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**Request For Proposals
for
Renewable Power Supply Resources**

March, 2009



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I. INTRODUCTION

A. *Objectives of the Request For Proposals (“RFP”)*

Duke Energy Progress (“DEP”) is seeking proposals for energy and capacity supplied from renewable resources (as defined below). The purpose of this RFP is to solicit and screen, for potential subsequent contract negotiations, competitive proposals for renewable resources necessary to meet the Renewable Energy and Energy Efficiency and Portfolio Standard (“REPS”) set forth in North Carolina’s Session Law 2007-397 (Senate Bill 3) (or any other overriding renewables portfolio standard that may be subsequently imposed on DEP). By implementing a REPS, DEP desires to:

- Diversify its resources used to reliably meet the energy needs of our customers,
- Increase opportunities to use the indigenous energy resources available within our territory,
- Encourage private investment in renewable energy, and
- Provide improved air-quality and other environmental benefits to the states DEP serves.

DEP’s objective is to select resources that offer the maximum value, based on cost and non-cost attributes, to DEP and its customers. Should none of the proposals reflect suitable value, or should circumstances change DEP’s expectations for this solicitation, DEP reserves the right in its sole discretion to cancel, modify or withdraw this RFP, to reject any or all proposals, and/or to terminate contractual negotiations with any bidder at any time during or after the RFP process.

B. *Overview of the RFP*

1. DEP is seeking proposals from eligible bidders for the purchase of energy and capacity generated from renewable resources placed in service on or after January 1, 2007. In this RFP, DEP is soliciting proposals for expected renewable energy and capacity needs in DEP’s service territory beginning January 1, 2012. DEP currently estimates the need to purchase up to 1 million MWh of energy from renewable resources. As used in this RFP, “renewable resources” shall include the following:

Non-solar generators with nameplate capacity less than 10 MW fueled by:

- Wind
- Hydropower
- Geothermal
- Ocean current or wave energy
- Biomass, including:
 - Agricultural, animal, and wood waste
 - Spent pulping liquors
 - Combustible residues, liquids, and gases
 - Energy crops

- Landfill methane
- Hydrogen derived from a renewable resource

2. DEP is interested in receiving proposals for:

- a. Power-purchase agreements for capacity, energy and associated Renewable Energy Certificates (“RECs”), and
- b. Power-purchase agreements for energy and associated RECs

3. Preference will be given to proposals involving projects that are fueled by swine waste or poultry litter (technologies with specific energy targets in Senate Bill 3).

4. Capacity and energy associated with renewable resources must be capable of being delivered to the DEP transmission or distribution system.

5. DEP invites proposals from all potential suppliers who are capable of providing capacity/energy/RECs under the conditions of this RFP, including other electric utilities, marketers, exempt wholesale generators, independent power producers, and qualifying facilities.

