INTERIM REPORT OF THE

NORTH CAROLINA UTILITIES COMMISSION

TO

THE STUDY COMMISSION
ON THE FUTURE OF ELECTRIC SERVICE
IN NORTH CAROLINA

REGARDING

INVESTIGATION OF GREEN AND
PUBLIC BENEFIT FUND
VOLUNTARY CHECK-OFF PROGRAMS

March 2002

March 6, 2001

Steven J. Rose, Commission Counsel
Study Commission on the Future of Electric Service
in North Carolina
State Legislative Building
Raleigh, North Carolina 27611

Dear Mr. Rose:

The Utilities Commission hereby presents its 2002 interim report to the Study Commission on the Future of Electric Service in North Carolina regarding its investigation of green and public benefit fund voluntary check-off programs. I understand that you will distribute copies to the members of the Study Commission.

This interim report is being provided pursuant to the Study Commission's request at its January 23, 2001, meeting. In this interim report, the Utilities Commission summarizes its investigation to date and provides recommendations in response to the Study Commission's request.

Thank you for your assistance.

Very truly yours,

Jo Anne Sanford
Chair

JAS/LSW/rg

cc: Robert P. Gruber, Executive Director, Public Staff
The Honorable Roy Cooper, Attorney General
William G. Ross, Jr., Secretary, Department of
Environment and Natural Resources

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EXECUTIVE SUMMARY

In January 2001 the Study Commission on the Future of Electric Service in North Carolina (Study Commission) requested that the North Carolina Utilities Commission (Commission) investigate and make recommendations on the possible creation of voluntary “green” and “public benefit fund” check-off programs. The Commission was requested to investigate potential benefits and costs and to recommend uses for the funds and the amounts of the check-offs.

In February 2001 the Commission issued an Order in Docket No. E-100, Sub 90 initiating an investigation into this matter. A diverse group of parties participated and filed written comments in this docket, including the State’s electric suppliers, renewable energy advocates and suppliers, and consumer representatives. In addition, a number of consumers filed written statements of position and eleven people testified at a well-attended public hearing in Raleigh.

To assist in developing recommendations and preparing its report to the Study Commission, the Commission posed eight specific questions regarding the use, benefits, costs, implementation, administration, and solicitation for the “green” and “public benefit fund” check-off programs. More than a dozen parties filed written initial and reply comments in response to the Commission’s questions.

Based upon the Commission’s investigation, it finds considerable benefit in exploring implementation of a statewide voluntary green power program for North Carolina. Implementation of a successful green power program will have a positive impact on the environment in North Carolina by increasing the amount of electricity generated by domestic, renewable energy resources and by reducing the amount of electricity generated by the combustion of coal and other fossil fuels. Moreover, the inclusion of hog and poultry waste-to-energy projects in such a program can provide additional economic and environmental benefits. As a part of the Commission’s investigation, the Public Staff held several meetings with the utilities and other renewable energy stakeholders. As a result of these meetings and discussions among the parties, CP&L and Duke separately filed on August 15, 2001, letters committing to file green pricing tariffs with the Commission by December 31, 2001.

The Public Staff informed the Commission that most of the participants at these meetings agreed that the utilities’ green pricing tariffs would be more effective than a voluntary check-off program in promoting the development and use of renewable resources. The majority of the participants also agreed that further work on a voluntary check-off program should not continue at that time given the utilities’ commitment, but rather that the participants should engage in discussions and develop recommendations on the identification of renewable resources and the administration of a program that would distribute revenue from the tariffs. After receiving informal feedback from counsel for the

Study Commission that investigation of green pricing tariffs by the Commission would not be inconsistent with the Study Commission's intent, the Commission postponed indefinitely the filing deadlines for further voluntary green check-off proposals to allow the parties to focus on the development of a green pricing program.

To reach consensus on an implementation plan for a green power plan for North Carolina, the Advanced Energy Corporation (AEC) facilitated the organization of a Green Power Program Advisory Committee consisting of stakeholders who had shown interest in the green power program. The Advisory Committee includes representatives from the utilities (including North Carolina Electric Membership Corporation and ElectriCities), renewable resource developers, environmental interests, the State Energy Office, and the AEC. The Advisory Committee has made considerable progress working through a number of subcommittees and working groups. Simultaneously, the stakeholders have begun working with the Center for Resource Solutions (Green-e) on developing criteria for national certification of North Carolina's green power program. In deference to the progress being made by the AEC and the stakeholder group, the Commission extended the deadline for the utilities to file their green pricing tariffs until April 1, 2002.

The AEC is working with the State's electric suppliers and other stakeholders to minimize costs and obtain funding for initial marketing and administration of the green power program. As currently envisioned, money collected from consumers from the sale of "blocks" of green power will be distributed to renewable energy suppliers in exchange for power delivered to the electric grid. Work is underway to establish a brand identity for the program, and the State's municipal, cooperative, and investor-owned utilities are fully supportive of the program.

The Commission, therefore, recommends that the Study Commission (1) recognize the efforts of all parties involved in moving this matter forward, and (2) request that the Commission continue to work with the stakeholders to implement a statewide green power program for North Carolina. No additional legislation is required for implementation of such a program. The Commission anticipates making a final report to the Study Commission at the conclusion of its efforts in this matter.

With regard to the voluntary public benefit fund check-off program, the Commission finds little support, based upon its investigation, for a statewide program for North Carolina at this time. First, each of the State's investor-owned utilities have already implemented successful voluntary contribution programs for low-income assistance. The utilities have made a considerable investment in establishing these programs, and a new statewide program would be largely duplicative, create consumer confusion, and divert funds previously donated to such programs. The utilities expressed a willingness, which the Commission encourages, of expanding their programs to include low-income weatherization assistance if not already funded and to include solicitation of funds via the Internet and throughout the year. Internet solicitation will allow the utilities to broaden their contributor base beyond their own customers to include, for example, customers of cooperative and municipal utilities which do not have a low-income assistance program. Moreover, extending the solicitation period beyond the traditional winter heating months might allow the programs to support additional weatherization or other low-income assistance. The Commission further notes that the parties indicated that federal appropriations through the Low Income Home Energy Assistance Program (LIHEAP) have continued fairly regularly and are not in jeopardy. The Commission, therefore, recommends that the Study Commission allow the State's utilities to continue their successful, established voluntary contribution programs for low-income assistance and to encourage them to expand the programs, if necessary, to include low-income weatherization and other assistance and alternate means of solicitation.

Similarly, a number of parties noted that a statewide voluntary contribution program for renewable energy and energy efficiency research and commercialization would be duplicative, create consumer confusion, and divert funds from other voluntary contribution programs, particularly in light of the Commission's efforts described above to implement a statewide voluntary green power program. The utilities noted that research and commercialization efforts in renewable energy and energy efficiency are already funded, in part, by ratepayers through their support of the AEC and the Electric Power Research Institute (EPRI). Moreover, some parties indicated that a voluntary program to support these areas would result in at least a third contribution program, including the likely green power program and the utilities' programs for low-income assistance. Some parties expressed concern about offering consumers too many programs to choose from, noting the potential for consumer confusion and the likelihood that money would be diverted from one program to another and not significantly increase the total money available for these different areas. Some parties supported a mandatory surcharge on all electric customers rather than a voluntary check-off program, although this proposal received substantial criticism as an additional energy "tax." Such a program, however, would raise money to replace dwindling and expiring funds for renewable energy and energy efficiency generated by the oil overcharge funds and provide matching money for federal grants. After careful consideration, the Commission recommends that the Study Commission not adopt a voluntary public benefit fund check-off program at this time. However, the Study Commission may wish to further consider what means might be adopted to continue funding in these important areas. The Commission considers this to be its final report to the Study Commission in response to the request for recommendations on the creation of a voluntary public benefit fund check-off program.

INTRODUCTION

At its meeting on January 23, 2001, the Study Commission on the Future of Electric Service in North Carolina (Study Commission) approved an amended motion requesting the North Carolina Utilities Commission (Commission) to investigate and report to the Study Commission on the creation of voluntary "green" and "public benefit fund" check-off programs. The Study Commission first approved the following motion, which was introduced by Senator Fountain Odom:

> This Commission requests the North Carolina Utilities Commission to develop recommendations for the creation of a voluntary "green check-off" program whereby retail electricity customers could choose to contribute to a "green check-off" fund. The Commission's investigation should include an assessment of the potential benefits from such a program as well as the costs. The Commission's recommendations should include the amount of the check-off as well as uses for the fund such as issuing grants to be used to build infrastructure, supplement losses, and mitigate start-up costs associated with supplying renewable energy. The Utilities Commission shall report to this Commission during the 2001-2002 interim of the General Assembly.
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> The Utilities Commission shall provide a copy of its report and recommendations to the Secretary of the Department of Environment and Natural Resources for comments and suggestions to this Commission during the 2001-2002 interim of the General Assembly.

The Study Commission next considered the following item, which was introduced by Mr. Richard Harkrader:

> Propose that the NCUC implement a small "Public Benefit Fund" in advance of retail competition. The PBF fund would provide continuing funding for low income support and weatherization, renewable energy research and commercialization and energy efficiency research and commercialization. The fund needs to begin in January 2003 because current funding from federal oil overcharge moneys will be depleted by this time. In addition, North Carolina currently does not have matching 10% - 25% funding required by federal programs to bring federal funding for these programs to NC. Establishing a small PBF in advance of retail competition will give time to design and implement the fund and its administration.
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> Based on anticipated electric sales of 128.5 MkWh sales in 2003 the rate should start at $.00016 per kWh for a fund of $20,000,000 per year.

(Such a rate would be $0.16 per month or $1.90 per year on the typical residential bill of 1000 kWh per month.)

An amendment was offered by Senator Odom to his "original motion dealing with the voluntary 'green check-off' to include that the Utilities Commission would also look at using the same procedure for a potential public benefit fund," and the amended motion was approved.

On February 16, 2001, the Commission issued its Order Initiating Investigation, Requesting Comments, Scheduling Public Hearing, and Requiring Public Notice in Docket No. E-100, Sub 90 (February Order, attached as Appendix A). In that Order the Commission initiated a generic proceeding to investigate and report to the Study Commission on the creation of voluntary "green" and "public benefit fund" check-off programs. The State's major electric suppliers — Carolina Power & Light Company (CP&L), Duke Power, a division of Duke Energy Corporation (Duke), Dominion North Carolina Power (NC Power), North Carolina Electric Membership Corporation (NCEMC), and ElectriCities of North Carolina, Inc. (ElectriCities) — and consumer advocates — the Public Staff and the Attorney General — were designated as parties to that proceeding. Other interested persons were also given an opportunity to intervene as parties before the Commission. A copy of the February Order was sent to the Secretary, Department of Environment and Natural Resources; Secretary, Department of Administration; Director, State Energy Office; and all persons on the Commission's electric list. The Commission established a timetable for parties to submit written initial and reply comments and scheduled a night hearing for Tuesday, April 3, 2001, in Raleigh for the purpose of taking nonexpert public witness testimony. The utilities were directed to publish notice of the proceeding and the public hearing in newspapers statewide once a week for two consecutive weeks during March 2001.

To assist in developing recommendations and preparing its report to the Study Commission, the Commission sought comments and reply comments in its February Order on various issues raised by the Study Commission's amended motion. In addition to any other comments, the Commission requested parties to specifically address each of the following items separately for both the voluntary "green" and "public benefit fund" check-off programs:

1) Please identify and discuss the appropriate purpose and uses for the fund created by such a program, types of entities which might be eligible recipients from the fund, conditions which should be placed on the receipt and use of money from the fund, whether the money disbursed should be required to be repaid, and if so, under what terms.

2) Please identify and discuss the potential benefits from such a program.

3) Please identify and discuss the potential costs associated with such a program, including implementation, administration, or other costs.

4) Please discuss the amount of the check-off appropriate for such a program, including whether one or more specific amounts should be suggested or whether an open-ended, or fill-in-the-blank, response should be allowed.

5) Please discuss whether all retail electric consumers in the state should have the opportunity to contribute to such a fund or whether a distinction should be made based upon the size or type of electric utility serving the consumer.

6) Please discuss whether a single statewide fund should be created for such a program or whether the money collected should be segregated and disbursed separately according to some criteria.

7) Please discuss who should administer such a program.

8) Please identify any current similar programs, the source of funding for such existing programs, and, in the case of voluntary programs, recent experience regarding response rate, total and average donations, and other statistical information which might be helpful to the Commission in formulating its response to the Study Commission's request.

In addition to those parties named in the February Order, the following persons subsequently requested and were allowed to intervene as parties in that proceeding: Cardinal Energy Service, Inc. (Cardinal), Carolina Industrial Groups for Fair Utility Rates (CIGFUR), Carolina Utility Customers Association, Inc. (CUCA), Enron North America (Enron), the North Carolina Public Benefit Fund Coalition (Coalition), the North Carolina Solar Energy Association (NCSEA), Michael R. Allen, George S. Cook, Tim Henderson, and William H. Lee.

