

Duke Energy Carolinas, LLC

REQUEST FOR PROPOSALS

FOR

RENEWABLE ENERGY RESOURCES

Table of Contents

<u>Section</u>	<u>Description</u>	<u>Page</u>
1.0	Purpose of Request for Proposals	1
2.0	Instructions to Bidders	2
2.1	General	2
2.2	Overview of Process	3
2.3	Notice of Intent to Bid	3
2.4	Deadline and Method for Submitting Proposals	3
2.5	Questions and Interpretation of RFP	4
2.6	Requirements of the Proposals	4
3.0	Proposal Organization	7
3.1	Executive Summary	7
3.2	Statements	7
3.3	Contract Terms	7
3.4	Proposal Limitations	7
3.5	Relevant Experience	7
3.6	Cost Proposal	7
4.0	Proposal Content	8
4.1	Price Proposal	8
5.0	Proposal Evaluation and Contract Negotiations	9
5.1	Screening	9
5.2	Short List Development	10
5.3	Contract Negotiations	10
Exhibit A	Schedule	12
Exhibit B	Notice of Intent to Bid	13
Exhibit C	Certification and Indemnity Agreement	14
Exhibit D	Bidder Response Data	16

1.0 Purpose of Request for Proposals

Duke Energy Carolinas, LLC (Duke), is seeking Proposals for a supply portfolio of energy and capacity generated from new (placed in service on or after Jan. 1, 2007) renewable or existing NC Green Power sources including:

- Wind
- Solar
- Biomass,
- Hydro – as certified by the Low Impact Hydro Institute
- Incremental Improvements in Large Scale Hydro,
- Landfill Methane
- Biogas Digesters
- Biomass Co-firing of All Woody Waste including mill residue, but excluding painted or treated lumber.
- Hydrogen derived from a renewable energy resource
- Geothermal
- Ocean current or wave energy resource

Duke is seeking up to 2100 MW of capacity by 2012 to meet its generation requirements and energy to meet expected Renewable Portfolio Standard (RPS) obligations from both State or Federal regulations. Duke reserves the right to revise this RFP to align with developing RPS requirements (for example, the proposed NC Renewable Energy and Energy Efficiency Portfolio Standard currently in working committee).

General characteristics applicable to any proposed resources:

- The supply resource can be intermittent in nature; however, firm or dispatchable supply may be assigned a capacity value in the review process.
- Resources must be capable of being delivered to the Duke Carolinas transmission or distribution system and suitable for use as a network resource for Duke, with preference given to (but not limited to) those assets within North Carolina and South Carolina.
- Resources must be operational and delivering power by January 1, 2012.

Duke desires to diversify its supply portfolio through the addition of competitive renewable and environmentally friendly sustainable resources. As such, Duke is accepting bids from any and all renewable resource options that meet the RFP criteria. Duke seeks bid proposals that provide the greatest value to Duke and its customers. Value, for purposes of this solicitation, is the combination of price, reliability, and flexibility. Flexibility includes, but is not limited to, bid proposal structure and physical resource characteristics (delivery scheduling requirements, dispatch capability, etc). The bid proposals that have greater value to Duke and its customers may not necessarily be the lowest price proposals.

Bid proposals may be in the form of:

- a. power purchase
- b. power purchase and buyout option, and
- c. sale/purchase of generating facility.

Bid participants should prepare offers with the understanding that the offer is binding and may result into a Power Purchase Agreement, a Purchase/Sale Agreement, or both. Duke retains the right to reject any or all offers on the basis that the bids do not provide sufficient customer benefits or would impose conditions that Duke determines are impractical or inappropriate.

2.0 Instructions to Bidders

2.1 General

- 2.1.1 Nothing contained in this Request for Proposals (RFP) shall be construed to require or obligate Duke to select any proposals or limit the ability of Duke to reject all proposals in its sole and exclusive discretion. Duke further reserves the right to withdraw and terminate this RFP at any time prior to the execution of a contract.
- 2.1.2 The submission of a proposal to Duke shall constitute a Supplier's acknowledgment and acceptance of all the terms, conditions and requirements of this RFP.
- 2.1.3 Subject to 2.1.4, all proposals submitted to Duke pursuant to this RFP shall become the exclusive property of Duke and may be used for any reasonable purpose by Duke.
- 2.1.4 Duke shall consider materials provided by Bidders in response to this RFP to be confidential only if such materials are clearly designated as "Confidential". Bidders should be aware that their proposal, even if marked "Confidential", may be subject to discovery and disclosure in regulatory or judicial proceedings that may or may not be initiated by Duke. Bidders may be required to justify the requested confidential treatment under the provisions of a protective order issued in such proceedings. If required by an order of an agency or court of competent jurisdiction, Duke may produce the material in response to such order without prior consultation with the Bidder.
- 2.1.5 Bidders shall be responsible for all costs and issues associated with bids; contract negotiations; completion of the contract; all taxes, duties, fees and other charges associated with the delivery of capacity and energy under the contract; and compliance with all local, state and federal laws that may affect the contract.
- 2.1.6 Duke anticipates that transmission access and capacity will be a factor in selection of the final bid(s). All costs and coordination required for any applicable Transmission Service Requests to the point of delivery are the responsibility of the Bidder.

