



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

May 30, 2023

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Docket No. E-7, Sub 1281 – Application of Duke Energy Carolinas, LLC, for Approval of CPRE Program Compliance Report and CPRE Cost Recovery Rider Pursuant to N.C.G.S § 62-110.8 and Commission Rule R8-71

Dear Ms. Dunston:

Attached for filing on behalf of the Public Staff in the above-referenced docket is the updated public version of the testimony of James S. McLawhorn, Director of the Energy Division of the Public Staff – North Carolina Utilities Commission. After discussions with the Company, this version is being filed to ensure that the record accurately reflects the public and confidential information in Public Staff witness McLawhorn's testimony.

By copy of this letter, we are forwarding a copy of the redacted version to all parties of record by electronic delivery. Confidential information is located on pages 4-5, 10, and 13-15 of the testimony. McLawhorn Exhibit 1 is no longer confidential. The confidential version of the testimony will be provided to those parties that have entered into a confidentiality agreement.

Sincerely,

Electronically submitted

/s/ Robert B. Josey

Staff Attorney

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/s/ Thomas J. Felling

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Attachments

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BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-7, SUB 1281

In the Matter of
Application of Duke Energy Carolinas,) **TESTIMONY OF**
LLC, for Approval of CPRE Program) **JAMES S. MCLAWHORN**
Compliance Report and CPRE Cost) **PUBLIC STAFF –**
Recovery Rider Pursuant to N.C.G.S §) **NORTH CAROLINA**
62-110.8 and Commission Rule R8-71) **UTILITIES COMMISSION**

MAY 30, 2023

1 **Q. Please state your name, business address, and present**
2 **position.**

3 A. My name is James S. McLawhorn. My business address is 430 North
4 Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am the
5 director of the Energy Division of the Public Staff – North Carolina
6 Utilities Commission.

7 **Q. Briefly state your qualifications and duties.**

8 A. My qualifications and duties are included in Appendix A.

9 **Q. What is the purpose of your testimony?**

10 A. The purpose of my testimony is to make recommendations to the
11 Commission regarding the Public Staff's investigation of the application
12 for recovery of costs associated with the implementation of the
13 Competitive Procurement of Renewable Energy (CPRE) Program filed
14 by Duke Energy Carolinas, LLC (DEC or the Company) on February 28,
15 2023. My review also includes the supplemental testimony and exhibits
16 filed by DEC on May 3, 2023 (Supplemental Filing).

17 The Public Staff Energy Division's specific responsibilities in this
18 CPRE rider proceeding are to: (1) review the Company's application
19 and proposed rates for compliance with N.C. Gen. Stat. § 62-110.8
20 and Commission Rule R8-71; (2) review the CPRE Compliance
21 Report and address any deficiencies pursuant to Commission Rule
22 R8-71(h) and Commission Orders; and (3) make recommendations

1 regarding changes to the Company's calculations of the proposed
2 rates.

3 **Q. How is your testimony organized?**

4 A. My testimony summarizes the CPRE Program Rider request and the
5 CPRE Compliance Report and presents the results of the Public
6 Staff's investigation.

7 **Q. Are you recommending any adjustments in your testimony?**

8 A. Yes. I am recommending that a portion of liquidated damages
9 associated with a contested Power Purchase Agreement (PPA)
10 termination be credited to ratepayers in the Experience Modification
11 Factor Period (January 1, 2022, through December 31, 2022) (EMF
12 Period).

13 A. Overview of DEC's CPRE Rider Request

14 **Q. What costs does DEC seek to recover associated with the CPRE
15 program implementation?**

16 A. As described in the direct and supplemental testimony of DEC
17 witness Walker, DEC seeks to recover a net total of \$365,777 in
18 implementation costs (system) incurred during the EMF Period
19 These costs include internal company labor and associated costs,
20 outside consulting and legal services, and a \$75,767 credit reflecting
21 Independent Administrator (IA) fees associated with Tranche 3 that

1 were inadvertently included in DEC's 2022 CPRE Rider. DEC has
2 also included a \$5.4 million credit to ratepayers reflecting: (1)
3 liquidated damages associated with projects that had their PPAs
4 terminated; and (2) Change Of Control fees collected from market
5 participants (MPs) in the EMF Period.¹ DEC forecasts ongoing
6 system implementation costs of \$388,648 from September 1, 2023,
7 through August 31, 2024, (Billing Period) associated with internal
8 labor and external consulting.

9 **Q. Please explain the liquidated damages credit DEC proposes to**
10 **flow back to customers.**

11 A. During the EMF Period, one Tranche 2 facility terminated its PPA,
12 and pursuant to the terms of the PPA, provided liquidated damages
13 to DEC. The 75 MW solar facility located in Spartanburg, South
14 Carolina is owned by JSD Flatwood PV-2, LLC. A mutual termination
15 agreement was executed on March 10, 2022, which acknowledged
16 that the developer had decided to cease the development and
17 construction of the facility. The developer was responsible for, and
18 paid, liquidated damages of **[BEGIN CONFIDENTIAL]** ████████████████████
19 **[END CONFIDENTIAL]**. At a levelized price of **[BEGIN**

¹ Section 24.6 of the Power Purchase Agreement (PPA) states that "Without limiting Buyer's rights under this Section 24, to the extent Buyer agrees to a request from Seller for one or more consent(s) to Assignment or Change of Control under this Agreement, Seller shall pay Buyer ten thousand dollars (\$10,000) prior to Buyer processing Seller's request."

1 **CONFIDENTIAL** [REDACTED] **[END CONFIDENTIAL]**, this
2 facility represented the most expensive Tranche 2 facility (excluding
3 network upgrades) that was awarded a PPA. DEC states that
4 because this one-time credit is not associated with ratepayer
5 revenues, it is not included in the EMF Period interest calculation,
6 pursuant to N.C.G.S. § 62-130(e).²

7 **Q. How does DEC allocate these implementation costs and one-**
8 **time credits?**

9 A. In its application, DEC allocates implementation costs to NC retail
10 customer classes using a weighted average of the energy and
11 capacity allocation factors (“Composite Factor”), calculated
12 separately for the EMF Period and the Billing Period, as described
13 by witness Walker on page 9 of her direct testimony.

14 **Q. What costs does DEC seek to recover that are associated with**
15 **purchases of energy and capacity from winning projects?**

16 A. Within the EMF Period, DEC seeks recovery of \$19.9 million in
17 system purchased power costs associated with operational Tranche
18 1 and 2 projects, which generated 525,629 MWh (an increase of

² “In all cases where the Commission requires or orders a public utility to refund moneys to its customers which were advanced by or overcollected from its customers, the Commission shall require or order the utility to add to said refund an amount of interest at such rate as the Commission may determine to be just and reasonable; provided, however, that such rate of interest applicable to said refund shall not exceed ten percent (10%) per annum.”

1 271% over DEC's 2022 CPRE Rider), which equates to an average
2 cost of \$37.87 per MWh. The North Carolina retail portion of this total
3 revenue requirement is \$13.3 million.

4 DEC estimates that during the Billing Period it will incur a total of
5 approximately \$37.3 million (system) in purchased and generated
6 power costs, consisting of \$5.3 million in capacity and \$32 million in
7 energy costs associated with an estimated 962,960 MWh of
8 generation from Tranche 1 and Tranche 2 projects, which equates to
9 an average cost of \$38.69 per MWh. The North Carolina retail portion
10 of these total costs is approximately \$24.9 million. The Public Staff
11 has reviewed DEC's forecasts of Billing Period expenses and finds
12 them reasonable, while also noting that continued project delays
13 associated with Tranche 2 facilities may result in over-recovery in
14 DEC's 2024 CPRE rider EMF Period.

15 **Q. Please provide an overview of DEC's CPRE compliance report.**

16 A. DEC filed its 2022 CPRE Compliance Report pursuant to
17 Commission Rule R8-71(h) and included information required for
18 calendar year 2022. The Compliance Report provides an overview
19 of activity in Tranches 1, 2, and 3. The Compliance Report also
20 provides average pricing for each of the selected proposals, avoided
21 cost thresholds, costs and authorized revenue, network upgrade
22 costs on a per-project basis, and a certification from the IA stating

1 that its evaluation process for Tranche 3 treated all participants
2 equitably and was unaware of any bias towards or against any
3 participant.

4 **Q. Does the Compliance report provide any information on the**
5 **status of the 30% utility-owned limit in N.C.G.S. § 62-110.8(b)(4)?**

6 A. Yes, the Compliance Report designates each facility as either a PPA
7 or utility-owned; however, it does not identify Duke Energy affiliates,
8 which are to be included within the 30% limit.³ The Public Staff found
9 that in Tranches 1, 2, and 3, approximately 14% of capacity procured
10 is owned by DEC, Duke Energy Progress, LLC (DEP; collectively
11 with DEC, Duke), or Duke Energy affiliates. When considering the
12 facilities that have terminated their CPRE PPAs, that figure rises to
13 approximately 19%. The Public Staff finds that Duke has not
14 exceeded the 30% statutory limit, and further, that even if additional
15 projects withdraw that cause the 30% limit to be exceeded, the
16 statute would not be violated.

17 **Q. Does the Public Staff believe DEC's CPRE compliance report**
18 **satisfies the requirements of Commission Rule R8-71(h)?**

19 A. Yes. Based upon the Public Staff's review, DEC's CPRE Compliance
20 Report provides adequate information that satisfies both the

³ See the Commission's February 21, 2018 Order Modifying and Approving Joint CPRE Program in Dockets E-7 Sub 1156, and E-2 Sub 1159, at 3.

1 requirements of Commission Rule R8-71(h) and the Commission's
 2 February 21, 2018 *Order Modifying and Approving Joint CPRE*
 3 *Program* in Docket Nos. E-7, Sub 1156, and E-2, Sub 1159 (CPRE
 4 Order).

5 B. CPRE Rider Investigation

6 **Q. Please summarize the overall status of CPRE projects.**

7 A. The CPRE Program has, unfortunately, experienced significant
 8 project delays, withdrawals, and terminations in recent years. Duke's
 9 PPA terminations are entirely in DEC, which procured the majority of
 10 CPRE capacity. As shown in Table 1 below, out of the 1,024 MW of
 11 projects that signed PPAs with DEC in Tranches 1 and 2, only 320
 12 MW (24%) have achieved commercial operation, and 350 MW (34%)
 13 have terminated their PPA. In addition, several other facilities have
 14 delayed their in-service dates.

15 *Table 1: Overview of DEC CPRE Project Status.*

DEC	Selected	Terminated	Active	Terminated %	In Service	In Service %
Tranche 1:	435	40	395	9%	270	62%
Tranche 2:	589	310	279	53%	50	8%
Tranche 3:	155	0	155	0%	0	0%
Total	1,179	350	829	30%	320	27%

1 **Q. How are DEC ratepayers affected by these terminations and**
2 **delays?**

3 A. The cost of each CPRE facility, inclusive of network upgrades, was
4 below the avoided cost as calculated at the time, pursuant to statute.
5 Therefore, a withdrawal or delay in the commercial operation of a
6 CPRE facility increases costs for ratepayers.⁴ In addition, CPRE
7 facilities are necessary to meet the carbon reduction targets from
8 N.C.G.S. § 62-110.9 (HB 951); any delay in interconnecting these
9 resources risks creating a cascading delay that may impact the
10 interconnection of other Carbon Plan resources procured in the
11 ongoing 2022 Solar Procurement, the 2023 Solar Procurement, and
12 beyond.

