

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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SENATE BILL 408

Short Title: Renewable Resource Energy.

(Public)

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Sponsors: Senators Shaw of Guilford and Cochrane.

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Referred to: Commerce.

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March 18, 1997

A BILL TO BE ENTITLED

1 AN ACT TO ENHANCE, ENSURE, AND PROTECT THE PUBLIC'S RIGHT TO  
2 CONTINUED ACCESS TO RENEWABLE RESOURCE ENERGY GENERATED  
3 BY SMALL POWER PRODUCERS OF FIVE MEGAWATTS OR LESS BY  
4 PROVIDING THAT AVOIDED COSTS TO A UTILITY FROM THAT ENERGY  
5 BE CALCULATED BY THE RESIDUAL REVENUE METHOD.  
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Whereas, it is in the public interest to encourage small business development in the area of electric energy generation and to enhance the continued economic feasibility of the production of renewable energy at small power production facilities producing five megawatts or less of electricity; and

Whereas, the operation of such small power production facilities helps to curtail the need for facilities operating on fossil fuels; Now, therefore,

7 The General Assembly of North Carolina enacts:

8 Section 1. G.S. 62-156 reads as rewritten:

9 "**§ 62-156. Power sales by small power producers to public utilities.**

10 (a) In the event that a small power producer and an electric utility are unable to  
11 mutually agree to a contract for the sale of electricity or to a price for the electricity  
12 purchased by the electric utility, the commission shall require the utility to purchase the  
13 power, under rates and terms established as provided in subsection (b) of this section.

1 (b) No later than March 1, 1981, and at least every two years thereafter, the  
2 commission shall determine the rates to be paid by electric utilities for power purchased  
3 from small power producers, other than those producers described in subsection (c) of  
4 this section, according to the following standards:

5 (1) Term of Contract. – Long-term contracts for the purchase of electricity  
6 by the utility from small power producers shall be encouraged in order  
7 to enhance the economic feasibility of small power production facilities.

8 (2) Avoided Cost of Energy to the Utility. – The rates paid by a utility to a  
9 small power producer shall not exceed, over the term of the purchase  
10 power contract, the incremental cost to the electric utility of the electric  
11 energy which, but for the purchase from a small power producer, the  
12 utility would generate or purchase from another source. A determination  
13 of the avoided energy costs to the utility shall include a consideration of  
14 the following factors over the term of the power contracts: the expected  
15 costs of the additional or existing generating capacity which could be  
16 displaced, the expected cost of fuel and other operating expenses of  
17 electric energy production which a utility would otherwise incur in  
18 generating or purchasing power from another source, and the expected  
19 security of the supply of fuel for the utilities' alternative power sources.

20 (3) Availability and Reliability of Power. – The rates to be paid by electric  
21 utilities for power purchased from a small power producer shall be  
22 established with consideration of the reliability and availability of the  
23 power.

24 (c) The rates paid by a utility to a small power producer producing five megawatts  
25 of electricity or less at the same site and at dams in existence prior to 1997, shall be  
26 determined by using the residual revenue method as follows: by deducting from the  
27 Commission's approved residential retail rate for electricity for the applicable utility a  
28 billing and distribution charge, not to exceed ten percent (10%) of the retail rate, and a  
29 handling charge, not to exceed twelve percent (12%) of the retail rate. The result of this  
30 calculation shall be the avoided cost to the utility. The percentage deduction for the  
31 billing and distribution charge and the handling charge may be established by agreement  
32 between the small power producer and the utility for a period of up to 15 years, but the  
33 rate paid by a utility shall fluctuate as the Commission's approved residential rate for  
34 electricity for the receiving utility fluctuates."

35 Section 2. This act is effective when it becomes law and applies to contracts  
36 entered into on or before January 1, 1997.