2.2 Overview of Process

- 2.2.1 Duke has designated an individual to manage the RFP process and to collect all internet communication from potential bidders as well as to provide uniform communication including updates and specific detail as may be provided from time to time through this bidding process. Please address all questions and communications to Kathy Dunn at the following e-mail address: khdunn@duke-energy.com.
- 2.2.2 The bid process will include the activities and events as indicated on the schedule in **Exhibit A**. Following the release of the RFP, interested Bidders will be required to submit a Notice of Intent to Bid form with credit information and product experience. Proposals will be screened and offers that do not meet the requirements of this RFP will be rejected as non-conforming. Bidders on any short list developed will be invited to begin negotiations of final details of the offers. Final evaluation of the offers, considering contract terms and transmission service requirements, will then be performed.

2.3 Notice of Intent to Bid

- 2.3.1 Each potential Bidder is **required** to advise Duke by May 21, 2007 of its intent to submit a proposal by submitting a Notice of Intent to Bid, attached hereto as **Exhibit B**. Only those bidders that submit a Notice of Intent to Bid form will be eligible to submit a final proposal. Bidders are asked to provide information on the makeup of the company and its parent organization along with the most current annual financial reports and SEC Form 10-K as applicable. A credit screening of all potential Bidders will be performed by Duke Energy Risk Management group prior to entering into any negotiations. Bidders who fail the initial screening shall be given an opportunity to cure credit deficiency by providing additional financial assurances, such as a letter of credit, cash, or a parent corporation guarantee accompanied by an appropriate credit rating from a major credit-rating agency in a form and format acceptable to Duke.

2.4 Deadline and Method for Submitting Proposals

- 2.4.1 Proposals must be submitted in the complete name of the party expecting to execute any resulting contract with Duke. The proposal must be executed by a person who is duly authorized to bind the Supplier to a contract.
- 2.4.2 All proposals submitted in response to this RFP must be received no later than 4:00 PM EST July 2, 2007.
- 2.4.3 **Duke will not accept proposals received after the specified date and time set forth in Section 2.4.2 for any reason, and said proposals will be disqualified from further evaluation.**

- 2.4.4 Bidders are required to provide three (3) bound sets of all documents, including exhibits, as part of its proposal. It is further requested that multiple proposals submitted by each Supplier be identified separately. Proposals must be delivered to the following address:

Duke RFP
c/o Kathy Dunn
Strategic Business Consultant
Duke Energy Corporation
MC EC12H
526 S. Church St
Charlotte, NC 28202

Only hard copies of the proposals will be allowed. Emailed proposals will not be accepted as meeting the time requirements for submission.

2.5 Questions and Interpretation of RFP

Duke requests that all questions concerning this RFP be submitted in writing to the e-mail address indicated in Section 2.2.1. Answers will be provided through written email correspondence or an addendum to the RFP to all bidders who have passed the prescreening process. Duke is not responsible for other explanations or interpretations of the RFP.

Written questions will be accepted until 7 days before the proposal submittal deadline. Answers will be provided by e-mail to all bidders as quickly as possible.

It shall be the obligation of the bidder to identify any conflicting statements, need for clarification, or omissions of pertinent data from the RFP before bids are due. Any questions not resolved by the bid date shall be identified in the proposal and a statement made as to the basis of the proposal.

