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HOUSE BILL DRH30406-LMfa-110C (04/06)

Short Title: Sound Energy & Renewables Policy Act. (Public)

Sponsors: Representatives Arp, J. Bell, and Dixon (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED  
2 AN ACT TO ESTABLISH SOUND POLICIES FOR INCREASED UTILIZATION OF  
3 RENEWABLE ENERGY SOURCES, TO REFORM NORTH CAROLINA'S  
4 IMPLEMENTATION OF THE PUBLIC UTILITIES REGULATORY POLICIES ACT OF  
5 1978 AND TO PROVIDE FOR UTILITY COST RECOVERY FOR NEW QUALIFYING  
6 FACILITY GENERATORS, AND TO ASSURE LONG-TERM RELIABLE ENERGY  
7 FOR NORTH CAROLINA CUSTOMERS AT FAIR AND REASONABLE RATES.

8 The General Assembly of North Carolina enacts:

9  
10 **PART I. STANDARD CONTRACTS FOR SMALL POWER PRODUCERS**

11 **SECTION 1.(a)** G.S. 62-3 reads as rewritten:

12 **"§ 62-3. Definitions.**

13 As used in this Chapter, unless the context otherwise requires, the term:

14 ...

15 (27a) "Small power producer" means a person or corporation owning or operating  
16 an electrical power production facility ~~with a power production capacity~~  
17 ~~which, together with any other facilities located at the same site, does not~~  
18 ~~exceed 80 megawatts of electricity and which depends upon renewable~~  
19 ~~resources for its primary source of energy. For the purposes of this section,~~  
20 ~~renewable resources shall mean: hydroelectric power. A small power~~  
21 ~~producer shall not include persons primarily engaged in the generation or~~  
22 ~~sale of electricity from other than small power production facilities.~~that  
23 qualifies as a "small power production facility" under 16 U.S.C. § 796, as  
24 amended.

25 ...."

26 **SECTION 1.(b)** G.S. 62-156 reads as rewritten:

27 **"§ 62-156. Power sales by small power producers to public utilities.**

28 (a) In the event that a small power producer and an electric utility are unable to  
29 mutually agree to a contract for the sale of electricity or to a price for the electricity purchased  
30 by the electric utility, the ~~commission~~Commission shall require the electric utility to purchase  
31 the power, under rates and terms established as provided in ~~subsection (b) of this section.~~  
32 subsection (b) or (c) of this section as of the date the small power producer makes a  
33 commitment to sell to the electric utility. For purposes of this section, a commitment to sell  
34 arises upon the earlier of (i) 180 days prior to the date a small power producer is capable of  
35 delivering power to the electric utility or (ii) the date the small power producer is ready,  
36 willing, and able to commit to sell power to the electric utility and obligates itself to sell power



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1 to the electric utility, thereby committing to accept the risk associated with failure to begin  
2 delivering power as of the delivery commencement date.

3 (b) ~~No later than March 1, 1981, and at~~ At least every two years thereafter, years, the  
4 ~~commission~~ Commission shall determine the standard contract avoided cost rates to be  
5 included within the tariffs of the electric utility and paid by electric utilities for power  
6 purchased from small power producers, producers with a design capacity of 100 kilowatts or  
7 less, according to the following standards:

8 (1) ~~Term of Contract.~~ Standard Contract for Small Power Producers up to 100  
9 kW. – Long-term contracts up to 10 years for the purchase of electricity by  
10 the electric utility from small power producers with a design capacity up to  
11 and including one hundred kilowatts (100 kW) shall be encouraged in order  
12 to enhance the economic feasibility of these small power production  
13 facilities.

14 ...  
15 (3) Availability and Reliability of Power. – The rates to be paid by electric  
16 utilities for power avoided capacity purchased from a small power producer  
17 shall be established with consideration of the reliability and availability of  
18 the power. A future capacity need shall only be avoided in a year where the  
19 electric utility's most recent biennial integrated resource plan filed with the  
20 Commission under G.S. 62-110.1(c) has identified a projected capacity need  
21 to serve system load and the identified need can be met by the type of small  
22 power producer resource based upon its availability and reliability of power,  
23 other than swine or poultry wastes for which a need is established consistent  
24 with G.S. 62-133.8(e) and (f).

25 (c) Nonstandard Rates for Purchases From Small Power Producers Above 100 kW. –  
26 The rates to be paid by electric utilities to small power producers with a design capacity in  
27 excess of one hundred kilowatts (100 kW) shall be established through good-faith negotiations  
28 between the electric utility and small power producer. In establishing rates for purchases from  
29 small power producers, the electric utility shall design rates and contracts at its forecasted  
30 avoided costs for a fixed two-year term. Rates for the purchases shall take into account factors  
31 related to the individual characteristics of the small power producer, including the factors  
32 identified in subdivisions (b)(2) and (b)(3) of this section.

33 (d) Notwithstanding any other provision of this section, an electric utility shall not be  
34 required to enter into a contract with or purchase power from a small power producer if the  
35 electric utility's obligation to purchase from the small power producer has been terminated  
36 pursuant to 18 C.F.R. § 292.309."

