

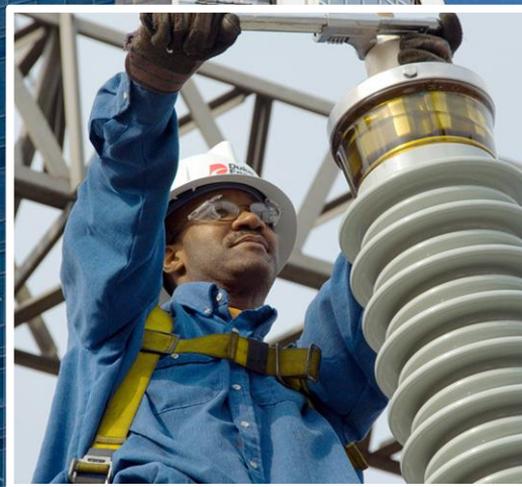
North Carolina General Assembly Joint Legislative Commission on Energy Policy



Green Source Rider Overview and Ratemaking Update

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What is the Green Source Rider?

■ Program Description

- **Green Source Rider:** voluntary, pilot program that enables high-use customers in North Carolina to match as much as 100% of new, grid energy purchases with renewable energy
- Non-participating NC retail ratepayers **held harmless** from the costs of the program
- Approved by NC Utilities Commission in 2013
- Status reports to the NC Commission due January 31 of 2015 and 2016

■ Eligibility Requirements

- Available only to Duke Energy Carolinas – North Carolina customers
- Applicable to new loads at billing meter, of 1,000kW or greater that came on-line after 6/30/2012
- Customers must be served under OPT rate schedule (largest users)
- Pilot enrollment period ends December 2016 or when aggregate program cap of 1,000,000 MWhs/year is reached

■ Program Details

- All renewable generation sources placed in service on or after 1/1/2007 can be considered
- Company retires renewable energy certificates (RECs) on behalf of customer
- Contract term between 3-15 years

How much does it cost?

■ **Defined fees**

- \$2000 non-refundable application fee
- \$500/month administrative fee when taking service under rider
- \$0.20/MWh annual Renewable Energy Certificate retirement fee

■ **Variable fees**

- Customer charged total cost of renewable energy
- Prices are determined by supplier and negotiated by Duke Energy on customer's behalf
- Customer must provide security sufficient to cover full obligations and costs of renewable energy

■ **Bill Credit**

- Avoided cost of energy, based on the amount of renewable energy produced each month
- Avoided cost value will be predetermined before energy is delivered

Due to the number of variables, estimates on actual price are difficult to provide until an application is made and projects evaluated.

