



Analysis of House Bill 589, “Competitive Energy Solutions for NC” (Version 3)

PART I. STANDARD CONTRACTS FOR SMALL POWER PRODUCERS

Section 1.(a)

- Technical change to conform the statute with how the Utilities Commission has historically interpreted PURPA

Section 1.(b)

- Changes to standard and negotiated power purchase agreements under PURPA
 - Standard Contract PPAs
 - Maximum system size of 1 MW; maximum term of 10 years
 - After a public utility has 100 MW of standard contract qualifying facilities, the maximum system size will drop to 100 kW
 - Avoided capacity payments will be based on a public utility’s showing of need in its integrated resource plan
 - Negotiated Contract PPAs
 - Maximum term of 5 years, except for poultry and swine projects which may have terms of greater than 5 years

Section 1.(c)

- Projects that are otherwise eligible for the avoided cost rates approved in Docket No. E-100, Sub 140 but that are not online by September 10, 2018 will continue to be eligible for those rates, but the PPA term will expire on September 10, 2033.

Section 1.(d) – Effective date

Talking Points

- Maintained a workable standard contract PPA for truly small projects
- Less attractive negotiated contract PPA terms will incent developers to participate in the competitive solicitation process (Part II)
- Provides some certainty that projects currently bogged down in the interconnection queue will still be eligible for their standard contract PPA; addresses unexpected interconnection delays following Hurricane Matthew recovery work by Duke Energy.



PART II. COMPETITIVE PROCUREMENT OF RENEWABLE ENERGY

Section 2.(a)

- Duke Energy will procure 2,660 MW of renewable energy over a 45-month period via annual competitive solicitations
 - This number will be adjusted up or down if the amount of solar installed outside the competitive procurement process is different from 3,500 MW
- An additional competitive solicitation will occur after the 45-month period to include any portion of the 2,660 MW that was unawarded, any adjustment from the 3,500 MW of grandfathered solar, and any unused portion of the Green Source Rider (Part III)
- Awards will be made by an independent administrator
- Duke Energy may submit bids, but may not receive more than 30% of the procurement amount
- Duke Energy will be able to curtail solar generation, but developers must be “made whole”
- Awards under the competitive solicitation process will receive a 20-year PPA

Section 2.(b)

- Conforming change to allow Duke Energy to bid in the competitive solicitation process

Section 2.(c) – Effective date

Talking Points

- Provides developers the certainty that they need for their businesses
- Requires Duke Energy to procure renewable energy, which means that they must process projects through the interconnection queue in a timely manner

PART III. RENEWABLE ENERGY PROCUREMENT FOR MAJOR MILITARY INSTALLATIONS, PUBLIC UNIVERSITIES, AND OTHER LARGE CUSTOMERS

Section 3.(a)

- 600 MW of renewable energy will be earmarked for a new Green Source Rider program (green tariff 2.0; Duke’s initial GSR pilot expired at the end of 2016)
 - 100 MW of the GSR will be reserved for the military
 - 250 MW of the GSR will be reserved for UNC
 - Amounts not used by the military and UNC will be reallocated for all GSR customers
- Eligible GSR customers must have either (i) a single location with at least 1 MW of demand or (ii) multiple locations with an aggregate of at least 5 MW of demand
- GSR terms may be for between 2 and 20 years
- GSR customers may procure up to 125% of their peak demand



- GSR customers pay the actual PPA price and receive a bill credit that is not to exceed avoided cost
- Any GSR volume not utilized by 2022 will be reallocated to the competitive solicitation process

Section 3.(b) – Effective date

Talking Points

- Creates a new Green Source Rider program, which has been a request of the University of North Carolina (UNC) campuses and a growing number of commercial customers that want greater access to renewable energy to meet their clean energy goals.

PART IV. COST RECOVERY FOR CERTAIN SMALL POWER PRODUCER PURCHASES

Section 4.(a)

- Allows Duke Energy to recover in its annual fuel rider the costs for (i) electricity purchased from qualifying facilities and (ii) electricity purchased pursuant to the competitive solicitation process

Section 4.(b) – Effective date

Talking Points

- Duke Energy would be able to recover these costs anyway, it would just be through a rate case

PART V. AMEND COST CAPS FOR REPS COMPLIANCE

Section 5.1.(a)

- Lowers the residential cost cap for the REPS rider for 2015 and thereafter from \$34 per year to \$27 per year

Section 5.1.(b) – Effective date

Section 5.2

- Holds utilities harmless if REPS costs exceed the cost cap; utilities would be able to recover REPS costs in base rates



Talking Points

- In 2007 when Senate Bill 3 passed the NCGA, the REPS annual cost cap was based on the utilities' predicted cost of REPS compliance; however, REPS compliance has averaged 50-60% below the cost cap, due mainly to the rapid price decline of solar.
- In an effort to update the REPS law to reflect recent market advances and cost declines, HB589 adjusts the REPS residential cost cap and guarantees these savings for residential ratepayers, while also offering a new solar rebate program for residential and commercial customers under the new cost cap.