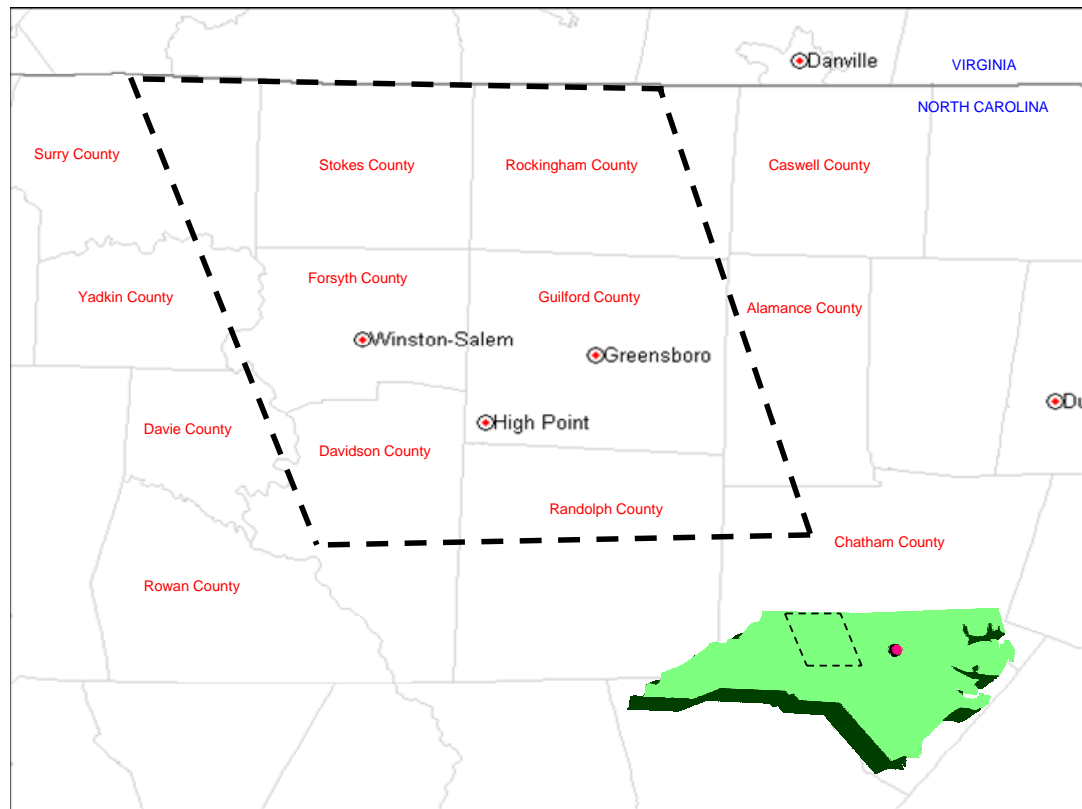
2.6 Requirements of the Proposals

Duke Energy Carolinas, LLC (Duke), is seeking Proposals for a supply portfolio of energy and capacity generated from existing or planned renewable and/or environmentally friendly sustainable sources including:

- Wind
- Solar
- Biomass
- Hydro – as certified by the Low Impact Hydro Institute,
- Incremental Improvements in Large Scale Hydro,
- Landfill Gas
- Biogas Digesters
- Biomass Co-firing of All Woody Waste including mill residue, but excluding painted or treated lumber
- Hydrogen derived from renewable resource
- Geothermal
- Ocean current or wave energy resource

- 2.6.1 Duke is interested in bids for both purchase power agreements (PPA) as well as asset acquisitions. However, Duke reserves the right to include a “regulatory out” provision in any PPA that will allow Duke, in its sole discretion, to terminate or modify the agreement if the agreement does not receive appropriate regulatory treatment.
- 2.6.2 All transmission interconnected resources bid pursuant to this RFP must be capable of meeting the requirements of a Designated Network Resource pursuant to the Duke Open Access Transmission Tariff (OATT). Duke does not propose to conduct interconnection studies or develop estimates of interconnection charges for bidders in the initial response phase of this RFP. Therefore, initial bids do **NOT** need to have submitted a Generator interconnection Request or Transmission Service Request under the OATT. However, bids that pass the initial screening may be required to submit an interconnection request or Transmission Service Request pursuant to the OATT and provide the results of such request to Duke to be included in the evaluation of the bids.
- 2.6.3 Duke needs up to 2100 MW of capacity by 2012 to meet its generation requirements. There is no predetermined limit on the amount of MWs that will be obtained pursuant to this RFP other than managing the generation requirements. However, Duke will only obtain those resources that provide value to the Duke portfolio of generating resources and its customers. In the determination of such value, Duke will consider the financial impact on Duke Energy and its customers as compared to investing in more traditional generation alternatives.
- 2.6.4 Bids can be from assets both inside and outside the Duke Control Area with preference given to assets in North Carolina and South Carolina. An additional preference will be given for resources located in the Northern part of Duke Carolinas service territory. See map below.

