

ANNUAL REPORT
to the
GENERAL ASSEMBLY



North Carolina Utilities Commission
Public Staff

2019

INTRODUCTION

The North Carolina Utilities Commission Public Staff (the “Public Staff”) was established pursuant to N.C. Gen. Stat. § 62-15 in 1977. All divisions are supervised and directed by the Public Staff's Executive Director, Christopher J. Ayers, who works to ensure that the Public Staff presents a unified position in the best interest of the customers on all issues before the Commission. The Executive Director is appointed by the Governor and confirmed by the General Assembly for a six-year term. Mr. Ayers began his first term as Executive Director on July 1, 2013 and was reappointed to a second term beginning July 1, 2019.

Under North Carolina law, the Public Staff represents the using and consuming public – the customers of certain of the State’s electric, telephone, natural gas, water, sewer, and transportation utilities – in matters before the North Carolina Utilities Commission (the “Commission”) affecting public utility rates and service. At the end of December 2019, the Public Staff was organized into ten operating divisions: Accounting, Water/Sewer/Telephone, Consumer Services, Economic Research, Electric, Executive, Information Technology, Legal, Natural Gas, and Transportation.

The Public Staff is a separate and distinct entity from the Commission. The Public Staff and Commission are independent agencies with separate staffs, leadership, and budgets. The Commission does not direct or oversee the Public Staff’s operations. The Public Staff appears as a party before the Commission and is subject to rules prohibiting ex parte communications with the Commission. The Public Staff does not participate in Commission decision-making.

KEY FUNCTIONS OF THE PUBLIC STAFF

The Public Staff serves as the eyes, ears, and voice of regulated utility customers on matters pending before the Commission. The Public Staff participates in virtually all Commission dockets in some manner, including reviewing filings, performing audits, filing testimony, participating in stakeholder groups, and making recommendations to the Commission. The Public Staff interfaces with the general public, media, and intervenors on utility issues and cases.

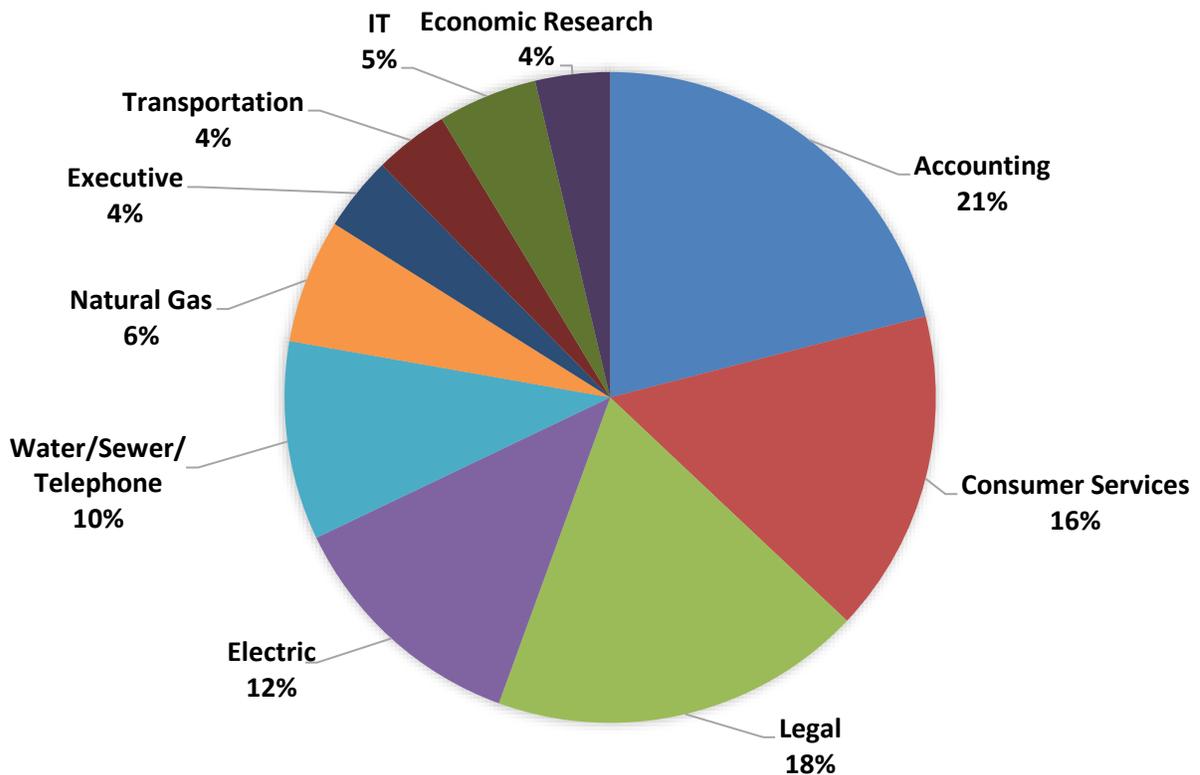
The key functions of the Public Staff are:

- Presenting testimony and recommendations to the Commission on behalf of regulated utility customers
- Investigating customer complaints
- Auditing regulated utilities in Commission investigations and proceedings
- Interfacing with the general public on utilities issues
- Assisting legislative staff and legislators regarding proposed legislation and constituent services
- Working with other State agencies, counties, and municipalities on regulated utility matters
- Providing information and guidance to parties who intervene in cases before the Commission
- Undertaking studies and making recommendations to the Commission regarding:
 - New service offerings and changes to existing services
 - Construction of new generating facilities and transmission lines
 - Mergers and acquisitions involving public utilities
- Facilitating stakeholder and working groups as requested by the Commission
- Serving as an educational resource to customers and educational institutions

PUBLIC STAFF PERSONNEL ALLOCATION

As of December 31, 2019, the Public Staff had a total of eighty-one positions allocated across ten different divisions.

