



LEGAL COUNSEL OFFICE

VIA CERTIFIED MAIL

October 19, 2010

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Clerk's Office
N.C. Utilities Commission

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

Re: Docket No. E-100, Sub 127

OFFICIAL COPY

Dear Ms. Vance:

Enclosed please find the original and 31 copies of the Comments and Proposed Rates for Western Carolina University for filing in the above referenced Docket.

Please stamp one copy and return it in the stamped, self-addressed envelope.

Thank you for your attention to this matter.

Sincerely,

Mary Ann Lochner
General Counsel

cc: Angie Johnson
Parties of Record

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AG
7comm
Bennink
Windy
Watson
Moore
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DOCKET E-100, SUB 127

Clerk's Office
NC. Utilities Commission
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BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

**IN THE MATTER OF
BIENNIAL DETERMINATION OF AVOIDED
COST RATES FOR ELECTRIC UTILITY PURCHASES
FROM QUALIFYING FACILITIES - 2010**

COMMENTS AND PROPOSED RATES OF WESTERN CAROLINA UNIVERSITY

October 19, 2010

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1 **II. Avoided Cost Calculation and Proposed Rate Design**

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3 *As the Commission is aware, Western Carolina purchases all of its demand and energy*

4 *requirements from Duke Energy Carolinas LLC under an all-requirements contract. Western*

5 *Carolina does not generate any of its own power. The power Western Carolina sells to its*

6 *customers through its Resale Electric Distribution System is solely power that it purchases from*

7 *Duke Energy Carolinas LLC. Since Western Carolina does not generate any power, its avoided*

8 *cost, in the context of cogeneration/small power production, is purchased power services from*

9 *Duke Energy Carolinas LLC. Per an agreement with Duke Energy, WCU can allow up to one (1)*

10 *megawatt (MW) of QF power or renewable energy power as an offset to its annual billable*

11 *demand from Duke. However, for cumulative WCU loads that exceed 1 MW, the university will*

12 *receive Duke's avoided cost. As can be seen in the attached rate formulas, WCU will pay those*

13 *suppliers the same amount that it either avoids paying Duke for total loads up to 1 MW or*

14 *Duke's avoided costs, which will occur when the cumulative university QF or renewable load is*

15 *in excess of 1 MW.*

16

17 The wholesale rates that Western Carolina University pays to Duke Energy vary by year.

18 As a result, it is impractical to herein specify a single set of rates that Western Carolina pays

19 Duke Energy for power supply service over the next two years. The attached formulas, as found

20 in Exhibit 1, 2, 3, and 4 encompass the avoided costs of the University with respect to small

21 power producers and cogenerators. Exhibit 1 sets out the formula to be used by WCU when

22 calculating the credit to be paid to small power producers or cogenerators that wish to receive

1 the demand credit and the university's total small power producing load is less than one MW.
2 Exhibit 2 provides the formula for aggregate WCU customer loads of less than one MW and the
3 customer foregoes the demand credit. Exhibit 3 establishes the formula for WCU customer
4 loads where the aggregate small power load is in excess of one MW and the customer wishes to
5 receive the demand credit. Exhibit 4 provides the formula for customer loads where the
6 aggregate WCU small power producing load is more than one MW and the customer does not
7 wish to receive the demand credit.

8
9 In past cases, the Utilities Commission approved Western Carolina's cogenerator and
10 small power producer rate to reflect the fact that the University's avoided cost was its
11 wholesale cost of power. In these past proceedings, power supply and transmission were
12 bundled into a single rate design. Due to changes in federal legislation, Western Carolina now
13 receives separate invoices from Duke for power supply as well as transmission. The formulas as
14 found in Exhibits 1 through 4 incorporate only power supply charges incurred by the University
15 as it is very difficult to ascertain if transmission expenses are avoided by a small power
16 producer and, if so, what the net effect of such a reduction may be to the university.