13 However, CPRE facilities that terminate their PPA must pay
14 liquidated damages, which flow back to DEC ratepayers in this
15 proceeding, reducing the revenue requirement of the CPRE Rider.

16 **Q. What liquidated damages has DEC included in this proceeding?**

17 A. In its initial filing, DEC included liquidated damages and change of
18 control fees in the EMF Period of approximately \$5.4 million.
19 However, during its investigation the Public Staff found that DEC had

⁴ For example, the CPRE Tranche 3 Final Report, filed by the IA on April 17, 2023 in Docket No. E-7, Sub 1156, estimates nominal savings of \$9.7 million over 20 years associated with the 155 MW procured at an average cost of \$38.71 per MWh in Tranche 3.

1 assessed other facilities for liquidated damages in 2023. DEC's
2 Supplemental Filing includes [BEGIN CONFIDENTIAL] [REDACTED]
3 [REDACTED] [END CONFIDENTIAL] of liquidated damages that it has
4 received in 2023 from [BEGIN CONFIDENTIAL] [REDACTED]
5 [REDACTED] [END CONFIDENTIAL] as a credit to Billing Period
6 costs. DEC included these liquidated damages in its Supplemental
7 Filing at the request of the Public Staff, and the impact of these
8 credits reduced the total CPRE rider by approximately 50% for each
9 rate class.

10 **Q. Is the Public Staff making any adjustments to the Company's**
11 **Application in this proceeding?**

12 A. Yes. On August 23, 2022, DEC issued a letter to the 75 MW Wilkes
13 Solar facility, which was selected as a winning bid in Tranche 2,
14 notifying it of contract default and liquidated damages of [BEGIN
15 CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL]. However,
16 Wilkes Solar disputed this default, stating that DEC caused
17 unreasonable delays in completing required interconnection studies,
18 which allegedly delayed the project's interconnection by at least two
19 years, resulting in the project no longer being economically viable.

20 DEC attempted informal resolution with Wilkes Solar but was
21 unsuccessful. It then attempted to pursue enforcement of its
22 liquidated damages obligation under the PPA. However, the

1 performance assurance provided by Wilkes Solar was in the form of
2 a parent company guaranty, which expired on December 31, 2021,
3 and was no longer enforceable at the time of Wilkes' PPA termination
4 and default. Due to the dispute over termination fault and the
5 unenforceable guaranty, DEC concluded that the cost of litigation
6 was unduly risky, would face substantial challenges, and, even if
7 DEC prevailed, recovery of the funds was not guaranteed. Thus,
8 DEC has so far decided not to pursue liquidated damages from
9 Wilkes Solar.

10 **Q. Was a guaranty an acceptable form of performance assurance**
11 **in CPRE Tranche 2?**

12 A. Yes. The Tranche 2 RFP stated that Step 2 proposal security could
13 be provided "in the form of (i) cash; (ii) a Surety Bond; or (iii) a Letter
14 of Credit."⁵ In addition, section 5.7 of the CPRE Tranche 2 PPA
15 states:

16 Seller shall ensure that the Performance Assurance in
17 the required amount remains in full force, and effect,
18 and outstanding for the duration required by this
19 Agreement. All applicable Performance Assurance, in
20 the amount required pursuant to the terms of this
21 Agreement, shall remain in full force, and effect, and
22 outstanding for the benefit of Buyer until sixty (60) days
23 following the later of: (a) the end of the Term or (b) the
24 date on which Seller has fully satisfied all obligations to
25 Buyer under this Agreement (the "Security Period"). If
26 at any time any Performance Assurance fails to meet
27 any of the requirements under this Agreement, Seller

⁵ Tranche 2 RFP, attached as McLawhorn Exhibit 1, at 7.

1 shall replace such Performance Assurance with
2 alternative Performance Assurance that meets each of
3 the requirements under this Agreement. Seller will be
4 solely responsible for any and all costs incurred with
5 providing and maintaining any Performance Assurance
6 to the full amount required by this Agreement. If Seller
7 fails to replace, renew, or otherwise maintain the
8 required Performance Assurance as and when
9 required by this Agreement, then Buyer: (a) shall be
10 entitled to draw and retain hereunder the full amount of
11 the Performance Assurance; (b) shall not be obligated
12 to make any further payments to Seller until Seller shall
13 have provided Buyer with the replacement
14 Performance Assurance; and, (c) shall be entitled to
15 give Seller notice of an Event of Default and pursue the
16 termination rights and remedies provided for in this
17 Agreement.⁶

18 **Q. Given the terms of the RFP and PPA, why was the guaranty**
19 **allowed to expire?**

20 A. The expiration of the guaranty appears to be the result of an
21 oversight by DEC. Its credit department entered the guaranty into its
22 tracking system but did not enter an expiration date. Thus, the
23 tracking system did not automatically flag that the guaranty was
24 expiring and needed to be renewed. DEC stated that it has audited
25 all CPRE facilities and confirmed that they are properly recorded in
26 their credit tracking system, but has not implemented any process
27 changes, as it views the Wilkes Solar incident as isolated and states
28 that the existing process has historically performed well.

⁶ Filed in Docket E-7, Sub 1159 on September 16, 2019.

1 **Q. Is the Public Staff making any recommendations regarding this**
2 **loss of guaranty?**

3 A. Yes. The Public Staff recommends that the Commission direct DEC
4 to credit ratepayers 50% of the liquidated damages in the EMF
5 Period, or **[BEGIN CONFIDENTIAL]** [REDACTED] [REDACTED] **[END**
6 **CONFIDENTIAL]**, that it could have obtained from Wilkes Solar. I
7 have provided this recommendation to Public Staff accounting
8 witness Cofield.

9 **Q. Please explain the justification for this adjustment.**

10 A. The Public Staff is not making a judgment as to whom was at fault
11 for the PPA termination, which would determine whether or not
12 Wilkes Solar is responsible for paying liquidated damages. However,
13 the lack of an expiration date in the tracking system would have
14 made recovering liquidated damages from Wilkes Solar more
15 difficult, if not impossible, even if DEC was not found to be the
16 defaulting party. The Public Staff is not recommending that DEC
17 pursue liquidated damages due to the facts of the matter and due to
18 the risk that litigation costs might exceed the liquidated damage
19 revenue. However, the Public Staff does not believe that DEC
20 ratepayers should bear the full cost of DEC's error.

1 Q. Does the total revenue requirement DEC seeks to recover in this
2 proceeding exceed the cost cap established by N.C.G.S. § 62-
3 110.8(g)?

4 A. No. The total revenue requirements sought for recovery in this
5 proceeding are less than 1% of DEC's total North Carolina retail
6 jurisdictional gross revenues for 2022.

7 Q. Does the Public Staff have any information regarding the
8 accuracy of network upgrade costs used in the CPRE evaluation
9 process?

10 A. Yes. While DEC is not seeking recovery of any network upgrade
11 costs in this proceeding, the Public Staff has monitored the latest
12 network upgrade costs for CPRE winning projects to determine if
13 they are reasonably accurate relative to the initial estimates used in
14 the evaluation process. Overall, the Public Staff found that the
15 difference between network upgrade estimates used in the
16 evaluation and the most recent network upgrade costs was
17 significant.

18 Across all Tranche 1 and 2 winning projects that have not withdrawn,
19 the total initial network upgrade cost estimates used in the evaluation
20 process was [BEGIN CONFIDENTIAL] [REDACTED] [END
21 CONFIDENTIAL]. The most recent estimate to interconnect these
22 same projects is [BEGIN CONFIDENTIAL] [REDACTED] [REDACTED]

1 [REDACTED] [END CONFIDENTIAL]. Across all
2 Tranche 1 and 2 projects that have achieved commercial operation,
3 the initial network upgrade cost estimates used in the evaluation
4 process was [BEGIN CONFIDENTIAL] [REDACTED] [REDACTED] [END
5 CONFIDENTIAL], and the in-service upgrade costs for these in-
6 service projects are [BEGIN CONFIDENTIAL] [REDACTED] [REDACTED]
7 [REDACTED] [END CONFIDENTIAL].

8 The Public Staff is investigating the reasonableness and prudence
9 of these network upgrade costs associated with in-service projects
10 in DEC's current general rate case in Docket No. E-7, Sub 1276.
11 However, at this time it does not appear that any individual project's
12 upgrade cost has exceeded 125% of its initial estimate, which would
13 invoke the Commission's "limit in the nature of a presumption that
14 costs in excess of 25% of the estimated costs, are unreasonably
15 incurred and not recoverable."⁷

⁷ See the Commission's Order Modifying and Accepting CPRE Program Plan, filed in Docket Nos. E-2, Sub 1159 and E-7, Sub 1156, at 18, on July 2, 2019.

1 C. Public Staff Recommendations

2 **Q. What are your recommendations to the Commission regarding**
3 **DEC's application?**

4 A. The Public Staff recommends that the Commission accept the rates
5 as proposed in Table 3 below, which are the rates filed by DEC in its
6 Supplemental Filing plus the addition of the aforementioned
7 liquidated damages credit.

8 **Q. What rates has DEC requested for its EMF and CPRE rider?**

9 A. In its Supplemental Testimony, DEC requested the following charges
10 (excluding regulatory fee). The EMF Rate includes an interest
11 component.

12 *Table 2: DEC's CPRE Rider Request - May 3, 2023 Supplemental Filing (cents per kWh)*

Customer Class	EMF Rate	CPRE Rider Rate	Total CPRE Rate
Residential	(0.0128)	0.0271	0.0143
General Service	(0.0141)	0.0261	0.0120
Industrial	(0.0093)	0.0253	0.0160

1 **Q. What rates does the Public Staff propose for DEC's EMF and**
2 **CPRE rider?**

3 A. The Public Staff recommends the Commission adopt the following
4 CPRE rider rates, which reflect DEC's Supplemental Filing and the
5 Public Staff's recommended adjustment, as discussed herein.

6 *Table 3: Public Staff's Proposed Rates (cents per kWh)*

Customer Class	EMF Rate	CPRE Rider Rate	Total CPRE Rate
Residential	(0.0153)	0.0271	0.0118
General Service	(0.0165)	0.0261	0.0096
Industrial	(0.0113)	0.0253	0.0140

7 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

8 A. Yes, it does.

QUALIFICATIONS AND EXPERIENCE

JAMES S. MCLAWHORN

I graduated with honors from North Carolina State University with a Bachelor of Science Degree in Industrial Engineering in May of 1984. I received the Master of Science Degree in Management with a finance concentration from North Carolina State University in December of 1991. While an undergraduate, I was selected for membership in both Tau Beta Pi and Alpha Pi Mu engineering honor societies.

I began my employment with the Electric Division of the Public Staff in November of 1988. I became Director of the Electric Division in October of 2006, and, with the merger of the Electric and Natural Gas Divisions, I assumed my present position as Director of the Energy Division in August of 2020. It is my responsibility to supervise the review of, and make policy recommendations to Public Staff senior management on, all electric and natural gas utility matters that come before the Commission.

