

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-2, SUB 1170

DOCKET NO. E-7, SUB 1169

In the Matter of:)	
)	
Petition of Duke Energy Progress,)	
LLC, and Duke Energy Carolinas,)	INITIAL COMMENTS OF SACE
LLC, Requesting Approval of Green)	
Source Advantage Program and Rider)	
GSA to Implement G.S. 62-159.2)	

Pursuant to the North Carolina Utilities Commission's ("Commission") *Order Establishing Proceeding to Review Proposed Green Source Rider Advantage Program and Rider GSA* in the above-referenced dockets, the Southern Alliance for Clean Energy ("SACE") respectfully submits the following initial comments regarding the Green Source Advantage Program and Rider GSA tariffs ("GSA Program" or the "Program") filed by Duke Energy Carolinas, LLC and Duke Energy Progress, LLC (collectively, the "Companies" or "Duke") pursuant to House Bill 589, Session Law 2017-192 ("H.B. 589").

INTRODUCTION

Utilities across the country are increasingly implementing voluntary renewable energy tariffs or "green tariffs" to meet the growing demand for renewable energy from their large customers, such as commercial and industrial customers, universities, and the military.¹ These customers seek out green tariffs because access to renewable energy helps to reduce long-term operating costs, diversify their energy supply, support energy

¹ See World Resources Institute, "Emerging Green Tariffs in U.S. Regulated Electricity Markets" at p. 1 (February, 2018), available at <http://www.wri.org/sites/default/files/emerging-green-tariffs-in-us-regulated-electricity-markets-feb2018.pdf> (hereinafter "Emerging Green Tariffs").

security and resilience, and hedge against market volatility in traditional fuel markets.² Moreover, many of these large customers have adopted ambitious sustainability and renewable energy goals. As of 2017, 63% of Fortune 100 companies had set targets to reduce greenhouse gas emissions and purchase clean energy.³ Yet, these customers also frequently face challenges accessing renewable energy.

A well-designed green tariff program can address these challenges and increase access to renewable energy. While green tariff designs vary across the country, many large renewable energy customers support the following principles: (1) greater choice in options to procure renewable energy; (2) cost competitiveness between traditional and renewable energy rates; (3) access to longer-term, fixed-price renewable energy; (4) access to projects that are new or help drive new projects in order to reduce energy emissions beyond business as usual; (5) standardized and simplified processes, contracts and financing for renewable energy projects, and increased access to third-party financing vehicles; and (6) opportunities to work with utilities and regulators to expand choices for buying renewable energy.⁴

Significantly, large renewable energy buyers benefit from the flexibility to choose renewable energy resources that meet their needs and goals with respect to energy diversification, geography, price and load. Additionally, a fixed, long-term contract for renewable energy at a negotiated rate provides customers with price certainty, which

² WWF, Ceres, and Calvert Investments, “Power Forward: Why the World’s Largest Companies are Investing in Renewable Energy” at p. 2 (2013), *available at* https://c402277.ssl.cf1.rackcdn.com/publications/507/files/original/Power_Forward_FINAL_hi_res.pdf?1357935348.

³ The Buyers’ Principles: Collaborating to deliver more affordable, clean energy today. CORPORATE RENEWABLE ENERGY BUYERS’ PRINCIPLES. <http://buyersprinciples.org/>.

⁴ The Principles. CORPORATE RENEWABLE ENERGY BUYERS’ PRINCIPLES. <http://buyersprinciples.org/principles> (hereinafter “Buyers’ Principles”). Attached hereto as “Attachment 1.”

helps to reduce long-term operating costs and hedge against market volatility in traditional fuel markets. Finally, green tariffs that are implemented in a simple and standardization manner help to facilitate customer participation.

a. House Bill 589

To address growing customer demand for direct access to renewable energy in North Carolina, H.B. 589 required Duke to file applications for green tariff programs for eligible customers in its North Carolina service territories.⁵ N.C. Gen. Stat. (“G.S.”) § 62-159.2 mandates that the green tariff programs shall offer renewable energy as a voluntary tariff to major military installations, the University of North Carolina (“UNC”), and other new and existing nonresidential customers with either a contract demand (i) equal to or greater than one megawatt or (ii) multiple service locations that, in aggregate, is equal to or greater than five megawatt.⁶ The green tariff program may not exceed 600 megawatts, and customers are limited to capacity of no more than 125% of the participating customers’ maximum annual peak demand.⁷ Participating customers shall be allowed to: determine the renewable energy facility from which the applicable utility shall procure the energy and capacity, elect the term from a range of two years to 20 years, and negotiate with renewable energy suppliers regarding price terms.⁸

Pursuant to H.B. 589, customers participating in the green tariff program shall pay their normal retail bill and the cost of any renewable energy and capacity procured by or provided by the utility for such customer.⁹ In return, the utility shall pay the owner of the renewable energy facility and credit the participating customer in an amount “not to

⁵ G.S. § 62-159.2(a).

⁶ *Id.*

⁷ G.S. § 62-159.2(c).

⁸ G.S. § 62-159.2(b).