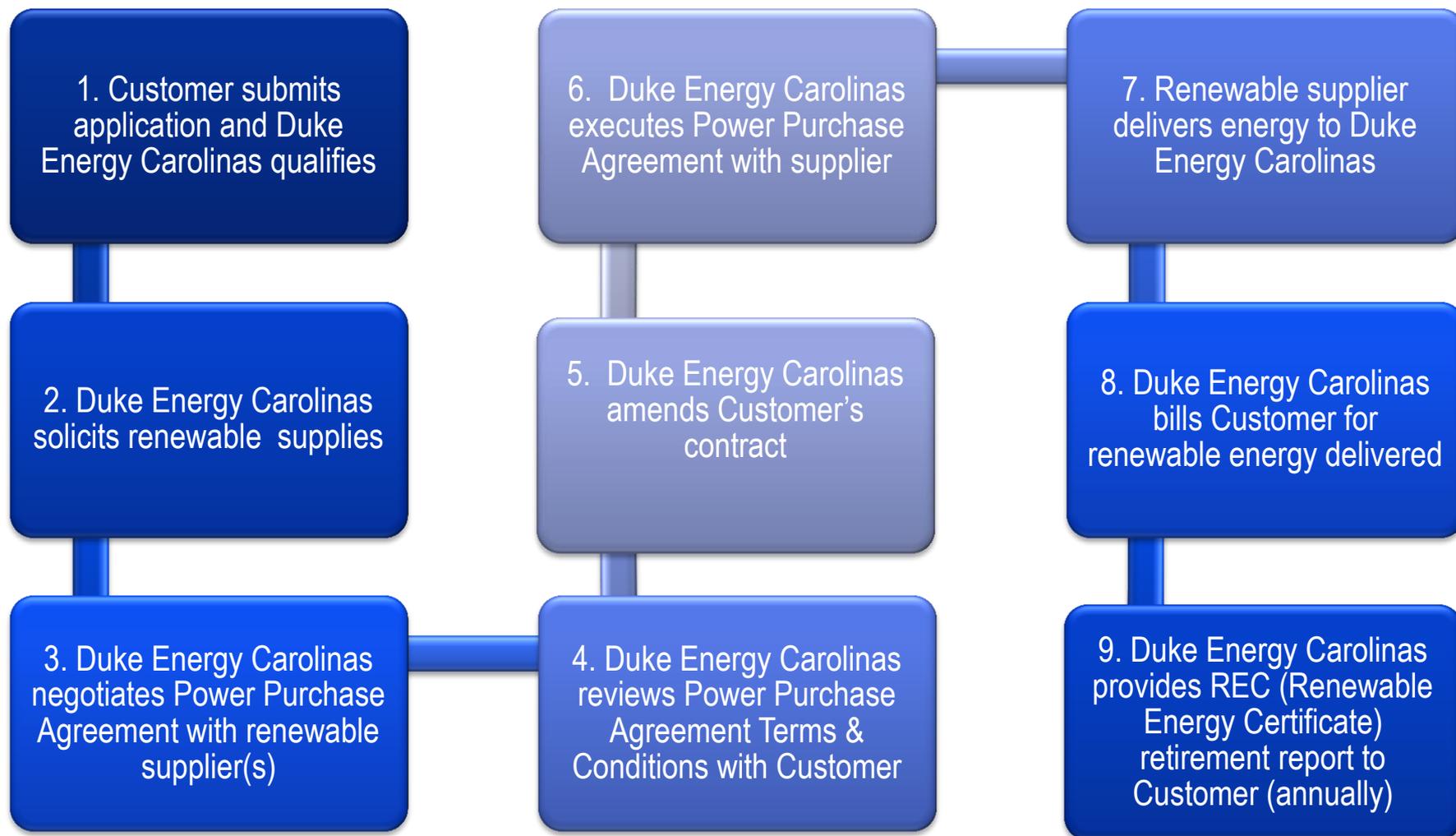
How are customer rates affected?

- **Green Source customer rates:** higher by the amount by which the renewable energy cost exceeds the avoided cost credit.

Amount represents the premium associated with renewable energy.

- **Other customers are neither advantaged nor disadvantaged.** All customer rates (other than the Green Source Rider) are kept neutral.
- **Neutral:** customer rates are set as if the new load of the Green Source customer is supplied by traditional generation resources rather than renewable generation.

How does the process work?



Google Agreement

- 61 MW solar facility located in Rutherford County
- Project expected to come on line in late 2017
- Facility being constructed by Cypress Creek

Details beyond information released in 2015 are company confidential

Overview of Ratemaking and Recent Rate Adjustments in North Carolina

Base rate:

- Typically adjusted during a general rate case
- Covers costs of producing and delivering electricity to homes and businesses
(i.e. poles and lines, operating expenses, and building, maintaining and decommissioning of power plants.)

Fuel rate:

- Annual adjustment
- Established in early 1980's; recovers actual costs of natural gas, uranium, coal and oil used.

Energy Efficiency/Demand Side Mgmt:

- Established in 2007 as part of SB 3
- Annual adjustment; reflects costs regarding implementing programs to help reduce energy consumption

Renewable Energy Portfolio Standard:

- Annual adjustment to the REPS charge; reflects costs regarding Duke Energy's compliance with the state's renewable energy portfolio standard.

Joint Agency Asset Rider:

- New annual adjustment; reflects costs regarding Duke Energy Progress acquisition of generating assets previously owned by the N.C. Eastern Municipal Power Agency.

Other charges:

- Adjustments to rates may also include changes in tax laws, as well as the establishment and expiration of various temporary charges that may occur as approved by the N.C. Utilities Commission.

All customer charges are reviewed and approved by the N.C. Utilities Commission through the robust ratemaking process that includes opportunities for public and stakeholder input.

Thank you!

Questions?

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