

Dominion Resources Services, Inc.  
Law Department  
120 Tredegar St.- Riverside 2, Richmond, VA 23219  
Web Address: www.dom.com



**Dominion®**

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**VIA UPS OVERNIGHT**

February 23, 2011

Ms. Renne Vance, Chief Clerk  
North Carolina Utilities Commission  
430 North Salisbury Street  
Dobbs Building  
Raleigh, North Carolina 27611

**FILED**  
**FEB 23 2011**  
Clerk's Office  
N.C. Utilities Commission  
**OFFICIAL COPY**

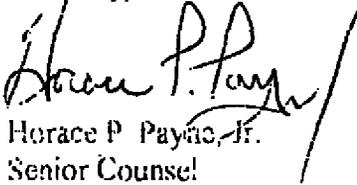
**Re: Docket No. E-100, Sub 127**

Dear Ms. Vance:

Enclosed for filing in the above referenced docket are eight (8) copies of all contracts and amendments signed in 2010 between Virginia Electric and Power Company and qualifying facilities. This filing is in accordance with the Order dated May 7, 1987 in Docket No. E-100, Sub 53, which stated that negotiated contracts between a utility and a qualifying facility must be submitted.

If you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,

  
Horace P. Payne, Jr.  
Senior Counsel

Enclosures

w/contracts  
Vagant  
sessions  
Ericson  
2 Legal  
2 Elec.

Cover letter

AG  
7 Comm.  
Bennink  
Watson  
Hoover  
Kite  
Hilburn  
Jones  
Hodge  
Gruber  
3 Acctg.  
3 E/Res

**AGREEMENT FOR THE SALE  
OF ELECTRICAL OUTPUT TO  
VIRGINIA ELECTRIC AND POWER COMPANY**

THIS AGREEMENT, effective this 5th day of May 2010, (the "Effective Date") by and between VIRGINIA ELECTRIC AND POWER COMPANY, a Virginia public service company with its principal office in Richmond, Virginia, doing business in Virginia as Dominion Virginia Power, and in North Carolina as Dominion North Carolina Power, hereinafter called "Dominion North Carolina Power" or "Company", and Jeremy L. Peters, Owner/Operator, hereinafter called "Operator" of a solar generating facility located at 302 First Flight Run, Kitty Hawk, North Carolina, hereinafter called the "Facility".

**RECITALS**

WHEREAS, the North Carolina Utilities Commission has adopted a rate schedule described in this Agreement below as Schedule 19-LMP applicable to Qualifying Facilities (or "QF" as that term is defined in 18 C.F.R. 292 which can provide Contracted Capacity (a) up to 5,000 kW from a hydroelectric generating facility, (b) up to 5,000 kW from a generating facility fueled by trash or methane derived from landfills, hog waste, poultry waste, solar, wind or non-animal forms of biomass, or (c) up to 3,000 kW for all other QFs; and

WHEREAS, the parties hereto wish to contract for the sale of electrical output from such a QF to be operated by Operator,

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto contract and agree with each other as follows:

FIRST - Dominion North Carolina Power or its agent, assignee, or successor will purchase from Operator all of the electrical output (energy and Contracted Capacity) made available for sale from the Facility on a simultaneous purchase and sale arrangement. In addition, Operator has elected to contract under the LMP Method for determining the Company's avoided cost as described more fully in paragraph FIFTH and Exhibit D. Operator elects to provide for energy only per Schedule 19-LMP paragraph III.B, up to the Facility's nameplate rating. The Facility is located in Dominion North Carolina Power's retail service area in Kitty Hawk, North Carolina.

SECOND - This Agreement shall commence on the Effective Date and shall continue in effect for a period of 2 years from the Commercial Operations Date. After the initial period, this agreement shall automatically be renewed for an additional one (1) year period and for successive 1 year periods thereafter, unless written notice to terminate is given by either party to the other party at least sixty (60) days prior to a termination date which such date may be prior to the end of the 1 year renewal period. The Commercial Operations Date shall be the first date that all of the following conditions have been satisfied:

- a) The Facility has been permanently constructed, synchronized with and has delivered electrical output to the Dominion North Carolina Power system and such action has been witnessed by an authorized Dominion North Carolina Power employee;
- b) After completion of item a) above, Dominion North Carolina Power has received written notice from Operator specifying the Commercial Operations Date and certifying that the Facility is ready to begin commercial operations as a Qualifying Facility;
- c) Operator and Dominion North Carolina Power (or the PJM Interconnection, LLC or other operator of the Dominion North Carolina Power transmission system, as applicable) have executed an Interconnection Agreement to be included herewith as Exhibit A;

- d) Operator has provided to Dominion North Carolina Power Qualifying Facility Certification to be included herewith as Exhibit F; and
- e) Operator either has received from the North Carolina Utilities Commission a Certificate of Public Convenience and Necessity or has filed the notice required by G.S. 62-110.1(g) and is not legally required to obtain such a certificate for the construction and operation of the Facility.

The Commercial Operations Date is May 5, 2010.

For contract terms of 10 years or more, this Agreement may be renewed at the option of Dominion North Carolina Power on substantially the same terms and conditions and at a rate either (1) mutually agreed upon by the parties negotiating in good faith and taking into consideration Dominion North Carolina Power's then avoided cost rates and other relevant factors or (2) set by arbitration.

THIRD - The Facility, consisting of 15 solar panels, will have a combined nameplate rating of approximately 3.1 kW. The Facility's Contracted Capacity shall be 0 kW.

FOURTH - The following documents are attached hereto and are made a part hereof:

- Exhibit A: Executed Interconnection Agreement (attached for information but not as a part of this Agreement)
- Exhibit B: General Terms and Conditions
- Exhibit C: NOT APPLICABLE
- Exhibit D: Schedule 19-LMP, Power Purchases from Cogeneration and Small Power Production Qualifying Facilities and applicable to the QF who chooses the LMP Method (effective May 22, 2009, sometimes referred to as "Schedule 19-LMP" herein)
- Exhibit E: Map and related written description identifying the specific location of the Facility in the City or County designated in Paragraph FIRST
- Exhibit F: "Qualifying Facility" Certification (if Facility is less than 1MW, Owner submission that the Facility qualifies as a Qualifying Facility (QF) under federal law)
- Exhibit G: Certificate of Public Convenience and Necessity (or evidence that no such certificate was required under North Carolina law)

FIFTH - Payments for all energy and Contracted Capacity purchased hereunder shall be determined by the provisions and rate determination methodologies for payments in Schedule 19-LMP included herewith as Exhibit D and pursuant to Operator elections within such Schedule 19-LMP, if any, as stated in Paragraph FIRST hereof. Operator will be permitted to switch to the DRR Method at the commencement of its second year under its contract, subject to 90 days prior written notice to Company, and in so doing commence a whole new DRR contract with a choice of term, i.e., 2,5,10, or 15 years. Switching is permitted so long as the Company is required to offer both Schedule 19-DRR and Schedule 19-LMP. Payments for all energy and Contracted Capacity purchased hereunder shall be on a cents per kilowatthour basis. Should the North Carolina Utilities Commission (NCUC), Virginia State Corporation Commission (SCC) or other regulatory or other legal body having jurisdiction (such as the Federal Energy Regulatory Commission) 1) not allow any future payments to non-utility generators (generally or to Operator specifically) for energy or capacity (including Contracted Capacity) or both to be included in Dominion North Carolina Power/Dominion Virginia Power's rates charged to customers, 2) at any time prohibit Dominion North Carolina Power/ Dominion Virginia Power from recovering from its customers sums related to payments previously made to non-utility generators (generally or to Operator specifically), or 3) order Dominion North Carolina Power/ Dominion Virginia Power to pay back to its customers sums related to amounts collected as a result of payments to non-utility generators (generally or to Operator specifically) (hereinafter the sums referred to in both 2) and 3) above shall be referred to individually and collectively as

the "Disallowed Payments"), Operator shall be required both to accept from the effective date of the Order from the NCUC, SCC, or other regulatory or legal body having jurisdiction ("Commission Order") payments at the level of rates that will be allowed to be recovered in rates charged to Dominion North Carolina Power/ Dominion Virginia Power's customers and to refund to Dominion North Carolina Power, A) the identified dollar amount of the Disallowed Payments specifically identified in the Commission Order as resulting from payments made to Operator hereunder, or B) if the Disallowed Payments are not specifically identified, Operator's pro-rata share of the Disallowed Payments which shall be equal to the product of (1) the total amount of payments made under this Agreement for the period of time such Disallowed Payments have been calculated, and (2) a fraction whereby the numerator is the Disallowed Payments and the denominator is the total amount of payments made to all Non-utility Generators, that were considered in the Commission Order, for the same period of time that such Disallowed Payments have been calculated. Operator shall pay any amounts due as a result of the Commission Order within 28 days of notice by Dominion North Carolina Power or, provided that *more than three years remain in the term of the Agreement, then, at Operator's option, Dominion North Carolina Power shall collect such amounts due with interest from the date of any such Commission Order by reducing payments to Operator at a monthly amount projected to complete the refund of the Disallowed Amount with interest in the two year period following such notice. Such interest shall be calculated at the rate of Dominion North Carolina Power/ Dominion Virginia Power's most recent issue of long-term debt at the time of the Commission Order. If, for any reason, at the end of the two year period, the reduction in payments does not recover in full such amounts due, then such remaining amount shall be due immediately.*

Payments for energy will begin on the Commercial Operations Date. All energy delivered prior to the Commercial Operations Date shall be paid pursuant to the attached Schedule 19-LMP tariff.

Operator shall not be paid for Contracted Capacity above the Contracted Capacity level in any hour during which the generation exceeds the Contracted Capacity level specified in Paragraph THIRD.

SIXTH - Not used

SEVENTH - Not used

EIGHTH - Operator and Dominion North Carolina Power agree that Operator's failure to comply with any of the following will be a material breach of this Agreement and shall result in Dominion North Carolina Power having the right to immediate cancellation, without a cure period, of this Agreement: (i) not used, (ii) not used, (iii) not used, (iv) failure, pursuant to Paragraph SIXTH, to provide or maintain security that is acceptable to Dominion North Carolina Power, (v) delivery or supply of electrical output to any entity other than Dominion North Carolina Power or its agent, assignee or successor, (vi) failure to meet those requirements necessary to maintain Qualifying Facility status, (vii) failure at any time to have in effect a valid Interconnection Agreement with Dominion North Carolina Power (or its successor as operator of the Dominion North Carolina transmission system), or (viii) failure to generate and deliver power from the Facility to Dominion North Carolina Power for more than 180 consecutive days, at any time after the Commercial Operations Date, or (ix) failure to maintain QF certification. In the event Operator fails to perform in any way, materially or non-materially, any other obligations not specifically listed above, Operator shall be given notice and thirty (30) days to cure such non-performance. Notwithstanding any cure period, Dominion North Carolina Power shall not be obligated to purchase any energy or Contract Capacity under this Agreement while any such breach remains uncured. If Operator fails to cure its non-performance within thirty (30) days of Dominion North Carolina Power's notice, Dominion North Carolina Power shall have the right to cancel this Agreement. Operator agrees that if this Agreement is canceled by Dominion North Carolina Power for Operator's non-performance prior to the end of the initial term of this Agreement, then, Dominion North Carolina Power shall have all rights and remedies available at law or in equity.

NINTH - Operator represents and warrants that it has the right to operate the Facility in accordance with the terms of this Agreement. Operator further represents and warrants that all permits, approvals, and/or licenses necessary for the operation of the Facility will be obtained prior to the Commercial Operations Date and shall be maintained throughout the Term of this Agreement. Operator shall, provide such documentation and evidence of such right, permits, approvals and/or licenses as Dominion North Carolina Power may reasonably request, including without limitation air permits, leases and/or purchase agreements.

TENTH - All correspondence and payments concerning this Agreement shall be to the following addresses:

OPERATOR:

Jeremy L. Peters  
302 First Flight Run  
Kitty Hawk, North Carolina 27949

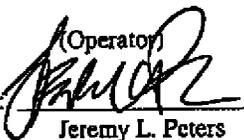
DOMINION NORTH CAROLINA POWER:

Virginia Electric and Power Company  
Power Contracts  
Innsbrook, 3SF  
5000 Dominion Boulevard  
Glen Allen, Virginia 23060-6711

Either Party may change their address by providing written notice to the other Party.

ELEVENTH - This Agreement is intended by the Parties as the final expression of their Agreement and is intended also as a complete and exclusive statement of the terms of their Agreement with respect to the purchase and sale of electrical output generated by the Facility. All prior written or oral understandings, offers or other communications of every kind pertaining to this Agreement are hereby abrogated and withdrawn.

IN WITNESS WHEREOF, the Parties hereto have caused their names to appear below, signed by authorized representatives as of the date first shown above.

(Operator)  
By:   
Jeremy L. Peters

Title: Owner  
Date: 10/13/10

VIRGINIA ELECTRIC AND POWER COMPANY

By:   
Gregory J. Morgan

Title: Authorized Representative

Date: 10/12/10

**EXHIBIT A**  
**GENERATOR INTERCONNECTION GUIDANCE AND AGREEMENT**

Dominion North Carolina Power's procedures for generator interconnection are available through the Internet at the Company's website with draft interconnection agreements for non-FERC jurisdictional generators (as approved by the NCUC included as Attachments 1, 2 and 3 thereto). For FERC jurisdictional generators interconnection shall be in accordance with FERC and PJM requirements.

The specific Internet address for these procedures is <http://www.dom.com/about/elec-transmission/gi-main.jsp>. The Internet site contains links to the Generator Interconnection Procedures along with the Generator Interconnection Request Form. Once an Interconnection Agreement is executed it will be included herewith as part of this Exhibit A.

**Certificate of Completion  
for Interconnecting a Certified Inverter-Based  
Generating Facility No Larger than 10 kW**

Is the Generating Facility owner-installed? Yes  No

Interconnection Customer

Name: JEREMY L. PETERS

Contact Person: JEREMY L. PETERS

Address: 302 FIRST FLIGHT RON. KITTY HAWK, NC. 27949

Location of the Generating Facility (if different from above)

City: KITTY HAWK State: NC. Zip: 27949

Telephone (Day): 252-202-3348 (Evening): SAME

Fax: 252-255-1201 E-Mail Address: JEREMY.L.PETERS@gmail.com

Electrician

Name: DAVINCHI ELECTRIC

Address: 1604 WILKINS RD.

City: CHARLOTTE State: NC. Zip: 28215

Telephone (Day): 704-905-6733 (Evening): SAME

Fax: \_\_\_\_\_ E-Mail Address: \_\_\_\_\_

License Number: 24753

Date Approval to Install Generating Facility granted by the Utility: 12-28-09

Interconnection Request ID Number: NC10001

Inspection:

The Generating Facility has been installed and inspected in compliance with the local building/electrical code of KITTY HAWK, N.C. NBC

Signed (Local electrical wiring inspector, or attach signed electrical inspection):

ATTACHED 

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

As a condition of interconnection, you are required to send/fax a copy of this form along with a copy of the signed electrical permit to (insert Utility information below):

Name: ANDREW BARNETT

Company: DOMINION POWER

Address: 701 EAST CARY STREET, FLOOR 5

City: RICHMOND State: V.A. Zip: 23219

Fax: 804-771-4904

Approval to Energize the Generating Facility (For Utility use only)

Energizing the Generating Facility is approved contingent upon the Terms and Conditions for Interconnecting a Certified-Inverter-Based Generating Facility No Larger than 10 KW.

Utility Signature: *[Signature]*

Title: Manager, Regulation Date: 5-18-2010



Town of Kitty Hawk, NC  
101 Veterans Memorial Drive  
Kitty Hawk, NC 27949  
Phone: (252) 281-2882

<b>Permit NO. RES-12-09-004</b>	
Permit Type: Residential	
Work Classification: Remodeling	
Permit Status: Active	
Issue Date: 12/28/2009	Expires: 12/28/2010
Risk Point:	

Project Address	Block	Subdivision
302 First Flight Run Kitty Hawk, NC 27949	BL-1	POB : FIRST FLIGHT RIDGE
Lot	Block	PN
12	2	00291167800
Owner Information	Address	Phone
JIMMY L. PETERS	302 FIRST FLIGHT RUN KITTY HAWK NC 27949	
Appldnt Information	Address	Phone
BARBARA BAKER	8021 Sandhills Lane Kearnes NC 28516	(704) 219-7007

Contractor/Builder Name	Phone	Contractor Type	License Number	Construction Cost
Johnnie Baker	(252) 251-7207	Other		\$11,800.00
				Total Sq Foot: 0

**Special Conditions**  
 Plans Approved as Submitted.  
 Wind Panel: 120  
 Permit Cost: 675.00

**Description of Work:** Solar Panel mounted on roof with electrical work

**Special Conditions**  
 No Change in Footprint. Existing Approval not required.

The work authorized by this permit is to be performed in accordance with the applicable Kitty Hawk Zoning Restrictions and with the Laws Governing Building Construction in the State of North Carolina and ordinances adopted by the Town of Kitty Hawk.

Any change in the work as specified is subject to prior approval of the Building Inspector.

*Johnnie Baker* (Signature) December 28, 2009

*Barbara Baker* (Signature) December 23, 2009

**Applicant Copy**



The Town of Kibby Beach  
Planning & Inspection Department  
Phone: 802-661-5592 Fax: 802-661-7900

Name/Permit #: Peters Date: 12-31-09  
Type of Inspection: Final

- Passed
- Passed with Corrections (See Below)
- Failed (500 Re-Inspection Fee - See Below)

**Corrections**

PV System Ok to energize

Certificate of Compliance

call when meters are  
installed for final

BY:

**EXHIBIT B**  
**General Terms and Conditions**

**I - Assignments**

Operator agrees not to assign this Agreement without the prior written consent of Dominion North Carolina Power. Dominion North Carolina Power may withhold such consent if it determines, in its sole discretion that such assignment would not be in the best interests of Dominion North Carolina Power or its customers. Any attempted assignment that Dominion North Carolina Power has not approved in writing shall be null and void and ineffective for all purposes.

**II - Indemnity**

Operator shall indemnify and save harmless and, if requested by Dominion North Carolina Power, defend Dominion North Carolina Power, its officers, directors and employees from and against any and all losses and claims or demands for damages to real property or tangible personal property (including the property of Dominion North Carolina Power) and injury or death to persons arising out of, resulting from, or in any manner caused by the presence, operation or maintenance of any part of Operator's Facility; provided, however, that nothing herein shall be construed as requiring Operator to indemnify Dominion North Carolina Power for any injuries, deaths or damages caused by the sole negligence of Dominion North Carolina Power. Operator agrees to provide Dominion North Carolina Power written evidence of liability insurance coverage, which is specifically and solely for the Facility, prior to the operation of the Facility. Operator agrees to have Dominion North Carolina Power named as an additional insured, and shall keep such coverage current throughout the term of this Agreement.

**III - QF Certification**

Operator represents and warrants that its Facility meets the Qualifying Facility requirements established as of the Effective Date of this Agreement by the Federal Energy Regulatory Commission's rules (18 Code of Federal Regulations Part 292), and that it will continue to meet those requirements necessary to remain a Qualifying Facility throughout the term of this Agreement. [Dominion North Carolina Power may require "FERC" QF Certification by adding the following: "Operator agrees to obtain, at Operator's expense, a certification as a "QF" from the Federal Energy Regulatory Commission, in accordance with 18 C.F.R. 292.207 (b)."] Operator agrees to provide copies, at the time of submittal, of all correspondence and filings with the Federal Energy Regulatory Commission relating to obtaining certification of the Facility as a "QF". Operator will submit prior to delivery of electrical output from the Facility to Dominion North Carolina Power evidence of Qualifying Facility certification. After the Commercial Operations Date, if requested by Dominion North Carolina Power prior to March 1 of any year, Operator agrees to provide information annually by July 1 of the same year to Dominion North Carolina Power for the preceding year sufficient for Dominion North Carolina Power to determine the Operator's continuing compliance with its QF requirements, including but not limited to:

- (a) All information required by FERC Form 556.
- (b) Copy of the Facility's QF Certification and any subsequent revisions or amendments,
- (c) Provide a copy of any contract executed with a thermal host.
- (d) Identification of the amount of each type of fuel used per month and average heating value for each type of fuel, which will be used to determine the Total Energy Input. These values should be verifiable by auditing supporting documentation.
- (e) Identification of each of the QF's useful thermal output(s) for each month, including temperature, pressure, amount of thermal output delivered, temperature and amount of condensate returned (if applicable) and the conversion to Btus. These values should be verifiable by auditing supporting documentation.

- (f) Identification of the QF's useful power output, for each month. These values should be verifiable by auditing supporting documentation.
- (g) Provide drawings, heat balance diagrams and a sufficiently detailed narrative describing the delivery of useful thermal output including the location, description, and calibration data for all metering equipment used for QF calculations.
- (h) Provide any other information which the QF believes will facilitate Dominion North Carolina Power's monitoring of the QF requirements.
- (i) Dominion North Carolina Power may request additional information, as needed, to monitor the QF requirements.

#### IV - Consequential Damages

In no event shall either Party be liable to the other for any special, indirect, incidental or consequential damages whatsoever, except that the foregoing shall not apply to any promises of indemnity or obligations to reimburse the Parties expressly set forth in this Agreement.

#### V - Amendments, Waivers, Severability and Headings

This Agreement, including the appendices thereto, can be amended only by agreement between the Parties in writing. The failure of either Party to insist in any one or more instances upon strict performance of any provisions of this Agreement, or to take advantage of any of its rights hereunder, shall not be construed as a waiver of any such provisions or the relinquishment of any such right or any other right hereunder. In the event any provision of this Agreement, or any part or portion thereof, shall be held to be invalid, void or otherwise unenforceable, the obligations of the Parties shall be deemed to be reduced only as much as may be required to remove the impediment. The headings contained in this Agreement are used solely for convenience and do not constitute a part of the Agreement between the Parties hereto, nor should they be used to aid in any manner in the construction of this Agreement.

#### VI - Compliance with Laws

Operator covenants that it shall comply with all applicable provisions of Executive Order 11246, as amended; § 503 of the Rehabilitation Act of 1973, as amended; § 402 of the Vietnam Era Veterans Readjustment Assistance Act of 1974, as amended; and implementing regulations set forth in 41 C.F.R. §§ 60.1, 60-250, and 60-741 and the applicable provisions relating to the utilization of small minority business concerns as set forth in 15 U.S.C. § 637, as amended. Operator agrees that the equal opportunity clause set forth in 41 C.F.R. § 60-1.4 and the equal opportunity clauses set forth in 41 C.F.R. § 60-250.5 and 41 C.F.R., 60-§741.5 and the clauses relating to the utilization of small and minority business concerns set forth in 15 U.S.C. § 637(d)(3) and 48 C.F.R. § 52-219.9 are hereby incorporated by reference and made a part of this Agreement. If this Agreement has a value of more than \$500,000, Operator shall adopt and comply with a small business and small disadvantaged business subcontracting plan which shall conform to the requirements set forth in 15 U.S.C. § 637(d)(6). The provisions of this section shall apply to Operator only to the extent that:

- (a) Such provisions are required of Operator under existing law,
- (b) Operator is not otherwise exempt from said provisions and
- (c) Compliance with said provisions is consistent with and not violative of 42 U.S.C. § 2000 et seq., 42 U.S.C. § 1981 et seq., or other acts of Congress.

#### VII - Interconnection and Operation

Operator shall be responsible for the design, installation, and operation of its Facility. Operator shall be responsible for obtaining an Interconnection Agreement. Interconnection guidelines and agreement requirements are set forth in Exhibit A of this Agreement.

Operator shall: (a) maintain the Facility and the Interconnection Facilities on Operator's side of the Interconnection Point, except Dominion North Carolina Power-owned Interconnection Facilities, in conformance with all applicable laws and regulations and in accordance with operating procedures; (b) obtain any governmental authorizations and permits required for the construction and operation thereof and keep all such permits and authorizations current and in effect; and (c) manage the Facility in a safe and prudent manner. If at any time Operator does not hold such authorizations and permits, Dominion North Carolina Power may refuse to accept deliveries of power hereunder.

Dominion North Carolina Power may enter Operator's premises (a) to inspect Operator's protective devices at any reasonable time; (b) to read or test meters and metering equipment; and (c) to disconnect, without notice, the Facility if, in Dominion North Carolina Power's opinion, a hazardous condition exists and such immediate action is necessary to protect persons, or Dominion North Carolina Power facilities or other customers' facilities from damage or interference caused by Operator's Facility or lack of properly operating protective devices. Dominion North Carolina Power will endeavor to notify Operator as quickly as practicable if disconnection occurs as provided in (c) above. Any inspection of Operator's protective devices shall not impose on Dominion North Carolina Power any liabilities with respect to the operation, safety or maintenance of such devices.

Operator shall not operate the Facility in parallel with Dominion North Carolina Power's system prior to (a) an inspection of the installed Interconnection Facilities by an authorized Dominion North Carolina Power representative and (b) receiving written authorization from an authorized Dominion North Carolina Power representative to begin parallel operation.

#### VIII - Metering

Dominion North Carolina Power will meter all electrical output delivered from the Facility on the high voltage side of the step up transformer.

Operator agrees to pay an administrative charge to Dominion North Carolina Power to reflect all reasonable costs incurred by Dominion North Carolina Power for meter reading and billing, also referred to as metering charges. The monthly meter reading and billing charge shall change from time to time when the NCUC approves a different charge in Schedule 19-LMP.

In addition, Operator agrees to pay any fees required to provide and maintain leased telephone lines required for meter reading by Dominion North Carolina Power.

#### IX - Billing and Payment

Dominion North Carolina Power shall read the meter in accordance with its normal meter reading schedule. Within twenty-eight (28) days thereafter, Dominion North Carolina Power shall send Operator payment for energy and Contracted Capacity delivered. At Dominion North Carolina Power's option, (i) Dominion North Carolina Power may make such payments net of the monthly metering charges, Interconnection Facilities charges, and charges for sales of electricity to the Operator, or (ii) Dominion North Carolina Power may invoice Operator for such charges separately. Payment by Dominion North Carolina Power shall include verification showing the billing month's ending meter reading, on-peak and off-peak kWh, and the amount paid. If in any month the monthly metering and Interconnection Facilities charges are in excess of any payments due Operator, Dominion North Carolina Power shall bill Operator for the difference and Operator shall make such payment within 28 days of the invoice date. Failure by Operator to make such payments may result in disconnection of the Facility. In no event shall such disconnection relieve Operator of its obligation to pay monthly metering charges and Interconnection Facilities charges under this Agreement.

In the event that any data required for billing purposes hereunder are unavailable when required for such billing, the unavailable data shall be estimated by Dominion North Carolina Power, based upon historical data. Such billing shall be subject to any required adjustment in a subsequent billing month.

In addition to rights pursuant to Paragraph SIXTH of this Agreement, Operator agrees that Dominion North Carolina Power shall be entitled to withhold sufficient amounts due pursuant to this Agreement to offset (a) any damages to Dominion North Carolina Power resulting from any breach of this Agreement by Operator, and (b) any other amounts

Operator owes Dominion North Carolina Power, including amounts arising from sales of electricity by Dominion North Carolina Power to Operator, metering charges and Interconnection Facilities charges.

In no event shall Dominion North Carolina Power be liable to Operator for any Contracted Capacity payments in excess of the amounts contracted for herein, regardless of the ultimate length of this Agreement or revisions to Schedule 19-LMP or successor schedules. Operator hereby agrees to accept the Contracted Capacity payments as set forth herein as it's sole and complete compensation for delivery of Contracted Capacity to Dominion North Carolina Power.

**X - Force Majeure**

Neither Party shall be considered in default under this Agreement or responsible to the other Party in tort, strict liability, contract or other legal theory for damages of any description for any interruption or failure of service or deficiency in the quality or quantity of service or any other failure to perform any of its obligations hereunder to the extent such failure occurs without fault or negligence on the part of that Party and is caused by factors beyond that Party's reasonable control, which by the exercise of reasonable diligence that Party is unable to prevent, avoid, mitigate or overcome, including without limitation storm, flood, lightning, earthquake, explosion, equipment failure, civil disturbance, labor dispute, act of God or public enemy, action or inaction of a court or public authority, fire, sabotage, war, explosion, curtailments, unscheduled withdrawal of facilities from operation for maintenance or repair or any other cause of similar nature beyond the reasonable control of that Party (any such event, "Force Majeure"). Solely economic hardship of either Party shall not constitute Force Majeure under this Agreement. Nor shall anything contained in this paragraph or elsewhere in this Agreement excuse Operator or Dominion North Carolina Power from strict compliance with the obligation of the Parties to comply with the terms of Article IX of this Exhibit B relating to timely payments.

Each Party shall have the obligation to operate in accordance with Good Utility Practice (as defined below) at all times and to use due diligence to overcome and remove any cause of failure to perform.

If a Party relies on the occurrence of an event of Force Majeure described above as a basis for being excused from performance of its obligations under this Agreement, then the Party relying on the Force Majeure event shall:

- a) Provide within forty-eight (48) hours written notice of such Force Majeure event or potential Force Majeure to the other Party, giving an estimate of its expected duration and the probable impact on the performance of its obligations hereunder;
- b) Exercise all reasonable efforts to continue to perform its obligations under this Agreement;
- c) Expeditiously take action to correct or cure the Force Majeure event excusing performance; provided, however, that settlement of strikes or other labor disputes will be completely within the sole discretion of the Party affected by such strike or labor dispute;
- d) Exercise all reasonable efforts to mitigate or limit damages to the other Party; and
- e) Provide prompt notice to the other Party of the cessation of the Force Majeure event giving rise to its excuse from performance. All performance obligations hereunder shall be extended by a period equal to the term of the resultant delay.

If a Party responding to a Force Majeure event has the ability to obtain, for additional expenditures, expedited material deliveries or labor production which would allow a response to the event in a manner that is above and beyond Good Utility Practice, and such a response could shorten the duration of the Force Majeure event, the Party responding to the event may, at its discretion, present the other Party with the option of funding the expenditures for expediting material deliveries or labor production in an effort to reduce the duration of the event and economic hardship. Each such opportunity will be negotiated on a case-by-case basis by the Parties.

For purposes of this Agreement, "Good Utility Practice" shall mean any of the applicable practices, methods, standards, guides or acts: required by any governmental authority, regional or national reliability council, or national trade organization, including NERC, SERC, or the successor of any of them, as they may be amended from time to

time whether or not the Party whose conduct is at issue is a member thereof; otherwise engaged in or approved by a significant portion of the electric utility industry during the relevant time period which in the exercise of reasonable judgment in light of the facts known or that should have been known at the time a decision was made, could have been expected to accomplish the desired result in a manner consistent with law, regulation, good business practices, generation, transmission and distribution reliability, safety, environmental protection, economy and expediency. Good Utility Practice is intended to be acceptable practices, methods, or acts generally accepted in the region, or any other acts or practices as are reasonably necessary to maintain the reliability of the Transmission System (as defined in the Interconnection Agreement), or of the Facility, and is not intended to be limited to the optimum practices, methods, or acts to the exclusion of all others.

**EXHIBIT C**

**Exhibit C is reserved for possible future use.**

**EXHIBIT D**

**Exhibit D is a copy of Schedule 19-LMP based on the LMP Method. .**

Schedule 19 - LMP  
POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

I. APPLICABILITY AND AVAILABILITY

This schedule is applicable to any qualifying Cogenerator or Small Power Producer (Qualifying Facility) which desires to provide all or part of its electrical output to the Company on an energy and capacity, or energy only basis, and which has either (1) generating facilities designated as new capacity as defined by 18 C.F.R. 292.304(b)(1), or (2) hydroelectric generating facilities that meet the criteria of being owned or operated by a small power producer as defined in G.S. 62-3(27a) and enters into an agreement for the sale of electrical output to the Company (Agreement).

Where the Qualifying Facility (QF) elects to be compensated for the provision of its electrical energy in accordance with this schedule, the amount of capacity under contract and the initial term of contract shall be limited as follows:

- A. Where the QF operates hydroelectric generating facilities that meet the criteria of being owned or operated by a small power producer as defined in G.S. 62-3(27a), or where the QF operates non-hydroelectric QFs fueled by trash or methane derived from landfills, hog waste, poultry waste, solar, wind, and non-animal forms of biomass, the amount of capacity subject to compensation shall be no greater than 5,000 kW, and the amount of energy purchased during a given hour shall be no greater than 5,000 kWh. The initial term of contract for such a QF shall be for a period not to exceed fifteen (15) years.
- B. Where the QF is not defined under Paragraph I.A., the amount of capacity subject to compensation shall be no greater than 3,000 kW, and the amount of energy purchased during a given hour shall be no greater than 3,000 kWh. The initial term of contract for such a QF shall be for a period not to exceed fifteen (15) years.

(Continued)

Filed 05-22-09  
Electric-North Carolina

Superseding Filing Effective For Usage On  
and After 06-09-08. This Filing Effective For  
Usage On and After 05-22-09.

Schedule 19 - LMP  
POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

(Continued)

I. APPLICABILITY AND AVAILABILITY (Continued)

Where the QF elects to be compensated for the provision of its electric energy in accordance with this schedule, the QF must enter into a contract and begin deliveries to the Company on or before December 31, 2010. Where the QF elects an initial contract term of 10 or more years, such contract may be renewed for subsequent term(s), at the Company's option, based on substantially the same terms and provisions and at a rate either (1) mutually agreed upon by the parties negotiating in good faith and taking into consideration the Company's then avoided cost rates and other relevant factors or (2) set by arbitration.

This schedule is not applicable to a QF owned by a developer, or an affiliate of a developer, who sells power to the Company from another facility located within one-half mile unless: 1) each facility provides thermal energy to different, unaffiliated hosts, or 2) each facility provides thermal energy to the same host, and the host has multiple operations with distinctly different or separate thermal needs, or 3) each facility utilizes a renewable resource which may be subject to geographic siting limitations, such as hydroelectric or wind power facilities.

II. MONTHLY BILLING TO THE QF

All sales to the QF will be in accordance with any applicable filed rate schedule. In addition, where the QF contracts for sales to the Company, the QF will be billed a monthly charge equal to one of the following to cover the cost of meter reading and processing:

<u>Metering required</u>	<u>Charge</u>
One non-time-differentiated meter	\$12.00
One time-differentiated meter	\$34.27
Two time-differentiated meters	\$39.48

(Continued)

Filed 05-22-09  
Electric-North Carolina

Superseding Filing Effective For Usage On and  
After 06-09-08. This Filing Effective For Usage On  
and After 05-22-09.