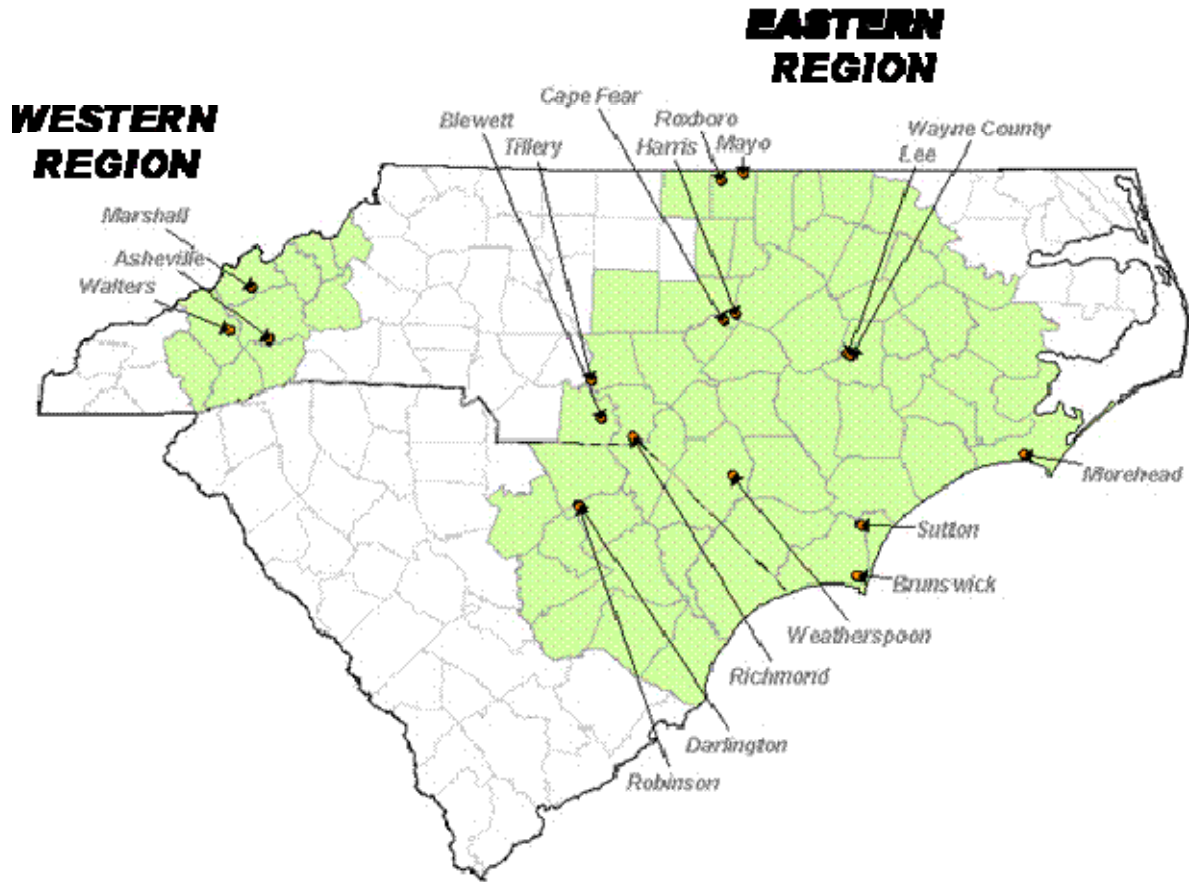
6. In addition to this document, the second part of this RFP is the response package, which includes the information required from all bidders and the forms that bidders are required to complete to submit their proposals. Bidders should follow the instructions in this document as well as the response package in submitting their proposals.

C. Description of 8 i _ Y Energy Dfc[fYgs

DEP provides electric power to approximately 1.4 million customers in a 34,000-square-mile service territory that includes part of northeastern South Carolina, a substantial portion of the coastal plain of North Carolina, extending to the Atlantic coast between the Pamlico River and the South Carolina border, the lower Piedmont section of North Carolina, and an area in western North Carolina in and around the city of Asheville (reference Figure A). DEP owns and operates 18 power plants with a total summer generating capacity of approximately 12,400 MW.

Figure A

2008 Energy Delivery Service Area



D. Schedule

This RFP is intentionally open-ended to account for DEP’s varying needs related to renewable energy purchases. There are no bidding or evaluation deadlines. DEP will accept bids for evaluation from renewable resources that meet the criteria of Section B.1 at the time they are submitted.

E. Official Contact

All inquiries and other correspondence regarding this RFP, including questions of clarification, requests for additional information, and submission of proposals, must be directed in writing to DEP’s official contact listed below:

Renewable Resource Manager
c/o Nancy Barwick
Duke Energy Progress
TPP 9
P.O. Box 1981
100 E. Davie Street
Raleigh, NC 27602-1981
E-mail address: PECRenewableRFP@duke-energy.com

II. INSTRUCTIONS TO BIDDERS

A. General Instructions

Bidders to this RFP are required to meet all of the terms and conditions of this RFP to be eligible to compete in the solicitation process. Bidders must respond to all questions contained in the response package and use the Microsoft Excel forms provided in the response package. A response form is available for non-solar projects. Bidder must provide supporting documentation in the format requested and include the project name on each form or attachment. If a question is not applicable to the type of proposal submitted, bidders should so indicate and specify why the requested information is not applicable to a particular proposal. It is the bidder’s responsibility to advise DEP’s official contact of any conflicting requirements, omissions of information, or the need for clarification. All costs associated with responding to this RFP shall be the responsibility of the bidder.

