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**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

May 12, 2011

FILED

MAY 12 2011

Clerk's Office
N.C. Utilities Commission

Ms. Renné Vance, Chief Clerk
North Carolina Utilities Commission
Mail Service Center 4325
Raleigh, North Carolina 27699-4325

Re: Docket No. E-100, Sub 127
Biennial Determination of Avoided Cost Rates

Dear Ms. Vance:

On April 29, 2011, the Public Staff filed a proposed order in the above-referenced docket. The transmittal letter for the proposed order and the proposed order as filed indicated that the Public Staff had begun its investigation of the proposed avoided cost rates of New River Light and Power Company (New River), which were filed on March 21, 2011, and revised on April 20, 2011. The letter further stated that New River's rates, as filed, as well as the rates of Western Carolina University (WCU), as filed, present a number of difficult issues.

Since filing the letter and proposed order, the Public Staff has been in communication with counsel for New River, with the consultant for New River and WCU, and with counsel for Duke Energy Carolinas, LLC (Duke), which is the requirements supplier at wholesale to Blue Ridge Electric Membership Corporation (Blue Ridge). The Duke/Blue Ridge purchase power agreement (PPA) treats New River's native load as if it were Blue Ridge's native load for purposes of Duke's obligations vis-a-vis Blue Ridge, thus involving Duke and the terms of the Blue Ridge PPA in the discussion.

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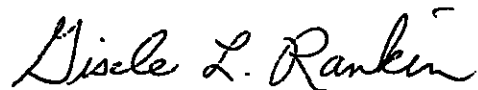
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A complicating factor in the process was the existence of a qualifying facility (QF) that needed to go ahead and sign a PPA with New River. New River has since informed the undersigned that the QF, which is in the North Carolina GreenPower program, is willing to proceed under the formula rates as filed. As a result, more time can be taken to resolve the outstanding issues. The Public Staff proposes to continue working with the relevant parties and then to make a filing in several months with respect to the appropriate avoided cost rates and standard contracts for both WCU and New River. In the meantime, the Public Staff recommends that the Commission approve WCU's and New River's avoided cost rate schedules, as filed, on an interim basis pending further resolution of the issues described in the Public Staff's transmittal letter filed April 29, 2011, and further order of the Commission.

By copy of this letter, all parties of record are being served.

Sincerely,

A handwritten signature in black ink that reads "Gisele L. Rankin". The signature is written in a cursive, flowing style.

Gisele L. Rankin
Staff Attorney

cc: Parties of Record