Mount, Gail

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From: Edward Kelly [nedkellypbo@me.com]
Sent: Monday, October 28, 2013 3:41 PM
To: Statements
Subject: Avoided Cost Rate hearing

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N.C. Utilities Commission

Date: 28 October, 2013

From: Edward A. (Ned) Kelly, M.D.

315 Hillsboro St.

Pittsboro, NC 27312

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To: The North Carolina Untilities Commission

Re: Valuing the full Avoided Cost Rate for Qualifying Facilities

Dear North Carolina Utilities Commission:

I am writing in support of the renewable energy industry and Qualifying Facilities developed independently of and in addition to utility-owned facilities, because I believe that innovation and competition from independent companies will assure that the best and the lowest costing renewable energy generation is available to the citizens or our state and our country.

Regarding the determination of the value of Avoided Cost Rate (ACR) payments, I favor a methodology that takes into account the following factors in addition to the currently adopted criteria:

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- The value of water (all fossil fueled and nuclear plants use water for both generation and cooling purposes, and are thus vulnerable to drought induced water shortages, whereas solar and wind qualifying facilities use no water in their generation process),
- Emission free electricity, and
- Elimination of fuel volatility risk.

None of these three factors are currently recognized as having financial value by using only the peaking power plant, Combustion Turbine methodology, as put forth by Duke Energy testimony. I support the VOS (Value of Solar) methodology, as put forth by RMI (Rocky Mountain Institute), as an industry acceptable method to account for the value that solar brings to the grid.

I believe that the above factors are consistent with the objective of PURPA, namely, to encourage the development of the QFs (qualifying facilities, as defined by FERC) in order to reduce the reliance on fossil fuels. The US Supreme Court has recognized this legislative intent. Duke Energy's ACR testimony puts forth nothing that focuses on fossil fuel reduction, either directly or indirectly.

The reimbursement rates for renewable energy generated by utilities companies such as Duke Energy are designed for the utilities to recover 100% of their capital costs associated with construction of renewable energy facilities and make a guaranteed profit of 10-12% as stipulated by the regulations. These costs are covered in the base rate all consumers pay for all their electricity. Independent Qualifying Facility developers, however, can ONLY recover capital costs and profit thereon through the Avoided Cost Rate payment schedule. The argument that the ACR is burdensome to consumers is illogical as long as that rate is the same as, or lower than, rates charged consumers by utilities. Therefore, I do not believe that ACR rates at least equal to those paid in the last two years are burdensome to the rate payer.

Also, I support raising the Performance Adjustment Factor from 1.2 to 2 for all solar and wind facilities, as it currently is for small hydro facilities.

In summary, I believe that the proposals advocated above support fairness, financial viability, emission free generation, and independent development of Qualifying Facilities in NC, all to the benefit of the citizens of North Carolina.
