STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH
DOCKET NO. E-2, SUB 1314
DOCKET NO. E-7, SUB 1289

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of:	)	**COMMENTS OF CCEBA**
Petition of Duke Energy Progress, LLC	)	
and Duke Energy Carolinas, LLC,	)	
Requesting Approval of Green Source	)	
Advantage Choice Program and	)	
Rider GSAC	)	

Pursuant to the North Carolina Utilities Commission's ("Commission") April 17, 2024 Order Requesting Comments on Agreement and Stipulation of Settlement Resolving Contested Issues and Recommending Approval of Modified Programs ("Order") in this docket, the Carolinas Clean Energy Business Association ("CCEBA"), hereby files these comments in response to the proposed Agreement and Stipulation among Duke Energy Progress, LLC ("DEP"), Duke Energy Carolinas, LLC ("DEC") (together with DEP, "Duke Energy" or "the Companies"), the Public Staff – North Carolina Utilities Commission ("Public Staff"), and the Carolinas Industrial Group for Fair Utilities Rates II ("CIGFUR II") and the Carolinas Industrial Group for Fair Utilities Rates III ("CIGFUR III") (together with CIGFUR II, "CIGFUR") (collectively, the "Stipulating Parties").

In the Order, the Commission requested that commenting parties "limit comments to a clear, concise statement of their position on the Stipulation and to avoid comments repetitious of earlier filings to the greatest extent possible." (Order at 6-7.) In light of this instruction, CCEBA states that the proposed Resource Acceleration Option ("RAO") settlement made by the Stipulating Parties is likely to reduce customer participation in the Green Source Advantage program – particularly participation by those major customers who require access to additive clean energy resources as a condition of making investments in commercial and industrial facilities located in North Carolina. Because the Stipulation and proposed Rider will not achieve the program's objective, they should be rejected and replaced with a program consistent with that proposed by CCEBA and supported by other parties.

The cover letter to the Agreement and Stipulation observes that the Stipulating Parties did meet with "interested parties" to discuss the RAO and "a proposal from [CCEBA]." That meeting took place on April 5. What the cover letter does not convey is (i) that Duke Energy negotiated the settlement agreement with the other Stipulating Parties over a period of several months without including or conferring with other interested parties, and (ii) none of those other "interested parties," including CCEBA, the Clean Energy Buyers Association ("CEBA"), the Carolina Utility Customers Association, Inc. ("CUCA"), Duke University, the North Carolina Attorney General's Office ("NCAGO"), the North Carolina Sustainable Energy Association ("NCSEA"), or the Southern Alliance for Clean Energy ("SACE") support the RAO as a viable approach for meeting the needs of major customers with clean energy commitments.

As the Commission is aware, the key issue that has held up implementation of new customer programs pursuant to H.B. 951 is the need that many major customers have to procure clean energy that is *additional to* that which would otherwise be generated or procured by the utility. This is a challenging issue given the substantial new clean energy resources being driven by the decarbonization mandate of H.B. 951 and the resulting Carbon Plan. However, all parties appear to agree that one way to provide some of the needed additionality is by allowing customers to procure some quantity of carbon-free megawatts that would be additional to, rather than subtractive from, Carbon plan procurement volumes. And all parties appear to agree that the best way for this procurement to occur is through so-called “sleeved” or “bring your own" PPAs, similar to those executed under the existing GSA and GSA Bridge programs, which involve three-way agreements between Duke Energy, a participating customer, and a renewable energy supplier.

Importantly, the RAO settlement preserves all elements of Duke Energy’s original customer program proposal, including 250 MW per year of sleeved PPAs. But under the settlement, those 250 MW are deducted from Duke Energy’s annual Carbon Plan procurement volumes. This fact is critical in evaluating the parties’ competing positions in this docket.

Under the RAO proposal, Duke Energy would also make available 300 MW of sleeved PPAs every two years, subject to the following key conditions: (i) the PPAs could only be executed with suppliers who had competed in the most recent Duke Energy RFP and lost, and (ii) the participating customer would only be eligible for a variable bill credit, not the fixed bill-credit options available under the Duke Energy's proposed base GSA program.

There are a number of serious problems with the RAO proposal for both customers and developers, starting with the fact that 150 MW of "regulatory surplus" per year is simply inadequate. Moreover, because the only eligible projects are ones that participated in and lost an RFP, interested customers would have a limited offering of available projects that may not match their need in terms of size or location and would have to wait for the completion of a lengthy RFP process to even know the universe of available projects. Customers would also lose the ability to select and work with the supplier of their choice and would be required to accept the uncertainty and risk of a variable bill credit.