GREEN CHECK-OFF PROGRAM

On March 22, 2001, Cardinal submitted a description of its NC Smart Energy proposal, a market-based, statewide program designed to promote the production of electric power in North Carolina from renewable resources with voluntary contributions by electric. On or about March 30, 2001, initial comments on the green check-off program and Cardinal's NC Smart Energy proposal were filed by CP&L, Duke, NC Power, NCEMC, Cardinal, NCSEA, Enron, CUCA, Mr. Cook, the Attorney General, and the Public Staff. A number of letters were received from consumers stating their positions on this issue as well, including letters from State Senators Fountain Odom and Daniel G. Clodfelter, members of the Study Commission. Reply comments were filed on or about April 27, 2001, by CP&L, Duke, NC Power, NCEMC, Cardinal, NCSEA, CUCA, Mr. Allen, Mr. Henderson, the Attorney General, and the Public Staff. Reply comments were also filed by the North Carolina State Energy Office, a division of the Department of Administration. Eleven witnesses appeared and testified at the public hearing on April 3, 2001. Copies of the parties' filed comments and the hearing transcript are available from the Commission's Chief Clerk. Many of these documents are also available on the Commission's Internet web site (http://www.ncuc.commerce.state.nc.us).

Summary of Public Comments

In its initial comments, CP&L stated that it supports fully the concept that voluntary programs are preferable to any sort of mandatory charge, which would likely be viewed as a rate increase and result in consumer dissatisfaction. CP&L cautioned, however, that an analysis should be conducted to determine how best to structure a voluntary green program so that the Commission's goals can be achieved in the most efficient and cost-effective manner. CP&L stated that any such fund should be used to support initiatives in this State involving new or improved renewable energy technologies. When such funding results in the commercialization of a new or improved technology, the repayment of funds and other financial considerations should be an option. The benefits provided by a green check-off fund would be (1) to offer the public an option for supporting the development of renewable energy resources, and (2) to help utilities and the Commission to gauge consumer willingness to support green power. CP&L listed numerous areas of costs likely to be incurred in the development and implementation of a green check-off program, the magnitude of which is driven by the details of the program. CP&L suggested that allowing an open-ended fill-in-the-blank response will provide more flexibility than suggesting specific amounts and may result in greater participation. CP&L further suggested that additional insight could be gained from an economic analysis coupled with market research to determine if customers are likely to participate in sufficient numbers to support the threshold level of funding required for a successful program and how the way in which a voluntary check-off option is presented might impact program participation. CP&L suggested that a single statewide fund should be created and that a check-off box should be added to the State income tax form to accommodate contributions. CP&L stated its belief that there should be a single program administrator with a governing board that represents the interests of each participating electric utility, the Commission, and the consuming public, and noted that the Advanced Energy Corporation (AEC), a non-profit corporation founded in 1980 to explore energy efficiency and alternative energy sources, already has much of the infrastructure in place to administer such a program. Lastly, CP&L noted that there are a relatively small number of green power programs in place across the country, that the average response rate for contribution-based programs is only 1%, and that the average monthly contribution per customer for such programs is $2.80. Green pricing programs, on the other hand, in which a customer is actually “buying” green power, have achieved participation rates of 4% to 7% with average premiums paid of $5.00 per month.

Duke, in its initial comments, stated that a green fund modeled after existing public benefit programs has the potential to be very successful. As stated by CP&L, Duke preferred a voluntary green program to a mandatory surcharge that would constitute a hidden tax and would be viewed as a rate increase. Duke stated that a voluntary program, as opposed to a mandatory surcharge, could be structured to provide contributors with a tax deduction benefit and will likely have minimal implementation costs. In addition, a mandatory cents per kilowatt hour charge would negatively impact large energy users and thus may have a negative economic impact on the State. Duke stated its belief that the most efficient and cost-effective means of implementing a green program is to leverage an existing independent agency for implementation, administration, and distribution of funds, with utilities inviting their customers to contribute by means of periodic bill inserts, bill messages, and links from the utilities’ Internet web sites. Duke noted that these methods model existing successful programs, such as Duke’s own Share the Warmth program, enable the program to establish its own reputation and brand, and minimize administrative costs and burdens. Duke stated that funds from a green program should be used to support research, development, and operation of renewable energy sources. The benefit from such a program is that it would provide an independent, cost-efficient research and development mechanism for renewable energy. Duke identified a number of areas of costs, and stated that they should be considered prudently incurred cost of service expenses. Duke noted that the use of bill inserts, rather than collection by the utility, will reduce these administrative costs. Duke recommended that the amount to be contributed be open-ended, and suggested that a minimum contribution would not be necessary under its proposed structure. Duke recommended the creation of a statewide program open to all electric consumers, including customers of cooperative and municipal utilities. Duke proposed that an independent organization with a board of directors be responsible for oversight and administration of a green fund program. Duke, like CP&L, specifically mentioned the AEC as a candidate for this role, noting the AEC’s history, experience, and purpose. Lastly, Duke noted that it is not aware of any programs administered by electric utilities in North Carolina targeted at raising funds for renewable energy.

In its initial comments, NC Power stated that a properly designed green check-off fund program could be beneficial to North Carolina and its citizens. NC Power noted, however, that the potential costs of the implementation and administration of the program should be considered in its design. To achieve effectiveness and to ensure that the greatest proportion of contributed funds go to support program beneficiaries, NC Power recommended that a State agency administer the program. NC Power further recommended that contributions be solicited through the North Carolina income tax form. NC Power suggested that funds from a green program should be applied to improve the economics of renewable electric generation facilities by either reducing the initial cost of such facilities (e.g., loans) or increasing the effective price paid to the supplier for the energy from such facilities. NC Power noted that North Carolina already offers corporate and personal tax credits for equipment, and suggested that the subsidies provided by a green fund program be coordinated with other present and proposed subsidy programs at the federal, state, and local levels to ensure that the incentives do not provide a windfall for the green energy supplier beyond that needed to be economically competitive with other investment options. NC Power suggested that those who receive money from the green fund should be required to operate their generating facilities for a significant length of time, as justified by the economics and payback period of the specific project, and be required to repay the awarded funding if they fail to do so. NC Power also noted that the green check-off program should be considered for termination once a competitive market for electricity is established, since consumers then will have the option of paying a premium directly to an energy supplier for green power.

NC Power noted that the benefit of a green fund is to increase the amount of electric energy available to North Carolina that is derived from green energy sources and is not otherwise being developed economically. The creation of such a fund, therefore, will increase the amount of energy supplied to North Carolina from domestic sources, will decrease the rate of use of conventional non-renewable generation, and will decrease the environmental impacts of energy generation. NC Power provided a detailed list of areas of costs associated with incorporating check-off boxes in bills, including printing and mailing costs, automation costs, company administrative costs, and agency administrative costs. NC Power stated its belief that these costs, which would be unrecoverable through 2005 under the rate cap approved by the Commission, could be significant. NC Power, which collects through customer bills for its own EnergyShare assistance program, recommended, therefore, that utilities be allowed to choose between using a bill or other means to solicit contributions and that utilities with relatively small customers bases in the State be given the opportunity not to participate. NC Power stated its concern that the initiation of a new program solicited through the utility bill would require significant system modifications and possibly take away from the amount contributed to its EnergyShare program by its North Carolina customers. NC Power supported a statewide program and noted that there appear to be significant cost advantages with having a green program administered and implemented in a centralized manner by a single State agency. Lastly, NC Power noted that about forty states have some type of program providing tax incentives, rebates, grants, loans, or a public benefit fund to encourage the installation and use of green technologies, but that there are no statewide voluntary green check-off programs in place similar to that proposed in this docket. NC Power further stated that the utility-specific programs currently in existence often have participation rates of less than 1%.

NCEMC, in its initial comments, highlighted the diversity of its distribution members, their retail electric customers, and their service territories, and stated that only initiatives that permit each customer to choose whether to contribute to one or more check-off funds can accommodate the breadth of the needs and interests of the millions of customers who collectively own and govern the various members who comprise NCEMC. To maximize the effectiveness of a green power fund, NCEMC suggested minimizing costs of collection by using bill inserts rather than requiring changes to the actual bills. NCEMC noted that customer education is critical, ensuring that each customer receive sufficiently accurate and complete information before solicitations occur. NCEMC stated its belief that the purpose of a green fund should be (1) to promote new sources of “clean” electric generation, and (2) to educate the public on the benefits of clean technology for producing electricity. NCEMC suggested that funding should go only to non-profit entities, that grants should not be required to be repaid, and that the fund should retain the rights to any processes or inventions eligible for patent. The benefits of a green power fund would be a cleaner environment and a more well-informed public. NCEMC recommended open-ended solicitations or an appropriate minimum contribution considering the wide economic diversity of their retail customers. NCEMC opined that the fund should be administered on a statewide basis by a single agency approved by and accountable to the Commission chosen after a full public hearing on such qualifications as are established by the General Assembly or the Commission. Lastly, NCEMC stated that it is not aware of any similar program currently in place at any electric cooperative.

In its March 22, 2001, filing and in its initial comments, Cardinal recommended that the Commission pursue implementation of the NC Smart Energy program, a market-based, statewide program that will promote the production of electric power in North Carolina from renewable resources with voluntary contributions by electric consumers “in partnership with the utilities.” Cardinal stated that it developed NC Smart Energy with the belief that North Carolinians desire and will support the development of green power projects. Cardinal also stated that the program, to be successful, will depend on the utilities for billing and marketing efforts and for their flexibility in issues concerning interconnection. Under the NC Smart Energy program, residential and small commercial customers will be given the opportunity to support green power through a payment of an additional $4.00 per month on their electric bills. Cardinal stated its belief that a participation rate of 3% to 5% can be achieved with an effective marketing program. Additional funds are projected to be contributed by large commercial, industrial, and governmental consumers. Cardinal opined that NC Smart Energy can raise in excess of $5,000,000 annually from all consumers for the support of renewable energy. The program will provide direct support to renewable electric generators in two forms: (1) as an incentive payment of up to 1.6 cents per kilowatt hour to new and existing renewable generators, and (2) as capital assistance to those developing new generation. After administrative fees of 15%, the remaining funds will be divided between marketing of the program and the above two forms of payments to renewable generators.

Cardinal identified a number of benefits associated with a program such as NC Smart Energy, including (1) the development of local renewable resources and the resulting reduction in the use of fossil resources in the region, (2) the increased employment in the energy industry in this State by the creation of a significant number of new jobs, (3) the increased awareness among the public of renewable resources and the energy resources currently used in this State, (4) the increase in the economic feasibility in the treatment of agricultural waste in this State, (5) the improvement of overall air quality, (6) the system benefits of distributed generation, (6) and the standardization of interconnection requirements for renewable generators through the development of an independent, statewide renewables program. Cardinal noted that the costs of implementation will change as the program progresses from the development phase, through the start-up phase, and into full implementation. As indicated above, certain costs will be recouped from consumer contributions. In addition, each utility will be responsible for the added costs of modifying its billing system to accommodate the program and of providing funds annually for marketing the program. NC Smart Energy, Inc. would be formed as an independent, non-profit company with a diverse stakeholder board of directors for the purpose of operating the NC Smart Energy program. Cardinal noted that the green pricing plans operating in other states differ from the voluntary, statewide program proposed herein, but that it is important to consider these existing plans to gain a general understanding of public acceptance and support for green power. To that end, Cardinal attached two national reports to its comments that detail both the success of specific green pricing programs and the results of market research on the willingness of the public to support green power. Cardinal noted that the initial development effort for NC Smart Energy has begun and that Cardinal has met with utilities and others to discuss the program. Cardinal recommended that the Public Staff convene a workshop for all regulated and non-regulated utilities in the State to begin the implementation process for the green check-off program, with a target of full implementation in the fourth quarter of 2001. Cardinal stated its belief that the NC Smart Energy program can be implemented statewide by agreement of the utilities under current legislation and its concern that the Study Commission's request for a report from the Commission for its consideration will unproductively delay the implementation of any green program by as much as two years.

The NCSEA, in its initial comments, pointed out that it "believes the legislative intent of the Study Commission order is the creation of a green pricing program or programs." It stated that the term green check-off fund "is misleading and suggestive of something different from green pricing," an optional utility service that provides customers an opportunity to support increased renewable energy production by paying a premium on their electric bill to cover the incremental cost of the additional renewable energy. The NCSEA stated that consumers have expressed in surveys a preference and willingness to pay more for cleaner energy sources and have urged North Carolina's utilities to start green pricing programs. The NCSEA stated that the purpose of green pricing programs is to increase the percentage of energy generated by renewables. Customer contributions, therefore, should be primarily expended on new renewable energy production in North Carolina. The NCSEA noted that green pricing programs do not create a fund, but rather provide additional money with which to purchase the output of renewable generators. The NCSEA identified a number of economic benefits, energy diversity and economic security benefits, and environmental benefits from the implementation of green pricing programs, in addition to the benefit of satisfying a consumer demand and preference for green power. It recognized that there will be marketing and administration costs, but noted that the magnitude will depend upon how the green pricing programs are structured. The NCSEA stated its belief that there should be clearly defined amounts from which customers may choose to support green power, depending upon whether the programs are established as contribution programs (contributions not directly linked to green energy purchases), capacity programs (consumer pays premium in dollars per kilowatt demand), or energy programs (consumer pays premium in cents per kilowatt hour for green energy purchased). Lastly, the NCSEA opined that green pricing programs should be available to all North Carolina consumers and recommended a single statewide program run by an independent administrator given the reluctance to date of utilities to start their own programs.