37 **SECTION 1.(c)** This section applies to any standard contract rates approved by the  
38 Utilities Commission or nonstandard negotiated agreements entered into between a small  
39 power producer and electric utility on or after the date this section becomes effective.  
40

## 41 **PART II. COMPETITIVE PROCUREMENT OF RENEWABLE ENERGY**

42 **SECTION 2.(a)** Article 6 of Chapter 62 of the General Statutes is amended by  
43 adding a new section to read:

### 44 **"§ 62-110.8. Competitive procurement of renewable energy.**

45 (a) Each electric utility shall file for Commission approval a process for the annual  
46 competitive procurement of electricity from new renewable energy facilities with the purpose  
47 of adding renewable energy resources to the State's generation resource portfolio in a manner  
48 that allows the State's electric utilities to continue to reliably and cost-effectively serve  
49 customers' future energy needs. Renewable energy resources eligible to participate in the  
50 competitive procurement shall include resources identified in G.S. 62-133.8(a)(8) but shall be  
51 limited to generators with a nameplate capacity rating of eighty megawatts (80 MW) or less.

1 Subject to the limitations set forth in subsections (b) and (c) of this section, electric utilities  
2 subject to this section shall issue a request for proposals to procure renewable energy in an  
3 amount not to exceed the procured renewable capacity. For purposes of this section, "procured  
4 renewable capacity" means the following aggregate procurement levels: (i) for calendar years  
5 2018-2022, a total of four hundred megawatts (400 MW) of renewable energy each calendar  
6 year and (ii) for calendar years 2023 and thereafter, the offering of a competitive procurement,  
7 with the amount to be procured determined by the Commission, taking into consideration a  
8 showing of need evidenced by the electric utility's most recent biennial integrated resource plan  
9 or annual update filed pursuant to G.S. 62-110.1(c).

10 (b) Electric utilities may jointly or individually implement the aggregate competitive  
11 procurement requirements set forth in subsection (a) of this section, which shall include  
12 procurement of new renewable energy facilities to be owned by the soliciting electric utility or  
13 utilities and the purchase of renewable energy, capacity, and all environmental attributes from  
14 third-party renewable energy facilities that commit to allow the procuring public utility rights  
15 to dispatch, operate, and control the solicited renewable energy facilities in the same manner as  
16 the electric utility's own generating resources. Procured renewable capacity in a given year  
17 shall be subject to the following limitations:

18 (1) The amount of procured renewable capacity in a given year shall be reduced  
19 or eliminated if the total amount of installed renewable energy capacity not  
20 subject to economic dispatch or curtailment within the balancing authority  
21 areas of electric utilities subject to this section exceeds thirty-five hundred  
22 megawatts (3,500 MW) as of the date an annual competitive procurement is  
23 issued. For purposes of this section, the term "balancing authority area"  
24 means the collection of generation, transmission, and loads within the  
25 metered boundaries of the balancing authority and the balancing authority  
26 maintains load-resource balance within this area.

27 (2) To ensure the cost-effectiveness of procured renewable capacity, each  
28 electric utility's procurement obligation shall be capped by the electric  
29 utility's current forecast of its avoided cost over the term of the agreement.

30 (3) Fifty megawatts (50 MW) of the four hundred megawatts (400 MW) annual  
31 competitive procurement of renewable energy established by subsection (a)  
32 of this section shall be procured from renewable energy generating facilities  
33 which produce electricity utilizing fuel derived from swine waste, poultry  
34 waste, or landfill gas and shall not be subject to the avoided cost limit.

35 (4) No more than thirty percent (30%) of an electric utility's annual competitive  
36 procurement requirement may be satisfied through self-development of new  
37 renewable energy resources offered by the electric utility or any subsidiary  
38 of the electric utility into the annual competitive procurement. This  
39 limitation shall not preclude an electric utility from acquiring any new  
40 renewable energy resources selected through the competitive procurement  
41 that are located within the electric utility's service territory.

42 (c) Electric utilities subject to this section shall have authority to determine the location  
43 and amount of annual procurement within their respective balancing authority areas, whether  
44 located inside or outside the geographic boundaries of the State, taking into consideration (i)  
45 the State's desire to foster diversification of the siting of renewable energy resources throughout  
46 the State, (ii) the efficiency and reliability impacts of the siting of additional renewable energy  
47 resources in each electric utility's service territory, and (iii) the potential for increased delivered  
48 cost to an electric utility's customers as a result of siting additional renewable energy resources  
49 in an electric utility's service territory, including the additional costs of ancillary services that  
50 may be imposed due to the operational or locational characteristics of a specific renewable

1 energy resource technology, such as nondispatchability, unreliability of availability, and  
2 creation or exacerbation of system congestion that may increase redispatch costs.

3 (d) The competitive renewable energy procurement requirements established by this  
4 section shall be independently monitored by a third-party evaluator to be approved by the  
5 Commission. All reasonable and prudent administrative and related expenses incurred to  
6 implement this section shall be recovered from market participants through administrative fees  
7 levied upon those that participate in the competitive bidding process, as approved by the  
8 Commission.

9 (e) An electric utility may participate in any annual competitive procurement process  
10 but shall only participate within its assigned service territory.

