February 23, 2018

RE: Docket Nos. E-2, Sub 1170 and E-7, Sub 1169; Perspective of Potential Green Source Advantage Business Participants

Dear North Carolina Utilities Commissioners:

As major employers and large electricity consumers in North Carolina, we are writing to express our support for improved options for businesses, universities, healthcare institutions, and other large energy users to procure, lease, and access renewable energy resources in our state. Under a regulated electric utility structure as in North Carolina, utility green tariff options, such as Duke Energy's proposed Green Source Advantage ("GSA") program, *should* provide large customers with a cost-competitive option for procuring in-state renewable energy. **However, Duke Energy's proposed Green Source Advantage program, as well as proscriptive language included in N.C. Gen. Stat. § 62-159.2 (enacted by Session Law 2017-192, commonly referred to as "House Bill 589"), fall short of meeting the needs of large energy users in North Carolina.**

Access to renewable energy is a financial imperative for today's leading companies. As large energy users, we understand that switching to renewable energy allows us to save money, hedge against volatile fossil fuel prices, and lock in cost-effective, fixed energy rates. The benefits of purchasing clean energy—and not merely the Renewable Energy Credits ("RECs") associated with clean energy resources—are especially important given expected rate hikes in North Carolina in the coming years. Clean energy also reduces our impact on the environment and helps us meet our sustainability goals.

Our businesses want fair, cost-competitive options for sourcing renewable energy that provide us with flexibility to meet our energy needs without affecting other ratepayers and allow us to add new renewable energy to the grid. In order for a green tariff or GSA program to be attractive to customers, it should include the following:

- **Flexibility:** As large energy users, we represent a wide array of different load profiles, preferences, risk tolerance levels, and needs that require a wide menu of options and give customers more flexibility. We appreciate Duke Energy's intent to create both standard offer and "self-supply" options for customers in their GSA program; however, as House Bill 589 requires, the program should offer more flexibility in contract length and other choices to meet diverse customer needs.
- **Sourcing additional renewable energy:** A successful green tariff program must provide consumer participants with energy and capacity from new renewable energy facilities, as required by House Bill 589, and not simply assign "RECs". Customers not only want to have a direct impact on new renewable energy development, but also want access to the financial benefits provided by the stable rates that fuel-less clean energy provides.

- **Fair, competitive pricing:** In order to be attractive to consumer participants, the program should reflect the actual costs of the renewable energy resource and the benefits of the services it provides. Utilities should seek out competitively-sourced renewable energy that provides long-term price stability against future fuel and capacity price increases for utility-owned resources. Administrative costs should be transparently reported, and the bill credit mechanism should reflect a fair and transparent accounting of the costs avoided by displacing the need for new energy and capacity owned by the utility. Duke Energy's GSA filing proposes very high administrative costs and is therefore unlikely to be attractive to customer participants.
- **Transparent, standard terms:** The program should have standardized contract terms concerning default, early termination, financial assurances, and other conditions that are approved by the Commission. Commission-approved standardized terms are essential for ensuring ratepayer protection and the program's long-term success.

Duke Energy's original Green Source Rider pilot program was only utilized by a small handful of businesses, and low participation was not due to a lack of interest in renewable energy by large energy users.[1] Unfortunately, Duke Energy's new proposed Green Source Advantage program also has shortcomings that will limit corporate participation.

In the future, we encourage legislators, Commissioners, Duke Energy, and energy stakeholders to involve a greater number of potential customer participants in the design of the program and to continue to evaluate the success of a green tariff program by taking into account all of the design recommendations mentioned above and the number of resulting customer participants. Moving forward, we urge lawmakers and Commissioners to refrain from imposing limitations on green tariff programs by imposing an arbitrary limit on participation,[2] by placing restrictions on the eligibility of customer participants, or by preventing customer participants from obtaining 100% of their annual energy consumption from renewable energy.[3]

Finally, it should be noted that large energy customers are a diverse community with varied energy preferences, and we see green tariff programs like Green Source Advantage as only one option for procuring renewable energy. Large customers may prefer other procurement mechanisms, including community solar, directly negotiated arrangements, and power purchase agreements ("PPAs") with non-utility energy service providers.

By increasing choice and competition in its energy market, North Carolina can provide low-cost, clean electricity options to its ratepayers and benefit from the resulting investments. Corporate and university-initiated renewable energy projects are already delivering multiple benefits in North Carolina and elsewhere, creating new local tax revenue, jobs, and investments, and are primed for additional growth. North Carolina can increase its profile as an attractive state for business and strengthen its economy by enhancing options for customers to procure affordable, reliable, and clean energy.

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[1] The Green Source Rider pilot program had high fees, limitations to participation, and minimal flexibility, and the proposed Green Source Advantage program includes many of these elements.

[2] It is unnecessary for N.C. Gen. Stat. § 62-159.2 to impose an aggregate participation cap, as the bill credit mechanism is specifically designed to hold harmless other ratepayers.

[3] The GSA should allow participating customers to achieve 100 percent renewable energy based on their annual energy consumption. Imposing a structural cap for customers based on peak demand rather than annual energy consumption (as done in HB589) can prevent customers with 100 percent renewable energy goals from achieving their targets.

While much work remains to ensure successful participation by large energy consumers as N.C. Gen. Stat. § 62-159.2 is implemented, our businesses stand ready to help. We are encouraged by the progress that has been made in North Carolina to date, and we encourage lawmakers to build upon the hard work and momentum of the House Bill 589 stakeholders process by further expanding and enhancing options for large energy consumers. We invite North Carolina's utilities, third-party energy developers and providers, policymakers, and Commissioners to collaborate with us on opportunities to meet our mutual objective of increasing the supply of cost-effective renewable energy in the state.

Sincerely,

New Belgium Brewing
SAS Institute Inc.
Sierra Nevada Brewing Co.
Unilever
VF Corporation

CC:
Chris Ayers, North Carolina Public Staff
Members of the North Carolina General Assembly
Governor Roy Cooper
N.C. Secretary of Environmental Quality Michael Regan
N.C. Secretary of Commerce Tony Copeland
David Fountain, NC President of Duke Energy

About the company signatories:

New Belgium Brewing
New Belgium Brewing, makers of Fat Tire Belgian Style 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 energy generation.

SAS Institute Inc.
SAS is the leader in analytics. Through innovative software and services, SAS empowers and inspires customers around the world to transform data into intelligence. SAS world headquarters in Cary, North Carolina employs more than 5,600 people, serving customers across 149 countries. SAS recognizes the value of renewable energy and energy efficiency, and SAS solar farms in Cary supply us with 3.8 million kilowatt-hours of clean, renewable energy each year.

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.

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 315 people at our personal care product 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.

For questions or to contact any of the signatories, please contact esteves@ceres.org.