In its initial comments, Enron noted that North Carolina's proposal for a green check-off program is unique, stating that it is unaware of another jurisdiction which has proposed or implemented a potentially statewide, voluntary green program of this type. Enron stated that "as an innovator in this regard, North Carolina has an opportunity to define the field." Enron recommended that the Commission address the following two questions: (1) whether there is sufficient interest to merit such a program, and (2) if so, how to ensure that the program is operated as independently and efficiently as possible. Enron stated its belief that for the program to be feasible it must draw a "critical mass" of dollars to fund projects and to pay administrative costs so that no costs of the voluntary program are imposed upon ratepayers. Enron opined that the program should be developed statewide to provide sufficient funding. Enron noted that another important characteristic of a statewide fund is that it is more likely to lead to the creation of a program structure that is both more transparent and more competitive on the merits than programs in which the individual utility governs its own collections. Investor-owned utilities, independent power producers, and other entities should have access to the green fund, and their requests for funds should be evaluated on a competitive basis by an independent program administrator. Lastly, Enron recommended that the board created to oversee the fund be independent of the developing parties that might vie for funds and of the State regulatory process.

CUCA, in its initial comments, stated that it is not opposed to voluntary contributions through a check-off program for green causes, which it believes to be consistent with the intent of the Study Commission, provided all costs associated with such a program are borne by the voluntary participants. CUCA further argued that mandatory charges on a cents per kilowatt hour basis would adversely affect industrial customers and be inequitable to those customers.

Mr. Cook, the owner of several small hydroelectric generating facilities, stated in his initial comments that he believes that new generation is needed in North Carolina and that priority should be given to generators of “clean energy.” Mr. Cook opined that the State should be the leader and a positive example in promoting green energy by contributing to such a fund, for example, in an amount proportional to the kilowatt hours used by the State, its colleges, and its other agencies. Other consumers should be able to participate with a stated amount check-off block and a second choice of a fill-in-the-amount block. Mr. Cook further stated his belief that the most important factor in the success of a green program is that the State’s electric utilities “are actively and enthusiastically contributing heavily to the program and promoting the program heavily.” Mr. Cook also proposed that the utilities eliminate wheeling charges for a clean energy facility which “is small enough for its power to be used up in the immediate community.”

In his initial comments, the Attorney General stated that the establishment of voluntary programs to encourage the development of viable renewable energy resources and conservation measures makes good sense for our economy and our environment. The Attorney General suggested that one use of green power funds would be to support the installation of renewable energy generators, which require a large capital investment that may not be attractive to traditional financing sources, in the form of grants or low interest loans. In addition, the funds could be used to support appropriate renewables research and development. The Attorney General identified a number of “compelling benefits,” including improved environmental protection, greater energy independence, and enhanced price stability. The Attorney General recognized that there will be significant start-up costs for an effective green program, including personnel, administrative, and marketing costs. With regard to the dollar amount of individual contributions, the Attorney General stated his belief that residential customers should be presented on their electric bill with a range of dollar amounts to choose from or, alternatively, a “round-up” option to the next $1.00 or $5.00 amount. The Attorney General noted that it may be beneficial to have contributors agree to some minimum time period during which their contributions will continue in order to assist the program administrator in planning. The Attorney General opined that all North Carolina consumers should be able to participate in a green program and that a single statewide fund should be created. The Attorney General suggested that the most appropriate type of organization to administer the program would be a non-profit corporation or a State agency. Lastly, the Attorney General recommended that the State begin with a program funded by voluntary contributions, but consider migrating towards more traditional green pricing plans.

The Public Staff, in its initial comments, proposed that the Commission consider creating a voluntary green check-off program to finance the initiation, development, and evaluation of renewable energy self-generation projects (primarily photovoltaic or wind projects) initiated and administered by educational institutions (K-12 and universities) in conjunction with the education of their students. The Public Staff stated its belief that green pricing plans offered by utilities, where a customer requests that a portion of its power be generated by renewable energy, could prove problematic and lead to potential stranded cost issues in a future deregulated environment. The Public Staff opined that a voluntary check-off program, however, could flourish under both traditional cost-of-service regulation and in a deregulated environment and could be expanded to include other programs or technologies as the available funds increase. Under the Public Staff's proposal, grant funds from the green check-off program would finance the purchase and installation of equipment and would not be required to be repaid. Benefits identified by the Public Staff include reducing the negative environmental impacts of fossil fuel generation and improved fuel diversity. In addition, students and the general public would become better educated about energy production and conservation and the associated environmental and societal impacts. The Public Staff proposed that all electric utilities be required to publicize the program through bill inserts, modify their billing programs to collect customers contributions, and regularly transfer such funds to the program administrator. In addition, to generate public awareness and enthusiasm for the program, a statewide advertising campaign could be undertaken. The Public Staff suggested that customers be presented with preset check-off amounts, such as $1.00, $5.00, and $10.00, as well as a space for an alternative amount. It noted that some states allow customers to designate an annual contribution at the beginning of each year to be collected in monthly increments in order to provide more certainty to the program administrator as to the level of expected contributions. The Public Staff stated its belief that a single statewide fund should be created and that all electric customers should have the opportunity to participate. The program administrator would evaluate projects and award grants based upon a number of factors, including technical feasibility, educational value, geographic location, project cost per kilowatt hour produced, and technical diversity. The Public Staff proposed that an existing organization such as the AEC or the State Energy Office administer the program. Lastly, the Public Staff stated that it surveyed other states and found that only Maine had a voluntary green power program and that it was still under development at that time. Other states have imposed mandatory surcharges to support research and development or to fund grants, have imposed renewable energy portfolios on their energy suppliers, or have allowed green pricing tariffs.

In their letters, Senators Odom and Clodfelter expressed support for a green energy customer check-off program as an important step toward a cleaner environment, noting the reduction in emissions from fossil-fueled generation facilities for every kilowatt hour produced by a renewable generator. They stated their belief that a single statewide program should be considered in order to link the interest of the customers in the urban and rural areas of the State with the diverse renewable resources located throughout the

State, and singled out the NC Smart Energy proposal from Cardinal as one that "warrants consideration." The Senators "encourage[d] action by the regulated and unregulated utilities, the generators, and the advocates to work together at this time for the prompt development and implementation of a green check-off program," and concluded that "it would be unfortunate for the people of North Carolina if development of this important resource is unnecessarily delayed."

Each of the witnesses at the April 3, 2001, public hearing who addressed green power generally spoke in support of the adoption of a green power program of some form. Mr. Wade Bennett, for example, Plant Manager for the Craven County Wood Energy Plant, a 45 megawatt biomass-fueled renewable energy supplier, recommended that the State adopt a green power program that would help preserve existing renewable assets as well as encourage the development of new resources. He indicated that his facility, which employs 28 people and is the second largest taxpayer in Craven County, will not be able to continue to operate once its current avoid cost contract with CP&L expires because of the dramatic decrease in avoided cost rates. Mr. Tim Beaver, Vice President of Engineering with Enerdyne Power Systems, echoed Mr. Bennett's comments. Mr. Beaver testified that his company, which has developed three projects in North Carolina producing electricity using landfill methane gas, cannot currently afford to develop new projects for power generation because the utilities' avoided cost rates are so low. He supported Cardinal's NC Smart Energy proposal, where renewable generators would be paid from a statewide fund based upon the actual kilowatt hours of energy produced. Mr. Matthew Meares argued that the State should adopt a mandatory renewable portfolio standard (RPS) rather than the proposed voluntary check-off program. Under an RPS, each utility in the State would be required to generate or purchase for resale a certain percentage of its electric power from renewable resources. Mr. John Delafield similarly testified that although a voluntary green check-off program is a good beginning toward improving the environment through the increased use of renewable resources for electric generation, the State should consider adopting a program in the future that is "more compulsory." Other witnesses testified as to their willingness to pay a premium for green power and the benefits of adopting a program to encourage the development of renewable energy in North Carolina, including: the positive environmental impact, the use of indigenous energy resources, and the potential to assist in solving the animal waste problems in the State.

In its reply comments, CP&L concluded, based upon its analysis of the initial comments of the other parties, that there are potentially more effective alternatives for promoting the development of renewable energy resources that the Commission should consider before committing to a green check-off fund. CP&L noted that a green check-off fund as proposed by the Study Commission could, if properly administered, take North Carolina a step further toward achieving a goal of encouraging the most environmentally-friendly generation of electricity by getting the public interested and involved. CP&L, however, stated its belief that green power tariff offerings by electric utilities, or green pricing programs, have the potential to offer a more effective way to promote the concept of green power on a more grass-roots, community-specific level. It noted that customers who chose to take service under a green tariff are spending their money to buy a specific product, not just to subsidize an abstract State fund over which they have little or no control. CP&L, therefore, stated its intent in the near future to file an experimental green tariff, using the premiums to be paid to purchase green power from generators within CP&L's service territory and to promote the installation of new, emerging renewable resource technologies in North Carolina. CP&L recommended that the Commission encourage other utilities to develop and implement green tariffs rather than pursue the establishment of a green check-off fund.

Commenting on the green check-off proposals, CP&L stated that utilities should not be required to include a green check-off box on customers' bills, noting (1) the potential for confusion for customers confronted with a green pricing tariff and a green check-off fund, (2) the undue additional processing costs for the utilities, and (3) the tendency to give customers the mistaken impression that the green check-off fund is a utility-based program rather than a State program. CP&L supported, instead, soliciting contributions by means of a periodic utility bill insert or the addition of a check-off box on North Carolina's income tax forms. CP&L further disagreed with those parties who proposed a mandatory green fund, collected through a surcharge on the customer's bill. CP&L noted that the Study Commission intended for the contribution to be voluntary. A mandatory charge, according to CP&L, would likely draw negative reactions from some who might perceive it as a rate increase or form of taxation and would prevent the public from exercising any voice in the State's energy policy. Lastly, while commending Cardinal for the initiative it had demonstrated, CP&L stated that it does not support Cardinal's proposed NC Smart Energy program, citing the excessive cost burdens the program would impose on utilities, the magnitude of the cost overhead, and the proposed organization structure. If a program is to be implemented, CP&L agreed with those parties who favor a single, independent, state-level program administrator governed by a board with balanced representation from all interested parties. It agreed that the AEC, as stated in its initial comments, or the State Energy Office are feasible alternatives to be such a program administrator.

Duke, in its reply comments, stated that it supports a voluntary green check-off program, as it believes the Study Commission intended. Duke noted that green pricing proposals, such as that discussed by the NCSEA (and by CP&L in its reply comments), are different from the voluntary check-off program intended by the Study Commission and are more appropriate in a deregulated market. Duke concurred with other parties that bill inserts should be used to collect contributions, minimizing consumer confusion as well as implementation and administrative costs. It opposed, therefore, the Attorney General's proposal for rounding up residential bills and the Public Staff's billing proposal, each requiring the utilities to initially collect the contributions. Duke agreed with several parties, however, as stated in its initial comments, that a single statewide green fund should be created utilizing an existing organization, such as the AEC, as the administrator. Duke proposed that an independent board consider many programs, including NC Smart Energy proposed by Cardinal, select the programs which have the most benefit for North Carolina consumers, and then oversee the performance of the programs receiving support from the fund.

In its reply comments, NC Power reiterated that a properly designed green check-off fund could be beneficial to North Carolina and its citizens. It stated that the funds from a green check-off program should be used to increase the amount of green energy supplies under existing rates by making the supply of such power more cost effective. As stated in its initial comments, such funds could be used to reduce the initial cost of green systems or to increase the effective price paid to the supplier for the energy from such systems. NC Power disagreed with proposals, such as those put forward by Cardinal, the Attorney General, and the Public Staff, that would require utilities to bear the brunt of the administrative and implementation obligations, that would require utilities to modify their bill formats, and that would require utilities to be responsible for advertising or publicizing such programs. NC Power recommended that contributions be solicited through North Carolina income tax forms or through bill inserts and that the program be administered by a State agency. Lastly, NC Power stated that utilities should be compensated for any costs they incur in implementing and publicizing any green check-off fund program.

NCEMC, in its reply comments, noted that the Study Commission's request "was unambiguous" in asking the Commission to develop recommendations for the creation of a voluntary green check-off program. NCEMC noted that significant support appears to exist for a properly structured and administered voluntary green check-off fund: one funded by customers throughout the State with the proceeds to be used to fund the research and development of renewable energy projects and technology. NCEMC reiterated its support for the use of bill inserts to minimize the costs of administration and its opposition to requiring utilities to modify their invoice and billing systems to implement a green power program. NCEMC further opposed any requirement for mandatory contributions or any requirement that utilities offer a green pricing program, under which NCEMC's wholesale power purchases would be required to be made from a specific seller or group of sellers.

