

Cape Hatteras EC and the Pamlico Sound Pilot Wind Farm

Jim Kinghorn, Executive Vice President & General Manager

Following the announcement of Duke Energy's plans to build what claims to be the nation's first offshore wind generation facility, representatives of Cape Hatteras Electric Cooperative and CHEC's wholesale power provider, North Carolina Electric Membership Corporation (NCEMC), met November 13, 2009, with representatives from Duke Energy to begin discussions of the cooperative's possible role in the project.

As Hatteras Island's only electric provider, the CHEC electric system is a logical choice for connection of wind generators located in the eastern Pamlico Sound. While the physical connection to the system itself appears to be a relatively simple process, and CHEC already has one on island generating source, a number of details and safeguards require consideration.

Safety

As is the case with every project CHEC undertakes, public and employee safety will be given the highest level of scrutiny. Safety requirements of land based wind projects are well established and provide a basis for this project.

Reliability and Power Quality

One of the basic assumptions for CHEC to agree to connect a wind project to its system is to assure that the reliability and quality of power we have worked diligently to attain will not be compromised. Due to the intermittent and fluctuating nature of wind power, special consideration will be given to make certain that any facilities connected will operate in such a way as to maintain high quality service.

Cost Impact

Any physical improvements necessary to the CHEC system to accommodate this project will be paid for by the wind project developer, Duke Energy. Cape Hatteras Electric Cooperative has no plans to invest Cooperative funds in this project.

Wholesale Power Considerations

NCEMC negotiates bulk power contracts with other utilities and constructs generating facilities to supply power to electric cooperatives throughout North Carolina. These participating cooperatives agreed to purchase 100% of their wholesale power through NCEMC in order for NCEMC to obtain funding for construction and negotiate the most favorable power purchase contracts.

This "All Power Requirements" contract extends to 2046, concurrent with the life of generation projects NCEMC owns. Because of this contract, CHEC cannot simply agree to purchase wind power from the project, even though this would be the most direct arrangement. Discussions are now taking place to determine the best way for electricity generated by this project to be utilized.

Island Quality of Life Impacts

Any development of this type has the potential to create both desirable and undesirable impacts on the quality of life where it is built.

The Cooperative is taking the position that it will neither hinder nor promote wind generation projects at this point. CHEC members should have ample opportunity to express their concerns and encouragements of such projects and are encouraged to express

themselves as the projects go through the permitting phase.

We will work to make sure that possible negative effects on the electric system are addressed and the Cooperative and its members receive maximum benefit if the project is constructed.

Potential Benefits to CHEC

Cape Hatteras Electric Cooperative may realize several potential benefits from this proposed project. These benefits could include slightly lower power cost for several possible reasons.

First, if the wholesale power issues mentioned above can be resolved effectively, it is possible that CHEC will be in a position to receive the power at a relatively low cost.

Second, if the cooperative can obtain renewable energy credits as a result of the project being built and connected to its system, the Cooperative's cost of complying with NC renewable energy legislation and future possible federal carbon dioxide control legislation could be less.

Third, it is possible that the small amount of capacity produced could be of help to lower costs of on-island emergency generation by the Buxton Diesel Generating Plant. Finally, if the project is built, but the Cooperative does not purchase the power generated, a fee could be charged to the developer to move the power for sale off the CHEC system if the facility is connected to CHEC.

Cape Hatteras EC members will be kept informed as the proposed project proceeds.

Cape Hatteras EC recognizes its Bright Ideas grant recipients

Each school year, the Bright Ideas grants go to those deserving educators who are dedicated and loyal to their chosen profession. Being a successful teacher demands innovation, imagination and structured interactivity.

Teachers today must possess the ability to inspire students to achieve and excel academically and fundamentally. The 2009-2010 Bright Ideas recipients for Cape Hatteras EC exemplify these traits. Each of the projects chosen will be utilized for years to come.

Tracy Shisler, science teacher for grades 6, 7, and 8 at Cape Hatteras Secondary School of Coastal Studies, and with the assistance of Amber Bradshaw, continues to build and enhance the school based local hatchery program with this year's "Stewards of the Pamlico Sound" project. This project is ongoing as students work on developing artificial oyster reefs while researching the productivity of the established reefs.

As the art teacher at Cape Hatteras Secondary School of Coastal Studies, Marta Martinez has structured her art project, "Mural Makers," to combine students and local communities in the process of creating and appreciating large scale murals that will depict Hatteras Island flora, fauna, architecture



and historical images. The art will be displayed in the school and designated community locations.

Anne Kennedy, a first grade teacher at Cape Hatteras Elementary School, with her team Karla Willis, Trish Dempsey, Jenny Munden, Kristin Gray and Licia Kee, produced the project, "Literacy Work Stations." This project allows students in kindergarten through second grade to participate in hands-on, interactive literacy development by utilizing the literacy workstations. The literacy skills include: phonics, reading fluency, reading comprehension, computer literacy and writing. Literacy workstations will integrate science and social studies as well as teach the students problem solving, working with partners, and working independently. Each classroom will facilitate up to 12 different stations per class.



Top left: Tracy Shisler, science teacher at Cape Hatteras Secondary School of Coastal Studies. Top: Marta Martinez, art teacher at Cape Hatteras Secondary School of Coastal Studies. Bottom: Anne Kennedy, first grade teacher at Cape Hatteras Elementary School.

Congratulations to these Bright Ideas grant recipients!

Important Notice to CHEC Members

The Committee on Nominations will be considering qualified candidates for two seats on the CHEC Board of Directors. The board seats for Hatteras, District 1 and Avon, District 4 will be elected in 2010. The incumbent directors have indicated their interest in seeking re-election.

Any member of Cape Hatteras Electric Cooperative, who is interested and qualified and would like consideration as a nominee for the board of directors, should submit his or her name and resume to the Committee on Nominations by the deadline of Wednesday, February 17, 2010.

Any 50 or more members of CHEC, acting together, may make additional nominations in writing by petition. Nominee(s) by petition must be listed in compliance with the By-Laws and the petition delivered to CHEC before Thursday, March 4, 2010. Qualifying nominees by petition will be included on the ballot for election.

Additional information is available from Jim Kinghorn, General Manager, at (252) 995-5616 ext. 227 or jimk@chec.coop.



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