All correspondence between potential bidders and DEP should be sent via e-mail to the official DEP contact at PECRenewableRFP@duke-energy.com. Questions from bidders related to this RFP and DEP’s related answers may be posted to the RFP Web site (without attribution to a specific bidder), and DEP specifically reserves the right to do so.

Additionally, DEP may post information related to this RFP on the RFP Web site from time to time. To receive e-mail notification of the posting of such information, bidders must either (1) submit a proposal pursuant to this RFP (in which case such bidder will automatically be added to the e-mail notification distribution list); or (2) send an e-mail to PECRenewableRFP@duke-energy.com, requesting to be added to the e-mail notification

distribution list. Bidders are encouraged to periodically check the RFP Web site to see whether new questions and answers or additional information regarding this RFP have been posted.

B. Submission of Proposals; Evaluation; Selection

(1) Submission of Proposals

Proposals must be submitted to the DEP official contact. Proposals should be submitted using the Microsoft Excel forms provided in the response package and shall be delivered to the DEP official contact in electronic form via e-mail (or if delivery via e-mail is not possible, then via delivery of a CD containing the completed electronic file).

(2) Evaluation of Proposals

DEP's objective is to select from the submitted proposals, one or more such proposals that offer the maximum value to DEP and its customers, based on cost and non-cost attributes. Thus, the proposals ultimately selected by DEP will not necessarily be only those proposals offering the lowest-cost options since the combination of price and non-price terms may provide greater value to DEP and its customers. The evaluation criteria will include, but shall not be limited to, considerations of project economics, cost of delivery, bidder experience, proposed contract flexibility, technical merits and other criteria.

As part of the evaluation process, DEP may require interconnection and transmission system facilities studies to be conducted if DEP determines, in its sole judgment, that transmission costs are a decisive factor in the overall economic analysis of a particular proposal. Should such a facilities study be required by DEP, bidder(s) proposing newly constructed projects inside the DEP control area will be allowed no more than seven (7) calendar days after notification by DEP to decide whether to continue in the RFP process and execute the required agreement related to obtaining such a study and submit the required study deposit as specified in the DEP Open Access Transmission Tariff (OATT).

(3) Selection

From time to time during the evaluation process, DEP may elect to commence contract negotiations with one or more bidders concerning their submitted proposals; provided, however, that DEP shall have no obligation to commence contract negotiations with any of the bidders that submit proposals pursuant to this RFP. The commencement of contract negotiations shall not obligate DEP to execute a contract with any bidder, nor shall the commencement of contract negotiations obligate such bidder to execute a contract with DEP. DEP reserves the right to negotiate any terms and conditions which provide value to DEP and its customers. Also, if contract negotiations are not proceeding on DEP's desired reasonable schedule to ensure achievement of the in-service date requirement of this RFP, or for any other reason, DEP has the right to

terminate such contract negotiations with such bidder at any time without any further obligation or liability to such bidder or any other party.

C. Generator Interconnection and Transmission System Analyses

DEP requires that all resources procured through this RFP process be deliverable via firm transmission or distribution service to serve loads in DEP's control area during the term of the agreement. Therefore, any resources that are the subject of any proposal submitted pursuant to this RFP must be either (a) located within DEP's control area and interconnected to DEP's transmission or distribution system, with any upgrades necessary to allow the resource to qualify as a network resource pursuant to the DEP OATT, or (b) located outside DEP's control area with any transmission upgrades necessary to allow the resource to be delivered to DEP's control area.

Bidders who offer resources located outside of the DEP control area will be solely responsible for coordinating with other transmission system owners, as appropriate, for securing firm transmission service for delivery of the resource capacity and energy to the applicable delivery point in the DEP control area.

