

Blue Ridge Electric Membership Corporation

Lenoir, North Carolina

Initial Comments Regarding The Consideration of Four Standards added to PURPA 111 (d) by the Energy Independence and Security Act of 2007

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**On Behalf of
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Introduction

On December 19, 2007, the President signed into law the Energy Independence and Security Act of 2007 (EISA 2007). Among other things, EISA 2007 requires state regulatory authorities (North Carolina Utilities Commission), along with the utilities they regulate and non-regulated utilities with retail sales exceeding 500 GWh/year, to consider adopting new rate design standards in four areas. EISA 2007 imposes this requirement by amending certain provisions of the Public Utility Regulatory Policies Act of 1978, commonly referred to as PURPA.

With the passage of EISA 2007, Congress amended the Public Utility Regulatory Policies Act (“PURPA”) of 1978. PURPA was enacted to encourage: (1) the conservation of energy supplied by electric utilities; (2) optimal efficiency of electric utility facilities and resources; and (3) equitable rates for electric consumers (PURPA § 101). As implemented in 1978, and as amended since, PURPA sets forth a number of standards to fulfill these purposes. EISA 2007 added four additional standards concerning energy efficiency, rate alignment, smart grid investment, and access to information. The requirements of EISA 2007 apply to regulated and non-regulated utilities (Blue Ridge Electric is a non-regulated utility for purposes of this proceeding) with retail sales exceeding 500 million kilowatt-hours in any calendar year. Blue Ridge Electric’s sales exceed this limit. Therefore, Blue Ridge Electric is required to comply with the consideration requirements of EISA 2007 (PURPA § 102(a)). EISA 2007 amendments to PURPA require that Blue Ridge Electric begin consideration of certain standards by December 19, 2008. The consideration is to be completed no later than December 19, 2009. Blue Ridge Electric decided to meet these deadlines with respect to all standards. Neither PURPA nor the amendments to PURPA set forth in EISA 2007 give any details on the procedure by which a non-regulated utility such as Blue Ridge Electric is to consider the four standards. The only guidance is provided in section § 111 of PURPA.

Because neither PURPA nor EISA 2007 provided further specificity as to how a proceeding such as this was to progress, Blue Ridge Electric was required to determine and implement procedures which would best accomplish the requirements of PURPA and EISA 2007. Important to this process is the collection and receipt of as much information and evidence as possible, along with the participation by members of Blue Ridge Electric and others

so that the best possible consideration of the standards as set forth in EISA 2007 can be accomplished.

The Board began consideration of the process in November 2008 by reviewing recommendations of the staff and Blue Ridge Electric counsel as to how to implement the process for the consideration of the EISA 2007 standards. The Board, which is responsible for managing the business and affairs of the cooperative, decided it would act as the decision-making body to ensure consideration of the standards. The Board decided to do so along with the assistance of the staff and counsel of Blue Ridge Electric. As such, the Board asked staff and counsel to prepare, for the Board's consideration and implementation, a process which best accomplished the requirements of EISA 2007, best allowed gathering of information and evidence, and provided the widest notice and participation of members and others. In November 2008, the Board passed a Resolution outlining a process for the consideration of the standards. By a resolution of the Board dated November 20, 2008, the Board documented that the consideration process had begun.

With this backdrop, we will now discuss the specific procedural history of this proceeding which demonstrates compliance with the requirements of PURPA and EISA 2007. The first cornerstone of the procedural requirements for consideration and determination of the EISA 2007 standards is that the consideration must be made "after the public notice and hearing." (PURPA § 111(b) (1)). Notice of this proceeding was issued on November 21, 2008, to the entire membership of Blue Ridge Electric, through legal notices in area newspapers and the establishment of a special web page that was implemented as part of Blue Ridge Electric's website to provide the broadest available dissemination of information on this proceeding. The notices and the website set forth the deadlines by which certain actions would be taken, including intervention, dates for filing testimony, and the public hearing. Further, the notice set forth specific procedural requirements for the proceeding.

The second cornerstone of the procedural requirements for consideration and determination is that the determination must be in writing, based upon findings included in such determination and upon evidence presented at the hearing, and available to the public. (PURPA § 111(d)). The comments in this paper constitute part of the "determination in writing," and is "based upon findings included in such determination and upon the evidence presented at the hearing," which is to be conducted March 3, 2009. Further, as set forth above, this decision is to

be made available to the public. This decision will also be posted on the website so that the widest possible dissemination of the determination can be made. Since the decision must be based on evidence presented at the hearing, it is important that not only notice to the public be made, but the availability of participation in the process in order to present evidence is also critical.