In its reply comments, Cardinal stated that its review of the comments "shows a broad agreement among all of the participants on many issues," including: (1) the importance of providing consumers with an option for supporting the development of renewable resources, (2) that the program should be available statewide, (3) that the program should be independent and operated by a State agency or an independent, non-profit organization, and (4) that the program should be supported by voluntary contributions. Cardinal stated that the NC Smart Energy program has been developed as the model which will address these broad interests and will result in a program that increases renewable energy generation in the State. Cardinal noted that a number of issues had been raised by the parties concerning such a program, and stated that the "prompt endorsement of the concept of a renewable energy program by the Commission will bring the parties to the table in order that those issues will get resolved." Cardinal cited support for the NC Smart Energy program from a variety of companies, organizations, and individuals.

Cardinal, therefore, recommended that the Commission “promptly endorse the concept of [Cardinal’s] renewable energy plan in general, and NC Smart Energy in particular.” It further recommended that the Commission direct the Public Staff, in conjunction with Cardinal, to convene a meeting of the utilities (including cooperative and municipal utilities) for the purpose of further developing and implementing the NC Smart Energy program. Cardinal recommended that a similar meeting be held with existing renewable generators and advocates to ensure that the program will meet the needs of independent developers and operators. Cardinal proposed that it and the Public Staff be required to file with the Commission a detailed program description regarding NC Smart Energy prior to the actual implementation. Cardinal stated its belief that a delay in the endorsement of the program by the Commission, or the unnecessary legislative action, will lead to a delay of two years. According to Cardinal, “It would be a grave disservice to the people, the environment, and the economy of North Carolina to halt the momentum of the NC Smart Energy program at this time.”

In its reply comments, the NCSEA noted “the overwhelming support for green pricing displayed” at the public hearing in this docket. However, the NCSEA appeared to now endorse a green check-off program rather than the green pricing programs which were the subject of its initial comments. It commended Cardinal for creating a workable proposal and bringing the parties together to focus on the development of the NC Smart Energy proposal. Based upon the parties’ comments, the NCSEA agreed with Cardinal that a statewide program run by an independent non-profit is the best and most appropriate program design. The NCSEA stated its belief that a successful program should have the following characteristics: (1) that the program should be simple to explain to the public, (2) that the primary use of the funds should be to make supplemental payments to green electric generators, (3) that a variety of renewable resources across the State should be supported, (4) that new renewable generation should be the primary goal, (5) that the program should be run by a non-profit corporation with a stakeholder board, (6) that program funds spent on marketing should be supplemented by contributions by participating utilities, and (7) that customer payments be handled as part of each utility’s regular billing process. The NCSEA concurred with Cardinal that the program’s development should be initiated as soon as possible and requested that one or more meetings be hosted by the Commission or the Public Staff in the near future to explore and make decisions on program design and implementation. The NCSEA further recommended, in order for consumers to make an informed choice on purchasing green power, that the Commission establish a disclosure policy requiring power generators to provide information on customers’ bills relating to the fuels used in electric power generation and the generators’ emissions. Lastly, the NCSEA recommended that any green pricing program developed in this State undergo an independent certification process, such as the Green-e certification program originally developed for those states with competitive retail markets.

CUCA, in its reply comments, reiterated its opposition to a mandatory charge to fund a green energy program. It concurred with others that a mandatory cents per kilowatt hour charge would negatively impact large energy users and thus may have a negative economic impact on the State.

In their reply comments, Messrs. Allen and Henderson, the owners of small hydroelectric generating facilities, noted, “If the Commission can see no value beyond the kilowatt rate for renewable energy then it should allow a statewide voluntary program to facilitate its existence even at an additional charge per kilowatt.” Alternatively, “If the Commission recognizes the value of this type of energy and the role it can play in a statewide energy strategy, then it should make the program mandatory as part of the rate structure.”

In his reply comments, the Attorney General also noted that “the parties generally favored the creation of a statewide voluntary green pricing program.” With regard to the green program, the Attorney General restated his belief that collection should be done directly by the utilities through their regular bills rather than by bill inserts and other tools whereby customers would send their contributions to a separate entity. The Attorney General agreed that the utilities will incur costs in modifying their billing software, but stated that these generally one-time costs are outweighed by the benefits of this approach in terms of greater participation. The Attorney General supported the establishment of a statewide program funded by voluntary contributions and stated that he would support the Public Staff’s efforts in working with the parties to develop a plan for consideration by the Commission.

The Public Staff, in its reply comments, stated that the concept of the NC Smart Energy program proposed by Cardinal has “a great deal of merit.” The Public Staff stated its belief that the program is consistent with the Commission’s investigation in this docket: i.e., voluntary contributions which would assist both new and existing generators of green power. Because the Public Staff believes that this type of program could be established under the existing utility statutes and would benefit the people of North Carolina now, it requested that the Commission endorse the concept of the NC Smart Energy program. If the Commission were to endorse the concept, the Public Staff proposed to convene several sessions with groups of the various parties to this docket for the purpose of creating a more specific proposal for the Commission’s approval. Lastly, the Public Staff proposed that the parties jointly file a report to the Commission on the status of the process within ninety (90) days.

In its reply comments, the State Energy Office expressed its support of Cardinal’s NC Smart Energy program concept. While preferring that the utilities offer green pricing tariffs, the State Energy Office recognized that another mechanism is needed in the absence of such tariffs. The State Energy Office noted that polls indicate strong support for green power, even suggesting that some consumers would pay up to $20 or more per month for green power. The State Energy Office recommended that oversight of the green fund be placed under the auspices of either the North Carolina Energy Policy Council, the principal State commission charged with developing energy policy recommendations and staffed by the State Energy Office, or a new non-profit organization, with an experienced contractor, such as Cardinal, hired through a competitive bid to assist in the development and operation of the program. As noted by the NCSEA, both independent certification of green suppliers and disclosure of energy sources and emissions on customers' bills are additional critical components of any green power program. Lastly, the State Energy Office recommended that the Commission, because it would eventually lead to much greater sales and development of green electricity, examine whether green tariffs should be required to be offered in the future by the State's electric utilities.

<u>Responses to Commission's Questions</u>

1. Appropriate purpose and uses for the fund.

The motion adopted by the Study Commission suggested one use for the green check-off fund: "issuing grants to be used to build infrastructure, supplement losses, and mitigate start-up costs associated with supplying renewable energy." While several of the parties supported this use for the fund, many offered additional suggestions for how the money in the green check-off fund could be spent and whether it should be repaid. Several parties, such as Cardinal and NC Power, suggested using the fund to provide an incentive payment and increase the effective price paid to renewable suppliers for the energy from their facilities. Other proposed uses for the green check-off fund included support of research and development and consumer education. The parties were divided over whether the money, if paid out for capital assistance, should be in the form of grants or loans and whether it should be required to be repaid. Under the Public Staff's original proposal, for example, grants from the green check-off fund would be awarded to finance the purchase and installation of renewable generating equipment and would not be required to be repaid.

2. Potential benefits from such a program.

The Study Commission requested that the Commission's recommendations include an assessment of the potential benefits from a green check-off program. Numerous benefits were identified by the parties in their comments in Docket No. E-100, Sub 90, including:

— increase the amount of electricity available to North Carolina consumers derived from renewable energy resources;

— improve air quality and the environment by decreasing the environmental impacts of electric generation;

— increase awareness among the public of renewable resources resulting in more well-informed consumers;

— provide an opportunity for the public to directly support the development of renewable energy resources, thus satisfying a consumer demand and preference for renewable energy;

— increase the amount of energy supplied to North Carolina from domestic sources;

— improve the fuel diversity used to generate electricity in North Carolina;

— provide to the State's electric transmission grid the system benefits of distributed generation, such as reduction in line losses and congestion;

— increase the economic feasibility in the treatment of agricultural waste in North Carolina;

— increase employment in the energy industry in this State by the creation of a significant number of new jobs; and

— standardize interconnection requirements for renewable generators.

Depending upon the ultimate form adopted for the green check-off program, an additional benefit would be an increase in research and development for renewable energy technologies.

3. Potential costs associated with such a program.

The Study Commission also requested that the Commission's recommendations include an assessment of the potential costs of a green check-off program. Several areas of costs were identified by the parties, with some suggestions for ways to reduce costs. Such costs include: program design, initial program promotion and consumer education, handling customer inquiries and enrollment, customer service training, ongoing program marketing, printing and mailing, software development and bill modification, increased bill handling and accounting, program management, funds distribution, and program audit. Utilities suggested that the solicitation of voluntary contributions through bill inserts or a check-off on the State income tax form rather than on monthly utility bills would greatly reduce the costs associated with the program. Few costs were actually quantified, however; parties noted that the magnitude of the costs would depend upon the details of the program. Cardinal, in its proposal, forecasted expenses of $60,000 per month during program start-up and 20% of customer contributions upon full implementation of the program. Cardinal's proposal also assumed, however, that the utilities would be responsible for certain costs, such as changes in their billing systems and a share of marketing costs, to which the utilities objected.

4. Amount of the check-off appropriate for such a program.

The Study Commission requested that the Commission's recommendations include the amount of the check-off. The parties were divided on this issue, with the utilities generally favoring an open-ended, fill-in-the-blank solicitation and the remaining parties favoring presenting consumers with preset check-off amounts, such as $1.00, $4.00, $5.00, or $10.00. These latter commenters suggested that consumers additionally should be provided space to fill in a different amount. If the program were implemented as a green pricing program, where a customer is deemed to be "buying" a certain amount of green power, as several parties suggested was preferable, the customer payment would likely be expressed and billed as a fixed premium in dollars per "block" of renewable energy purchased. Consumers could then elect to purchase one or more blocks of power for the stated premium per block.

5. Whether all retail electric consumers in the state should have the opportunity to contribute to such a fund or whether a distinction should be made based upon the size or type of electric utility serving the consumer.

All parties agreed that all retail electric consumers in the state should have the opportunity to contribute to a green check-off program. Moreover, even customers of non-participating electric suppliers should be able to contribute directly to the statewide program administrator.

6. Whether a single statewide fund should be created for such a program or whether the money collected should be segregated and disbursed separately according to some criteria.

All parties agreed that a single statewide fund should be created to receive contributions from all North Carolina consumers. In addition, to accommodate the State's diverse resources (i.e., greater wind generation potential in the west, greater agricultural waste generation potential in the east), renewable generators across North Carolina would be eligible to receive money from the green power program without regard to the geographic source of the funds.

7. Who should administer such a program.

Cardinal proposed creating NC Smart Energy, Inc., an independent, non-profit company with a diverse stakeholder board of directors, for the purpose of administering a green check-off program in North Carolina. While other parties agreed that an independent, non-profit corporation or state agency should be chosen to administer the program, many, such as the Public Staff, suggested that the Commission select the AEC or the State Energy Office as the administrator. These commenters noted, for example, the AEC's history, experience, and purpose and the fact that it already has much of the infrastructure in place to administer such program.

8. Current similar programs.

A number of parties commended the State on its initiative in the renewable area and noted that North Carolina's envisioned statewide program would be unique in the country. Individual utilities in other states have offered contribution-based and green pricing programs with varying success as measured by the percentage participation rate. CP&L, for example, noted that among the relatively small number of programs in place across the country, the average response rate for contribution-based programs is only 1% and the average monthly contribution per customer for such programs is $2.80. Green pricing programs, on the other hand, in which a customer is actually "buying" green power, have achieved participation rates of 4% to 7% with average premiums paid of $5.00 per month. Cardinal noted that the green pricing plans operating in other states differ from the voluntary, statewide program envisioned for North Carolina, but suggested that it is important to consider these existing plans to gain a general understanding of public acceptance and support for green power. To that end, Cardinal attached two national reports to its comments that detail both the success of specific green pricing programs and the results of market research on the willingness of the public to support green power. Lastly, the Public Staff noted that, in addition to allowing green pricing tariffs, some other states have imposed mandatory surcharges to support research and development or have imposed renewable energy portfolios on their energy suppliers.

Collaborative Stakeholder Process

Upon careful consideration of the initial and reply comments filed by the parties in Docket No. E-100, Sub 90, the Commission issued an Order Requesting Further Proposals and Comments on June 28, 2001 (June Order, attached as Appendix B), requesting that the Public Staff contact other parties and interested persons, as appropriate, and work with them in a workshop setting toward preparing a more specific proposal for a voluntary green check-off program. The Commission noted that it was encouraged by the parties' apparent willingness to work together despite the fact that they remained apart on a number of important issues at that time. The Commission further stated that while it believed that the general framework proposed by Cardinal was responsive to the Study Commission's request, it agreed with those commenters who suggested that a more efficient, cost-effective approach to developing a green check-off program would be to attempt to utilize the resources of an existing organization for implementation of the program. The Commission, therefore, requested the Public Staff to file a more specific proposal after working with the other parties. In addition, the Commission allowed any other party to file a further proposal of its own or to file further comments and reply comments in that proceeding.

