



November 22, 2002

Ms. Geneva S. Thigpen
Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4325

RE: NCUC Docket No. E-100, Sub 90
Advanced Energy NC GreenPower Program Plan (Revised)

Dear Ms. Thigpen:

North Carolina Advanced Energy Corporation (Advanced Energy) submits for filing with and approval by the Commission this original and thirty (30) copies of its revised NC GreenPower Program Plan for the North Carolina electric utility service areas. The NC GreenPower Program (NCGP) will be offered in conjunction with electric utility tariffs filed under this same docket. This revised plan and related tariffs are being filed in further response to the Commission's orders directing the utilities to file such tariffs and requesting Advanced Energy to file a plan to administer the program. In contrast to the plan initially filed on May 31, 2002, the revised plan and tariffs put forth a green power program with two products. One product is a mass-market product comprised of higher priced renewable resources and the other is a large-volume product that is designed to offer large volume customers an alternative product that is more price competitive in comparison to out-of-state green tags.

The necessity of making this revised filing resulted from 1) information gained from the Public Hearings held by the Commission during the week of July 15, 2002, 2) inability of the stakeholders to agree on the resources that should be included in the green power resource mix for a single product, and 3) recognition that large commercial and industrial customers would likely opt to buy out-of-state green tags if all blocks of green power sold under this program were based on the limited number of the higher priced green resources.

The enclosed revised NC GreenPower Program Plan (dated November 22, 2002) outlines the administrative and operational plan to implement a statewide voluntary green power pricing program in North Carolina.

In order to develop a program with broad support, Advanced Energy convened an Advisory Committee of stakeholders to advise and assist in the development of a program. The Advisory Committee stakeholders consisted of electric utilities, renewable generation providers, environmentalists, consumer advocates, regulatory staff, the Attorney General's office, the State Energy Office, and energy specialists. Four subcommittees were formed: Policy, Supply/Technical, Marketing, and Administration. Soon after forming the Advisory Committee, it was decided to seek accreditation for the program from national third party entities; a larger North Carolina stakeholder group was formed for this purpose and they met on a parallel basis. The Plan discusses in some detail which entity will accredit/certify each program product.

The NC GreenPower Program Plan is not a detailed operating document, but rather an outline of guidelines and objectives to convey the intent of the program. For example, details of the Request-for-Proposal (RFP) for renewable generation and the statewide marketing plan are still in development and therefore are not included in this document.

Advanced Energy's Board of Directors has approved the formation of NC GreenPower, a wholly-owned subsidiary of Advanced Energy. NC GreenPower will be a non-profit 501(c)(3) organization with a 19-member board of directors. The composition of the board is detailed in the plan.

Our letter dated May 31, 2002 and filed with our initial plan stated that there were several unresolved issues still in discussion. Also we pointed out that pending federal legislation, if passed, may facilitate or complicate the resolution of some of the issues. We now believe that the possibility of Congress reaching an agreement on a national mandatory portfolio standard for renewables is less likely. The issues we raised previously are as follows:

Who will financially stand behind the power purchase contracts? The utilities will enter power purchase agreements with qualifying renewable generators at Commission-approved standard avoided cost rates or negotiated avoided cost rates, consistent with Commission-approved practices. We currently see no way for the parties to agree on a method to guarantee the premium to be paid over and above the utility contracted amount for green power given that the program is based on voluntary participation by customers. We recommend that the Commission approve the program as submitted with the expectation that a long-term contract for the premium will not be required. If NC GreenPower cannot obtain resources for the program under the present plan, this matter can be revisited.

What will be the source of initial funding for marketing? Based on discussions with interested parties, it now appears that NC GreenPower is in a position to obtain the necessary funds for initial marketing expenses.

What will be the outcome of the accreditation process? Center for Resource Solutions (CRS) has tentatively approved the NC criteria resulting from the stakeholder process held by CRS. Upon approval of the NC GreenPower plan by the NCUC, NCGP intends to file for accreditation of its mass-market product from CRS. NCGP will seek certification of its large volume product from Environmental Resources Trust (ERT).

Should the existing hydroelectric providers have special consideration? This issue has been decided in that all resources will be subject to competitive bidding unless circumstances as described in the plan were to occur.

Should NC GreenPower purchase renewable power resources from outside the state? In the short term, no green power will be purchased from outside the state. This matter will be left for future consideration.

Should resources that do not supply electric power to the grid be included in the program? Initially, solar thermal will not be included in the program. Whether it will be included in the future will be subject to further stakeholder, Board, and Commission approvals.

We recognize that many diverse interests are represented here and that no single interest or representative group will be completely satisfied with the revised plan. However, we do believe that the revised plan comes much closer to gaining the necessary support for the program. The one area that was the most contentious and remains unresolved between the parties is the use of wood waste in the high-volume product (no wood waste will be allowed in the mass-market product). We have tried to achieve a compromise by excluding wood “chips” (derived from whole trees) and certain treated wood from the green power category in the interest of trying to obtain the support of those environmental groups concerned with NC forestry practices. Others believe that North Carolina’s abundant wood waste should be used in a “constructive” manner such as in the production of power. Most likely, we have been unable to fully satisfy either of the opposing sides in this hot issue. Since power produced from clean wood waste will have to meet Environmental Resources Trust’s stringent emissions standards, the issue mainly revolves around sustainability of our forests and whether the green power premium payments would indirectly and adversely impact the forests. We believe our compromise position represents the best solution at this time. At some point in the future this compromise can be revisited among these stakeholders after gathering appropriate data.

In summary, we feel that Advanced Energy used due diligence in all efforts to hear and consider all ideas and concerns. We appreciate your careful review of the revised NC GreenPower Program Plan dated November 22 as well as the associated utility tariffs.

Sincerely,

Dr. Robert K. Koger
President and Executive Director