Duke Energy Preferred Generation Area



- 2.6.5 Bidder shall provide delivery to the Duke transmission system. All issues and costs associated with delivery to the delivery point, including congestion risk, losses, transmission costs, interconnection costs, or any other delivery costs, will be the responsibility of the Bidder.
- 2.6.6 The minimum contract acceptable contract term for any PPA is three (3) years. Contract terms up to 30 years will be considered.
- 2.6.7 Any bids containing assets or projects that qualify under any existing rate schedules have the option of participating in the RFP or participate on the existing eligible rate schedule.
- 2.6.8 Qualifying projects must have a nameplate capacity of 2 MW or greater and must be capable of delivering at least 3,500 MWH per year at the interconnection point.
- 2.6.9 Qualifying projects must be operational and delivering power no later than January 1, 2012
- 2.6.10 Bidders are advised that prior to Duke signing a power supply agreement, the Bidder will be required to provide substantial evidence of credit assurance. All forms of credit assurance will be approved by

Duke before entering into an agreement. The form and quality of credit assurance shall be approved by Duke and its lending institutions, as applicable, prior to further negotiations.

- 2.6.11 Proposals must be provided in the format outlined in Section 3.0. The content of proposal(s) shall be subject to the requirements of this RFP. Duke requests that all exhibits, documents, schedules, etc. submitted as a part of a proposal be clearly labeled and organized in a fashion that facilitates easy location and review. All proposals should conform, as applicable, to the requirements within this RFP.

3.0 Proposal Organization

All Proposals should include the following minimum components in the order provided:

3.1 Executive Summary

An "executive summary" of the highlights and special features of the Proposal.

3.2 Statements

3.2.1 A statement from the Supplier must be provided clearly indicating the time period during which the proposal will remain effective.

3.2.2 A signed Certification and Indemnity Agreement must be provided, which is to be completed entirely by the Supplier, a copy of which is attached hereto as **Exhibit C**.

3.2.3 All documentation and signatures required depending on the nature of the proposal must be provided.

3.3 Contract Terms

A comprehensive listing and description, including a rationale if warranted, of all contract terms and conditions that the Bidder would seek during contract negotiations.

3.4 Proposal Limitations

A listing of any economic, operational or system conditions (including sensitivities to anticipated dispatch levels) that might affect the Supplier's ability to deliver energy as offered.

3.5 Relevant Experience

A description of transaction experience with similar products as well as references for similar transactions.

3.6 Cost Proposal

Information on the cost of the product or acquisition price must be provided. Information shall be included as discussed in Section 4.1.

4.0 Proposal Content

For consideration in the evaluation process, proposals must contain the information outlined in the following paragraphs and any applicable information as specified in **Exhibit D**.

4.1 Price Proposal

Proposals must provide a detailed description of the pricing terms and conditions. For consideration in the evaluation process, proposals must contain the information outlined in the following paragraphs, as applicable.

4.1.1 Contract Purchase

The Bidder must demonstrate that it has the requisite regulatory authorization to make sales contemplated by its proposal.

4.1.1.1 The fixed cost for the bid shall be provided for each year of the agreement.

4.1.1.2 Proposed energy rates shall include all fuel; start up, losses, ancillary services, transmission and other charges associated with delivery to designated delivery point.

4.1.1.1.1 The Bidder shall provide the initial energy rate and applicable formula for escalation, if any, with proposed indices or a schedule of energy rates for the proposed contract term. Where the energy rate is a function of the price of coal, natural gas, or any other commodity, Bidders shall use an industry-accepted standard basis to build the energy rate, and shall specify the index, type of fuel, and any transportation costs.

4.1.1.1.2 The actual hourly delivered energy, in any month, shall be determined in accordance with the metering procedures as set forth in the contract which will be negotiated between Duke and the successful Bidder.

4.1.1.3 As applicable, the Bidder's proposal should include all formulae that will be used to calculate the full energy rate, or any other rate that the Bidder may specify, with all its

respective components well defined. A sample calculation illustrating the application of each formula is also required.

4.1.1.4 The Bidder must provide a printed schedule projecting for each contract year, quarter, or month, as appropriate, depending upon how frequently the Supplier's rate(s) or its respective components will be updated, for the full term of the proposed contract of the following:

4.1.1.4.1 energy and/or capacity payment

It is the Supplier's obligation to provide sufficient explanatory information to allow Duke to replicate this schedule.