One fundamental issued raised by the parties in their comments was related to the structure of the voluntary program: whether the green program should be based solely upon the receipt of contributions from utility customers or upon green pricing tariffs, whereby customers would "buy" blocks of green power. The Public Staff initially argued that a green pricing program would prove problematic. Other parties, however, stated that a green pricing program would likely be more successful than a contributions-based program. The Attorney General, for example, recommended that the Commission begin with a contributions-based program and later move to a green pricing program. The NCSEA initially argued that a green pricing program had been intended by the Study Commission in its request to the Commission. Surprisingly, the NCSEA modified its position in its reply comments and endorsed a contributions-based program such as Cardinal's NC Smart Energy proposal. CP&L's position, on the other hand, evolved from that of noting the apparent increased effectiveness of a green pricing program over a contributions-based program to stating its intent to file an experimental green pricing tariff. CP&L, in its reply comments, recommended that the Commission encourage other utilities to file green pricing tariffs rather than continue to pursue the contributions-based check-off program.

The Public Staff convened several meetings, as requested in the June Order, in July and August 2001. As a result of these meetings and discussions among the parties, CP&L and Duke separately filed on August 15, 2001, letters committing to file green pricing tariffs with the Commission by December 31, 2001.

On August 20, 2001, the Public Staff filed a Motion for Continuance of the filing dates for further proposals and comments established in the June Order. As stated in the Public Staff's Motion, most of the participants at the green power meetings believed that the utilities' green pricing tariffs would be more effective than a voluntary check-off program in promoting the development and use of renewable resources. The majority of the participants also agreed that further work on a voluntary check-off program should not continue at that time given the utilities' commitment, but rather that the participants should engage in discussions and develop recommendations on the identification of renewable resources and the administration of a program that would distribute revenue from the tariffs. After receiving informal feedback from counsel for the Study Commission that investigation of green pricing tariffs by the Commission would not be inconsistent with the Study Commission's intent, the Commission postponed indefinitely the filing deadlines for further green check-off proposals to allow the parties to focus on the development of a green pricing program.

As a further result of the meetings with the Public Staff and the Commission's September 4, 2001, Order Continuing Filing Dates, the AEC facilitated the organization of a Green Power Program Advisory Committee consisting of stakeholders who had shown interest in the green power program. The Advisory Committee includes representatives from the utilities (including NCEMC and ElectriCities), renewable resource developers (small hydroelectric, landfill methane, hog and wood waste), environmental interests, the State Energy Office, and the AEC. Staff members from the Commission, the Public Staff, and the Attorney General were invited to attend the Advisory Committee meetings as observers. The Advisory Committee was subsequently expanded to include representation from wind, solar, and poultry waste generation and an observer from the U.S. Environmental Protection Agency. All meetings have been open to the public to attend.

The Green Power Program Advisory Committee first met on October 5, 2001. Through a number of subcommittees and working groups, the stakeholders have attempted to reach consensus on an implementation plan for a green power plan for North Carolina. Simultaneously, the stakeholders have begun working with the Center for Resource Solutions (Green-e) on developing criteria for national certification of North Carolina's green power program. In deference to the progress being made by the AEC and the stakeholder group, the Commission on January 11, 2002, extended the deadline for the utilities to file their green pricing tariffs until April 1, 2002 (Order attached as Appendix C).

Discussion and Recommendations

Based upon the Commission's investigation, the comments of the parties to the Commission's generic proceeding, and the subsequent work of the AEC and the stakeholders on the green power program, the Commission finds considerable benefit in continuing to explore implementation of a statewide voluntary green power program for North Carolina. Implementation of a successful green power program will have a positive impact on the environment in North Carolina by increasing the amount of electricity generated by domestic, renewable energy resources and by reducing the amount of electricity generated by the combustion of coal and other fossil fuels. Moreover, the inclusion of hog and poultry waste-to-energy projects in such a program can provide additional economic and environmental benefits. The AEC is working with the State's electric suppliers and other stakeholders to minimize costs and obtain funding for initial marketing and administration of the green power program. As currently envisioned, money collected from consumers from the sale of "blocks" of green power will be distributed to renewable energy suppliers in exchange for power delivered to the electric grid. Work is underway to establish a brand identity for the program, and the State's municipal, cooperative, and investor-owned utilities are fully supportive of the program.

The Commission, therefore, recommends that the Study Commission (1) recognize the efforts of all parties involved in moving this matter forward, and (2) request that the Commission continue to work with the stakeholders to implement a statewide green power program for North Carolina. No additional legislation is required for implementation of such a program. The Commission anticipates making a final report to the Study Commission at the conclusion of its efforts in this matter.

PUBLIC BENEFIT FUND CHECK-OFF PROGRAM

On or about March 30, 2001, initial comments on the public benefit fund check-off program were filed by CP&L, Duke, NC Power, NCEMC, CUCA, the Coalition, the Attorney General, and the Public Staff. Reply comments were filed on or about April 27, 2001, by CP&L, Duke, NC Power, NCEMC, CUCA, the Coalition, the Attorney General, and the Public Staff. Reply comments were also filed by the North Carolina State Energy Office. Of the eleven witnesses appeared and testified at the public hearing on April 3, 2001, four spoke in reference to the public benefit fund check-off program. Copies of the parties' filed comments and the hearing transcript are available from the Commission's Chief Clerk. Many of these documents are also available on the Commission's Internet web site (http://www.ncuc.commerce.state.nc.us).

Summary of Public Comments

In its initial comments, CP&L stated that it supports funding for low income bill payment assistance through voluntary programs, such as CP&L's Project Share. Since 1982, more than $12 million has been provided to assist more than 90,000 families with payment of winter heating bills and the purchase of summer cooling fans through Project Share. CP&L expressed concern, however, that another voluntary contribution program offered to CP&L's customers, such as a public benefit fund check-off program, will cause customer confusion with no net increase in funds available for low income assistance. CP&L expressed its belief that the introduction of a competing or alternative voluntary check-off program would result in the abandoning of successful existing utility programs such as Project Share. CP&L noted that it did not object to a statewide assistance effort that would complement, and not complete with, existing utility programs, but did not believe such could be accomplished by using electric bills as the solicitation method. CP&L noted that assistance with summer cooling bills for low income consumers might be an appropriate additional use of the money raised by a statewide public benefit fund similar to CP&L's Project Share. It cautioned, however, that money should not be diverted from the more critical winter season assistance, the single most important benefit of a program like Project Share. CP&L indicated that many of the costs associated with a new statewide public benefit fund check-off program would be the same as those identified for the green check-off program, such as program design, promotion, management, and audit; customer enrollment; billing and accounting; and funds distribution. CP&L stated that customer contributions are made to Project Share in response to an open-ended request in a bill insert. CP&L stated its belief that all consumers in the State should have the opportunity to contribute to a program such as Project Share, but recommended that utilities should have the flexibility to offer their own program. CP&L did not believe, however, that a single statewide public benefit fund check-off program should be created. Such a program would likely jeopardize the success of existing utility programs, create customer confusion, create unnecessary additional administrative expenses, and take time to achieve the public recognition and level of success of existing utility programs. CP&L indicated that its Project

Share is administered by the CP&L Foundation in conjunction with state and community agencies to ensure that 100% of the contributions go directly to those in need.

Duke, in its initial comments, stated that it currently administers a voluntary program similar to that envisioned by the Study Commission which provides financial assistance in paying winter energy bills for families in crisis. Duke's Share the Warmth program has provided more than $30 million to assist needy families since 1985. Duke expressed a willingness to expand its program to assist year-round in funding weatherization and energy efficiency research and commercialization, but opposed abandoning its successful, established program to implement a new statewide voluntary public benefit fund check-off program. Duke noted that a public benefit fund check-off program can provide significant benefits to families and individuals undergoing financial problems. Duke agreed that the costs to implement a new program would be similar to those cited for implementing a green check-off program, including: software development, additional bill handling, funds transfer, postage, program administration, consumer education, handling consumer inquiries, and legal review. Duke noted that by using a bill insert rather than the actual electric bill for solicitation would greatly reduce the administrative costs. Duke stated that a majority of these costs have already been incurred for its Share the Warmth program. Duke opined that leaving the contribution amount open-ended is the most effective structure because it gives the contributor maximum flexibility. Duke further stated its belief that some type of public benefit program, such as Share the Warmth, should be offered by all utilities in the State, including cooperatives and municipals, to consumers in their service territory. Duke opposed the imposition of a single statewide program, and recommended that utilities have the opportunity to continue to utilize existing, established programs given the considerable investment in time and resources developing, promoting, and branding such programs. Like CP&L, Duke noted that its Share the Warmth program is administered by a Duke foundation in partnership with independent community agencies.

As it indicated with regard to the green check-off program, NC Power stated in its initial comments that a properly designed public benefit fund check-off program could be beneficial to North Carolina and its citizens. NC Power noted, however, that the potential costs of the implementation and administration of the program should be considered in its design. To achieve effectiveness and to ensure that the greatest proportion of contributed funds go to support program beneficiaries, NC Power recommended that a State agency administer the program. NC Power further recommended that contributions be solicited through the North Carolina income tax form. NC Power administers its own voluntary contribution program, EnergyShare, to provide heating assistance to low-income households. NC Power expressed concern that the implementation of a new North Carolina program might take away from the amounts contributed to its EnergyShare program, which provided almost $100,000 to 1,582 persons in North Carolina in 2000. NC Power noted that the purpose of a public benefit fund check-off program is to create a funding source for energy related programs that provide demonstrable benefits to the public but are not funded by other utility, government, or private sources, including: weatherization, renewable energy research and commercialization, and energy efficiency research and commercialization. As it did with regard to the green check-off program, NC Power identified a number of areas of costs associated with a voluntary public benefit fund check-off program, including: printing and mailing costs, automation costs, company administrative costs, and agency administrative costs. NC Power stated its belief that these costs, which would be unrecoverable through 2005 under the rate cap approved by the Commission, could be significant. NC Power, which collects through customer bills for its own EnergyShare assistance program, recommended, therefore, that utilities be allowed to choose between using a bill or other means to solicit contributions and that utilities with relatively small customers bases in the State be given the opportunity not to participate. NC Power stated its concern that the initiation of a new program solicited through the utility bill would require significant system modifications and possibly take away from the amount contributed to its EnergyShare program by its North Carolina customers. NC Power suggested that all retail electric consumers should have the opportunity to participate in a public benefit fund program and that contributions to a statewide public benefit fund program should be solicited through the North Carolina income tax form. NC Power stated its belief that a single statewide fund should be created for the public benefit fund program and that it should be centrally administered by the State. Lastly, NC Power noted that at least 14 states currently have in place public benefit funds like that proposed for North Carolina. In nearly all cases, money is collected through a mandatory charge to consumers based upon their energy usage.

In its initial comments, NCEMC highlighted the diversity of its distribution members, their retail electric customers, and their service territories, and stated that only initiatives that permit each customer to choose whether to contribute to one or more check-off funds can accommodate the breadth of the needs and interests of the millions of customers who collectively own and govern the various members who comprise NCEMC. To maximize the effectiveness of a green power fund, NCEMC suggested minimizing costs of collection by using bill inserts rather than requiring changes to the actual bills. NCEMC noted that customer education is critical, ensuring that each customer receive sufficiently accurate and complete information before solicitations occur. NCEMC stated its belief that the purposes of a public benefit fund check-off program should be limited to grants for low-income support and weatherization programs. To include other purposes in this fund, such as renewable energy or energy efficiency, would duplicate the efforts proposed by the green check-off program and the efforts currently funded through the AEC. NCEMC supported this simple, more focused program, noting that the existence of public support for focused programs that deliver benefits to households with greater financial needs is demonstrated by voluntary programs of this type already implemented by some of NCEMC's member distribution cooperatives. NCEMC noted that no additional costs would be involved if cooperatives are allowed to continue existing programs for low-income support and weatherization. NCEMC noted that one of its members administers a voluntary program called "Project Helping Hand" with about 2000 participating customers contributing approximately $1000 per month for low-income heating support. NCEMC recommended that solicitations be open-ended and made by way of bill inserts. NCEMC stated that all retail electric consumers should have the opportunity to contribute to a public benefit fund check-off program, but reiterated that utilities should have the option of continuing an existing program within their service territory or participating in a larger program administered by a certified, independent agency approved by and accountable to the Commission.

CUCA, in its initial comments, stated that it is not opposed to voluntary contributions to a public benefit fund check-off program provided all costs associated with such a program are borne by the voluntary participants. CUCA opposed, however, the imposition of any mandatory per kilowatt hour surcharge to fund a public benefit fund program. Although the impact of such a charge on a typical residential customer might be less than $2.00 per year, the cost to higher usage industrial customers might be tens of thousands of dollars or more per year. CUCA further argued that such mandatory charges on a cents per kilowatt hour basis would adversely affect industrial customers and be inequitable to those customers.