The requirements of EISA 2007 do not mandate that the affected electric utilities implement the four new standards. Instead, EISA 2007 states that “each state regulatory authority (with respect to each electric utility for which it has ratemaking authority) and each non-regulated electric utility (Blue Ridge Electric) shall consider each standard” and then “make a determination concerning whether or not it is appropriate to implement such standard” (PURPA Section 111 (a)). PURPA further states that “nothing in this subsection prohibits any state regulatory authority or non-regulated electric utility from making any determination that it is not appropriate to implement any such standard.”

Blue Ridge Electric Membership Corporation (the “Cooperative”) has annual retail sales well in excess of 500 million kWh and is a non-regulated electric utility, which PURPA defines as “any electric utility other than a state regulated electric utility.” Thus, it is the responsibility of the Cooperative’s Board of Directors to make its own independent determination regarding whether or not to implement each of the new EISA 2007 standards. That determination must follow an appropriate consideration of the standards that includes evidence presented during the course of a public hearing.

The purpose of these initial comments is to contribute to the body of evidence used by the Board of Directors to make their determination on each standard based upon findings that are appropriate for the consumer/members of the Cooperative. Thus, the following comments address not only general considerations regarding each of the four standards, but also identify specific issues and circumstances applicable to the Cooperative that should be a part of the Board of Directors’ deliberations. In fact, the federal legislators anticipated that state regulatory authorities and non-regulated electric utilities would need to consider utility-specific conditions and circumstances during their evaluation of the EISA 2007 standards and determine the ability of each utility to accomplish the goals of EISA 2007 via the implementation of the four new EISA 2007 standards. In that light, with respect to each of the four EISA 2007 standards, the

Board of Directors may decide to implement the standard as stated in EISA 2007, implement a modification of the standard, or decline to implement the standard.

PURPA Goals

The goals of PURPA continue to be the same as those stated in the original Public Utilities Regulatory Policy Act of 1978, that is to encourage (1) conservation of energy supplied by electric utilities, (2) optimal efficiency of electric utility facilities and resources, and (3) equitable rates for electric consumers. The first goal focuses on retail energy users and promotes conservation of end-use consumption. The second goal applies to electric utilities, their use of energy, and the facilities they utilize to deliver energy. By including the third goal, PURPA recognizes the need for proper development and administration of retail rates, thereby providing a check and balance relative to the other two goals, so that the programs, policies and rates employed by electric utilities to achieve the first two goals reflect their associated costs and are not arbitrary, unfair or unduly discriminatory.

The Cooperative's Board of Directors should make its determination regarding each PURPA standard (EISA 2007) based on whether or not, given the Cooperative's particular circumstances, that the standard will accomplish any one of those three purposes, while not adversely impacting the other two. Thus, if implementation of a standard adversely impacts even one of the three goals, the Cooperative's Board of Directors can decline to implement that standard.

Blue Ridge Electric Membership Corporation

The Cooperative has several organizational and operational characteristics that should materially influence the Board of Directors' consideration of the EISA 2007 standards. First, the Cooperative is member-owned and thus self-regulated. The Cooperative's member/consumers elect the Board of Directors that establishes and oversees the Cooperative's policies, rates, and service rules and regulations. Unlike investor-owned electric utilities, the Cooperative has no third party investors to satisfy. Thus, there is no conflict of interest between the utility's owners and consumer/members regarding profitability. In fact, the Cooperative is a not-for-profit organization. Revenues collected in excess of operating expenses (such difference is referred to

as “margins”) are assigned back to the Cooperative’s consumer/members in the form of capital credits. Under this form of organization, all costs associated with the programs, policies and rates adopted to implement the EISA 2007 standards will be born in full by the Cooperative’s consumer/members.

The Cooperative owns and operates an electric distribution utility. Unlike a vertically integrated electric utility, the Cooperative has no direct control over the generation and transmission costs incurred to furnish electric energy to the Cooperative’s consumer/members. Instead, such bulk power services are purchased from an investor-owned utility, Duke Energy Carolinas (DEC), through long-term contracts.