I have testified previously before the Commission in numerous proceedings.

**REQUEST FOR PROPOSALS
FOR THE
COMPETITIVE PROCUREMENT OF
RENEWABLE ENERGY PROGRAM
TRANCHE 2**

**DUKE ENERGY CAROLINAS, LLC
DUKE ENERGY PROGRESS, LLC**

**Dated: October 15, 2019
Proposals Due: December 15, 2019**

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I. PROGRAM OVERVIEW

Duke Energy Carolinas, LLC (“DEC”) and Duke Energy Progress, LLC (“DEP” and, together with DEC, the “Companies”) are soliciting proposals for new renewable energy projects in support of the Companies’ Competitive Procurement of Renewable Energy (“CPRE”) Program (“Program”).¹ The CPRE Program is being implemented in accordance with N.C. Gen. Stat. § 62-110.8, as enacted by North Carolina Session Law 2017-192 (“HB 589”), the North Carolina Utilities Commission’s (“Commission” or “NCUC”) Rule R8-71 (“CPRE Rule”), and the Commission’s Order Modifying and Accepting CPRE Program Plan dated July 2, 2019, in Docket Nos. E-2, Sub 1159 and E-7, Sub 1156 (“Tranche 2 Order”). Capitalized terms not otherwise defined herein shall have the meaning set forth in the NCUC Rule R8-71(b).

This Tranche 2 Request for Proposals (“RFP”) is soliciting approximately 600 megawatts (“MW”) of new renewable energy resources in DEC and approximately 80 MW of new renewable energy resources in DEP.² Eligible Market Participants (“MPs”) for this RFP include third-party renewable developers (“Third-Party MPs”), the DEC/DEP Proposal Team (as further described herein), and any affiliate of DEC or DEP that elects to submit a Proposal. Proposals submitted into the RFP (“Proposals”) must be submitted in one of the following Proposal categories (as further described herein): (1) a Power Purchase Agreement (“PPA”), (2) Utility Self-Developed Facility (as further described herein), or (3) Asset Acquisition (as further described herein).

Tranche 2 is soliciting Proposals for electric generating facilities (each a “Facility”) that meet all of the following requirements:

1. (i) In the case of Proposals submitted into the DEC portion of the RFP, are located in the DEC North Carolina or South Carolina³ service territory and have requested to physically interconnect with the DEC transmission or distribution systems; and (ii) in the case of Proposals submitted into the DEP portion of the RFP, are located in the

¹ For the avoidance of doubt, the DEC and DEP portions of this RFP will be separately administered for purposes of ranking and selection.

² Given that the optimal portfolio may not align exactly with the MW target for DEC or DEP, the IA may recommend a portfolio within a range of +/- 10%. This approach will avoid the potential for foregoing an attractive Proposal that because it is the next-best ranked Proposal, would cause the portfolio to exceed the solicitation goal. In addition, the IA may consider any project size range provided by MPs in designing a portfolio that most closely meets the Tranche 2 target (see Section II(B)). In the event the IA determines a Proposal will be recommended for the final portfolio in an amount less than the maximum size proposed by an MP, the IA will confirm the MP’s commitment to proceed with the Proposal at the size identified by the IA.

³ The South Carolina Public Service Commission (“SCPSC”) is currently considering a waiver to the SC GIP to allow for the System Impact Grouping Study to be utilized in Tranche 2 for Facilities located in South Carolina. In the event that the SCPSC rejects use of the System Impact Grouping Study for Facilities located in South Carolina, facilities located in South Carolina will only be eligible to participate in Tranche 2 as Advanced Stage Proposals.

- DEP North Carolina or South Carolina service territory and have requested to physically interconnect with the DEP transmission or distribution systems.
2. Placed in service after July 10, 2018 and be capable of completing Facility construction (not completion of interconnection) by January 1, 2023.⁴
 3. Are sized between 1 MW and 80 MW (based on the inverter nameplate rating)). A Facility must have a single point of interconnection (“POI”).
 4. Use a renewable energy resource identified in G.S. 62-133.8(a)(8) and have demonstrated an adequate fuel supply from a qualifying resource.⁵
 5. Commit to sell 100% of its renewable electrical energy, capacity, and environmental and renewable attributes to DEC or DEP (as applicable).
 6. In the case of PPA Proposals and Asset Acquisition Proposals, have submitted Form 556 to the Federal Energy Regulatory Commission on or before the date of submission of the Proposal to obtain qualifying facility (“QF”) certification.
 7. In the case of PPA Proposals and Asset Acquisition Proposals, have either (i) obtained a queue number under the North Carolina Interconnection Procedures (“NCIP”) or the South Carolina Generator Interconnection Procedures (“SC GIP”) to interconnect to the DEC transmission or distribution systems in the case of Proposals submitted into the DEC portion of the RFP or the DEP transmission or distribution system in the case of Proposals submitted into the DEP portion of the RFP; or (ii) where a Facility has previously submitted a FERC-jurisdictional interconnection request has submitted a Jurisdictional Interconnection Transition Request Form.⁶
 8. In the case of Facilities that include energy storage, have all storage located on the DC side of the inverter and charged solely from the applicable Facility.

⁴ For the avoidance of doubt, an MP is not required to obtain a certificate of public convenience and necessity (“CPCN”) to construct the facility prior to submitting a PPA Proposal, but will be required to establish a reasonable plan for obtaining all necessary permits and certificates (including a CPCN) in a timely manner. Also for the avoidance of doubt, an MP may not submit a Proposal for a Facility that has an existing off-take agreement.

⁵ "Renewable energy resource" means a solar electric, solar thermal, wind, hydropower, geothermal, or ocean current or wave energy resource; a biomass resource, including agricultural waste, animal waste, wood waste, spent pulping liquors, combustible residues, combustible liquids, combustible gases, energy crops, or landfill methane; waste heat derived from a renewable energy resource and used to produce electricity or useful, measurable thermal energy at a retail electric customer's facility; or hydrogen derived from a renewable energy resource. "Renewable energy resource" does not include peat, a fossil fuel, or nuclear energy resource.

⁶ Interconnection requests for Facilities where the MP plans to contractually commit to sell the full output of the Facility to the interconnected utility, as required under the CPRE Program, are subject to the jurisdiction of, and interconnection procedures and agreements established by either the NCUC and South Carolina Public Service Commission. MPs with generating facilities that have previously submitted interconnection requests pursuant the Companies' Joint Open Access Transmission Tariff shall be allowed to retain their queue position while transitioning to become state jurisdictional interconnection customers of DEC or DEP (as applicable) prior to the CPRE RFP Solicitation bid due date. The Jurisdictional Interconnection Request Form has been made available on the IA RFP Website and contains further details regarding the transition process.

A. INDEPENDENT ADMINISTRATOR

This RFP will be administered by an Independent Administrator, the Accion Group, LLC (“Accion” or the “IA”). Accion is responsible for developing and utilizing the CPRE Program Methodology to evaluate all Proposals in accordance with the evaluation process established under NCUC Rule R8-71(f)(3)(iii), as further described herein, and ensuring that all Proposals are treated equitably throughout the RFP.

B. RFP ACCESS AND INSTRUCTIONS

Accion hosts a website (“IA RFP Website”) that serves as the required vehicle for all RFP communications. Respondents and interested parties must be registered on the IA RFP Website to access further information related to the RFP. The IA RFP Website may be accessed at <https://decprerfp2019.accionpower.com>.

The IA RFP Website will also be used for registered parties to provide comments on or before August 30, 2019 regarding this RFP document, the pro forma PPA, and the various Asset Acquisition agreements. In addition, registered parties may submit questions concerning the RFP on the “Q&A” page of IA RFP Website. The questions and responses will be posted for viewing by all persons registered on the IA RFP Website. Finally, the IA RFP Website also has a confidential “message board” available to registered MPs to facilitate project-specific questions to the IA that should not be disclosed to all MPs. The IA will review all questions and messages and solicit information from the Evaluation Team, as necessary, without disclosing the identity of the MP posing the request. Questions and responses that the IA determines are appropriate for disclosure to all registered MPs will be posted in the Q&A page. After the Proposal submission date, the confidential message board will be used should the IA need clarification concerning any Proposal.

Proposals and all associated documentation must be submitted to the IA through the IA RFP Website on or before **12:00 pm EDT (Noon) on December 15, 2019.**

C. TRANCHE 2 RFP SCHEDULE

The table below presents the planned Tranche 2 RFP schedule. As provided in the CPRE Rule, the Tranche 2 RFP schedule may be modified after consultation with and approval by the IA. MPs will receive notification of any schedule changes through the IA RFP Website.

Milestone	Date
August Stakeholder Meeting	08/07/2019
Draft RFP documents posted to IA RFP Website	08/15/2019
Comment period on draft RFP documents closes	08/30/2019
Bidder Conference and September Stakeholder Meeting	09/12/2019
PPA filed with NCUC	09/15/2019
IA report re: RFP documents	09/25/2019
October Stakeholder Meeting	10/10/2019
Final RFP documents posted to IA RFP Website and RFP Opens	10/15/2019
November Stakeholder Meeting	11/13/2019
December Stakeholder Meeting	12/12/2019
Deadline for submission of Proposals	12/15/2019 ⁷
Projected Conclusion of Step 1 of the Evaluation Process	03/01/2020
Projected Conclusion of Step 2 and winning bids notified	06/30/2020
Projected Conclusion of Contracting period	08/28/2020

D. SEPARATION PROTOCOLS

The IA will ensure compliance with the communication restrictions and other requirements set forth in NCUC Rule R8-71(e) (the “Separation Protocols”). Pursuant to such CPRE Rule, DEC and DEP have collectively established a team that is responsible for preparing bids on behalf of DEC/DEP (such team, the “DEC/DEP Proposal Team”), and Duke Energy Renewables, Inc. (“DER”) has established a separate team that is responsible for preparing bids on behalf of DER (such team, the “DER Proposal Team” and together with the DEC/DEP Proposal Team, the “Proposal Teams”). In addition, DEC and DEP have established a team that is responsible for assisting the IA in developing the RFP and evaluating Proposals (the “Evaluation Team”). Finally, the Evaluation Team has a sub-team responsible for assessing and assigning System Upgrade costs to Proposals (the “T&D Sub-Team”). All members of the Proposal Team(s) and the Evaluation Team have been separately identified in writing to the IA and physically segregated for purposes of all activities that are part of the Tranche 2 RFP solicitation process. All Proposal Team and Evaluation Team members have also been required to execute acknowledgements regarding compliance with the Separation Protocols, which have been provided to the IA. As shown in the Tranche 2 RFP Schedule above, the IA will require that the Proposal Teams submit any Proposals no less than 24 hours before the RFP window closes.

E. CONFIDENTIALITY

The IA will not publicly disclose the identity of all MPs during the Step 1 and Step 2 evaluation process. However, at the conclusion of the Step 2 evaluation, upon selection of winning MPs,

⁷ This date is subject to modification in accordance with the Commission’s Tranche 2 Order.

the IA and/or Duke shall be permitted to publicly identify all CPRE participants that submit Proposals in response to any Commission-directed reporting requirements.