Schedule 19 - LMP  
POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

(Continued)

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III. CONTRACT OPTIONS

QFs with a design capacity of 10 kW or less shall elect, from the following two options, the manner in which the QF shall operate and provide its electrical output to the Company. This election shall be contracted for and made a part of the QF's Agreement. QFs with a design capacity greater than 10 kW must contract for the supply of both energy and capacity to the Company, in accordance with Paragraph III. A., below. Purchase payments, if any, to the QF for the supply of energy and/or capacity to the Company shall be based on this contractual designation.

- A. **Supply of Energy and Capacity.** A QF shall contract for the supply of both energy and capacity to the Company, except as may be permitted pursuant to Paragraph III. B., below. The level of capacity that the QF contracts for shall not exceed the capacity limits outlined in Paragraph I. The supply of both energy and capacity shall require the installation of one (or two, if necessary) time differentiated meter(s) to measure the hourly output of the QF's generation facility.
- B. **Supply of Energy Only.** A QF with a design capacity of 10 kW or less may elect to contract for the supply of energy only to the Company. A QF electing this option will not be eligible for capacity payments. Election of this option shall require the installation of a non-time-differentiated meter to measure the monthly output of the QF's generation facility.

(Continued)

Filed 05-22-09  
Electric-North Carolina

Superseding Filing Effective For Usage On and  
After 06-09-08. This Filing Effective For Usage On  
and After 05-22-09.

Schedule 19 - LMP  
POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

(Continued)

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IV. PAYMENT FOR COMPANY PURCHASES OF ENERGY AND CAPACITY

A QF that supplies both energy and capacity to the Company, in accordance with Paragraph III.A., above, shall receive purchase payments as follows:

A. Energy Purchase Payments

1. Purchase payments for the supply of energy by the QF to the Company will be based on an hourly energy purchase price (cents per kWh) that is calculated using the hourly \$/MWh PJM Interconnection, LLC (PJM) Dom Zone Day Ahead Locational Marginal Price (DA LMP) divided by 10, and multiplied by the hourly net generation as recorded on the Company's time-differentiated meter.
2. All energy purchase prices per kWh will be increased by 3.0% to account for line losses avoided by the Company. This line loss percentage will be fixed for the term of the contract between the QF and the Company.

B. Capacity Purchase Payments

Purchase payments for the supply of capacity by the QF to the Company will be made based upon the QF's daily net on-peak generation multiplied by that corresponding day's on-peak capacity purchase price, as calculated below. If applicable, the purchase payment for capacity may be modified by application of the Summer Peak Performance Factor (SPPF), as described below. The on-peak hours for every day are from 7 AM to 11 PM. Off-peak hours are defined as all other hours.

(Continued)

Schedule 19 - LMP  
POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

(Continued)

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IV. PAYMENT FOR COMPANY PURCHASES OF ENERGY AND CAPACITY  
(Continued)

Effective each June 1, PJM will establish the Reliability Pricing Model capacity resource clearing price for each PJM zone, shown as \$/MW/day price, that will be applicable through the following May 31. Such prices will be the clearing results from PJM's Base Residual Auction. Using the price for the Dom Zone (initially identified on the PJM website as "Dom\_PZonal", the Company will calculate an on-peak capacity purchase price (cents per kWh) for each day by dividing the Dom Zone \$/MW/day price by 16 hours, and further dividing the result by 10, rounded to the nearest one-thousandth cent. The resulting cents per kWh on-peak capacity purchase price will be applied to the QF's net on-peak generation for the corresponding day, to provide for the daily capacity purchase amount. The sum of the daily capacity purchase amounts for the billing month will constitute the monthly capacity purchase payment to the QF, unless modified by application of the SPPF, below.

Initially, a QF's SPPF will be 1. Once a QF has achieved Commercial Operations and such operation encompasses at least a full Summer (defined by PJM as June 1 through September 30), the following January billing month, and for each January billing month thereafter, an SPPF will be calculated that is based on the QF's operation during the five (5) PJM coincident peak hours ("CP Hours"), as posted by PJM, during the Summer of the previous calendar year. The QF's SPPF is equal to the number of CP Hours in which the QF generated at or greater than 75% of its design capacity, divided by 5. Therefore, the SPPF could be 0, .2, .4, .6, .8, or 1. The QF's SPPF will be applied to the monthly capacity purchase payment for each billing month of the current calendar year.

(Continued)

Filed 05-22-09  
Electric-North Carolina

Superseding Filing Effective For Usage On and  
After 06-09-08. This Filing Effective For Usage On  
and After 05-22-09.

Schedule 19 - LMP  
POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

(Continued)

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V. PAYMENT FOR COMPANY PURCHASES OF ENERGY ONLY

A QF that supplies only energy to the Company, in accordance with its election in Paragraph III. B., above, shall receive purchase payments as follows:

- A. Purchase payments for the supply of energy only by the QF to the Company will be based on an energy purchase price (cents per kWh) that is calculated using the average of the hourly \$/MWh Dom Zone DA LMP for the QF's billing month, divided by 10, and multiplied by the net generation as recorded on the Company's non-time-differentiated meter.
- B. All energy purchase prices per kWh will be increased by 3.0% to account for line losses avoided by the Company. This line loss percentage will be fixed for the term of the contract between the QF and the Company.

VI. PROVISIONS FOR COMPANY PURCHASE OF THE QF GENERATION

- A. The QF shall own and be fully responsible for the costs and performance of the QF's:
  - 1. Generating facility in accordance with all applicable laws and governmental agencies having jurisdiction;
  - 2. Control and protective devices as required by the Company on the QF's side of the meter.
- B. Upon request by the Company, the Co-generator or Small Power Producer must demonstrate that the facility is a Qualifying Facility as defined by PURPA.
- C. Interconnection procedures for the QF's generation interconnection are provided through the Internet at the Company's website:

<http://www.dom.com/customer/pdf/nc/term24.pdf>

Schedule 19 - LMP  
POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

(Continued)

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VII. MODIFICATION OF RATES AND OTHER PROVISIONS HEREUNDER

The provisions of this schedule, including the rates for purchase of electricity by the Company, are subject to modification at any time in the manner prescribed by law, and when so modified, shall supersede the rates and provisions hereof. However, payments to QFs with contracts for a specified term at payments established at the time the obligation is incurred shall remain at the payment levels established in their contract.

VIII. TERM OF CONTRACT

The term of contract shall be such as may be mutually agreed upon but for not less than one year. A QF that originally chooses Schedule 19 – LMP will be allowed to switch to Schedule 19 – DRR at the commencement of its second year under its contract, with 90 days written notice, and in so doing, enter into a new Schedule 19 – DRR contract with a choice of term of 2, 5, 10, or 15 years. Switching is permitted as long as Schedule 19 - DRR is available.

**EXHIBIT E**

**Exhibit E is a map and written description identifying the specific location of the Facility and is provided by the Operator.**



# MAPQUEST.

Map of 302 First  
Flight Run  
Kitty Hawk;  
NC 27949-9240

## Notes



All rights reserved. Use subject to [License/Copyright](#) | [Map Legend](#)

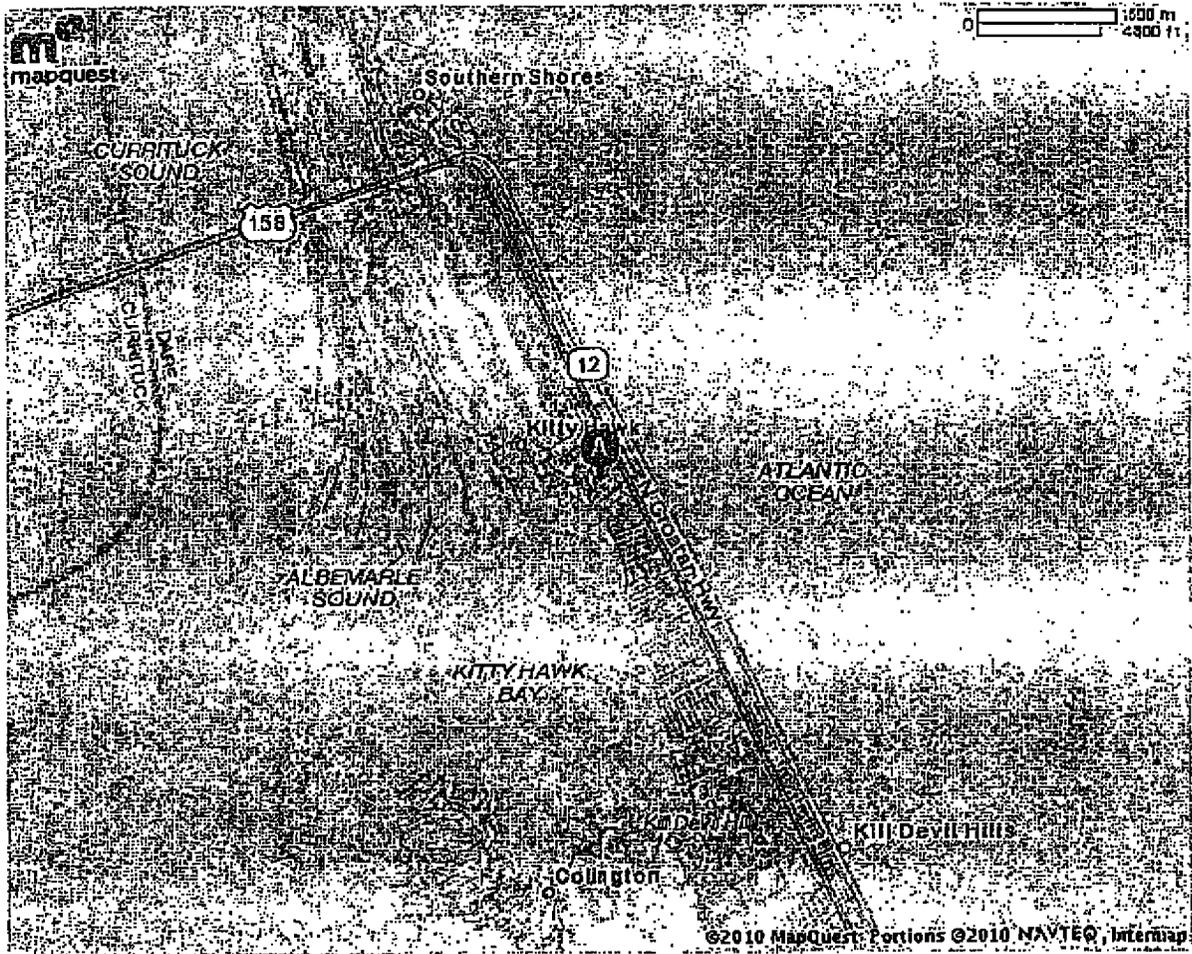
Directions and maps are informational only. We make no warranties on the



**MAPQUEST.**

Notes

**Map of 302 First  
Flight Run  
Kitty Hawk,  
NC 27949-9240**



All rights reserved. Use subject to License/Copyright | [Map Legend](#)

Directions and maps are informational only. We make no warranties on the



## MAPQUEST.

Trip to 302 First  
Flight Run  
Kitty Hawk,  
NC 27949-9240  
**170.27 miles -  
about 3 hours 12  
minutes**

Notes

### ★ 701 E Cary St, Richmond, VA 23219-3927

- |   |  |              |
|---|--|--------------|
|    | 1. Start out going <b>SOUTHEAST</b><br>on <b>E CARY ST / VA-147 N</b><br>toward <b>S 8TH ST / US-60 W.</b> | go 0.1<br>mi |
|    | 2. Turn <b>LEFT</b> onto <b>S 9TH ST.</b>  | go 0.3<br>mi |
|   | 3. Turn <b>LEFT</b> onto <b>E BROAD<br/>ST / US-250 / US-33.</b>   | go 0.1<br>mi |
|    | 4. Turn <b>RIGHT</b> onto <b>N 7TH ST.</b>   | go 0.5<br>mi |
|    | 5. Take the <b>I-64 E / I-64 W / I-<br/>95 N</b> ramp toward <b>AIRPORT.</b>                               | go 0.0<br>mi |
|   | 6. Merge onto <b>I-64 E</b> via the  | go 73.6      |

- |   |   |  |               |
|---|---|--|---------------|
|    |    | exit on the <b>LEFT</b> toward<br><b>NORFOLK.</b>  | mi            |
| <hr/>   |   |  |               |
|    |    | 7. Merge onto <b>I-664 S /<br/>HAMPTON ROADS BELT</b> via<br><b>EXIT 264</b> toward <b>DOWNTOWN<br/>NEWPORT NEWS /<br/>SUFFOLK / CHESAPEAKE.</b>                                   | go 20.2<br>mi |
| <hr/>   |   |  |               |
|    |    | 8. Merge onto <b>I-64 W /<br/>HAMPTON ROADS BELT</b> via<br><b>EXIT 15B</b> toward<br><b>CHESAPEAKE / VA BEACH.</b>  | go 8.2<br>mi  |
| <hr/>   |   |  |               |
|  |   | 9. Take the <b>I-464 N / VA-168-<br/>BUSINESS / VA-168-TOLL S</b><br>exit, <b>EXIT 290-291</b> , toward<br><b>NORFOLK / BATTLEFIELD<br/>BLVD / GREAT BRIDGE /<br/>OUTER BANKS.</b> | go 0.0<br>mi  |
| <hr/>   |   |  |               |
|  |  | 10. Merge onto <b>VA-168 S</b> via<br><b>EXIT 291B</b> (Portions toll)<br>(Crossing into <b>NORTH<br/>CAROLINA</b> ).  | go 34.5<br>mi |
| <hr/>   |   |  |               |
|  |  | 11. <b>VA-168 S</b> becomes <b>US-158<br/>E.</b>   | go 32.2<br>mi |
| <hr/>   |   |  |               |
|  |   | 12. Turn <b>RIGHT</b> onto<br><b>HARBOUR BAY DR.</b>   | go 0.3<br>mi  |
| <hr/>   |   |  |               |
|  |   | 13. Turn <b>RIGHT</b> onto <b>DA VINCI<br/>LN.</b>   | go 0.2<br>mi  |



14. Turn **RIGHT** onto **FIRST FLIGHT RUN.**

go 0.0  
mi



15. **302 FIRST FLIGHT RUN** is on the **LEFT.**

go 0.0  
mi



**302 First Flight Run, Kitty Hawk, NC 27949-9240**

**Total Travel Estimate : 170.27 miles - about 3 hours 12 minutes**

All rights reserved. Use subject to License/Copyright | Map Legend

Directions and maps are informational only. We make no warranties on the accuracy of their content, road conditions or route usability or expeditiousness. You assume all risk of use. MapQuest and its suppliers shall not be liable to you for any loss or delay resulting from your use of MapQuest. Your use of MapQuest means you agree to our Terms of Use

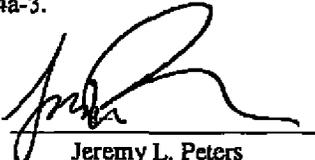
EXHIBIT F

Exhibit F is the "Qualifying Facility" Certification to be provided by the Operator

OR

If Facility is less than 1MW, Owner may submit the following statement as Exhibit F that the Facility qualifies as a Qualifying Facility (QF) under federal law.

Federal law exempts small power production or cogeneration facilities with net power production capacities of 1 MW or less from certain certification requirements in order to qualify as a qualifying facility ("QF" or "Qualifying Facility"). Therefore, Mr. Jeremy Peters submits the 302 First Flight Run Facility is exempt from the certification requirements, but submits that the Facility qualifies as a Qualifying Facility under federal law set forth in the Public Utility Regulatory Policies Act of 1978 ("PURPA") (codified at 16 U.S.C. § 824a-3.

Signature:   
Name: Jeremy L. Peters  
Title: Owner

**EXHIBIT G**

**Exhibit G is the Certificate of Public Convenience and Necessity to be provided by the Operator, or evidence that no such certificate is required under North Carolina law.**

Chief Clerk  
North Carolina Utilities Commission  
4325 Mail Services Center  
Raleigh, NC 27699-4325

To Whom It May Concern:

This filing is a Report of Construction of an Electric Generating Facility according to Rule R8-65. This application is for a photovoltaic system less than 10kW and therefore is exempt from the procedural requirements of R1-37(c) and includes the original and 16 copies of the application. A copy of this application has also been provided to Progress Energy, Inc.

Sincerely,

Jeremy Peters

CC: Mary Morgan, Virginia Electric and Power Company, Inc.

STATE OF NORTH CAROLINA  
UTILITIES COMMISSION

## RALEIGH

## DOCKET NO. (Docket Number)

**1. Full Name, Business Address, and Business Telephone Number of Applicant**

Jeremy Peters  
302 First Flight Run  
Kitty Hawk, NC 27949  
Phone: 252-202-3343

**2. Individual****3. Nature of the generating facility including the type and source of its power or fuel**

The generating facility consists of one 3kW solar photovoltaic array.  
The source of its power is solar energy.

**4. Address or location of generating facility set forth in terms of local highways, streets, river, streams, or other generally known landmarks together with a map such as a county road map with the location indicated on the map.**

302 First Flight Run  
Kitty Hawk, NC 27949

**5. Owner of site, if the owner is not the applicant, and the owner's interest in the site or relation to application**

Owner is Applicant

**6. A description of the buildings, structures and equipment comprising the generating facility and the manner of their operation**

The PV system is stationary and mounted to the roof of the residence at the above location. This system will be grid-tied and does not have a battery backup.

**7. The projected maximum dependable capacity of facility in megawatts**

Solar is an intermittent energy source and therefore the maximum dependable capacity is 0 MW.

**8. The projected cost of the facility**

The projected cost is \$32,000.

**9. The projected date on which the facility will come on line:**

The PV system is on line as of May 5, 2010.

**10. The applicant's general plan for sale of the electricity to be generated, including the utility to which the applicant plans to sell the electricity, any provisions for wheeling of the electricity, arrangements for firm, non-firm or emergency generation, the service life of the project, and the projected annual sales in kilowatt hours.**

The applicant plans to sell the electricity to Virginia Electric and Power, under the Cogeneration and Small Power Producer Schedule and will receive additional premiums for the energy delivered to the grid from the NC GreenPower Program. The projected lifetime of the equipment is twenty years and there are plans to make upgrades and modifications as needed to keep equipment up-to-date. The projected annual sales of this facility is 4,200 kWh.

**AGREEMENT FOR THE SALE  
OF ELECTRICAL OUTPUT TO  
VIRGINIA ELECTRIC AND POWER COMPANY**

THIS AGREEMENT, effective this 21st day of May, 2010, (the "Effective Date") by and between VIRGINIA ELECTRIC AND POWER COMPANY, a Virginia public service company with its principal office in Richmond, Virginia, doing business in Virginia as Dominion Virginia Power, and in North Carolina as Dominion North Carolina Power, hereinafter called " Dominion North Carolina Power" or "Company", and the North Carolina Department of Environment and Natural Resources being part of the Division of Parks and Recreation, hereinafter called "Operator", operator of the Jockey's Ridge State Park wind turbine facility, hereinafter called the "Facility":

**RECITALS**

WHEREAS, the North Carolina Utilities Commission has adopted a rate schedule described in this Agreement below as Schedule 19-LMP applicable to Qualifying Facilities (or "QF" as that term is defined in 18 C.F.R. 292 which can provide Contracted Capacity (a) up to 5,000 kW from a hydroelectric generating facility, (b) up to 5,000 kW from a generating facility fueled by trash or methane derived from landfills, hog waste, poultry waste, solar, wind or non-animal forms of biomass, or (c) up to 3,000 kW for all other QFs; and

WHEREAS, the parties hereto wish to contract for the sale of electrical output from such a QF to be operated by Operator,

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto contract and agree with each other as follows:

FIRST - Dominion North Carolina Power or its agent, assignee, or successor will purchase from Operator all of the electrical output (energy and Contracted Capacity) made available for sale from the Facility on an excess sale arrangement. In addition, Operator has elected to contract under the LMP Method for determining the Company's avoided cost as described more fully in paragraph FIFTH and Exhibit D. Operator elects to provide for energy only per Schedule 19-LMP paragraph III.B, up to the Facility's nameplate rating. The Facility is located in Dominion North Carolina Power's retail service area in Nags Head, North Carolina.

SECOND - This Agreement shall commence on the Effective Date and shall continue in effect for a period of 2 years from the Commercial Operations Date. After the initial period, this agreement shall automatically be renewed for an additional one (1) year period and for successive 1 year periods thereafter, unless written notice to terminate is given by either party to the other party at least sixty (60) days prior to a termination date which such date may be prior to the end of the 1 year renewal period. The Commercial Operations Date shall be the first date that all of the following conditions have been satisfied:

- a) The Facility has been permanently constructed, synchronized with and has delivered electrical output to the Dominion North Carolina Power system and such action has been witnessed by an authorized Dominion North Carolina Power employee; and
- b) After completion of item a) above, Dominion North Carolina Power has received written notice from Operator specifying the Commercial Operations Date and certifying that the Facility is ready to begin commercial operations as a Qualifying Facility; and

- c) Operator and Dominion North Carolina Power (or the PJM Interconnection, LLC or other operator of the Dominion North Carolina Power transmission system, as applicable) have executed an Interconnection Agreement to be included herewith as Exhibit A; and
- d) Operator has provided to Dominion North Carolina Power Qualifying Facility Certification to be included herewith as Exhibit F; and
- e) Operator either has received from the North Carolina Utilities Commission a Certificate of Public Convenience and Necessity or has filed the notice required by G.S. 62-110.1(g) and is not legally required to obtain such a certificate for the construction and operation of the Facility.

The Commercial Operations Date is May 21 , 2010.

For contract terms of 10 years or more, this Agreement may be renewed at the option of Dominion North Carolina Power on substantially the same terms and conditions and at a rate either (1) mutually agreed upon by the parties negotiating in good faith and taking into consideration Dominion North Carolina Power's then avoided cost rates and other relevant factors or (2) set by arbitration.

**THIRD** - The Facility, consisting of 1 wind turbine, will have a combined nameplate rating of approximately 10kW. The Facility's Contracted Capacity shall be 0 kW.

**FOURTH** - The following documents are attached hereto and are made a part hereof:

- Exhibit A: Executed Interconnection Agreement (attached for information but not as a part of this Agreement)
- Exhibit B: General Terms and Conditions
- Exhibit C: NOT APPLICABLE
- Exhibit D: Schedule 19-LMP, Power Purchases from Cogeneration and Small Power Production Qualifying Facilities and applicable to the QF who chooses the LMP Method (effective May 22, 2009, sometimes referred to as "Schedule 19-LMP" herein)
- Exhibit E: Map and related written description identifying the specific location of the Facility in the City or County designated in Paragraph FIRST
- Exhibit F: "Qualifying Facility" Certification
- Exhibit G: Certificate of Public Convenience and Necessity (or evidence that no such certificate was required under North Carolina law)

**FIFTH** - Payments for all energy and Contracted Capacity purchased hereunder shall be determined by the provisions and rate determination methodologies for payments in Schedule 19-LMP included herewith as Exhibit D and pursuant to Operator elections within such Schedule 19-LMP, if any, as stated in Paragraph FIRST hereof. Operator will be permitted to switch to the DRR Method at the commencement of its second year under its contract, subject to 90 days prior written notice to Company, and in so doing commence a whole new DRR contract with a choice of term, i.e., 2, 5, 10, or 15 years. Switching is permitted so long as the Company is required to offer both Schedule 19-DRR and Schedule 19-LMP. Payments for all energy and Contracted Capacity purchased hereunder shall be on a cents per kilowatthour basis. Should the North Carolina Utilities Commission (NCUC), Virginia State Corporation Commission

(SCC) or other regulatory or other legal body having jurisdiction (such as the Federal Energy Regulatory Commission) (1) not allow any future payments to non-utility generators (generally or to Operator specifically) for energy or capacity (including Contracted Capacity) or both to be included in Dominion North Carolina Power/Dominion Virginia Power's rates charged to customers, (2) at any time prohibit Dominion North Carolina Power/Dominion Virginia Power from recovering from its customers sums related to payments previously made to non-utility generators (generally or to Operator specifically), or (3) order Dominion North Carolina Power/ Dominion Virginia Power to pay back to its customers sums related to amounts collected as a result of payments to non-utility generators (generally or to Operator specifically) (hereinafter the sums referred to in both (2) and (3) above shall be referred to individually and collectively as the "Disallowed Payments"), Operator shall be required both to accept from the effective date of the Order from the NCUC, SCC, or other regulatory or legal body having jurisdiction ("Commission Order") payments at the level of rates that will be allowed to be recovered in rates charged to Dominion North Carolina Power/ Dominion Virginia Power's customers and to refund to Dominion North Carolina Power, A) the identified dollar amount of the Disallowed Payments specifically identified in the Commission Order as resulting from payments made to Operator hereunder, or B) if the Disallowed Payments are not specifically identified, Operator's pro-rata share of the Disallowed Payments which shall be equal to the product of (1) the total amount of payments made under this Agreement for the period of time such Disallowed Payments have been calculated, and (2) a fraction whereby the numerator is the Disallowed Payments and the denominator is the total amount of payments made to all Non-utility Generators, that were considered in the Commission Order, for the same period of time that such Disallowed Payments have been calculated. Operator shall pay any amounts due as a result of the Commission Order within 28 days of notice by Dominion North Carolina Power or, provided that more than three years remain in the term of the Agreement, then, at Operator's option, Dominion North Carolina Power shall collect such amounts due with interest from the date of any such Commission Order by reducing payments to Operator at a monthly amount projected to complete the refund of the Disallowed Amount with interest in the two year period following such notice. Such interest shall be calculated at the rate of Dominion North Carolina Power/ Dominion Virginia Power's most recent issue of long-term debt at the time of the Commission Order. If, for any reason, at the end of the two year period, the reduction in payments does not recover in full such amounts due, then such remaining amount shall be due immediately.

Payments for energy will begin on the Commercial Operations Date. All energy delivered prior to the Commercial Operations Date shall be paid pursuant to the attached Schedule 19-LMP tariff.

Operator shall not be paid for Contracted Capacity above the Contracted Capacity level in any hour during which the generation exceeds the Contracted Capacity level specified in Paragraph THIRD.

SIXTH – Not Used

SEVENTH – Not Used

EIGHTH - Operator and Dominion North Carolina Power agree that Operator's failure to comply with any of the following will be a material breach of this Agreement and shall result in Dominion North Carolina Power having the right to immediate cancellation, without a cure period, of this Agreement: (i) not used, (ii) not used, (iii) not used, (iv) not used, (v) delivery or supply of electrical output to any entity other than Dominion North Carolina Power or its agent, assignee or successor, (vi) failure to meet those requirements necessary to maintain Qualifying Facility status, (vii) failure at any time to have in effect a valid Interconnection Agreement with Dominion North Carolina Power (or its successor as operator of the Dominion North Carolina transmission system), or (viii) failure to generate and deliver power from the Facility to Dominion North Carolina Power for more than 180 consecutive days, at any time after the Commercial Operations Date, or (ix) failure to maintain QF certification. In the event Operator fails to perform in any way, materially or non-materially, any other obligations not specifically listed above, Operator shall be given notice and thirty (30) days to cure such non-performance. Notwithstanding any cure period, Dominion North Carolina Power shall not be obligated to purchase any energy or Contract Capacity under this Agreement while any such breach remains uncured. If Operator fails to cure its non-performance within thirty (30) days of Dominion North Carolina Power's notice, Dominion North Carolina Power shall have the right to cancel this Agreement. Operator agrees that if this Agreement is canceled by

Dominion North Carolina Power for Operator's non-performance prior to the end of the initial term of this Agreement, then, Dominion North Carolina Power shall have all rights and remedies available at law or in equity.

NINTH - Operator represents and warrants that it has the right to operate the Facility in accordance with the terms of this Agreement. Operator further represents and warrants that all permits, approvals, and/or licenses necessary for the operation of the Facility will be obtained prior to the Commercial Operations Date and shall be maintained throughout the Term of this Agreement. Operator shall, provide such documentation and evidence of such right, permits, approvals and/or licenses as Dominion North Carolina Power may reasonably request, including without limitation air permits, leases and/or purchase agreements.

TENTH - All correspondence and payments concerning this Agreement shall be to the following addresses:

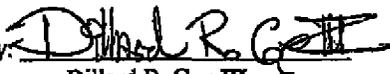
OPERATOR:	DOMINION NORTH CAROLINA POWER:
Superintendent Jockey's Ridge State Park PO Box 592 Nags Head, NC 27959	Virginia Electric and Power Company Power Contracts (3SE) 5000 Dominion Boulevard Glen Allen, Virginia 23060-6711

Either Party may change the address by providing written notice to the other Party.

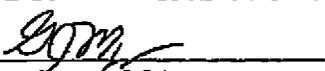
ELEVENTH - This Agreement is intended by the Parties as the final expression of their Agreement and is intended also as a complete and exclusive statement of the terms of their Agreement with respect to the purchase and sale of electrical output generated by the Facility. All prior written or oral understandings, offers or other communications of every kind pertaining to this Agreement are hereby abrogated and withdrawn.

IN WITNESS WHEREOF, the Parties hereto have caused their names to appear below, signed by authorized representatives as of the date first shown above.

NORTH CAROLINA DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

By:  Title: Park Superintendent  
Dillard R. Cox III  
Date: 10/6/10

VIRGINIA ELECTRIC AND POWER COMPANY

By:  Title: Authorized Representative  
Gregory J. Morgan  
Date: 10/5/10

**EXHIBIT A**  
**GENERATOR INTERCONNECTION GUIDANCE AND AGREEMENT**

Dominion North Carolina Power's procedures for generator interconnection are available through the Internet at the Company's website with draft interconnection agreements for non-FERC jurisdictional generators (as approved by the NCUC included as Attachments 1, 2 and 3 thereto). For FERC jurisdictional generators interconnection shall be in accordance with FERC and PJM requirements.

The specific Internet address for these procedures is <http://www.dom.com/about/elec-transmission/gi-main.jsp>. The Internet site contains links to the Generator Interconnection Procedures along with the Generator Interconnection Request Form. Once an Interconnection Agreement is executed it will be included herewith as part of this Exhibit A.

**Certificate of Completion  
for Interconnecting a Certified Inverter-Based  
Generating Facility No Larger than 10 kW**

Is the Generating Facility owner-installed? Yes  No

Interconnection Customer

Name: Jockey's Ridge State Park

Contact Person: Dillard Cox

Address: PO Box 592, Nags Head, NC 27959

Location of the Generating Facility (if different from above):

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Telephone (Day): 252 441 7132 (Evening): SAME

Fax: 252 441 7118 E-Mail Address: dcox@ncdaxr.gov

Electrician

Name: G.W. Myers Electrical Contractors, Inc.

Address: PO Box 1309

City: Kill Devil Hills State: NC Zip: 27959

Telephone (Day): (252) 256-0102 (Evening): \_\_\_\_\_

Fax: \_\_\_\_\_ E-Mail Address: \_\_\_\_\_

License Number: NC LIC 13736 U

Date Approval to Install Generating Facility granted by the Utility: April 7, 2010

Interconnection Request ID Number: NC09008 - Jockey's Ridge

Inspection:

The Generating Facility has been installed and inspected in compliance with the local building/electrical code of NC - State Electrical Inspector NCDOT

Signed (Local electrical wiring inspector or attach signed electrical inspection):  
Michael E Ward

Print Name: Michael E WARD

Date: 5-19-2010

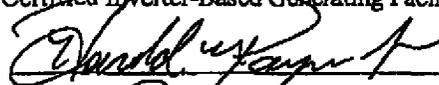
As a condition of interconnection, you are required to send/fax a copy of this form along with a copy of the signed electrical permit to (insert Utility information below):

Name: Harold Payne  
Company: Dominion North Carolina Power  
Address: 701 East Cary Street, OJRP-5  
City: Richmond State: Virginia Zip: 23219  
Fax: (804)-771-4804

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Approval to Energize the Generating Facility (For Utility use only)

Energizing the Generating Facility is approved contingent upon the Terms and Conditions for Interconnecting a Certified Inverter-Based Generating Facility No Larger than 10 kW.

Utility Signature:   
Title: Manager, Regulation Date: 5-27-2010

N.C. DEPARTMENT OF ADMINISTRATION  
State Construction Office



Inspection No. 051910 - MGW

**ELECTRICAL INSPECTION**

Date: 05/19/10	SCO ID Number:	Utility Work Order #:
Owner: DENR	Project: Wind Generator	
Project Address: Jockey's Ridge State Park Nags Head, NC		
Electrical Contractor (EC): GW Myers Electric	EC Representative: Gill	
EC Physical Address:		
EC Phone Number: 252-256-0102	EC E-Mail Address:	

<input type="checkbox"/> ROUGH-IN	<input type="checkbox"/> SLAB	<input type="checkbox"/> CEILING	<input checked="" type="checkbox"/> FINAL
<input type="checkbox"/> TRENCH	<input type="checkbox"/> WALLS	<input type="checkbox"/> RE-INSPECTION	<input type="checkbox"/> OTHER

APPROVED w/Notes:     APPROVED     DISAPPROVED

Notes:

(1) Replace Black #8 Grounds with Green per 250-119 (A)

Gregory A. Driver, PE  
Director, State Construction Office

mike.ward@doa.nc.gov  
919-605-0001

State Electrical Inspector

Distribution: Electrical Contractor, Utility Company, File

Mailing Address:  
1307 Mail Service Center  
Raleigh, NC 27689-1307

Telephone (919)807-4100  
Fax (919)807-4110  
State Courier 956-02-02

Location:  
302 N. Wilmington St., Suite 450  
Raleigh, North Carolina 27601

N.C. DEPARTMENT OF ADMINISTRATION  
State Construction Office



Certificate No. 0519100 - MGW

**ELECTRICAL CERTIFICATE**

Date: 05/19/10	SCO ID Number:	Utility Work Order #:
Owner: DENR	Project: Wind Generator	
Project Address: Jockey Ridge State Park		
Electrical Contractor (EC): GW Myers Electric	EC Representative: Gill	
EC Physical Address:		
EC Phone Number: 252-256-0102	EC E-Mail Address:	

<input type="checkbox"/> TEMPORARY power
<input type="checkbox"/> Permission for CONDITIONAL power for _____ is granted to supply current.
Notes:
<input type="checkbox"/> Permission for PERMANENT power is granted to supply current.
<input checked="" type="checkbox"/> This certifies that this Electrical Installation is COMPLETE and APPROVED.