Through the Board of Directors, the Cooperative began consideration of the four new EISA 2007 standards on November 20, 2008 after the Board adopted a resolution directing the Cooperative’s staff to initiate the consideration phase of the EISA 2007 standards. Staff has attended several seminars and meetings on the topic conducted by the National Rural Electric Cooperative Association and the North Carolina Electric Membership Corporation and consulted legal staff from these organizations. In addition, staff has consulted with Duke Energies Carolinas (DEC) regarding two of the standards on Integrated Resource Planning and Rate Design Modifications to Promote Energy Efficiency Investments since they are responsible for providing electricity to the Cooperative from generation resources that they own and operate. Representatives from DEC have provided comments on the discussion of the standards prepared by the Cooperative.

It is important to note that, even though the standards themselves are written as if they are mandatory, PURPA EISA 2007 does not require that the standards be implemented. Rather, it is Blue Ridge Electric’s responsibility “to consider” each standard and determine, based on evidence presented during the consideration process, whether the implementation of that standard is appropriate for its distribution system. The standards to be considered are:

- 1) Energy Efficiency;
- 2) Rate Alignment;
- 3) Smart Grid Investments; and
- 4) Access to Information.

Following, in this order, is a discussion of each of the standards, and our review of information that may prove useful to the Board of Directors of Blue Ridge Electric as they

consider the findings included in this determination and upon the evidence presented at the public hearing, as to whether Blue Ridge Electric meets each of the standards. A discussion of the four EISA 2007 standards to be considered follows:

Energy Efficiency

PURPA Standard 111(d) (16) (Section 532 of the Act), Energy Efficiency in Integrated Resource Planning

- (16) INTEGRATED RESOURCE PLANNING. —Each electric utility shall—
- (A) integrate energy efficiency resources into utility, State, and regional plans; and
 - (B) adopt policies establishing cost-effective energy efficiency as a priority resource

This new PURPA Standard (Section III (d) (16)) requires affected utilities to consider and determine: A) whether energy efficiency resources should be integrated into a utility's integrated resources planning (IRP) efforts; and B) whether or not to adopt policies establishing cost-effective energy efficiency alternatives as a "priority" resource. It is important to note, as with all of the Standards the Blue Ridge Electric Board has under consideration that, while the Standard language appears to direct certain action, the Board's obligation is to "consider and determine" whether to implement the Standard and in so doing shall evaluate how such implementation will encourage: 1) conservation of energy supplied by electric utilities, 2) optimal efficiency of electric utility facilities and resources, and 3) equitable rates for electric consumers, and whether such action has been preempted by State law or is otherwise "grandfathered" by past Board or state action.

The term "Integrated Resource Planning" (IRP), broadly defined, refers to a comprehensive planning process intended to systematically consider appropriate supply and demand resources to meet current and future load requirements within the context of local, State, and Federal policy goals and objectives. States and utilities began using IRP in the 1980s, often called "least cost planning" at that time, after significant rate increases and from a concern that not all supply and demand resource alternatives were being fairly considered with existing planning processes.

The General Statutes of North Carolina require that the Utilities Commission analyze the probable growth in the use of electricity and the long-range need for future generating capacity in North Carolina. The Commission is required to submit an annual report to the Governor and to the General Assembly regarding future electricity needs and some of the information necessary to conduct the analysis of long-range electricity generating needs is filed by each regulated utility as a part of the Least Cost Integrated Resource Planning process commonly called Integrated Resource Planning (IRP). It is a process that takes into account conservation, load management, and other demand-side options along with new utility-owned generating plants, non-utility generation, and other supply-side options to identify the resource plan that will be most cost-effective for ratepayers consistent with the provision of adequate, reliable service.

In 1998, the Utilities Commission issued an Order in which it revised rules that shortened the reported planning horizon from 15 years to 10 years and streamlined the IRP review process while retaining the requirement that each utility file an annual plan in sufficient detail to allow the Commission to meet its statutory responsibilities. A Commission Order issued in 2007 in Docket No. E-100, Sub 111, required utilities to assess on an ongoing basis both the potential benefits of reasonably available supply-side energy resource options, as well as programs to promote demand-side management.

Integrated Resource Plans (IRPs) typically involve utilities that are supplying power and energy to other utilities and/or customers directly, such as Duke Energy Carolinas and their wholesale supply of electricity to Blue Ridge Electric. IRPs are not usually a requirement of independent distribution utilities, such as Blue Ridge Electric, however, the North Carolina Public Utilities Commission revised its previous rules regarding IRP and ordered revised Rules R8-60 and R8-61 (b), become effective on July 11, 2007. These new rules were further refined in Docket No. E-100, Sub 113 to address the implementation of Senate Bill 3 (North Carolina Renewable Energy and Energy Efficiency Portfolio Standard—REPS) requirements. Blue Ridge Electric has been submitting individual IRPs (IRPs were formerly submitted as part of our participation in a statewide association of electric cooperatives) since 2006 and will continue to submit future IRPs as part of our compliance plans required under the requirements of Senate Bill 3. These future IRPs may be submitted either directly or as a component of a larger IRP being submitted by GreenCo Solutions or our wholesale supplier, Duke Energy Carolinas.

