North Carolina Eastern Municipal Power Agency ("NCEMPA")
Avoided Cost Rate Schedule EQF-5 for Qualifying Facilities ("QFs")
(Effective: June 11, 2015)

NCEMPA is a requirements wholesale customer of Duke Energy Progress, Inc. ("DEP") and, as such, NCEMPA's avoided costs are based on DEP's avoided costs in accordance with Federal Energy Regulatory Commission ("FERC") precedent under the Public Utilities Regulatory Policies Act of 1978 ("PURPA") applicable to wholesale requirements customers (*See Carolina Power & Light Company*, 48 FERC ¶ 61,101 (July 25, 1989)).

Avoided Cost Rates

For QFs directly connected to a NCEMPA participant city or town ("Participant") and not directly interconnected with the DEP distribution or transmission system, the QF may choose between two options for determining the applicable rate:

- Option 1: A QF that chooses Option 1 will be subject to the energy-only rates under DEP's Cogeneration and Small Power Producer Schedule CSP-29, including rate updates as determined by DEP and approved by the North Carolina Utilities Commission ("NCUC"). The QF that chooses Option 1 will receive no payment for capacity.
- Option 2: At the QF's request, NCEMPA will ask DEP to calculate an energy and capacity payment rate based on DEP's avoided costs calculated as of the date that a Legally Enforceable Obligation ("LEO") is established, for fixed terms up to 10 years. The LEO is established on the latter of when (1) the NCUC issues an order accepting the QF's application for its Certificate of Public Convenience ("CPCN") or when the QF provides a Report of Proposed Construction ("ROPC") certificate, and (2) the QF notifies NCEMPA in writing that it intends to sell the energy and capacity from the facility to NCEMPA. A QF interconnecting with a NCEMPA Participant satisfies the second condition when the QF has completed and signed the "Application for Standard Contract By a Qualifying Cogenerator or Small Power Producer" ("Application"), and such Application (along with the Purchase Agreement) is submitted to NCEMPA. Once offered to the QF, the calculated energy and capacity rate is valid for approximately 30 days, after which the QF may request a new calculated energy and capacity rate.

Also, under either Option 1 or Option 2, in the event a QF's output exceeds at any time the total system load of the NCEMPA Participant, the rate will only apply for payment of energy and/or capacity equivalent to the total system load of the city or town at that time.

Seller Charge

NCEMPA shall charge the QF a Seller Charge for reimbursement of costs associated with the administration of the Purchase Agreement. The Seller Charge assessed to the QF on a monthly basis shall be $556 per month for the term of the Purchase Agreement.

Determination of On-Peak and Off-Peak Hours

For Option 1, the definition of on-peak and off-peak hours, including which holidays will be considered off-peak hours, will be determined by DEP's Cogeneration and Small Power Producer Schedule CSP-29, as the same is amended, modified or superseded from time to time. For Option 2, the definition of on-peak and off-peak hours will be determined by DEP.

One Mile Rule

In the event that the QF or any of its corporate affiliates install additional PURPA Qualifying Facilities at or near the subject QF, NCEMPA will apply the FERC one-mile rule to determine the size of the QF's facility. (*See* 18 C.F.R. 292.204 (a)(2) (2013).) If the QF has multiple meters, it will be considered one facility if the electrical generating equipment of the multiple metered sites are within one mile of each other. For purposes of making the foregoing determination, the distance between QFs will be measured from the electrical generating equipment of a facility.

"Clawback" Provision

NCEMPA will include in the Application and Purchase Agreement a "clawback" provision for early contract termination. The "clawback" provision will require a QF to repay any payments received in excess of the sum of what would have been received under the Variable Rate for Energy and/or Capacity credits specified in DEP's Cogeneration and Small Power Producer Schedule (adjusted for distribution losses) applicable on the date that the Application is signed by the QF's authorized representative as updated every two years, plus interest. Such excess payments occur over the term of the fixed rate contract because long-term avoided cost rates that are levelized based on forecasted costs that rise each year are higher than variable avoided cost rates in the early years of the term and lower than variable avoided cost rates in the later years.

In connection with the "clawback" provision in contracts with QFs, NCEMPA's Application and Purchase Agreement may include a credit requirement to ensure that, should the contract terminate early, there is recourse for NCEMPA to recover the overpayments. The form of this protection is at the sole discretion of NCEMPA.