Gregory A. Driver, PE  
Director, State Construction Office

*Michael A. Ward*  
State Electrical Inspector

Distribution: Electrical Contractor, Utility Company, File

Mailing Address:  
1307 Mall Service Center  
Raleigh, NC 27699-1307

Telephone (919)807-4100  
Fax (919)807-4110  
State Couriers #98-02-02

Location:  
301 N. Wilmington St., Suite 450  
Raleigh, North Carolina 27601

**EXHIBIT B**  
**General Terms and Conditions**

**I - Assignments**

Operator agrees not to assign this Agreement without the prior written consent of Dominion North Carolina Power. Dominion North Carolina Power may withhold such consent if it determines, in its sole discretion, that such assignment would not be in the best interests of Dominion North Carolina Power or its customers. Any attempted assignment that Dominion North Carolina Power has not approved in writing shall be null and void and ineffective for all purposes.

**II - Indemnity**

Operator shall indemnify and save harmless and, if requested by Dominion North Carolina Power, defend Dominion North Carolina Power, its officers, directors and employees from and against any and all losses and claims or demands for damages to real property or tangible personal property (including the property of Dominion North Carolina Power) and injury or death to persons arising out of, resulting from, or in any manner caused by the presence, operation or maintenance of any part of Operator's Facility; provided, however, that nothing herein shall be construed as requiring Operator to indemnify Dominion North Carolina Power for any injuries, deaths or damages caused by the sole negligence of Dominion North Carolina Power. Operator agrees to provide Dominion North Carolina Power written evidence of liability insurance coverage, which is specifically and solely for the Facility, prior to the operation of the Facility. Operator agrees to have Dominion North Carolina Power named as an additional insured, and shall keep such coverage current throughout the term of this Agreement.

**III - QF Certification**

Operator represents and warrants that its Facility meets the Qualifying Facility requirements established as of the Effective Date of this Agreement by the Federal Energy Regulatory Commission's rules (18 Code of Federal Regulations Part 292), and that it will continue to meet those requirements necessary to remain a Qualifying Facility throughout the term of this Agreement. [Dominion North Carolina Power may require "FERC" QF Certification by adding the following: "Operator agrees to obtain, at Operator's expense, a certification as a "QF" from the Federal Energy Regulatory Commission, in accordance with 18 C.F.R. 292.207 (b)."] Operator agrees to provide copies, at the time of submittal, of all correspondence and filings with the Federal Energy Regulatory Commission relating to obtaining certification of the Facility as a "QF". Operator will submit prior to delivery of electrical output from the Facility to Dominion North Carolina Power evidence of Qualifying Facility certification. After the Commercial Operations Date, if requested by Dominion North Carolina Power prior to March 1 of any year, Operator agrees to provide information annually by July 1 of the same year to Dominion North Carolina Power for the preceding year sufficient for Dominion North Carolina Power to determine the Operator's continuing compliance with its QF requirements, including but not limited to:

- (a) All information required by FERC Form 556.
- (b) Copy of the Facility's QF Certification and any subsequent revisions or amendments.
- (c) Provide a copy of any contract executed with a thermal host.
- (d) Identification of the amount of each type of fuel used per month and average heating value for each type of fuel, which will be used to determine the Total Energy Input. These values should be verifiable by auditing supporting documentation.
- (e) Identification of each of the QF's useful thermal output(s) for each month, including temperature, pressure, amount of thermal output delivered, temperature and amount of condensate returned (if

applicable) and the conversion to Btus. These values should be verifiable by auditing supporting documentation.

- (f) Identification of the QF's useful power output for each month. These values should be verifiable by auditing supporting documentation.
- (g) Provide drawings, heat balance diagrams and a sufficiently detailed narrative describing the delivery of useful thermal output including the location, description, and calibration data for all metering equipment used for QF calculations.
- (h) Provide any other information which the QF believes will facilitate Dominion North Carolina Power's monitoring of the QF requirements.
- (i) Dominion North Carolina Power may request additional information, as needed, to monitor the QF requirements.

#### IV - Consequential Damages

In no event shall either Party be liable to the other for any special, indirect, incidental or consequential damages whatsoever, except that the foregoing shall not apply to any promises of indemnity or obligations to reimburse the Parties expressly set forth in this Agreement.

#### V - Amendments, Waivers, Severability and Headings

This Agreement, including the appendices thereto, can be amended only by agreement between the Parties in writing. The failure of either Party to insist in any one or more instances upon strict performance of any provisions of this Agreement, or to take advantage of any of its rights hereunder, shall not be construed as a waiver of any such provisions or the relinquishment of any such right or any other right hereunder. In the event any provision of this Agreement, or any part or portion thereof, shall be held to be invalid, void or otherwise unenforceable, the obligations of the Parties shall be deemed to be reduced only as much as may be required to remove the impediment. The headings contained in this Agreement are used solely for convenience and do not constitute a part of the Agreement between the Parties hereto, nor should they be used to aid in any manner in the construction of this Agreement.

#### VI - Compliance with Laws

Operator covenants that it shall comply with all applicable provisions of Executive Order 11246, as amended; § 503 of the Rehabilitation Act of 1973, as amended; § 402 of the Vietnam Era Veterans Readjustment Assistance Act of 1974, as amended; and implementing regulations set forth in 41 C.F.R. §§ 60.1, 60-250, and 60-741 and the applicable provisions relating to the utilization of small minority business concerns as set forth in 15 U.S.C. § 637, as amended. Operator agrees that the equal opportunity clause set forth in 41 C.F.R. § 60-1.4 and the equal opportunity clauses set forth in 41 C.F.R. § 60-250.5 and 41 C.F.R. 60-§741.5 and the clauses relating to the utilization of small and minority business concerns set forth in 15 U.S.C. § 637(d)(3) and 48 C.F.R. § 52-219.9 are hereby incorporated by reference and made a part of this Agreement. If this Agreement has a value of more than \$500,000, Operator shall adopt and comply with a small business and small disadvantaged business subcontracting plan which shall conform to the requirements set forth in 15 U.S.C. § 637(d)(6). The provisions of this section shall apply to Operator only to the extent that:

- (a) Such provisions are required of Operator under existing law,
- (b) Operator is not otherwise exempt from said provisions and
- (c) Compliance with said provisions is consistent with and not violative of 42 U.S.C. § 2000 et seq., 42 U.S.C. § 1981 et seq., or other acts of Congress.

## VII - Interconnection and Operation

Operator shall be responsible for the design, installation, and operation of its Facility. Operator shall be responsible for obtaining an Interconnection Agreement. Interconnection guidelines and agreement requirements are set forth in Exhibit A of this Agreement.

Operator shall: (a) maintain the Facility and the Interconnection Facilities on Operator's side of the Interconnection Point, except Dominion North Carolina Power-owned Interconnection Facilities, in conformance with all applicable laws and regulations and in accordance with operating procedures; (b) obtain any governmental authorizations and permits required for the construction and operation thereof and keep all such permits and authorizations current and in effect; and (c) manage the Facility in a safe and prudent manner. If at any time Operator does not hold such authorizations and permits, Dominion North Carolina Power may refuse to accept deliveries of power hereunder.

Dominion North Carolina Power may enter Operator's premises (a) to inspect Operator's protective devices at any reasonable time; (b) to read or test meters and metering equipment; and (c) to disconnect, without notice, the Facility if, in Dominion North Carolina Power's opinion, a hazardous condition exists and such immediate action is necessary to protect persons, or Dominion North Carolina Power facilities or other customers' facilities from damage or interference caused by Operator's Facility or lack of properly operating protective devices. Dominion North Carolina Power will endeavor to notify Operator as quickly as practicable if disconnection occurs as provided in (c) above. Any inspection of Operator's protective devices shall not impose on Dominion North Carolina Power any liabilities with respect to the operation, safety or maintenance of such devices.

Operator shall not operate the Facility in parallel with Dominion North Carolina Power's system prior to (a) an inspection of the installed Interconnection Facilities by an authorized Dominion North Carolina Power representative and (b) receiving written authorization from an authorized Dominion North Carolina Power representative to begin parallel operation.

## VIII - Metering

Dominion North Carolina Power will meter all electrical output delivered from the Facility on the high voltage side of the step up transformer.

Operator agrees to pay an administrative charge to Dominion North Carolina Power to reflect all reasonable costs incurred by Dominion North Carolina Power for meter reading and billing, also referred to as metering charges. The monthly meter reading and billing charge shall change from time to time when the NCUC approves a different charge in Schedule 19-LMP.

In addition, Operator agrees to pay any fees required to provide and maintain leased telephone lines required for meter reading by Dominion North Carolina Power.

## IX - Billing and Payment

Dominion North Carolina Power shall read the meter in accordance with its normal meter reading schedule. Within twenty-eight (28) days thereafter, Dominion North Carolina Power shall send Operator payment for energy and Contracted Capacity delivered. At Dominion North Carolina Power's option, (i) Dominion North Carolina Power may make such payments net of the monthly metering charges, Interconnection Facilities charges, and charges for sales of electricity to the Operator, or (ii) Dominion North Carolina Power may invoice Operator for such charges separately. Payment by Dominion North Carolina Power shall include verification showing the billing month's ending meter reading, on-peak and off-peak kWh, and the amount paid. If in any month the monthly metering and Interconnection Facilities charges are in excess of any payments due Operator, Dominion North Carolina Power shall bill Operator for the

difference and Operator shall make such payment within 28 days of the invoice date. Failure by Operator to make such payments may result in disconnection of the Facility. In no event shall such disconnection relieve Operator of its obligation to pay monthly metering charges and Interconnection Facilities charges under this Agreement.

In the event that any data required for billing purposes hereunder are unavailable when required for such billing, the unavailable data shall be estimated by Dominion North Carolina Power, based upon historical data. Such billing shall be subject to any required adjustment in a subsequent billing month.

In addition to rights pursuant to Paragraph SIXTH of this Agreement, Operator agrees that Dominion North Carolina Power shall be entitled to withhold sufficient amounts due pursuant to this Agreement to offset (a) any damages to Dominion North Carolina Power resulting from any breach of this Agreement by Operator, and (b) any other amounts Operator owes Dominion North Carolina Power, including amounts arising from sales of electricity by Dominion North Carolina Power to Operator, metering charges and Interconnection Facilities charges.

In no event shall Dominion North Carolina Power be liable to Operator for any Contracted Capacity payments in excess of the amounts contracted for herein, regardless of the ultimate length of this Agreement or revisions to Schedule 19-J.M.P or successor schedules. Operator hereby agrees to accept the Contracted Capacity payments as set forth herein as its sole and complete compensation for delivery of Contracted Capacity to Dominion North Carolina Power.

#### X - Force Majeure

Neither Party shall be considered in default under this Agreement or responsible to the other Party in tort, strict liability, contract or other legal theory for damages of any description for any interruption or failure of service or deficiency in the quality or quantity of service or any other failure to perform any of its obligations hereunder to the extent such failure occurs without fault or negligence on the part of that Party and is caused by factors beyond that Party's reasonable control, which by the exercise of reasonable diligence that Party is unable to prevent, avoid, mitigate or overcome, including without limitation storm, flood, lightning, earthquake, explosion, equipment failure, civil disturbance, labor dispute, act of God or public enemy, action or inaction of a court or public authority, fire, sabotage, war, explosion, curtailments, unscheduled withdrawal of facilities from operation for maintenance or repair or any other cause of similar nature beyond the reasonable control of that Party (any such event, "Force Majeure"). Solely economic hardship of either Party shall not constitute Force Majeure under this Agreement. Nor shall anything contained in this paragraph or elsewhere in this Agreement excuse Operator or Dominion North Carolina Power from strict compliance with the obligation of the Parties to comply with the terms of Article IX of this Exhibit B relating to timely payments.

Each Party shall have the obligation to operate in accordance with Good Utility Practice (as defined below) at all times and to use due diligence to overcome and remove any cause of failure to perform.

If a Party relies on the occurrence of an event of Force Majeure described above as a basis for being excused from performance of its obligations under this Agreement, then the Party relying on the Force Majeure event shall:

- a) Provide within forty-eight (48) hours written notice of such Force Majeure event or potential Force Majeure to the other Party, giving an estimate of its expected duration and the probable impact on the performance of its obligations hereunder;
- b) Exercise all reasonable efforts to continue to perform its obligations under this Agreement;
- c) Expediently take action to correct or cure the Force Majeure event excusing performance; provided, however, that settlement of strikes or other labor disputes will be completely within the sole discretion of the Party affected by such strike or labor dispute;
- d) Exercise all reasonable efforts to mitigate or limit damages to the other Party; and

e) Provide prompt notice to the other Party of the cessation of the Force Majeure event giving rise to its excuse from performance. All performance obligations hereunder shall be extended by a period equal to the term of the resultant delay.

If a Party responding to a Force Majeure event has the ability to obtain, for additional expenditures, expedited material deliveries or labor production which would allow a response to the event in a manner that is above and beyond Good Utility Practice, and such a response could shorten the duration of the Force Majeure event, the Party responding to the event may, at its discretion, present the other Party with the option of funding the expenditures for expediting material deliveries or labor production in an effort to reduce the duration of the event and economic hardship. Each such opportunity will be negotiated on a case-by-case basis by the Parties.

For purposes of this Agreement, "Good Utility Practice" shall mean any of the applicable practices, methods, standards, guides or acts: required by any governmental authority, regional or national reliability council, or national trade organization, including NERC, SERC, or the successor of any of them, as they may be amended from time to time whether or not the Party whose conduct is at issue is a member thereof; otherwise engaged in or approved by a significant portion of the electric utility industry during the relevant time period which in the exercise of reasonable judgment in light of the facts known or that should have been known at the time a decision was made, could have been expected to accomplish the desired result in a manner consistent with law, regulation, good business practices, generation, transmission and distribution reliability, safety, environmental protection, economy and expediency. Good Utility Practice is intended to be acceptable practices, methods, or acts generally accepted in the region, or any other acts or practices as are reasonably necessary to maintain the reliability of the Transmission System (as defined in the Interconnection Agreement), or of the Facility, and is not intended to be limited to the optimum practices, methods, or acts to the exclusion of all others.

**EXHIBIT C**

Exhibit C is reserved for possible future use.

**EXHIBIT D**

Exhibit D is a copy of Schedule 19-LMP based on the LMP Method.

Virginia Electric and Power Company

Schedule 19 - LMP  
POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

I. APPLICABILITY AND AVAILABILITY

This schedule is applicable to any qualifying Cogenerator or Small Power Producer (Qualifying Facility) which desires to provide all or part of its electrical output to the Company on an energy and capacity, or energy only basis, and which has either (1) generating facilities designated as new capacity as defined by 18 C.F.R. 292.304(b)(1), or (2) hydroelectric generating facilities that meet the criteria of being owned or operated by a small power producer as defined in G.S. 62-3(27a) and enters into an agreement for the sale of electrical output to the Company (Agreement).

Where the Qualifying Facility (QF) elects to be compensated for the provision of its electrical energy in accordance with this schedule, the amount of capacity under contract and the initial term of contract shall be limited as follows:

- A. Where the QF operates hydroelectric generating facilities that meet the criteria of being owned or operated by a small power producer as defined in G.S. 62-3(27a), or where the QF operates non-hydroelectric QFs fueled by trash or methane derived from landfills, hog waste, poultry waste, solar, wind, and non-animal forms of biomass, the amount of capacity subject to compensation shall be no greater than 5,000 kW, and the amount of energy purchased during a given hour shall be no greater than 5,000 kWh. The initial term of contract for such a QF shall be for a period not to exceed fifteen (15) years.
- B. Where the QF is not defined under Paragraph I.A., the amount of capacity subject to compensation shall be no greater than 3,000 kW, and the amount of energy purchased during a given hour shall be no greater than 3,000 kWh. The initial term of contract for such a QF shall be for a period not to exceed fifteen (15) years.

(Continued)

Filed 05-22-09  
Electric-North Carolina

Superseding Filing Effective For Usage On  
and After 06-09-08. This Filing Effective For  
Usage On and After 05-22-09.

Docket No. E-100, Sub 117

Schedule 19 - LMP  
POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

(Continued)

I. APPLICABILITY AND AVAILABILITY (Continued)

Where the QF elects to be compensated for the provision of its electric energy in accordance with this schedule, the QF must enter into a contract and begin deliveries to the Company on or before December 31, 2010. Where the QF elects an initial contract term of 10 or more years, such contract may be renewed for subsequent term(s), at the Company's option, based on substantially the same terms and provisions and at a rate either (1) mutually agreed upon by the parties negotiating in good faith and taking into consideration the Company's then avoided cost rates and other relevant factors or (2) set by arbitration.

This schedule is not applicable to a QF owned by a developer, or an affiliate of a developer, who sells power to the Company from another facility located within one-half mile unless: 1) each facility provides thermal energy to different, unaffiliated hosts, or 2) each facility provides thermal energy to the same host, and the host has multiple operations with distinctly different or separate thermal needs, or 3) each facility utilizes a renewable resource which may be subject to geographic siting limitations, such as hydroelectric or wind power facilities.

II. MONTHLY BILLING TO THE QF

All sales to the QF will be in accordance with any applicable filed rate schedule. In addition, where the QF contracts for sales to the Company, the QF will be billed a monthly charge equal to one of the following to cover the cost of meter reading and processing:

<u>Metering required</u>	<u>Charge</u>
One non-time-differentiated meter	\$12.00
One time-differentiated meter	\$34.27
Two time-differentiated meters	\$39.48

(Continued)

Schedule 19 - LMP  
POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

(Continued)

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III. CONTRACT OPTIONS

QFs with a design capacity of 10 kW or less shall elect, from the following two options, the manner in which the QF shall operate and provide its electrical output to the Company. This election shall be contracted for and made a part of the QF's Agreement. QFs with a design capacity greater than 10 kW must contract for the supply of both energy and capacity to the Company, in accordance with Paragraph III. A., below. Purchase payments, if any, to the QF for the supply of energy and/or capacity to the Company shall be based on this contractual designation.

- A. **Supply of Energy and Capacity.** A QF shall contract for the supply of both energy and capacity to the Company, except as may be permitted pursuant to Paragraph III. B., below. The level of capacity that the QF contracts for shall not exceed the capacity limits outlined in Paragraph I. The supply of both energy and capacity shall require the installation of one (or two, if necessary) time differentiated meter(s) to measure the hourly output of the QF's generation facility.
- B. **Supply of Energy Only.** A QF with a design capacity of 10 kW or less may elect to contract for the supply of energy only to the Company. A QF electing this option will not be eligible for capacity payments. Election of this option shall require the installation of a non-time-differentiated meter to measure the monthly output of the QF's generation facility.

(Continued)

Schedule 19 - LMP  
POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

(Continued)

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IV. PAYMENT FOR COMPANY PURCHASES OF ENERGY AND CAPACITY

A QF that supplies both energy and capacity to the Company, in accordance with Paragraph III.A., above, shall receive purchase payments as follows:

A. Energy Purchase Payments

1. Purchase payments for the supply of energy by the QF to the Company will be based on an hourly energy purchase price (cents per kWh) that is calculated using the hourly \$/MWh PJM Interconnection, LLC (PJM) Dom Zone Day Ahead Locational Marginal Price (DA LMP) divided by 10, and multiplied by the hourly net generation as recorded on the Company's time-differentiated meter.
2. All energy purchase prices per kWh will be increased by 3.0% to account for line losses avoided by the Company. This line loss percentage will be fixed for the term of the contract between the QF and the Company.

B. Capacity Purchase Payments

Purchase payments for the supply of capacity by the QF to the Company will be made based upon the QF's daily net on-peak generation multiplied by that corresponding day's on-peak capacity purchase price, as calculated below. If applicable, the purchase payment for capacity may be modified by application of the Summer Peak Performance Factor (SPPF), as described below. The on-peak hours for every day are from 7 AM to 11 PM. Off-peak hours are defined as all other hours.

(Continued)

Schedule 19 - LMP  
POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

(Continued)

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IV. PAYMENT FOR COMPANY PURCHASES OF ENERGY AND CAPACITY  
(Continued)

Effective each June 1, PJM will establish the Reliability Pricing Model capacity resource clearing price for each PJM zone, shown as \$/MW/day price, that will be applicable through the following May 31. Such prices will be the clearing results from PJM's Base Residual Auction. Using the price for the Dom Zone (initially identified on the PJM website as "Dom\_PZonal", the Company will calculate an on-peak capacity purchase price (cents per kWh) for each day by dividing the Dom Zone \$/MW/day price by 16 hours, and further dividing the result by 10, rounded to the nearest one-thousandth cent. The resulting cents per kWh on-peak capacity purchase price will be applied to the QF's net on-peak generation for the corresponding day, to provide for the daily capacity purchase amount. The sum of the daily capacity purchase amounts for the billing month will constitute the monthly capacity purchase payment to the QF, unless modified by application of the SPPF, below.

Initially, a QF's SPPF will be 1. Once a QF has achieved Commercial Operations and such operation encompasses at least a full Summer (defined by PJM as June 1 through September 30), the following January billing month, and for each January billing month thereafter, an SPPF will be calculated that is based on the QF's operation during the five (5) PJM coincident peak hours ("CP Hours"), as posted by PJM, during the Summer of the previous calendar year. The QF's SPPF is equal to the number of CP Hours in which the QF generated at or greater than 75% of its design capacity, divided by 5. Therefore, the SPPF could be 0, .2, .4, .6, .8, or 1. The QF's SPPF will be applied to the monthly capacity purchase payment for each billing month of the current calendar year.

(Continued)

Filed 05-22-09  
Electric-North Carolina

Superseding Filing Effective For Usage On and  
After 06-09-08. This Filing Effective For Usage On  
and After 05-22-09.

Schedule 19 - LMP  
POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

(Continued)

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V. PAYMENT FOR COMPANY PURCHASES OF ENERGY ONLY

A QF that supplies only energy to the Company, in accordance with its election in Paragraph III. B., above, shall receive purchase payments as follows:

- A. Purchase payments for the supply of energy only by the QF to the Company will be based on an energy purchase price (cents per kWh) that is calculated using the average of the hourly \$/MWh Dom Zone DA LMP for the QF's billing month, divided by 10, and multiplied by the net generation as recorded on the Company's non-time-differentiated meter.
- B. All energy purchase prices per kWh will be increased by 3.0% to account for line losses avoided by the Company. This line loss percentage will be fixed for the term of the contract between the QF and the Company.

VI. PROVISIONS FOR COMPANY PURCHASE OF THE QF GENERATION

- A. The QF shall own and be fully responsible for the costs and performance of the QF's:
  - 1. Generating facility in accordance with all applicable laws and governmental agencies having jurisdiction;
  - 2. Control and protective devices as required by the Company on the QF's side of the meter.
- B. Upon request by the Company, the Co-generator or Small Power Producer must demonstrate that the facility is a Qualifying Facility as defined by PURPA.
- C. Interconnection procedures for the QF's generation interconnection are provided through the Internet at the Company's website:

<http://www.dom.com/customer/pdf/nc/term24.pdf>

Schedule 19 - LMP  
POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

(Continued)

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VII. MODIFICATION OF RATES AND OTHER PROVISIONS HEREUNDER

The provisions of this schedule, including the rates for purchase of electricity by the Company, are subject to modification at any time in the manner prescribed by law, and when so modified, shall supersede the rates and provisions hereof. However, payments to QFs with contracts for a specified term at payments established at the time the obligation is incurred shall remain at the payment levels established in their contract.

VIII. TERM OF CONTRACT

The term of contract shall be such as may be mutually agreed upon but for not less than one year. A QF that originally chooses Schedule 19 – LMP will be allowed to switch to Schedule 19 – DRR at the commencement of its second year under its contract, with 90 days written notice, and in so doing, enter into a new Schedule 19 – DRR contract with a choice of term of 2, 5, 10, or 15 years. Switching is permitted as long as Schedule 19 - DRR is available.

**EXHIBIT E**

**Exhibit E is a map and written description identifying the specific location of the Facility and is provided by the Operator.**

Google maps

Notes Jockey's Ridge State Park  
10KW wind turbine is located at  
300 West Carolista Drive, Nags  
Head, NC 27959.



100a West Carolista Drive, Nags Head, NC

EXHIBIT F

Exhibit F is the "Qualifying Facility" Certification to be provided by the Operator.



North Carolina Department of Environment and Natural Resources  
Division of Parks and Recreation

Beverly Eaves Perdue, Governor

Dee Freeman, Secretary

Lewis Ledford, Director

September 22, 2010

Jockey's Ridge State Park  
PO Box 592  
Nags Head, NC 27959

To Whom It May Concern,

A large part of our mission in State Parks is educational in nature, and the wind turbine located at Jockey's Ridge State Park is intended to act as a functional example of wind power in a coastal environment.

The turbine (a Bergy BWC Excel S) is capable of producing 10kW of electricity to a grid inerte, and is tied to an exhibit in our visitor center museum that allows visitors to monitor the amount of electricity being generated at any given moment by the ever-present coastal breezes of the Outer Banks. Since the generating facility is less than 1MW, Jockey's Ridge State Park is a "Qualifying Facility" and no Certificate of Public Convenience and Necessity is required according to NC Senate Bill Three.

The turbine will serve as one part of a larger series of exhibits on sustainable energy that will include displays on solar, geothermal, and wind power. Thank you for your interest.

Sincerely,

Debo Cox  
Park Superintendent  
Jockey's Ridge State Park



**EXHIBIT G**

**Exhibit G is the Certificate of Public Convenience and Necessity to be provided by the Operator, or evidence that no such certificate is required under North Carolina law.**



North Carolina Department of Environment and Natural Resources  
Division of Parks and Recreation

Beverly Eaves Perdue, Governor

Dee Freeman, Secretary

Lewis Ledford, Director

September 22, 2010

Jockey's Ridge State Park  
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The turbine will serve as one part of a larger series of exhibits on sustainable energy that will include displays on solar, geothermal, and wind power. Thank you for your interest!

Sincerely,

Debo Cox  
Park Superintendent  
Jockey's Ridge State Park

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2007**

**SENATE BILL 3  
RATIFIED BILL**

AN ACT TO: (1) PROMOTE THE DEVELOPMENT OF RENEWABLE ENERGY AND ENERGY EFFICIENCY IN THE STATE THROUGH IMPLEMENTATION OF A RENEWABLE ENERGY AND ENERGY EFFICIENCY PORTFOLIO STANDARD (REPS), (2) ALLOW RECOVERY OF CERTAIN NONFUEL UTILITY COSTS THROUGH THE FUEL CHARGE ADJUSTMENT PROCEDURE, (3) PROVIDE FOR ONGOING REVIEW OF CONSTRUCTION COSTS AND FOR RECOVERY OF COSTS IN RATES IN A GENERAL RATE CASE, (4) ADJUST THE PUBLIC UTILITY AND ELECTRIC MEMBERSHIP CORPORATION REGULATORY FEES, (5) PROVIDE FOR THE PHASEOUT OF THE TAX ON THE SALE OF ENERGY TO NORTH CAROLINA FARMERS AND MANUFACTURERS, AND (6) ALLOW A TAX CREDIT TO CONTRIBUTORS TO 501(C)(3) ORGANIZATIONS FOR RENEWABLE ENERGY PROPERTY.

The General Assembly of North Carolina enacts:

**SECTION 1. G.S. 62-2(a) reads as rewritten:**

**"§ 62-2. Declaration of policy.**

(a) Upon investigation, it has been determined that the rates, services and operations of public utilities as defined herein, are affected with the public interest and that the availability of an adequate and reliable supply of electric power and natural gas to the people, economy and government of North Carolina is a matter of public policy. It is hereby declared to be the policy of the State of North Carolina:

- (8) To cooperate with other states and with the federal government in promoting and coordinating interstate and intrastate public utility service and reliability of public utility energy supply; ~~and~~
- (9) To facilitate the construction of facilities in and the extension of natural gas service to unserved areas in order to promote the public welfare throughout the State and to that end to authorize the creation of expansion funds for natural gas local distribution companies or gas districts to be administered under the supervision of the North Carolina Utilities ~~Commission~~; ~~Commission~~; ~~and~~.
- (10) To promote the development of renewable energy and energy efficiency through the implementation of a Renewable Energy and Energy Efficiency Portfolio Standard (REPS) that will do all of the following:
  - a. Diversify the resources used to reliably meet the energy needs of consumers in the State.
  - b. Provide greater energy security through the use of indigenous energy resources available within the State.
  - c. Encourage private investment in renewable energy and energy efficiency.
  - d. Provide improved air quality and other benefits to energy consumers and citizens of the State."

SECTION 2.(a) Article 7 of Chapter 62 of the General Statutes is amended by adding a new section to read:

**§ 62-133.7. Renewable Energy and Energy Efficiency Portfolio Standard (REPS).**

(a) Definitions. – As used in this section:

- (1) 'Combined heat and power system' means a system that uses waste heat to produce electricity or useful, measurable thermal or mechanical energy at a retail electric customer's facility.
- (2) 'Demand-side management' means activities, programs, or initiatives undertaken by an electric power supplier or its customers to shift the timing of electricity use from peak to nonpeak demand periods. 'Demand-side management' includes, but is not limited to, load management, electric system equipment and operating controls, direct load control, and interruptible load.
- (3) 'Electric power supplier' means a public utility, an electric membership corporation, or a municipality that sells electric power to retail electric power customers in the State.
- (4) 'Energy efficiency measure' means an equipment, physical, or program change implemented after 1 January 2007 that results in less energy used to perform the same function. 'Energy efficiency measure' includes, but is not limited to, energy produced from a combined heat and power system that uses nonrenewable energy resources. 'Energy efficiency measure' does not include demand-side management.
- (5) 'New renewable energy facility' means a renewable energy facility that either:
  - a. Was placed into service on or after 1 January 2007.
  - b. Delivers or has delivered electric power to an electric power supplier pursuant to a contract with NC GreenPower Corporation that was entered into prior to 1 January 2007.
  - c. Is a hydroelectric power facility with a generation capacity of 10 megawatts or less that delivers electric power to an electric power supplier.
- (6) 'Renewable energy certificate' means a tradable instrument that is equal to one megawatt hour of electricity or equivalent energy supplied by a renewable energy facility, new renewable energy facility, or reduced by implementation of an energy efficiency measure that is used to track and verify compliance with the requirements of this section as determined by the Commission. A 'renewable energy certificate' does not include the related emission reductions, including, but not limited to, reductions of sulfur dioxide, oxides of nitrogen, mercury, or carbon dioxide.
- (7) 'Renewable energy facility' means a facility, other than a hydroelectric power facility with a generation capacity of more than 10 megawatts, that either:
  - a. Generates electric power by the use of a renewable energy resource.
  - b. Generates useful, measurable combined heat and power derived from a renewable energy resource.
  - c. Is a solar thermal energy facility.
- (8) 'Renewable energy resource' means a solar electric, solar thermal, wind, hydropower, geothermal, or ocean current or wave energy resource; a biomass resource, including agricultural waste, animal waste, wood waste, spent pulping liquors, combustible residues, combustible liquids, combustible gases, energy crops, or landfill methane; waste heat derived from a renewable energy resource and used to produce electricity or useful, measurable thermal energy at a

retail electric customer's facility; or hydrogen derived from a renewable energy resource. 'Renewable energy resource' does not include peat, a fossil fuel, or nuclear energy resource.

(b) Renewable Energy and Energy Efficiency Standards (REPS) for Electric Public Utilities. –

- (1) Each electric public utility in the State shall be subject to a Renewable Energy and Energy Efficiency Portfolio Standard (REPS) according to the following schedule:

<u>Calendar Year</u>	<u>REPS Requirement</u>
<u>2012</u>	<u>3% of 2011 North Carolina retail sales</u>
<u>2015</u>	<u>6% of 2014 North Carolina retail sales</u>
<u>2018</u>	<u>10% of 2017 North Carolina retail sales</u>
<u>2021 and thereafter</u>	<u>12.5% of 2020 North Carolina retail sales</u>

- (2) An electric public utility may meet the requirements of this section by any one or more of the following:

- a. Generate electric power at a new renewable energy facility.
- b. Use a renewable energy resource to generate electric power at a generating facility other than the generation of electric power from waste heat derived from the combustion of fossil fuel.
- c. Reduce energy consumption through the implementation of an energy efficiency measure; provided, however, an electric public utility subject to the provisions of this subsection may meet up to twenty-five percent (25%) of the requirements of this section through savings due to implementation of energy efficiency measures. Beginning in calendar year 2021 and each year thereafter, an electric public utility may meet up to forty percent (40%) of the requirements of this section through savings due to implementation of energy efficiency measures.
- d. Purchase electric power from a new renewable energy facility. Electric power purchased from a new renewable energy facility located outside the geographic boundaries of the State shall meet the requirements of this section if the electric power is delivered to a public utility that provides electric power to retail electric customers in the State; provided, however, the electric public utility shall not sell the renewable energy certificates created pursuant to this paragraph to another electric public utility.
- e. Purchase renewable energy certificates derived from in-State or out-of-state new renewable energy facilities. Certificates derived from out-of-state new renewable energy facilities shall not be used to meet more than twenty-five percent (25%) of the requirements of this section, provided that this limitation shall not apply to an electric public utility with less than 150,000 North Carolina retail jurisdictional customers as of 31 December 2006.
- f. Use electric power that is supplied by a new renewable energy facility or saved due to the implementation of an energy efficiency measure that exceeds the requirements of this section for any calendar year as a credit towards the requirements of this section in the following calendar year or sell the associated renewable energy certificates.

(c) Renewable Energy and Energy Efficiency Standards (REPS) for Electric Membership Corporations and Municipalities. –

- (1) Each electric membership corporation or municipality that sells electric power to retail electric power customers in the State shall be

subject to a Renewable Energy and Energy Efficiency Portfolio Standard (REPS) according to the following schedule:

<u>Calendar Year</u>	<u>REPS Requirement</u>
<u>2012</u>	<u>3% of 2011 North Carolina retail sales</u>
<u>2015</u>	<u>6% of 2014 North Carolina retail sales</u>
<u>2018 and thereafter</u>	<u>10% of 2017 North Carolina retail sales</u>

(2) An electric membership corporation or municipality may meet the requirements of this section by any one or more of the following:

- a. Generate electric power at a new renewable energy facility.
- b. Reduce energy consumption through the implementation of demand-side management or energy efficiency measures.
- c. Purchase electric power from a renewable energy facility or a hydroelectric power facility, provided that no more than thirty percent (30%) of the requirements of this section may be met with hydroelectric power, including allocations made by the Southeastern Power Administration.
- d. Purchase renewable energy certificates derived from in-State or out-of-state renewable energy facilities. An electric power supplier subject to the requirements of this subsection may use certificates derived from out-of-state renewable energy facilities to meet no more than twenty-five percent (25%) of the requirements of this section.
- e. Acquire all or part of its electric power through a wholesale purchase power agreement with a wholesale supplier of electric power whose portfolio of supply and demand options meets the requirements of this section.
- f. Use electric power that is supplied by a new renewable energy facility or saved due to the implementation of demand-side management or energy efficiency measures that exceeds the requirements of this section for any calendar year as a credit towards the requirements of this section in the following calendar year or sell the associated renewable energy certificates.