II. GENERAL TERMS

A. PROPOSAL CATEGORIES

Proposals may be structured using one of the three proposal categories (“Proposal Categories”) defined in the following table:

Proposal Type	Proposal Cost Structure
PPA	Levelized (non-escalating) payments for capacity, energy, and environmental and renewable attributes in \$/MWh terms for 20 years from the commercial operation date. The pro forma PPA is attached as Appendix A .
Utility Self-Developed Facilities	Utility owns or controls the property and offers Renewable Resource facility(s) into the CPRE RFP in \$/MWh terms for 20 years from the commercial operation date.
Asset Acquisition	Asset Transfer plus EPC – The Facility is submitted into the RFP for purchase by DEC/DEP along with an offer to build the site under an Engineering Procurement and Construction Agreement (“EPC”) for purchase by DEC or DEP. Facility is developed by the MP and ownership transfers to DEC or DEP before the start of construction.
	Build Own Transfer (“BOT”) – Facility is fully developed and constructed by the MP and submitted as a “turn-key” offer into the RFP by MP. Facility ownership will be transferred to DEC or DEP prior to commercial operation.
	Asset Transfer – Facility siting, land control, design, permitting, and interconnect studies completed by the MP and fully-developed project offered into the RFP. Facility ownership will be transferred to DEC or DEP prior to construction and DEC or DEP will be responsible for construction.

B. PROPOSAL ALTERNATIVES AND SIZE FLEXIBILITY

MPs may submit Proposals for the same Facility proffering different sizing, pricing or technology. (e.g., a Facility that is proposed both with and without energy storage must submit separate Proposals for each Facility configuration). Each Proposal will be a separate submission subject to a separate Proposal Fee. A MP may submit the same Facility as both an Asset Acquisition Proposal

and as a PPA Proposal, and that would constitute two separate Proposals. If the Asset Acquisition Proposal is sponsored by the DEC/DEP Proposal Team, the Acquisition Proposal will be converted to PPA pricing as more specifically discussed below. In such case, the highest ranking of all Proposals for the Facility, based on the IA's evaluation, will be considered the "best" or controlling proposal for such Facility and the IA shall eliminate the other Proposal from further consideration in the RFP.

MPs will be permitted to identify the minimum size of the Facility (up to a 10% maximum reduction)⁸ that the MP is willing to provide at the same \$/MWh price. For example, for a 50 MW Proposal, the MP could indicate that it is willing to deliver a Facility sized anywhere between 45-50 MW for the same \$/MWh price.

C. MARKET PARTICIPANTS AND PROPOSAL SPONSORS

DEC and DEP recognize that MPs may utilize partners or sponsors ("Proposal Sponsors") for Proposal development. Proposals that rely on Proposal Sponsors to meet RFP requirements must provide evidence that is satisfactory to the IA of a binding legal partnership or similar relationship with such Proposal Sponsor.

Historically underutilized businesses are encouraged to participate in the RFP. The definitions to be employed for such purposes are set forth in **Appendix B** to this RFP. MPs shall not discriminate based upon race, religion, color, national origin, age, sex, or handicap.

D. PROPOSAL FEES

Each MP is required to submit with each Proposal a non-refundable "Proposal Fee" of \$500/MW, based on the Facility's nameplate capacity, up to a maximum of ten thousand dollars (\$10,000). In addition, successful MPs will be responsible for a pro-rata share of the Winners' Fee (as hereinafter defined).

Proposal Fees are non-refundable and for the avoidance of doubt, will not be refunded in the case of any modification of this RFP schedule, rejection of any Proposal, or failure by a winning MP to execute a PPA. Proposal Fees must be paid via electronic payments through Accion's website: <https://decprerfp2019.accionpower.com>. Payment is due at the time of Proposal submission and must be received no later than 12:00 PM EDT (Noon) on the Proposal due date. Failure to submit the Proposal Fee will result in automatic disqualification of the Proposal from further consideration.

⁸The maximum reduction percentage is based on Section 1.5.1.6 of the NCIP and Attachment 1 of the SC GIP.

E. WINNERS' FEE

The "Winners' Fee" is the amount to be determined as described below in order to recover any remaining IA costs not covered by the Proposal Fee. The Winners' Fee will be determined upon conclusion of the RFP. Any such Winners' Fee costs will be allocated among all winning Proposals selected by both DEC and DEP on a pro-rata basis on a per MW basis. The total of the Winners' Fees shall not exceed one million dollars (\$1,000,000.00).

F. STEP 2 PROPOSAL SECURITY

1. Third-Party MPs and DER Proposal Team

Security in the amount of \$20/kW, based on the Facility's inverter nameplate capacity, must be posted by all Third-Party MPs and the DER Proposal Team submitting PPA Proposal that are selected to move into Step 2 of the evaluation process ("Step 2 Proposal Security"). This Step 2 Proposal Security can be in the form of (i) cash; (ii) a Surety Bond; or (iii) a Letter of Credit ("LOC"), in each case, in a form acceptable to the Companies and issued by an entity that meets the Companies' issuer requirements and naming DEC or DEP (as applicable) as the sole beneficiary. An issuing bank for the LOC must have a minimum credit rating of A- from S&P and A3 from Moody's and a surety must be rated A.M. Best "A- VII" or higher. Surety bonds must be irrevocable and require payment by the surety within ten days of demand. Interest will not be paid on cash deposits. An example of acceptable LOC is provided in **Appendix C** and an acceptable surety bond is provided in **Appendix D**.

The IA will provide notification to an MP when the IA determines it will likely select the Proposal to move into the Step 2 evaluation. Within 14 days of such initial notification, MPs are required to provide draft forms of Proposal Security, if not posting cash, to allow sufficient time for the IA and the Companies to review and confirm the Proposal Security materially conform to the forms provided in **Appendix C** and **Appendix D**, respectively. The IA will then notify the MP when the Proposal is formally moved into the Step 2 Evaluation, at which point, the MP must post the Step 2 Proposal Security within ten business days⁹.

2. DEC/DEP Proposal Team

In the case of Asset Acquisition Proposal sponsored by the DEC/DEP Proposal Team, Step 2 Proposal Security will be required from the Third-Party MP as further described in Section III(C).

In the case of Utility Self-Developed Facilities, the DEC/DEP Proposal Team will be required to acknowledge that in the event such Proposal is selected as a winner and fails to execute the

⁹ As indicated in the schedule in Section I(c), the IA currently expects that Step 1 of the evaluation process will be completed on or around March 1, 2020.

Acknowledgment Form, an amount equal to \$20/kW will be disallowed from the applicable CPRE Rider recovery.

3. Step 2 Proposal Security Administration

The Step 2 Proposal Security will be released (i) if the Proposal is eliminated by the IA due to failure to meet any required RFP criteria or action; (ii) if the Proposal is not selected as a winning proposal, upon closure of the contracting period; or (iii) if the Proposal is selected as a winning Proposal, upon completion of the contracting phase of the RFP, including execution of the applicable contract (PPA or definitive agreement for Asset Acquisition Proposals) and posting of security as required in the applicable agreement. DEC or DEP (as applicable) will be entitled to draw on the full amount of the Step 2 Proposal Security in the event that the MP (a) withdraws its Proposal during Step 2 of the Evaluation Process; or (b) if the Proposal is selected as a winning Proposal but the MP fails to complete the contracting phase.

III. ADDITIONAL PROPOSAL REQUIREMENTS

A. SELF-DEVELOPED, SUBSIDIARY, AND AFFILIATE PROPOSALS

Utility Self-Developed Proposals and conversions of Asset Acquisition Proposals will be bid using the same templates, forms, and pricing requirements applicable to PPA Proposals. Proposals submitted by the DER Proposal Team will be made via the IA RFP Website and meet the same requirements as Proposals from Third-Party MPs. In accordance with G.S. 62-110.8(b)(4), no more than thirty percent (30%) of the total CPRE procurement requirements can be awarded to Facilities in which DEC, DEP, or any subsidiary or affiliate holds an ownership interest at the time of Proposal submission.

Utility Self-Developed Proposals and conversions of Asset Acquisition Proposals will be priced based on the assumption that these facilities will continue to receive market-based revenues based on a pricing mechanism to be established by the Commission at the conclusion of the initial 20-year term of the PPA.

B. PPA PROPOSALS

All PPA Proposals must meet the technical specifications set forth in the PPA, as determined by the IA (in consultation with the Evaluation Team, as necessary). The pro forma PPA is provided as Appendix A. After closure of the RFP comment period, and subsequent filing of the PPA with the NCUC, the pro forma PPA is not subject to negotiation or adjustment for purpose of Tranche 2.

C. ASSET ACQUISITION PROPOSALS

Third-Party MPs are permitted to submit Asset Acquisition Proposals for DEC/DEP to consider acquiring a proposed Facility. In Tranche 2, only solar photovoltaic Facilities that are 20 MWac or greater will be accepted for consideration as Asset Acquisitions. As discussed above, Third-Party MPs may submit PPA Proposals as well as Asset Acquisitions for the same Facility, but each Proposal Category must be submitted as a separate Proposal.

Asset Acquisition Proposals must be priced on a \$/kw nameplate capacity basis to be paid according to payment milestones set forth under each type of Asset Acquisition Proposal. All Proposals must meet the DEC/DEP Proposal Team's technical design specifications, as provided in definitive agreements, including complying with the DEC/DEP Proposal Team's list of approved vendors/suppliers (provided on the IA RFP Website for review). After submission of an Asset Acquisition Proposal by an MP, the DEC/DEP Proposal Team will consider all aspects of the Proposal, including location, size, viability, technology, and price to determine if the DEC/DEP Proposal Team will sponsor the Asset Acquisition Proposal. Should the DEC/DEP Proposal Team elect to sponsor an Asset Acquisition Proposal, the DEC/DEP Proposal Team will coordinate with the MP and submit a Proposal into the CPRE RFP in on a \$/MWh basis utilizing the percentage decrement structure described in Section IV below. All Asset Acquisition contracts (definitive agreements under which the MP and DEC/DEP will transact) and exhibits related thereto (including the DEC/DEP Proposal Team's technical design specifications), will be available on the IA RFP website for review and comment by MPs. The DEC/DEP Proposal Team will review and consider any proposed changes (in the form of redlines) to its Asset Acquisition contracts that are submitted at the time an Asset Acquisition Proposal is submitted. The DEC/DEP Proposal Team will not, in any event, consider any proposed changes to the Asset Acquisition contracts, or exhibits related thereto (including the DEC/DEP Proposal Team's technical design specifications), from an MP that are not submitted along with Asset Acquisition Proposal. If the DEC/DEP Proposal Team decides to sponsor one or more Asset Acquisition Proposal(s), the DEC/DEP Proposal Team will require the applicable MP execute a term sheet relating to the principal commercial terms of the Asset Acquisition Proposal and acknowledging that no further changes to the Asset Acquisition Contracts (other than those noted at the time of Proposal Submission) will be accepted, and the DEC/DEP Proposal Team will then submit to the IA the Proposal, for consideration in Step 1 of the evaluation process on a \$/MWh basis utilizing the percentage decrement structure described in Section IV below. Any such Proposals would then be evaluated by the IA along with all other PPA and Utility Self-Developed Proposals submitted. At no time during this process will the DEC/DEP Proposal team have access to any information from the IA RFP Website, including pricing, for PPA Proposals submitted by any Third-Party MPs.