⁹ G.S. § 62-159.2(e).

exceed the utility's avoided costs.”¹⁰ Finally, the Commission shall ensure that the non-participating customers shall not be impacted – neither advantaged nor disadvantaged – by the green tariff program.¹¹

b. Duke's Green Source Advantage Program

Pursuant to H.B. 589, Section 3.(b), Duke filed its GSA Program with the Commission on January 22, 2018. Duke's proposed GSA Program provides two options for participation by eligible customers: (1) the “Standard Offer option” and (2) the “Self-Supply option.”

i. *Standard Offer Option*

Under the Standard Offer option, Duke will procure renewable energy for use in the GSA Program from a portfolio of renewable energy facilities based upon customer interest expressed prior to each Competitive Procurement of Renewable Energy (“CPRE”) Program request for proposals (“RFP”).¹² Duke states that the Standard Offer option will provide “a competitive option for GSA Customers to obtain and contract for cost-effective [renewable energy certificates (“RECs”)] associated with GSA capacity.”¹³ Duke plans to “leverage the competitive and independently-administered multi-year RFP process mandated under the CPRE Program” to procure renewable energy for Standard Offer customers.¹⁴ Standard Offer procurements are limited to only a 20-year contract term, which aligns with 20-year term of the CPRE program procurement.¹⁵

¹⁰ *Id.*

¹¹ *Id.*

¹² Duke Energy Carolinas, LLC's and Duke Energy Progress, LLC's Petition for Approval of Green Source Advantage Program and Rider GSA to Implement N.C. Gen. Stat. § 62-159.2 in Docket Nos. E-2, Sub 1170 and E-7, Sub 1169, at p. 7, para. 11 (Jan. 22, 2018)(hereinafter “GSA Program”).

¹³ *Id.*

¹⁴ *Id.* at p. 7, para. 10.

¹⁵ *Id.*, at p. 11, para. 19.

In addition to paying their normal retail bill, GSA Customers opting for the Standard Offer option will pay (1) a GSA Product Charge equal to the “CPRE Tranche Weighted Average Cost in which the standard offer supply is procured” and (2) a GSA Administrative Charge. GSA Customers will receive a GSA Bill Credit equal to the GSA Product Charge, minus the GSA REC value.¹⁶ In sum, the GSA Customer will pay its normal retail rate, plus the price of RECs, plus an administrative charge. Duke will pay the GSA Supplier the “Bundled Renewable Energy Product PPA Price” equal to the “as-bid” RFP price submitted by the GSA Supplier.¹⁷

ii. Self-Supply Option

Under the Self-Supply option, GSA Customers also continue to pay their normal retail rate, plus a charge for RECs, plus an administrative charge. The primary difference between the Self-Supply option and the Standard Offer option is that the REC price in the Self-Supply option is negotiated between the GSA Customer and the GSA Supplier. Self-Supply customers may choose a renewable energy facility with which to enter into an “unbundled GSA PPA for energy and capacity” and may choose from contract terms of 2 years, 5 years, and 20 years.¹⁸ The GSA Product Charge and GSA Bill Credit differ depending on whether the customer chooses a 20-year contract or a 2-year or 5-year contract. The Product Charge and Bill Credit for 20-year contracts are based on the applicable CPRE Tranche Weighted Average, minus the negotiated REC price.¹⁹ The Product Charge and Bill Credit for 2-year and 5-year contracts are based on the lesser of

¹⁶ The REC price for the Standard Offer option is based on a national, voluntary market index. *See* GSA Program, Attachment C, “GSA REC Value”.

¹⁷ GSA Program, at p. 20, para. 36.

¹⁸ *Id.* at p. 16, para. 27; p. 8, para. 12.

¹⁹ *Id.* at p. 21, para. 38.

the “Self-Supply Unbundled PPA Price” or Duke’s forecasted avoided cost.²⁰ The Self-Supply customer will pay the REC price directly to the GSA Supplier, and the GSA Supplier will transfer the RECs directly to the GSA Customer.²¹ Like Standard Offer customers, Self-Supply customers will continue to pay their normal retail bill, plus a charge for RECs, plus an administrative charge.

SACE’s Comments and Recommendations

As described below, the GSA Program fails to comply with the requirements set forth in G.S. § 62-159.2 because it creates a REC-purchase program rather than a green tariff; does not allow customers to negotiate with renewable energy suppliers regarding price terms; does not ensure that all other customers are held neutral; and does not provide adequate contract terms from which customers may elect. More broadly, the GSA Program fails to establish a green tariff that will provide meaningful access to renewable energy for large nonresidential customers, UNC, and major military installations as contemplated by H.B. 589. SACE requests that the Commission (1) declare that the GSA Program does not comply with G.S. § 62-159.2 and (2) instruct Duke to revise its program to comply with the statute and to offer a green tariff consistent with the principles discussed herein.

- a. G.S. § 62-159.2 does not contemplate the development of a REC-purchase program.

Customers that wish to procure RECs on the voluntary market may already do so without H.B. 589.²² While voluntary REC purchases provide a simple option for customers to obtain the “renewable energy attributes” of a renewable energy facility,

²⁰ *Id.* at p. 23, para. 43.

²¹ *Id.* at p. 21, para. 39.