17
18 The deletion of the \$25.00 administrative service charge in Exhibits 2 and 4 was done in
19 accordance with the Commission's April 12, 1985 Order when the Commission required the
20 University to eliminate the account servicing charge to a qualifying facility when such qualifying
21 facility agrees to forego capacity credits. If the qualifying facility contracts to receive demand
22 credit, a meter capable of reading hourly demands is required to accurately measure the

1 demand supplied by the renewable/cogenerator power supplier during the interval in which
2 Duke Energy Carolinas LLC incurs a peak demand. The maintenance cost of electronic meters is
3 greater than the cost of maintaining standard meters. In Docket No. E-100, Sub 41A, the
4 *Utilities Commission* approved the use of an electronic meter to the extent that it is the same
5 demand metering equipment required for other customers of WCU under similar operating
6 conditions. If the monthly administrative charge is not set to cover all the costs associated with
7 an account, the additional costs will have to be passed on to the other retail customers of the
8 system. These additional costs would actually increase Western Carolina University's costs of
9 providing service to its other retail customers as a result of the University's purchasing power
10 from a cogenerator or small power producer. If a cogenerator or small power producer is
11 willing to forego a demand credit, the University is willing to forego the \$25 administrative fee
12 since it will not have to pay demand credits. The decision as to whether or not to contract for
13 demand credits is made solely by the cogenerator or small power producer.

14
15 The \$8.25 monthly charge for meter reading and administrative overhead is based on a
16 reasonable estimate of WCU's monthly administrative charges. In the university's last rate case,
17 Docket E-35, Sub 38, the cost of servicing an account on a monthly basis amounted to
18 approximately \$6.00. This cost was based on the fact that the customer bill could be entirely
19 computer generated. In the case of a cogenerator, or small power producer, a manual
20 calculation must be made to determine the credit to be applied to the customer's monthly bill
21 as the university's computer billing program is not designed to perform such a calculation.
22 Therefore, there would be additional cost in the monthly bill preparation for a cogenerator or

1 small power producer. In addition, this charge is also close to what the neighboring utility, Duke
2 Energy Carolinas, LLC has included in its rate for cogenerators and small power producers

3
4 The standard contract used for a small generator when the total WCU small power load is less
5 than one MW is attached hereto as Exhibit No. 5 and entitled "Purchase Power Agreement for
6 Aggregate WCU Loads Totaling Less than One MW". The standard contract used to calculate
7 the credits for a generator where the aggregate WCU load is greater than one MW is found in
8 Exhibit 6 and is entitled "Purchased Power Agreement for Aggregate WCU Loads totaling More
9 than One MW (without demand credit)".

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III. Status of QFs on WCU System

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Respectfully submitted this the 19th day of October, 2010

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Mary Ann Cochran

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Mary Ann Lochner
General Counsel
Western Carolina University
Old Highway 117
Cullowhee, NC 28723-9003
828-227-7323

STATE OF NORTH CAROLINA
COUNTY OF WAKE

)
)

VERIFICATION

Kevin W. O'Donnell, being first duly sworn, deposes and says:

He is a consultant for Nova Energy Consultants, Inc. and he has read the foregoing Initial Statement and knows the contents thereof, that the same is true except as to the matters stated therein on information and belief, and as to those matters, he believes it to be true.



Sworn to and subscribed before me
This 25th day of September, 2010

Jiten. Raval.

Notary Public

My Commission Expires: 5/1/2015

SEAL
→

EXHIBIT 1

WESTERN CAROLINA UNIVERSITY SMALL POWER SUPPLIER REIMBURSEMENT FORMULA FOR TOTAL AGGREGATE LOADS FOR WCU UP TO 1 MW (WITH DEMAND CREDIT)

Rate SPP DEMAND

$$\text{MPSS} = ((\text{CER} \times \text{CES}) + (\text{CDR} \times \text{CDA})) - \$25.00$$

In June of each year, a true-up of estimated demand and energy will occur, thereby resulting in a charge or a credit to the small power supplier. The formula for this charge or credit is as follows:

$$\text{True-Up} = (\text{PPAER} \times \text{PES}) + (\text{PPADR} \times \text{PDA})$$

MPSS = Monthly payment to Small Power Production Supplier.