For solar photovoltaic Facilities, additional guidance relating to the DEC/DEP Proposal Team's PV facility design and Proposal criteria will be provided on the portion of the IA RFP Website section dedicated to Asset Acquisition Proposals.

MPs will be required to complete a proposal form that includes detailed information for each Facility, including a list of all major equipment included in the Asset Acquisition Proposal, including manufacturer name and equipment type for all panels, inverters, and racking supply. All Asset Acquisition Proposals should include product data sheets, product warranty information, and the design criteria that forms the basis of the pricing proposal. The DEC/DEP Proposal Team will review project design criteria to properly evaluate the quality of the project design and scope of work included in the proposal price and conformance with the design specifications.

For MPs submitting Asset Acquisition Proposals that do not wish to construct the Facility, the DEC/DEP Proposal Team will only consider Facilities that have completed System Impact Studies, secured long-term site control, initiated or obtained requisite project permits, completed a Phase I Environmental Site Assessment, conducted site analysis (including wetland delineation, preliminary geotechnical analysis, and boundary surveys), prepared a preliminary site layout, obtained CPCN approval (if applicable), and provided all additional required information as identified on the IA RFP Website to allow for full and proper evaluation of the project attributes.

For all Asset Acquisition Proposals, MPs must identify which portion of the capital costs are ITC eligible and provide details of any property tax abatement or exemption or fee in lieu of tax (FILOT) arrangements or eligibility for other grants or tax credits. MPs must identify the portion of capital costs that belong to each federal tax depreciation class.

Interconnection Facilities (as defined herein) cost estimates must be included as an additional project cost and documented in the Proposal.

MPs submitting Asset Transfer plus EPC or a BOT (but not if proposing an Asset Transfer only) must have completed or directly managed the completion of the development, engineering, equipment procurement, and construction of at least 50 MW of solar facilities within the United States or Canada. For all Asset Acquisitions, MPs must provide sufficient financial assurances, as set forth in the form EPC and BOT agreements, as necessary for the Facility to meet schedule and proposed performance milestones. In addition, MPs must provide evidence of at least one recent successful construction financing completed by the MP of comparable size to the submitted proposal.

The Third-Party MP that submitted the Asset Acquisition Proposal will be required to provide Step 2 Proposal Security in accordance with the notification and timing requirements described in Section II(F)(1). For Asset Transfer plus EPC and BOT proposals, the Step 2 Proposal Security is \$20/kWac. For Asset Transfer proposals, the Step 2 Proposal Security shall be an amount equal to twenty percent (20%) of the purchase price of the Proposal. Such Step 2 Proposal Security must conform with the requirements of Section II(F)(1) and will administered in accordance with Section II(F)(3).

IV. AVOIDED COST THRESHOLD AND PROPOSAL PRICING

All PPA and Utility Self-Developed Facility Proposals must be submitted using levelized 20-year dollar per megawatt-hour (\$/MWh) pricing, and, as discussed above, the DEC/DEP Proposal Team will convert any Asset Acquisition Proposals selected into levelized 20-year dollar per megawatt-hour (\$/MWh) pricing.

All Proposals (including the cost of System Upgrades as described herein) must be at or below the applicable 20-year dollar per megawatt-hour (\$/MWh) avoided cost rates specified in the tables below.

Avoided Costs Threshold for Tranche 2

Note: The Commission has requested briefing in Docket Nos. E-2, Sub 1159 and E-7, Sub 1156 regarding application of the Solar Integration Services Charge (“SISC”). Applicability of the SISC to Tranche 2 CPRE PPAs will be determined by the Commission after completion of such comment process.

DEP 20 Year CPRE												
CAPACITY PRICING			ENERGY PRICING									
Summer Months PM	Winter Months AM	Winter Months PM	Summer Prem Pk	Summer On-Peak	Summer Off-Peak	Winter Prem Pk	Winter On-Peak AM	Winter On-Peak PM	Winter Off-Peak	Shoulder On-Peak AM/PM	Shoulder Off-Peak	
\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	
Distribution	\$ -	\$ 135.59	\$ 58.11	\$ 42.58	\$ 44.10	\$ 38.21	\$ 60.21	\$ 46.41	\$ 53.84	\$ 42.71	\$ 38.15	\$ 33.28
Transmission	\$ -	\$ 133.00	\$ 57.00	\$ 41.43	\$ 42.96	\$ 37.68	\$ 58.78	\$ 45.62	\$ 52.82	\$ 42.13	\$ 37.67	\$ 32.97

DEC 20 Year CPRE												
CAPACITY PRICING			ENERGY PRICING									
Summer Months PM	Winter Months AM	Winter Months PM	Summer Prem Pk	Summer On-Peak	Summer Off-Peak	Winter Prem Pk	Winter On-Peak AM	Winter On-Peak PM	Winter Off-Peak	Shoulder On-Peak AM/PM	Shoulder Off-Peak	
\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	
Distribution	\$ 43.49	\$ 83.48	\$ 28.30	\$ 59.47	\$ 58.11	\$ 34.86	\$ 73.42	\$ 54.03	\$ 66.48	\$ 42.44	\$ 46.92	\$ 31.26
Transmission	\$ 42.33	\$ 81.25	\$ 27.54	\$ 57.28	\$ 56.15	\$ 34.18	\$ 71.14	\$ 52.66	\$ 64.80	\$ 41.62	\$ 46.01	\$ 30.80

For Energy Credit purposes in DEP:

Summer months are defined as calendar months June through September, Winter months are defined as calendar months December through February, and Shoulder months are defined as March through May and October through November. Summer on-peak hours shall be Monday through Friday from 1:00 p.m. to 4:00 p.m. and 8:00 p.m. to 9:00 p.m. Winter on-peak hours shall be Monday through Friday with morning hours from 4:00 a.m. to 6:00 a.m. and 9:00 a.m. to 11:00 a.m., plus evening hours from 6:00 p.m. to 10:00 p.m. Shoulder on-peak hours shall be Monday through Friday with morning hours from 5:00 a.m. to 10:00 a.m. plus evening hours from 5:00 p.m. to 11:00 p.m. Summer premium peak hours shall be Monday through Friday from 4:00 p.m.

to 8:00 p.m. Winter premium peak hours shall be Monday through Friday from 6:00 a.m. to 9:00 a.m. There are no premium peak hours for Shoulder months. All other hours, plus the following holidays, shall be off-peak: New Year's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and the day after, and Christmas Day. When a holiday falls on a Saturday, the Friday before the holiday will be considered off-peak; when the holiday falls on a Sunday, the following Monday will be considered off-peak.

For Capacity Credit purposes in DEP:

Capacity Credit shall only be applicable in Summer months defined as the calendar months of July and August and Winter months defined as calendar months of December through March. Summer on-peak hours shall be 4:00 p.m. to 8:00 p.m. during all Summer days. During Winter months, the morning on-peak hours shall be all Winter days from 6:00 a.m. to 9:00 a.m. and evening on-peak hours shall be all Winter days from 6:00 p.m. to 9:00 p.m. Capacity credits are not applicable in all other months.

For Energy Credit purposes in DEC:

Summer months are defined as calendar months June through September, Winter months are defined as calendar months December through February, and Shoulder months are defined as March through May and October through November. Summer on-peak hours shall be Monday through Friday from 12:00 p.m. noon to 4:00 p.m. and 8:00 p.m. to 10:00 p.m. Winter on-peak hours shall be Monday through Friday with morning hours from 5:00 a.m. to 6:00 a.m. and 9:00 a.m. to 10:00 a.m., plus evening hours from 5:00 p.m. to 10:00 p.m. Shoulder on-peak hours shall be Monday through Friday with morning hours from 6:00 a.m. to 10:00 a.m. plus evening hours from 4:00 p.m. to 11:00 p.m. Summer premium peak hours shall be Monday through Friday from 4:00 p.m. to 8:00 p.m.. Winter premium peak hours shall be Monday through Friday from 6:00 a.m. to 9:00 a.m. There are no premium peak hours for Shoulder months. All other hours, plus the following holidays, shall be off-peak: New Year's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and the day after, and Christmas Day. When a holiday falls on a Saturday, the Friday before the holiday will be considered off-peak; when the holiday falls on a Sunday, the following Monday will be considered off-peak.

For Capacity Credit purposes in DEC:

Capacity Credit shall only be applicable in Summer months defined as the calendar months of July and August and Winter months defined as calendar months of December through March. Summer on-peak hours shall be 4:00 p.m. to 8:00 p.m. during all Summer days. During Winter months, the morning on-peak hours shall be all Winter days from 6:00 a.m. to 9:00 a.m. and evening on-peak hours shall be all Winter days from 6:00 p.m. to 9:00 p.m. Capacity credits are not applicable in all other months.

Proposal pricing must be in the same format of 20-year avoided cost pricing periods as shown in the tables above. Proposal pricing must be stated as a fixed dollar per MWh decrement that is

applied equally to all energy pricing periods. For example, an MP could propose pricing that is \$2.00/MWh less than the avoided cost in each energy pricing period (for clarity, the decrement does not apply to capacity pricing periods). This format for pricing will be required for the bid entry on the IA RFP Website and will be the basis for the pricing in the PPA. Translating this \$2.00/MWh proposed pricing decrement example into a levelized form of pricing, the following would be the result for a Transmission connected project in DEC:

DEC 20 Year CPRE with proposed \$2/MWh pricing decrement												
CAPACITY PRICING			ENERGY PRICING									
Summer Months	Winter Months	Winter Months	Summer Prem Pk	Summer On-Peak	Summer Off-Peak	Winter Prem Pk	Winter On-Peak	Winter On-Peak	Winter Off-Peak	Shoulder On-Peak	Shoulder Off-Peak	
PM	AM	PM					AM	PM		AM/PM		
\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh
42.33	81.25	27.54	57.28	56.15	34.18	71.14	52.66	64.80	41.62	46.01	30.80	
			55.28	54.15	32.18	69.14	50.66	62.80	39.62	44.01	28.80	

PPA pricing must include all project costs to the Point of Interconnection (“POI”), including the cost to directly connect to the existing DEC or DEP transmission/distribution system (“Interconnection Facilities”). Interconnection Facilities costs at the POI will include all DEC’s or DEP’s (as applicable) costs to connect the Facility to the existing transmission/distribution system delivery point, but shall not include the costs of upgrades to the transmission or distribution system beyond the POI. For transmission interconnections in DEC, evaluation will assume the most cost-effective communication method that meets the Transmission Provider’s requirements in their transfer trip scheme. The MP has cost responsibility for the transfer trip scheme. MP-owned equipment up to the POI often includes equipment such as the generator step-up transformer (for conversion up to the interconnecting voltage level), facility side generator breaker (as needed), and all station service equipment. Utility-owned equipment typically includes metering, protective equipment, relays, and other new electrical infrastructure and specific configurations for transmission connections as discussed in more detail below.