4.1.1.4.2 projections of any independent variables that are to be used in the calculation of payments

5.0 Proposal Evaluation and Contract Negotiations

5.1 Screening

5.1.1 After the proposal submittal deadline, the proposals will be reviewed for completeness and responsiveness.

5.1.2 An initial screening will be developed to identify those proposals that meet the minimum criteria. These minimum criteria will include the following:

- a. The proposal is from a Bidder that submitted a Notice of Intent to Bid form and successfully passed the credit screening.
- b. The proposal provides substantially all the information outlined in Part 3.0 and Part 4.0.
- c. The proposal designates a specific delivery point.

Those proposals not considered to meet the required threshold will be rejected. Notification will be provided to the unsuccessful Bidders.

5.1.3 Duke may request that a Bidder provide additional information or clarification to its original proposal. Duke shall make such requests in writing and will also specify a deadline for compliance. Failure to provide the requested information or clarification by the deadline will result in the disqualification of the proposal.

5.1.4 Duke may select any number of proposals for further consideration. Further, Duke may at any time withdraw and terminate this RFP pursuant to Section 2.1.1, as it, in its sole and exclusive judgment deems appropriate.

5.2 Short List Development

- 5.2.1 After the initial screening, the remaining proposals will be evaluated based on present value economic analysis, cost of delivery, contract extension options, relevant experience, or other evaluation criteria. The short list will be developed based upon the results of this initial analysis.
- 5.2.2 During the evaluation process, Duke may choose to initiate discussions with one or more Bidders and to obtain refreshed pricing. For purposes of this RFP, discussions shall simply indicate Duke's interest in a particular proposal and its desire to obtain from the Supplier additional detailed information that may not necessarily be contained in the proposal. Discussions with a Bidder shall in no way be construed as commencing "negotiations" with a Bidder. Duke intends to use such discussions as a method of reducing the number of proposals to those, if any, that it determines warrant further evaluation and, possibly, contract negotiations. If Duke intends to initiate discussions, it will notify the Bidder of such intention and require the Bidder of such proposal to confirm, in writing, the offer and representations contained in its original proposal.
- 5.2.3 If Duke is not interested in a particular proposal, it will notify the Bidder as soon as practical after such determination is made.

5.3 Contract Negotiations

- 5.3.1 The Bidder will be notified in writing of Duke's interest in commencing contract negotiations with that Bidder. Duke's commencement of and active participation in such negotiations shall not be construed as a commitment from Duke to execute a contract. If, however, a contract is successfully negotiated, it shall not be effective unless and until fully executed by Duke in accordance with its procedures and any and all required regulatory approvals have been received.
- 5.3.2 Duke reserves the right at any time, during contract negotiations, at its sole discretion, to terminate or, once terminated, to resume negotiations with a Bidder.
- 5.3.3 Duke may require that certain provisions be included in its contracts. Such provisions may include, but are not limited to, financial assurance (depending on the financial means and historical performance of the Bidder), indemnification, liquidated damages for non-performance, ability of Duke to reassign its entire rights, or a portion thereof, to the contract to another party, and a "regulatory out" provision.

- 5.3.4 This RFP contains general guidelines and requirements for developing and submitting proposals. Nothing herein shall be construed to bind Duke unless and until a contract with a Bidder has been successfully negotiated, executed, and is effective. Once effective, the contract will govern the relationship between and responsibilities of the parties.
- 5.3.5 The costs for responding to the RFP are the responsibility of the Bidder.

Exhibit A
Schedule

The schedule as outlined below and referred to throughout this document is based on Duke's expectations as to the release date of this RFP.

Release of RFP	April 20, 2007
Notice of Intent to Bid	May 21, 2007
Bidder Conference	TBD
Proposal Submittal Deadline	July 2, 2007
Initial selection of Short List	August 31, 2007
Duke and Bidders negotiate and execute Agreements pending Regulatory Approval; Duke submits Agreements for Regulatory Approval	By December 31,2007

Duke reserves the right to extend or otherwise modify any portion of the schedule or terminate the RFP process at its sole discretion. All parties that have submitted an Intent to Bid as described in Section 2.3 will be notified in writing of any changes to the schedule that occur prior to completion of the evaluation phase.