(d) Compliance With REPS Requirement Through Use of Solar Energy Resources. – For calendar year 2018 and for each calendar year thereafter, at least two-tenths of one percent (0.2%) of the total electric power in kilowatt hours sold to retail electric customers in the State, or an equivalent amount of energy, shall be supplied by a combination of new solar electric facilities and new metered solar thermal energy facilities that use one or more of the following applications: solar hot water, solar absorption cooling, solar dehumidification, solar thermally driven refrigeration, and solar industrial process heat. The terms of any contract entered into between an electric power supplier and a new solar electric facility or new metered solar thermal energy facility shall be of sufficient length to stimulate development of solar energy; provided, the Commission shall develop a procedure to determine if an electric power supplier is in compliance with the provisions of this subsection if a new solar electric facility or a new metered solar thermal energy facility fails to meet the terms of its contract with the electric power supplier. As used in this subsection, 'new' means a facility that was first placed into service on or after 1 January 2007. The electric power suppliers shall comply with the requirements of this subsection according to the following schedule:

<u>Calendar Year</u>	<u>Requirement for Solar Energy Resources</u>
<u>2010</u>	<u>0.02%</u>
<u>2012</u>	<u>0.07%</u>
<u>2015</u>	<u>0.14%</u>
<u>2018</u>	<u>0.20%</u>

(e) Compliance With REPS Requirement Through Use of Swine Waste Resources. – For calendar year 2018 and for each calendar year thereafter, at least two-tenths of one percent (0.2%) of the total electric power in kilowatt hours sold to retail electric customers in the State shall be supplied, or contracted for supply in each year, by swine waste. The electric power suppliers, in the aggregate, shall comply with the requirements of this subsection according to the following schedule:

<u>Calendar Year</u>	<u>Requirement for Swine Waste Resources</u>
<u>2012</u>	<u>0.07%</u>
<u>2015</u>	<u>0.14%</u>
<u>2018</u>	<u>0.20%</u>

(f) Compliance With REPS Requirement Through Use of Poultry Waste Resources. – For calendar year 2014 and for each calendar year thereafter, at least 900,000 megawatt hours of the total electric power sold to retail electric customers in the State shall be supplied, or contracted for supply in each year, by poultry waste combined with wood shavings, straw, rice hulls, or other bedding material. The electric power suppliers, in the aggregate, shall comply with the requirements of this subsection according to the following schedule:

<u>Calendar Year</u>	<u>Requirement for Poultry Waste Resources</u>
<u>2012</u>	<u>170,000 megawatt hours</u>
<u>2013</u>	<u>700,000 megawatt hours</u>
<u>2014</u>	<u>900,000 megawatt hours</u>

(g) Control of Emissions. – As used in this subsection, Best Available Control Technology (BACT) means an emissions limitation based on the maximum degree a reduction in the emission of air pollutants that is achievable for a facility, taking into account energy, environmental, and economic impacts and other costs. A biomass combustion process at any new renewable energy facility that delivers electric power to an electric power supplier shall meet BACT. The Environmental Management Commission shall determine on a case-by-case basis the BACT for a facility that would not otherwise be required to comply with BACT pursuant to the Prevention of Significant Deterioration (PSD) emissions program. The Environmental Management Commission may adopt rules to implement this subsection. In adopting rules, the Environmental Management Commission shall take into account cumulative and secondary impacts associated with the concentration of biomass facilities in close proximity to one another. In adopting rules the Environmental Management Commission shall provide for the manner in which a facility that would not otherwise be required to comply with BACT pursuant to the PSD emissions programs shall meet the BACT requirement.

(h) Cost Recovery and Customer Charges. –

(1) For the purposes of this subsection, the term 'incremental costs' means all reasonable and prudent costs incurred by an electric power supplier to:

- a. Comply with the requirements of subsections (b), (c), (d), (e), and (f) of this section that are in excess of the electric power supplier's avoided costs other than those costs recovered pursuant to G.S. 62-133.8.
- b. Fund research that encourages the development of renewable energy, energy efficiency, or improved air quality, provided those costs do not exceed one million dollars (\$1,000,000) per year.
- c. Comply with any federal mandate that is similar to the requirements of subsections (b), (c), (d), (e), and (f) of this section that exceed the costs that the electric power supplier would have incurred under those subsections in the absence of the federal mandate.

- (2) All reasonable and prudent costs incurred by an electric power supplier to comply with any federal mandate that is similar to the requirements of subsections (b), (c), (d), (e), and (f) of this section, including, but not limited to, the avoided costs associated with a federal mandate that exceeds the avoided costs that the electric power supplier would have incurred pursuant to subsections (b), (c), (d), (e), and (f) of this section in the absence of the federal mandate, shall be recovered by the electric power supplier in an annual rider charge assessed in accordance with the schedule set out in subdivision (4) of this subsection increased by the Commission on a pro rata basis to allow for full and complete recovery of all reasonable and prudent costs incurred to comply with the federal mandate.
- (3) Except as provided in subdivision (2) of this subsection, the total annual incremental cost to be incurred by an electric power supplier and recovered from the electric power supplier's retail customers shall not exceed an amount equal to the per-account annual charges set out in subdivision (4) of this subsection applied to the electric power supplier's total number of customer accounts determined as of 31 December of the previous calendar year. An electric power supplier shall be conclusively deemed to be in compliance with the requirements of subsections (b), (c), (d), (e), and (f) of this section if the electric power supplier's total annual incremental costs incurred equals an amount equal to the per-account annual charges set out in subdivision (4) of this subsection applied to the electric power supplier's total number of customer accounts determined as of 31 December of the previous calendar year. The total annual incremental cost recoverable by an electric power supplier from an individual customer shall not exceed the per-account charges set out in subdivision (4) of this subsection except as these charges may be adjusted in subdivision (2) of this subsection.
- (4) An electric power supplier shall be allowed to recover the incremental costs incurred to comply with the requirements of subsections (b), (c), (d), (e), and (f) of this section and fund research as provided in subdivision (1) of this subsection through an annual rider not to exceed the following per-account annual charges:

<u>Customer Class</u>	<u>2008-2011</u>	<u>2012-2014</u>	<u>2015 and thereafter</u>
<u>Residential per account</u>	<u>\$10.00</u>	<u>\$12.00</u>	<u>\$34.00</u>
<u>Commercial per account</u>	<u>\$50.00</u>	<u>\$150.00</u>	<u>\$150.00</u>
<u>Industrial per account</u>	<u>\$500.00</u>	<u>\$1,000.00</u>	<u>\$1,000.00</u>

- (5) The Commission shall adopt rules to establish a procedure for the annual assessment of the per-account charges set out in this subsection to an electric public utility's customers to allow for timely recovery of all reasonable and prudent costs of compliance with the requirements of subsections (b), (c), (d), (e), and (f) of this section and to fund research as provided in subdivision (1) of this subsection. The Commission shall ensure that the costs to be recovered from individual customers on a per-account basis pursuant to subdivisions (2) and (3) of this subsection are in the same proportion as the per-account annual charges for each customer class set out in subdivision (4) of this subsection.

(i) Adoption of Rules. – The Commission shall adopt rules to implement the provisions of this section. In developing rules, the Commission shall:

- (1) Provide for the monitoring of compliance with and enforcement of the requirements of this section.
- (2) Include a procedure to modify or delay the provisions of subsections (b), (c), (d), (e), and (f) of this section in whole or in part if the Commission determines that it is in the public interest to do so. The procedure adopted pursuant to this subdivision shall include a requirement that the electric power supplier demonstrate that it made a reasonable effort to meet the requirements set out in this section.
- (3) Ensure that energy credited toward compliance with the provisions of this section not be credited toward any other purpose, including another renewable energy portfolio standard or voluntary renewable energy purchase program in this State or any other state.
- (4) Establish standards for interconnection of renewable energy facilities and other nonutility-owned generation with a generation capacity of 10 megawatts or less to an electric public utility's distribution system; provided, however, that the Commission shall adopt, if appropriate, federal interconnection standards.
- (5) Ensure that the owner and operator of each renewable energy facility that delivers electric power to an electric power supplier is in substantial compliance with all federal and state laws, regulations, and rules for the protection of the environment and conservation of natural resources.
- (6) Consider whether it is in the public interest to adopt rules for electric public utilities for net metering of renewable energy facilities with a generation capacity of one megawatt or less.
- (7) Develop procedures to track and account for renewable energy certificates, including ownership of renewable energy certificates that are derived from a customer owned renewable energy facility as a result of any action by a customer of an electric power supplier that is independent of a program sponsored by the electric power supplier.

(i) Report. – No later than 1 October of each year, the Commission shall submit a report on the activities taken by the Commission to implement, and by electric power suppliers to comply with, the requirements of this section to the Governor, the Environmental Review Commission, and the Joint Legislative Utility Review Committee. The report shall include any public comments received regarding direct, secondary, and cumulative environmental impacts of the implementation of the requirements of this section. In developing the report, the Commission shall consult with the Department of Environment and Natural Resources."

**SECTION 2.(b)** The Commission shall submit the first report required by G.S. 62-133.7(j), as enacted by subsection (a) of this section, no later than 1 October 2008.

**SECTION 2.(c)** G.S. 143B-282(a) reads as rewritten:

"(a) There is hereby created the Environmental Management Commission of the Department of Environment and Natural Resources with the power and duty to promulgate rules to be followed in the protection, preservation, and enhancement of the water and air resources of the State.

- (6) The Commission may establish a procedure for evaluating renewable energy technologies that are, or are proposed to be, employed as part of a renewable energy facility, as defined in G.S. 62-133.7; establish standards to ensure that renewable energy technologies do not harm the environment, natural resources, cultural resources, or public health, safety, or welfare of the State; and, to the extent that there is not an environmental regulatory program, establish an environmental regulatory program to implement these protective standards."

**SECTION 3.** If the federal government imposes requirements similar to those set out in G.S. 62-133.7 on electric power suppliers in the State, the Utilities Commission shall determine the applicability of federal and State requirements so as to apply the more stringent requirements except to the extent that State requirements may be specifically preempted by federal law. The Commission shall adopt rules to establish a procedure as an alternative to the procedure set out in G.S. 62-133 to annually adjust the rates of electric public utilities to allow timely recovery of all reasonable costs of compliance with the federal and State requirements pursuant to G.S. 62-133.7(h), as enacted by Section 2 of this act. In adopting rules to establish the procedure, the Commission shall incorporate the provisions of this act in accordance with this section and the public interest.

**SECTION 4.(a)** Article 7 of Chapter 62 of the General Statutes is amended by adding a new section to read:

**"§ 62-133.8. Cost recovery for demand-side management and energy efficiency measures.**

(a) The definitions set out in G.S. 62-133.7 apply to this section. As used in this section, 'new,' used in connection with demand-side management or energy efficiency measure, means a demand-side management or energy efficiency measure that is adopted and implemented on or after 1 January 2007, including subsequent changes and modifications.

(b) Each electric power supplier shall implement demand-side management and energy efficiency measures and use supply-side resources to establish the least cost mix of demand reduction and generation measures that meet the electricity needs of its customers. An electric membership corporation or municipality that qualifies as an electric power supplier may satisfy the requirements of this section through its purchases from a wholesale supplier of electric power that uses supply-side resources and demand-side management to meet all or a portion of the supply needs of its members and their retail customers, and that, by aggregating and promoting demand-side management and energy efficiency measures for its members, meets the requirements of this section.

(c) Each electric power supplier to which G.S. 62-110.1 applies shall include an assessment of demand-side management and energy efficiency in its resource plans submitted to the Commission and shall submit cost-effective demand-side management and energy efficiency options that require incentives to the Commission for approval.

(d) The Commission shall, upon petition of an electric public utility, approve an annual rider to the electric public utility's rates to recover all reasonable and prudent costs incurred for adoption and implementation of new demand-side management and new energy efficiency measures. Recoverable costs include, but are not limited to, all capital costs, including cost of capital and depreciation expenses, administrative costs, implementation costs, incentive payments to program participants, and operating costs. In determining the amount of any rider, the Commission:

- (1) Shall allow electric public utilities to capitalize all or a portion of those costs to the extent that those costs are intended to produce future benefits.
- (2) May approve other incentives to electric public utilities for adopting and implementing new demand-side management and energy efficiency measures. Allowable incentives may include:
  - a. Appropriate rewards based on the sharing of savings achieved by the demand-side management and energy efficiency measures.
  - b. Appropriate rewards based on capitalization of a percentage of avoided costs achieved by demand-side management and energy efficiency measures.
  - c. Any other incentives that the Commission determines to be appropriate.

(e) The Commission shall determine the appropriate assignment of costs of new demand-side management and energy efficiency measures for electric public utilities and shall assign the costs of the programs only to the class or classes of customers that directly benefit from the programs.

(f) None of the costs of new demand-side management or energy efficiency measures of an electric power supplier shall be assigned to any industrial customer that notifies the industrial customer's electric power supplier that, at the industrial customer's own expense, the industrial customer has implemented at any time in the past or, in accordance with stated, quantified goals for demand-side management and energy efficiency, will implement alternative demand-side management and energy efficiency measures and that the industrial customer elects not to participate in demand-side management or energy efficiency measures under this section. The electric power supplier that provides electric service to the industrial customer, an industrial customer that receives electric service from the electric power supplier, the Public Staff, or the Commission on its own motion, may initiate a complaint proceeding before the Commission to challenge the validity of the notification of nonparticipation. The procedures set forth in G.S. 62-73, 62-74, and 62-75 shall govern any such complaint. The provisions of this subsection shall also apply to commercial customers with significant annual usage at a threshold level to be established by the Commission.

(g) An electric public utility shall not charge an industrial or commercial customer for the costs of installing demand-side management equipment on the customer's premises if the customer provides, at the customer's expense, equivalent demand-side management equipment.

(h) The Commission shall adopt rules to implement this section.

(i) The Commission shall submit to the Governor and to the Joint Legislative Utility Review Committee a summary of the proceedings conducted pursuant to this section during the preceding two fiscal years on or before 1 September of odd-numbered years."

**SECTION 4.(b)** The Utilities Commission shall submit the first report required by G.S. 62-133.8(i), as enacted by subsection (a) of this section, no later than 1 September 2009.

**SECTION 4.(c)** The Utilities Commission shall prepare an analysis of whether rate structures, policies, and measures, including decoupling, in place in other states and countries that promote a mix of generation involving renewable energy sources and demand reduction should be implemented in this State. The Commission shall submit this analysis to the Governor, Environmental Review Commission, and the Joint Legislative Utility Review Committee no later than 1 September 2008.

**SECTION 5.** G.S. 62-133.2 reads as rewritten:

**"§ 62-133.2. Fuel and fuel-related charge adjustments for electric utilities.**

(a) The Commission ~~may allow~~ shall permit an electric utilities-public utility that generates electric power by fossil fuel or nuclear fuel to charge a ~~uniform~~ increment or decrement as a rider to their-its rates for changes in the cost of fuel and the fuel component of purchased power and fuel-related costs used in providing their-its North Carolina customers with electricity from the cost of fuel and the fuel component of purchased power established in their previous general rate case and fuel-related costs established in the electric public utility's previous general rate case on the basis of cost per kilowatt hour.

(a) As used in this section, 'cost of fuel and fuel-related costs' means all of the following:

- (1) The cost of fuel burned.
- (2) The cost of fuel transportation.
- (3) The cost of ammonia, lime, limestone, urea, dibasic acid, sorbents, and catalysts consumed in reducing or treating emissions.
- (4) The total delivered noncapacity related costs, including all related transmission charges, of all purchases of electric power by the electric

- public utility, that are subject to economic dispatch or economic curtailment.
- (5) The capacity costs associated with all purchases of electric power from qualifying cogeneration facilities and qualifying small power production facilities, as defined in 16 U.S.C. § 796, that are subject to economic dispatch by the electric public utility.
  - (6) Except for those costs recovered pursuant to G.S. 62-133.7(h), the total delivered costs of all purchases of power from renewable energy facilities and new renewable energy facilities pursuant to G.S. 62-133.7 or to comply with any federal mandate that is similar to the requirements of subsections (b), (c), (d), (e), and (f) of G.S. 62-133.7.
  - (7) The fuel cost component of other purchased power.
  - (8) Cost of fuel and fuel-related costs shall be adjusted for any net gains or losses resulting from any sales by the electric public utility of fuel and other fuel-related costs components.
  - (9) Cost of fuel and fuel-related costs shall be adjusted for any net gains or losses resulting from any sales by the electric public utility of by-products produced in the generation process to the extent the costs of the inputs leading to that by-product are costs of fuel or fuel-related costs.

(a2) For those costs identified in subdivisions (4), (5), and (6) of subsection (a1) of this section, the annual increase in the aggregate amount of these costs that are recoverable by an electric public utility pursuant to this section shall not exceed two percent (2%) of the electric public utility's total North Carolina retail jurisdictional gross revenues for the preceding calendar year. The costs described in subdivisions (4), (5), and (6) of subsection (a1) of this section shall be recoverable from each class of customers as a separate component of the rider as follows:

- (1) For the costs described in subdivision (4) of subsection (a1) of this section, the specific component for each class of customers shall be determined by allocating these costs among customer classes based on the electric public utility's North Carolina energy usage for the prior year, as determined by the Commission, until the Commission determines how these costs shall be allocated in a general rate case for the electric public utility commenced on or after 1 January 2008.
- (2) For the costs described in subdivisions (5) and (6) of subsection (a1) of this section, the specific component for each class of customers shall be determined by allocating these costs among customer classes based on the electric public utility's North Carolina peak demand for the prior year, as determined by the Commission, until the Commission determines how these costs shall be allocated in a general rate case for the electric public utility commenced on or after 1 January 2008.

(a3) Notwithstanding subsections (a1) and (a2) of this section, for an electric public utility that has fewer than 150,000 North Carolina retail jurisdictional customers as of 31 December 2006, the costs identified in subdivisions (1), (2), (6), and (7) of subsection (a1) of this section and the fuel cost component, as may be modified by the Commission, of electric power purchases identified in subdivision (4) of subsection (a1) of this section shall be recovered through the increment or decrement rider approved by the Commission pursuant to this section. For the costs identified in subdivision (6) of subsection (a1) of this section that are incurred on or after 1 January 2008, the annual increase in the amount of these costs shall not exceed one percent (1%) of the electric public utility's total North Carolina retail jurisdictional gross revenues for the preceding calendar year. These costs described in subdivision (6) of subsection (a1) of this section shall be recoverable from each class of customers as a separate component of the rider. For the costs described in subdivision (6) of subsection (a1) of this section, the specific

component for each class of customers shall be determined by allocating these costs among customer classes based on the electric public utility's North Carolina peak demand for the prior year, as determined by the Commission, until the Commission determines how these costs shall be allocated in a general rate case for the electric public utility commenced on or after 1 January 2008.

~~(b) For each electric utility engaged in the generation and production of electric power by fossil or nuclear fuels, the~~ The Commission shall ~~hold~~ conduct a hearing within 12 months of the ~~each electric public utility's last general rate case order and to~~ determine whether an increment or decrement rider is required to reflect actual changes in the cost of fuel ~~and the fuel cost component of purchased power and fuel-related costs over or under the cost of fuel and fuel-related costs on a kilowatt-hour basis in base rates established in the electric public utility's last preceding general rate case.~~ Additional hearings shall be held on an annual basis but only one hearing for each such electric public utility may be held within 12 months of the last general rate case.

(c) Each electric public utility shall submit to the Commission for the hearing verified annualized information and data in such form and detail as the Commission may require, for an historic 12-month test period, relating to:

- (1) ~~Purchased cost~~ Cost of fuel and fuel-related costs used in each generating facility owned in whole or in part by the utility.
- (2) Fuel procurement practices and fuel inventories for each facility.
- (3) Burned cost of fuel used in each generating facility.
- (4) Plant capacity factor for each generating facility.
- (5) Plant availability factor for each generating plant.
- (6) Generation mix by types of fuel used.
- (7) Sources and fuel cost component of purchased power used.
- (8) Recipients of and revenues received for power sales and times of power sales.
- (9) Test period ~~kilowatt-hour~~ kilowatt-hour sales for the utility's total system and on the total system separated for North Carolina jurisdictional sales.
- (10) Procurement practices and inventories for: fuel burned and for ammonia, lime, limestone, urea, dibasic acid, sorbents, and catalysts consumed in reducing or treating emissions.
- (11) The cost incurred at each generating facility of fuel burned and of ammonia, lime, limestone, urea, dibasic acid, sorbents, and catalysts consumed in reducing or treating emissions.
- (12) Any net gains or losses resulting from any sales by the electric public utility of fuel or other fuel-related costs components.
- (13) Any net gains or losses resulting from any sales by the electric public utility of by-products produced in the generation process to the extent the costs of the inputs leading to that by-product are costs of fuel or fuel-related costs.

(d) The Commission shall provide for notice of a public hearing with reasonable and adequate time for investigation and for all intervenors to prepare for hearing. At the hearing the Commission shall receive evidence from the utility, the ~~public staff,~~ Public Staff, and any intervenor desiring to submit evidence, and from the public generally. In reaching its decision, the Commission shall consider all evidence required under subsection (c) of this section as well as any and all other competent evidence that may assist the Commission in reaching its decision including changes in the ~~price of fuel consumed and changes in the price of the fuel in the fuel component of purchased power occurring within a reasonable time (as determined by the Commission) after the test period is closed.~~ cost of fuel consumed and fuel-related costs that occur within a reasonable time, as determined by the Commission, after the test period is closed. The Commission shall incorporate in its ~~fuel cost of fuel and fuel-related costs~~ determination under this subsection the experienced over-recovery or under-recovery of reasonable

costs of fuel and fuel-related costs expenses prudently incurred during the test period, based upon the prudent standards set pursuant to subsection (d1) of this section, in fixing an increment or decrement rider. Upon request of the electric public utility, the Commission shall also incorporate in this determination the experienced over-recovery or under-recovery of costs of fuel and fuel-related costs through the date that is 30 calendar days prior to the date of the hearing, provided that the reasonableness and prudence of these costs shall be subject to review in the utility's next annual hearing pursuant to this section. The Commission shall use deferral accounting, and consecutive test periods, in complying with this subsection, and the over-recovery or under-recovery portion of the increment or decrement shall be reflected in rates for 12 months, notwithstanding any changes in the base fuel cost in a general rate case. The burden of proof as to the correctness and reasonableness of the charge and as to whether the cost of fuel charges and fuel-related costs were reasonably and prudently incurred shall be on the utility. The Commission shall allow only that portion, if any, of a requested cost of fuel and fuel-related costs adjustment that is based on adjusted and reasonable cost of fuel expenses and fuel-related costs prudently incurred under efficient management and economic operations. In evaluating whether cost of fuel expenses and fuel-related costs were reasonable and prudently incurred, the Commission shall apply the rule adopted pursuant to subsection ~~(d1)~~ (d1) of this section. To the extent that the Commission determines that an increment or decrement to the rates of the utility due to changes in the cost of fuel and the ~~fuel cost component of purchased power~~ fuel-related costs over or under base fuel costs established in the preceding general rate case is just and reasonable, the Commission shall order that the increment or decrement become effective for all sales of electricity and remain in effect until changed in a subsequent general rate case or annual proceeding under this section.

(d1) Within one year after ratification of this act, for the purposes of setting fuel rates, cost of fuel and fuel-related costs rates, the Commission shall adopt a rule that establishes prudent standards and procedures with which it can appropriately measure management efficiency in minimizing fuel cost of fuel and fuel-related costs.

(e) If the Commission has not issued an order pursuant to this section within 120 180 days of a utility's submission of annual data under subsection (c) of this section, the utility may place the requested cost of fuel and fuel-related costs adjustment into effect. If the change in rate is finally determined to be excessive, the utility shall make refund of any excess plus interest to its customers in a manner ordered by the Commission.

(f) Nothing in this section shall relieve the Commission from its duty to consider the reasonableness of fuel expenses the cost of fuel and fuel-related costs in a general rate case and to set rates reflecting reasonable fuel expenses cost of fuel and fuel-related costs pursuant to G.S. 62-133. Nothing in this section shall invalidate or preempt any condition adopted by the Commission and accepted by the utility in any proceeding that would limit the recovery of costs by any electric public utility under this section.

(g) ~~On July 1, 1993 and every two years thereafter,~~ On 1 July of every odd-numbered year, the Utilities Commission shall provide a report to the Joint Legislative Utility Review Committee summarizing the ~~procedures~~ proceedings conducted pursuant to ~~G.S. 62-133.2~~ this section during the preceding two years."

SECTION 6. G.S. 62-110.1 reads as rewritten:

"§ 62-110.1. Certificate for construction of generating facility; analysis of long-range needs for expansion of ~~facilities~~ facilities; ongoing review of construction costs; inclusion of approved construction costs in rates.

(a) Notwithstanding the proviso in G.S. 62-110, no public utility or other person shall begin the construction of any steam, water, or other facility for the generation of electricity to be directly or indirectly used for the furnishing of public utility service, even though the facility be for furnishing the service already being rendered, without first obtaining from the Commission a certificate that public convenience and necessity requires, or will require, such construction.

(b) For the purpose of subsections (a), (c), and (d) of this section, "public utility" shall include any electric membership corporation operating within this State, and the term "public utility service" shall include the service rendered by any such electric membership corporation.

(c) The Commission shall develop, publicize, and keep current an analysis of the long-range needs for expansion of facilities for the generation of electricity in North Carolina, including its estimate of the probable future growth of the use of electricity, the probable needed generating reserves, the extent, size, mix and general location of generating plants and arrangements for pooling power to the extent not regulated by the Federal ~~Power~~-Energy Regulatory Commission and other arrangements with other utilities and energy suppliers to achieve maximum efficiencies for the benefit of the people of North Carolina, and shall consider such analysis in acting upon any petition by any utility for construction. In developing such analysis, the Commission shall confer and consult with the public utilities in North Carolina, the utilities commissions or comparable agencies of neighboring states, the Federal ~~Power~~-Energy Regulatory Commission, the Southern Growth Policies Board, and other agencies having relevant information and may participate as it deems useful in any joint boards investigating generating plant sites or the probable need for future generating facilities. In addition to such reports as public utilities may be required by statute or rule of the Commission to file with the Commission, any such utility in North Carolina may submit to the Commission its proposals as to the future needs for electricity to serve the people of the State or the area served by such utility, and insofar as practicable, each such utility and the Attorney General may attend or be represented at any formal conference conducted by the Commission in developing a plan for the future requirements of electricity for North Carolina or this region. In the course of making the analysis and developing the plan, the Commission shall conduct one or more public hearings. Each year, the Commission shall submit to the Governor and to the appropriate committees of the General Assembly a report of its analysis and plan, the progress to date in carrying out such plan, and the program of the Commission for the ensuing year in connection with such plan.

(d) In acting upon any petition for the construction of any facility for the generation of electricity, the Commission shall take into account the applicant's arrangements with other electric utilities for interchange of power, pooling of plant, purchase of power and other methods for providing reliable, ~~efficient~~-efficient, and economical electric service.

(e) As a condition for receiving ~~such certificate~~ a certificate, the applicant shall file an estimate of construction costs in such detail as the Commission may require. The Commission shall hold a public hearing on each such application and no certificate shall be granted unless the Commission has approved the estimated construction costs and made a finding that such construction will be consistent with the Commission's plan for expansion of electric generating capacity. A certificate for the construction of a coal or nuclear facility shall be granted only if the applicant demonstrates and the Commission finds that energy efficiency measures; demand-side management; renewable energy resource generation; combined heat and power generation; or any combination thereof, would not establish or maintain a more cost-effective and reliable generation system and that the construction and operation of the facility is in the public interest. In making its determination, the Commission shall consider resource and fuel diversity and reasonably anticipated future operating costs. Once the Commission grants a certificate, no public utility shall cancel construction of a generating unit or facility without approval from the Commission based upon a finding that the construction is no longer in the public interest.

(e1) Upon the request of the public utility or upon its own motion, the Commission may review the certificate to determine whether changes in the probable future growth of the use of electricity indicate that the public convenience and necessity require modification or revocation of the certificate. If the Commission finds that

completion of the generating facility is no longer in the public interest, the Commission may modify or revoke the certificate.

(f) The Commission shall maintain an ongoing review of such construction as it proceeds and the applicant shall submit each year during construction a progress report and any revisions in the cost estimates for the construction. The public utility shall submit a progress report and any revision in the cost estimate for the construction approved under subsection (c) of this section during each year of construction. Upon the request of the public utility or upon its own motion, the Commission may conduct an ongoing review of construction of the facility as the construction proceeds. If the Commission approves any revised construction cost estimate and finds that incurrence of the cost of that portion of the construction of the facility under review was reasonable and prudent, the certificate shall remain in effect. If the Commission disapproves any part of the revised cost estimate or finds that the incurrence of the cost of that portion of the construction of the facility then under review was unreasonable or imprudent, the Commission may modify or revoke the certificate.

(f1) The public utility shall recover through rates in a general rate case conducted pursuant to G.S. 62-133 the actual costs it has incurred in constructing a generating facility in reliance on a certificate issued under this section as provided in this subsection, unless new evidence is discovered (i) that could not have been discovered by due diligence at an earlier time and (ii) that reasonably tends to show that a previous determination by the Commission that a material item of cost was just and reasonable and prudently incurred was erroneous. If the Commission determines that evidence has been submitted that meets the requirements of this subsection, the public utility shall have the burden of proof to demonstrate that the material item of cost was in fact just and reasonable and prudently incurred.

- (1) When a facility has been completed, and the construction of the facility has been subject to ongoing review under subsection (f) of this section, the reasonable and prudent costs of construction approved by the Commission during the ongoing review shall be included in the public utility's rate base without further review by the Commission.
- (2) If a facility has not been completed, and the construction of the facility has been subject to ongoing review under subsection (f) of this section, the reasonable and prudent costs of construction approved by the Commission during the ongoing review shall be included in the public utility's rate base without further review by the Commission.
- (3) If a facility is under construction or has been completed and the construction of the facility has not been subject to ongoing review under subsection (f) of this section, the costs of construction shall be included in the public utility's rate base if the Commission finds that the incurrence of these costs is reasonable and prudent.

(f2) If the construction of a facility is cancelled, including cancellation as a result of modification or revocation of the certificate under subsection (e1) of this section, and the construction of the facility has been subject to ongoing review under subsection (f), absent newly discovered evidence (i) that could not have been discovered by due diligence at an earlier time and (ii) that reasonably tends to show that a previous determination by the Commission that a material item of cost was just and reasonable and prudently incurred was erroneous, the public utility shall recover through rates in a general rate case conducted pursuant to G.S. 62-133 the costs of construction approved by the Commission during the ongoing review that were actually incurred prior to cancellation, amortized over a reasonable time as determined by the Commission. In the general rate case, the Commission shall make any adjustment that may be required because costs of construction previously added to the utility's rate base pursuant to subsection (f1) of this section are removed from the rate base and recovered in accordance with this subsection. Any costs of construction actually incurred, but not previously approved by the Commission, shall be recovered only if they are found by

the Commission to be reasonable and prudent. If the Commission determines that evidence has been submitted that meets the requirements of this subsection, the public utility shall have the burden of proof to demonstrate that the material item of cost was just and reasonable and prudently incurred.

(f3) If the construction of a facility is cancelled, including cancellation as a result of the modification or revocation of the certificate under subsection (e1) of this section, and the construction of the facility has not been subject to ongoing review under subsection (f) of this section, the public utility shall recover through rates in a general rate case conducted pursuant to G.S. 62-133 the costs of construction that were actually incurred prior to the cancellation and are found by the Commission to be reasonable and prudent, amortized over a reasonable time as determined by the Commission. In the general rate case, the Commission shall make any adjustment that may be required because costs of construction previously added to the utility's rate base pursuant to subsection (f1) of this section are removed from the rate base and recovered in accordance with this subsection.

(g) The certification requirements of this section shall not apply to a nonutility-owned generating facility fueled by renewable energy resources under two megawatts in capacity or to persons who construct an electric generating facility primarily for that person's own use and not for the primary purpose of producing electricity, heat, or steam for sale to or for the public for compensation; provided, however, that such persons shall, nevertheless, be required to report to the Utilities Commission the proposed construction of such a facility before beginning construction thereof."

SECTION 7. Article 6 of Chapter 62 of the General Statutes is amended by adding two new sections to read:

**"§ 62-110.6. Rate recovery for construction costs of out-of-state electric generating facilities.**

(a) The Commission shall, upon petition of a public utility, determine the need for and, if need is established, approve an estimate of the construction costs and construction schedule for an electric generating facility in another state that is intended to serve retail customers in this State.

(b) The petition may be filed at any time after an application for a certificate or license for the construction of the facility has been filed in the state in which the facility will be sited. The petition shall contain a showing of need for the facility, an estimate of the construction costs, and the proposed construction schedule for the facility.

(c) The Commission shall conduct a public hearing to consider and determine the need for the facility and the reasonableness of the construction cost estimate and proposed construction schedule. If the Commission finds that the construction will be needed to assure the provision of adequate public utility service within North Carolina, the Commission shall approve a construction cost estimate and a construction schedule for the facility. In making its determinations under this section, the Commission may consider whether the state in which the facility will be sited has issued a certificate or license for construction of the facility and approved a construction cost estimate and construction schedule for the facility. The Commission shall issue its order not later than 180 days after the public utility files its petition.

(d) G.S. 62-110.1(f) shall apply to the construction cost estimate determined by the Commission to be appropriate, and the actual costs the public utility incurs in constructing the facility shall be recoverable through rates in a general rate case pursuant to G.S. 62-133 as provided in G.S. 62-110.1(f1).

(e) If the construction of a facility is cancelled, the public utility shall recover through rates in a general rate case conducted pursuant to G.S. 62-133 the costs of construction that were actually incurred prior to the cancellation and are found by the Commission to be reasonable and prudent, as provided in subsections (f2) and (f3) of G.S. 62-110.1.