²² *See, e.g.* Green-e, FIND CERTIFIED GREEN-E, <https://www.green-e.org/certified-resources>. (Green-e provides access to a marketplace in which entities may voluntarily purchase RECs).

customers purchasing RECs do not have the opportunity to economically benefit from the fixed cost of power from the renewable energy project that created the RECs or to receive protection against increasing energy prices.²³ REC purchases also do not allow customers to negotiate price terms for the energy and capacity from the renewable energy facility. Instead, customers who purchase RECs on the voluntary market continue to pay their normal retail rates and pay an additional fee for the RECs. As proposed, Duke's GSA Program would be little more than a REC purchase program: participating customers would continue to pay their regular retail rates, in addition to a charge for RECs and an administrative charge.²⁴

Large nonresidential customers seeking to procure renewable energy increasingly prefer "green tariffs" rather than REC-purchase programs because of the opportunity that a well-designed green tariff provides customers to economically benefit from the development of a new renewable energy facility.²⁵ As written, G.S. § 62-159.2 does not describe the development of a REC-purchase program:

In addition to the participating customer's normal retail bill, the total cost of any renewable **energy and capacity** procured by or provided by the electric public utility for the benefit of the program customer shall be paid by that customer. The electric public utility shall pay the owner of the renewable energy facility which provided the **electricity**. The program customer shall receive a bill credit for the **energy** as determined by the Commission; provided, however, that the bill credit shall not exceed utility's avoided cost.

G.S. § 62-159.2(e)(emphasis added). This section describes multiple transactions involving payments and credits for *energy and capacity*. It does not describe the purchase

²³ See Emerging Green Tariffs, at p. 2.

²⁴ See GSA Program, at p. 5, para. 5 ("Under both options, all retail customers receive the benefit of cost-effective energy and capacity, while each GSA Customer will receive the RECs generated by the respective GSA Facility(ies) developed or procured on its behalf.").

²⁵ See Emerging Green Tariffs, at p. 2; See also Letter from Corporate Customers to the North Carolina General Assembly, "Corporate Customer Perspective on HB 589, Competitive Energy Solutions For NC" at p. 2 (June 20, 2017). (Access to renewable energy "helps businesses cut energy costs, reduce exposure to the volatility of fossil fuel prices, and stay competitive.") Attached hereto as "Attachment 2."

of RECs from renewable energy projects. If the North Carolina General Assembly had intended to create a REC-purchase program, it could have expressly done so. However, G.S. § 62-159.2 does not contemplate the development of a REC-purchase program as Duke has presented in its GSA Program.

While SACE does not oppose the availability of a REC-purchase program in North Carolina, any such program should not be available at the exclusion of a green tariff program that meets the requirements of H.B. 589. As discussed below, however, the GSA Program as proposed is not consistent with G.S. § 62-159.2.

- b. The GSA Program does not allow customers to negotiate with renewable energy suppliers regarding price terms as required by G.S. § 62-159.2(b).

H.B. 589 states that “[e]ligible customers shall be allowed to negotiate with renewable energy suppliers regarding price terms.”²⁶ The GSA Program does not comply with H.B. 589 because it does not permit eligible customers to negotiate with renewable energy suppliers regarding price terms in any meaningful way.

Under the Standard Offer option, eligible customers do not have the opportunity to negotiate any of the price terms involved in the GSA transaction. The GSA Product Charge (paid by the GSA Customer to Duke) is determined by the applicable CPRE Tranche Weighted Average Price, multiplied by the quantity of energy delivered to Duke from the GSA Supplier.²⁷ The GSA Bill Credit (credited by Duke to the GSA Customer) is equal to the GSA Product Charge, less the GSA REC Value multiplied by the quantity of energy delivered to Duke by the GSA Facility.²⁸ The GSA REC Value, in turn, is based on a national, voluntary market index for procuring RECs, as determined by

²⁶ G.S. § 62-159.2(b).

²⁷ GSA Program, at p. 19, para. 33.

²⁸ *Id.* at para. 34.

Duke.²⁹ The Bundled Renewable Energy Product PPA Price (paid by Duke to the GSA Supplier) is based on the Renewable Supplier's "as-bid" RFP price.³⁰ None of the Standard Offer charges or credits involves or permits the negotiation of price terms.

Duke claims to satisfy the "negotiation" requirements of G.S. § 62-159.2(b) through its Self-Supply option.³¹ Duke states that GSA Self-Supply Customer will "negotiate a total price with a Renewable Energy Supplier for energy, capacity and RECs ('All-in Negotiated Price')." ³² However, despite this purported "negotiation," Self-Supply customers—like Standard Offer customers—continue to pay their normal retail rates, plus a price for RECs, plus an administrative charge. The only significant difference between the Self-Supply option and the Standard Offer option for GSA Customers is that the REC price in the Self-Supply option is based on a value negotiated between the GSA Customer and GSA Renewable Supplier.³³ The ability to negotiate the REC price in the Self-Supply option does not satisfy the requirement that customers and suppliers may negotiate regarding price terms.

