



**NORTH CAROLINA  
PUBLIC STAFF  
UTILITIES COMMISSION**

December 11, 2015

Ms. Gail L. Mount, Chief Clerk  
North Carolina Utilities Commission  
4325 Mail Service Center  
Raleigh, North Carolina 27699-4300

Re: Docket No. SP-3419, Sub 0 – KapStone Kraft Paper Corporation  
Application to Register a New Renewable Energy Facility  
28.26-MW and 1,403 MMBtu/hour Multi-Fuel Combined Heat and Power Facility  
100 Gaston Road, Roanoke Rapids, North Carolina

Dear Ms. Mount:

The Public Staff – Electric Division has completed its review of the additional information for the Registration Statement for a New Renewable Energy Facility filed by KapStone Kraft Paper Corporation (KapStone) on November 13 and 24, 2015, in the above-referenced docket pursuant to Commission Rule R8-66.

KapStone's original combined heat and power facility was built in 1966 and the facility's turbine generator had a kilovolt-ampere (kVA) rating of 25,600 kVA, equivalent to an electric generating capacity of 21.76 MW. In 2009 and 2012, KapStone performed major renovations to the facility that increased the kVA rating to 31,400 kVA, which converts to 28.26 MW, and also added new thermal capacity.

KapStone noted that the difference between the MW capacity of the turbine generator before and subsequent to the completion of these projects is 6.5 MW, which represents 23% of the turbine's subsequent incremental electric generating capacity. KapStone therefore requested that the Commission designate 23% of the facility's electric generating capacity as a "new" renewable energy facility, and designate the remaining 77% of the facility's electric generating capacity as a renewable energy facility, for purposes of KapStone earning renewable energy certificates (RECs).

**Executive Director**  
733-2435

**Communications**  
733-2810

**Economic Research**  
733-2902

**Legal**  
733-6110

**Transportation**  
733-7766

**Accounting**  
733-4279

**Consumer Services**  
733-9277

**Electric**  
733-2267

**Natural Gas**  
733-4326

**Water**  
733-5610

KapStone also requested that 23% of the facility's current usable thermal energy generating capacity be designated as a new renewable energy facility, based on its analysis of the proportional relationship between the turbine generator steam throughput and the turbine's electric power production.

The Public Staff has worked extensively with KapStone over the past three years in reviewing the renovations at the facility, both on the electric and thermal side. In addition, the Public Staff has reviewed the application and supplemental materials filed, including the calculations of electrical energy output and useful thermal energy output. As a result of our review, we recommend that the Registration Statement be considered complete and that the multi-fuel calculations be accepted. Since the additional capacities were placed into service after January 1, 2007, the Public Staff also believes that they should be allowed to earn RECs as a new renewable energy facility as defined in G.S. 62-133.8(a)(5).

Therefore, the Public Staff recommends that the Commission accept the registration statement for the KapStone facility and designate 23% of the facility's electric power production and useful thermal energy capacity as a new renewable energy facility and designate the remaining 77% of the facility's generating capacity as a renewable energy facility for purposes of earning RECs.

On pages 7 through 11 of its November 13, 2015, filing, KapStone requested a waiver from two provisions in Commission Rule R8-67(h)(4). The first request is a waiver from the provision that allows historic energy production to be entered into NC-RETS going back only two years from the current date. KapStone has requested that it be allowed to enter data going back to December 1, 2012 (approximately three years). The Public Staff believes that this request is reasonable due to the length of time that KapStone and the Public Staff have taken to determine the proper REC calculations for this complex facility.

The second request is a waiver from the restriction that "no facility's meter data for the same time period shall be used for simultaneous REC issuance in two [REC tracking] systems". Since 2014, KapStone has been registered in the PJM GATS REC tracking system, which accepts RECs earned by electric generation but not thermal generation. KapStone has requested that it be allowed to put its entire electric generation into PJM GATS and its entire thermal generation into NC-RETS. Also, KapStone desires to import some of its electric RECs into NC-RETS because some states in PJM do not accept RECs earned from burning saw dust, which KapStone burns every month. The Public Staff believes this arrangement is complex but workable, and recommends the Commission grant KapStone's request for a waiver from the two provisions in R8-67(h)(4) as presented in its November 13 and 24 filings and discussed above.

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I certify that a copy of this letter has been served on the individuals or businesses shown below by e-mail. If necessary, please contact me at Jay.Lucas@psncuc.nc.gov or at (919) 733-0882. If the applicant has any questions regarding the Commission's review of the application or the order on acceptance of the Registration Statement, he or she should contact Mr. Dan Conrad of the Commission Staff at (919) 733-0835 or DConrad@ncuc.net.

Regards,

A handwritten signature in black ink, appearing to read "Jay B. Lucas". The signature is written in a cursive style with a large initial "J" and "L".

Jay B. Lucas, PE  
Utilities Engineer – Electric Division

c: Mark Mitchell – KapStone  
Andrea R. Kells – McGuire Woods