

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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HOUSE BILL 931

Short Title: Redefine Avoided Costs.

(Public)

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Sponsors: Representatives Allred; Davis, Reynolds, Sexton, and Sharpe.

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Referred to: Public Utilities.

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April 12, 1995

A BILL TO BE ENTITLED

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2 AN ACT TO PROVIDE FOR A MORE ACCURATE METHOD OF MEASURING  
3 AVOIDED COST OF ENERGY TO A UTILITY IN DETERMINING THE RATES  
4 PAID BY UTILITIES TO SMALL POWER PRODUCERS.

5 The General Assembly of North Carolina enacts:

6 Section 1. G.S. 62-156 reads as rewritten:

7 "**§ 62-156. Power sales by small power producers to public utilities.**

8 (a) In the event that a small power producer and an electric utility are unable to  
9 mutually agree to a contract for the sale of electricity or to a price for the electricity  
10 purchased by the electric utility, the commission shall require the utility to purchase the  
11 power, under rates and terms established as provided in subsection (b) of this section.

12 (b) No later than March 1, 1981, and at least every two years thereafter, the  
13 commission shall determine the rates to be paid by electric utilities for power purchased  
14 from small power producers, according to the following standards:

15 (1) Term of Contract. – Long-term contracts for the purchase of electricity  
16 by the utility from small power producers shall be encouraged in order  
17 to enhance the economic feasibility of small power production facilities.

18 (2) Avoided Cost of Energy to the Utility. – The rates paid by a utility to a  
19 small power producer shall not exceed, over the term of the purchase  
20 power contract, the incremental cost to the electric utility of the electric

1 energy which, but for the purchase from a small power producer, the  
2 utility would generate or purchase from another source. A determination  
3 of the avoided energy costs to the utility shall include a consideration of  
4 the following factors over the term of the power contracts: the expected  
5 costs of the additional or existing generating capacity which could be  
6 displaced, the expected cost of fuel and other operating expenses of  
7 electric energy production which a utility would otherwise incur in  
8 generating or purchasing power from another source, ~~and~~ the expected  
9 security of the supply of fuel for the utilities' alternative power ~~sources~~  
10 sources, and the direct and indirect costs of nuclear and fossil fuels,  
11 such as those costs attributable to air pollution, reliance on foreign oil,  
12 and the decommissioning of nuclear fuel and nuclear power plants.

- 13 (3) Availability and Reliability of Power. – The rates to be paid by electric  
14 utilities for power purchased from a small power producer shall be  
15 established with consideration of the reliability and availability of the  
16 power."

17 Sec. 2. This act is effective upon ratification, but shall not apply to any  
18 contract entered into between an electric utility and a small power producer prior to that  
19 date.