11 (f) An electric public utility subject to this section shall be authorized to recover the  
12 costs of all purchases from third-party renewable energy resources and to recover the  
13 authorized revenue of any utility-owned assets that are procured pursuant to this section  
14 through an annual rider approved by the Commission and reviewed annually. Provided it is in  
15 the public interest, the authorized revenue for any renewable energy resources owned by an  
16 electric public utility may be calculated on a market basis in lieu of cost-of-service based  
17 recovery, using data from the applicable competitive procurement to determine the market  
18 price in accordance with the methodology established by the Commission pursuant to  
19 subsection (g) of this section.

20 (g) To implement the requirements of this section, the Commission shall adopt rules to:

21 (1) Provide oversight of the competitive procurement process.

22 (2) Provide for the waiver of regulatory conditions or code of conduct  
23 requirements that would unreasonably restrict an electric utility, or its  
24 affiliates, from participating in the annual competitive procurement process,  
25 unless the Commission finds that the waiver would not hold the electric  
26 utility's customers harmless.

27 (3) Establishment of a procedure for expedited review and approval of  
28 certificates of public convenience and necessity, or the transfer thereof, for  
29 renewable energy facilities owned by the utility and procured pursuant to  
30 this section.

31 (4) Establishment of a methodology to allow an electric public utility to recover  
32 its costs pursuant to subsection (f) of this section.

33 (5) Provide for the establishment of a procedure for the Commission to modify  
34 or delay the provisions of this section, in whole or in part, if the Commission  
35 determines that it is in the public interest to do so.

36 (h) The requirements of this section shall not apply to an electric utility serving fewer  
37 than 150,000 North Carolina retail jurisdictional customers as of January 1, 2017."

38 **SECTION 2.(b)** G.S. 62-153 reads as rewritten:

39 **"§ 62-153. Contracts of public utilities with certain companies and for services.**

40 ...

41 (b) No public utility shall pay any fees, commissions or compensation of any  
42 description whatsoever to any affiliated or subsidiary holding, managing, operating,  
43 constructing, engineering, financing or purchasing company or agency for services rendered or  
44 to be rendered without first filing copies of all proposed agreements and contracts with the  
45 Commission and obtaining its approval. Provided, however, that this subsection shall not apply  
46 to motor carriers of ~~passengers~~-passengers or power purchase agreements entered into pursuant  
47 to the competitive renewable energy procurement process established by G.S. 62-133.8."

48 **SECTION 2.(c)** The competitive renewable energy procurement process required  
49 by G.S. 62-110.8(a), as enacted by subsection (a) of this section, shall be filed with the Utilities  
50 Commission by electric public utilities no later than 180 days after this section becomes  
51 effective.

1  
2 **PART III. COST RECOVERY FOR SMALL POWER PRODUCER PURCHASES OF**  
3 **NEW RENEWABLE ENERGY COMPETITIVE PROCUREMENT**

4 **SECTION 3. G.S. 62-133.2 reads as rewritten:**

5 **"§ 62-133.2. Fuel and fuel-related charge adjustments for electric utilities.**

6 ...  
7 (a1) As used in this section, "cost of fuel and fuel-related costs" means all of the  
8 following:

9 ...  
10 (10) The total delivered costs, including capacity and noncapacity costs,  
11 associated with all purchases of electric power from qualifying cogeneration  
12 facilities and qualifying small power production facilities, as defined in 16  
13 U.S.C. § 796, that are not subject to economic dispatch or economic  
14 curtailment by the electric public utility and not otherwise recovered under  
15 subdivision (6) of this subsection.

16 (11) The total delivered costs, including capacity and energy costs, or authorized  
17 revenues for renewable energy resources procured through the competitive  
18 renewable energy procurement process established in G.S. 62-110.8,  
19 whether the resources are owned by an electric public utility or purchased  
20 from a third party.

21 (a2) For those costs identified in subdivisions (4), (5), and (6) of subsection (a1) of this  
22 section, the annual increase in the aggregate amount of these costs that are recoverable by an  
23 electric public utility pursuant to this section shall not exceed two percent (2%) of the electric  
24 public utility's total North Carolina retail jurisdictional gross revenues for the preceding  
25 calendar year. The costs described in subdivisions (4), (5), and (6) of subsection (a1) of this  
26 section shall be recoverable from each class of customers as a separate component of the rider  
27 as follows:

28 (1) For the noncapacity costs described in ~~subdivision (4)~~ subdivisions (4), (10),  
29 and (11) of subsection (a1) of this section, the specific component for each  
30 class of customers shall be determined by allocating these costs among  
31 customer classes based on the ~~electric public utility's North Carolina energy~~  
32 usage for the prior year, method used in the electric public utility's most  
33 recently filed fuel proceeding commenced on or before January 1, 2017, as  
34 determined by the Commission, until the Commission determines how these  
35 costs shall be allocated in a general rate case for the electric public utility  
36 commenced on or after ~~January 1, 2008.~~ January 1, 2017.

37 (2) For the capacity costs described in subdivisions ~~(5) and (6)~~ (5), (6), (10), and  
38 (11) of subsection (a1) of this section, the specific component for each class  
39 of customers shall be determined by allocating these costs among customer  
40 classes based on the ~~electric public utility's North Carolina peak demand for~~  
41 the prior year, method used in the electric public utility's most recently filed  
42 fuel proceeding commenced on or before January 1, 2017, as determined by  
43 the Commission, until the Commission determines how these costs shall be  
44 allocated in a general rate case for the electric public utility commenced on  
45 or after ~~January 1, 2008.~~ January 1, 2017.