While Integrated Resource Planning has many facets and objectives, this EISA 2007 standard is written to specifically address one aspect of IRP, integrating energy efficiency into utility plans and adopting policies that encourage cost-effective energy efficiency. As a result of the IRP requirements already imposed by the North Carolina Utilities Commission, Blue Ridge Electric probably does not need to adopt this new PURPA Standard (Section 16 111(d)(16), including both Parts (A) and (B)) because Blue Ridge Electric already performs resource planning activities that incorporate what is called for in this standard. The new REPS compliance plan further defines the new energy efficiency programs and renewable energy resources that Blue Ridge Electric will implement to meet the requirements of the new legislation. The existing IRP used by Blue Ridge Electric reflects energy efficiency and demand side management (DSM) programs and initiatives that are already in place. The new programs that are being implemented by Blue Ridge Electric in 2009 as part of the REPS compliance plan add further evidence to the fact the cooperative is already meeting this EISA 2007 standard. In addition, Blue Ridge Electric's annual IRP approach also provides for updated evaluations and implementation of cost-effective energy efficiency programs, the acquisition of renewable energy resources, and the implementation of DSM programs on a priority basis for its consumer/members periodically. Thus, Blue Ridge Electric does not need to adopt the new PURPA Standard on Integrated Resource Planning (Section 111(d) (16), including both Parts (A) and (B)) because it's current IRP efforts already integrate and effectively evaluate energy efficiency alternatives on a priority basis.

Rate Alignment

PURPA Standard 111(d) (17) (Section 532 of the Act), Rate Design Modifications to Promote Energy Efficiency Investments.—

(17) RATE DESIGN MODIFICATIONS

(A) IN GENERAL.— The rates allowed to be charged by any electric utility shall—

(i) align utility incentives with the delivery of cost-effective energy efficiency; and

(ii) Promote energy efficiency investments.

(B) POLICY OPTIONS.—In complying with subparagraph (A), each State regulatory authority and each non-regulated utility shall consider—

(i) removing the throughput incentive and other regulatory and management disincentives to energy efficiency;

- (ii) providing utility incentives for the successful management of energy efficiency programs;
- (iii) including the impact on adoption of energy efficiency as 1 [sic] of the goals of retail rate design, recognizing that energy efficiency must be balanced with other objectives;
- (iv) adopting rate designs that encourage energy efficiency for each customer class;
- (v) allowing timely recovery of energy efficiency-related costs; and
- (vi) offering home energy audits, offering demand response programs, publicizing the financial and environmental benefits associated with making home energy efficiency improvements, and educating homeowners about all existing Federal and State incentives, including the availability of low-cost loans, that make energy efficiency improvements more affordable.

This new PURPA Standard calls for affected utilities to consider and determine whether the utility's electric rates align utility incentives with the delivery of cost-effective energy efficiency and Demand Side Management (DSM) programs as well as promote energy efficiency investments. Blue Ridge Electric already provides direct incentives for their current energy efficiency and DSM programs based on comparisons of the costs to implement these energy efficiency programs to Blue Ridge Electric's power supply resources available through their existing contractual arrangements. In addition, Blue Ridge Electric periodically reviews, evaluates and modifies the levels of such incentives as the costs of power supply resources and other factors change.

Blue Ridge Electric does support the objectives of Section 111 (d) (17) (A). However, Blue Ridge Electric should not adopt the Standard because Blue Ridge Electric already reflects the intent of the Standard and incorporates the Standard in its retail rate designs and programs to the extent appropriate for its members. In addition, the Policy Options of Section 111 (d) (17) (B) are reflected in Blue Ridge Electric's retail rate designs and programs to the extent appropriate for its members. It is important to address each Policy Option of the proposed standard to obtain a better understanding of the rationale of why Blue Ridge Electric does not need to adopt this standard. In considering Policy Option (i), cooperatives, such as Blue Ridge Electric, are owned by their members who are their customers. As such, Blue Ridge Electric is not motivated by profit and management's responsibility is to create value for its consumer/members by providing reliable electric service at the lowest feasible cost. This means that Blue Ridge Electric has an institutional incentive to make energy efficiency investments

where cost effective. This institutional incentive means there are no regulatory or management disincentives to investing in the promotion of energy efficiency by Blue Ridge Electric.