CER = Current month Energy Rate per KWH, as shown on the University's current bill from its supplier, Duke Energy Carolinas.

CES = Current month Energy Supplied, in KWH, by the Small Power Production Supplier as defined as the most recent billing cycle energy produced by the Supplier.

CDR = Current month Demand Rate per KW, as shown on the University's current bill from its supplier, Duke Energy Co.

CDA = Estimated 12-month demand avoided as a result of the KW supplied by the Small Power Production Supplier.

PPAER = the difference between the previous years monthly energy rate per kWh and the adjusted energy rate per kWh, as shown on annual workpapers provided by Duke Energy Company in June of each year.

PES = Previous calendar year energy supplied, in KWH, by the Small Power Production Supplier.

PPADR = the difference between the previous years monthly demand rate per kW and the adjusted demand rate per kW, as shown on annual workpapers provided by Duke Energy Company in June of each year.

PDA = the difference between the estimated 12-month demand avoided (CDA) and the 12-month actual demand for the previous calendar year.

\$25 = A charge of \$25.00 for meter reading, billing and administrative overhead.

MONTHLY PAYMENT

Company shall pay Seller the sum of the Energy Credit and the Demand Credit reduced by a special meter reading and billing of \$25.00.

Any changes in the Duke Energy avoided cost rates will necessarily require a revision in the provisions of the above Schedule.

EXHIBIT 2

WESTERN CAROLINA UNIVERSITY SMALL POWER SUPPLIER REIMBURSEMENT FORMULA FOR TOTAL AGGREGATE LOADS FOR WCU UP TO 1 MW (WITHOUT DEMAND CREDIT)

Rate SPP NO DEMAND

$$\text{MPSS} = (\text{CER} \times \text{CES}) + (\text{PPAER} \times \text{PES}) - \$8.25$$

MPSS = Monthly payment to Small Power Production Supplier.

CER = Current month Energy Rate per KWH, as shown on the University's current bill from its major supplier, Duke Energy Co.

CES = Current month Energy Supplied, in KWH, by the Small Power Production Supplier.

PPAER = Purchased Power Adjustment Energy Rate per KWH, as shown on annual workpapers provided by Duke Energy Company in June of each year.

PES = Current month Energy Supplied, in KWH, by the Small Power Production Supplier.

\$8.25 = A charge of \$8.25 for meter reading and administrative overhead.

MONTHLY PAYMENT

Company shall pay Seller the sum of the Energy Credit and the Demand Credit reduced by a meter reading and billing charge of \$8.25.

Any changes in the Duke Energy avoided cost rates will necessarily require a revision in the provisions of the above Schedule.

**WESTERN CAROLINA UNIVERSITY
SMALL POWER SUPPLIER REIMBURSEMENT FORMULA
FOR TOTAL AGGREGATE LOADS FOR WCU OVER 1 MW
(WITH DEMAND CREDIT)**

Rate DUKE AVOIDED COST DEMAND

$$\text{MPSS} = (\text{CER} \times \text{CES}) + (\text{CDR} \times \text{CDA}) - \$25.00$$

MPSS = Monthly payment to Small Power Production Supplier.

CER = Current month Energy Rate per KWH, as shown on Duke Energy Co.'s avoided cost energy rate, for the contract period of the WCU and Customer agreement.

CES = Current month Energy Supplied, in KWH, by the Small Power Production Supplier as defined as the most recent billing cycle energy produced by the Supplier.

CDR = Current month Capacity Rate per KW, as shown on Duke Energy Co.'s avoided cost energy rate for the contract period of the WCU and Customer agreement.

CDA = Current month Demand Avoided as a result of the KW supplied by the Small Power Production Supplier as defined as the most recent billing cycle energy produced by the Supplier.

