
JOINT REPORT TO THE ENVIRONMENTAL REVIEW COMMISSION AND THE JOINT LEGISLATIVE UTILITY REVIEW COMMITTEE ON THE IMPLEMENTATION OF THE SWINE FARM METHANE CAPTURE PILOT PROGRAM

INTRODUCTION

On August 31, 2007, the Governor signed into law Senate Bill 1465 (Session Law 2007-523), which, among other things, established the Swine Farm Methane Capture Pilot Program (Pilot Program). The Pilot Program authorizes the Utilities Commission (Commission) and the Department of Environment and Natural Resources (Department) to select up to 50 swine farms to participate in the Pilot Program. If selected, a farm will fully or partially cover or otherwise modify its waste lagoon(s), capture the methane produced, and use the captured methane to generate electricity. Electric public utilities are required “to purchase all electricity generated by the use of captured methane as a fuel by pilot program participants for seven years.” Section 4(d) of S.L. 2007-523 provides further that:

The [North Carolina Utilities] Commission shall set a suggested purchase price that would allow program participants to recover reasonably and prudently incurred capital and operating costs and that would minimize the impact of the pilot program on ratepayers. ... In no event, shall the suggested purchase price ... exceed eighteen cents (18¢) per kilowatt hour.

SUGGESTED ELECTRICITY PURCHASE PRICE

On February 15, 2008, the Commission initiated a proceeding in Docket No. E-100, Sub 115 to determine a suggested purchase price for electricity purchased by electric public utilities pursuant to the Pilot Program.

Based on the record in the proceeding, the Commission issued an order on August 7, 2008, that established a suggested purchase price of 18 cents/kWh. This suggested purchase price was established as the starting price for negotiations between electric public utilities and individual swine farms participating in the Pilot Program that would allow participants to recover reasonably and prudently incurred capital and operating costs and that would minimize the impact of the Pilot Program on ratepayers. In addition, the order stated that because an electric public utility would likely be required under the Pilot Program to pay participants a price in excess of the utility’s avoided costs, the utility would receive, as part of the purchase price, both the power generated

from the swine waste methane and the Renewable Energy Certificates associated with the renewable energy.

PILOT PROGRAM REGISTRATION

On March 10, 2008 the Methane Capture Pilot Program began to register swine producers who expressed interest in the program. Swine farm owners or operators wishing to participate were asked to complete a simple, online application in order to be considered for the program. In 2008, a total of 218 swine production facilities have registered for the program. Of the total registered, 185 operations are owned by Murphy Brown or Murphy Family Ventures and the remaining 33 farms are owned by contract growers.

Only farms served by electric public utilities (i.e., Progress Energy, Duke Energy and Dominion) are eligible to participate in the Pilot Program. Electric membership corporations (EMCs) and municipal utilities do not meet the definition of an electric public utility. As a result, farms served by EMCs or municipal utilities are not eligible to participate in the Pilot Program. There were 170 such farms registered for participation in the Pilot Program.

Through 2010, 47 registered farms have been notified of their eligibility to participate in the Pilot Program. The primary criterion for determining eligibility was that they be served by an electric public utility, as previously described.

2010 PILOT PROGRAM UPDATES

No additional farms registered with the Department for participation in the pilot program. While there has been considerable interest from producers and technology providers in opportunities for generation of electricity from swine manure, the Department has not received official notification from any eligible producers that they have entered into an agreement with their electric public utility.

For the North Carolina Utilities Commission, no action was required in 2010 relative to the swine farm methane capture pilot program.

RESULTS AND RECOMMENDATIONS

Since the inception of Session Law 2007-523, no eligible swine farm owner has officially notified the Department that they have entered into an agreement with their electric public utility. The Law requires that a participating farm must generate electric power from swine waste on or before September 1, 2010, and that deadline has now passed.

Pursuant to the State's renewable energy and energy efficiency portfolio standard (REPS), established by Session Law 2007-397, North Carolina's electric power

suppliers are negotiating to buy energy derived from swine waste that is produced at North Carolina swine farms. REPS requires that 0.07% of electricity that is sold in North Carolina in 2012 must be produced using swine waste resources.

Therefore, the Utilities Commission and the Department of Environment and Natural Resources request to be relieved of their joint annual reporting requirement under Section 4(g) of Session Law 2007-523.