The rates applicable to Self-Supply Customers differ depending on whether the customer chooses a 20-year contract or a 2-year or 5-year contract.³⁴ Customers choosing a 20-year contract will pay a GSA Product Charge, and receive a GSA Bill Credit, based on the most recent CPRE Weighted Average Cost, minus the GSA REC Value. Customers choosing a 2-year or 5-year contract will pay a GSA Product Charge,

²⁹ *Id.*, Rider GSA, at p. 3 and Rider GSA-1, at p. 3 ("Renewable Energy Credits"); Attachment C, GSA Rate Design Detail: Charges, Credits, and REC Values ("GSA REC Value").

³⁰ *Id.* at p. 20, para. 36.

³¹ *Id.* at p. 8, para. 12 ("Under the Self-Supply option, GSA Customers may also independently 'negotiate with renewable energy suppliers regarding price terms;' ...*See* N.C. Gen. Stat. § 62-159.2(b)").

³² *Id.* at p. 21, para. 39.

³³ *Id.*, Attachment C, GSA Rate Design Detail: Charges, Credits, and REC Values ("Negotiated REC Agreement").

³⁴ *Id.*

and receive a GSA Bill Credit, based on the lesser of the Company's forecasted Avoided Cost rate or the negotiated Unbundled Self-Supply Price.³⁵ In either case, the Self-Supply customer continues to pay its retail rate to Duke, plus a price for RECs, plus an administrative charge.

Despite G.S. § 62-159.2(b)'s directive that customers may negotiate regarding price terms, the only component of the GSA Program involving negotiation that impacts the overall price paid by GSA Customers is the price of RECs under the Self-Supply option. The ability of the GSA Customer and Supplier to negotiate a REC price under the Self-Supply option does not provide sufficient opportunity to negotiate regarding price terms as required by G.S. § 62-159.2(b).

SACE requests the Commission declare that the GSA Program does not comply with G.S. § 62-159.2(b) because it does not allow eligible customers and renewable energy suppliers to negotiate regarding price terms.

- c. The GSA Program does not ensure that all other customers are held neutral as required by G.S. § 62-159.2(e).

H.B. 589 requires the Commission to "ensure that all other customers are held neutral, neither advantaged nor disadvantaged, from the impact of the renewable electricity procured on behalf of the program customer."³⁶ The GSA Program, as proposed, does not comply with H.B. 589 because it would advantage non-participating customers who would benefit from the cost savings of energy and capacity procured by Duke for GSA Customers below Duke's avoided cost.

Under both the Standard Offer and the 20-year Self-Supply options, Duke links the GSA Product Charge and Bill Credit to the most recent CPRE Tranche Weighted

³⁵ *Id.*

³⁶ G.S. § 62-159.2(e).

Average Cost.³⁷ GSA Customers will continue to pay their normal retail bill (in addition to the cost of RECs and an administrative charge) but will not realize any cost savings, regardless of the price of energy and capacity procured from the GSA Supplier. In fact, any cost savings derived from energy and capacity procured for GSA Customers below Duke's avoided cost will pass to Duke's general customer base. As structured, the GSA Program would not comply with G.S. § 62-159.2(e) because it will advantage non-participating customers who will benefit from any energy and capacity procured for GSA Customers below Duke's avoided cost.³⁸

H.B. 589 does not require, or even suggest, that Duke should apply the CPRE Weighted Average Cost for the GSA Product Charge and GSA Bill Credit. Rather, H.B. 589 contemplates a direct negotiation between the GSA Customer and GSA Supplier "regarding price terms," and a bill credit to the GSA Customer "not to exceed [Duke's] avoided cost."³⁹ Rather than linking the GSA Bill Credit to competitive solicitation prices, GSA Customers should receive a bill credit equal to Duke's applicable avoided cost rate. The avoided cost rate represents the rate at which non-participating customers are held neutral from the impact of the renewable energy procured on behalf of the program customer, consistent with G.S. § 62-159.2(e). A GSA Bill Credit at Duke's avoided cost rate will also give GSA Customers the opportunity to realize electric bill savings if they are able to negotiate price terms with the GSA Supplier at a price below Duke's avoided cost rate.

³⁷ *Id.*, Attachment C, GSA Rate Design Detail: Charges, Credits, and REC Values ("GSA Product Charge" and "GSA Bill Credit").

³⁸ Self-Supply Customers that choose 2-year or 5-year contracts will pay and receive GSA charges and credits based on the lesser of 1) a negotiated PPA rate or 2) Duke's avoided cost rate. Therefore, the only scenario in which GSA charges and bill credits equal avoided cost—thereby holding all other customers neutral—is a Self-Supply 2-year or 5-year contract priced at Duke's avoided cost rate.

³⁹ G.S. § 62-159.2(b).

SACE requests the Commission declare that (1) the GSA Program does not comply with G.S. § 62-159.2(e) because it does not hold all other customers neutral and (2) that the GSA Bill Credit should be set at Duke's applicable avoided cost rate, which represents the rate at which non-participating customers are held neutral.

- d. The GSA Program does not provide an adequate range of terms from which participating customers may elect as required by G.S. § 62-159.2(b).