MPs with successful Proposals will be responsible for all Interconnection Facilities costs, even if the actual costs exceed the amount estimated by the MP. The IA will review the estimated Interconnection Facilities costs included in each proposal for reasonableness and reserves the right to impute a larger amount of Interconnection Facilities Costs where it determines that the Interconnection Costs assumed by the MP are unreasonably low. Should the IA determine imputed Interconnection Facilities Costs should be used, the MP will be advised and provided the opportunity to review the revised cost estimates with the IA and advise the IA of whether the imputed estimate is accepted by the MP.

The costs of transmission/distribution grid improvements and upgrades (“System Upgrades”) should not be incorporated in the MP’s PPA price, unless the MP elects to be treated as an Advanced Stage Proposal, as further defined below. System Upgrade costs for all non-Advanced Stage Proposals will be identified during Step 2 of the evaluation process as set forth in NCUC

Rule R8-71(f)(3)(iii). For the avoidance of doubt, for purposes of determining the satisfaction of the avoided cost threshold, the System Upgrade costs determined by the T&D Sub-Team shall be converted to 20-year \$/MWh pricing and incorporated into the Proposal price by the IA.

V. PROPOSAL EVALUATION

A. OVERVIEW

Proposals will be evaluated by the IA in accordance with the evaluation process set forth in NCUC Rule R8-71(f)(3). A copy of the CPRE Rule is provided on the IA RFP Website. As specified in NCUC Rule R8-71(f)(3), in Step 1 of the evaluation process, the IA will perform the initial ranking of Proposals based on a combination of economic and non-economic criteria. As a part of the Step 1 evaluation, the IA may allow a market participant an opportunity to modify or clarify its proposal to cure a non-conformance or non-substantive deficiency that would otherwise require elimination of the Proposal. The IA will provide the MP with written notice of the deficiency and the MP shall then have five (5) business days after receiving the written notice to cure the deficiency, where failure to cure the deficiency shall result in withdrawal of the Proposal from further consideration. Proposal Fees for a Proposal that fails to timely cure any deficiency identified by the IA shall not be returned.

Each Proposal will be evaluated on its benefit to the DEC/DEP system over the twenty-year analysis period on a \$/MWh basis (accumulated net present value). Although an MP may enjoy economies of scale with respect to the owner's and development cost of a Facility, the evaluation will be conducted on a \$/MWh (benefit to DEP/DEC) basis and therefore will not favor a Proposal based on Facility size. In order to assess a Proposal's net benefit, the evaluation must determine both the Proposal's cost and the Proposal's benefit to the DEC/DEP system. The cost of the Proposal is determined by taking the MP submitted \$/MWh rate and applying the rate to the Facility's projected output (8760 hours x 20 years). The benefit to the DEC/DEP system is determined using two metrics: (1) the Proposal's output contributes toward the ability to defer future DEC/DEP generating unit capacity and (2) the Proposal's energy output replaces energy that would have been supplied at DEC/DEP system cost for that particular hour.

Proposals must include a set of 8760 hour output projections each of the 20 years of the term. Proposals must be accompanied by PVSyst inputs/outputs and supporting workpapers and calculations demonstrating the basis for the energy profiles proposed. Proposals that include storage must submit two sets of 8760 hour output projections (for the twenty years) for the facility design. The first set is the output projection assuming that the storage capability is not utilized (i.e., turned off) and the second set of output projections is the Facility output after utilizing the storage capability. It is assumed that the post-storage output projections reflect that the MP has optimized the use of the storage capability. The IA will review both the pre-storage and post-storage Facility output in order to determine that the post-storage projections are reasonable.

Note that under the terms of the PPA, DEP/DEC has the right to curtail energy from the Facility up to 10% of the Facility's annual energy production in the DEP jurisdiction and 5% in the DEC jurisdiction, without compensation to the Facility owner. For purposes of the evaluation, it will be assumed that DEP/DEC fully exercises the energy curtailment to the respective 5% and 10% limits. Note that the energy curtailment reduces the Facility's revenue (in that less energy is sold to the DEP/DEC grid).

In the Proposal evaluation, the curtailment methodology will optimize energy costs for DEP/DEC. In other words, the methodology will begin curtailing the Facility's output when the cost of the Facility's energy is most costly when measured against the DEP/DEC system cost for that hour. This methodology will continue (as the cost difference is reduced) until the full allotment of curtailment is reached (either 5% or 10%).

With Facilities that include storage, it is recognized that some of the Facility's energy that is "lost" during curtailment can be stored and sold into the DEP/DEC system several hours later. For purpose of the evaluation, the following limitations will be taken into account: the overall roundtrip efficiency of energy storage, the MW capability of the storage system (which may be smaller than the facility output), and the MWh (energy) capability of the storage system.

The non-economic criteria specified below will also be evaluated by the IA and scored in accordance with the scoring sheet attached hereto as **Appendix F**, which has been developed by the IA and sets forth the weighting the IA will use in determining the Step 1 ranking of all Proposals. The Step 1 evaluation ranked Proposals into an initial Competitive Tier ("Competitive Tier"), Competitive Tier Reserve ("Competitive Tier Reserve" or "Reserve List"), and released Proposals. For those Proposals that do not advance to Step 2 of the evaluation process, the IA will notify the relevant MP on or before the milestone for concluding Step 1 of the Evaluation Process identified in the Tranche 2 RFP schedule.

In Step 2 of the evaluation process, the T&D Sub-Team shall assess the system impact of the Proposals in the order ranked by the IA and assign any System Upgrade costs attributable to each such Proposal. The IA will utilize such information to re-rank the Proposals (as necessary), and this process will continue in an iterative manner until the optimal portfolio of Proposals has been identified.

Step 2 of the evaluation process shall utilize the System Impact Grouping Study¹⁰ and all Proposals will be required to be studied based on the Queue Number established by the Companies for purposes of the System Impact Grouping Study.

¹⁰ As that term is utilized in the NCIP.

B. NON-ECONOMIC SCORING CRITERIA

The following non-economic criteria will be evaluated for each Proposal and scored in accordance with the scoring sheet.

1. Facility Permitting

MPs should disclose all permits that will have to be obtained and the status of each permit along with a timeline for the completion of all permits that relate to the Proposal. The site evaluation and studies conducted to date, as well as a timeline for completion of these studies, should be included in the Proposal.¹¹

2. Financing Experience

Each Proposal should describe the plans for acquiring the necessary funds for developing, constructing, and operating the Facility. Such plans should include a discussion of the Facility's legal ownership structure and the expected sources and types of capital that the MP has committed to secure. If available, letters of interest or letters of commitment from such financial partners or key sources of funding should be provided.

For PPA proposals, MPs must be able to provide evidence of at least one recent successful facility financing completed of comparable size to the Proposal submitted within the last five years.

MPs must provide the financial and credit information set forth in **Appendix E**.

3. Technical Development and Operational Experience

In general, MP must show experience in developing and operating renewable facilities of comparable size and technology as the Facility submitted in the Proposal. More specifically, MP must:

- In the case of PPA proposals, have operated a renewable energy project or portfolio of projects >50 MW AC or 3x the nameplate capacity of the Proposal, whichever is less;
- In the case of solar Proposals, have completed or directly managed the completion of the development, engineering, equipment procurement, and construction of >50 MW or 3x the nameplate capacity of the Proposal, whichever is greater, of solar facilities, including at least one project of comparable size to the proposed facility within the United States or Canada; and

¹¹ MPs should take reasonable steps to develop projects in a manner that protects the environment and the communities served by the Companies. According to the North Carolina Wildlife Resources Commission, increasing the availability of native plants at solar facilities can help support pollinators, including birds, bees, and other wildlife, benefiting nearby agricultural fields and community growers. Please consider following the "Solar Site Pollinator Habitat Planning & Assessment Form" provided in **Appendix G**.

- In the case of non-solar Proposals, have completed or directly managed the completion of the development, engineering, equipment procurement, and construction of at least 10 MW of relevant renewable energy facilities within the United States or Canada.
4. Historically Underutilized Businesses

Historically underutilized businesses meeting the requirements set forth in **Appendix B** will be scored in accordance with the score sheet.

VI. ADDITIONAL INFORMATION

A. INTERCONNECTION TIMELINE AND PPA TERM

Typically, execution of an Interconnection Agreement is achieved approximately 4 – 6 months after completion of a System Impact Study. For transmission-connected projects, commercial operation of the Interconnection Facilities is achieved 18 – 24 months after execution of an Interconnection Agreement. However, it is important to note that the amount of time required for construction of Interconnection Facilities for transmission-connected projects can be substantially impacted by the number of non-CPRE projects that execute Interconnection Agreements prior to CPRE Tranche 2 winning Proposals.

The amount of time required to construct System Upgrades varies significantly depending the scope of the System Upgrade.

For the avoidance of doubt, the term of all PPAs shall be 20 years from the Commercial Operation Date (as that term is defined in the PPA).

B. ADVANCED STAGE PROPOSALS

A MP that has a fully executed Interconnection Agreement with the Companies as of the Proposal submission date (whether under the NCIP, SC GIP or the Companies' Joint Open Access Transmission Tariff) and is not in default under the Interconnection Agreement shall have the option to elect to participate as an "Advanced Stage Proposal" by so designating in its Proposal form. An Advanced Stage Proposal will not be evaluated as part of the System Impact Grouping Study. Instead, the MP submitting such Advanced Stage Proposal shall be solely responsible for the cost of any System Upgrades assigned to it under its Interconnection Agreement and should bid accordingly. A MP sponsoring an Advanced Stage Proposal must perform all obligations (including satisfying any applicable payment or financial security obligations) arising under the Interconnection Agreement. Participation in CPRE as an Advanced Stage Proposal will not entitle such MP to delay, defer or avoid any such obligations under the Interconnection Agreement nor will such participation alter any term or condition of the applicable Interconnection Agreement, including the MP's obligation to pay the actual cost of the System Upgrade in the manner required under the applicable Interconnection Agreement. In the event that, during the Tranche 2 evaluation

process, a default on the part of the Interconnection Customer occurs under the relevant Interconnection Agreement or the relevant Interconnection Agreement is terminated, the Advanced Stage Proposal shall be removed from the evaluation process and, if applicable, forfeit the Step 2 Proposal Security.

For the avoidance of doubt: (1) an Advanced Stage Proposal does not forfeit its queue position by participating in CPRE Tranche 2 and (2) the outcome of CPRE Tranche 2 shall have no impact on the applicable Interconnection Agreement, which shall continue to be administered in accordance with the terms thereof both during and after CPRE Tranche 2. If a Facility satisfies the eligibility criteria for an Advanced Stage Proposal, but elects not to participate in CPRE as an Advanced Stage Proposal, then: (1) such Facility will be included in the System Impact Grouping Study and studied based on the Queue Number established by the Companies and (2) the applicable Interconnection Agreement will be terminated by the Companies.

C. TRANSMISSION GRID LOCATIONAL GUIDANCE

For purposes of the Tranche 2 CPRE RFP, the Companies have provided grid locational guidance on the IA RFP Website indicating known transmission and distribution limitations resulting from the amount of existing or proposed renewable energy facilities in a particular area. This grid locational guidance is intended to provide MPs with information regarding areas on the transmission system where System Upgrade costs are likely based upon recent transmission system studies. The Documents Page of the IA RFP Website includes a map and supporting documentation, including tables of constrained circuits and substations to indicate areas of known transmission constraints in which System Upgrade costs will likely be required. Studies will be required to determine the extent and cost, if any, of these System Upgrades.