46 ...."

47  
48 **PART IV. EXPEDITED REVIEW OF INTERCONNECTION OF SWINE AND**  
49 **POULTRY WASTE**

50 **SECTION 4. G.S. 62-133.8 reads as rewritten:**

51 **"§ 62-133.8. Renewable Energy and Energy Efficiency Portfolio Standard (REPS).**

1 ...  
2 (i) Adoption of Rules. – The Commission shall adopt rules to implement the provisions  
3 of this section. In developing rules, the Commission shall:

- 4 ...  
5 (4) Establish standards for interconnection of renewable energy facilities and  
6 other nonutility-owned generation with a generation capacity of 10  
7 megawatts or less to an electric public utility's distribution system; provided,  
8 however, that the Commission shall adopt, if appropriate, federal  
9 interconnection standards. The standards adopted pursuant to this  
10 subdivision shall include an expedited review process for swine and poultry  
11 waste to energy projects of two megawatts (2 MW) or less and other  
12 measures necessary and appropriate to achieve the objectives of subsections  
13 (e) and (f) of this section.

14 ...."

15  
16 **PART V. UPDATE UTILITIES COMMISSION CHARGES AND FEES**

17 **SECTION 5.(a)** G.S. 62-133.8 reads as rewritten:

18 **"§ 62-133.8. Renewable Energy and Energy Efficiency Portfolio Standard (REPS).**

19 ...  
20 (l) The owner, including an electric power supplier, of each renewable energy facility  
21 or new renewable energy facility, whether or not required to obtain a certificate of public  
22 convenience and necessity pursuant to G.S. 62-110.1, that intends for renewable energy  
23 certificates it earns to be eligible for use by an electric power supplier to comply with  
24 G.S. 62-133.8 shall register the facility with the Commission. Such an owner shall file a  
25 registration statement in the form prescribed by the Commission and remit to the Commission  
26 the fee required pursuant to G.S. 62-300(a)(16)."

27 **SECTION 5.(b)** G.S. 62-300 reads as rewritten:

28 **"§ 62-300. Particular fees and charges fixed; payment.**

29 (a) The Commission shall receive and collect the following fees and charges in  
30 accordance with the classification of utilities as provided in rules and regulations of the  
31 Commission, and no others:

- 32 ...  
33 (16) Two hundred fifty dollars (\$250.00) with each application for a certificate of  
34 authority to engage in business as a solar electric generator lessor filed  
35 pursuant to G.S. 62-126.7 or each registration statement for a renewable  
36 energy facility or new renewable energy facility filed pursuant to  
37 G.S. 62-133.8(l).  
38 (17) Fifty dollars (\$50.00) for each report of proposed construction filed by the  
39 owner of an electric generating facility that is exempt from the certification  
40 requirements of G.S. 62-110.1(a).

41 ...."

42  
43 **PART VI. DISTRIBUTED RESOURCES ACCESS ACT**

44 **SECTION 6.(a)** Chapter 62 of the General Statutes is amended by adding a new  
45 Article to read as follows:

46 "Article 6B.

47 "Distributed Resources Access Act.

48 **"§ 62-126. 1. Title.**

49 This act may be cited as the "Distributed Resources Access Act."

50 **"§ 62-126.2. Declaration of Policy.**

1        The General Assembly of North Carolina finds that as a matter of public policy it is in the  
2 interest of the State to encourage the leasing of solar energy facilities for retail customers. The  
3 General Assembly further finds and declares that in encouraging the leasing of and subscription  
4 to solar energy facilities pursuant to this act, cross-subsidization should be avoided by holding  
5 harmless electric public utilities' customers that do not participate in such arrangements.