H.B. 589 states that the “standard terms and conditions available to renewable energy suppliers shall provide a range of terms, between two years and 20 years, from which the participating customer may elect.” G.S. § 62-159.2(b). The GSA Program provides 2-year, 5-year, and 20-year terms for Self-Supply Customers and 20-year terms for Standard Offer Customers.⁴⁰ While H.B. 589 does not expressly delineate the necessary “range of terms”, the GSA Program provides only a single additional term—5 years. This does not provide an adequate range of terms between 2 years and 20 years. In addition to terms of 2, 5, and 20 years, Duke should offer a 15 year term.

The addition of a 15-year term will benefit both GSA Suppliers and Customers. Long-term fixed price contracts make it easier for renewable energy suppliers to obtain project financing.⁴¹ While GSA Suppliers will likely be able to successfully develop projects with 20-year contract terms, it is not clear that Suppliers will be able to develop projects under terms of 2 and 5 years.

The GSA Program also fails to provide an adequate range of terms to accommodate the needs of GSA Customers. Standard Offer Customers have only one

⁴⁰ GSA Program, at p. 11, para. 19; Rider GSA, at p. 2 and Rider GSA-1, at p. 2 (“Application Process and GSA Service Agreement”).

⁴¹ See, e.g. NCUC Docket No. E-100, Sub 148, Direct Testimony of Patrick McConnell on behalf of Cypress Creek Renewables, at p. 5 (March 28, 2017)(noting the significance of contract duration for the development of solar energy facilities).

option: a 20-year term.⁴² Self-Supply Customers have options of 2-year, 5-year and 20-year terms. Eligible customers, particularly large industrial and commercial customers, would benefit for a wider range of terms from which to elect.

Large industrial and commercial customers seeking to procure renewable energy may require a broader range of contract term options.⁴³ Long-term contracts provide participating customers greater price certainty and opportunities for long-term business planning. However, some businesses may not remain at a single location for 20 years, and additional contract term options will provide the necessary flexibility for customers that may have property leases of 15 years, or that wish to re-locate within 20 years of entering into a GSA Agreement. GSA customers unable to remain under a 20-year contract will be subject to an early termination charge under the GSA Program.⁴⁴ While businesses may prefer a long-term contract, a 20-year contract may be too long in some cases, while a 5-year contract may not be long enough to meet sustainability or operational goals. Including a 15-year term will provide commercial and industrial customers greater flexibility in meeting their clean energy and business objectives.

SACE recommends that the GSA Program include a term option of 15 years for both Standard Offer and Self-Supply customers, in addition to the 2-year, 5-year and 20-year options available in the GSA Program.

- e. The GSA Program should allow participants to hedge against future energy price increases or realize energy bill savings.

⁴² GSA Program, at p. 11, para. 19.

⁴³ Buyers' Principles, at p. 2 ("Many companies would like to have options for entering into contracts over various time periods.").

⁴⁴ See GSA Program; Attachment A, Rider GSA and Rider GSA-1, at p. 3, "General Provisions" (Duke's Proposed Rider GSA states that "[i]f the customer requests termination of the GSA Service Agreement...before the expiration of the term of the GSA Service agreement, the Customer shall pay to the Company an early termination charge as determined under the GSA Agreement.").

One of the primary goals of businesses, universities, and military installations that seek to procure renewable energy from independent power producers is the ability to establish energy price certainty and decrease their energy bills.⁴⁵ Customers who enter into contracts with renewable energy suppliers under well-designed renewable energy procurement programs—either directly or through their incumbent utility—are able to establish a fixed price for energy over a particular term. This fixed price may provide immediate bill savings, or it may serve as a hedge against future energy price increases. This provides dual benefits to these customers: the ability to meet institutional renewable energy goals and the ability to establish greater economic certainty from a business and operations perspective.

The GSA Program does not provide GSA Customers the opportunity to lock in a fixed price that will decrease their energy costs or hedge against future rate increases. Although the price paid to the GSA Supplier is fixed for the contract term, the GSA Customer continues to pay its normal retail rate, plus the cost of RECs and the administrative charge. GSA Customers will see no benefit on their bills for the duration of the contract term because, regardless of the GSA Charge and GSA Credit, the customer will continue under a business-as-usual retail rate.

SACE recommends that the Commission require Duke to revise its GSA Program to allow GSA Customers to receive a rate that establishes price certainty for the participating customer. Specifically, GSA Customers should be able to negotiate a rate with a GSA Supplier which, if lower than Duke's avoided cost, creates a cost savings for the GSA Customer for the duration of the contract term. This would comply with the

⁴⁵ Buyers' Principles, at p. 2.

requirements of H.B. 589 and would also provide GSA Customers an opportunity to receive tangible energy bill savings while keeping non-participating customers neutral.

CONCLUSION

As described herein, the GSA Program fails to comply with the requirements set forth in G.S. § 62-159.2. The GSA Program fails to establish a green tariff that will provide meaningful access to renewable energy for large nonresidential customers, UNC, and major military installations as contemplated by H.B. 589. SACE requests that the Commission (1) declare that the GSA Program does not comply with G.S. § 62-159.2 and (2) instruct Duke to revise its program to comply with the statute and to offer a green tariff consistent with the principles discussed herein.