From a developer perspective, the RAO proposal increases the volume of utility-owned solar resources procured through the RFPs while decreasing the volume of third-party PPAs. That outcome is unfair to the development community and bad for ratepayers since PPA solar is generally cheaper than utility-owned assets. The RAO option decreases the PPA procurement by approximately 80 MW and increases UOT procurement by the same amount compared to Duke's original GSA proposal.[1]

CCEBA has proposed a simple alternative that avoids all of the problems described above and has no obvious downsides. Under CCEBA's proposal, the

[1] Duke's original proposal would have allocated 825 MW (55%) of an annual 1500 MW procurement to UOT and 675 MW (45%) to PPAs, of which 250 MW would be GSA PPAs and 425 MW would be RFP PPAs. The RAO proposal would increase the annual procurement to 1650 MW, meaning that 907.5 MW (55%) would go to UOT and 742.5 MW would go to PPAs. But since 400 MW of that total would go to GSA PPAs (250 MW to the non-additive sleeved PPA program and 150 MW to RAO PPAs, that would leave only 342.5 MW of RFP PPAs.

RAO would be eliminated and Duke Energy's original 250 MW/year sleeved PPA program would simply be made *additional to*, rather than subtractive from, the RFP baseline. This would allow for the type of regulatory surplus provided by the RAO, but with none of the drawbacks. Under CCEBA's proposal, a total annual procurement of 1500 MW would increase to 1750 MW, with 962.5 MW allocated to UOT and 787.5 MW allocated to PPAs. Of that 787.5 MW, 250 MW would be available for sleeved PPAs (with regulatory surplus, fixed bill credit option and other benefits), and 537.5 MW would be available for RFP PPAs. The end result is an increase in both UOT *and* PPA RFP volumes.

While the RAO proposal offers a nominal total of 400 MW of sleeved PPAs per year and CCEBA's proposal only offers 250 MW, the practical reality is that the RAO proposal's offerings (250 MW with no form of regulatory surplus and 150 MW of fixed-location and fixed-sized projects offering only variable bill credits) have serious flaws and thus are very likely to be underutilized. CCEBA's proposal would provide 250 MW of an attractive product offering *with* regulatory surplus and is identical to Duke Energy's with respect to the volume of sleeved PPAs, and the applicable terms and conditions, for the 250 MW/year offering. Based upon discussions with other parties, including current GSA customers, CCEBA anticipates that its proposal will be more appealing to large load customers.[2]

[2] It should be noted that the CCEBA proposal represents a significant compromise from CCEBA's initial proposal, which would have included an *additional* 250 MW/year of sleeved PPAs on top of the 250 MW base program (500 MW total).

There is one more issue to be addressed: how additional MWs added through a supplemental sleeved PPA offering would be treated in future planning cycles. While it is true that those additional MWs need to be included in Duke Energy's *modeling*, they should not reduce the volume of future solar *procurements*, since Duke Energy's modeling selects far more solar as the least-cost resource than the Companies actually propose to procure due to professed interconnection constraints. Because those constraints artificially suppress the total amount the models would otherwise procure, the addition of 250 MW of customer program solar resources should not cause the model to select fewer MW of needed solar in future years than the amounts Duke Energy proposes to procure; rather, it would just mean that there is a smaller delta between the amount of solar selected by the model and the volume of solar procurement.

The Public Staff has expressed concern that CCEBA's proposal would allow participating customers to secure the lowest cost available projects, thereby increasing the cost of renewable resources procured by Duke Energy for non-participating customers (referred to by some as "cream skimming"). As previously noted, the proposal from the Stipulating parties includes 250 MW per year of sleeved PPAs that are subject to the exact same terms and conditions as those under CCEBA's proposal – except for the fact that they are subtracted from rather than added to Duke Energy's annual Carbon Plan procurement volumes (and thus are less attractive to interested customers). If "cream skimming" is a risk of the CCEBA proposal, it would also be a risk of the GSA portion of the Stipulating Parties' proposal.

More importantly, there is no evidence that past GSA projects have contracted at significantly lower rates than Duke Energy's RFP projects and no reason to think they will do so in the future. A GSA participating customer may choose a particular project or developer for many other reasons, including developer reputation, prior working relationships, project size, and project location. In fact, the larger product offering under Duke Energy's customer program proposal is premised on the assumption that participating customers will pay a premium for renewable energy. Yet even if the speculation that GSA PPAs could be priced favorably relative to RFP PPAs were taken as fact, the marginal effect of an annual 250MW – essentially three and a half commercial scale projects a year – on the overall price of the annual procurement of over 1.5GW in each of the coming years will likely be negligible if it exists at all.

Moreover, CCEBA proposes that its program be initially limited to a cumulative total 1GW (the program cap proposed by the Stipulating Parties for their RAO offering), which, if fully subscribed, would be reached in four years, after which the success and impact of the program could be measured before the Commission decided to continue it or pursue another approach to commercial customer programs. CCEBA is also aware that NCSEA and clients of the SELC are proposing to revisit the CCEBA proposal in two years. While CCEBA has proposed four years in order to assure both proposals are aimed at achieving at least 1GW of customer PPAs, CCEBA would be willing to accept NCSEA's proposal should the Commission find it reasonable.

CCEBA therefore respectfully requests that the Commission reject the Agreement and Stipulation reached by only three of the many parties in this docket, and order Duke Energy to work with other parties to develop documents that would implement the approach recommended by CCEBA.

Respectfully submitted this 26th day of April 2024.

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CERTIFICATE OF SERVICE

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

This, the 26th day of April 2024.

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