\$25 = A charge of \$25.00 for meter reading, billing and administrative overhead.

MONTHLY PAYMENT

Company shall pay Seller the sum of the Energy Credit and the Demand Credit reduced by a special meter reading and billing of \$25.00.

Any changes in the Duke Energy avoided cost rates will necessarily require a revision in the provisions of the above Schedule.

**WESTERN CAROLINA UNIVERSITY
SMALL POWER SUPPLIER REIMBURSEMENT FORMULA
FOR TOTAL AGGREGATE LOADS FOR WCU OVER 1 MW
(WITHOUT DEMAND CREDIT)**

Rate DUKE AVOIDED COST NO DEMAND

$$\text{MPSS} = (\text{CER} \times \text{CES}) - \$8.25$$

MPSS = Monthly payment to Small Power Production Supplier.

CER = Current month Energy Rate per KWH, as shown on Duke Energy Co.'s avoided cost energy rate for the contract period of the WCU and Customer agreement.

CES = Current month Energy Supplied, in KWH, by the Small Power Production Supplier as defined as the most recent billing cycle energy produced by the Supplier.

MONTHLY PAYMENT

Company shall pay Seller the sum of the Energy Rate per kWh multiplied by the energy metered from the customer location.

Any changes in the Duke Energy avoided cost rates will necessarily require a revision in the provisions of the above Schedule.

**PURCHASED POWER AGREEMENT FOR AGGREGATE WCU LOADS
TOTTALLING LESS THAN ONE MW**

THIS AGREEMENT executed in duplicate is made this _____ day of _____, 20__, by between WESTERN CAROLINA UNIVERSITY, Cullowhee, North Carolina (the "University"), party of the first part, and _____ (the "Supplier"), party of the second part.

In consideration of the mutual covenants herein contained, the parties hereto, for themselves, their successors and assigns, do hereby agree that, subject to the following conditions, the Supplier shall sell and deliver electric power to the University, and the University shall purchase, receive, use and pay for the same:

1. **Service Requirements.** The electric power to be delivered hereunder shall be made in Jackson County at or near Cullowhee, North Carolina at a delivery point described as follows:

_____. The maximum amount of electric power to be delivered under this agreement under normal operating conditions shall be _____ kilowatts.

2. **MONTHLY PAYMENTS.** University shall pay the Supplier the sum of the energy credit and the demand credit reduced by a charge of \$25 or \$8.25 (depending on the rate schedule under which service is provided) for meter reading, billing, and administrative overhead.
3. **Energy Credit.** The energy credit shall consist of the sum of the energy rate per KWH, as determined in Rates SPP DEMAND or SPP NO DEMAND, for all KWH purchased from the Supplier during the current billing period and the purchased power adjustment per KWH, if any, for all KWH purchased from the Supplier during the current billing period.

Demand Credit. The demand credit, if any, shall consist of the sum of the demand rate per KW, as found in Rates SPP DEMAND for the estimated KW output of the Supplier's generator in the 12-month billing period, and the purchased power adjustment per KW for the metered KW output of the Supplier's generator during the aforementioned 12-month billing period.

4. **General Requirements for Parallel Generation Operation.** The Supplier understands and agrees to comply with the General Requirements for Parallel Generator Operation which are attached hereto and incorporated by reference. The provisions stated therein become terms and conditions

of this Agreement. Additionally, the Application for Parallel Operation completed and signed by the Supplier is attached hereto and incorporated by reference. In reliance upon the accuracy of the information stated therein, the University has agreed to enter into the Agreement. Therefore, if the information is not true, such shall constitute a breach and the University's remedy shall be to cease all payments to Supplier and disconnect the small power production facility from the WCU grid.