Transmission areas not identified as zones of known transmission constraints may still require System Upgrades, and transmission studies will be required to determine the extent and cost, if any, of these System Upgrades.

D. PRODUCTION ESTIMATES

MPs shall include an 8760 production profile for the first year of operation as part of their Proposal. In the case of solar facilities, the required production profile shall be generated in PVSyst. Production profiles should be based on energy delivered at the POI and taking into account all transformation losses to the POI, including final GSU transformation. For example, transmission interconnected projects should include any transformational losses incurred through the GSU to the high-side of the interconnect. For transmission-connected Facilities, utility power factor

requirements should also be included in determination of energy delivered to the POI.¹² The production profile provided with the Proposal should not be adjusted for Daylight Standard Time.

All Proposals including on-site storage must submit two production profiles for the facility: one profile with the storage option and one profile without the storage option.

E. STORAGE

Energy storage devices must be on the DC side of the inverter and charged exclusively by the Facility. Storage devices must be controlled by the Seller in accordance with the Energy Storage Protocols specified in the pro forma PPA, including in Exhibit 10 thereof.

F. CONTROL INSTRUCTIONS

Section 8.6 to 8.10 of the pro forma PPA addresses DEC and DEP system operators' rights to issue instructions to control the renewable generating facilities procured through the CPRE Program in the same manner as DEC's and DEP's control of the Companies' own generating facilities.¹³ CPRE Facilities must be designed with control equipment that will facilitate full or incremental instantaneous control over the Facility¹⁴ in order to take any action directed by the Companies' system operators to implement or otherwise effectuate system operator instruction.

The CPRE dispatch control entitlements are in addition to otherwise applicable system emergency condition instructions and force majeure instructions, as defined in the PPA,¹⁵ and may be issued by the system operator for any reason, including planning its security-constrained unit commitment and dispatch for operational efficiency (*e.g.*, avoid taking a large unit off-line for short intra-day durations to avoid operationally excess energy) or to provide for operational flexibility for anticipated operational challenges (*e.g.*, dispatching down facilities to reduce extreme evening ramp rates).

Section 8.9 of the pro forma PPA specifies that the uncompensated, non-force majeure/emergency conditions CPRE dispatch control entitlement is limited to 5% of the facility's annual expected output in DEC and 10% of the facility's annual expected output in DEP. Compensation at the full contract price will be provided for each MWh of energy that could have been generated but was not due to dispatch down control instruction(s) exceeding the contracted-for percentage CPRE

¹² DEC requires each transmission-connected Facility to be capable of delivering power to the POI within the power factor range of 0.93 lagging to 0.97 leading. DEP requires the Facility to be capable of delivering power to the POI within the power factor range of 0.95 lagging to 0.95 leading.

¹³ See N.C. Gen. Stat. § 62-110.8(b).

¹⁴ As specified in the Energy Storage Protocols in Exhibit 10 of the PPA, DEC/DEP will not have control of the storage resource.

¹⁵ The Companies will manage dispatch control instructions of CPRE resources and system emergency curtailments in accordance with the Operating Procedures filed January 30, 2018, in Docket No. E-100, Sub 148.

dispatch control entitlement. Section 8.9 and Exhibit 9 to the pro forma PPA also describe the methodology that will determine whether the CPRE dispatch control entitlement was exceeded during a given year and will be used to calculate any compensation owed to the seller under the PPA.

VII. RESERVATION OF RIGHTS

In submitting a Proposal into this RFP, an MP agrees and accepts that nothing contained in this RFP will be construed to require or obligate the Companies to select any Proposal. Per the Commission's CPRE Order, MPs retain the right to initiate a complaint proceeding before the Commission. MPs should be aware that submittals, even if marked "Confidential," may be subject to discovery and disclosure in regulatory or judicial proceedings. The Companies will notify the MP in advance of any required disclosure of confidential information.

APPENDIX A
FORM OF RENEWABLE POWER PURCHASE AGREEMENT

[See attached document]

APPENDIX B HISTORICALLY UNDERUTILIZED BUSINESSES

As an advocate for corporate responsibility, Duke Energy excels among our utility peers in seeking and developing local and diverse businesses, as well as those with environmentally sustainable practices, through our supply chain sourcing strategy. Including Corporate Responsibility as a standard component of the sourcing process creates a standardized approach when evaluating suppliers, while maintaining flexibility based on opportunity and risk avoidance.

Diverse Supplier Designations

The following designations will be utilized in the CPRE program to qualify a Market Participant as a Historically Underutilized Business:

Designation	Description	Requirement
WBE	Women Owned Business Enterprise	At least 51% owned
MBE	Minority Owned Business	At least 51% owned
VBE	Veteran Owned Business	At least 51% owned
SDVBE	Service Disabled Veteran Owned Business	At least 51% owned

Above business concerns must be at least 51% owned by one or more of individuals in the diverse categories or, in the case of any publicly owned business, at least 51% of the stock is owned by individuals within the groups. In addition, the owners must control the management and daily business operations. In case of a permanent or sever disability, the spouse or caregiver of such a service-disabled veteran may control the management and daily operations.

Certification

MP's that meet one or more of the diverse supplier designations above will be required to complete a self-certification form on the website and will be provided the opportunity to upload third party certifications.

APPENDIX C
FORM OF LETTER OF CREDIT

[LETTERHEAD OF ISSUING BANK]

Irrevocable Standby Letter of Credit No.: _____

Date: _____

Beneficiary:

[Duke Energy legal entity name] _____
550 South Tryon Street, DEC40C
Charlotte, NC 28202
Attention: Chief Risk Officer

Ladies and Gentlemen:

By the order of:

Applicant:

We hereby issue in your favor our irrevocable letter of credit No.: _____ (“Letter of Credit”) for the account of _____ (the “Applicant”) for an amount or amounts not to exceed _____ US Dollars in the aggregate (US\$ _____) available by your drafts at sight drawn on [Issuing Bank] effective _____ and expiring at our office on [*insert date which is one year from issuance*] (the “Expiration Date”), unless terminated earlier in accordance with the provisions hereof or otherwise extended.

Funds under this Letter of Credit are available against your draft(s), in the form of attached Annex 1, mentioning our letter of credit number and presented at our office located at [Issuing Bank’s address must be in US] and accompanied by a certificate in the form of attached Annex 2 with appropriate blanks completed, purportedly signed by an authorized representative of the Beneficiary, on or before the Expiration Date in accordance with the terms and conditions of this Letter of Credit. Partial drawings under this Letter of Credit are permitted.

We hereby undertake to promptly honor your drawing(s) presented in compliance with the terms of this Letter of Credit, up to the amount then available herein, in no event will payment exceed the amount then available to be drawn under this Letter of Credit.

We engage with you that drafts drawn under and in conformity with the terms of this Letter of Credit will be duly honored on presentation if presented on or before the Expiration Date. Presentation at our office includes presentation in person, by certified, registered, or overnight mail.

This Letter of Credit shall automatically terminate on the earliest of the following to occur: (i) the making by you and payment by us of the drawings in an amount equal to the maximum amount available to be made hereunder; (ii) the date we receive from you a Certificate of Expiration in the form of Annex 3 attached hereto; or (iii) the above stated Expiration Date.

Except as stated herein, this undertaking is not subject to any agreement, condition or qualification. The obligation of [Issuing Bank] under this Letter of Credit is the individual obligation of [Issuing Bank] and is in no way contingent upon reimbursement with respect hereto.

This Letter of Credit is subject to the International Standby Practices 1998, International Chamber Of Commerce Publication No. 590 (“ISP98”). Matters not addressed by ISP98 shall be governed by the laws of the state of New York.

We shall have a reasonable amount of time, not to exceed three (3) business days following the date of our receipt of drawing documents, to examine the documents and determine whether to take up or refuse the documents and to inform you accordingly.

Kindly address all communications with respect to this Letter of Credit to [Issuing Bank’s contact information], specifically referring to the number of this Letter of Credit.

All banking charges are for the account of the Applicant.

This Letter of Credit may not be amended, changed or modified without our express written consent and the consent of the Beneficiary.

Very truly yours
[Issuing Bank]

Authorized Signer

Authorized Signer

This is an integral part of letter of credit number: *[irrevocable standby letter of credit number]*

ANNEX 1

FORM OF SIGHT DRAFT

[Insert date of sight draft]

To: *[Issuing Bank's name and address]*

For the value received, pay to the order of _____ by wire transfer of immediately available funds to the following account:

[name of account]
[account number]
[name and address of bank at which account is maintained]
[aba number]
[reference]

The following amount:

[insert number of dollars in writing] United States Dollars
(US\$ *[insert number of dollars in figures]*)

Drawn upon your irrevocable letter of credit No. *[irrevocable standby letter of credit number]*
dated *[effective date]*

[Beneficiary]

By: _____
Title: _____

This is an integral part of letter of credit number: *[irrevocable standby letter of credit number]*

ANNEX 2

FORM OF CERTIFICATE

[Insert date of certificate]

To: *[issuing bank's name and address]*

Duke Energy _____ (the "Beneficiary") is drawing the funds requested under this draft based on the below specified draw condition:

[check appropriate draw condition]

[_____] [Legal name of bidding entity] (the "Bidder") has withdrawn its proposal in violation of the bidding rules under the Request for Proposals for the Competitive Procurement of Renewable Energy ("RFP") which was issued by [Insert Beneficiary's name] on [insert date of RFP]; or

[_____] A proposal submitted by [Legal name of bidding entity] (the "Bidder") has been selected as a winning proposal in the Request for Proposals for the Competitive Procurement of Renewable Energy ("RFP") which was issued by [Insert Beneficiary's name] on [insert date of RFP] and Bidder has failed to execute the *[insert name of required contract]* (the "Agreement") within 60 days of the closing of the RFP; or

[Legal name of bidding entity] (the "Bidder") has received a winning proposal in the Request for Proposals for the Competitive Procurement of Renewable Energy ("RFP") which was issued by [Insert Beneficiary's name] on [insert date of RFP] and has failed to meet the creditworthiness requirements under the *[insert name of required contract]* ("Agreement") or to post performance security as required under the Agreement within 5 business days of the execution of the Agreement.

Duke Energy _____

By: _____

Title: _____

ANNEX 3

FORM OF CERTIFICATE OF EXPIRATION

[Insert date of certificate]

To: *[issuing bank's name and address]*

Attention Standby Letter of Credit Unit

Re: irrevocable letter of credit No. *[irrevocable standby letter of credit number]* dated *[effective date]* the "Letter of Credit."

Ladies and Gentlemen:

The undersigned hereby certifies to you that the above referenced Letter of Credit may be cancelled without payment. Attached hereto is the referenced Letter of Credit, marked cancelled.