**"§ 62-110.7. Project development cost review for a nuclear facility.**

(a) For purposes of this section, "project development costs" mean all capital costs associated with a potential nuclear electric generating facility incurred before (i) issuance of a certificate under G.S. 62-110.1 for a facility located in North Carolina or (ii) issuance of a certificate by the host state for an out-of-state facility to serve North Carolina retail customers, including, without limitation, the costs of evaluation, design, engineering, environmental analysis and permitting, early site permitting, combined operating license permitting, initial site preparation costs, and allowance for funds used during construction associated with such costs.

(b) At any time prior to the filing of an application for a certificate to construct a potential nuclear electric generating facility, either under G.S. 62-110.1 or in another state for a facility to serve North Carolina retail customers, a public utility may request that the Commission review the public utility's decision to incur project development costs. The public utility shall include with its request such information and documentation as is necessary to support approval of the decision to incur proposed project development costs. The Commission shall hold a hearing regarding the request. The Commission shall issue an order within 180 days after the public utility files its request. The Commission shall approve the public utility's decision to incur project development costs if the public utility demonstrates by a preponderance of evidence that the decision to incur project development costs is reasonable and prudent; provided, however, the Commission shall not rule on the reasonableness or prudence of specific project development activities or recoverability of specific items of cost.

(c) All reasonable and prudent project development costs, as determined by the Commission, incurred for the potential nuclear electric generating facility shall be included in the public utility's rate base and shall be fully recoverable through rates in a general rate case proceeding pursuant to G.S. 62-133.

(d) If the public utility is allowed to cancel the project, the Commission shall permit the public utility to recover all reasonable and prudently incurred project development costs in a general rate case proceeding pursuant to G.S. 62-133 amortized over a period equal to the period during which the costs were incurred, or five years, whichever is greater."

SECTION 8. G.S. 62-133(b) reads as rewritten:

"(b) In fixing such rates, the Commission shall:

(1) Ascertain the reasonable original cost of the public utility's property used and useful, or to be used and useful within a reasonable time after the test period, in providing the service rendered to the public within the State, less that portion of the cost which that has been consumed by previous use recovered by depreciation expense plus the reasonable original cost of investment in plant under construction (construction ~~of the utility's~~ ~~property, construction work in progress as of the effective date of this subsection shall be excluded until such plant comes into service but~~ ~~reasonable and prudent expenditures for construction work in progress after the effective date of this subsection may be included, to the extent the Commission considers such inclusion in the public interest and necessary to the financial stability of the utility in question, subject to the provisions of subparagraph (b)(4a) of this section.~~ ~~expense. In addition, construction work in progress may be included in the cost of the public utility's property under any of the following circumstances:~~

a. To the extent the Commission considers inclusion in the public interest and necessary to the financial stability of the utility in question, reasonable and prudent expenditures for construction work in progress may be included, subject to the provisions of subdivision (4a) of this subsection.

b. For baseload electric generating facilities, reasonable and prudent expenditures shall be included pursuant to subdivisions

(2) or (3) of G.S. 62-110.1(f1), whichever applies, subject to the provisions of subdivision (4a) of this subsection.

- (1a) Apply the rate of return established under subdivision (4) of this subsection to rights-of-way acquired through agreements with the Department of Transportation pursuant to G.S. 136-19.5(a) if acquisition is consistent with a definite plan to provide service within five years of the date of the agreement and if such right-of-way acquisition will result in benefits to the ratepayers. If a right-of-way is not used within a reasonable time after the expiration of the five-year period, it may be removed from the rate base by the Commission when rates for the public utility are next established under this section.
- (2) Estimate such public utility's revenue under the present and proposed rates.
- (3) Ascertain such public utility's reasonable operating expenses, including actual investment currently consumed through reasonable actual depreciation.
- (4) Fix such rate of return on the cost of the property ascertained pursuant to subdivision (1) of this subsection as will enable the public utility by sound management to produce a fair return for its shareholders, including, but not limited to, the inclusion of construction work in progress in the utility's property under sub-subdivision b. of subdivision (1) of this subsection, as they then exist, to maintain its facilities and services in accordance with the reasonable requirements of its customers in the territory covered by its franchise, and to compete in the market for capital funds on terms ~~which~~ that are reasonable and ~~which~~ that are fair to its customers and to its existing investors.
- (4a) Require each public utility to discontinue capitalization of the composite carrying cost of capital funds used to finance construction (allowance for funds) on the construction work in progress included in its rate based upon the effective date of the first and each subsequent general rate order issued with respect to it after the effective date of this subsection; allowance for funds may be capitalized with respect to expenditures for construction work in progress not included in the utility's property upon which the rates were fixed. In determining net operating income for return, the Commission shall not include any capitalized allowance for funds used during construction on the construction work in progress included in the utility's rate base.
- (5) Fix such rates to be charged by the public utility as will earn in addition to reasonable operating expenses ascertained pursuant to subdivision (3) of this subsection the rate of return fixed pursuant to subdivisions (4) and (4a) on the cost of the public utility's property ascertained pursuant to subdivisions (1) and (1a) of this subsection."

**SECTION 9.(a)** The percentage rate to be used in calculating the public utility regulatory fee under G.S. 62-302(b)(2) is twelve one-hundredths of one percent (0.12%) for each public utility's North Carolina jurisdictional revenues earned during each quarter that begins on or after 1 July 2007.

**SECTION 9.(b)** The electric membership corporation regulatory fee imposed under G.S. 62-302(b1) for the 2007-2008 fiscal year is two hundred thousand dollars (\$200,000).

**SECTION 10.(a)** G.S. 105-164.4(a)(1i) is repealed.

**SECTION 10.(b)** G.S. 105-164.4(a)(1f) reads as rewritten:

"(a) A privilege tax is imposed on a retailer at the following percentage rates of the retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is four and one-quarter percent (4.25%).

(if) ~~The rate of two and eighty-three-hundredths percent (2.83%) applies to the sales price of electricity described in this subdivision and that is measured by a separate meter or another separate device: device and sold to a commercial laundry or to a pressing and dry-cleaning establishment for use in machinery used in the direct performance of the laundering or the pressing and cleaning service.~~

a. ~~Sales of electricity to farmers to be used by them for any farm purposes other than preparing food, heating dwellings, and other household purposes. The quantity of electricity or gas purchased or used at any one time shall not be a determinative factor as to whether its sale or use is or is not subject to the rate of tax provided in this subdivision.~~

b. ~~Repealed.~~

e. ~~Sales of electricity to commercial laundries or to pressing and dry-cleaning establishments for use in machinery used in the direct performance of the laundering or the pressing and cleaning service."~~

SECTION 10.(c) G.S. 105-164.4(a) is amended by adding a new subdivision to read:

"(a) A privilege tax is imposed on a retailer at the following percentage rates of the retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is four and one-quarter percent (4.25%).

(lj) The rate of one and eight-tenths percent (1.8%) applies to the sales price of electricity described in this subdivision and measured by a separate meter or another separate device:

a. Sales of electricity to manufacturing industries and manufacturing plants for use in connection with the operation of the industries and plants.

b. Sales of electricity to farmers to be used by them for any farming purposes other than preparing food, heating dwellings, and other household purposes."

SECTION 10.(d) G.S. 105-164.4(a)(lj), as enacted by subsection (c) of this section, reads as rewritten:

"(lj) The rate of ~~one and eight-tenths percent (1.8%)~~ one and four-tenths percent (1.4%) applies to the sales price of electricity described in this subdivision and measured by a separate meter or another separate device:

a. Sales of electricity to manufacturing industries and manufacturing plants for use in connection with the operation of the industries and plants.

b. Sales of electricity to farmers to be used by them for any farming purposes other than preparing food, heating dwellings, and other household purposes."

SECTION 10.(e) G.S. 105-164.4(a)(lj), as enacted by subsection (c) of this section and amended by subsection (d) of this section, reads as rewritten:

"(lj) The rate of ~~one and four-tenths percent (1.4%)~~ eight-tenths percent (0.8%) applies to the sales price of electricity described in this subdivision and measured by a separate meter or another separate device:

- a. Sales of electricity to manufacturing industries and manufacturing plants for use in connection with the operation of the industries and plants.
- b. Sales of electricity to farmers to be used by them for any farming purposes other than preparing food, heating dwellings, and other household purposes."

SECTION 10.(f) G.S. 105-164.4(a)(1j), as enacted by this section, is repealed.

SECTION 10.(g) G.S. 105-164.13(1) reads as rewritten:

"§ 105-164.13. Retail sales and use tax.

The sale at retail and the use, storage, or consumption in this State of the following tangible personal property and services are specifically exempted from the tax imposed by this Article:

Agricultural Group.

- (1) Any of the following items sold to a farmer for use by the farmer in the planting, cultivating, harvesting, or curing of farm crops or in the production of dairy products, eggs, or animals. A "farmer" includes a dairy operator, a poultry farmer, an egg producer, a livestock farmer, a farmer of crops, and a farmer of an aquatic species, as defined in G.S. 106-758.
  - a. Commercial fertilizer, lime, land plaster, plastic mulch, plant bed covers, potting soil, and seeds.
  - b. Farm machinery, attachment and repair parts for farm machinery, and lubricants applied to farm machinery. The term "machinery" includes implements that have moving parts or are operated or drawn by an animal. The term does not include implements operated wholly by hand or motor vehicles required to be registered under Chapter 20 of the General Statutes.
  - c. A horse or mule.
  - d. ~~Fuel other than electricity.~~ Fuel."

SECTION 10.(h) G.S. 105-164.13 is amended by adding two new subdivisions to read:

"§ 105-164.13. Retail sales and use tax.

The sale at retail and the use, storage, or consumption in this State of the following tangible personal property and services are specifically exempted from the tax imposed by this Article:

- (1b) Electricity sold to a farmer to be used for any farming purpose other than preparing food, heating dwellings, and other household purposes.
- (56) Fuel and electricity sold to a manufacturer for use in connection with the operation of a manufacturing facility."

SECTION 10.(i) Subsections (a), (b), and (c) of this section become effective 1 October 2007 and apply to sales occurring on or after that date. Subsection (d) of this section becomes effective 1 July 2008 and applies to sales occurring on or after that date. Subsection (e) of this section becomes effective 1 July 2009 and applies to sales occurring on or after that date. Subsections (f), (g), and (h) of this section become effective 1 July 2010 and apply to sales occurring on or after that date. The remainder of this section is effective when it becomes law.

SECTION 11.(a) G.S. 105-187.41 reads as rewritten:

"§ 105-187.41. Tax imposed on piped natural gas.

(a) Scope. – An excise tax is imposed on piped natural gas received for consumption in this State. This tax is imposed in lieu of a sales and use tax and a percentage gross receipts tax on piped natural gas.

(b) Rate. – The tax rate is set in the table below. The tax rate is based on monthly therm volumes of piped natural gas received by the end-user of the gas. If an end-user receives piped natural gas that is metered through two or more separate measuring devices, the tax is calculated separately on the volume metered through each device rather than on the total volume metered through all measuring devices, unless the devices are located on the same premises and are part of the same billing account. In that circumstance, the tax is calculated on the total volume metered through the two or more separate measuring devices.

Monthly Volume of Therms Received	Rate Per Therm
First 200	\$.047
201 to 15,000	.035
15,001 to 60,000	.024
60,001 to 500,000	.015
Over 500,000	.003

(c) Gas City Exemption. – The tax imposed by this section does not apply to piped natural gas received by a gas city for consumption by that city or to piped natural gas delivered by a gas city to a sales or transportation customer of the gas city.

(d) Reduced Rate. – Piped natural gas received by a manufacturer for use in connection with the operation of a manufacturing facility or by a farmer to be used for any farming purpose other than preparing food, heating dwellings, and other household purposes is taxable at a reduced rate as provided in this subsection. To be eligible for the reduced tax rate, a person must have a manufacturer's certificate or a farmer's certificate issued under G.S. 105-164.28A. A person who uses piped natural gas for an unauthorized purpose is liable for any tax due on the gas.

Monthly Volume of Therms Received	Rate Per Therm
First 200	\$.032
201 to 15,000	.024
15,001 to 60,000	.016
60,001 to 500,000	.010
Over 500,000	.002"

SECTION 11.(b) G.S. 105-187.41(d), as enacted by subsection (a) of this section, reads as rewritten:

"(d) Reduced Rate. – Piped natural gas received by a manufacturer for use in connection with the operation of a manufacturing facility and by a farmer to be used for any farming purpose other than preparing food, heating dwellings, and other household purposes is taxable as provided in this subsection. To be eligible for the reduced tax rate, a person must have a manufacturer's certificate or a farmer's certificate issued under G.S. 105-164.28A. A person who uses piped natural gas for an unauthorized purpose is liable for any tax due on the gas.

Monthly Volume of Therms Received	Rate Per Therm
First 200	\$.032.025
201 to 15,000	.024.019
15,001 to 60,000	.016.013
60,001 to 500,000	.010.008
Over 500,000	.002.002"

SECTION 11.(c) G.S. 105-187.41(d), as enacted by subsection (a) of this section and amended by subsection (b) of this section, reads as rewritten:

"(d) Reduced Rate. – Piped natural gas received by a manufacturer for use in connection with the operation of a manufacturing facility and by a farmer to be used for

any farming purpose other than preparing food, heating dwellings, and other household purposes is taxable as provided in this subsection. To be eligible for the reduced tax rate, a person must have a manufacturer's certificate or a farmer's certificate issued under G.S. 105-164.28A. A person who uses piped natural gas for an unauthorized purpose is liable for any tax due on the gas.

Monthly Volume of Therms Received	Rate Per Therm
First 200	\$-.025,014
201 to 15,000	-.019,010
15,001 to 60,000	-.013,007
60,001 to 500,000	-.008,004
Over 500,000	-.002,001"

SECTION 11.(d) G.S. 105-187.41(d), as enacted by this section, is repealed.

SECTION 11.(e) G.S. 105-187.41(c) reads as rewritten:

"(c) ~~Gas City Exemption.~~ Exemptions. – The tax imposed by this section does not apply to ~~piped~~ any of the following:

- (1) Piped natural gas received by a gas city for consumption by that city or to piped city.
- (2) Piped natural gas delivered by a gas city to a sales or transportation customer of the gas city.
- (3) Piped natural gas received by a manufacturer for use in connection with the operation of the manufacturing facility. To be eligible for the exemption, a person must have a manufacturer's certificate issued under G.S. 105-164.28A. A person who uses piped natural gas for an unauthorized purpose is liable for any tax due on the gas.
- (4) Piped natural gas received by a farmer to be used for any farming purpose other than preparing food, heating dwellings, and other household purposes. To be eligible for the exemption, a person must have a farmer's certificate issued under G.S. 105-164.28A. A person who uses piped natural gas for an unauthorized purpose is liable for any tax due on the gas."

SECTION 11.(f) Subsection (a) of this section becomes effective 1 October 2007 and applies to bills issued on or after that date. Subsection (b) of this section becomes effective 1 July 2008 and applies to bills issued on or after that date. Subsection (c) of this section becomes effective 1 July 2009 and applies to bills issued on or after that date. Subsections (d) and (e) of this section become effective 1 July 2010 and apply to bills issued on or after that date. The remainder of this section is effective when it becomes law.

SECTION 12.(a) G.S. 105-187.51A reads as rewritten:

"§ 105-187.51A. Tax imposed on manufacturing fuel.

A privilege tax is imposed on a manufacturing industry or plant that purchases fuel to operate the industry or plant. The tax is ~~one percent (1%)~~ seven-tenths percent (0.7%) of the sales price of the fuel. The tax does not apply to electricity or piped natural gas."

SECTION 12.(b) G.S. 105-187.51A, as amended by subsection (a) of this section, reads as rewritten:

"§ 105-187.51A. Tax imposed on manufacturing fuel.

A privilege tax is imposed on a manufacturing industry or plant that purchases fuel to operate the industry or plant. The tax is ~~seven-tenths percent~~ five-tenths percent (0.5%) of the sales price of the fuel. The tax does not apply to electricity or piped natural gas."

SECTION 12.(c) G.S. 105-187.51A, as amended by subsection (a) of this section, reads as rewritten:

"§ 105-187.51A. Tax imposed on manufacturing fuel.

A privilege tax is imposed on a manufacturing industry or plant that purchases fuel to operate the industry or plant. The tax is ~~five-tenths percent (0.5%)~~ three-tenths

percent (0.3%) of the sales price of the fuel. The tax does not apply to electricity or piped natural gas."

**SECTION 12.(d)** G.S. 105-187.51A is repealed.

**SECTION 12.(e)** Subsection (a) of this section becomes effective 1 October 2007 and applies to fuel purchased on or after that date. Subsection (b) of this section becomes effective 1 July 2008 and applies to fuel purchased on or after that date. Subsection (c) of this section becomes effective 1 July 2009 and applies to fuel purchased on or after that date. Subsection (d) of this section becomes effective 1 July 2010. The remainder of this section is effective when it becomes law.

**SECTION 13.(a)** Article 3B of Chapter 105 of the General Statutes is amended by adding a new section to read:

**"§ 105-129.16G. Credit for donating funds to a nonprofit organization to enable the nonprofit to acquire renewable energy property.**

**(a) Credit.** – A taxpayer who donates money to a tax-exempt nonprofit organization for the purpose of providing funds for the organization to construct, purchase, or lease renewable energy property is allowed a credit under this section if the nonprofit organization uses the donation for its intended purpose. A tax-exempt nonprofit organization is an organization that is exempt from tax under section 501(c)(3) of the Code.

The amount of the credit allowed in this section is the taxpayer's share of the credit the nonprofit organization could claim under G.S. 105-129.16A if the nonprofit organization were subject to tax. The taxpayer's share of the credit is calculated by dividing the taxpayer's donation by the cost of the renewable energy property constructed, purchased, or leased by the nonprofit organization and placed in service during the taxable year and then multiplying this percentage by the amount of the credit the nonprofit organization could claim if it were subject to tax. A taxpayer must take the credit allowed by this section in the year in which the property is placed in service. The installment requirements in G.S. 105-129.16A for nonresidential property do not apply to the credit allowed in this section.

**(b) Records.** – A nonprofit organization must keep a record of all donations it receives for the purpose of providing funds for the organization to construct, purchase, or lease renewable energy property and of the amount of the donations used for this purpose. If a nonprofit organization places renewable energy property in service that is purchased in whole or in part from donations made for this purpose, the nonprofit organization must give each taxpayer who made a donation a statement setting out the amount of the credit for which the taxpayer qualifies under this section. The statement must describe the renewable energy property placed in service and state the cost of the property, the amount of the credit the nonprofit organization could claim under G.S. 105-129.16A if it were subject to tax, and the taxpayer's share of the credit allowed in this section. If the donations made for the renewable energy property exceed the cost of the property, the nonprofit organization must prorate each taxpayer's share of the credit. The sum of the credits allowed under this section to taxpayers who make donations to a nonprofit organization may not exceed the amount of the credit the nonprofit organization could claim under G.S. 105-129.16A if it were subject to tax.

**(c) No Double Benefit.** – A taxpayer who claims a credit under this section based on a donation to a nonprofit organization is not allowed to deduct this donation as a charitable contribution."

**SECTION 13.(b)** G.S. 105-130.5(a) is amended by adding a new subdivision to read:

**"(a)** The following additions to federal taxable income shall be made in determining State net income:

**(19) The amount of a donation made to a nonprofit organization for which a credit is claimed under G.S. 105-129.16G.**"

**SECTION 13.(c)** G.S.105-134.6(c) is amended by adding a new subdivision to read:

"(c) Additions. – The following additions to taxable income shall be made in calculating North Carolina taxable income, to the extent each item is not included in taxable income:

(5b) The amount of a donation made to a nonprofit organization for which a credit is claimed under G.S. 105-129.16G."

**SECTION 13.(d)** G.S. 105-259(b) is amended by adding a new section to read:

"(b) Disclosure Prohibited. – An officer, an employee, or an agent of the State who has access to tax information in the course of service to or employment by the State may not disclose the information to any other person unless the disclosure is made for one of the following purposes:

(38) To verify with a nonprofit organization information relating to eligibility for a credit under G.S. 105-129.16G."

**SECTION 13.(e)** This section is effective for taxable years beginning on or after 1 January 2008.

**SECTION 14.** The Utilities Commission shall submit to the Governor, the Environmental Review Commission, and the Joint Legislative Utility Review Committee a report on the actual results of the cost allocations established pursuant to G.S. 62-133.7(h), as enacted by Section 2 of this act, G.S. 62-133.8(e) and G.S. 62-133.8(f), as enacted by Section 4 of this act, and G.S. 62-133.2(a2) and G.S. 62-133.2(a3), as enacted by Section 5 of this act, during the preceding two fiscal years on or before 1 October of odd-numbered years. The Utilities Commission shall submit the first report required by this section no later than 1 October 2009.

**SECTION 15.** If any section or provision of this act is declared unconstitutional or invalid by the courts, the unconstitutional or invalid section or provision does not affect the validity of this act as a whole or any part of this act other than the part declared to be unconstitutional or invalid.

**SECTION 16.** Sections 1, 2, 6, 7, and 8 of this act become effective 1 January 2008. The provisions of Section 2 of this act that provide for the recovery of costs incurred under Section 2 apply only to costs that are incurred on and after 1 January 2008. Sections 3, 4, 14, 15, and 16 of this act become effective when this act becomes law. The provisions of Section 4 of this act that provide for the recovery of costs incurred under Section 4 apply only to costs that are incurred on and after the date that this act becomes law. Section 5 of this act becomes effective 1 January 2008 provided that (i) the provisions of G.S. 62-133.2, as amended by Section 5 of this act, apply only to fuel and fuel-related costs incurred on and after 1 January 2008 regardless of the test period established by the Utilities Commission, and (ii) the costs described in G.S. 62-133.2(a1)(3) that are incurred on and after the date this act becomes law shall be recoverable as provided in G.S. 62-133.2 as amended by Section 5 of this act. Sections 10, 11, 12, and 13 of this act become effective as provided in those sections. Section 9 of this act becomes effective 1 July 2007.

In the General Assembly read three times and ratified this the 2<sup>nd</sup> day of August, 2007.

\_\_\_\_\_  
Beverly E. Perdue  
President of the Senate

\_\_\_\_\_  
Joe Hackney  
Speaker of the House of Representatives

\_\_\_\_\_  
Michael F. Easley  
Governor

Approved \_\_\_\_\_ m. this \_\_\_\_\_ day of \_\_\_\_\_, 2007

**SCHEDULE 19 POWER PURCHASE AGREEMENT BY AND BETWEEN SOUTH HILL RENEWABLE ENERGY LLC AND VIRGINIA ELECTRIC AND POWER COMPANY**

This POWER PURCHASE AGREEMENT is made as of November 3, 2010 ("Effective Date") by and between VIRGINIA ELECTRIC AND POWER COMPANY, a Virginia public service company with its principal office in Richmond, Virginia ("Company"), and South Hill Renewable Energy LLC, ("Operator") (hereinafter also referred to individually as "Party" and collectively as "Parties").

WHEREAS, Operator owns and operates a Hydro-electric generating facility that is located South Hill, Virginia ("Facility"), which Facility consists of 1 generator with a total nameplate capacity of 175kW and a dependable capacity declared by the Operator to be 40kW ("Dependable Capacity"), and which is connected to the Company's electrical distribution system at 12,500V;

WHEREAS, Operator submits that the Facility qualifies as a qualifying facility ("QF" or "Qualifying Facility") under federal law set forth in the Public Utility Regulatory Policies Act of 1978 ("PURPA") (codified at 16 U.S.C. § 824a-3);

WHEREAS, Operator desires to sell to the Company and the Company desires to purchase the Dependable Capacity and energy delivered by the Facility and upon Company's election, the RECs as defined in Section 4, consistent with the terms and conditions set forth herein below;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, the Parties agree as follows:

1. **Agreement:** References herein to the "Agreement" shall mean this Power Purchase Agreement, the Company's current Rate Schedule 19 ("Schedule 19") as may be changed, approved and adopted by the Virginia State Corporation Commission ("SCC") from time to time that is attached hereto as Exhibit A and made a part hereof. In the event that this Agreement shall conflict with Schedule 19, this Agreement shall govern. Should any subsequent Schedule 19 as adopted by the SCC be unacceptable to Operator as to how it applies under this Agreement, then Operator shall have the right to cancel this Agreement upon thirty days prior notice to the Company, during which notice period such subsequent Schedule 19 shall be applicable under the relevant provisions of this Agreement, including retroactive application of any pricing adjustments provided herein as a result of such subsequent Schedule 19. The exhibits attached hereto and made a part hereof are:

**Exhibit A:** Schedule 19. Upon SCC approval of any subsequent Schedule 19, Exhibit A shall be deemed amended and the subsequent Schedule 19 shall replace and substitute for the past Schedule 19 without further writing.

**Exhibit B:** The Notice Contact Schedule containing the names of the Parties' respective representatives, their addresses, and other contact information to which notice, invoices, and other communications shall be sent.

- Exhibit C:** A description of the Facility, a map indicating its specific geographical location, and a one-line diagram of the Facility
- Exhibit D:** Documentation evidencing the Facility's self-certification as a Qualifying Facility under PURPA, which shall be supplied by the Operator on or prior to commencement of the Delivery Year as defined in Section 5, and as supplemented during the term of this Agreement as requested by the Company.
- Exhibit E:** Supplemental Representations of Legal Compliance when applicable.

**2. Company's Right to Purchase Energy & Capacity:** This Agreement is for a Facility with a total generator nameplate rating of 175kW. The Dependable Capacity available under this Agreement shall be 40kW. Commencing on the first day of the Delivery Year as defined in Section 5 below and not before, Operator shall sell and the Company shall purchase 100% of the energy and Dependable Capacity generated by the Facility and delivered to the Company at the Delivery Point as defined in Section 7 of this Agreement, provided however,

(i) the Company's obligation to purchase and to take delivery of the energy shall be excused as a result of any failure due to an outage, equipment failure, equipment replacement, planned, routine or emergency maintenance, or other similar event associated with the Company's distribution system;

(ii) the Company shall have the right to reduce energy received from Operator as set forth in Article VI, paragraph G of Schedule 19; and

(iii) the Company may require the Facility to discontinue delivery of energy for up to 150 hours during any one Delivery Year of the term of this Agreement, which 150 hours shall not include the reduction of energy under subsection (i) or (ii) of this Paragraph 2. Payments for Dependable Capacity during any periods that Company directs Operator to cease delivery or is unable to take delivery under this Paragraph 2(iii), shall be based on the average on-peak energy generation for the three consecutive days immediately before and after any such discontinuance.

Operator shall not sell any of the energy and capacity output of the Facility to any third-party entity. The total kWhs used for payments for Dependable Capacity in any Delivery Year shall not exceed the product of Dependable Capacity and total Schedule 19 on-peak hours within the Delivery Year.

**4. Company's Right to Purchase RECs:** Renewable energy credits ("RECs") includes any certificate or other forms of indicia designated to represent renewable attributes or other environmental attributes or benefits, including, but not limited to, emissions reductions, offsets

or allowances, howsoever entitled, associated with the generation of electricity from the Facility. The Company shall have the right to purchase the RECs as set forth below:

(a) The purchase of Dependable Capacity and energy hereunder shall not include the RECs unless (i) the Company elects to purchase the RECs under Paragraph 4(b) below; or (ii) otherwise required pursuant to any applicable law, regulation or order of any court or jurisdictional agency, in which event, the Company shall have the right to the RECs in addition to the energy and Dependable Capacity. The Parties shall then in good faith negotiate the price for such RECs, using as a basis any regulatory pricing mechanisms that may have been established. Failure of the Parties to negotiate a mutually agreeable price shall be subject to resolution under Section 11(d) unless subject to the SCC jurisdiction under Section 6.

(b) During the term of this Agreement, the Company shall have a right of first refusal to purchase the RECs, or any part thereof, which shall be exercised as follows: Operator shall submit to the Company a written offer setting forth the price, the delivery term or due date for delivery and transfer, and any other terms and conditions under which the Operator is willing to sell the RECs to the Company or third-party. No later than fifteen business days following receipt of Operator's offer, the Company shall provide written notice to Operator of either its acceptance of Operator's terms and conditions or its release of the RECs for a period consistent with the delivery term or due date set forth in Operator's written offer; provided, however, the Company may limit the term of its release to a period not to extend beyond twelve consecutive months following the month in which Company provides notice of such release. Upon the Company's release, Operator shall be free to sell or transfer such RECs to a third-party for such delivery term at a price no lower than and on terms not more favorable to those offered in Operator's written offer to the Company.

(c) Notwithstanding anything to the contrary as set forth in Section 4(a) or (b), until such time as the Company shall have provided written notice to Operator of its election to release the RECs in accordance with Section 4(b) above, Company shall have the right to report to the Commission the energy it has purchased under this Agreement for purposes of applying the energy to its renewable portfolio standard goals under Virginia Code §§56-582.2 *et seq.*

5. Term: A year as discussed in paragraph VIII of Schedule 19 (a "Delivery Year") shall mean 365 consecutive days, except in a leap year shall mean 366 consecutive days. The Delivery Year shall commence on the later of (i) the Effective Date or (2) the effective date of a valid interconnection agreement between the Operator and the Company as may be required under Section 11(a) below.

Unless written notice to terminate is given by either Party to the other Party at least sixty (60) days prior to the end of the Delivery Year, this Agreement shall automatically renew for successive Delivery Years and shall continue to renew unless written notice to terminate is given by either Party to the other Party at least sixty (60) days prior to the conclusion of the then current Delivery Year period. Should the Operator contract to sell the RECs to the Company pursuant to Section 4, and the term of the contract for the RECs exceeds the Term of this Agreement, the Term of this Agreement shall be extended to continue until the end of the delivery term for the RECs as agreed to under Paragraph 4(b) above. Notwithstanding the termination of this Agreement, those provisions of the Agreement that provide for final

accounting, billing and payment resolution of any billing dispute or other dispute, and indemnification as provided herein shall continue in effect beyond the termination as necessary.

6. **Price:** The Company shall pay for the Dependable Capacity and energy delivered each month under this Agreement in accordance with the payment provisions and price determination methods set forth in "Payment for Company Purchases of Energy and Capacity" Article IV of Schedule 19. The SPPF calculated for the Facility as defined in Article IV of Schedule 19 shall be applied to the monthly capacity purchase payment for each calendar month starting on January 1<sup>st</sup> of the applicable calendar year. Payment made by the Company under this Agreement shall be the full and only compensation for the Dependable Capacity and energy. Should the SCC at any time prohibit the Company from recovering from its customers payments made or to be made hereunder, the Parties will undertake to negotiate mutually agreeable prices for the purchase of energy, Dependable Capacity and/or line loss as appropriate from the Facility, such that the SCC will allow the Company to recover them from its customers. Should such an agreement not be reached, either Party may seek arbitration or other remedies at the SCC.

7. **Metering, Billing and Payment:** The Company shall meter the energy delivered from the Facility on the high voltage side of the step up transformer (the "Delivery Point"). The Company shall read the Facility's meter in accordance with the Company's established meter reading schedule (the "Billing Period"). Operator shall pay the monthly metering charge set forth in Article II of Schedule 19 to cover the cost of meter reading and processing, as such charge may be amended from time to time subject to SCC approval. By the first business day after thirty days following the meter read date, the Company shall make payment to Operator equal to the amount owed by the Company for the delivered capacity, energy and line losses under Paragraph 6 above, net of the monthly charge for metering owed by the Operator. All payments shall be by wire transfer to Operator's wire account designated on Exhibit B or as otherwise reasonably requested in writing by Operator. The Company shall also provide at the time of payment a billing statement showing the beginning and ending meter reading for the applicable Billing Period, the purchase amount it owes and the monthly metering charge owed by the Operator for metering that was netted against the purchase amount. In the event that any data required for billing purposes under this Paragraph 7 is not available, the Company shall use its best estimate based upon historical data to determine the Billing Period payment owed Operator. Any adjustments resulting from the use of estimates shall be made in the subsequent Billing Period.

If in any month the Company's billing statement shows a net amount due to Company as a result of the monthly charge for metering being greater than the purchase amount owing under Paragraph 6, the Operator shall make such payment within 28 days of the date of the invoice. Failure by the Operator to make such payment may result in disconnection of the Facility; provided, however, such disconnection shall not relieve the Operator of its obligation to pay any charges due for metering services under this Agreement so long as such meter(s) remain in service. In addition, any payment due to the Operator hereunder shall be subject to withholding by the Company pursuant to Paragraph 11(e) of this Agreement.

8. **Operator's Representations:** Operator makes the following representations deemed given as of the Effective Date hereunder and continuing to be made throughout the term of the Agreement:

- (a) The Facility shall continue for the term of this Agreement to meet the requirements for a Qualifying Facility under regulations that are in effect as of the Effective Date of this Agreement.
- (b) It has the right to operate the Facility consistent with the terms of this Agreement and has the necessary authority and power to execute this Agreement and to perform the obligations set forth in this Agreement.
- (c) It has all rights, title and interest in the Dependable Capacity, energy, and when applicable pursuant to the Company's election under Paragraph 4 above, the RECs associated with the energy generated by the Facility, and that it is transferring such rights and title free and clear of any liens, taxes, claims, security interest or other encumbrances.
- (d) It has not sold or transferred and will not in the future sell or transfer the capacity, energy, and/or, when applicable pursuant to the Company's election under Paragraph 4 above, the RECs associated with energy generated by the Facility, to any other entity, nor use any applicable RECs for compliance with any state or federal emissions requirements or renewable energy standards on its own behalf or the behalf of any other entity.
- (e) It has obtained any and all governmental authorizations, permits, approvals and/or licenses necessary for the operation of the Facility and shall keep all such authorizations, permits, approvals and/or licenses current and in effect for the term of this Agreement.
- (f) It will maintain and operate the Facility in a safe and prudent manner and in conformance with all applicable laws and regulations.
- (g) To the extent that it is required to comply with the federal statutes and regulations specified in Exhibit-E, it is and shall remain in compliance with such laws.

Operator shall provide documentation evidencing (i) Operator's continued compliance as a Qualifying Facility; (ii) Operator's right to operate the Facility; and/or (iii) such permits, approval and/or licenses necessary for the operation of the Facility upon the reasonable request of the Company at any time during the term of this Agreement.