6 **"§ 62-126.3. Definitions.**

7        For purposes of this Article, the following definitions apply:

- 8            (1) Affiliate. – Any entity directly or indirectly controlling or controlled by or  
9 under direct or indirect common control with an electric power supplier.
- 10           (2) Commission. – The North Carolina Utilities Commission.
- 11           (3) Community solar energy facility. – A solar energy facility whose output is  
12 shared through subscriptions.
- 13           (4) Customer generator lessee. – A lessee of a solar energy facility.
- 14           (5) Electric generator lessor. – The owner of an eligible electric generation  
15 facility that leases the facility to a customer generator lessee, including any  
16 agents who act on behalf of the solar electric generator lessor. For purposes  
17 of this Article, an electric generator lessor shall not be considered a public  
18 utility under G.S. 62-3(23).
- 19           (6) Electric power supplier. – A public utility, an electric membership  
20 corporation, or a municipality that sells electric power to retail electric  
21 customers in the State.
- 22           (7) Electric public utility. – A public utility as defined by G.S. 62-3(23) that  
23 sells electric power to retail electric customers in the State.
- 24           (8) Maximum annual peak demand. – The maximum single hour of electric  
25 demand actually occurring or estimated to occur at a premises.
- 26           (9) Net metering. – To use electrical metering equipment to measure the  
27 difference between the electrical energy supplied to a retail electric customer  
28 by an electric power supplier and the electrical energy supplied by the retail  
29 electric customer to the electric power supplier over the applicable billing  
30 period.
- 31           (10) Offering utility. – Any electric public utility as defined in G.S. 62-3(23)  
32 servicing at least 150,000 North Carolina retail jurisdictional customers as of  
33 January 1, 2017. The term shall not include any other electric public utility,  
34 electric membership corporation, or municipal electric supplier authorized to  
35 provide retail electric service within the State. An offering utility's  
36 participation in this Article as an electric generator lessor shall not otherwise  
37 alter its status as a public utility with respect to any other provision of this  
38 Chapter. An offering utility's participation in this Article shall be regulated  
39 pursuant to the provisions of this Article.
- 40           (11) Person. – The same meaning as in G.S. 62-3(21).
- 41           (12) Premises. – The building, structure, farm, or facility to which electricity is  
42 being or is to be furnished. Two or more buildings, structures, farms, or  
43 facilities that are located on one tract or contiguous tracts of land and that are  
44 utilized by one electric customer for commercial, industrial, institutional, or  
45 governmental purposes, shall constitute one "premises," unless the electric  
46 service to the building, structures, farms, or facilities are separately metered  
47 and charged.
- 48           (13) Property. – The tract of land on which the premises is located, together with  
49 all the adjacent contiguous tracts of land utilized by the same retail electric  
50 customer.

- 1           (14) Solar energy facility. – A solar energy facility leased to a customer generator  
2 lessee that meets the following requirements:  
3           a. Generates electricity from a solar photovoltaic system and related  
4 equipment that uses solar energy to generate electricity.  
5           b. Is limited to a capacity of: (i) not more than the lesser of one  
6 thousand kilowatts (1,000 kW) or one hundred percent (100%) of  
7 contract demand if a nonresidential customer; or (ii) not more than  
8 twenty kilowatts (20 kW) or one hundred percent (100%) of  
9 estimated electrical demand if a residential customer.  
10          c. Is located on a premises owned, operated, leased, or otherwise  
11 controlled by the customer generator lessee that is also the premises  
12 served by the solar energy facility.  
13          d. Is interconnected and operates in parallel phase and synchronization  
14 with an offering utility authorized by the Commission to provide  
15 retail electric service to the premises and has been approved for  
16 interconnection and parallel operation by that public utility.  
17          e. Is intended only to offset no more than one hundred percent (100%)  
18 of the customer generator lessee's own retail electrical energy  
19 consumption at the premises.  
20          f. Meets all applicable safety, performance, interconnection, and  
21 reliability standards established by the Commission, the public  
22 utility, the National Electrical Code, the National Electrical Safety  
23 Code, the Institute of Electrical and Electronics Engineers,  
24 Underwriters Laboratories, the Federal Energy Regulatory  
25 Commission, and any local governing authorities.  
26          (15) Subscription. – A contract between a subscriber and the owner of a  
27 community solar energy facility that allows a subscriber to receive a bill  
28 credit for the electricity generated by a community solar energy facility in  
29 proportion to the electricity generated.

30 **"§ 62-126.4. Commission to establish net metering rates.**

31          (a) Each electric public utility shall file for Commission approval revised net metering  
32 rates for electric customers that (i) own a renewable energy facility for that person's own  
33 primary use or (ii) are customer generator lessees.

34          (b) The rates shall be nondiscriminatory and established only after an investigation of  
35 the costs and benefits of customer-sited generation that shall include a consideration of the  
36 fixed costs of the electric system, including generation, transmission, and distribution costs, and  
37 the costs and benefits of renewable energy generation. The Commission shall establish net  
38 metering rates under all tariff designs that ensure that the net metering retail customer pays its  
39 full fixed cost of service. Such rates may include fixed monthly energy and demand charges.

40          (c) Until the rates have been approved by the Commission, the rate shall be the  
41 applicable net metering rate established at the time the facility interconnects. Retail customers  
42 that own and install an on-site renewable energy facility and interconnect to the grid prior to the  
43 date the Commission approves new metering rates may elect to continue net metering under the  
44 net metering rate in effect at the time of interconnection until January 1, 2027.

45 **"§ 62-126.5. Scope of leasing program in offering utilities' service areas.**

46          (a) An offering utility and its affiliates may be deemed to be electric generator lessors  
47 and may offer leases to solar energy facilities only within the offering utility's own assigned  
48 service area or, in the case of an affiliate, the service area assigned to an affiliated offering  
49 utility. The costs an offering public utility incurs in marketing, installing, owning, or  
50 maintaining leases through its own leasing programs as a lessor shall not be recovered from  
51 other nonparticipating utility customers through rates and the Commission shall not have any



1 jurisdiction over the financial terms of such leases. An offering utility, and the customer  
2 generator lessees that lease facilities from it, may participate on an equal basis with other  
3 lessors and lessees, and in any approved incentive program offered by the utility to its  
4 customers.