Duke Energy _____

By: _____

Title: _____

Cc: _____ [Bidder]

**APPENDIX D
 FORM OF SURETY BOND**

**SURETY BOND – COMPETITIVE PROCUREMENT OF
 RENEWABLE ENERGY**

COLLATERAL SECURITY PAYABLE UPON DEMAND

* * * * *

PRINCIPAL / BIDDER (Legal Name and Business Address)

SURETY (Legal Name and Business Address)	CONTRACT NO.	CONTRACT DATE
OBLIGEE [Duke Energy Carolinas, LLC][Duke Energy Progress, LLC] ---- add address -----	SURETY BOND EFFECTIVE DATE	
PROPOSAL SECURITY AMOUNT	PENAL SUM OF BOND	

KNOW ALL PERSONS BY THESE PRESENTS THAT: PRINCIPAL (herein, “Bidder”) and SURETY are held and firmly bound to [Duke Energy Carolinas, LLC] [Duke Energy Progress, LLC] (“Duke Energy”), a limited liability company organized and existing under the laws of the state of North Carolina, its successors and assigns in the amount of \$[insert Bond Amount] (“Proposal Security Amount”), for the payment of which the Bidder and Surety, their heirs, executors, administrators, successors and assigns are hereby jointly and severally bound.

WHEREAS, Bidder has submitted a bid proposal into Duke Energy’s Request for Proposals for the Competitive Procurement of Renewable Energy (“RFP”), which was issued by Duke Energy on [_____];

WHEREAS, Duke Energy has selected Bidder’s proposal (the “Bid”) for further evaluation in Step 2 of the RFP process (such evaluation referred to herein as the “Step 2 Evaluation Process”) pursuant to the RFP;

WHEREAS, Bidder and Surety acknowledge that the RFP process will be delayed and Duke Energy will be harmed if Bidder withdraws the Bid, or if the Bid is selected as a Bid for the Step 2 Evaluation Process and the Bidder does not execute the RENEWABLE POWER PURCHASE AGREEMENT or the ASSET PURCHASE AND SALE AGREEMENT (as applicable, the “Agreement”) associated with the RFP as requested by Duke Energy and/or fails to provide Performance Assurance as required under and as defined in the Agreement; and

WHEREAS, Bidder desires to furnish this Bond pursuant to the requirement in Section III of the RFP to provide Proposal Security for a bid selected to continue forward into the Step 2 Evaluation Process;

NOW THEREFORE, the condition of this obligation is such that if (i) Duke Energy or the Independent Administrator acting on its behalf notifies Bidder that the Bid has been eliminated from consideration in the RFP, or (ii) Duke Energy subsequently selects the Proposal as a winning Proposal under the RFP and Bidder has executed the Agreement and posted Performance Assurance as required in such Agreement, then this obligation will be null and void; otherwise it will remain in full force and effect, subject to the following additional conditions:

1. Capitalized terms undefined herein will take the meaning or definition provided in the RFP or where indicated, the Agreement. In the event of any conflict between this Bond and the RFP, the terms of this Bond will control.
2. If Bidder withdraws the Bid, or if Duke Energy selects the Bid as a winning Proposal and the Bidder does not execute the Agreement with Duke Energy for the Bid within 90 days of the closing of the RFP or fails to meet the creditworthiness requirements or to post the performance security as required under the Agreement within 5 business days of the execution of the Agreement, then Duke Energy will issue a demand for payment of the Proposal Security Amount to the Surety (“Demand for Payment”).
3. Surety will, not later than ten (10) days after delivery of a Demand for Payment to the Surety at the address provided below, pay the Proposal Security Amount to Duke Energy. Surety’s obligation for payment of the Proposal Security Amount will be deemed established regardless of the underlying causes for Bidder’s withdrawal of the Bid and irrespective of any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of the Surety.
4. Bidder and Surety acknowledge that the Proposal Security Amount represents a fair and reasonable pre-estimation of the damages due to Duke Energy under the circumstances existing as of the Surety Bond Effective Date and that such amount represents a reasonable estimate of Duke Energy’s losses in the event of (i) Bidder’s withdrawal of the Bid following its selection for further evaluation in the Step 2 Evaluation Process, or (ii) Bidder’s failure to execute the Agreement with Duke Energy for the Bid if selected as a winning Proposal or failure to provide Performance Assurance as required under the Agreement. The Proposal Security Amount will not be deemed a penalty, and the Bidder and Surety hereby waive and forfeit any right to contest the reasonableness or validity of the liquidated Proposal Security Amount. Duke Energy’s right to recover the Proposal Security Amount will in no way limit its entitlement to other non-monetary remedies to which Duke Energy may be entitled pursuant to the terms of the RFP, the Bond, or applicable law.
5. It is hereby agreed that this obligation is effective beginning on the Surety Bond Effective Date, above, provided that, if this Bond remains in effect after one (1) year following the Surety Bond Effective Date, Bidder may cancel this Bond after such one (1) year period by giving Duke Energy at least forty-five (45) days prior written notice of the cancellation date. Such cancellation notice will be sent by certified mail or by overnight courier with tracking service to:

{Add notice info}

with copy to
[Duke Energy Carolinas, LLC] [Duke Energy Progress, LLC]
Attn: Credit Risk Manager
550 South Tryon Street (DEC40C)
Charlotte, NC 28202

Any obligations of the Bidder prior to any such cancellation will survive such cancellation and continue to be a liability of the Surety until paid in full by the Bidder.

This Bond is irrevocable by Surety.

6. Within thirty (30) days following the date of any notice of cancellation of this Bond that is provided to Duke Energy under Paragraph 6, Bidder will provide to Duke Energy a replacement Bond that satisfies the requirements of Section III of the RFP in the amount of the Performance Security required for the pre-COD period. Bidder's failure to provide such replacement Bond in the required timeframe will constitute a default under this Bond and will entitle Duke Energy to issue a Demand for Payment to the Surety for the payment of the Proposal Security Amount.
7. The Surety's liability is limited to the Proposal Security Amount ("Penal Sum of Bond"), unless suit must be brought for enforcement of the within obligations and in which case the Surety will also be liable for all costs in connection therewith, interest and reasonable attorneys' fees, including costs of and fees for appeals.
8. Failure of the Surety to pay the Proposal Security Amount within ten (10) days of Demand for Payment will constitute default of the Surety's obligation under the Bond and Duke Energy will be entitled to enforce against the Surety any remedy available to it.
9. Surety, for value received, hereby stipulates and agrees that no change, modification, omission, addition or change in or to the RFP or the Agreement, and no action or failure to act by Duke Energy will in any way affect the Surety's obligation on this Bond; and Surety hereby waives notice of any and all such modifications, omissions, alterations, and additions to the terms of the RFP or the Agreement.
10. If any part or provision of this Bond will be declared unenforceable or invalid by a court of competent jurisdiction, such determination in no way will affect the validity or enforceability of the other parts or provisions of this Bond.
11. The undersigned Surety and Bidder are held and firmly bound for the payment of all legal costs, including reasonable attorney's fees, incurred in all or any actions or proceedings taken to enforce

this Bond or the obligations created herein, or payment of any award of judgment rendered against the undersigned Surety. Nothing contained herein will be construed to obligate Duke Energy to pay any fees or expenses incurred in connection with the issuance of this Bond.

12. All disputes relating to the execution, interpretation, construction, performance, or enforcement of the Bond and the rights and obligations thereto will be governed by the laws of, and resolved in the State and Federal courts in North Carolina. The rights and remedies of Duke Energy herein are cumulative and in addition to any and all rights and remedies that may be provided by law or equity.

13. The undersigned Surety agent(s) represent that he/she is a true and lawful attorney-in-fact for the Surety and authorized to bind the Surety hereto and to affix the Surety's corporate seal hereunder, as evidenced by the attached power of attorney.

IN WITNESS WHEREOF, this instrument is SIGNED AND SEALED this ____ day of _____, 20__.

PRINCIPAL/BIDDER:

For Bidder: _____

Signature: _____

(SEAL)

Name and Title: _____

Address: _____

SURETY:

Attorney in Fact: _____

Signature: _____

(SEAL)

Name and Title: _____

Address: _____

AFFIDAVIT AND ACKNOWLEDGEMENT OF ATTORNEY-IN-FACT

STATE OF _____

COUNTY OF _____

I hereby certify that I am the attorney-in-fact of _____, a [*insert entity type*], which is the surety in the foregoing bond, and that I am authorized to execute on the above Surety's behalf the foregoing bond pursuant to the Power of Attorney dated _____ and attached hereto, and on behalf of the Surety, acknowledge the foregoing bond before me as the above Surety's act and deed.

Given under my hand this _____ day of _____.

ATTORNEY-IN-FACT

PRINT NAME

(NOTARY SEAL)

APPENDIX E
REQUIRED FINANCIAL INFORMATION

- A. Description of ownership and proposed financing arrangements, including the expected percentage of debt and equity capital that the bidder has committed to secure.
- B. Annual reports for the past three (3) years and any Form 10-K and 10-Q filings since the period covered in the last annual report. If these documents are not available, then audited financial statements for the last three (3) years will be accepted. All financial statements, annual reports, and other large documents may be referenced via a website address. If a bidder has not been in operation for three (3) years, please provide the above information, as applicable, since the commencement of operation.
- C. Dunn and Bradstreet identification number.
- D. Documentation of the bidder's (or parent's if applicable) credit ratings from S&P, Moody's, or Fitch rating services, if rated.
- E. Details related to its banking relationships or liquidity.
- F. Description of plans for acquiring the necessary funds for developing and operating the Facility, including a discussion of the Facility's legal ownership structure, the expected percentage of debt and equity capital that the bidder has committed to secure, and the identity and credit rating or other financial information indicative of the financial strength of firms that are likely to provide such financing.
- G. Any additional documentation needed to determine the bidder's financial strength and the strength of any corporate parents.

APPENDIX F
SAMPLE SCORING SHEET

Bid Scoring Categories	Bid Score	% of Bid Score	Description	Individual Categories	Maximum Scoring	Section Score
1. Price Score		60%	Includes fixed and variable bid costs	The price score will be calculated on the basis of the bid's projected total cost per MWH	600	600
2. Project Development Criteria		15%	Respondent must show sufficient evidence of ability to provide services included in proposal for the contract term Evidence of operational capability to provide proposed services	-Demonstrate that permitting will be complete to meet COD -Experience of project team -Project Site control for full term -Site control to POI for full term	30 30 50 50	160
3a. Facility Project Characteristics		15%	Evidence of equipment designed to meet specifications	-Equipment to be used -Required control equipment (TBD) -Quality of project design	30 30 30	90
3b. Transmission Project Characteristics			Interconnection Transmission Rights	-Submitted completed interconnected request and obtained a queue number	50	50
4. Project Characteristics		4.5%	Value of Project Characteristics	Demonstrates ability to meet performance guarantee and liquidated damages pursuant to the PPA	45	45
5. Historically Underutilized Businesses		.5%	Ownership by Minorities (to be defined)	Ascertain that at least 51% of venture is owned by eligible minority	5	5
6. Credit Worthiness		5%	Financial assurances to meet schedule and milestones in PPA	-Confirms meeting all Duke credit requirements -Pass: MP provides acceptable Proposal Security - Fail: MP does not provide acceptable Proposal Security	50 50 0	50
Total Score	1,000	100%			1,000	

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May 30 2023

APPENDIX G
RECOMMENDATIONS FOR ESTABLISHING NATIVE POLLINATOR HABITAT ON
SOLAR FARMS IN NORTH CAROLINA

[See attached document]