The Coalition, whose members include the North Carolina Justice and Community Development Center, the North Carolina Community Action Association, the North Carolina Consumers Council, the North Carolina Solar Energy Association, the North Carolina Public Interest Research Group, the Western North Carolina Alliance, and Appalachian Voices, filed initial comments supporting the implementation of a mandatory public benefit fund in North Carolina as soon as possible. The Coalition stated that significant new funds are absolutely essential if North Carolina is to adequately protect the interests of its most vulnerable ratepayers, the physical health and well-being of all citizens, and the environment. The Coalition stated its belief that a mandatory public benefit fund is the fairest and most appropriate way to provide those funds. The Coalition further noted that the public benefit fund must be mandatory and not in competition with a green check-off program for contributions. Moreover, the Coalition opined that ratepayers are unlikely to donate to a program that they think should already be funded by their electric bill. The public benefit fund program envisioned by the Coalition would serve three purposes: (1) improve energy efficiency to reduce pollution and demand for electricity and reduce energy bills for individual ratepayers; (2) improve and commercialize renewable energy technologies, replacing other polluting forms of energy while improving reliability, diversifying fuel sources, and experimenting with distributed resources; and (3) provide low-income bill payment assistance and weatherization funds. Specifically, the Coalition proposed that the energy efficiency and renewable energy part of a public benefit fund would include buy-downs and grants for residential, commercial, and industrial projects, matching funds to gain federal funding, a public sector energy bank to provide funding for governments, school systems, and other public buildings, research with an emphasis on commercializing technologies appropriate for North Carolina, and energy education and outreach. Investments in the low-income arena would target ratepayer assistance in conjunction with federal Low Income Home Energy Assistance Program (LIHEAP) funds, expanded weatherization funding to North Carolina Community Action agencies and other energy service providers, as well as energy education and outreach targeted to low-income homeowners and renters. The Coalition recognized that low-income assistance and weatherization programs have received fairly regular federal appropriations, but noted that the oil overcharge funds used for renewable energy and energy education in North Carolina will be exhausted in the next two years. One benefit of the public benefit fund program noted by the Coalition is a replacement of the former utility investment in energy efficiency and demand-side management and the diminishing oil overcharge funds. In addition, the money from the program will be leveraged through its use as matching funds for additional federal funding. The Coalition proposed a single statewide fund imposed as a non-bypassable wires charge of $0.00025 (0.25 mils) per kilowatt hour. The Coalition recommended that the program be administered by the State Energy Office, with oversight by the Energy Policy Council or a new organization modeled on the North Carolina Clean Water Fund. A portion of the fund (5%) would be designated for program administration and the remainder would be divided equally among the three program areas. Lastly, the Coalition attached to its initial comments summary information on public benefit fund programs in other states.

In his initial comments, the Attorney General stated that a voluntary public benefit fund check-off program, like the green check-off program, could be used for supporting the development of renewable energy systems as well as for conservation efforts. While noting the reduction in demand-side management programs, the Attorney General recognized the continued importance of conservation and energy independence to our nation. Thus, potential uses for a public benefit fund program could be to fund such measures as weatherization, replacement of inefficient heating and cooling systems, energy assistance, and pilot programs for real-time pricing. The Attorney General recommended that these efforts be targeted to address the needs of seniors and low-income citizens. The Attorney General noted that an important benefit from such a program is the reduction in dependence on foreign oil. The Attorney General further noted that there will be significant start-up costs for an effective program, including: coordinating efforts of the utilities, publicizing the program, billing and collecting contributions, distributing money, and monitoring its use. With regard to the dollar amount of individual contributions, the Attorney General stated his belief that residential customers should be presented on their electric bill with a range of dollar amounts to choose from or, alternatively, a “round-up” option to the next $1.00 or $5.00 amount. The Attorney General noted that it may be beneficial to have contributors agree to some minimum time period during which their contributions will continue in order to assist the program administrator in planning. The Attorney General opined that all North Carolina consumers should be able to participate in a green program and that a single statewide fund should be created. The Attorney General suggested that the most appropriate type of organization to administer the program would be a non-profit corporation or a State agency.

The Public Staff, in its initial comments, stated its belief that the purposes of the voluntary public benefit fund check-off program should be limited initially to the following two areas: (1) low-income assistance in paying energy bills or arrearages, and (2) low-income energy efficiency loans and/or grants. The Public Staff noted that public benefit fund programs in other states have been established to serve a variety of additional purposes; however, it believes that low-income assistance is of paramount importance in North Carolina. The Public Staff further noted that North Carolina ratepayers already “fund” energy research and development at the AEC and the Electric Power Research Institute. The Public Staff stated that if the public benefit fund program is successful, other uses for the fund could be added. In addition to the direct benefit to low-income households assisted by the program, the Public Staff stated that the general body of ratepayers would potentially benefit by reducing utility uncollectibles. The Public Staff proposed that all North Carolina citizens should be given the opportunity to contribute to the program and that the Department of Health and Human Services (DHHS) administer the statewide program. By utilizing DHHS, the State agency that currently administers low-income assistance programs and distributes the diminishing oil overcharge funds the public benefit fund check-off program was designed, in part, to replace, start-up costs for the program would be greatly reduced. The Public Staff recommended allowing a customer to designate a contribution amount directly on his or her monthly electric bill, choosing between preset check-off amounts of $1.00, $5.00, and $10.00 or specifying an alternate amount. Lastly, the Public Staff noted that most other states that have implemented a public benefit fund program rely on mandatory contributions. Moreover, the Public Staff found that the level of funding proposed for North Carolina is low compared to other programs nationwide and that the expected contributions to a voluntary program would be even lower, at least initially.

Three of the four witnesses at the April 3, 2001, public hearing who addressed a public benefit fund check-off program explicitly supported of the adoption of a mandatory surcharge to fund the program. For example, Mr. Larry Shirley, Director of the State Energy Office, testified:

> The State Energy Office and the Department of Administration strongly supports the creation of a mandatory non-bypassable wires charge on all electric and natural gas sales which would create a public benefits fund to support the development of renewable resources, green power, energy efficiency, and to protect low-income consumers.

Mr. Shirley listed three reasons for supporting the program: (1) to reduce increases in electricity demand and to compensate for the demise of utility demand-side management and energy efficiency programs, (2) to support development of renewable energy resources, our State’s only indigenous energy resource, and (3) to protect vulnerable low-income households from price spikes such as was observed during the winter of 2000-01. He explained that the money from oil overcharge funds which has supported public benefit fund programs in the past will be depleted over the next few years. Lastly, Mr. Shirley stated that North Carolina does not have to wait for electricity restructuring to adopt a public benefit fund program, citing as examples the states of Wisconsin and Vermont. Mr. Chris Larsen, similarly, testified on behalf of the North Carolina Solar Center in support of a mandatory program. Mr. Larsen noted that a significant portion of the Solar Center's funds still originate from the oil overcharge funds. He estimated that this fund will be exhausted over the next three to five years. Mr. Larsen testified that a new mandatory fund will allow a number of other North Carolina educational institutions in addition to North Carolina State University, of which the Solar Center is a part, which are performing renewable energy and energy efficiency work to be expanded. He stated that the fund would also be important for receiving federal matching funds and that the environmental and economic benefits from such work would accrue to all North Carolina citizens. Mr. Larsen cited two specific reasons for supporting a mandatory fund: (1) so that the public benefit fund is not competing for dollars with a green check-off program, and (2) because the programs must replace their funding source.

In its reply comments, CP&L stated its belief that the voluntary low-income assistance programs currently sponsored by Duke and CP&L already achieve the primary goal of a public benefit fund check-off program and reiterated its concern that any additional program will only serve to undermine the utilities' existing programs and confuse the public. Moreover, CP&L noted that any mandatory program would virtually supplant the utility-based programs. Thus, while noting that the intent of bringing the benefits of a public benefit fund program to customers in areas of the State not reached by utility-based programs is commendable, CP&L recommended letting existing utility-based programs take the place of a statewide public benefit fund program in those areas served by such programs.

Duke, in its reply comments, reiterated its support for a voluntary, not mandatory, public benefit fund check-off program. Duke noted that the mandatory public benefit fund program proposed by the Coalition is more in the nature of a governmental agency funded by state or local tax revenues and objected to being asked to serve as tax collector for this purpose. Duke further reiterated that utilities should have the option to participate in a local or statewide public benefit fund program, thus allowing utilities to choose to continue their successful existing programs. Duke agreed with other parties that contributions should be solicited by way of a bill insert and return envelope to minimize customer confusion as well as administrative costs. Lastly, Duke reiterated its support for an open-ended check-off amount and objected to the Attorney General's round-up proposal.

In its reply comments, NC Power reiterated the major arguments from its initial comments. NC Power disagreed with proposals, such as those put forward by the Attorney General and the Public Staff, that would require utilities to bear the brunt of the administrative and implementation obligations, that would require utilities to modify their bill formats, and that would require utilities to be responsible for advertising or publicizing such programs. NC Power recommended that contributions be solicited through North Carolina income tax forms or through bill inserts and that the program be administered by a State agency. Lastly, NC Power stated that utilities should be compensated for any costs they incur in implementing and publicizing any public benefit fund check-off fund program.

NCEMC, in its reply comments, noted that less consensus appeared to exist among the parties with respect to the public benefit fund check-off program than with the green check-off program. NCEMC reiterated that many of its members and the investor-owned utilities already have in place programs to collect voluntary contributions from consumers for low-income heating assistance and weatherization. NCEMC urged the adoption of a statewide public benefit fund program limited to these two purposes, and expressed concerns about expanding the scope. NCEMC further proposed that utilities be allowed the option of adopting or continuing a local program or participating in the statewide public benefit fund program and expressed concerns about the establishment of an overlapping or competitive statewide program. Lastly, NCEMC reiterated that it is opposed to a mandatory program, or energy tax on consumers.

In its reply comments, CUCA reiterated it opposition to a mandatory charge to fund a public benefits program. It concurred with others that a mandatory cents per kilowatt hour charge would negatively impact large energy users and thus may have a negative economic impact on the State.

The Coalition, in its reply comments, noted, based upon the parties' initial comments, that there is widespread agreement on the proposition that a public benefit fund is a good idea that could help the State meet some of its most critical needs. It noted further, however, that the key point at which the parties diverge is on the question of how a public benefit fund should be established and funded. The Coalition reiterated its belief that mandatory contributions are essential if the program is to raise sufficient funds on a long-term basis capable of meeting North Carolina's needs, especially if the State adopts a voluntary green check-off program. The Coalition disputed arguments that the mandatory charge would be akin to a tax that would raise the ire of customers, and suggested limiting the impact on larger customers by capping the charge at some amount. The Coalition urged the Commission to identify the best possible program to the General Assembly and "allow the legislators to engage in the political calculus that accompanies consideration of such a new 'tax.'" The Coalition further opposed those parties who would limit the purpose of the public benefit fund program only to low-income bill paying assistance. The Coalition stated that this view fails to attack any of the root causes of the need for such assistance, such as inadequate energy education and poor quality housing and appliances, other areas included within the Coalition's proposal. The Coalition, therefore, urged the Commission "to go beyond the mere continuation of the status quo and to advance the Coalition's innovative but modest proposal in its report to the Study Commission."

In his reply comments, the Attorney General noted, too, that there was less agreement among the parties with regard to the public benefit fund program than the green check-off program. The Attorney General continued to support the collection of contributions through the electric bill as a convenience to customers as opposed to using separate bill inserts or the North Carolina State income tax form. The Attorney General argued that the utilities' costs to implement such a system will be outweighed by the benefits of this approach in terms of greater customer participation. The Attorney General further stated his belief that the Coalition made a "compelling argument" in its initial comments for the adoption of a mandatory public benefit fund program. The Attorney General noted, however, that the legislature and Study Commission have been studying other surcharges on electric bills and that these should be considered as a whole in deciding whether to adopt a mandatory charge for this program. Lastly, the Attorney General reiterated his support for a statewide public benefit fund program, noting that the utilities' existing programs can co-exist and that consumers should be given the opportunity to contribute to both funds.

The Public Staff, in its reply comments, stated that it finds merit in the Coalition's initial comments on the need for a mandatory public benefit fund. It stated that a voluntary program is unlikely to provide a sufficient source of funding to adequately support the goals of such a program: to prepare consumers for the possibility of competition, to educate ratepayers on reducing energy demand and usage, to support renewables, and to renovate and improve low-income housing. Moreover, stated the Public Staff, a mandatory fund would cause less confusion for consumers since a number of utilities already have successful voluntary low-income assistance funds. The Public Staff recommended that such a program be created by legislative mandate so that all electric consumers would contribute and that contributions by larger customers be capped at a reasonable level.