5. **Contract Period.** The initial term of this agreement shall be for a period for five (5) years with automatic renewal each year thereafter. The University reserves the right to terminate the contract at any time upon written notice to the Supplier in the event that the Supplier violates any of the terms or conditions of this agreement or operates his generation facilities in a manner which is detrimental to the University or any of its customers. Supplier may terminate the contract on thirty (30) days written notice to the University. In the event of early termination of a contract, the Supplier will be required to pay to the University to purchase power from Supplier at times when such power is not required on University's system or when such purchase would detrimentally impact the University's other customers.
6. **Assignability.** The parties agree that this contract is not assignable.
- 7.

IN WITNESS WHEREOF, on the day and year first above written, the parties hereto have caused their names to be hereunto subscribed.

SUPPLIER

WESTERN CAROLINA UNIVERSITY

**PURCHASED POWER AGREEMENT FOR AGGREGATE WCU LOADS
TOTTALLING MORE THAN ONE MW**

(WITHOUT DEMAND CREDIT)

THIS AGREEMENT executed in duplicate is made this day of _____, 20__ by and between WESTERN CAROLINA UNIVERSITY, Cullowhee, North Carolina (the "University"), party of the first part and _____ ("Supplier"), party of the second part.

In consideration of the mutual covenants herein contained, the parties hereto, for themselves only, do hereby agree that, subject to the following conditions, the Supplier shall sell and deliver electric power to the University, and the University shall purchase, receive, use and pay for the same:

1. **Service Requirements.** The electric power to be delivered hereunder shall be generated in the University's electric service area in Jackson County at or near Cullowhee, North Carolina at a delivery point described as follows:

The maximum amount of electric power to be delivered under this agreement under normal operation conditions shall be _____ kilowatts.

2. **MONTHLY PAYMENT.** University shall pay the Supplier the energy credit.

Energy Credit. The energy credit shall consist of the sum of the energy rate per KWH, as determined in Rate, DUKE AVOIDED COST NO DEMAND or DUKE AVOIDED COST DEMAND, for all KWH purchased from the Supplier during the current billing period.

3. **General Requirements for Parallel Generation Operation.** The Supplier understands and agrees to comply with the General Requirements for Parallel Generator Operation which are attached hereto and incorporated by reference. The provisions stated therein become terms and conditions of this agreement. Additionally, the Application for Parallel Operation completed and signed by the Supplier is attached hereto and incorporated by reference. In reliance upon the accuracy of the information stated therein, the University has agreed to enter into the Agreement. Therefore, if the information is not true, such shall constitute a breach of this agreement and the University's remedy shall be to cease all payments to Supplier and disconnect the small power production

facility from the WCU grid. The Supplier agrees to allow the University, its employees or agents to enter upon Supplier's property at any time to conduct inspections of the Supplier's generation equipment and interconnection equipment.

4. **Contract Period.** The initial term of this agreement shall be for a period of five (5) years with automatic renewal each year until replaced by a new contract or termination by the University or Supplier. The University reserves the right to terminate the contract at any time upon written notice to the Supplier in the event that the Supplier violates any of the terms or conditions of this agreement or operates his generation facilities in a manner which is detrimental to the University or any of its customers or if the University sells the off-campus electric distribution system. Supplier may terminate the contract on thirty (30) days written notice to the University. In the event of early termination of a contract, the Supplier will be required to pay to the University all costs occasioned by such early cancellation. Nothing in this agreement shall be construed to require the University to purchase power from the Supplier at times when such power is not required on University's system or when such purchase would detrimentally impact the University's other customers.
5. **Assignability.** The parties agree that this contract is not assignable.

IN WITNESS WHEREOF, on the day and year first above written, the Parties hereto have caused their names to be thereunto subscribed.

SUPPLIER

WESTERN CAROLINA UNIVERSITY

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the Comments and Proposed Rates for Western Carolina University, Docket E-100, Sub 127 by United States mail, postage prepaid, on the following:

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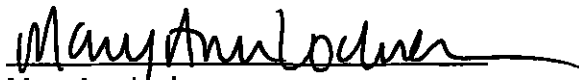
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This the 19th day of October, 2010


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