Therefore, "throughput incentives" in rate design that allow the utility to pass through fuel and power costs related to increased or inefficient consumption do not create a disincentive to investing in efficiency by Blue Ridge Electric. The Blue Ridge Electric management also has a responsibility to set rates to recover costs from each member fairly and in accordance with the costs of service to the extent feasible. Designing rates that better align with cost is supportive of effective energy efficiency programs and investing in energy efficiency activities. Setting rates based on cost of service is consistent with Blue Ridge Electric's responsibilities to its members.

As with most electric distribution utilities, Blue Ridge Electric's rates are not fully aligned with costs. For example, the residential rates primarily, and non-residential rates to a lesser extent, recover fixed customer and capacity costs through the energy charges of the rate. As a result, Blue Ridge Electric relies upon energy sales to recover a portion of its fixed costs of distribution as well as power supply. When an electric distribution utility relies upon energy sales to recover fixed costs and generate a margin or profit, positive results from investing in energy efficiency have the potential to have negative consequences for the utility's financial performance. Aligning rates with costs will minimize the effects of "throughput incentives" that cause the utility to rely upon energy sales to recover fixed costs.

Like many cooperatives, Blue Ridge Electric has over time been gradually shifting fixed consumer/members cost recovery away from the energy charges and into the base customer charge. In this way, Blue Ridge Electric is taking measured steps toward more cost based rate structures while simultaneously lessening the effects a throughput incentive may have on its rates. Consistent with Policy Option (i), Blue Ridge Electric will continue with its established policy of adjusting its rates to better reflect cost of service. Furthermore, aligning the energy rates with costs will provide an improved price signal to Blue Ridge Electric's consumers so that they can make a more economically informed decision about electricity consumption.

Blue Ridge Electric's standard rates and energy conservation rates are all designed to encourage efficient conservation. Blue Ridge Electric is evaluating further adjustments to energy rates in conjunction with its policy to make rates more cost based and more effective in advancing cost effective energy conservation.

In regard to Policy Option (ii) - Blue Ridge Electric has an active program of financial incentives for promoting energy efficiency for its members. The programs and the investments made by Blue Ridge Electric in 2009 are: in direct response to the requirements of the recently passed North Carolina Renewable Energy and Energy Efficiency Portfolio Standard (REPS) and the compliance plan submitted by GreenCo Solutions on behalf of Blue Ridge Electric. Two programs in particular, the promotion of Energy Star CFL Lighting and Electric Hot Water Heater Efficiency Measures have already garnered considerable consumer/member support. Other programs that are currently being planned also have considerable promise for Blue Ridge Electric members. Blue Ridge Electric supports Policy Option (ii) and is actively providing utility incentives for the successful implementation of energy efficiency programs.

In considering Policy Options (iii) & (iv)—energy efficiency has been and continues to be one of the goals considered by Blue Ridge Electric in retail rate design. A large percentage of Blue Ridge Electric's residential consumer/members are served under Schedule 1.1, the standard rate applicable to residential service. Schedule 1.1 incorporates a different kilowatt hour charge for summer and winter months to factor in the reality of higher energy charges during the summer months. Historically, this pricing structure has been effective for recovering fixed customer costs not recovered from the base customer charge. Blue Ridge Electric also has an all-electric rate (Schedule 1.2) that has a declining rate block feature to benefit those members who choose to use electricity as their primary energy source in their homes. Schedule 1.2.1 (Residential Conservation Service) also includes a declining block for all electricity purchased in excess of 750 kWh in non-summer months, November through May. This pricing structure has been effective as a tool to help offset the declining load factor effects of increasing summer demand by making electric heating more affordable and providing a better rate of return to the cooperative's plant investment that provides cost benefits for all residential consumer/members. Not only is this a cost responsive feature of Schedule 1.2.1, it is also promoting the conservation objective by charging more for higher summer usage when seasonal peak demand and wholesale energy costs are at their highest.

In considering Policy Option (v), all of Blue Ridge Electric's cost must be recovered from its consumer/members. In developing new energy efficiency programs under the North Carolina REPS programs the cost of these programs are recovered from the members through a monthly rate rider to each customer class as permitted by the legislation.