5 (b) An electric generator lessor that owns a solar energy facility within the assigned  
6 service area of an offering utility and that is located on a premises owned or leased by a  
7 customer generator lessee, shall be permitted to lease such facility exclusively to a customer  
8 generator lessee under a lease, provided that the solar electric generator lessor complies with  
9 the terms, conditions, and restrictions set forth within this section and holds a valid certificate  
10 issued by the Commission pursuant to G.S. 62-126.7. An electric generator lessor shall not be  
11 considered a "public utility" under G.S. 62-3(23) if the solar energy facility is only made  
12 available to a customer generator lessee under a lease that conforms to the requirements of  
13 G.S. 62-126.6 for the customer generator lessee's use on its premises where the solar energy  
14 facility is located to serve the electric energy requirements of that particular premises, including  
15 to enable the customer generator lessee to obtain a credit for the electricity generated under an  
16 applicable net metering tariff or to engage in the sale of excess energy from the solar energy  
17 facility to an offering utility.

18 (c) Any lease of a solar energy facility not entered into pursuant to this section is  
19 prohibited, and any electric generator lessor that enters into a lease outside of an offering  
20 utility's program implemented pursuant to this section or otherwise enters into a contract or  
21 agreement where payments are based upon the electric output of a solar energy facility shall be  
22 considered a "public utility" under G.S. 62-3(23), and be in violation of the franchised service  
23 rights of the offering utility or any other electric power supplier authorized to provide retail  
24 electric service in the State. This section does not authorize the sale of electricity from solar  
25 energy facilities directly to any customer of an offering utility or other electric power supplier  
26 by the owner of a solar energy facility. The electrical output from any solar energy facility  
27 leased pursuant to this program shall be the sole and exclusive property of the customer  
28 generator lessee.

29 (d) The total installed capacity of all solar energy facilities on an offering utility's  
30 system that are leased pursuant to this section shall not exceed one percent (1.0%) of the  
31 previous five-year average of the North Carolina retail contribution to the offering utility's  
32 coincident retail peak demand. The offering utility may refuse to interconnect customers that  
33 would result in this limitation being exceeded. Each offering utility shall establish a program  
34 for new installations of leased equipment to permit the reservation of capacity by customer  
35 generator lessees, whether participating in a public utility or non-utility lessor's leasing  
36 program, on its system including provisions to prevent or discourage abuse of such programs.  
37 Such programs must provide that only prospective individual customer generator lessees may  
38 apply for, receive, and hold reservations to participate in the offering utility's leasing program.  
39 Each reservation shall be for a single customer premises only and may not be sold, exchanged,  
40 traded, or assigned except as part of the sale of the underlying premises.

41 (e) To comply with the terms of this section, each customer generator lessee's solar  
42 energy facility shall serve only one premises, and shall not serve multiple customer generator  
43 lessees or multiple premises. The customer generator lessee must enroll in the applicable rate  
44 schedule made available by the interconnecting offering utility, subject to the participation  
45 limitations set forth in subsection (a) of this section.

46 **"§ 62-126.6. Electric customer generator leasing requirements; disclosures; records.**

47 (a) A lease agreement offered by an electric generator lessor must meet the following  
48 requirements:

- 49 (1) Be signed and dated by the retail electric customer. Any agreement that  
50 contains blank spaces when signed by the retail electric customer is voidable

- 1 at the option of the retail electric customer until the solar energy facility is  
2 installed.
- 3 (2) Be in at least 12-point type.
- 4 (3) Include a provision granting the retail electric customer the right to rescind  
5 the agreement for a period of not less than three business days after the  
6 agreement is signed by the retail electric customer.
- 7 (4) Provide a description of the solar energy facility, including the make and  
8 model of the solar energy facility's major components, and a guarantee  
9 concerning energy production output that the solar energy facility will  
10 provide over the expected life of the agreement.
- 11 (5) Separately set forth the following items, as applicable:
- 12 a. The total cost to the retail electric customer under the lease  
13 agreement for the solar energy facility over the life of the agreement.
- 14 b. Any interest, installation fees, document preparation fees, service  
15 fees, or other costs to be paid by the retail electric customer.
- 16 c. The total number of payments, including the interest, the payment  
17 frequency, the estimated amount of the payment expressed in dollars,  
18 and the payment due date over the leased term.
- 19 (6) Identify all current tax incentives and rebates or other State or federal  
20 incentives for which the buyer may be eligible and any conditions or  
21 requirements pursuant to the agreement to obtain these tax incentives,  
22 rebates, or other incentives.
- 23 (7) Identify the tax obligations that the retail electric customer may be required  
24 to pay as a result of buying, financing, or leasing the solar energy facility,  
25 including:
- 26 a. The assessed value and the property tax assessments associated with  
27 the solar energy facility, calculated in the year the agreement is  
28 signed.
- 29 b. Transaction privilege taxes that may be assessed against the person  
30 leasing the solar energy facility.
- 31 c. Any obligation of the retail electric customer to transfer tax credits or  
32 tax incentives of the solar energy facility to any other person.
- 33 (8) Disclose whether the warranty or maintenance obligations related to the  
34 solar energy facility may be sold or transferred to a third party.
- 35 (9) Include a disclosure, the receipt of which shall be separately acknowledged  
36 by the retail electric customer, if a transfer of the sale, lease, or financing  
37 agreement is subject to any restrictions pursuant to the agreement on the  
38 retail electric customer's ability to modify or transfer ownership of a solar  
39 energy facility, including whether any modification or transfer is subject to  
40 review or approval by a third party. If the modification or transfer of the  
41 solar energy facility is subject to review or approval by a third party, the  
42 agreement must identify the name, address, and telephone number of, and  
43 provide for updating any change in, the entity responsible for approving the  
44 modification or transfer.
- 45 (10) Include a disclosure, the receipt of which shall be separately acknowledged  
46 by the retail electric customer, if a modification or transfer of ownership of  
47 the real property to which the solar energy facility is or will be affixed is  
48 subject to any restrictions pursuant to the agreement on the retail electric  
49 customer's ability to modify or transfer ownership of the real property to  
50 which the solar energy facility is installed or affixed, including whether any  
51 modification or transfer is subject to review or approval by a third party. If

