

PUBLIC NOTICE REGARDING CONSIDERATION OF FEDERAL STANDARDS PROPOSED BY AMENDMENTS TO THE PUBLIC UTILITIES REGULATORY POLICIES ACT (“PURPA”)

Issued: December 19, 2008

The North Carolina Association of Electric Cooperatives (“NCAEC”) hereby gives public notice that it will host and facilitate the administrative proceedings required to implement statutory directives in the Energy Independence and Security Act of 2007 (“EISA”), which amended the Public Utilities Regulatory Policies Act of 1978 (PURPA), on behalf of the following of its member electric membership corporations (“EMCs”):

Brunswick Electric Membership Corporation	Lumbee River Electric Membership Corporation
Carteret-Craven Electric Membership Corporation	Piedmont Electric Membership Corporation
Edgecombe-Martin County Electric Membership Corporation	Randolph Electric Membership Corporation
EnergyUnited	Rutherford Electric Membership Corporation
Four County Electric Membership Corporation	South River Electric Membership Corporation
French Broad Electric Membership Corporation	Union Power Cooperative
Jones-Onslow Electric Membership Corporation	Wake Electric Membership Corporation

EISA proposed four new federal standards under Sections 111(d) of PURPA for consideration by, among others, certain non-regulated electric utilities (such as EMCs, or as they are commonly referred to, “electric cooperatives”). In addition, other EMCs may consider the standards on a voluntary basis. In each instance, the participating EMC will consider and determine whether or not it is appropriate to implement the standards within certain defined time lines based on evidence collected from interested persons after public notice and hearing.

The four new PURPA standards proposed for consideration by EISA are set forth below. Additional information on the EISA amendments may be found online at www.ncelectriccooperatives.com/purpa. Any EMC member unable to access the web site who desires additional information on this subject should contact NCAEC by mail [ATTN: PURPA Coordinator, P.O. Box 27306, Raleigh, NC 27611-7306], or by email at purpa@ncemcs.com. Note that despite the apparent mandatory language of the standards, EMCs are not **obligated** or **required** to adopt any of them. Rather, by participating in this process, each EMC will **consider** each standard and subsequently determine whether adoption is appropriate:

- 1. Integrated Resource Planning.** Each electric utility shall:
 - (A) integrate energy efficiency resources into utility, State, and regional plans; and
 - (B) adopt policies establishing cost-effective energy efficiency as a priority resource.
- 2. Rate Design Modifications to Promote Energy Efficiency Investments.**
 - (A) In General - The rates allowed to be charged by any electric utility shall:
 - (i) align utility incentives with the delivery of cost-effective energy efficiency; and
 - (ii) promote energy efficiency investments.
 - (B) Policy Options – In complying with subparagraph (A), each State regulatory authority and each non-regulated utility shall consider:
 - (i) removing the throughput incentive and other regulatory and management disincentives to energy efficiency;
 - (ii) providing utility incentives for the successful management of energy efficiency programs;
 - (iii) including the impact on adoption of energy efficiency as 1 of the goals of retail rate design, recognizing that energy efficiency must be balanced with other objectives;
 - (iv) adopting rate designs that encourage energy efficiency for each customer class;
 - (v) allowing timely recovery of energy efficiency-related costs; and
 - (vi) offering home energy audits, offering demand response programs, publicizing the financial and environmental benefits associated with making home energy efficiency improvements, and educating home-owners about all existing Federal and State incentives, including the availability of low-cost loans, that make energy efficiency improvements more affordable.
- 3. Consideration of Smart Grid Investments.**
 - (A) In General – Each State shall consider requiring that, prior to undertaking investments in non-advanced grid technologies, an electric utility of the State demonstrate to the State that the electric utility considered an investment in a qualified smart grid system based on appropriate factors, including:
 - (i) total costs; (iii) improved reliability; (v) system performance; and
 - (ii) cost-effectiveness; (iv) security; (vi) societal benefit.
 - (B) Rate Recovery – Each State shall consider authorizing each electric utility of the State to recover from ratepayers any capital, operating expenditure, or other costs of the electric utility relating to the deployment of a qualified smart grid system, including a reasonable rate of return on the capital expenditures of the electric utility for the deployment of the qualified smart grid system.
 - (C) Obsolete Equipment – Each State shall consider authorizing any electric utility or other party of the State to deploy a qualified smart grid system to recover in a timely manner the remaining book-value costs of any equipment rendered obsolete by the deployment of the qualified smart grid system, based on the remaining depreciable life of the obsolete equipment.
- 4. Smart Grid Information.**
 - (A) All electricity purchasers shall be provided direct access, in written or electronic machine-readable form as appropriate, to information from their electricity provider as provided in subparagraph (B).
 - (B) Information provided under this section, to the extent practicable, shall include:
 - (i) Prices - Purchasers and other interested persons shall be provided with information on:
 - (I) time-based electricity prices in the wholesale electricity market; and
 - (II) time-based electricity retail prices or rates that are available to the purchasers.
 - (ii) Usage – Purchasers shall be provided with the number of electricity units, expressed in kwh, purchased by them.
 - (iii) Intervals and Projections – Updates of information on prices and usage shall be offered on not less than a daily basis, shall include hourly price and use information where available, and shall include a day-ahead projection of such price information to the extent available.
 - (iv) Sources – Purchasers and other interested persons shall be provided annually with written information on the sources of the power provided by the utility, to the extent it can be determined, by type of generation, including greenhouse gas emissions associated with each type of generation, for intervals during which such information is available on a cost-effective basis.
 - (C) ACCESS. – Purchasers shall be able to access their own information at any time through the Internet and on other means of communication elected by that utility for Smart Grid applications. Other interested persons shall be able to access information not specific to any purchaser through the Internet. Information specific to any purchaser shall be provided solely to that purchaser.