Policy Option (vi) concerns the offering of home energy audits, offering demand response programs, publicizing the financial and environmental benefits associated with making home energy efficiency improvements, and educating homeowners about all existing Federal and State incentives, including the availability of low-cost loans that make energy efficiency improvements more affordable. The provision of these services is currently covered under the guidelines of the North Carolina REPS program, and as such, the provision of these services can be recovered through monthly rate riders as allowed by the legislation. However, several of these services and measures are not necessarily cost effective for consumer/members even with cost recovery mechanisms in place. Blue Ridge Electric had phased out several of these types of programs over the past few years due to the lack of consumer demand and the high cost of implementation. For example, home energy audits were phased out over eight years ago following an analysis that showed that less than 20 percent of those consumer/members receiving audits implemented less than 10 percent of the energy conservation measures that were recommended in the audit. Thus, while the audit was a great service to accommodate consumer/members that had a complaint about high monthly bills, it did little to change consumer habits or cause an action such as the implementation of energy conservation measures. Currently, home energy audits are available to consumer/members online through the cooperative's website and Blue Ridge Electric is considering an incentive reward to members completing the audit survey such as a energy conservation kit that contains several easy to implement measures like CFLs, an expanding foam caulking insulation, low-flow shower heads and faucet aerators, and other smaller conservation devices. This approach has been successful with a number of larger utilities and Blue Ridge Electric believes that this same measure could provide benefits to its consumer/members.

Considerable attention has been directed at educating the consumer/members about energy conservation measures and the benefits to the member. Blue Ridge Electric has recently expanded its member newsletter to include more articles on energy conservation opportunities and their benefits and information on the costs of renewable energy measures and support from state and federal incentives. The expanded approach also permits the cooperative to advertise and market specific energy conservation programs that are available to members as part of the REPS program that requires North Carolina electric utilities to include renewable energy and energy efficiency in their electric generation portfolio.

The website of Blue Ridge Electric has also been expanded to include information on the “GreenSmart” family of programs developed in response to the REPS legislation. The site contains more than ten different services that can assist consumer/members with analyzing their electric usage and developing strategies and activities that can reduce their usage. Included are energy audits, appliance comparators, lighting calculators, and an “Ask an Expert” service and newsletter for commercial and industrial members. The site is also host to an online store that sells energy conservation items at a discount to members.

The strategies implemented by Blue Ridge Electric to address the features of Policy Option (vi) have received considerable attention in the past few years and have been doubled in just the past year in response to the requirements of the NC REPS program. This trend is likely to continue as the results of these efforts are evaluated and the benefits are accrued to our consumer/members.

Smart Grid Investments

PURPA Standard 111(d) (17) (Section 532 of the Act), Consideration of Smart Grid Investments.—

(16) CONSIDERATION OF SMART GRID INVESTMENTS.—

(A) IN GENERAL.—Each State shall consider requiring that, prior to undertaking investments in non-advanced grid technologies, an electric utility of the State demonstrate to the State that the electric utility considered an investment in a qualified smart grid system based on appropriate factors, including—

- (i) total costs;
- (ii) cost-effectiveness;
- (iii) improved reliability;
- (iv) security;
- (v) system performance; and
- (vi) societal benefit.

(B) RATE RECOVERY.—Each State shall consider authorizing each electric utility of the State to recover from ratepayers any capital, operating expenditure, or other costs of the electric utility relating to the deployment of a qualified smart grid system, including a reasonable rate of return on the capital expenditures of the electric utility for the deployment of the qualified smart grid system.

(C) OBSOLETE EQUIPMENT.—Each State shall consider authorizing any electric utility or other party of the State to deploy a qualified smart grid system to recover in a timely manner the remaining book-value costs of any equipment rendered obsolete by the deployment of the qualified smart grid system, based on the remaining depreciable life of the obsolete equipment.

This standard provides that each *state* [sic] should 1) require regulated utilities to consider smart grid investments before permitting investment in non-advanced grid technologies, 2) permit recovery from ratepayers the cost of deploying smart grid technologies, and 3) permit utilities to recover stranded costs from old grid technologies made obsolete and replaced by smart grid technologies. Technically, Blue Ridge Electric need not even consider this standard as it applies only to state regulated utilities. Nonetheless, Blue Ridge Electric has addressed it in order to proactively, and more completely, address the energy issues faced by our consumer/members and our country.

