement</b>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Any additional REC charge or credit, as applicable, will be negotiated between the GSA Customer and Renewable Supplier and will not be reflected on the GSA Customer’s utility bill</li> <li>Reflects the difference between the “All-in Negotiated Price” and the <b>GSA Self-Supply Unbundled PPA Price</b></li> </ul>

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