Please note that the participating EMCs purchase all or a considerable amount of their full power requirements either from North Carolina Electric Membership Corporation (“NCEMC”), or from large investor-owned utilities, such as Progress Energy or Duke Energy, under long-term full-requirements contracts. For this reason, the EMCs ability to effect certain aspects of these standards may be limited. Commenters are urged to take such limitations into account when presenting their views.

For the EMCs to fully consider the views of their members and other interested persons regarding the standards, NCAEC will follow the procedural schedule set forth below (each component of which is more fully addressed in the ensuing portion of this notice):

Initial Comments: to be submitted on or before June 26, 2009.

Reply Comments: to be submitted on or before July 17, 2009.

Request to Participate in Public Hearing: to be submitted on or before July 17, 2009.

Public Hearing: to be held on July 31, 2009, commencing at 9:00 a.m. at the North Raleigh Hilton, 3415 Wake Forest Road, Raleigh, North Carolina 27609-7330.

Determination: to be rendered on or before October 30, 2009.

Notice. Any interested person may obtain at cost a copy of the relevant portions of EISA at the offices of NCAEC.

Initial Comments. These comments (if possible) should be typed (double spaced) and paginated, with appropriate headings so the reader will clearly know which of the four standards is being addressed. The comments should identify the name of the commenting party along with the address, telephone number, and (if available) the email address of the commenting party. NCAEC requests that at least three copies of the comments be mailed to the following address:

**PURPA Coordinator
NCAEC
P.O. Box 27306
Raleigh, NC 27611-7306**

Alternatively a single copy may be electronically filed by emailing the document(s) to NCAEC at purpa@ncemcs.com. Comments will be posted online and NCAEC will make copies of comments available at cost to anyone who requests a copy.

Reply Comments. The purpose of reply comments (which should conform to the format described above for initial comments) is solely to respond to arguments made in another person’s initial comments. Therefore, it is important that the person submitting reply comments clearly identify the initial comment(s) to which he or she is responding and the points (preferably with page references) in the initial comments which he or she is addressing. The filing instructions described above for initial comments should be followed for reply comments. NCAEC will post all reply comments online and will make copies of the reply comments available at cost to any interested person that requests a copy.

Request To Participate in Public Hearing. Any interested person who desires to participate in the public hearing should notify NCAEC in writing (either by mail at NCAEC’s office address noted above, or by email at the email address noted above). The notification should indicate at least the following:

- (i) the name and address of the person requesting to participate;
- (ii) whether the person filed initial and/or reply comments;
- (iii) whether the person desires to make an oral presentation and if so, the anticipated length; and
- (iv) whether any special accommodations need to be made for the presenter. If no requests to participate in a public hearing are submitted, there may be no hearing (which fact will be noticed online at least one week before the scheduled hearing), in which case the evidence considered will be the initial and reply comments.

Hearing. The hearing will be held at the North Raleigh Hilton, 3415 Wake Forest Road, Raleigh, North Carolina 27609-7330. The procedures to be followed at the hearing will depend in part on the number of participants (persons espousing the same position(s) are urged to consolidate their presentations), and will be determined with the goal of ensuring a full and fair record on the issues. It is expected that a one-day hearing at one location will be adequate, but if that is not the case, the hearing will continue on ensuing days, and possibly at alternative locations, until completed. The purpose of the hearing is to collect evidence in addition to that found in the written comments; a person need not participate in the hearing for his/her written comments to be considered. A transcript of the proceeding will be posted online and made available to any interested person at cost.

Determination. The Determination to be made by each EMC regarding whether or not it is appropriate to adopt and implement any of the four standards will be in writing, will be based on findings supported by evidence in the record, will be posted on each EMC’s web site and will be made available for any interested person at cost.

We urge persons interested in this matter to contact us with any questions concerning any of the items discussed above. Thank you in advance for your interest.