Based on the evidence adduced, Blue Ridge Electric has already adopted, or is in the process of adopting this standard. The reasons for this finding are as follows: Blue Ridge Electric has already begun investing in smart grid technologies through the business case decision making process in its evaluation of Supervisory Control and Data Acquisition (“SCADA”) and Advanced Metering Infrastructure (“AMI”) in comparison to non-advanced grid technologies. SCADA and AMI are components of a Smart Grid. Blue Ridge Electric has invested roughly \$2 million in its deployment of SCADA to approximately 100 percent of its system and has plans to invest another \$500,000 in the next three years in distribution automation, intelligent relays and remote terminal units. Blue Ridge Electric will have invested roughly \$10,000,000 in its deployment of AMI by the end of 2010 and has plans to invest another \$200,000 in the next three years in supplemental technologies and services that directly benefit the consumer/member. These investments include measures like pre-paid metering, energy usage monitors, and online energy services that help consumer/members track daily energy usage. These investments are based on studies that show that average consumers use less energy if they know how much energy they consume every day rather than waiting to see their energy usage on a month end bill.

We note that the last two sections of the standard, having to do with cost recovery for state regulated utilities, do not apply to Blue Ridge Electric.

Access to Information

PURPA Standard 111(d) (17) (Section 1307 of the Act), Standard on Customer Access to Information

(17) SMART GRID INFORMATION.—

- (A) STANDARD.—All electricity purchasers shall be provided direct access, in written or electronic machine-readable form as appropriate, to information from their electricity provider as provided in subparagraph
- (B) INFORMATION.—Information provided under this section, to the extent practicable, shall include:
- (i) PRICES.—Purchasers and other interested persons shall be provided with information on—
 - (I) time-based electricity prices in the wholesale electricity market; and
 - (II) time-based electricity retail prices or rates that are available to the purchasers.
 - (ii) USAGE.—Purchasers shall be provided with the number of electricity units, expressed in kWh, purchased by them.
 - (iii) INTERVALS AND PROJECTIONS.—Updates on information on prices and usage shall be offered on not less than a daily basis, shall include hourly price and use information, where available, and shall include a day-ahead projection of such price information to the extent available.
 - (iv) SOURCES.—Purchasers and other interested persons shall be provided annually with written information on the sources of the power provided by the utility, to the extent it can be determined, by type of generation, including greenhouse gas emissions associated with each type of generation, for intervals during which such information is available on a cost-effective basis.

This new PURPA Standard (Section 111 (d)(17) - Parts (A) and (B)) requires that affected utilities consider and determine whether their electricity customers should be provided direct written or electronic access to information concerning time-based electricity prices at wholesale ((17)(B)(i)(I)) and retail ((17)(B)(i)(II)) levels as well as information about their usage ((17)(B)(ii)) on at least a daily basis ((17)(B)(iii)). In addition, this new PURPA Standard (Section 111(d)(17)) requires consideration and determination as to whether each affected utility customer should have access to data concerning the sources of power provided by the utility, including the greenhouse gas (GHG) emissions associated with each type of generation source ((17)(B)(iv)).

Based on the evidence adduced, we find that Blue Ridge Electric could adopt some of the provisions of this standard on a modified basis, based on the following conclusions: Blue Ridge Electric already provides access to information about pricing and usage to a limited number of time-based rate consumer/members and to all other consumer/members through its website. The website currently offers consumer/members information on their monthly electricity usage, but the cooperative is exploring the opportunity to show consumer/members daily and hour usage. By the end of 2010 the cooperative will have a system in place to provide members with daily and hourly usage via an Internet portal. Research has shown that the average electric consumer

uses less energy if they know how much energy they consume every day rather than waiting to see their energy usage on a month end bill.

With regard to this new PURPA Standard requiring the consideration and determination by each affected utility to supply information on time-based electricity prices in the wholesale electricity market ((17)(B)(i)(I)), Blue Ridge Electric obtains their wholesale power supply energy resources under long-term contractual arrangements. These long-term contractual arrangements with power supply providers do not have price signals that change on a daily basis with hourly prices, or “day ahead” projections. We will reconsider time-based rates if such pricing signals become available.