PART VI. DISTRIBUTED RESOURCES ACCESS ACT

Section 6.(a)

- G.S. 62-126.4 – Net Metering
 - Directs Duke Energy to review their net metering rates to ensure they are not creating cross-subsidies
- Talking Points
 - NCSEA, NCCEBA, environmental groups and other Stakeholders requested numerous times that the net metering language be removed from HB589; however, we were not successful during the final negotiations with legislators.
- Why It's Imperfect
 - Duke Energy is conducting the study, instead of an independent third party
 - Language of the statute assumes that cross-subsidies exist, which is not the case
 - Solar energy customers/adopters are only grandfathered into the current net metering rates for 10 years
- G.S. 62-126.5, .6, .7, and .9 – Leasing
 - Authorizes solar leasing in Duke Energy's territory for both residential and non-residential customers
 - Maximum amount of leased generation is 1% of Duke Energy's peak load, or about 250 MW
 - Allows Duke Energy to participate as a lessor
 - Municipal electric providers may opt-in to the leasing program
- Talking Points
 - Creates another financing mechanism for customers to access clean energy
 - It's not third-party energy sales, which the utilities have strongly opposed, but it's expanded access to rooftop solar financing options
- Why It's Imperfect
 - Lessors of rooftop solar are subject to NCUC oversight, while sales of rooftop solar are subject to oversight by the Attorney General
 - The customer protection and disclosure requirements, while well-intended, are unduly burdensome



- Example – G.S. 62-126.6(a)(10) – Maintenance costs of the solar installation must be disclosed, but may not be known
- G.S. 62-126.8 – Community Solar
 - Directs Duke Energy to propose 40 MW of community solar
 - Customers will be able to purchase 200 W subscriptions
- Talking Points
 - Creates another financing mechanism for customers to access clean energy
- Why It's Imperfect
 - Customers are credited for generation produced by their panels at the avoided cost rate (no virtual net metering)
 - Geographic restrictions may be problematic

Section 6.(b)

- Conforming change to clarify that rooftop solar lessors are not public utilities

Section 6.(c)

- Amends the statute governing reports of proposed construction to relieve the N.C. Utilities Commission and the Public Staff of their obligation to review reports

Section 6.(d) – Effective date

PART VII. EXPEDITED REVIEW OF INTERCONNECTION OF SWINE AND POULTRY WASTE

Section 7

- Directs an expedited review process for interconnecting swine and poultry waste-to-energy projects

Talking Points

- The utilities have had trouble complying with the REPS animal waste-to-energy set-asides, and farmers have had trouble getting their projects interconnected to the grid due to the volume of pending interconnection applications. This should expedite the interconnection of the animal waste-to-energy projects.



PART VIII. SOLAR REBATE PROGRAM

Section 8.(a)

- Directs Duke Energy to create a rebate program for customer-sited solar
 - 10 MW per year per operating utility (i.e. 10 MW in Duke Energy Carolinas and 10 MW in Duke Energy Progress territories) for 5 years (100 MW total)
 - Half is reserved for residential installations (5 MW)
 - Set-asides for nonprofits and schools
 - Rebates available for first 10 kW of a residential system, first 100 kW of a nonresidential system

Section 8.(b)

- Authorizes recovery of rebate costs by Duke Energy

Section 8.(c) – Effective date

Talking Points

- Similar to Progress Energy / Duke Energy Progress' former SunSense solar rebate program and to what Duke Energy currently offers in South Carolina

PART IX. DEMAND-SIDE MANAGEMENT FOR STATE OWNED FACILITIES PILOT PROJECT

Section 9

- Directs the N.C. Department of Public Safety to enroll in utility DSM offerings

Talking Points

- None – A legislative staffer wanted this pilot project and the Department didn't object; Stakeholders were not involved and did not take a position on this section.

PART X. UPDATE UTILITIES COMMISSION CHARGES AND FEES

Section 10.(a)

- Requires facilities registering as new renewable energy generation facilities for REPS compliance to submit a filing fee



Section 10.(b)

- Updates filing fees

Talking Points

- The N.C. Utilities Commission has been requesting these changes for several years
- Helps to ensure that the N.C. Utilities Commission and Public Staff are properly staffed
- This fee allowed the bill to remain alive past the NCGA's Crossover deadline in April

PART XI.

Deleted by an amendment on the House floor

PART XII. ENERGY STORAGE STUDY

Section 12

- Directs UNC-Chapel Hill's Policy Collaboratory to study the values that energy storage could provide to North Carolina's grid

Talking Points

- Could produce the first empirical data about the benefits that storage can provide to North Carolina's grid

PART XIII. SEVERABILITY CLAUSE AND EFFECTIVE DATE

Section 13.(a) – Severability clause

Section 13.(b) – Catch-all effective date

OVERALL TALKING POINTS

- House Bill 589 is a major step forward in energy policy to ensure North Carolina remains competitive in the global economy in which we live. This bill represents agreement among a very diverse group of renewable energy, customer advocate and utility organizations after almost a year of stakeholder negotiations. *(A formal Energy Stakeholders Process was convened by Speaker Tim Moore and Senator Phil Berger in September 2016; Stakeholders held over 30 meetings and negotiations, which concluded on Friday, June 2nd.)*
- In whole, better than the status quo
- Will bring North Carolina to 6.8 gigawatts (6800 megawatts) of installed solar by 2022