1 the modification or transfer of the real property to which the solar energy  
2 facility is affixed or installed is subject to review or approval by a third  
3 party, the agreement must identify the name, address, and telephone number  
4 of, and provide for updating any change in, the entity responsible for  
5 approving the modification or transfer.

6 (11) Provide a full and accurate summary of the total costs under the agreement  
7 for maintaining and operating the solar energy facility over the life of the  
8 solar energy facility, including financing, maintenance, and construction  
9 costs related to the solar energy facility.

10 (12) If the agreement contains an estimate of the retail electric customer's future  
11 utility charges based on projected utility rates after the installation of a solar  
12 energy facility, provide an estimate of the retail electric customer's estimated  
13 utility charges during the same period as impacted by potential utility rate  
14 changes ranging from at least a five-percent (5%) annual decrease to at least  
15 a five-percent (5%) annual increase from current utility costs. The  
16 comparative estimates must be calculated based on the same utility rates.

17 (13) Include a disclosure, the receipt of which shall be separately acknowledged  
18 by the retail electric customer that states:  
19 "Utility rates and utility rate structures are subject to change. These changes  
20 cannot be accurately predicted and projected savings from your solar energy  
21 facility are therefore subject to change. Tax incentives are subject to change  
22 or termination by executive, legislative, or regulatory action."

23 (b) Before the maintenance or warranty obligations of a solar energy facility under an  
24 existing lease agreement are transferred, the person who is currently obligated to maintain or  
25 warrant the solar energy facility must disclose the name, address, and telephone number of the  
26 person who will be assuming the maintenance or warranty of the solar energy facility.

27 (c) If the electric generator lessor's marketing materials contain an estimate of the retail  
28 electric customer's future utility charges based on projected utility rates after the installation of  
29 a solar energy facility, the marketing materials must contain an estimate of the retail electric  
30 customer's estimated utility charges during the same period as impacted by potential utility rate  
31 changes ranging from at least a five-percent (5%) annual decrease to at least a five-percent  
32 (5%) annual increase from current utility costs.

33 **"§ 62-126.7. Commission authority over electric generator lessors.**

34 (a) No person shall engage in the leasing of a solar energy facility without having  
35 applied for and obtained a certificate authorizing those operations from the Commission. The  
36 application for a certificate of authority to engage in business as an electric generator lessor  
37 shall be made in a form prescribed by the Commission and accompanied by the fee required  
38 pursuant to G.S. 62-300(16).

39 (b) In acting upon the application for a certificate of authority to engage in business as  
40 an electric generator lessor, the Commission shall take into account the State's interest in  
41 encouraging the leasing of solar electric generation facilities and avoidance of  
42 cross-subsidization as declared by the policy objectives of this Article as provided in  
43 G.S. 62-126.2, as well as the policy of the State as provided in G.S. 62-2(a). The Commission  
44 shall issue a certificate of authority to engage in business as an electric generator lessor, if the  
45 Commission finds that the applicant is fit, willing, and able to conduct that business in  
46 accordance with the provisions of this Article. The certificate shall be effective from the date  
47 issued unless otherwise specified therein, and shall remain in effect until terminated under the  
48 terms thereof, or until suspended or revoked as herein provided.

49 (c) As a condition for issuance and continuation of a certificate of authority for an  
50 electric generator lessor, the applicant shall certify to the Commission all of the following:

- 1           (1)   The applicant will register with the Commission each solar energy facility  
2           that the applicant leases to a customer generator lessee.
- 3           (2)   That each lease of a solar energy facility that the applicant offers or accepts  
4           will comply with the provisions of this Article.
- 5           (3)   The applicant will consent to the auditing of its books and records by the  
6           Public Staff insofar as those records relate to transactions with an offering  
7           utility or a customer generator lessee that is located in the State.
- 8           (4)   That the applicant will conduct its business in substantial compliance with  
9           all federal and State laws, regulations, and rules for the protection of the  
10           environment and conservation of natural resources, the provision of electric  
11           service, and the protection of consumers.

12           (d)   Upon the request of a public utility, an electric membership corporation, the Public  
13           Staff, a customer generator lessee, or person having an interest in the solar electric generator  
14           lessor's conduct of its business, the Commission may review the certificate to determine  
15           whether the solar electric generator lessor is conducting business in compliance with this  
16           Article. After notice to the electric generator lessor, the Commission may suspend the  
17           certificate and enter upon a hearing to determine whether the certificate should be revoked.  
18           After the hearing, and for good cause shown, the Commission may, in its discretion, reinstate a  
19           suspended certificate, continue a suspension of a certificate, or revoke a certificate.