In its reply comments, the State Energy Office stated that it is the lead agency in the Department of Administration for the implementation of energy policy for the State of North Carolina. It explained that over the last three years, as utility demand-side management programs have been cut or eliminated, and while oil overcharge funds have dwindled or expired for many states, the public benefit fund has become the principal funding mechanism for the support of state and local energy efficiency, renewable energy, and low-income energy programs. Similarly for North Carolina, the State Energy Office argued that the need for a public benefit fund is great and the timing is urgent. With regard to whether the public benefit fund program is funded by mandatory or voluntary contributions, the State Energy Office stated that the issue is whether the State is serious about this effort or not. The State Energy Office reiterated that the primary funding mechanism for instituting the programs that will advance energy efficiency and renewable energy will be the public benefit fund. Voluntary contribution programs in other states have collected "paltry" sums in comparison to mandatory programs. The State Energy Office noted that public benefit funds in other states collect between one and three mils per kilowatt hour for energy efficiency, renewable energy, and low-income programs. It recommended that the Commission undertake a study of the existing public benefit funds in other states to determine the appropriate structure and surcharge for North Carolina, and offered its assistance in conducting the study based upon its experience in this area. Lastly, the State Energy Office noted its experience in administering similar programs and proposed that it administer the statewide public benefit fund program.

<u>Responses to Commission's Questions</u>

1. Appropriate purpose and uses for the fund.

The proposal considered by the Study Commission suggested that the public benefit fund program "would provide continuing funding for low-income support and weatherization, renewable energy research and commercialization, and energy efficiency research and commercialization." The utilities noted that they each have successful existing voluntary contribution programs which primarily provide low-income assistance for winter heating bills. Many of the parties agreed that the program should include low-income weatherization, and Duke agreed to expand its program to year-round, extend assistance to the cooling season, and provide additional energy efficiency assistance. The Coalition, on the other hand, proposed an extremely broad program including low-income assistance and weatherization, renewable energy, and energy efficiency as well as general conservation, demand-side management, and consumer education efforts. Both the Coalition and the State Energy Office advocated a significant public benefit fund program, as large as $200 million, to replace the utilities' former efforts in these areas.

2. Potential benefits from such a program.

The Study Commission requested that the Commission's recommendations include an assessment of the potential benefits from a public benefit fund check-off program. Numerous benefits were identified by the parties in their comments in Docket No. E-100, Sub 90. For the utilities' existing programs, benefits include: assistance for low-income households with winter heating bills and weatherization; and reduce utility uncollectibles through low-income assistance. For the more comprehensive mandatory program, additional benefits include: replace declining utility investment in demand-side management, energy efficiency, and renewable energy; and reduce dependence on foreign oil through conservation and energy efficiency.

3. Potential costs associated with such a program.

The Study Commission also requested that the Commission's recommendations include an assessment of the potential costs of a public benefit fund check-off program. Several areas of costs were identified by the parties, with some suggestions for ways to reduce costs. Such costs include: program design, initial program promotion and consumer education, handling customer inquiries and enrollment, customer service training, ongoing program marketing, printing and mailing, software development and bill modification, increased bill handling and accounting, program management, funds distribution, and program audit. Utilities suggested that the solicitation of voluntary contributions through bill inserts or a check-off on the State income tax form rather than on monthly utility bills would greatly reduce the costs associated with the program. Utilities also noted that many of these costs for existing programs have either already been incurred or the services are being provided by state or community agencies at no cost to the program. Several of the parties recommended using an existing organization, such as DHHS or the State Energy Office, which would also reduce the implementation costs for a public benefit fund program. The Coalition suggested using 5% of contributions for administration of a $30 million mandatory public benefit fund program.

4. Amount of the check-off appropriate for such a program.

The Study Commission requested that the Commission's recommendations include the amount of the check-off. The parties were divided on this issue, with the utilities generally favoring an open-ended, fill-in-the-blank solicitation as currently sed with their own voluntary low-income assistance programs, and the remaining parties favoring presenting consumers with preset check-off amounts, such as $1.00, $5.00, or $10.00. These latter commenters suggested that consumers additionally should be provided space to fill in a different amount.

5. Whether all retail electric consumers in the state should have the opportunity to contribute to such a fund or whether a distinction should be made based upon the size or type of electric utility serving the consumer.

All parties agreed that all retail electric consumers in the state should have the opportunity to contribute to a public benefit fund program.

6. Whether a single statewide fund should be created for such a program or whether the money collected should be segregated and disbursed separately according to some criteria.

The parties were sharply divided over this issue. CP&L and Duke, for example, opposed a single statewide program, recommending that utilities be allowed to continue their existing established voluntary low-income assistance programs. These utilities argued that a second, statewide voluntary program would create consumer confusion and divert money away from the existing programs. Moreover, a new overlapping mandatory program would virtually supplant the existing utility programs. NCEMC and the Attorney General, however, stated that consumers should have the opportunity to contribute to either or both a local and a statewide program. The Coalition and the State Energy Office stated that the public benefit fund program must be centrally administered with mandatory statewide participation by all electric consumers. The Public Staff, in its reply comments, appeared to envision the existence of two non-competing funds with separate purposes and administration: (1) existing voluntary contribution utility programs for low-income assistance and weatherization; and (2) a new statewide mandatory public benefit fund program for renewable energy and energy efficiency research and commercialization. The Public Staff recommended, however, that any mandatory contribution program be enacted by the legislature to ensure that the customers of all North Carolina electric suppliers participate.

7. Who should administer such a program.

The utilities noted that an affiliated non-profit foundation administers their existing voluntary low-income assistance programs in conjunction with state and community agencies. Several of the parties favoring a statewide program recommended that a State agency or other independent non-profit corporation approved by and accountable to the Commission administer the program. Various parties suggested utilizing DHHS or the State Energy Office, both agencies currently administering State low-income or public benefit fund programs.

8. Current similar programs.

The utilities identified their existing low-income assistance programs as similar to that envisioned by the Study Commission. The Public Staff and the Coalition provided summary information about the public benefit fund programs in other states, noting that all except one program nationwide relies on mandatory contributions. The State Energy Office recommended conducting a more detailed review of the various states' programs and noted the program in Wisconsin particularly as most similar to that envisioned by the State Energy Office for North Carolina.

Discussion and Recommendations

Based upon the Commission's investigation, the comments of the parties to the Commission's generic proceeding, and the testimony received at the public hearing, the Commission finds little support at this time for a statewide voluntary public benefit fund check-off program for North Carolina.

First, each of the State's investor-owned utilities have already implemented successful voluntary contribution programs for low-income assistance. The utilities have made a considerable investment in establishing these programs, and a new statewide program would be largely duplicative, create consumer confusion, and divert funds previously donated to such programs. The utilities expressed a willingness, which the Commission encourages, of expanding their programs to include low-income weatherization assistance if not already funded and to include solicitation of funds via the

Internet and throughout the year. Internet solicitation will allow the utilities to broaden their contributor base beyond their own customers to include, for example, customers of cooperative and municipal utilities which do not have a low-income assistance program. Moreover, extending the solicitation period beyond the traditional winter heating months might allow the programs to support additional weatherization or other low-income assistance. The Commission further notes that the parties indicated that federal appropriations through the LIHEAP program have continued fairly regularly and are not in jeopardy. The Commission, therefore, recommends that the Study Commission allow the State's utilities to continue their successful, established voluntary contribution programs for low-income assistance and to encourage them to expand the programs, if necessary, to include low-income weatherization and other assistance and alternate means of solicitation.

Similarly, a number of parties noted that a statewide voluntary contribution program for renewable energy and energy efficiency research and commercialization would be duplicative, create consumer confusion, and divert funds from other voluntary contribution programs, particularly in light of the Commission's efforts described above to implement a statewide voluntary green power program. The utilities noted that research and commercialization efforts in renewable energy and energy efficiency are already funded, in part, by ratepayers through their support of the AEC and EPRI. Moreover, some parties indicated that a voluntary program to support these areas would result in at least a third contribution program, including the likely green power program and the utilities' programs for low-income assistance. Some parties expressed concern about offering consumers too many programs to choose from, noting the potential for consumer confusion and the likelihood that money would be diverted from one program to another and not significantly increase the total money available for these different areas. Some parties supported a mandatory surcharge on all electric customers rather than a voluntary check-off program, although this proposal received substantial criticism as an additional energy "tax." Such a program, however, would raise money to replace dwindling and expiring funds for renewable energy and energy efficiency generated by the oil overcharge funds and provide matching money for federal grants. After careful consideration, the Commission recommends that the Study Commission not adopt a voluntary public benefit fund check-off program at this time. However, the Study Commission may wish to further consider what means might be adopted to continue funding in these important areas. The Commission considers this to be its final report to the Study Commission in response to the request for recommendations on the creation of a voluntary public benefit fund check-off program.

APPENDICES

A. Order Initiating Investigation, Requesting Comments, Scheduling Public Hearings, and Requiring Notice, Docket No. E-100, Sub 90 (Feb. 16, 2001)

B. Order Requesting Further Proposals and Comments, Docket No. E-100, Sub 90 (June 28, 2001)

C. Order Requiring Filing of Green Power Proposal, Docket No. E-100, Sub 90 (Jan. 11, 2002)

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-100, SUB 90

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Investigation of Voluntary Green	)	ORDER INITIATING INVESTIGATION,
and Public Benefit Fund Check-Off	)	REQUESTING COMMENTS,
Programs	)	SCHEDULING PUBLIC HEARING,
	)	AND REQUIRING PUBLIC NOTICE

BY THE COMMISSION: At its meeting on January 23, 2001, the Study Commission on the Future of Electric Service in North Carolina approved an amended motion requesting the Utilities Commission to investigate and report to the Study Commission on the creation of voluntary "green" and "public benefit fund" check-off programs. The Commission finds good cause to issue the present order initiating this investigation and requesting comments on these programs.

The Study Commission first approved the following motion, which was introduced by Senator Odom:

> This Commission requests the North Carolina Utilities Commission to develop recommendations for the creation of a voluntary "green check-off" program whereby retail electricity customers could choose to contribute to a "green check-off" fund. The Commission's investigation should include an assessment of the potential benefits from such a program as well as the costs. The Commission's recommendations should include the amount of the check-off as well as uses for the fund such as issuing grants to be used to build infrastructure, supplement losses, and mitigate start-up costs associated with supplying renewable energy. The Utilities Commission shall report to this Commission during the 2001-2002 interim of the General Assembly.
>
> The Utilities Commission shall provide a copy of its report and recommendations to the Secretary of the Department of Environment and Natural Resources for comments and suggestions to this Commission during the 2001-2002 interim of the General Assembly.

The Study Commission next considered the following item, which was introduced by Mr. Harkrader:

> Propose that the NCUC implement a small "Public Benefit Fund" in advance of retail competition. The PBF fund would provide continuing funding for low income support and weatherization, renewable energy

research and commercialization and energy efficiency research and commercialization. The fund needs to begin in January 2003 because current funding from federal oil overcharge moneys will be depleted by this time. In addition, North Carolina currently does not have matching 10% - 25% funding required by federal programs to bring federal funding for these programs to NC. Establishing a small PBF in advance of retail competition will give time to design and implement the fund and its administration.

Based on anticipated electric sales of 128.5 MkWh sales in 2003 the rate should start at $.00016 per kWh for a fund of $20,000,000 per year. (Such a rate would be $0.16 per month or $1.90 per year on the typical residential bill of 1000 kWh per month.)

An amendment was offered by Senator Odom to his "original motion dealing with the voluntary 'green check-off' to include that the Utilities Commission would also look at using the same procedure for a potential public benefit fund," and the amended motion was approved.

To assist in developing recommendations and preparing its report, the Commission seeks comments and reply comments on various issues raised by the Study Commission's amended motion. In addition to any other comments, the Commission requests parties to specifically address each of the following items separately for both the voluntary "green" and "public benefit fund" check-off programs:

1) Please identify and discuss the appropriate purpose and uses for the fund created by such a program, types of entities which might be eligible recipients from the fund, conditions which should be placed on the receipt and use of money from the fund, whether the money disbursed should be required to be repaid, and if so, under what terms.

2) Please identify and discuss the potential benefits from such a program.

3) Please identify and discuss the potential costs associated with such a program, including implementation, administration, or other costs.

4) Please discuss the amount of the check-off appropriate for such a program, including whether one or more specific amounts should be suggested or whether an open-ended, or fill-in-the-blank, response should be allowed.

5) Please discuss whether all retail electric consumers in the state should have the opportunity to contribute to such a fund or whether a distinction should be made based upon the size or type of electric utility serving the consumer.

6) Please discuss whether a single statewide fund should be created for such a program or whether the money collected should be segregated and disbursed separately according to some criteria.

7) Please discuss who should administer such a program.

8) Please identify any current similar programs, the source of funding for such existing programs, and, in the case of voluntary programs, recent experience regarding response rate, total and average donations, and other statistical information which might be helpful to the Commission in formulating its response to the Study Commission's request.

Finally, the Commission is of the opinion that, in addition to written comments, a public hearing should be scheduled to receive comments from public witnesses on the voluntary check-off programs identified in the Study Commission's amended motion and the specific questions raised herein.