As part of the submission of initial proposals, Bidders will **NOT** be required to submit a generator interconnection request or transmission service request under the OATT. However, bidders whose proposals are selected by DEP for further review may be required to pursue generator interconnections or transmission service as a condition of advancing negotiations toward executing a PPA. All costs and coordination required for generator interconnection and transmission or distribution service shall be the responsibility of the bidder. For further information regarding distribution interconnection within DEP's service territory, please see:

http://www.duke-energy.com/environment/ras/NC_LargeInterconnection.asp

D. Credit/Financial Security Requirements

Other than details required in the "Executive Summary" portion of the response package related to financing arrangements which are necessary for any particular project, specific information related to a bidder's creditworthiness and/or financial security is **NOT** required at the time of submission of initial proposals. However, bidders who submit proposals that DEP selects for further review may, at a later date be required, as part of the evaluation process, to provide additional information to DEP concerning the bidder's creditworthiness and other financial information that DEP deems relevant in its sole discretion. Such additional information may include, but shall not be limited to, information that DEP deems necessary to conduct an analysis regarding compliance with FIN-46 (for example, information related to bidder's organizational structure, cash-flow projections, and the remaining life of the assets that comprise the relevant project). Additionally, as part of any definitive contractual arrangements that may be agreed upon by DEP and any bidder, such bidder may be required to provide financial security in form and amount acceptable to DEP to secure bidder's obligations.

E. Permitting Responsibility

Bidders whose proposals are ultimately selected will be responsible for acquiring in a timely fashion all necessary licenses, permits, certifications, and approvals required by federal, state and local government laws, regulations and policies that are related to the design, construction, and operation of the relevant project as well as the sale of the project's capacity and/or energy. In addition, the bidder shall fully support all of DEP's regulatory requirements associated with the proposed renewable power supply arrangement. The bidder shall be solely responsible for securing all necessary financing for the relevant project. DEP shall have no responsibility in identifying or securing any licenses, permits, or regulatory approvals or in securing any financing required for the construction or operation of the relevant project.

F. Regulatory Provisions

Any definitive, binding agreement between DEP and any bidder shall be conditioned upon approval by any and all regulatory authorities from which regulatory approval may be required with respect to the relevant agreement; which such approval shall not be materially conditioned or qualified and which shall be acceptable to each of DEP and bidder.

G. Confidentiality

DEP will take reasonable precautions and use reasonable efforts to protect any proprietary and/or confidential information contained in a bid proposal, provided the bidder clearly identifies such information as confidential on the page on which it appears. DEP may, however, be required to make such confidential information available under applicable state and/or federal law to regulatory commission(s), its/their respective staff or other governmental agencies having jurisdiction over this matter. In addition, DEP reserves the right to release such confidential information to agents or contractors of DEP for the purpose of evaluating the bid proposals; although such agents and contractors will be directed to observe the same care with respect to disclosure as DEP. Under no circumstances will DEP, its parent company, affiliates, subsidiaries, and the officers, directors, employees, agents or representatives of any of them, be liable to any party for any damages resulting from any disclosure of information provided in response to this RFP before, during, or after the solicitation process.

H. Reservation of Rights

DEP reserves the right to reject any or all of the proposals received for failure to meet any criteria set forth in this RFP or for any other reason. DEP also reserves the right in its sole discretion to decline to enter into a definitive, binding agreement with any bidder, or to cease negotiations of any contract being negotiated by DEP and any bidder at any time during such negotiations. DEP reserves the right to revise the renewable resource needs forecast at any point during the RFP process or during contract negotiations. Any such change may reduce, eliminate, or increase the amount of capacity/energy/RECs sought to be procured through this RFP.

Bidders should be aware that the following, without limitation, will be classified as non-responsive and may not be considered or evaluated if submitted:

- substantively incomplete, inaccurate, conditional, deceptive, misleading, ambiguous, exaggerated, or non-specific proposals; or
- proposals that are not in conformance with the requirements and instructions contained herein.

Bidders who submit proposals do so without recourse against Duke Energy Progress, or any of Duke Energy Progress' subsidiary companies, for either rejection of such proposal(s), for failure to execute a definitive, binding agreement, or for any other reason.