Blue Ridge Electric already provides its consumer/members access to the sources of power through its website link to Duke Energy Carolinas and to other information from the Department of Energy. The Blue Ridge Electric website has a link to the “Power Profiler” website of the US Environmental Protection Agency that provides consumer information based on a consumer’s five-digit zip code on both a fuel mix comparison and emission rate comparison of the utility that supplies power in that service area. For Blue Ridge Electric consumer/members the power supplier that is identified by the five digit zip code is Duke Energy Carolinas. The Power Profiler currently uses year 2005 data from EPA’s Emission & Generation Resource Integrated Database (eGRID). This information provides an accurate picture of both the electric fuel mix used to generate electricity for Blue Ridge Electric consumer/members and the emission rate comparisons from these sources as compared to the United States as a whole.

Blue Ridge Electric is already complying with this standard to the extent appropriate. Blue Ridge Electric should adopt portions of this standard where practical and economically feasible, to the extent Blue Ridge Electric’s technology infrastructure can accommodate the standard's information requirements; and where Blue Ridge Electric does not violate existing contracts, so that the information provided to their consumer/members will help them reduce their energy costs both directly and indirectly. The information that follows describes which portions of this standard should not be adopted, and outlines how Blue Ridge Electric can provide information to its consumer/members regarding Part (17)(B)(iv) pertaining to sources of power and estimated greenhouse gas (GHG) emissions as well as explain the basis for these recommendations.

Blue Ridge Electric should not adopt most portions of this standard overall because it is not practical and economically feasible to do so at this time. Blue Ridge Electric is providing some information to its consumer/members regarding sources of power and estimated greenhouse gas (GHG) emissions to partially comply with Part (17)(B)(iv); and is currently evaluating ways to provide daily kWh usage data to each consumer/member through the Automated Metering Infrastructure (AMI) system.

The information outlined in this new PURPA Standard on Smart Grid Information (Section 111(d)(17) - Parts (A) and (B)) may or may not meet the goals of PURPA. If the information helps consumer/members to conserve energy, then it could meet the first PURPA goal of conserving energy. However, the end results of providing such information are not known. If providing consumer/members with such information results in consumer/members using electricity more efficiently so that utility facilities are operated more effectively, then the second goal of PURPA could be met. Determining the costs and benefits of the results of implementing this new PURPA Standard on Smart Grid Information is not known at this time, so that determining whether equitable rates could be implemented to address the third PURPA goal is also unknown.

Conclusion

Based upon the evidence presented, we have determined that Blue Ridge Electric has met or is meeting most of the EIAS 2007 Standards that have been proposed for consideration. This document along with the public hearing comments that will be received on Tuesday, March 3, 2009 will be used by the Blue Ridge Electric Board of Directors to make their final review and consideration. We determine and resolve that Blue Ridge Electric has also met the procedural and time requirements of EISA 2007 for the consideration of its requirements.

This document shall constitute a resolution of the Board of Directors with respect to the determination required by EISA 2007. The staff of Blue Ridge Electric is directed to post this document on the PURPA information page of Blue Ridge Electric's website forthwith.

Following a final determination by the Blue Ridge Electric Board of Directors, a copy of this document and other supporting documents and resolutions shall be forwarded to the United States Department of Energy and to the North Carolina Public Utilities Commission.

Appendix A

Statement of Qualifications

Brian C. Crutchfield is the director of Sustainable Development at Blue Ridge Electric Membership Corporation (the Cooperative) in Lenoir, North Carolina and has served in this position for more than twenty years. He was designated the Cooperative's PURPA EISA Officer in February of 2006 and has participated in a number of seminars and meetings regarding the implementation of PURPA and EISA standards since receiving this work assignment. He attended a "Workshop on Complying with the New Energy Policy Act" conducted by the National Rural Electric Cooperative Association (NRECA) in Nashville, Tennessee in 2006. He also participated in four separate half-day web-seminars conducted by the NRECA in the spring of 2006. He has been an active participant on the NRECA PURPA compliance list serve and has consulted with the NRECA Senior Regulatory Counsel, Mary Ann Rauls, regarding the actions and efforts of rural electric cooperatives to comply with the regulatory requirements of PURPA EISA. In preparing the comments for the Cooperative on the four PURPA EISA standards he consulted with a number of cooperatives across the country that have already developed comments or conducted public hearings seeking member input. Mr. Crutchfield has been the Cooperative's primary contact for more than a decade with large power members regarding rate issues and has been involved in the development of specialized rates that have been adopted to serve these members. He holds a Master of Arts degree from Virginia Tech in Urban Affairs and Community Development and a Bachelor of Arts degree from the University of North Carolina at Chapel Hill. He has completed the course work for the Certified Key Account Executive program of NRECA and Certified Economic Developer program of the International Economic Developers Association.