SACE appreciates the opportunity to comment on Duke's proposed GSA Program and respectfully submits these Initial Comments for the Commission's consideration.

Respectfully submitted this 23rd day of February, 2018.

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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Initial Comments of the Southern Alliance for Clean Energy, as filed today in Docket Nos. E-2, Sub 1170 and E-7, Sub 1169, has been served on all parties of record by electronic mail or by deposit in the U.S. Mail, first-class, postage prepaid.

This 23rd day of February, 2018.

s/ Peter D. Stein

Attachment 1

CORPORATE RENEWABLE ENERGY BUYERS' PRINCIPLES: INCREASING ACCESS TO RENEWABLE ENERGY

OFFICIAL COPY

Feb 23 2018



Sixty percent of the largest US businesses have set public climate and energy goals to increase their use of renewable energy.¹ Companies are setting these goals because reducing energy use and using renewable energy have become core elements of business and sustainability strategies.

Businesses are actively and successfully adding renewable energy to their own facilities and increasingly entering into contracts to buy or invest in offsite renewable energy. Even though cost-effective project opportunities currently exist, with billions of kilowatt hours still needed to meet their renewable energy goals, businesses face a variety of challenges accessing cost-effective projects on favorable terms.

The following principles frame the challenges we are facing and our common needs as large renewable energy buyers. We developed these principles to help facilitate progress on these challenges and to add our perspective to discussions underway across the country on the future of our energy and electricity system.

We hope these principles will open up new opportunities, choices and collaborations that will help businesses meet their public goals to increase the use of renewable energy.² We encourage others to join us in supporting these principles to expand and streamline the opportunities for renewable energy procurement.

IN ORDER TO MEET CUSTOMER NEEDS AND DRIVE IMPACT WE, THE ABOVE-SIGNED COMPANIES, ARE SEEKING, IN NO PARTICULAR ORDER, THE FOLLOWING FROM THE MARKETPLACE:

1

Greater choice in our options to procure renewable energy

It is important to have choice when selecting energy suppliers and products to meet our business and public goals.

2

Cost competitiveness between traditional and renewable energy rates

We know renewable energy can already achieve cost parity, or better, compared with traditional energy rates. When purchasing renewable energy directly, we would like to be able to buy renewable energy that accurately reflects the comprehensive costs and benefits to the

system. Many of us are willing to explore alternative contract arrangements (e.g., entering into long term supply arrangements with utilities and other suppliers to provide revenue certainty) that can bring down the cost of capital.

3

Access to longer-term, fixed-price renewable energy

A significant part of the value to us from renewable energy is the ability to lock in energy price certainty and avoid fuel price volatility. Many companies would like to have options for entering into contracts over various time periods.

FOOTNOTES

1 WWF, Ceres and Calvert Investments (2012) Power Forward: Why the World's Largest Companies are Investing in Renewable Energy.

2 These are general principles and they are not intended to limit the scope of individual company efforts to responsibly procure renewable energy.

4 Access to projects that are new or help drive new projects in order to reduce energy emissions beyond business as usual

We would like our efforts to result in new renewable power generation. Pursuant to our desire to promote new projects, ensure our purchases add new capacity to the system, and that we buy the most cost-competitive renewable energy products, we seek the following:

a. Access to bundled renewable energy products—energy and Renewable Energy Credits (RECs)

We are increasingly interested in access to bundled energy and REC products. Unbundled RECs do not deliver the same value and impact as directly procured renewable energy from a specific project or facility.

b. Ability to prevent double counting within the energy consumer community

In order to claim the benefits of our renewable energy purchases to satisfy our public goals and reduce our carbon footprint, current US rules require that we retain ownership of the RECs or that they are retired on our behalf.

Some companies find this single-instrument system creates competition between energy generators and energy users that can slow the growth of voluntary corporate renewable purchases. We welcome discussion to explore market mechanisms that enable greater voluntary growth of renewable energy while maintaining accounting integrity.

What is most critical to us is that we have the ability to add more renewable energy to the system and claim the consumption of the relevant renewable energy and GHG emission benefits while preventing another energy user from claiming consumption of the same renewable energy.

c. Renewable energy delivery from sources that are within reasonable proximity to our facilities

Where possible, we would like to procure renewable energy from projects near our operations and/or on the regional energy grids that supply our facilities so our efforts benefit local economies and communities as well as enhance the resilience and security of the local grid.

5 Increased access to third-party financing vehicles as well as standardized and simplified processes, contracts and financing for renewable energy projects

To access renewable energy at the competitive prices and scale we need to meet our goals, many companies are financing and/or procuring renewable energy through third-party providers using power purchase agreements (PPAs) and/or lease arrangements. Increasing access to these types of effective and affordable financing tools is critical.

Initially, for some companies, these processes can be complex and costly since they are outside of their core business functions. Simplifying and standardizing policies, permitting, incentives and other processes for direct procurement are high priorities for many companies.

