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February 19, 2010

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**Clerk's Office  
N.C. Utilities Commission**

Ms. Renne Vance  
Chief Clerk  
North Carolina Utilities Commission  
4325 Mail Service Center  
Raleigh, North Carolina 27699-4325

RE: NCUC Dockets Nos. E-100, Sub 113 and E-100, Sub 121

Dear Ms. Vance:

Enclosed for filing with the Commission in the above-referenced dockets are the original and thirty (30) copies of the Joint Initial Comments of Dominion North Carolina Power, Duke Energy Carolinas, LLC and Progress Energy Carolinas, Inc. ("the Utilities"), in response to the Commission's January 27, 2010 Order Proposing Rules and Requesting Comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Len S. Anthony".

Len S. Anthony  
General Counsel  
Progress Energy Carolinas, Inc.

LSA:mhm

Enclosure

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**STATE OF NORTH CAROLINA**

**UTILITIES COMMISSION**

**DOCKET NO. E-100, SUB 113**

**DOCKET NO. E-100, SUB 121**

**FILED**

**FEB 19 2010**

**Clerk's Office  
N.C. Utilities Commission**

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

In the Matter of:

DOCKET NO. E-100, SUB 113 -	)	
Rulemaking Proceeding to Implement	)	<b>JOINT INITIAL COMMENTS OF</b>
Session Law 2007-397	)	<b>DOMINION NORTH CAROLINA</b>
	)	<b>POWER, DUKE ENERGY</b>
And	)	<b>CAROLINAS, LLC AND</b>
	)	<b>PROGRESS ENERGY</b>
DOCKET NO. E-100, SUB 121 -	)	<b>CAROLINAS, INC.</b>
Implementing a Tracking System for	)	<b>REGARDING PROPOSED RULE</b>
Renewable Energy Certificates	)	
Pursuant to Session Law 2007-397	)	

On January 27, 2010, the North Carolina Utilities Commission (the "Commission") issued an Order Proposing Rules and Requesting Comments ("Order"), which among other things, directed that parties may file comments on its proposed renewable energy certificate tracking system rules ("Proposed Rules") that establish requirements for participating in and paying for North Carolina Renewable Energy Tracking System ("NC-RETS"). A copy of the Proposed Rules was attached as Appendix A of the Order.

Dominion North Carolina Power ("Dominion"), Duke Energy Carolinas, LLC ("Duke") and Progress Energy Carolinas, Inc. ("PEC") ("the Utilities")

appreciate the opportunity to participate in this proceeding and offer the following brief Joint Initial Comments for consideration by the Commission.

Over the past year, the Utilities have been active participants in the Commission initiated NC-RETS “stakeholder” group. The meetings have been very productive, and a plethora of issues have been explored and resolved. The Commission did an outstanding job in coordinating this effort. As a consequence, the Utilities find the proposed rules generally acceptable as drafted and offer few proposed changes for the Commission’s consideration.

First, the Utilities suggest revising R8-67(h)(9) to clarify that energy efficiency (“EE”) may not be the sole source of compliance credits, and to simplify reporting of EE credits. NC-RETS is not an appropriate mechanism for forecasting EE program savings. Rather NC-RETS is a system for reporting EE savings claimed for REPS compliance. The EE savings will be verified through the EE program measurement and verification (“M&V”) process. EE savings reported in NC-RETS will be corrected if needed after the M&V process is completed. But that process is a function of EE program management rather than NC-RETS tracking. Accordingly, the Utilities suggest revising R8-67(h)(9) as follows:

- (9) Each electric power supplier that uses energy savings resulting from energy efficiency and/or demand-side management programs to meet its REPS requirements ~~complies with REPS by implementing energy efficiency and/or demand-side management programs~~ shall use the REC tracking system to ~~track~~ report the ~~forecasted and verified~~ energy savings of those programs.

Importantly, the rules should clearly address the issue of cost recovery associated with those fees incurred by the electric power suppliers set forth at Rule R8-67(h)(10), as well as other related charges pertaining to NC-RETS. These incremental costs should be deemed reasonable and prudent and recoverable pursuant to G.S. 62-133.8(h) through the utility's annual REPS cost recovery rider established pursuant to Commission Rule R8-67(e). While G.S. 62-133.8(h) is silent with respect to NC-RETS cost recovery, it does state in pertinent part that:

“the term ‘incremental costs’ means all reasonable and prudent costs incurred by an electric power supplier to:

- a. Comply with the requirements of subsections (b), (c), (d), (e), and (f) of this section.”

Perhaps the intent of the current rules and law may already contemplate this result; however, the Utilities believe that clarity is necessary. Therefore, the Utilities submit that in order to comply with the aforementioned subsections, the law and the Commission's proposed rules require each electric power supplier to participate in the NC-RETS. Thus, the Utilities offer the following addition to the Proposed Rules:

- (11) All reasonable and prudent costs incurred by the electric power supplier to comply with NC-RETS rules are recoverable pursuant to G.S. 62-133.8(h) and in a manner consistent with Rule 8-67(e). All costs required to develop and operate a REC tracking system which are allocated to electric power suppliers by the Commission, shall be considered reasonable and prudent incremental costs and shall be recovered through each electric

power supplier's annual rider established pursuant to G.S. 62-133.8(h) and Commission Rule R8-67(e).

Finally, like most business endeavors, the NC-RETS comes with a price tag. In the instant case, the cost of the system will ultimately be borne by the ratepayers of each electric power supplier using it. Under normal circumstances this would be considered an equitable result in a regulated environment. However, the Utilities contend that it is patently unfair that the electric power suppliers and their ratepayers should have to bear the cost of the system when others (aggregators, brokers, etc.) may utilize NC-RETS at no cost. Therefore, the Utilities request that a registration fee of some amount be assessed to all users of the system. In addition, all fees collected from NC-RETS participants should be used to offset the overall cost associated with operating the NC-RETS.

The Utilities respectfully submit these Comments to assist the Commission in its development of new rules that establish requirements for participating in, paying for, and recovering the costs for NC-RETS.

Respectfully submitted this the 19<sup>th</sup> day of February, 2010.



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STATE OF NORTH CAROLINA

UTILITIES COMMISSION

DOCKET NO. E-100, SUB 113

DOCKET NO. E-100, SUB 121

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of:

DOCKET NO. E-100, SUB 113 - Rulemaking )  
Proceeding to Implement Session Law 2007- )  
397 )

And )

**CERTIFICATE OF SERVICE**

DOCKET NO. E-100, SUB 121 - )  
Implementing a Tracking System for )  
Renewable Energy Certificates Pursuant to )  
Session Law 2007-397 )

I, Len S. Anthony, hereby certify that the Joint Initial Comments of Dominion North Carolina Power, Duke Energy Carolinas, LLC and Progress Energy Carolinas, Inc. ("the Utilities") in response to the Commission's January 27, 2010 Order Proposing Rules and Requesting Comments have been served on all parties of record either by hand delivery, email, or by depositing said copy in the United States mail, postage prepaid, addressed as follows:

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This the 19<sup>th</sup> day of February, 2010.

PROGRESS ENERGY CAROLINAS, INC.

By:   
Len S. Anthony  
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