**9. Insurance and Indemnification:** Operator shall hold during any Delivery Year hereunder, liability insurance coverage specifically and solely for the Facility in the amount of \$1,000,000, which amount shall be modified using commercially reasonable standards in accordance with any prior written notice by the Company. Operator shall initially provide the Company written evidence of liability insurance coverage prior to the commencement of the Delivery Year hereunder. Thereafter, it shall provide additional documentation evidencing current coverage when requested by the Company. In addition, Operator shall provide thirty (30) days prior written notice of any cancellation or non-renewal of such coverage. Operator further agrees to indemnify and hold the Company, its officers, directors and employees harmless for any and all claim, liabilities, losses or demands for damages to real property or tangible personal property (including the Company's property) and injury or death to persons arising out of, resulting from or in any manner caused by the presence, operation or maintenance of any part of the Facility, except to the extent that such claims, liabilities, losses or demands arise from the Company's sole negligence or intentional misconduct.

**10. Causes for Termination:** Any one of the following actions by the Operator shall constitute a material breach of this Agreement for which the Company shall have the right in its sole discretion, to either (i) suspend its purchases hereunder until such time as the Operator has remedied the breach and is in compliance with this Agreement; or (ii) cancel this Agreement upon thirty (30) days prior written notice to the Operator:

- (a) Failure to deliver Dependable Capacity and/or energy, including any applicable RECs, as required under this Agreement for any period longer than 180 consecutive days at any time during the term of the Agreement regardless of whether this period bridges any two consecutive Delivery Years.
- (b) Failure to make payment for any monthly charge for metering due and payable under Paragraph 7.
- (c) Any event in which a representation made by the Operator, as set forth in Paragraph 8 or elsewhere in this Agreement, is proven to be wrong or incorrect in any material respect either when made or at any time during the term of this Agreement.
- (d) Failure of the Operator to provide such documentation as is required under this Agreement.
- (e) Failure of the Operator to maintain liability insurance coverage in accordance with the requirements of Paragraph 9 of this Agreement.

Early termination shall not relieve either Party for any amounts a Party may owe the other Party under this Agreement for performance prior to termination under this Paragraph 10.

**11. Miscellaneous Provisions:**

- (a) Operator shall be responsible for the design, installation and operation of the Facility and interconnection with the Company's electrical system, including execution of an Interconnection Service Agreement ("ISA") if required. Prior to the start of the Delivery Year, Operator shall provide evidence of a valid ISA or evidence that one is not required. In the event that Operator shall determine that the costs of any required utility facility upgrades pursuant to an ISA shall render this Agreement uneconomical or shall fail to acquire a valid ISA for any reason, Operator may early terminate this Agreement by providing reasonable notice of termination in writing to the Company. This Agreement shall be subject to the ISA, and to the extent that any term or condition of this Agreement or provision of Schedule 19, including, but not limited to, Article VI, shall conflict with the ISA, the ISA shall govern.
- (b) In no event shall either Party be liable to the other Party for any special, indirect, incidental or consequential damages whatsoever, except that such limitation on liability shall not apply to any indemnification obligation set forth in Paragraph 9 or as otherwise expressly stated in this Agreement.
- (c) This Agreement shall inure to the benefit of and be binding upon the heirs, successors or assigns of each of the Parties. Operator shall not assign this Agreement without the prior

written consent of the Company, which shall not be unreasonably withheld. In the event of assignment by Operator, Operator shall pay the Company within thirty (30) days from the effective date of the assignment an amount equal to \$10,000 escalated at a rate of 2.5% per year prorated daily from the Effective Date of this Agreement until the effective date of such assignment ("Assignment Payment"); provided, however, assignment of this Agreement by the Operator in connection with an initial financing arrangement which is finalized within nine months of the Effective Date of this Agreement and to which the Company has consented shall not be subject to the payment requirement provided herein. Failure to obtain the consent of the Company or to pay the Company its Assignment Payment shall cause the assignment to be null and void.

- (d) The Parties shall use good faith efforts to resolve any disputes hereunder promptly, including, but not limited to, invoicing and payment disputes. If after such good faith negotiations, the Parties are unable to resolve the dispute within thirty (30) days from the initial notice of such dispute, the Parties may (i) negotiate during the next succeeding thirty (30) day period an arbitration agreement that shall specify an arbitrator and specified procedures for binding arbitration; or (ii) should the Parties forego negotiation under subsection (i) or in the event no agreement is reached under subsection (i), pursue any and all available legal remedies in accordance with this Agreement pursuant to the laws of the Commonwealth of Virginia; provided, however, that the SCC does not have jurisdiction over the subject matter of the dispute.
- (e) The Company shall have the right to set-off, net or recoup against amounts owed by the Company to the Operator under this Agreement any amount owed by the Operator to the Company under this Agreement or any other agreement or tariff of the Company, including payment due for the sale of electricity by the Company to the Operator or for damages or indemnification due the Company by the Operator.
- (f) During the term of this Agreement and continuing for an additional period of at least two (2) years from the date of termination of this Agreement, the Parties shall keep all records associated with the performance under this Agreement.
- (g) All notices required hereunder, and all other correspondence and payments concerning this Agreement shall be addressed to the Parties' representatives in accordance with the Notice Contact Schedule attached hereto as Exhibit B, which may be revised as needed by either Party. All notices shall be in writing and shall be sent by any of the following methods: hand delivery, reputable overnight courier, certified mail return receipt requested, facsimile transmission, or mutually acceptable electronic means, unless noted otherwise on the Notice Contact Schedule. A notice shall be effective on the Business Day when received if received during 7:30 am to 5:30 pm on a Business Day; otherwise, the notice shall be deemed to have been received on the following Business Day, where a Business Day shall mean Monday through Friday excluding holidays recognized by Company.
- (h) This Agreement is intended by the Parties as the final expression of their agreement and is intended also as a complete and exclusive statement of the terms of their agreement with respect to the purchase and sale of energy and Dependable Capacity, in addition to the optional purchase and sale of RECs under Section 4, delivered by the Facility. All prior

written or oral understandings, offers or other communications of every kind pertaining to this Agreement are hereby abrogated and withdrawn.

- (i) This Agreement, including the Exhibits thereto except as otherwise provided herein for Exhibit A, can be amended only by agreement between the Parties in writing.
- (j) The failure of either Party to insist in any one or more instances upon strict performance of any provisions of this Agreement, or to take advantage of any of its rights hereunder, shall not be construed as a waiver of any such provisions or the relinquishment of any such right or any other right hereunder. In the event any provision of this Agreement, or any part or portion thereof, shall be held to be invalid, void or otherwise unenforceable, the obligations of the Parties shall be deemed to be reduced only as much as may be required to remove the impediment.
- (k) The headings contained in this Agreement are used solely for convenience and do not constitute a part of the Agreement between the Parties hereto, nor should they be used to aid in any manner in the construction of this Agreement. This Agreement may be photocopied and stored on computer tapes and disks ("Imaged Agreement"). If an Imaged Agreement is introduced as evidence in any arbitration, administrative or judicial proceeding, it shall be considered as admissible evidence.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the 3<sup>rd</sup> day of November, 2010

SOUTH HILL RENEWABLE ENERGY LLC

By: Steve Jones

Name: Mr. Steve Jones

Title: Owner

VIRGINIA ELECTRIC AND POWER COMPANY

By: G. J. Morgan

Name: Mr. Gregory J. Morgan

Title: Authorized Representative

**Exhibit A**

**Schedule 19  
Power Purchases From  
Cogeneration and Small Power Production  
Qualifying Facilities**

Schedule 19  
POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

---

I. APPLICABILITY & AVAILABILITY

This Schedule is applicable to any Cogenerator or Small Power Producer (Qualifying Facility), as defined in the Public Utility Regulatory Policies Act of 1978 (PURPA), which desires to provide all or part of its electrical output to the Company on an energy and capacity or on an energy only basis, and which has a net capacity of 20,000 kW or less, and enters into an agreement for the sale of electrical output to Virginia Electric and Power Company (Agreement).

No developer, or any affiliate of a developer, shall be permitted to locate a Schedule 19 facility within one-half mile of any other Schedule 19 facility owned or operated by such developer or any affiliate of such developer unless:

- a. Such facilities provide thermal energy to different, unaffiliated hosts; or
- b. Such facilities provide thermal energy to the same host, and the host has multiple operations with distinctly different or separate thermal needs; or
- c. Such facilities utilize a renewable resource that may be subject to geographic siting limitations, such as hydroelectric, solar or wind power facilities.

This Schedule is available to a Qualifying Facility (QF) which enters into an Agreement with the Company during the effective period of this Schedule, and which achieves Commercial Operation in accordance with the provisions of its Agreement (Commercial Operations) on or after January 1, 2006.

II. MONTHLY BILLING TO THE QF

The provision of Electric Service from the Company to the QF will be in accordance with any applicable filed rate schedule. A QF that elects to sell electrical output from its generation facility will be billed a monthly charge as follows to cover the cost of meter reading and processing:

1. For QFs requiring only one non-time differentiated meter: \$5.56.
2. For QFs requiring only one time differentiated meter: \$65.09.
3. For QFs requiring two time differentiated meters: \$102.62.

(Continued)

POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

(Continued)

III. CONTRACT OPTIONS

QFs with a net capacity of 10 kW or less shall elect, from the following two options, the manner in which the QF shall operate and provide its electrical output to the Company. This election shall be contracted for and made a part of the QF's Agreement. QFs with a net capacity greater than 10 kW but less than or equal to 20,000 kW must contract for the supply of both energy and capacity to the Company, in accordance with Paragraph III. A., below. Purchase payments, if any, to the QF for the supply of energy and/or capacity to the Company shall be based on this contractual designation.

- A. Supply of Energy and Capacity: A QF shall contract for the supply of both energy and capacity to the Company, except as may be permitted pursuant to Paragraph III. B., below. The level of capacity that the QF contracts for shall not exceed 20,000 kW. The supply of both energy and capacity shall require the installation of one (or two, if necessary) time differentiated meter(s) to measure the hourly output of the QF's generation facility.
- B. Supply of Energy Only: A QF with a net capacity of 10 kW or less may elect to contract for the supply of only energy to the Company. A QF electing this option will not be eligible for capacity payments. Election of this option shall require the installation of a non-time differentiated meter to measure the monthly output of the QF's generation facility.

IV. PAYMENT FOR COMPANY PURCHASES OF ENERGY AND CAPACITY

A QF that supplies both energy and capacity to the Company, in accordance with Paragraph III. A., above, shall receive purchase payments as follows:

- A. Energy Purchase Payments
  - 1. Purchase payments for the supply of energy by the QF to the Company will be based on an hourly energy purchase price (cents per kWh) that is calculated using the hourly \$/MWh PJM Interconnection, LLC (PJM) Dom Zone Day Ahead Locational Marginal Price (DA LMP) divided by 10, and multiplied by the hourly net generation as recorded on the Company's time differentiated meter.

(Continued)

POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

(Continued)

IV. PAYMENT FOR COMPANY PURCHASES OF ENERGY AND CAPACITY  
(Continued)

2. All energy purchase prices per kWh will be increased by 2.8% to account for line losses avoided by the Company. This line loss percentage will be fixed for the term of the contract between the QF and the Company.
3. In lieu of the line loss percentage in Paragraph IV. A.2., a QF may request that the percentage be derived by a line loss study calculated to the location the QF interconnects with the Company. To receive this site specific line loss percentage, the QF must be willing to bear the cost of such a study.

B. Capacity Purchase Payments

Purchase payments for the supply of capacity by the QF to the Company will be made based upon the QF's daily net on-peak generation multiplied by that corresponding day's on-peak capacity purchase price, as calculated, below. If applicable, the purchase payment for capacity may be modified by application of the Summer Peak Performance Factor (SPPF), as described, below. The on-peak hours for every day are from 7 AM to 11 PM. Off-peak hours are defined as all other hours.

Beginning June 1, 2007, and for each June 1, thereafter, PJM will establish the Reliability Pricing Model capacity resource clearing price for each PJM zone, shown as a \$/MW/day price, that will be applicable through the following May 31. Such prices will be the clearing results from PJM's Base Residual Auction. Using the price for the Dom Zone (initially identified on the PJM website as "Dom\_PZonal"), the Company will calculate an on-peak capacity purchase price (cents per kWh) for each day by dividing the Dom Zone \$/MW/day price by 16 hours, and further dividing the result by 10, rounded to the nearest one-thousandth cent. The resulting cents per kWh on-peak capacity purchase price will be applied to the QF's net on-peak generation for the corresponding day, to provide for the daily capacity purchase amount. The sum of the daily capacity purchase amounts for the billing month will constitute the monthly capacity purchase payment to the QF, unless modified by application of the SPPF, below.

(Continued)

Schedule 19

POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

(Continued)

IV. PAYMENT FOR COMPANY PURCHASES OF ENERGY AND CAPACITY  
(Continued)

Initially, a QF's SPPF will be 1. Once a QF has achieved Commercial Operations and such operation encompasses at least a full Summer (defined by PJM as June 1 through September 30, inclusive), the following January billing month, and for each January billing month thereafter, an SPPF will be calculated that is based on the QF's operation during the five (5) PJM coincident peak hours ("CP Hours"), as posted by PJM, during the Summer of the previous calendar year. The QF's SPPF is equal to the number of CP Hours in which the QF generated at or greater than 75% of its net capacity, divided by 5. Therefore, the SPPF could be 0, .2, .4, .6, .8, or 1. The QF's SPPF will be applied to the monthly capacity purchase payment for each billing month of the current calendar year.

V. PAYMENT OF COMPANY PURCHASES OF ENERGY ONLY

A QF that supplies only energy to the Company, in accordance with its election in Paragraph III. B., above, shall receive purchase payments as follows:

- A. Purchase payments for the supply of only energy by the QF to the Company will be based on an energy purchase price (cents per kWh) that is calculated using the average of the hourly \$/MWh Dom Zone DA LMP for the QF's billing month divided by 10, and multiplied by the net generation as recorded on the Company's non-time differentiated meter.
- B. All energy purchase prices per kWh will be increased by 2.8% to account for line losses avoided by the Company. This line loss percentage will be fixed for the term of the contract between the QF and the Company.
- C. In lieu of the line loss percentage in Paragraph V. B., a QF may request that the percentage be derived by a line loss study calculated to the location the QF interconnects with the Company. To receive this site specific line loss percentage, the QF must be willing to bear the cost of such a study.

(Continued)

POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

(Continued)

VI. PROVISIONS FOR COMPANY PURCHASE OF THE QF GENERATION

- A. The QF shall own and be fully responsible for the costs and performance of the QF's:
1. Generating facility in accordance with all applicable laws and governmental agencies having jurisdiction;
  2. Control and protective devices as required by the Company on the QF's side of the meter.
- B. The Company shall own and install any interconnection facilities on the Company side of the meter required for the QF to sell energy to the Company. The costs associated with these facilities will be borne by the QF. These costs include, but are not limited to, the costs of connection, switching, metering, transmission, distribution, safety provisions, telephone lines, and administrative costs incurred by the Company which are directly related to the installation and maintenance of the facilities necessary to permit interconnected operations with the QF. The QF shall pay for these interconnection costs by either of the following methods:
1. A one-time lump-sum payment equal to the estimated new installed cost of all interconnection facilities provided by the Company multiplied by the appropriate tax effect recovery factor (if applicable), plus the appropriate monthly charge as described in Section IV.E. of the Company's Terms and Conditions on file with the Virginia State Corporation Commission.
  2. A continuous monthly charge as described in Section IV.E. of the Company's Terms and Conditions on file with the Virginia State Corporation Commission which is designed to recover over time the estimated new installed cost of all interconnection facilities and their related operating expenses.

The QF will also be responsible for payment to the Company for the cost of removing the interconnection facilities at the conclusion of the QF's Agreement. Payment for these costs shall be in the same manner as the Company charges its other customers for similar work.

(Continued)

Schedule 19

POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

(Continued)

VI. PROVISIONS FOR COMPANY PURCHASE OF THE QF GENERATION (Continued)

- C. In addition to the costs in Paragraph VI.B., above, the actual costs associated with relocating and/or rearranging existing facilities to allow interconnected operation will also be borne by the QF. A monthly charge shall not apply to these costs. Payment for these costs shall be in the same manner as the Company charges its other customers for similar work.
- D. The QF shall have equipment specifications and plans for control devices interconnection facilities, and protective devices approved by the Company in advance of energizing the facility.
- E. The relays and protective equipment shall be subject, at all reasonable times, to inspection by the Company's authorized representative.
- F. Upon request by the Company, the Cogenerator or Small Power Producer must demonstrate that the facility is a Qualifying Facility as defined by PURPA.
- G. The Company shall have the right to reduce the energy received from a QF during periods when a minimum load condition exists on the Company's system. These reductions will be within the design limits of each QF's equipment and will be limited to 1,000 off-peak hours in any calendar year.

VII. MODIFICATION OF RATES AND OTHER PROVISIONS HEREUNDER

The provisions of this schedule, including the rates for purchase of electricity by the Company, are subject to modification at any time in the manner prescribed by law, and when so modified, shall supersede the rates and provisions hereof. However, payments to QFs with contracts for a specified term at payments established at the time the obligation is incurred shall remain at the payment levels established in their contract.

VIII. TERM OF CONTRACT

The term of contract shall be mutually agreed upon, but not less than one year.

Exhibit B

Notice Contact Schedule

Notices under the Agreement sent via E-mail shall be followed by a hard copy via mail or fax

To: VIRGINIA ELECTRIC & POWER COMPANY:

NOTICES, INVOICES, SCHEDULING & CORRESPONDENCE:

Virginia Electric and Power Company  
Attn: Power Contracts  
Innsbrook 3 SE  
5000 Dominion Blvd  
Glen Allen, VA 23060  
Phone: 804-273-4433  
Fax: 804-273-2951  
E-MAIL: bob.trexler@dom.com

PAYMENTS:

By Wire: Company: Virginia Electric and Power Company  
Bank: Mellon Bank  
ABA #: 043000261  
Account #: [REDACTED]

To: SOUTH HILL RENEWABLE ENERGY LLC.

NOTICES & CORRESPONDENCE:

South Hill Renewable Energy LLC  
Attn: Steve Jones  
8417 Buggs Island Rd.  
Baskerville, VA 23915

\_\_\_\_\_  
\_\_\_\_\_  
Phone: 434) 689-3337  
Fax: \_\_\_\_\_  
E-MAIL: sbjones@buggs.net

**BILLING & PAYMENTS:**

South Hill Renewable Energy LLC  
Attn: Steve Jones  
8417 Buggs Island Rd.  
Baskerville, VA 23915

\_\_\_\_\_  
\_\_\_\_\_  
Phone: (434)689-3337  
Fax: \_\_\_\_\_  
E-MAIL: [sbjones@buggs.net](mailto:sbjones@buggs.net)

By Wire: Company: \_\_\_\_\_  
Bank: First Citizens Bank

ABA #: 051401836

Account #: XXXXXXXXXX

**OPERATIONS:**

South Hill Renewable Energy LLC  
Att : Steve Jones  
Physical Location of Generating Facility  
1890 Bridge Rd.  
South Hill, VA 23970

\_\_\_\_\_  
Phone: \_\_\_\_\_  
Fax: \_\_\_\_\_  
E-MAIL: \_\_\_\_\_

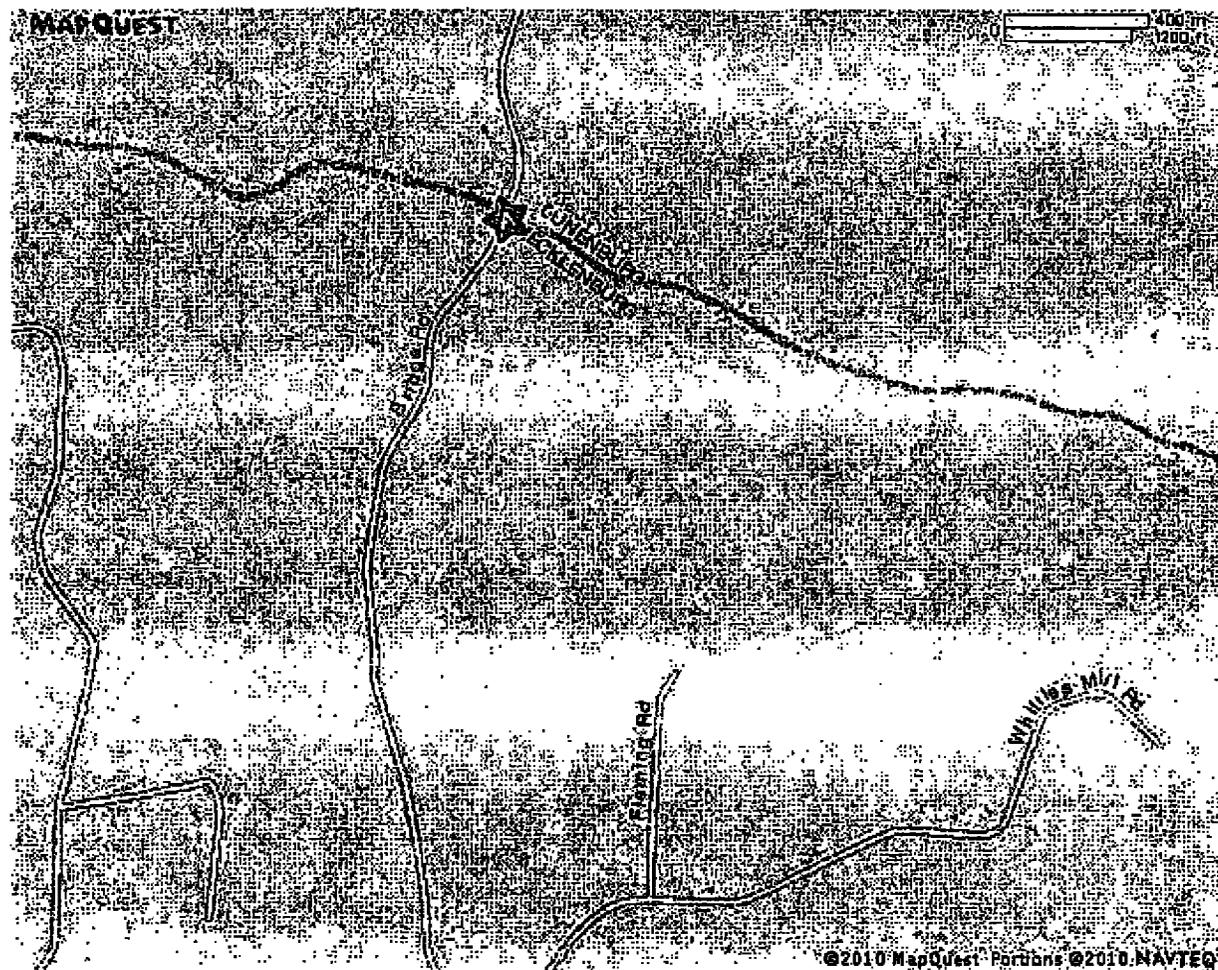
### Exhibit C

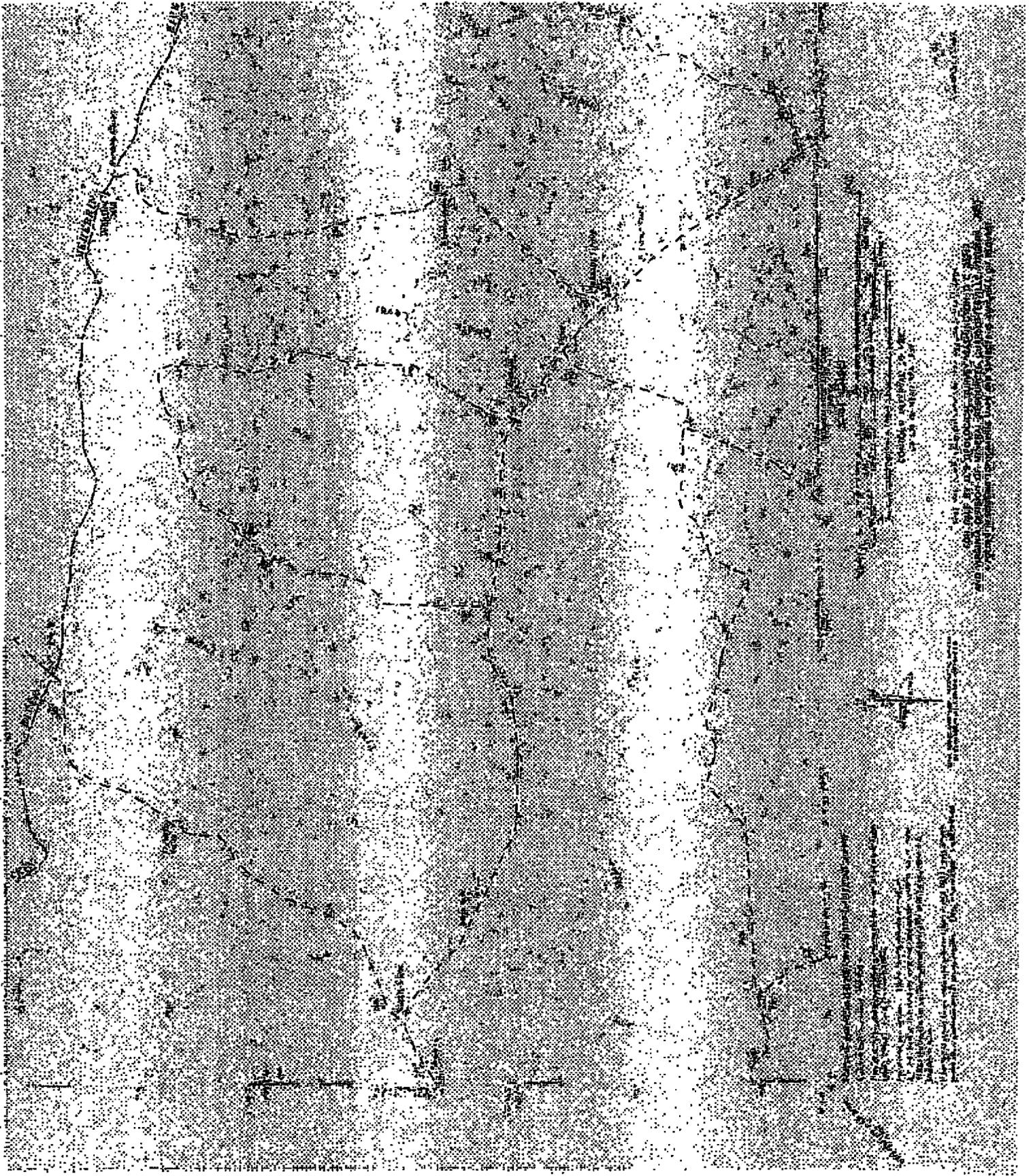
A description of the Facility, a map indicating its specific geographical location, and a one-line diagram of the Facility.

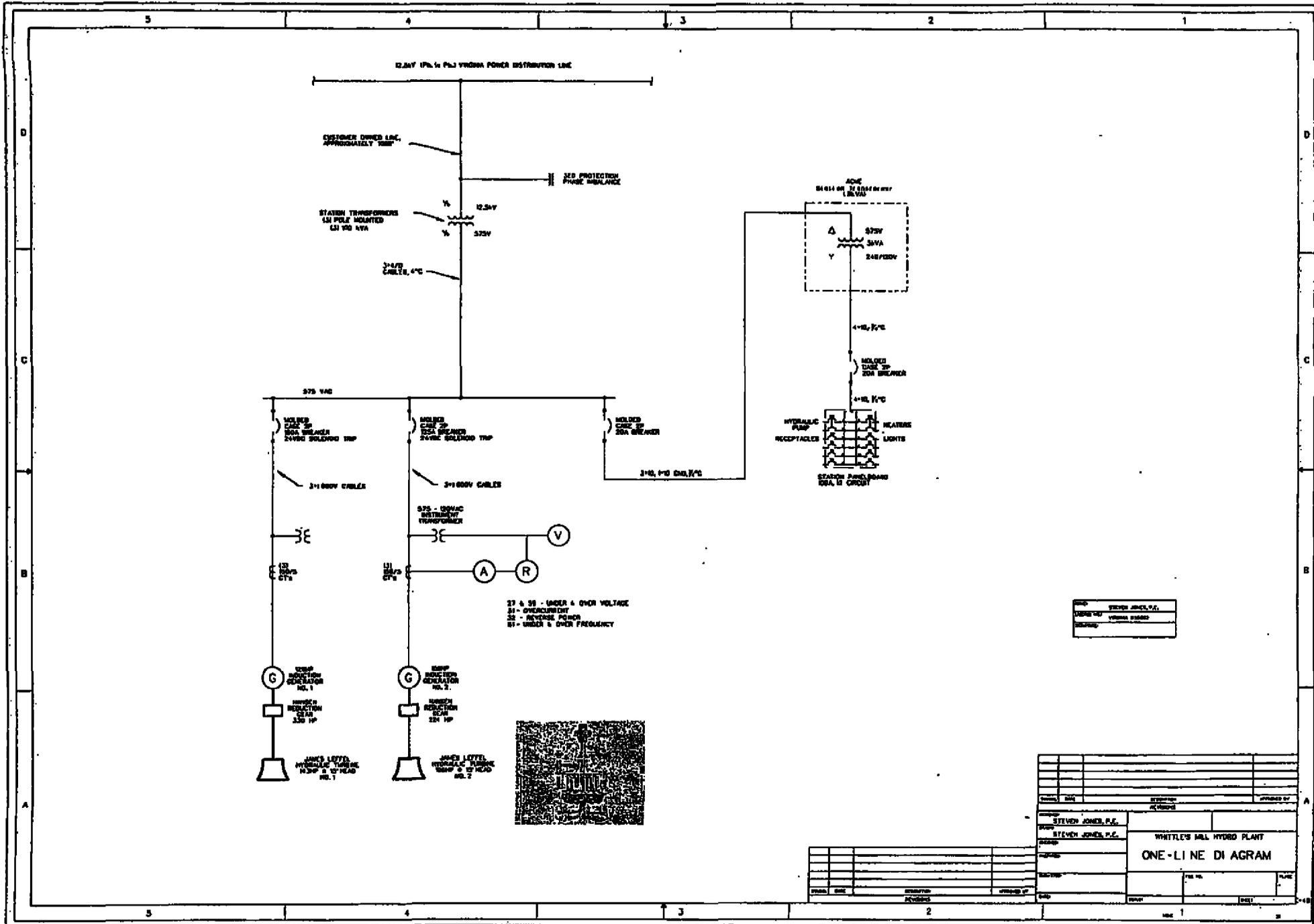
Whittle's Mill is a small hydroelectric facility in South Hill, VA. It is on the Meherrin River at an existing dam. The facility was operational approximately 14 years ago, but has since been abandoned. All of the original equipment is still on-site. I am proposing to rehabilitate the equipment and make the facility operational. I have worked with the Town of South Hill, which owns the plant, and the Federal Energy Regulatory Commission (FERC) with a license number of P-7630, to rehabilitate the project.

Map – See Attached.

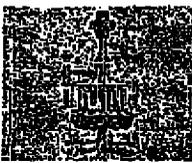
One-Line Diagram – See attached.







DESIGN	STEVEN JONES, P.E.
CHECKED BY	VINCENT GARDNER
DATE	



DATE		APPROVED BY	
DESIGN	STEVEN JONES, P.E.	DATE	
CHECKED	STEVEN JONES, P.E.	DATE	
PROJECT	WHITTLE'S MILL HYDRO PLANT		
DESCRIPTION	ONE - LINE DIAGRAM		
SCALE		FIG. NO.	
DATE		REV.	



**Federal Energy Regulatory Commission  
Docket Sheet  
Docket P-7630 (ALL Subdockets)**

**Applicant(s)/Docket:** ROCKFISH CORP

**Sub Docket:** 000

**Docket Description:** WHITTLES MILL DAM

**Filed By:** COMMONWEALTH HYDROELECTRIC INC

**Filed Date:** 9/19/1983

**Accession No:** 19830921-0110

**Description:** Forwards lic exemption appl of Commonwealth Hydro Elec Inc for Whittles Mill Dam.

**Source:** eLibrary

**Filed By:** COMMONWEALTH HYDROELECTRIC INC

**Filed Date:** 9/19/1983

**Accession No:** 19830921-0111

**Description:** Appl for lic exemption by Commonwealth Hydroelectric Inc for Whittles Mill Dam.

**Source:** eLibrary

**Issued By:** HYDROPOWER LICENSING DIVISION (FROM 830118 TO 840714)

**Filed Date:** 3/14/1984

**Accession No:** 19840321-0049

**Description:** Ltr order accepting Commonwealth Hydro Inc 830919 exemption appl for Whittles Mill Dam Proj,VA. 840314

**Source:** eLibrary

**Federal Energy Regulatory Commission  
Docket Sheet  
Docket QF86-643 (ALL Subdockets)**

**Applicant(s)/Docket:** SOUTH HILL LTD PARTNERSHIP

**Sub Docket:** 000

**Docket Description:** There is a problem with archive data and system.  
Contact Administrator.

**Filed By:** SOUTH HILL LIMITED PARTNERSHIP

**Filed Date:** 3/21/1986

**Accession No:** 19860328-0107

**Description:** Self-certification of South Hill Ltd Partnership that Whittles Mill Hydro is qualified facility.

**Source:** eLibrary

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ln

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## Document Information

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Accession Number: 19860328-0107

Available: Public

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Document Date: 3/17/1986

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First Received Date:

Official: No

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Non-decisional: NO

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Description:

Self-certification of South Hill Ltd Partnership that White Mill Hydro is qualified facility.

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Document Type:

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Application/Petition/Request	Qualifying Facility Application or PURPA Energy Utility Filing

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Docket Numbers: [Click here to eSubscribe to a Docket](#)

Docket	SubDocket	Type
QF86-643	000	On Document

Correspondent:

Type	Last Name	J	K	Affiliation
AUTHOR	POLLOCK	J	K	SOUTH HILL LIMITED PARTNERSHIP
RECIPIENT	PLUMB	K	F	SECRETARY OF THE COMMISSION & STAFF



Exhibit E

Supplemental Representations of Legal Compliance

Operator warrants that it is and shall continue to be in compliance with all applicable provisions of the following federal law:

- Executive Order 11246, as amended;
- § 503 of the Rehabilitation Act of 1973, as amended;
- § 402 of the Vietnam Era Veterans Readjustment Assistance Act of 1974, as amended, together with the implementing regulations set forth in 41 C.F.R. §§ 60.1, 60-250, and 60-741;
- The applicable provisions relating to the utilization of small minority business concerns as set forth in 15 U.S.C. § 637, as amended.