6 Opportunities to work with utilities and regulators to expand our choices for buying renewable energy

Procuring renewable energy in partnership with our local utilities may be a more efficient and cost-effective option. We welcome the opportunity to work with local utilities to design and develop innovative programs and products that meet our needs as well as those of our energy suppliers. In such collaborations, we would seek renewable energy products and programs that address the above principles and that

a. fairly share the costs and benefits of renewable energy procurement

We seek to purchase renewable energy that reflects the net costs and benefits to the system, including the actual cost of procurement and benefits, such as, but not limited to, avoided energy and capacity benefits, without impacting other rate payers.

b. apply to new and existing load

To meet our public goals, we need renewable energy for both new and existing operations.

CORPORATE RENEWABLE ENERGY BUYERS' PRINCIPLES: INCREASING ACCESS TO RENEWABLE ENERGY

These principles have emerged through discussions between the participating companies convened by WWF and WRI. The companies identified common challenges to meeting their renewable energy goals and proposed establishing these principles. They worked together, facilitated by their NGO partners, with the goal of clearly communicating to the market the renewable energy products they would like to buy.

For more information or if your organization is interested in joining the principles, please visit www.buyersprinciples.org or contact:

Bryn Baker – bryn.baker@wwfus.org

Priya Barua – pbarua@wri.org



WWF is an organization dedicated to stopping the degradation of the planet's natural environment and building future in which humans live in harmony with nature. WWF achieves this mission through innovative partnerships that combine on-the-ground conservation, high-level policy and advocacy and work to make business and industry more sustainable. This work includes engagements with hundreds of companies across a range of sustainability issues, including our Climate Savers program and facilitation of the Corporate Renewable Energy Buyers' Group, which produced these principles.



WORLD
RESOURCES
INSTITUTE

The **World Resources Institute (WRI)** is a global research organization that spans more than 50 countries, with offices in the United States, China, India, Brazil, Europe, and Indonesia. Our 450 experts work closely with leaders to turn **big ideas into action** to sustain a healthy environment—the foundation of economic opportunity and human well-being. We focus on six urgent global challenges: food, forests, water, climate, energy and cities & transport.

Attachment 2



June 20, 2017

Re: Corporate Customer Perspective on HB 589, Competitive Energy Solutions For NC

Dear Members of the North Carolina General Assembly:

As major businesses and employers in North Carolina, we are writing to you to express our support for the third-party leasing program in House Bill 589, Competitive Energy Solutions for NC, and to identify the Green Source Rider program as an area in need of further improvement during implementation. We applaud the numerous energy stakeholders and legislators who have worked to draft this consensus legislation over the past nine months, and we remain grateful to Speaker Tim Moore and Senate President Pro Tempore Phil Berger for convening the energy stakeholders' process last September.

We strongly support efforts to increase clean energy access and choices for the state's business community, and we see this legislation as an important step forward. However, much work still remains to ensure successful participation by NC electric customers as these programs are implemented, and we stand ready to help.

We are encouraged by the efforts to update the state's implementation of the federal PURPA law. We hope this will lead to continued growth of the renewable energy sector in North Carolina as renewables provide the state's electric customers an opportunity to lock in affordable rates and protect against rising fuel prices. We are concerned, however, about the prescriptive language on the methodology for calculating avoided cost, as this issue seems primarily regulatory in nature.

We also support efforts to allow third-party leasing for solar generation located at customer's facilities. Opening up the financing market for corporate buyers—and others—would provide more cost-effective clean energy options and would help us contribute to an even more robust local economy. Businesses—and individuals—lease all manner of assets from copy machines to cars. Enabling leasing and power purchase agreements for solar equipment is a common sense, market based fix to allow companies to procure renewable energy without major up-front capital expenditures or taking on the operational risks of owning a power generation system.

We believe the Green Source Rider (GSR) provision in HB589 requires improvement to ensure customers will participate in the program. HB589 takes a few steps back from the previous pilot program, which only proved viable for three North Carolina businesses. We are concerned that preventing customers from achieving 100% renewable targets and by prescribing certain program requirements could negatively impact the viability of the GSR program.

We believe that choice and competition in the renewable energy sector is as important as it is in all other aspects of our businesses and supply chains. More choices for companies to access renewable energy would give North Carolina businesses a competitive edge and allow us to keep our energy investment dollars here in the state. Establishing a cost-competitive corporate renewable purchasing

mechanism that works for diverse businesses, while ensuring no additional cost to non-participating customers, has been successfully achieved in 20 other states and many international markets—leading to over \$15 billion in direct corporate investment. As companies committed to investing in North Carolina, we look forward to working with lawmakers, regulators, and any other interested stakeholders to seize this opportunity by refining and improving purchasing options in the state.

Our companies have made commitments to source renewable energy to power our operations. In fact, 63 percent of Fortune 100 companies and nearly half of the Fortune 500 have set goals to procure renewable energy, increase energy efficiency, and/or reduce emissions within their operations.¹ Clean energy helps our bottom lines. It helps businesses cut energy costs, reduce exposure to the volatility of fossil fuel prices, and stay competitive.

North Carolina is a leader in clean energy, thanks to energy legislation (Senate Bill 3) that passed in 2007 with overwhelming bipartisan support. Legislative action by the N.C. General Assembly has fostered innovation, investment, and new jobs. We support passage of the third-party leasing program in HB589 and look forward to working with legislators to establish a cost-competitive corporate renewable purchasing mechanism that works for diverse businesses moving forward.