Exhibit B
NOTICE OF INTENT TO BID
Due May 21, 2007

CONTACT INFORMATION			
Company			
Contact:			
Name			
Title			
Telephone / Fax			
E-mail			
Mailing Address			
Signature of Respondent		Date	

Fax: 980-373-5393
Duke Energy
Attn: Kathy Dunn
Duke Renewable RFP

Email: khdudd@duke-energy.com

Exhibit C
Certification and Indemnity Agreement

THIS CERTIFICATION AND INDEMNITY AGREEMENT ("Agreement") is made and entered into this ____ day of _____, 2007, by and between Duke Energy Carolinas, LLC ("Duke") and _____, ("Supplier").

WHEREAS, Supplier has submitted a Proposal to Duke in response to Duke's Request for Proposals for Renewable Energy Resources Beginning January 1, 2008 ("RFP"), and

WHEREAS, the RFP provides general guidelines for the development and submission of such Proposal and entails the evaluation of such Proposal on the basis of its individual characteristics, as assessed by Duke in accordance with economic assessments and operational considerations, and other pertinent factors, and

WHEREAS, Duke will rely on the information set forth in the Proposal when making its assessments and determinations.

NOW, THEREFORE, in consideration of the covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Supplier hereby certifies and agrees as follows:

Certification

Supplier hereby certifies, represents and warrants Duke as follows:

The Supplier understands that Duke will rely on the representations contained in the Proposal and this Agreement in its evaluation and consideration of proposals submitted pursuant to the RFP. The Supplier further understands that its inability to substantiate and verify any such representation may result in the termination of further consideration and/or evaluation of the Proposal. All such representations made in the Proposal are true and accurate to the best of the Supplier's knowledge and belief.

Covenants

The Supplier covenants that:

At its own cost and expense (including reasonable attorney fees), Supplier shall defend Duke and its respective subsidiaries, affiliates, successors and assigns, and each and every one of its respective past, present, or future officers, directors, trustees, employees, shareholders, executors, administrators, successors, and assigns, from and against any and all manner of past, present, or future claims, demands, disputes, controversies, complaints, suits, actions, proceedings, or allegations of any kind which in any manner relate to, arise out of, or result from any false statement in the Proposal or breach of any covenant or representation set forth in this agreement by the Supplier.

Successors and Assigns

If the Supplier transfers the ownership, or an interest therein, in the Supplier's rights, interests or property, whether real or personal, the Supplier warrants that such transfer shall be pursuant to a transfer agreement that shall provide Duke, subsidiaries, affiliates, successors and assigns, and each and every one of its respective past, present, or future officers, directors, trustees, employees, shareholders and agents, as well as their heirs, executors, administrators, successors and assigns with a degree of protection at least equivalent to that afforded them under this Agreement.

Certified and Agreed:

By:

Title:

Date:

Attest:

Exhibit D
Bidder Response Package

A. General Information

Project Name: _____

Project Location: _____

Offer Type (PPA or Sale/Purchase): _____

Project Status: (New or existing) _____

Project Term (Start/Stop): _____

Technology: _____

Electrical Interconnection Location (Owner of interconnection point, transmission or distribution line) _____

Delivery: Duke Energy Control Area

Term: _____
(A minimum of 3 years)

Brief project Description (include proposal overview, current facility status, expected facility life, general description of agreements or rights in place, facility size, type, and manufacturer of technology, current project developer experience, and environmental benefits of project:

B. Operational Information

Net Capacity (based on Summer peak conditions on 3:00 PM – 7:00 PM):

(At minimum of 2 MW)

Expected Annual Energy: _____

(At minimum of 3,500 MW)

Baseload/Intermittent/Peaking: _____

Dispatchable/Nondispatchable(must take): _____

Expected Capacity Factor: _____

Primary Fuel Source: _____

Secondary Fuel Source: _____

Availability (%): _____

Heat Rate (BTU/kwh(HHV)): _____

Forced Outage Rate (%): _____

Minimum Run Time (hrs): _____

Minimum Down Time (hrs): _____

Planned Outage Rate (%): _____

D. Pricing Information:

a. Purchase Power Agreement (PPA)

Capacity Pricing (\$/kw)/year _____

Capacity Price Escalation per year (% or index) _____

Energy Pricing (\$/kwh) _____

Energy Price Escalation/year (% or index) _____

b. Sale/Purchase

Capital Cost: _____

Closing Date: _____

Primary Fuel Pricing: _____

Secondary Fuel Source: _____

Secondary Fuel Pricing: _____

Variable O&M (\$/kwh): _____

Start Cost (\$/turbine/start): _____

Fixed O&M (\$/kw-yr): _____