In addition, Operator agrees that

- The equal opportunity clause set forth in 41 C.F.R. § 60-1.4 and the affirmative action clauses set forth in 41 C.F.R. § 60-250.4 and 41 C.F.R. § 60-741.4 and the clauses relating to the utilization of small and minority business concerns set forth in 15 U.S.C. § 637(d) (3) and 48 C.F.R. § 52-219.9 are hereby incorporated by reference and made a part of this Agreement.
- Where this Agreement has a value of more than \$500,000, it shall adopt and comply with a small business and small disadvantaged business subcontracting plan that shall conform to the requirements set forth in 15 U.S.C. § 637(d)(6).

This Exhibit E shall apply to Operator only to the extent that:

- a) Such provisions are required of Operator under existing law,
- b) Operator is not otherwise exempt from said provisions and
- c) Compliance with said provisions is consistent with and not violative of 42 U.S.C. § 2000e et seq., 42 U.S.C. § 1981 et seq., or other acts of Congress.

**AGREEMENT FOR THE SALE  
OF ELECTRICAL OUTPUT TO  
VIRGINIA ELECTRIC AND POWER COMPANY**

THIS AGREEMENT, effective this 22nd day of December, 2010, (the "Effective Date") by and between VIRGINIA ELECTRIC AND POWER COMPANY, a Virginia public service company with its principal office in Richmond, Virginia, doing business in Virginia as Dominion Virginia Power, and in North Carolina as Dominion North Carolina Power, hereinafter called "Dominion North Carolina Power" or "Company", and 510 REPP One, LLC, a North Carolina Corporation, with its principal office in Washington, DC, hereinafter called "Operator", operator of the 510 REPP One, LLC Facility, hereinafter called the "Facility":

**RECITALS**

WHEREAS, the North Carolina Utilities Commission has adopted a rate schedule described in this Agreement below as Schedule 19-DRR applicable to Qualifying Facilities (or "QF" as that term is defined in 18 C.F.R. 292) which can provide Contracted Capacity (a) up to 5000 kW from a hydroelectric generating facility, (b) up to 5000 kW from a generating facility fueled by trash or methane derived from landfills, hog waste, poultry waste, solar, wind or non-animal forms of biomass, or (c) up to 3000 kW for all other QFs; and

WHEREAS, the parties hereto wish to contract for the sale of electrical output from such a QF to be operated by Operator,

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto contract and agree with each other as follows:

FIRST - Dominion North Carolina Power or its agent, assignee, or successor will purchase from Operator all of the electrical output (energy and Contracted Capacity) made available for sale from the Facility on an excess sale arrangement. In addition, Operator has elected to contract under the DRR Method for determining the Company's avoided cost as described more fully in paragraph FIFTH and Exhibit C. Operator elects to operate the Facility in the Mode of Operation as specified in Section IV.C (Firm Mode of Operation) of Schedule 19-DRR. The Facility is located in Dominion North Carolina Power's retail service area in Gaston, North Carolina.

SECOND - This Agreement shall commence on the Effective Date and shall continue in effect for a period of 15 years from the Commercial Operations Date. The Commercial Operations Date shall be the first date that all of the following conditions have been satisfied:

- a) The Facility has been permanently constructed, synchronized with and has delivered electrical output to the Dominion North Carolina Power system and such action has been witnessed by an authorized Dominion North Carolina Power employee;
- b) After completion of item a) above, Dominion North Carolina Power has received written notice from Operator specifying the Commercial Operations Date and certifying that the Facility is ready to begin commercial operations as a Qualifying Facility;
- c) Operator and Dominion North Carolina Power (or the PJM Interconnection, LLC or other operator of the Dominion North Carolina Power transmission system, as applicable) have executed an Interconnection Agreement to be included herewith as Exhibit A;
- d) Operator has provided to Dominion North Carolina Power Qualifying Facility Certification to be included herewith as Exhibit F; and

- e) Operator either has received from the North Carolina Utilities Commission a Certificate of Public Convenience and Necessity or has filed the notice required by G.S. 62-110.1(g) and is not legally required to obtain such a certificate for the construction and operation of the Facility.

For contract terms of 10 years or more, this Agreement may be renewed at the option of Dominion North Carolina Power on substantially the same terms and conditions and at a rate either (1) mutually agreed upon by the parties negotiating in good faith and taking into consideration Dominion North Carolina Power's then avoided cost rates and other relevant factors or (2) set by arbitration.

THIRD - The Facility, consisting of solar panels and 3 inverters, will have a combined nameplate rating of approximately 1,400kW. The Facility's Contracted Capacity shall be 1,400 kW.

FOURTH - The following documents are attached hereto and are made a part hereof:

- Exhibit A: Executed Interconnection Agreement (attached for information but not as a part of this Agreement)
- Exhibit B: General Terms and Conditions
- Exhibit C: Schedule 19-DRR, Power Purchases from Cogeneration and Small Power Production Qualifying Facilities and applicable to the QF who chooses the DRR Method, sometimes referred to as "Schedule 19-DRR" herein)
- Exhibit D: NOT APPLICABLE
- Exhibit E: Map and related written description identifying the specific location of the Facility in the City or County designated in Paragraph FIRST
- Exhibit F: "Qualifying Facility" Certification
- Exhibit G: Certificate of Public Convenience and Necessity (or evidence that no such certificate was required under North Carolina law)

[Note: Appropriate Exhibit C, if applicable, will be based on Energy Payment selected in the FIRST section of this Agreement]

FIFTH - Payments for all energy and Contracted Capacity purchased hereunder shall be determined by the provisions and rate determination methodologies for payments in Schedule 19-DRR included herewith as Exhibit C and pursuant to Operator elections within such Schedule 19-DRR, if any, as stated in Paragraph FIRST hereof. Dominion North Carolina Power and Operator understand that the payment rates depicted on the aforementioned Exhibit C, Schedule 19 - DRR, are currently before the North Carolina Utilities Commission ("NCUC") awaiting its review and final approval. It is anticipated that the NCUC will not issue its decision until 2011, the year that Operator expects to begin commercial operation as a Qualifying Facility. If Operator's Commercial Operation Date occurs before the NCUC has rendered its decision, Operator will receive payments in accordance with the pending and attached Exhibit C. If the NCUC subsequently determines that either the payment rates be disallowed in total or in part, Dominion North Carolina Power will retroactively true-up the payments made to the Operator to reflect those payments directed by the NCUC in its final Order. Payments thereafter will be made pursuant to the NCUC final Order. Payments for all energy and Contracted Capacity purchased hereunder shall be on a cents per kilowatt-hour basis. Should the NCUC, Virginia State Corporation Commission ("SCC") or other regulatory or other legal body having jurisdiction (such as the Federal Energy Regulatory Commission) 1) not allow any future payments to non-utility generators (generally or to Operator specifically) for energy or capacity (including Contracted Capacity) or both to be included in Dominion North Carolina Power/Dominion Virginia Power's rates charged to customers, 2) at any time prohibit Dominion North Carolina Power/Dominion Virginia Power from recovering from its customers sums related to payments previously made to non-utility generators (generally or to Operator specifically), or 3) order Dominion North Carolina Power/ Dominion Virginia Power

to pay back to its customers sums related to amounts collected as a result of payments to non-utility generators (generally or to Operator specifically) (hereinafter the sums referred to in both 2) and 3) above shall be referred to individually and collectively as the "Disallowed Payments"). Operator shall be required both to accept from the effective date of the Order from the NCUC, SCC, or other regulatory or legal body having jurisdiction ("Commission Order") payments at the level of rates that will be allowed to be recovered in rates charged to Dominion North Carolina Power/ Dominion Virginia Power's customers and to refund to Dominion North Carolina Power, A) the identified dollar amount of the Disallowed Payments specifically identified in the Commission Order as resulting from payments made to Operator hereunder, or B) if the Disallowed Payments are not specifically identified, Operator's pro-rata share of the Disallowed Payments which shall be equal to the product of (1) the total amount of payments made under this Agreement for the period of time such Disallowed Payments have been calculated, and (2) a fraction whereby the numerator is the Disallowed Payments and the denominator is the total amount of payments made to all Non-utility Generators, that were considered in the Commission Order, for the same period of time that such Disallowed Payments have been calculated. Operator shall pay any amounts due as a result of the Commission Order within 28 days of notice by Dominion North Carolina Power or, provided that more than three years remain in the term of the Agreement, then, at Operator's option, Dominion North Carolina Power shall collect such amounts due with interest from the date of any such Commission Order by reducing payments to Operator at a monthly amount projected to complete the refund of the Disallowed Amount with interest in the two year period following such notice. Such interest shall be calculated at the rate of Dominion North Carolina Power/ Dominion Virginia Power's most recent issue of long-term debt at the time of the Commission Order. If, for any reason, at the end of the two year period, the reduction in payments does not recover in full such amounts due, then such remaining amount shall be due immediately.

If Operator elects the Firm Mode of Operation, then for the term of this Agreement Operator shall be paid for firm energy in accordance with VI.B in Schedule 19-DRR. All firm energy payments will be calculated each year of the Agreement by Dominion North Carolina Power using the 15 year levelized avoided energy mix as shown in Exhibit C attached hereto and as specified in Schedule 19-DRR. The \$/MBtu fuel cost, ¢/kWh for purchased power, and on-peak and off-peak factors, used to calculate firm energy rates, will change on a biennial basis consistent with the Schedule 19-DRR filing. North Carolina Power will notify Operator of changes to the firm and non-firm rates. Payments for firm energy will begin on the Commercial Operations Date. All energy delivered per hour above the Contracted Capacity shall be considered non-firm and be paid for at the applicable non-firm rate. All energy delivered prior to the Commercial Operations Date shall also be considered non-firm and be paid for at the non-firm rate. In all cases, such non-firm energy rates will be those in the Schedule 19-DRR in effect at the time such energy is delivered.

If Operator elects the Firm Mode of Operation, specified in Section IV.C of Schedule 19-DRR, Operator shall be paid for Contracted Capacity on a cents per kilowatt-hour basis as specified in Schedule 19-DRR, Section VII. Operator shall not be paid for Contracted Capacity above the Contracted Capacity level in any hour during which the generation exceeds the Contracted Capacity level specified in Paragraph THIRD.

Payments for energy will begin on the Commercial Operations Date. All energy delivered prior to the Commercial Operations Date shall be paid pursuant to the attached Schedule 19-DRR tariff.

SIXTH - No later than ninety days after execution of this Agreement, Operator shall provide, at Operator's sole expense, security for Operator's performance under this Agreement, in an amount equal to \$36.00 per kW of the nameplate rating, provided in Paragraph THIRD. Operator shall maintain such security until the expiration of this Agreement to ensure continued availability of the Facility and to guarantee payment of obligations by Operator to Dominion North Carolina Power. Such security will be an unconditional and irrevocable letter of credit issued by a bank and maintained in a form and with terms reasonably acceptable to Dominion North Carolina Power. The Letter of Credit must provide for monthly draws by Dominion North Carolina Power and permit presentation at a bank located in Richmond, Virginia. If the Agreement is terminated prior to the Commercial Operations of the Facility, Dominion North Carolina Power will be entitled to draw and retain the full amount of such security to offset any amounts owed to Dominion North Carolina Power.

SEVENTH - After execution of this Agreement and until the Commercial Operations Date, Operator shall prepare a quarterly status report for Dominion North Carolina Power showing the current progress on completing the

project. This status report shall be delivered to Dominion North Carolina Power on or before the following dates each year, January 15, April 15; July 15, and October 15. Such status report shall discuss the progress of the project in a format, which is acceptable to Dominion North Carolina Power.

**EIGHTH** - Operator and Dominion North Carolina Power agree that Operator's failure to comply with any of the following will be a material breach of this Agreement and shall result in Dominion North Carolina Power having the right to immediate cancellation, without a cure period, of this Agreement: (i) failure to commence construction of the Facility, as defined below, and provide Dominion North Carolina Power with written notice thereof by June 30, 2011, (ii) failure to achieve Commercial Operations Date by December 31, 2011, (iii) failure to provide two (2) consecutive status reports pursuant to Paragraph SEVENTH, (iv) failure, pursuant to Paragraph SIXTH, to provide or maintain security that is acceptable to Dominion North Carolina Power, (v) delivery or supply of electrical output to any entity other than Dominion North Carolina Power or its agent, assignee or successor, (vi) failure to meet those requirements necessary to maintain Qualifying Facility status, (vii) failure at any time to have in effect a valid Interconnection Agreement with Dominion North Carolina Power (or its successor as operator of the Dominion North Carolina transmission system), or (viii) failure to generate and deliver power from the Facility to Dominion North Carolina Power for more than 180 consecutive days, at any time after the Commercial Operations Date, or (ix) failure to maintain QF certification. In the event Operator fails to perform in any way, materially or non-materially, any other obligations not specifically listed above, Operator shall be given notice and thirty (30) days to cure such non-performance. Notwithstanding any cure period, Dominion North Carolina Power shall not be obligated to purchase any energy or Contract Capacity under this Agreement while any such breach remains uncured. If Operator fails to cure its non-performance within thirty (30) days of Dominion North Carolina Power's notice, Dominion North Carolina Power shall have the right to cancel this Agreement. Operator agrees that if this Agreement is canceled by Dominion North Carolina Power for Operator's non-performance prior to the end of the initial term of this Agreement, then, Dominion North Carolina Power shall have all rights and remedies available at law or in equity. The Facility will be considered to have commenced construction on the first day upon which all of the following have occurred: (1) the issuance by Operator to its construction contractor for the Facility of a written unconditional Notice-to-Proceed; (2) the mobilization of major construction equipment and construction facilities on the Facility site; and (3) the commencement of major structural excavation and structural concrete work relating to a major component of the Facility such as the power island consistent with having commenced a continuous process of construction relating to the Facility. Dominion North Carolina Power shall have no obligation to accept a declaration of Commercial Operations prior to January 1, 2011. The Anticipated Commercial Operations Date is July 1, 2011.

**NINTH** - Operator represents and warrants that it has the right to operate the Facility in accordance with the terms of this Agreement. Operator further represents and warrants that all permits, approvals, and/or licenses necessary for the operation of the Facility will be obtained prior to the Commercial Operations Date and shall be maintained throughout the Term of this Agreement. Operator shall, provide such documentation and evidence of such right, permits, approvals and/or licenses as Dominion North Carolina Power may reasonably request, including without limitation air permits, leases and/or purchase agreements.

**TENTH** - All correspondence and payments concerning this Agreement shall be to the following addresses:

**OPERATOR:**

510 REPP One, LLC  
1101 30<sup>th</sup> Street, NW  
Suite 510  
Washington, DC 20007

**DOMINION NORTH CAROLINA POWER:**

Virginia Electric and Power Company  
Power Contracts (3SE)  
5000 Dominion Boulevard  
Glen Allen, Virginia 23060-6711

Either Party may change the address by providing written notice to the other Party.

ELEVENTH - This Agreement is intended by the Parties as the final expression of their Agreement and is intended also as a complete and exclusive statement of the terms of their Agreement with respect to the purchase and sale of electrical output generated by the Facility. All prior written or oral understandings, offers or other communications of every kind pertaining to this Agreement are hereby abrogated and withdrawn.

IN WITNESS WHEREOF, the Parties hereto have caused their names to appear below, signed by authorized representatives as of the date first shown above.

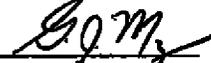
510 REPP One, LLC

By:   
Reginaid Parker

Title: CEO of 510nano as managing member on behalf of 510 REPP One LLC

Date: 12/29/2010

VIRGINIA ELECTRIC AND POWER COMPANY

By:   
Gregory J. Morgan

Title: Authorized Representative

Date: 12/22/2010

**EXHIBIT A**  
**GENERATOR INTERCONNECTION GUIDANCE AND AGREEMENT**

Dominion North Carolina Power's procedures for generator interconnection are available through the Internet at the Company's website, with draft interconnection agreements for non-FERC jurisdictional generators (as approved by the NCUC included as Attachments 1, 2 and 3 thereto). For FERC jurisdictional generators interconnection shall be in accordance with FERC and PJM requirements.

The specific Internet address for these procedures is <http://www.dom.com/about/elec-transmission/gi-main.jsp>. The Internet site contains links to the Generator Interconnection Procedures along with the Generator Interconnection Request Form. Once an Interconnection Agreement is executed it will be included herewith as part of this Exhibit A.

**EXHIBIT B**  
**General Terms and Conditions**

**I - Assignments**

Operator agrees not to assign this Agreement without the prior written consent of Dominion North Carolina Power. Dominion North Carolina Power may withhold such consent if it determines, in its sole discretion, that such assignment would not be in the best interests of Dominion North Carolina Power or its customers. Any attempted assignment that Dominion North Carolina Power has not approved in writing shall be null and void and ineffective for all purposes.

**II - Indemnity**

Operator shall indemnify and save harmless and, if requested by Dominion North Carolina Power, defend Dominion North Carolina Power, its officers, directors and employees from and against any and all losses and claims or demands for damages to real property or tangible personal property (including the property of Dominion North Carolina Power) and injury or death to persons arising out of, resulting from, or in any manner caused by the presence, operation or maintenance of any part of Operator's Facility; provided, however, that nothing herein shall be construed as requiring Operator to indemnify Dominion North Carolina Power for any injuries, deaths or damages caused by the sole negligence of Dominion North Carolina Power. Operator agrees to provide Dominion North Carolina Power written evidence of liability insurance coverage, which is specifically and solely for the Facility, prior to the operation of the Facility. Operator agrees to have Dominion North Carolina Power named as an additional insured, and shall keep such coverage current throughout the term of this Agreement.

**III - QF Certification**

Operator represents and warrants that its Facility meets the Qualifying Facility requirements established as of the Effective Date of this Agreement by the Federal Energy Regulatory Commission's rules (18 Code of Federal Regulations Part 292), and that it will continue to meet those requirements necessary to remain a Qualifying Facility throughout the term of this Agreement. [Dominion North Carolina Power may require "FERC" QF Certification by adding the following: "Operator agrees to obtain, at Operator's expense, a certification as a "QF" from the Federal Energy Regulatory Commission, in accordance with 18 C.F.R. 292.207 (b)."] Operator agrees to provide copies, at the time of submittal, of all correspondence and filings with the Federal Energy Regulatory Commission relating to obtaining certification of the Facility as a "QF". Operator will submit prior to delivery of electrical output from the Facility to Dominion North Carolina Power evidence of Qualifying Facility certification. After the Commercial Operations Date, if requested by Dominion North Carolina Power prior to March 1 of any year, Operator agrees to provide July 1 of the same year to Dominion North Carolina Power for the preceding year sufficient for Dominion North Carolina Power to determine the Operator's continuing compliance with its QF requirements, including but not limited to:

- (a) All information required by FERC Form 556.
- (b) Copy of the Facility's QF Certification and any subsequent revisions or amendments,
- (c) Provide a copy of any contract executed with a thermal host.
- (d) Identification of the amount of each type of fuel used per month and average heating value for each type of fuel, which will be used to determine the Total Energy Input. These values should be verifiable by auditing supporting documentation.
- (e) Identification of each of the QF's useful thermal output(s) for each month, including temperature, pressure, amount of thermal output delivered, temperature and amount of condensate returned (if applicable) and the conversion to Btus. These values should be verifiable by auditing supporting documentation.

- (f) Identification of the QF's useful power output, for each month. These values should be verifiable by auditing supporting documentation.
- (g) Provide drawings, heat balance diagrams and a sufficiently detailed narrative describing the delivery of useful thermal output including the location, description, and calibration data for all metering equipment used for QF calculations.
- (h) Provide any other information which the QF believes will facilitate Dominion North Carolina Power's monitoring of the QF requirements.
- (i) Dominion North Carolina Power may request additional information, as needed, to monitor the QF requirements.

#### IV - Consequential Damages

In no event shall either Party be liable to the other for any special, indirect, incidental or consequential damages whatsoever, except that the foregoing shall not apply to any promises of indemnity or obligations to reimburse the Parties expressly set forth in this Agreement.

#### V - Amendments, Waivers, Severability and Headings

This Agreement, including the appendices thereto, can be amended only by agreement between the Parties in writing. The failure of either Party to insist in any one or more instances upon strict performance of any provisions of this Agreement, or to take advantage of any of its rights hereunder, shall not be construed as a waiver of any such provisions or the relinquishment of any such right or any other right hereunder. In the event any provision of this Agreement, or any part or portion thereof, shall be held to be invalid, void or otherwise unenforceable, the obligations of the Parties shall be deemed to be reduced only as much as may be required to remove the impediment. The headings contained in this Agreement are used solely for convenience and do not constitute a part of the Agreement between the Parties hereto, nor should they be used to aid in any manner in the construction of this Agreement.

#### VI - Compliance with Laws

Operator covenants that it shall comply with all applicable provisions of Executive Order 11246, as amended; § 503 of the Rehabilitation Act of 1973, as amended; § 402 of the Vietnam Era Veterans Readjustment Assistance Act of 1974, as amended; and implementing regulations set forth in 41 C.F.R. §§ 60.1, 60-250, and 60-741 and the applicable provisions relating to the utilization of small minority business concerns as set forth in 15 U.S.C. § 637, as amended. Operator agrees that the equal opportunity clause set forth in 41 C.F.R. § 60-1.4 and the equal opportunity clauses set forth in 41 C.F.R. § 250.5 and 41 C.F.R., 60-§741.5 and the clauses relating to the utilization of small and minority business concerns set forth in 15 U.S.C. § 637(d)(3) and 48 C.F.R. § 52-219.9 are hereby incorporated by reference and made a part of this Agreement. If this Agreement has a value of more than \$500,000, Operator shall adopt and comply with a small business and small disadvantaged business subcontracting plan which shall conform to the requirements set forth in 15 U.S.C. § 637(d)(6). The provisions of this section shall apply to Operator only to the extent that:

- (a) such provisions are required of Operator under existing law,
- (b) Operator is not otherwise exempt from said provisions and
- (c) Compliance with said provisions is consistent with and not violative of 42 U.S.C. § 2000 et seq., 42 U.S.C. § 1981 et seq., or other acts of Congress.

## VII - Interconnection and Operation

Operator shall be responsible for the design, installation, and operation of its Facility. Operator shall be responsible for obtaining an Interconnection Agreement. Interconnection guidelines and agreement requirements are set forth in Exhibit A of this Agreement.

Operator shall: (a) maintain the Facility and the Interconnection Facilities on Operator's side of the Interconnection Point, except Dominion North Carolina Power-owned Interconnection Facilities, in conformance with all applicable laws and regulations and in accordance with operating procedures; (b) obtain any governmental authorizations and permits required for the construction and operation thereof and keep all such permits and authorizations current and in effect; and (c) manage the Facility in a safe and prudent manner. If at any time Operator does not hold such authorizations and permits, Dominion North Carolina Power may refuse to accept deliveries of power hereunder.

Dominion North Carolina Power may enter Operator's premises (a) to inspect Operator's protective devices at any reasonable time; (b) to read or test meters and metering equipment; and (c) to disconnect, without notice, the Facility if, in Dominion North Carolina Power's opinion, a hazardous condition exists and such immediate action is necessary to protect persons, or Dominion North Carolina Power facilities or other customers' facilities from damage or interference caused by Operator's Facility or lack of properly operating protective devices. Dominion North Carolina Power will endeavor to notify Operator as quickly as practicable if disconnection occurs as provided in (c) above. Any inspection of Operator's protective devices shall not impose on Dominion North Carolina Power any liabilities with respect to the operation, safety or maintenance of such devices.

Operator shall not operate the Facility in parallel with Dominion North Carolina Power's system prior to (a) an inspection of the installed Interconnection Facilities by an authorized Dominion North Carolina Power representative and (b) receiving written authorization from an authorized Dominion North Carolina Power representative to begin parallel operation.

## VIII - Metering

Dominion North Carolina Power will meter all electrical output delivered from the Facility on the high voltage side of the step up transformer.

Operator agrees to pay an administrative charge to Dominion North Carolina Power to reflect all reasonable costs incurred by Dominion North Carolina Power for meter reading and billing, also referred to as metering charges. The monthly meter reading and billing charge shall change from time to time when the NCUC approves a different charge in Schedule 19-DRR.

In addition, Operator agrees to pay any fees required to provide and maintain leased telephone lines required for meter reading by Dominion North Carolina Power.

## IX - Billing and Payment

Dominion North Carolina Power shall read the meter in accordance with its normal meter reading schedule. Within twenty-eight (28) days thereafter, Dominion North Carolina Power shall send Operator payment for energy and Contracted Capacity delivered. At Dominion North Carolina Power's option, (i) Dominion North Carolina Power may make such payments net of the monthly metering charges, Interconnection Facilities charges, and charges for sales of electricity to the Operator, or (ii) Dominion North Carolina Power may invoice Operator for such charges separately. Payment by Dominion North Carolina Power shall include verification showing the billing month's ending meter reading, on-peak and off-peak kWh, and the amount paid. If in any month the monthly metering and Interconnection Facilities charges are in excess of any payments due Operator, Dominion North Carolina Power shall bill Operator for the difference and Operator shall make such payment within 28 days of the invoice date. Failure by Operator to make such payments may result in disconnection of the Facility. In no event shall such disconnection relieve Operator of its obligation to pay monthly metering charges and Interconnection Facilities charges under this Agreement.

In the event that any data required for billing purposes hereunder are unavailable when required for such billing, the unavailable data shall be estimated by Dominion North Carolina Power, based upon historical data. Such billing shall be subject to any required adjustment in a subsequent billing month.

In addition to rights pursuant to Paragraph SIXTH of this Agreement, Operator agrees that Dominion North Carolina Power shall be entitled to withhold sufficient amounts due pursuant to this Agreement to offset (a) any damages to Dominion North Carolina Power resulting from any breach of this Agreement by Operator, and (b) any other amounts Operator owes Dominion North Carolina Power, including amounts arising from sales of electricity by Dominion North Carolina Power to Operator, metering charges and Interconnection Facilities charges.

In no event shall Dominion North Carolina Power be liable to Operator for any Contracted Capacity payments in excess of the amounts contracted for herein, regardless of the ultimate length of this Agreement or revisions to Schedule 19-DRR or successor schedules. Operator hereby agrees to accept the Contracted Capacity payments as set forth herein as its sole and complete compensation for delivery of Contracted Capacity to Dominion North Carolina Power.

#### **X - Force Majeure**

Neither Party shall be considered in default under this Agreement or responsible to the other Party in tort, strict liability, contract or other legal theory for damages of any description for any interruption or failure of service or deficiency in the quality or quantity of service or any other failure to perform any of its obligations hereunder to the extent such failure occurs without fault or negligence on the part of that Party and is caused by factors beyond that Party's reasonable control, which by the exercise of reasonable diligence that Party is unable to prevent, avoid, mitigate or overcome, including without limitation storm, flood, lightning, earthquake, explosion, equipment failure, civil disturbance, labor dispute, act of God or public enemy, action or inaction of a court or public authority, fire, sabotage, war, explosion, curtailments, unscheduled withdrawal of facilities from operation for maintenance or repair or any other cause of similar nature beyond the reasonable control of that Party (any such event, "Force Majeure"). Solely economic hardship of either Party shall not constitute Force Majeure under this Agreement. Nor shall anything contained in this paragraph or elsewhere in this Agreement excuse Operator or Dominion North Carolina Power from strict compliance with the obligation of the Parties to comply with the terms of Article IX of this Exhibit B relating to timely payments.

Each Party shall have the obligation to operate in accordance with Good Utility Practice (as defined below) at all times and to use due diligence to overcome and remove any cause of failure to perform.

If a Party relies on the occurrence of an event of Force Majeure described above as a basis for being excused from performance of its obligations under this Agreement, then the Party relying on the Force Majeure event shall:

- a) Provide within forty-eight (48) hours written notice of such Force Majeure event or potential Force Majeure to the other Party, giving an estimate of its expected duration and the probable impact on the performance of its obligations hereunder;
- b) Exercise all reasonable efforts to continue to perform its obligations under this Agreement;
- c) Expediently take action to correct or cure the Force Majeure event excusing performance; provided, however, that settlement of strikes or other labor disputes will be completely within the sole discretion of the Party affected by such strike or labor dispute;
- d) Exercise all reasonable efforts to mitigate or limit damages to the other Party; and
- e) Provide prompt notice to the other Party of the cessation of the Force Majeure event giving rise to its excuse from performance. All performance obligations hereunder shall be extended by a period equal to the term of the resultant delay.

If a Party responding to a Force Majeure event has the ability to obtain, for additional expenditures, expedited material deliveries or labor production which would allow a response to the event in a manner that is above and beyond Good Utility Practice, and such a response could shorten the duration of the Force Majeure event, the Party responding to the event may, at its discretion, present the other Party with the option of funding the expenditures for expediting material deliveries or labor production in an effort to reduce the duration of the event and economic hardship. Each such opportunity will be negotiated on a case-by-case basis by the Parties.

For purposes of this Agreement, "Good Utility Practice" shall mean any of the applicable practices, methods, standards, guides or acts: required by any governmental authority, regional or national reliability council, or national trade organization, including NERC, SERC, or the successor of any of them, as they may be amended from time to time whether or not the Party whose conduct is at issue is a member thereof; otherwise engaged in or approved by a significant portion of the electric utility industry during the relevant time period which in the exercise of reasonable judgment in light of the facts known or that should have been known at the time a decision was made, could have been expected to accomplish the desired result in a manner consistent with law, regulation, good business practices, generation, transmission and distribution reliability, safety, environmental protection, economy and expediency. Good Utility Practice is intended to be acceptable practices, methods, or acts generally accepted in the region, or any other acts or practices as are reasonably necessary to maintain the reliability of the Transmission System (as defined in the Interconnection Agreement), or of the Facility, and is not intended to be limited to the optimum practices, methods, or acts to the exclusion of all others.

**EXHIBIT C**

**Exhibit C is a copy of Schedule 19-DRR based on the DRR Method. This schedule was filed with the North Carolina Utilities Commission on November 1, 2010, and is subject to final approval by that Commission.**

Virginia Electric and Power Company

Schedule 19 - DRR  
POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

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I. APPLICABILITY AND AVAILABILITY

This schedule is applicable to any qualifying Cogenerator or Small Power Producer (Qualifying Facility) which desires to deliver all of its net electrical output to the Company, and which has either (1) generating facilities designated as new capacity as defined by 18 C.F.R. 292.304(b)(1), or (2) hydroelectric generating facilities that meet the criteria of being owned or operated by a small power producer as defined in G.S. 62-3(27a) and enters into an agreement for the sale of net electrical output to the Company (Agreement).

Where the Qualifying Facility (QF) elects to be compensated for firm deliveries in accordance with this schedule, the amount of capacity under contract and the initial term of contract shall be limited as follows:

- A. Where the QF operates hydroelectric generating facilities that meet the criteria of being owned or operated by a small power producer as defined in G.S. 62-3(27a), or where the QF operates non-hydroelectric QFs fueled by trash or methane derived from landfills, hog waste, poultry waste, solar, wind, and non-animal forms of biomass, the amount of capacity subject to compensation shall be no greater than 5,000 kW, and the amount of energy purchased during a given hour at rates applicable to firm deliveries shall be no greater than 5,000 kWh. The initial term of contract for such a QF shall be for a period of 5, 10, or 15 years, at the option of the QF.
- B. Where the QF is not defined under Paragraph I.A., the amount of capacity subject to compensation shall be no greater than 3,000 kW, and the amount of energy purchased during a given hour at rates applicable to firm deliveries shall be no greater than 3,000 kWh. The initial term of contract for such a QF shall be for a period of 5 years.

(Continued)

Filed 11-01-10  
Electric-North Carolina

Superseding Filing Effective For Usage On and  
After 07-21-09. This Filing Effective For Usage On  
and After 01-01-11.

Docket No. E-100, Sub 127

Schedule 19 - DRR  
POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

(Continued)

I. APPLICABILITY AND AVAILABILITY (Continued)

Where the QF elects to be compensated for firm or non-firm deliveries in accordance with this schedule, the QF must enter into a contract and begin deliveries to the Company on or before December 31, 2012. Where the QF elects an initial contract term of 10 or more years, such contract may be renewed for subsequent term(s), at the Company's option, based on substantially the same terms and provisions and at a rate either (1) mutually agreed upon by the parties negotiating in good faith and taking into consideration the Company's then avoided cost rates and other relevant factors or (2) set by arbitration.

This schedule is not applicable to a QF owned by a developer, or affiliate of a developer, who sells power to the Company from another facility located within one-half mile unless: 1) each facility provides thermal energy to different, unaffiliated hosts, or 2) each facility provides thermal energy to the same host, and the host has multiple operations with distinctly different or separate thermal needs, or 3) each facility utilizes a renewable resource which may be subject to geographic siting limitations, such as hydroelectric, solar, or wind power facilities.

II. MONTHLY BILLING TO THE QF

All sales to the QF will be in accordance with any applicable filed rate schedule. In addition, where the QF contracts for sales to the Company, the QF will be billed a monthly charge equal to one of the following to cover the cost of meter reading and processing:

<u>Metering required</u>	<u>Charge</u>
One non-time-differentiated meter	\$17.24
One time-differentiated meter	\$35.55
Two time-differentiated meters	\$41.16

(Continued)

Filed 11-01-10  
Electric-North Carolina

Superseding Filing Effective For Usage On and  
After 07-21-09. This Filing Effective For Usage On  
and After 01-01-11.

Schedule 19 - DRR  
POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

(Continued)

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III. DEFINITION OF ON- AND OFF-PEAK HOURS

As referenced in Paragraphs V.C., VI.A., VI.B., and VI.C., On-peak hours are defined as the hours between 7 a.m. and 10 p.m., Mondays through Fridays. Off-peak hours are all hours not defined as On-peak.

IV. CONTRACT OPTIONS FOR DESIGNATING MODE OF OPERATION

The QF shall designate under contract its Mode of Operation from the following options, each of which determines the Company's method of payment.

- A. The QF may contract for the delivery of energy to the Company without reimbursement, designated as the Non-reimbursement Mode of Operation; or,
- B. The QF may contract for the delivery of non-firm energy to the Company (no payment for capacity). This option includes QFs that elect to contract to deliver non-firm energy to the Company on an as-available basis. Where the QF's generation facilities have an aggregate nameplate rating of 100 kW or less the QF may designate the Non-firm, Non-time-differentiated Mode of Operation. Regardless of nameplate rating the QF may designate the Non-firm, Time-differentiated Mode of Operation.
- C. The QF may contract for the delivery of firm energy and capacity to the Company. The level of capacity which the QF contracts to sell to the Company shall not exceed 5,000 kW, where the QF is defined under Paragraph I.A., or 3,000 kW otherwise. This capacity level, in kW, shall be referred to as the Contracted Capacity. When the QF elects to sell firm energy and capacity, the QF shall designate the Firm Mode of Operation.