Please feel free to contact us with questions or if you need additional information.

Sincerely,

Cargill
Google
Mars Incorporated
New Belgium Brewing
Seventh Generation
Sierra Nevada Brewing Co.
Trillium Asset Management
Unilever
VF Corporation

CC: Governor Roy Cooper

If you have any questions or would like to get in touch with any of the business signatories, please contact Alli Gold Roberts at goldroberts@ceres.org.

¹ Power Forward 3.0: How the largest U.S. companies are capturing business value while addressing climate change. Ceres. April 2017.
<https://www.ceres.org/resources/reports/power-forward-3>.

About the company signatories:

Cargill

Cargill provides food, agriculture, financial and industrial products and services to the world. Together with farmers, customers, governments and communities, Cargill applies insights and 150 years of experience into working with customers and stakeholders. In North Carolina, Cargill operates five oil and grain processing facilities, which provide 245 jobs in the state. Recently, Cargill set targets to improve energy efficiency by 5 percent below 2015 levels and to power its facilities with 18 percent renewable energy by the year 2020. Cargill currently uses more than 15 different renewable energy sources at more than 100 locations around the world and is exploring opportunities to using more solar and wind power at its facilities.

Google

Google is a global technology leader focused on improving the ways people connect with information. Google's innovations in web search and advertising have made its website a top Internet property and its brand one of the most recognized in the world. Google is committed to sourcing 100% renewable electricity and is on course to reach this goal in 2017. Today, Google is the world's largest corporate buyer of renewable power, with commitments reaching 2.6 gigawatts (2,600 megawatts) of wind and solar energy. Google owns and operates a \$1.2 billion data center complex in Caldwell County, NC.

Mars Incorporated

Mars, Incorporated petcare, candy, food, and drink brands are enjoyed by the world. Mars is focused on reducing carbon emissions in its own operations and is gradually increasing renewable energy supply to its sites worldwide with the goal that 100% of energy consumption will be fossil fuel free by 2040, with a stepping stone target of a 25% carbon emission reduction by 2015.

New Belgium Brewing

New Belgium Brewing, makers of Fat Tire Amber Ale and a host of Belgian-inspired beers in Asheville, North Carolina and Fort Collins, Colorado is consistently recognized as a great place to work and a sustainable business. New Belgium's core value to honor the environment is lived out in part through an internal energy tax to help fund sustainable business practices as well as on site solar and biogas electrical generation.

Seventh Generation

Established in 1988, in Burlington, Vermont, Seventh Generation is one of the nation's leading brands of household and personal care products. The company lives its commitment to "caring today for seven generations of tomorrows," with products formulated to provide mindful solutions for the air, surfaces, fabrics, pets and people within your home -- and for the community and environment outside of it. A pioneer in corporate responsibility, Seventh Generation continually evaluates ways to reduce its environmental impact, increase performance and safety, and create a more sustainable supply chain. To read more about Seventh Generation's corporate responsibility, visit the company's [Corporate Consciousness Reports](#).

Sierra Nevada Brewing Co.

Founded in 1980 in Chico, California, Sierra Nevada Brewing Co. brews award-winning beers in the most responsible way possible. Sierra Nevada opened a second brewery in Mills River, North Carolina, using 100% renewable energy from multiple sources including onsite solar, microturbines running on

biogas from wastewater treatment and purchased renewable energy via NC Green Power. Sierra Nevada's Chico brewery is also home to the largest privately-owned solar array in craft brewing.

Trillium Asset Management

Trillium Asset Management is an employee-owned investment management firm focused exclusively on sustainable and responsible investing. Trillium integrates Environmental, Social, and Governance (ESG) factors into the investment process as a way to identify the companies best positioned to deliver strong long-term performance. A leader in shareholder advocacy and public policy work, Trillium leverages the power of stock ownership to promote social and environmental change while providing both impact and performance to our investors. With an office in Durham and more than \$30 million in assets managed in the state we are committed to the success of North Carolina's clean energy future.

Unilever

On any given day, 2.5 billion people use Unilever products to feel good, look good and get more out of life – giving us a unique opportunity to build a brighter future. Great products from our range of more than 400 brands such as Lipton, Knorr, Dove, Axe, Hellmann's and Ben and Jerry's give us a unique place in the lives of people all over the world. Whatever the brand, wherever it is bought, we're working to ensure that it plays a part in helping fulfill our purpose as a business – making sustainable living commonplace. Unilever has announced intentions to go carbon positive in our operations by 2030. Being carbon positive means that in partnership with others, we will directly support the production of more zero carbon renewable energy than we need for our own operations. This reflects our ambition to play a leadership role in the transition to a zero carbon economy. In North Carolina, Unilever employs 250 people at our deodorant manufacturing facility in Raeford.

VF Corporation

VF Corporation is a global leader in the design, manufacture, marketing and distribution of branded lifestyle apparel, footwear and accessories. The Greensboro, North Carolina-based company's largest brands are The North Face®, Vans®, Timberland®, Wrangler®, Lee® and Nautica®. VF has committed to using 100% renewable energy at all owned and operated facilities globally by 2025.