IT IS, THEREFORE, ORDERED as follows:

1. That a generic proceeding should be, and hereby is, initiated to investigate and report to the Study Commission on the Future of Electric Service in North Carolina on the creation of voluntary "green" and "public benefit fund" check-off programs;

2. That Carolina Power & Light Company (CP&L), Duke Power, a division of Duke Energy Corporation (Duke), Dominion North Carolina Power (NC Power), North Carolina Electric Membership Corporation (NCEMC), ElectriCites of North Carolina, Inc. (ElectriCities), the Public Staff and the Attorney General are hereby designated as parties to this proceeding, and other interested persons may petition to intervene as parties on or before March 30, 2001;

3. That the Clerk shall send a copy of this order to the Secretary, Department of Environment and Natural Resources; Secretary, Department of Administration; Director, State Energy Office; all persons on the Commission's electric list; and to others as directed by Commission Staff;

4. That on or before March 30, 2001, parties may file comments as directed herein; and that parties may file reply comments on or before April 27, 2001;

5. That a night hearing for the convenience of public witnesses and solely for the purpose of taking nonexpert public witness testimony is hereby scheduled as follows:

Raleigh: 7 p.m., on Tuesday, April 3, 2001, in Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina;

6. That CP&L, Duke, NC Power, NCEMC, and ElectriCities shall publish the "Public Notice," attached hereto as Appendix A, in newspapers having general coverage in their respective North Carolina service areas once a week for two consecutive weeks during March 2001; that said notice shall cover no less than 1/6 of a page; and that each company shall file its respective proof of publication with the Commission no later than the date of the public hearing; and

7. That the Commission will proceed to decision as appropriate following receipt of comments, reply comments, and public testimony.

ISSUED BY ORDER OF THE COMMISSION.

This the 16th day of February, 2001.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

pb021601.02

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-100, SUB 90

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Investigation of Voluntary Green)
and Public Benefit Fund Check-Off) PUBLIC NOTICE
Programs)

NOTICE IS HEREBY GIVEN that the North Carolina Utilities Commission (Commission) has initiated a generic proceeding at the request of the Study Commission on the Future of Electric Service in North Carolina to investigate and report on the creation of voluntary "green" and "public benefit fund" check-off programs. The "green" fund would be directed toward costs associated with supplying renewable energy, and the "public benefit fund" would provide money for low income support and weatherization, renewable energy research and commercialization, and energy efficiency research and commercialization.

On February 16, 2001, the Commission issued an order providing for interested persons to intervene and file written comments and reply comments on various issues raised by the Study Commission's request. The order and specific issues to be addressed by the parties are available in the Office of the Chief Clerk of the Commission at 430 North Salisbury Street in Raleigh; from the Chief Clerk by mail at 4325 Mail Service Center, Raleigh, North Carolina 27699-4325; and on the Commission's Internet web site at <http://www.ncuc.commerce.state.nc.us>. Persons desiring to intervene should file a petition under Commission Rules R1-5 and R1-19. Such petitions should be filed with the Chief Clerk, North Carolina Utilities Commission, 4325 Mail Service Center, Raleigh, North Carolina 27699-4325 on or before March 30, 2001.

A night hearing for the convenience of public witnesses and solely for the purpose of taking nonexpert public witness testimony is hereby scheduled as follows:

Raleigh: 7:00 p.m., on Tuesday, April 3, 2001, in Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina.

Persons desiring to present testimony for the record should appear at the public hearing. Persons desiring to send written statements to inform the Commission of their positions in the matter should address their statements to the Chief Clerk, North Carolina Utilities Commission, 4325 Mail Service Center, Raleigh, North Carolina 27699-4325 and reference Docket No. E-100, Sub 90.

The Public Staff of the Utilities Commission, through its Executive Director, is required by statute to represent the using and consuming public in proceedings before the Commission. Statements to the Executive Director should be addressed to: Robert P. Gruber, Executive Director, Public Staff - North Carolina Utilities Commission, 4326 Mail Service Center, Raleigh, North Carolina 27699-4326.

The Attorney General is also authorized to represent the using and consuming public in proceedings before the Commission. Statements to the Attorney General should be addressed to: The Honorable Roy Cooper, Attorney General of North Carolina, c/o Utilities Division, Post Office Box 629, Raleigh, North Carolina 27602-0629.

ISSUED BY ORDER OF THE COMMISSION.

This the 16th day of February, 2001.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

APPENDIX B

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-100, SUB 90

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Investigation of Voluntary Green	)	
and Public Benefit Fund Check-Off	)	ORDER REQUESTING FURTHER
Programs	)	PROPOSALS AND COMMENTS
	)	

BY THE COMMISSION: On February 16, 2001, the Commission issued its Order Initiating Investigation, Requesting Comments, Scheduling Public Hearing, And Requiring Public Notice in this docket. As a part of its investigation,[1] the Commission invited comment on the following motion approved by the Study Commission on the Future of Electric Service in North Carolina (Study Commission) at its January 23, 2001, meeting:

> This Commission requests the North Carolina Utilities Commission to develop recommendations for the creation of a voluntary "green check-off" program whereby retail electricity customers could choose to contribute to a "green check-off" fund. The Commission's investigation should include an assessment of the potential benefits from such a program as well as the costs. The Commission's recommendations should include the amount of the check-off as well as uses for the fund such as issuing grants to be used to build infrastructure, supplement losses, and mitigate start-up costs associated with supplying renewable energy. The Utilities Commission shall report to this Commission during the 2001-2002 interim of the General Assembly.
>
> The Utilities Commission shall provide a copy of its report and recommendations to the Secretary of the Department of Environment and Natural Resources for comments and suggestions to this Commission during the 2001-2002 interim of the General Assembly.

To assist in developing recommendations and preparing its report, the Commission sought and received comments and reply comments on various issues raised by the Study Commission's motion, including eight items specifically listed in the Commission's Order. In addition, a night hearing for the purpose of taking nonexpert public witness testimony was scheduled and held in Raleigh on Tuesday, April 3, 2001.

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[1]In its Order, the Commission also invited parties to comment on the creation of a voluntary "public benefit fund" check-off program. Comments on this program have been received and will be addressed in the Commission's report and recommendations to the Study Commission.

Carolina Power & Light Company (CP&L), Duke Power Company (Duke), Dominion North Carolina Power (NC Power), North Carolina Electric Membership Corporation (NCEMC), ElectriCities of North Carolina, Inc. (ElectriCities), the Public Staff and the Attorney General were made parties to this proceeding. The following additional parties requested and were allowed to intervene in this proceeding: Cardinal Energy Service, Inc. (Cardinal), Carolina Industrial Groups for Fair Utility Rates (CIGFUR), Carolina Utility Customers Association, Inc. (CUCA), Enron North America (Enron), the North Carolina Public Benefit Fund Coalition (Coalition), the North Carolina Solar Energy Association (NCSEA), Michael R. Allen, George S. Cook, Tim Henderson, and William H. Lee.

On March 22, 2001, Cardinal submitted a description of its NC Smart Energy program. On or about March 30, 2001, initial comments on the green check-off program were filed by CP&L, Duke, NC Power, NCEMC, Cardinal, NCSEA, Enron, CUCA, Mr. Cook, the Attorney General, and the Public Staff. Reply comments were filed on or about April 27, 2001, by CP&L, Duke, NC Power, NCEMC, Cardinal, NCSEA, CUCA, Mr. Allen, Mr. Henderson, the Attorney General, and the Public Staff. Reply comments were also filed by the North Carolina State Energy Office.

In reviewing the public witness testimony and the parties' written comments, the Commission finds significant support for the concept of a voluntary fund to support the generation of electricity through the use of renewable resources. The parties have presented for the Commission's consideration a number of interesting proposals.

Cardinal, for example, recommends that the Commission pursue implementation of the NC Smart Energy program, a market-based, statewide program developed by Cardinal that will promote the production of electric power in North Carolina from renewable resources with voluntary contributions by electric consumers. Cardinal states that the program, to be successful, will depend on the utilities for billing and marketing efforts and for their flexibility in issues concerning interconnection. Under the NC Smart Energy program, residential and small commercial customers will be given the opportunity to support green power through a payment of an additional $4.00 per month on their electric bills. Cardinal believes a participation rate of 3% to 5% can be achieved with an effective marketing program. Additional funds are projected to be contributed by large commercial, industrial, and governmental consumers. Cardinal believes NC Smart Energy can raise in excess of $5,000,000 annually from all consumers for the support of renewable energy. The program will provide direct support to renewable electric generators in two forms: (1) as an incentive payment of up to 1.6 cents per kilowatt hour to new and existing renewable generators, and (2) as capital assistance to those developing new generation.

In their comments, the State's utilities indicate that they favor the creation of a single statewide green fund utilizing an existing organization, such as the Advanced Energy Corporation (AEC), as the administrator. The utilities note that the AEC, a non-profit corporation founded in 1980 to explore energy efficiency and alternative energy sources, already has much of the infrastructure in place to administer such a program. The utilities and other parties also mention the State Energy Office as a candidate for administering any statewide green power program. The utilities, however, do not support Cardinal's NC Smart Energy proposal which, for example, would require the utilities to collect contributions through their customers' bills, would require the utilities to modify their billing systems to accommodate the program, and would require the utilities to provide up to $150,000 annually for marketing the program.

The Public Staff, in its reply comments, states that the concept of the NC Smart Energy program proposed by Cardinal has "a great deal of merit." The Public Staff believes that the program is consistent with the Commission's investigation in this docket: i.e., voluntary contributions which would assist both new and existing generators of green power. The Public Staff requests that the Commission endorse the concept of the NC Smart Energy program, and proposes to convene several sessions with groups of the various parties to this docket for the purpose of creating a more specific proposal for the Commission's approval. The Public Staff proposes that the parties jointly file a report to the Commission on the status of the process within ninety (90) days.

Although it is clear that the parties remain apart on a number of important issues, the Commission is encouraged by the parties' apparent willingness to work together and to consult with other experienced organizations, such as the AEC and the State Energy Office. The Commission, therefore, finds considerable merit in the Public Staff's proposal that the various parties to this docket be given an opportunity to work together for the purpose of creating a more specific proposal for the Commission's consideration.

While the Commission believes that the general framework proposed by Cardinal is responsive to the Study Commission's request, it agrees with those commenters who suggest that a more efficient, cost-effective approach would be to attempt to utilize the resources of an existing organization. The Commission is also interested in identifying the actual costs expected to be incurred to implement the various proposals put forth in the parties' comments.

As has been successfully utilized in other proceedings, the Commission, therefore, requests that the Public Staff contact other parties and interested persons, as appropriate, and work with them in a workshop setting toward preparing a more specific proposal for a voluntary green check-off program to be filed on or before August 15, 2001. Such participation by others is encouraged but not required, and further proposals from all parties will be considered by the Commission in drafting its report and recommendations to the Study Commission. Parties may file further proposals of their own or further comments on or before August 15, 2001, and may file further reply comments on or before August 31, 2001.

IT IS, THEREFORE, ORDERED as follows:

1. That on or before August 15, 2001, the Public Staff is requested to file a more specific proposal for a voluntary green check-off program for the Commission's consideration in drafting its report and recommendations to the Study Commission; in

preparing such proposal, the Commission requests that the Public Staff contact other parties and interested persons, as appropriate, and work with them in a workshop setting, but such participation is not required;

2. That other parties may file further proposals of their own or further comments on the issues in this proceeding on or before August 15, 2001; and

3. That parties may file further reply comments on or before August 31, 2001.

ISSUED BY ORDER OF THE COMMISSION.

This the 28th day of June, 2001.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

rg062701.02

APPENDIX C

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-100, SUB 90

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Investigation of Voluntary Green	)	ORDER REQUIRING
and Public Benefit Fund Check-Off	)	FILING OF GREEN POWER
Programs	)	PROPOSAL

BY THE COMMISSION: On August 15, 2001, Carolina Power & Light Company (CP&L) and Duke Power Company (Duke) filed letters with the Commission outlining their intentions to file green power tariffs by December 31, 2001. On September 4, 2001, the Commission continued the previously established filing dates in this docket pending further Order.

On December 11, 2001, CP&L and Duke filed a status report noting that the scope of the proposed green power program had expanded since their original commitment to file, indicating that they have been actively involved in an ongoing collaborative stakeholder process led by Advanced Energy Corporation "to address the myriad details associated with the development and implementation of a successful statewide green power program," and stating that they will not be able to file tariffs by December 31, 2001, as they had earlier planned to do. Rather, they now expect to be able to file a proposed "renewable resource program" incorporating the recommendations from the stakeholder process by the end of the first quarter of 2002.

After careful consideration, the Commission finds good cause to order CP&L and Duke to file a proposal for a green power program by April 1, 2002.

IT IS, THEREFORE, SO ORDERED.

ISSUED BY ORDER OF THE COMMISSION.

This the 11th day of January, 2002.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

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