(Continued)

Filed 11-01-10  
Electric-North Carolina

Superseding Filing Effective For Usage On and  
After 07-21-09. This Filing Effective For Usage On  
and After 01-01-11.

Schedule 19 - DRR  
POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

(Continued)

V. PAYMENT FOR COMPANY PURCHASES OF NON-FIRM ENERGY

The QF may contract to receive payment for non-firm energy at rates to be determined with each revision of this schedule. These rates will be based upon the QF's Mode of Operation as described below.

- A. **Non-reimbursement Mode of Operation.** Where the QF designates the Non-Reimbursement Mode of Operation, no payment will be made for energy delivered.
- B. **Non-firm, Non-time-differentiated Mode of Operation.** Where the QF's generation facilities have an aggregate nameplate rating of 100 kW or less and the QF designates the Non-firm, Non-time-differentiated Mode of Operation, the following rates in cents per kWh are applicable:

	<u>2011</u>	<u>2012</u>
	4.741	4.880

- C. **Non-firm, Time-differentiated Mode of Operation.** Where the QF designates the Non-firm, Time-differentiated Mode of Operation, the following On- and Off-peak rates in cents per kWh are applicable:

	<u>2011</u>	<u>2012</u>
On-peak	5.440	5.606
Off-peak	4.178	4.296

All energy purchase rates will be further increased by 3.0% to account for line losses avoided by the Company, except that upon the effective date of any Schedule 19 that is subsequently amended and approved by the Commission, the line loss percentage applied shall be the percentage stated in the then-current Schedule 19. In lieu of 3.0% or the line loss percentage stated in the then-current Schedule 19, the QF may request that a site specific line loss percentage be determined with the QF bearing the cost of the study required.

(Continued)

Filed 11-01-10  
Electric-North Carolina

Superseding Filing Effective For Usage On and  
After 07-21-09. This Filing Effective For Usage On  
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Docket No. E-100, Sub 127

Schedule 19 - DRR  
POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

(Continued)

**VI. PAYMENT FOR COMPANY PURCHASES OF FIRM ENERGY**

QFs designating the Firm Mode of Operation will be eligible to receive purchase payments for the delivery of firm energy by the QF to the Company. Where the QF operates generation facilities having an aggregate nameplate rating of 100 kW or less, the QF may contract to receive payments for firm energy based on A., B., or C., below. Otherwise, the QF may contract to receive payments for firm energy based on A. or B., below. Contract terms for 10 or 15 years are available only where the QF is defined under Paragraph I.A.

Any energy delivered during an hour which exceeds the QF's Contracted Capacity will be priced at the rates provided in Paragraph V.C.

- A. The QF may contract to receive payment for firm energy at rates to be determined with each revision of this schedule. These rates in cents per kWh, which reflect the Company's estimated avoided energy cost for the year specified, are as follows:

	<u>2011</u>	<u>2012</u>
On-peak	5.009	5.231
Off-peak	3.846	4.009

- B. As an alternative to Paragraph VI.A., the QF may contract to receive energy purchase payments based on the Company's estimated resource plan used in support of this tariff. From this resource plan, an avoided energy mix will be derived for each year in the plan. These avoided energy mixes will then be levelized to create a mix that will be fixed for the initial term of the QF's contract. A QF contracting for this option will receive a levelized energy mix, as filed and approved in this Docket, that will correspond with the year the QF begins to deliver energy to the Company and the length of the contract between the QF and the Company. With each biennial avoided cost hearing, the Company will file with the North Carolina Utilities Commission its cost estimates for each fuel type, along with On- and Off-peak factors used to derive purchase prices, that will be applicable for the next two calendar years. Once accepted by the Commission, these yearly fuel costs will then be applied to the levelized energy mix in each QF contract to derive the applicable energy purchase prices, using the On- and Off-peak factors, for the next two years.

(Continued)

Virginia Electric and Power Company

Schedule 19 - DRR  
 POWER PURCHASES FROM  
 COGENERATION AND SMALL POWER PRODUCTION  
 QUALIFYING FACILITIES

(Continued)

VI. PAYMENT FOR COMPANY PURCHASES OF FIRM ENERGY (Continued)

The 2011/2012 energy purchase prices, in cents per kWh, derived using levelized energy mixes for five, ten, and fifteen-year contract terms are as follows:

2011/2012 rates for operation beginning during 2011

Term:	5 years		10 years		15 years	
	2011	2012	2011	2012	2011	2012
On-peak:	4.997	5.231	4.911	5.173	4.867	5.131
Off-peak:	3.833	4.013	3.767	3.969	3.734	3.936

2012 rates for operation beginning during 2012

Term:	5 years	10 years	15 years
On-peak:	5.191	5.146	5.113
Off-peak:	3.982	3.948	3.922

Attachments A1, A2 and A3 of this schedule provide examples of how these rates are derived using the levelized energy mix.

- C. Where the QF operates generation facilities having an aggregate nameplate rating of 100 kW or less, the QF may contract to receive payments for the delivery of firm energy based upon levelized prices fixed for the initial term of the QF's contract, as shown below in cents per kWh:

Initial Year of Operation		Contract Length in Years		
		5	10	15
2011	On-Peak	5.271	5.998	6.621
	Off-Peak	4.007	4.633	5.220
2012	On-Peak	5.409	6.332	6.985
	Off-Peak	4.111	4.923	5.539

(Continued)

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 Electric-North Carolina

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Docket No. E-100, Sub 127

Schedule 19 - DRR  
POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

(Continued)

VI. PAYMENT FOR COMPANY PURCHASES OF FIRM ENERGY (Continued)

All energy purchase rates will be further increased by 3.0% to account for line losses avoided by the Company, except that upon the effective date of any Schedule 19 that is subsequently amended and approved by the Commission, the line loss percentage applied shall be the percentage stated in the then-current Schedule 19. In lieu of 3.0% or the line loss percentage stated in the then-current Schedule 19, the QF may request that a site specific line loss percentage be determined with the QF bearing the cost of the study required.

VII. PAYMENT FOR COMPANY PURCHASES OF CAPACITY

Company purchases of capacity are applicable only where the QF elects the Firm Mode of Operation. Such QFs shall receive capacity purchase payments based on the applicable levelized capacity purchase price below, in cents per kWh, corresponding to the contract length in years and the year in which the QF begins delivering Contracted Capacity to the Company on a firm basis. Contract terms for 10 or 15 years are available only where the QF is defined under Paragraph I.A.

<u>Length in Years</u>	<u>Initial Year of Operation</u>	
	<u>2011</u>	<u>2012</u>
5	0.379	0.426
10	0.905	1.018
15	1.131	1.216

Payments will be made to the QF beginning with the initial month of its operation, by applying the appropriate levelized capacity purchase price above to all kWh delivered to the Company during each hour, up to the Contracted Capacity. However, in any calendar year the total capacity purchase payments made to the QF shall not exceed the QF's Contracted Capacity, multiplied by 7,446 hours, and further multiplied by the applicable levelized capacity purchase price above. In the QF's beginning and ending year of its contract term, the 7,446 hours referenced above shall be prorated.

(Continued)

Schedule 19 - DRR  
POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

(Continued)

VIII. PROVISIONS FOR COMPANY PURCHASE OF THE QF GENERATION

- A. The QF shall own and be fully responsible for the costs and performance of the QF's:
1. Generating facility in accordance with all applicable laws and governmental agencies having jurisdiction;
  2. Control and protective devices as required by the Company on the QF's side of the meter.
- B. Upon request by the Company, the Cogenerator or Small Power Producer must demonstrate that the facility is a Qualifying Facility as defined by PURPA.
- C. Interconnection procedures for the QF's generation interconnection are provided through the Internet at the Company's website;

<http://www.dom.com/dominion-north-carolina-power/customer-service/rates-and-tariffs/pdf/term24.pdf>

IX. MODIFICATION OF RATES AND OTHER PROVISIONS HEREUNDER

The provisions of this schedule, including the rates for purchase of energy and Contracted Capacity by the Company, are subject to modification at any time in the manner prescribed by law, and when so modified, shall supersede the rates and provisions hereof. However, payments to QFs with contracts for a specified term at payments established at the time the obligation is incurred shall remain at the payment levels established in their contract with the exception of the line loss percentage applied which shall be the percentage stated in the then-current Schedule 19.

(Continued)

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Schedule 19 - DRR  
POWER PURCHASES FROM  
COGENERATION AND SMALL-POWER PRODUCTION  
QUALIFYING FACILITIES

(Continued)

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IX. MODIFICATION OF RATES AND OTHER PROVISIONS HEREUNDER (Continued)

If the QF terminates its contract to provide Contracted Capacity on a firm basis to the Company prior to the expiration of the contract term, the QF shall, in addition to other liabilities, be liable to the Company for excess capacity payments. Such excess payments will be calculated by taking the difference between (1) the total capacity payments already made by the Company to the QF and (2) capacity payments calculated based on the levelized capacity purchase price found in Paragraph VII corresponding to the highest term option completed by the QF. These excess payments shall also include interest, from the time such excess payments were made, compounded annually at the rate equal to the Company's most current issue of long-term debt at the time of the contract's effective date.

X. TERM OF CONTRACT

The term of contract shall be such as may be mutually agreed upon but for not less than one year.

(Continued)

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ATTACHMENT A1  
Schedule 19 - DRR

POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

FIRM MODE OF OPERATION  
ENERGY PURCHASE PRICES FOR 2011  
APPLICABLE TO QFs WITH FIVE YEAR LEVELIZED ENERGY MIX BEGINNING IN 2011

<u>Fuel Type</u>	<u>(1)</u> <u>Displaced</u> <u>MWh</u>	<u>(2)</u> <u>Displaced</u> <u>Fuel Mix</u> <u>%</u>	<u>(3)</u> <u>Displaced</u> <u>Plants</u> <u>Heat Rate</u> <u>BTU/kWh</u>	<u>(4)</u> <u>Avoided Energy Costs</u> <u>\$/MBTU x (Col. 3) / 10,000</u>
<b>Fossil Steam:</b>				
Coal	1,618,555	28.97	9,937	4.000¢/kWh = (4.026\$/MBTU x 9,937)/10,000
Oil	14,390	0.26	10,008	12.181¢/kWh = (12.171\$/MBTU x 10,008)/10,000
Natural Gas	814,718	14.58	7,520	3.422¢/kWh = (4.551\$/MBTU x 7,520)/10,000
Comb. Turbine	91,753	1.64	10,813	7.228¢/kWh = (6.685\$/MBTU x 10,813)/10,000
Biomass	27,948	0.50	14,821	4.004¢/kWh = 2.701 \$/MBTU x 14,821/10,000
Pumped Storage	-162,452	-2.91		0.031¢/kWh
Purchase Power/Sale	2,978,885	53.31		4.775¢/kWh
Pumping	203,763	3.65		
150 MW Block	5,587,559			

Weighted Average =  $\Sigma$  (Col. 2 x Col. 4) = 4.353¢/kWh

On-peak Energy Purchase Payment = 4.353 x 1.1480 (On-peak factor) = 4.997¢/kWh

Off-peak Energy Purchase Payment = 4.353 x 0.8806 (Off-peak factor) = 3.833¢/kWh

(Continued)

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**ATTACHMENT A2  
Schedule 19 - DRR**

**POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES**

**FIRM MODE OF OPERATION  
ENERGY PURCHASE PRICES FOR 2011  
APPLICABLE TO QFs WITH FIVE YEAR LEVELIZED ENERGY MIX BEGINNING IN 2012**

<u>Fuel Type</u>	<u>(1) Displaced MWh</u>	<u>(2) Displaced Fuel Mix %</u>	<u>(3) Displaced Plants Heat Rate BTU/kWh</u>	<u>(4) Avoided Energy Costs \$/MBTU x (Col. 3) / 10,000</u>
<b>Fossil Steam:</b>				
Coal	1,618,555	28.97	9,937	4.025¢/kWh = (4.050\$/MBTU x 9,937)/10,000
Oil	14,390	0.26	10,008	13.139¢/kWh = (13.129\$/MBTU x 10,008)/10,000
Natural Gas	814,718	14.58	7,520	4.245¢/kWh = (5.645\$/MBTU x 7,520)/10,000
Comb. Turbine	91,753	1.64	10,813	5.833¢/kWh = (5.395\$/MBTU x 10,813)/10,000
Biomass	27,948	0.50	14,821	4.300¢/kWh = 2.901\$/MBTU x 14,821/10,000
Pumped Storage	-162,452	-2.91		0.031¢/kWh
Purchase Power/Sale	2,978,885	53.31		4.958¢/kWh
Pumping	203,763	3.65		
150 MW Block	-5,587,559			

Weighted Average =  $\Sigma$  (Col. 2 x Col. 4) = 4.557¢/kWh

On-peak Energy Purchase Payment = 4.557 x 1.1480 (On-peak factor) = 5.231¢/kWh

Off-peak Energy Purchase Payment = 4.557 x 0.8806 (Off-peak factor) = 4.013¢/kWh

(Continued)

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ATTACHMENT A3  
Schedule 19 - DRR

POWER PURCHASES FROM  
COGENERATION AND SMALL POWER PRODUCTION  
QUALIFYING FACILITIES

FIRM MODE OF OPERATION  
ENERGY PURCHASE PRICES FOR 2012  
APPLICABLE TO OFs WITH FIVE YEAR LEVELIZED ENERGY MIX BEGINNING IN 2012

Fuel Type	(1) Displaced MWh	(2) Displaced Fuel Mix %	(3) Displaced Plants Heat Rate BTU/kWh	(4) Avoided Energy Costs \$/MBTU x (Col. 3) / 10,000
<b>Fossil Steam:</b>				
Coal	1,556,312	27.84	9,933	4.023¢/kWh = (4.050\$/MBTU x 9,933)/10,000
Oil	10,346	0.19	9,914	13.016¢/kWh = (13.129\$/MBTU x 9,914)/10,000
Natural Gas	977,537	17.49	7,338	4.142¢/kWh = (5.645\$/MBTU x 7,338)/10,000
Comb. Turbine	88,754	1.59	10,700	5.773¢/kWh = (5.395\$/MBTU x 10,700)/10,000
Biomass	25,275	0.45	14,780	4.288¢/kWh = (2.901\$/MBTU x 14,780)/10,000
Pumped Storage	-166,072	-2.97		0.031¢/kWh
Purchase Power/Sale	2,889,828	51.69		4.958¢/kWh
Pumping	208,639	3.73		
150 MW Block	-5,590,619			

Weighted Average =  $\Sigma$  (Col. 2 x Col. 4) = 4.522¢/kWh

On-peak Energy Purchase Payment = 4.522 x 1.1480 (On-peak factor) = 5.191¢/kWh

Off-peak Energy Purchase Payment = 4.522 x 0.8806 (Off-peak factor) = 3.982¢/kWh

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Electric-North Carolina

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and After 01-01-11.

Docket No. E-100, Sub 127

**EXHIBIT D**

**[Exhibit D is reserved for possible future use]**

## **EXHIBIT E**

**Exhibit E is a map and written description identifying the specific location of the Facility and is provided by the Operator.**



**NORTHAMPTON COUNTY  
TAX MAP**



Disclaimer:  
The data provided on this map are prepared for the inventory of real property held within  
Northampton County, NC and are compiled from recorded plats, deeds, and other public records  
and data. This data is for informational purposes only and should not be substituted  
for a true and correct, properly appointed, survey, or for zoning verification.



One Inch = 610 Feet

Exhibit A

That certain tract or parcel of land lying and being situate in Gaston Township, Northampton County, North Carolina, containing 25 acres, and being bounded now or formerly by natural boundaries and lands owned by or in the possession of persons as follows: On the East by North Carolina State Road 1200; on the North by other lands of Northampton County, on the West by the C.A. Thomas Estate; on the South by Elizabeth S. Robinson; and being more particularly described as follows, to wit:

Being a 25 acre portion of Northampton County Property according to a map entitled "Surveyed for Northampton County Mid-Atlantic Industrial Park, Gaston Township, Northampton County, North Carolina, 22 July 2004," prepared by James T. Edwards, Jr., Registered Surveyor; which said map is recorded in the office of the Register of Deeds in Northampton County in Map Book 37 at Page 42. Said 25 acre portion to begin at a found axel located on the Western right-of-way margin of North Carolina State Road 1200, common corner with Elizabeth S. Robinson, formerly J.A. Suiter Heirs, thence leaving said beginning point and running with Elizabeth S. Robinson line North  $72^{\circ}59'22$  seconds W 1976.91 feet to a found axel, common corner with Elizabeth S. Robinson, C.A. Thomas Estate and Northampton County; running thence with the C.A. Thomas Estate line in a Northerly direction approximately 437.5 feet to a found iron pipe, common corner between C.A. Thomas Estate land and other lands of Northampton County; running thence in an Easterly direction approximately 2475 feet to a new made corner on the Western right-of-way margin of North Carolina State Road 1200; running thence South  $15^{\circ}06'59$  seconds West approximately 437.5 feet to the point and place of beginning. Said exact final meets and bounds description to be based upon a new survey, but said Western, Eastern, and Southern boundaries to remain unchanged. The Northern boundary to be set by the surveyor so as to achieve the exact number of 25 acres.

**EXHIBIT F**

**Exhibit F is the "Qualifying Facility" Certification to be provided by the Operator.**

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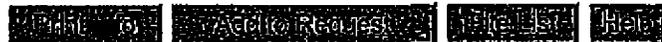
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Docket	SubDocket	Type
QF10-637	000	On Document

Correspondent:

Type	Last Name	FI	MI	Affiliation
AUTHOR	Parker	R	x	510nano, Inc.
AGENT	Parker	R		510nano, Inc.
RECIPIENT	Bose	K	D	Office of the Secretary FERC



## **EXHIBIT G**

**Exhibit G is the Certificate of Public Convenience and Necessity to be provided by the Operator, or evidence that no such certificate is required under North Carolina law.**

# OFFICIAL COPY

1101 30<sup>th</sup> Street, NW, Suite 510  
Washington, DC 20007  
Phone (202) 598-7334  
V-M: (877) 510-NANOX3  
Fax (888) 235-9584  
info@510nano.com

October 1, 2010

Rence Vance  
Chief Clerk  
NC Utilities Commission  
4325 Mail Service Center  
Raleigh, NC 27699-4325

## FILED

OCT 06 2010

Clerk's Office  
N.C. Utilities Commission

Re: Dockets SP-805 and SP-806 Closing

Dear Ms. Vance:

*SP-805, sub D*  
*SP-806, sub B*

As the developer of renewable energy projects 510 REPP Two, LLC and 510 REPP Three, LLC, 510nano is requesting the closing of their dockets, SP-805 and SP-806. Please note that we are proceeding with 510 REPP One, LLC, docket number SP-804, and filed a report of proposed construction for it on September, 10, 2010.

Should you have any questions concerning this request, please call me at 919-943-3438.

Sincerely,



Reginald Parker  
CEO & President  
510nano, Inc.

This is to certify that the above signature is true and accurate

  
Notary Signature

*10/4/10*  
Date

*284526*  
Registration number

*3/31/11*  
Commission Expiration date

*Clerk's*  
*AB*  
*Benank*  
*Kirby*  
*Watson*  
*Ericson*  
*Jones*  
*2/6 Legal*  
*2/5 Elec*  
*1/5 Gas*

ELTON D. HOLLEY  
Notary Public  
Commonwealth of Virginia  
284636  
My Commission Expires Mar 31, 2011



510nano, Inc.

**OFFICIAL COPY**

**FILED**

**SEP. 10 2010**

Clerk's Office  
N.C. Utilities Commission

September 7, 2010

Mr. Jay Lucas  
Chief Clerk  
NC Utilities Commission  
4325 Mail Service Center  
Raleigh, NC 27699-4325

SP-804, sub 0

Dear Mr. Lucas:

510nano is submitting applications for certificates of public convenience and necessity for three 1.4 MW solar photovoltaic farms, REPP One, REPP Two, and REPP Three. They are all located at the Northhampton County Commerce Park in Gaston, NC on one parcel of land. Each of the three systems will operate independently of each other and are owned by separate entities.

Should you require further information for the applications, please call me at 919-943-3438. We look forward to your response.

Sincerely,



Reginald Parker  
CEO

Clerk-19  
A6  
Bennink  
Kirby  
Watson  
Ericson  
Jones  
2PS Legu/  
2PS Elec  
1PS Leg

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North Carolina Utility Commission

Application for Certificate of Public Convenience and Necessity by Qualifying Cogenerator or Small Power Producer  
510 REPP One Application

**FILED**

Rule R8-64, Section b (1)

SP-804, sub D SEP 10 2010

Clerk's Office  
N.C. Utilities Commission

1. The application shall be accompanied by maps, plans, and specifications setting forth such details and dimensions as the Commission requires. It shall contain, among other things, the following information, either embodied in the application or attached thereto as exhibits:
  - i. The full and correct name, business address and business telephone number of the applicant:  
510 REPP One, LLC  
617 Lebanon Church Road  
Gaston, NC 27832  
919-943-3438
  - ii. A statement of whether the applicant is an individual, a partnership or a corporation and, if a partnership, the name and business address of each general partner and, if a corporation, the state and date of incorporation and the name and business address of an individual duly authorized to act as corporate agent for the purpose of the application and, if a foreign corporation, whether domesticated in North Carolina.  
The applicant is a limited liability corporation, incorporated on May 10, 2010 in the state of North Carolina. Reginald Parker is duly authorized to act as managing member, and can be reached at:  
1101 30<sup>th</sup> Street, NW  
Suite 510  
Washington, DC 20007  
919-943-3438
  - iii. The nature of the generating facility, including the type and source of its power or fuel:  
510 REPP One is a photovoltaic solar array.
  - iv. The location of the generating facility set forth in terms of local highways, streets, rivers, streams, or other generally known local landmarks together with a map, such as a county road map, with the location indicated on the map.  
510 REPP One is located in the Northampton County Commerce Park at 617 Lebanon Church Road, Gaston, NC, 27832, along State Road 1200 (Lebanon Church Road), just west of I-95, between Highway 48 on the North, and Highway 46 on the South. See attached exhibit.
  - v. The ownership of the site and, if the owner is other than the applicant, the applicant's interest in the site.  
510 REPP One is the owner of the facility.
  - vi. A description of the buildings, structures, and equipment comprising the generating facility and the manner of its operation;  
The proposed facility is a fixed ground array of crystalline photovoltaic panels with a total nameplate rating of 1.4 megawatts.

The total number of panels will be approximately 6,000 and the array will take up an area of approximately seven acres.

The panels will be connected to three inverters rated at 500 kilowatts each. The output will vary with solar irradiation and ambient temperature, but will never exceed 97% of the nameplate rating of the panels.

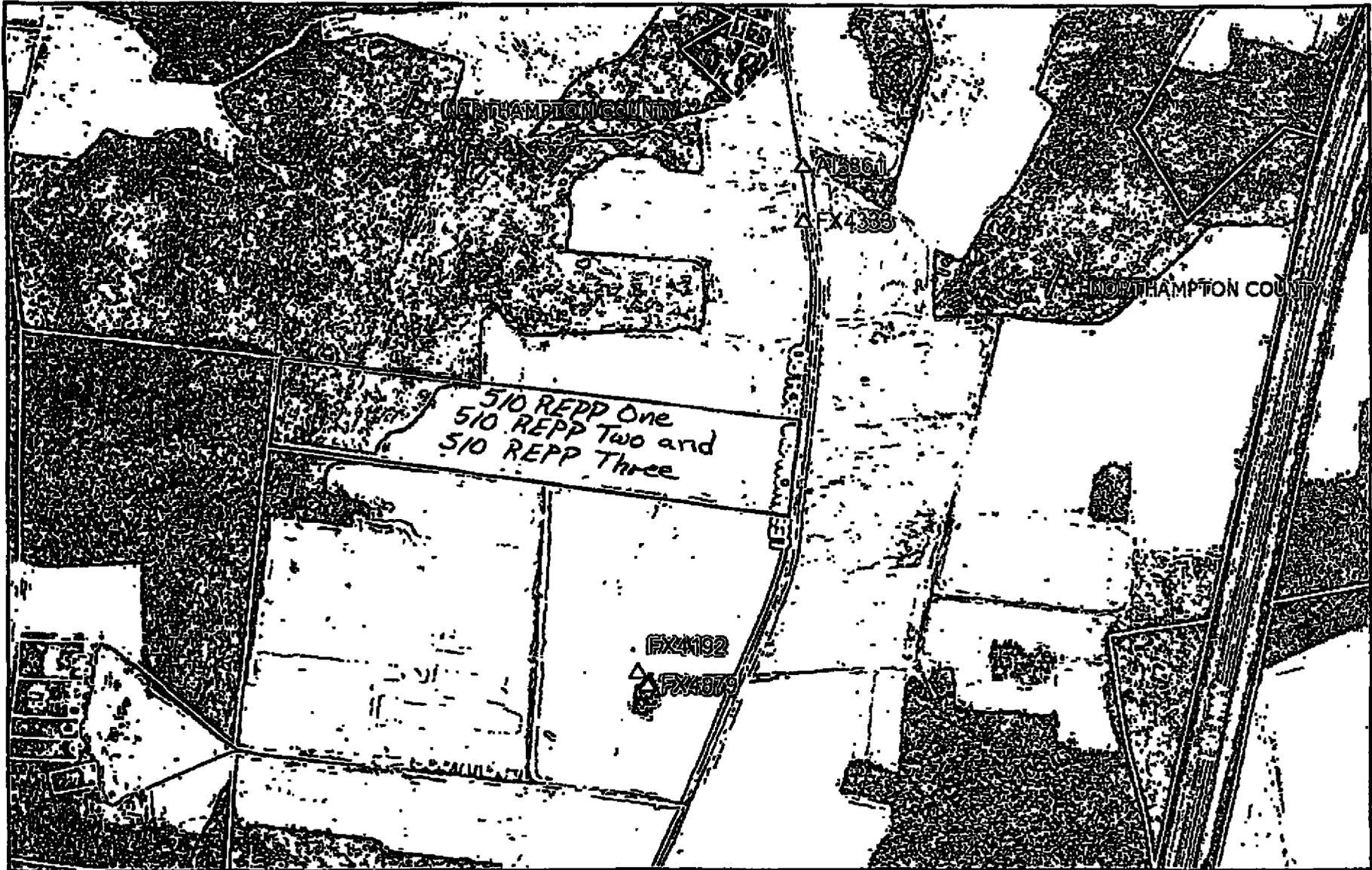
The output voltage will match by means of step-up transformers the medium voltage of the local utility. At this time this is planned to be 13.2 kilovolts.

This will be a grid-interactive solar photovoltaic array. It will act as a current source whose frequency and voltage follow that of the adjacent grid. In the event of a grid power outage it will not produce any electrical output.

Electrical production will be monitored using revenue grade performance monitoring and reporting via an Internet connection.

All of the equipment will meet UL 1741 and any other mandatory safety standards. The equipment will be selected from the approved equipment list maintained by the California Energy Commission.

- vii. The projected maximum dependable capacity of the facility in megawatts  
The output will vary with time of day, time of year, and weather conditions. The facility does not have a single continuous dependable capacity. For instance, it will have no output at night or in heavy rain. The system harvests available solar energy.
- viii. The projected cost of the facility:  
\$6,900,000.00
- ix. The projected date on which the facility will come on line:  
December 31<sup>st</sup>, 2010
- x. The applicant's general plan for sale of the electricity to be generated, including the utility to which the applicant plans to sell the electricity; any provisions for wheeling of the electricity; arrangements for firm, non-firm or emergency generation; the service life of the project; and the projected annual sales in kilowatt-hours;  
510 REPP One plans to sell all the generated electricity to the local utility, Dominion NC Power, in a firm mode of generation. There are no provisions for wheeling of the electricity. The service life of the project is 20 years, and the projected annual sales are 2,000,000 kWh.
- xi. Complete list of all federal and state licenses, permits and exemptions required for construction and operation of the generating facility and a statement of whether each has been obtained or applied for. A copy of those that have not been obtained at the time of the application should be filed with the Commission as soon as they are obtained.
  - Construction and Electrical permits from Northampton County – Not applied for
  - Conditional Use Permit from Northampton County – Not applied for
  - Qualifying Facility certification from the Federal Energy Regulatory Commission – Application Submitted
  - Interconnection Request to Dominion NC Power – Not applied for



**NORTHAMPTON COUNTY  
TAX MAP**



**Disclaimer:**  
The data presented on this map are prepared for the inventory of real property held within Northampton County, NC and are compiled from recorded plans, deeds, and other public records and data. This data is for informational purposes only and should not be substituted for a true title search, property appraisal, survey, or for zoning verification.



One inch = 610 Feet

Exhibit A

That certain tract or parcel of land lying and being situate in Gaston Township, Northampton County, North Carolina, containing 25 acres, and being bounded now or formerly by natural boundaries and lands owned by or in the possession of persons as follows: On the East by North Carolina State Road 1200; on the North by other lands of Northampton County, on the West by the C.A. Thomas Estate; on the South by Elizabeth S. Robinson; and being more particularly described as follows, to wit:

Being a 25 acre portion of Northampton County Property according to a map entitled "Surveyed for Northampton County Mid-Atlantic Industrial Park, Gaston Township, Northampton County, North Carolina, 22 July 2004," prepared by James T. Edwards, Jr., Registered Surveyor, which said map is recorded in the office of the Register of Deeds in Northampton County in Map Book 37 at Page 42. Said 25 acre portion to begin at a found axel located on the Western right-of-way margin of North Carolina State Road 1200, common corner with Elizabeth S. Robinson, formerly J.A. Suiter Heirs, thence leaving said beginning point and running with Elizabeth S. Robinson line North  $72^{\circ}59' 22$  seconds W 1976.91 feet to a found axel, common corner with Elizabeth S. Robinson, C.A. Thomas Estate and Northampton County; running thence with the C.A. Thomas Estate line in a Northerly direction approximately 437.5 feet to a found iron pipe, common corner between C.A. Thomas Estate land and other lands of Northampton County; running thence in an Easterly direction approximately 2475 feet to a new made corner on the Western right-of-way margin of North Carolina State Road 1200; running thence South  $15^{\circ} 06' 59$  seconds West approximately 437.5 feet to the point and place of beginning. Said exact final meets and bounds description to be based upon a new survey, but said Western, Eastern, and Southern boundaries to remain unchanged. The Northern boundary to be set by the surveyor so as to achieve the exact number of 25 acres.

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of  
Registration Statement for a Renewable Energy Facility AND/OR Report of Proposed Construction ) VERIFICATION  
)  
)

I, Reginald Parker, CEO of 510nano, on behalf of 510nano, the managing member of 510 REPP ONE, verify that the contents of the Registration Statement for a Renewable Energy Facility AND/OR Report of Proposed Construction by 510 REPP One filed in this docket are true to the best of my knowledge. I am duly authorized to act on behalf of 510 REPP One.

  
(SIGNATURE OF APPLICANT OR AUTHORIZED REPRESENTATIVE)  
(PRINTED OR TYPED NAME) *Reginald Parker*

Sworn to and subscribed before me,  
this is the *9<sup>th</sup>* day of MONTH, YEAR.  
*Sept 2010*

(SIGNATURE OF NOTARY PUBLIC)  
Notary Public 

My Commission expires: *3/31/11*

ELTON D. HOLLEY  
Notary Public  
Commonwealth of Virginia  
284536  
My Commission Expires Mar 31, 2011

**AMENDMENT NO. 4  
TO THE  
THIRD AMENDED AND RESTATED AGREEMENT**

This AMENDMENT NO. 4 TO THE THIRD AMENDED AND RESTATED AGREEMENT (this "Amendment") is entered into as of this 26<sup>th</sup> day of October, 2010 between SMURFIT-STONE CONTAINER CORPORATION, a Delaware corporation and VIRGINIA ELECTRIC AND POWER COMPANY, a Virginia public service corporation ("Dominion Virginia Power") (each a "Party" and collectively, the "Parties").

WHEREAS, Smurfit-Stone Container Corporation and Dominion Virginia Power entered into a Third Amended and Restated Agreement dated as of October 25, 2004, which was amended as of October 23, 2008, as of February 25, 2009, and as of October 26, 2009 (collectively the "Agreement");

WHEREAS, the Agreement's term expires on October 26, 2010;

WHEREAS, the Parties desire to extend the term of the Agreement and to amend certain other provisions as described in this Amendment.

NOW, THEREFORE, in consideration of the mutual covenants and other good and valuable consideration described herein, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Definitions. Unless otherwise defined in this Amendment, all capitalized terms shall have the meanings given to them in the Agreement.
2. Effective Date. This Amendment shall be effective as of October 26, 2010.
3. Term. The term of the Agreement shall be extended until October 26, 2011, unless earlier terminated in accordance with the terms of the Agreement.
4. Amendment. Section 4.3(a) of the Agreement is hereby deleted in its entirety and replaced with the following:

"(a) For Net Electrical Output delivered to Dominion Virginia Power, Dominion Virginia Power shall pay Smurfit-Stone Container Corporation the Energy NEO/Capacity Payment Rate, which shall be equal to the sum of (i) the energy rate of ninety-five percent (95%) of the PJM hourly Day-Ahead Dominion Zone Locational Marginal Pricing, and (ii) the capacity rate of (y) One Hundred and Eighty-Eight Dollars and Eighty-Eight Cents (\$188.88) per day from October 26, 2010 through May 31, 2011,

or (z) Two Hundred and One Dollars and Thirty Four Cents (\$201.34) per day from June 1, 2011 through the end of the Term.”

5. Entire Agreement; Conflicts. This Amendment and the Agreement represent the entire agreement between the Parties with respect to the subject matter hereof and no oral or written representation, warranty, course of dealing, or trade usage not contained or referenced herein shall be binding on either Party. In the event of a conflict between the terms of this Amendment and the Agreement, the terms of this Amendment shall control. Only an instrument in writing executed by the Parties may amend this Amendment.

6. No Other Changes. Except as expressly set forth in this Amendment, all other provisions of the Agreement remain unchanged and in full force and effect.

7. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together constitute one instrument.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment effective as of the date first written above.

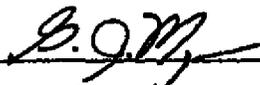
**SMURFIT-STONE CONTAINER CORPORATION**

By: 

Name: Mike Cobwell

Title: Manager, Energy

**VIRGINIA ELECTRIC AND POWER COMPANY**

By: 

Name: Gregory J. Morgan

Title: Authorized Representative