20           (e)   It shall be a violation of law punishable by a civil penalty of not more than ten  
21           thousand dollars (\$10,000) per occurrence for any person to either directly or indirectly do any  
22           of the following:

- 23           (1)   Solicit business as a lessor of solar energy facilities without a valid  
24           certificate issued under this section or otherwise in violation of the terms of  
25           this Article.
- 26           (2)   Engage in any unfair or deceptive practice in the leasing of renewable  
27           electric generation facilities or otherwise violate the requirements of  
28           G.S. 62-126.6.
- 29           (3)   Operate in violation of the terms of the certificate issued by this Article."

30           **SECTION 6.(b)** G.S. 62-3 reads as rewritten:

31           **"§ 62-3. Definitions.**

32           As used in this Chapter, unless the context otherwise requires, the term:

- 33           ...
- 34           (23)   a. "Public utility" means a person, whether organized under the laws of this  
35           State or under the laws of any other state or country, now or hereafter  
36           owning or operating in this State equipment or facilities for:  
37                   1.   Producing, generating, transmitting, delivering or furnishing  
38                   electricity, piped gas, steam or any other like agency for the  
39                   production of light, heat or power to or for the public for  
40                   compensation; provided, however, that the term "public  
41                   utility" shall not include persons who construct or operate an  
42                   electric generating facility, the primary purpose of which  
43                   facility is ~~for such either for~~ (i) a person's own use and not for  
44                   the primary purpose of producing electricity, heat, or steam  
45                   for sale to or for the public for ~~compensation; compensation or~~  
46                   (ii) a person who constructs or operates an eligible renewable  
47                   energy facility on the site of a customer's property and leases  
48                   such facility to that customer, as provided by and subject to  
49                   the limitations of Article 6B of this Chapter;

50           ...."

51           **SECTION 6.(c)** G.S. 62-110.1(g) reads as rewritten:

1       "(g) The certification requirements of this section shall not apply to (i) a  
2 nonutility-owned generating facility fueled by renewable energy resources under two  
3 megawatts in ~~capacity or capacity~~; (ii) to persons who construct an electric generating facility  
4 primarily for that person's own use and not for the primary purpose of producing electricity,  
5 heat, or steam for sale to or for the public for compensation; or to (iii) a solar energy facility or  
6 a community solar energy facility, as provided by and subject to the limitations of Article 6B of  
7 this Chapter. provided, however, that such ~~If the generating capacity of the facility exceeds~~  
8 twenty kilowatts, however, such persons shall, nevertheless, be required to shall report the  
9 proposed construction of such a facility to the Utilities Commission the proposed construction  
10 of such a facility before beginning construction thereof. construction and shall report  
11 completion of the facility to the Commission and the interconnecting electric public utility at  
12 the time construction is complete."  
13

#### 14 **PART VII. ENERGY STORAGE STUDY**

15       **SECTION 7.** The North Carolina Policy Collaboratory (Collaboratory) at the  
16 University of North Carolina at Chapel Hill shall conduct a study on energy storage technology  
17 if contributions for the study of at least seventy-five thousand dollars (\$75,000) are identified  
18 and matched one-to-one in order to qualify for the challenge grant funds administered by the  
19 Office of State Budget and Management as provided in S.L. 2016-94 (The Joint Conference  
20 Committee Report on the Base, Capital, and Expansion Budgets). If the Collaboratory no  
21 longer qualifies for those funds due to the expiration of the fiscal year, the Collaboratory may  
22 use additional funds appropriated to the Collaboratory on a nonrecurring basis up to  
23 seventy-five thousand dollars (\$75,000) if the funds are matched one-to-one in the 2017-2018  
24 fiscal year. The study shall address how energy storage technologies may or may not provide  
25 value to North Carolina consumers based on factors that may include, but are not limited to,  
26 capital investment, value to the electric grid, net utility savings, net job creation, impact on  
27 consumer rates and service quality, or any other factors related to deploying one or more of  
28 these technologies. The study shall also address the feasibility of energy storage in North  
29 Carolina, including, but not limited to, services energy storage can provide that are not being  
30 performed currently, the economic potential or impact of energy storage deployment in North  
31 Carolina, and the identification of existing policies and recommended policy changes that may  
32 be considered to address a statewide coordinated energy storage policy. The Collaboratory shall  
33 provide the results of this study no later than December 1, 2018, to the Energy Policy Council  
34 and the Joint Legislative Commission on Energy Policy.  
35

#### 36 **PART VIII. SEVERABILITY CLAUSE AND EFFECTIVE DATE**

37       **SECTION 8.(a)** If any section or provision of this act is declared unconstitutional  
38 or invalid by the courts, it does not affect the validity of this act as a whole or any part other  
39 than the part declared to be unconstitutional or invalid.

40       **SECTION 8.(b)** The headings to the parts of this act are a convenience to the  
41 reader and are for reference only. The headings do not expand, limit, or define the text of this  
42 act.

43       **SECTION 8.(c)** This act is effective when it becomes law.