Division	Number of Positions
Accounting	17
Consumer Services	13
Legal	15
Electric	10
Water/Sewer/Telephone	8
Natural Gas	5
Executive	3
Transportation	3
IT	4
Economic Research	3

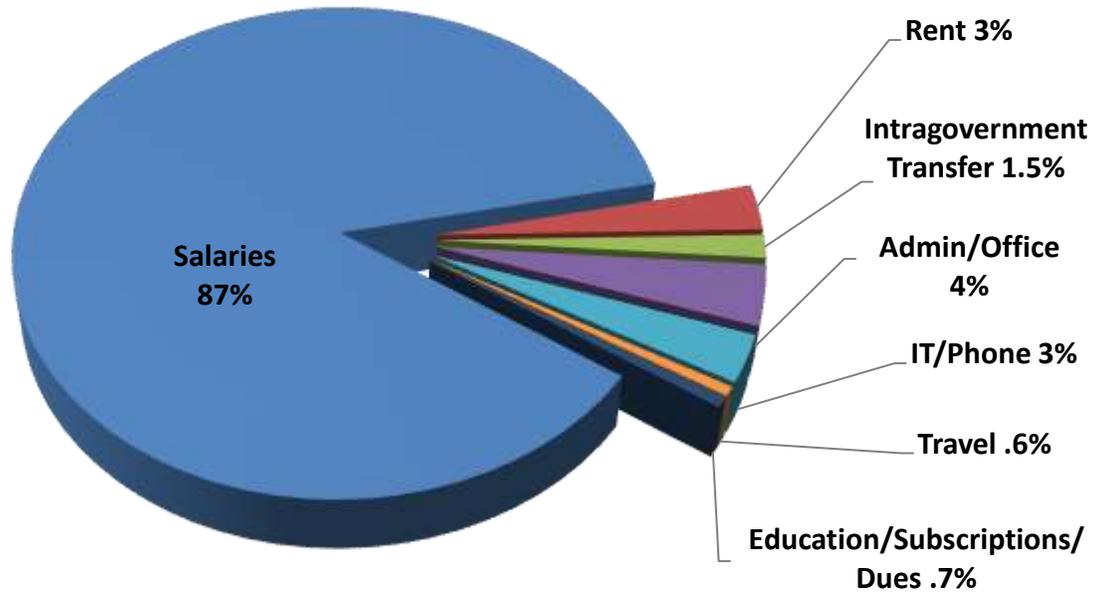


PUBLIC STAFF BUDGET

The Public Staff is funded via a regulatory fee pursuant to N.C. Gen. Stat. § 62-302. For fiscal year 2019-2020, the regulatory fee was 0.14% of the noncompetitive jurisdictional revenues of public utilities regulated pursuant to Chapter 62 of the General Statutes. The receipts from the regulatory fee are allocated between the Commission and Public Staff. Following allocation of the fee, the Public Staff's and Commission's fiscal budgets are separated.

For fiscal year 2019-2020, the Public Staff's total authorized budget was approximately \$9.8 million. Approximately 87% of the Public Staff's budget is dedicated to staff salaries and benefits, totaling \$8.68 million. Approximately \$431,000 of the budget is allocated to the Department of Commerce for human resources and budget support, as well as rental expense for office space in the Dobbs building. Approximately \$830,000 is allocated to administrative expenses, office equipment and supplies, information technology equipment and services, professional resources, subscriptions, and travel.

FY 2018-19 PUBLIC STAFF BUDGETED EXPENDITURES



PUBLIC STAFF ACTIVITIES – 2019 OVERVIEW

The Public Staff participated in 2893 formal proceedings before the Commission through briefs, comments, expert testimony, stakeholder facilitation, audits, and investigations, including appearances at 90 hearings in contested cases. The Public Staff reviewed 17,659 filings made with the Commission and 3,210 orders issued by the Commission. The Public Staff handled over 8732 consumer complaints and inquiries throughout the year across its various divisions. A summary of major Commission proceedings and the work performed by the Public Staff follows.

ELECTRIC COST RECOVERY RIDERS

FUEL AND FUEL-RELATED COSTS

N.C. Gen. Stat. § 62-133.2 permits electric public utilities to recover changes in certain fuel and fuel-related costs through a rider to base rates. The amount of the rider is determined in annual proceedings before the Commission.

The 2019 fuel proceedings resulted in the following changes to fuel and fuel-related charges for each of the electric public utilities:

	2019 Total Fuel Rider		Change from prior year
Dominion Energy North Carolina			
		¢ / kWh	
Residential	2.132		-0.426
SGS & Public Authority	2.129		-0.427
LGS	2.112		-0.424
NS	2.049		-0.410
6VP	2.078		-0.417
Outdoor Lighting	2.132		-0.426
Traffic	2.132		-0.426
Duke Energy Carolinas			
		¢ / kWh	
Residential	1.9501		0.1518
General Service/ Lighting	2.0488		0.1106
Industrial	2.1023		0.0790
Duke Energy Progress			
		¢ / kWh	
Residential	2.699		-0.191
Small General Service	2.697		-0.227
Medium General Service	2.674		-0.149
Large General Service	2.702		-0.096
Lighting	2.747		-0.393

**RENEWABLE ENERGY AND ENERGY EFFICIENCY
PORTFOLIO STANDARD (“REPS”) COMPLIANCE COSTS;
DEMAND-SIDE MANAGEMENT (“DSM”) AND ENERGY
EFFICIENCY (“EE”) MEASURES, COSTS, AND INCENTIVES**

N.C. Gen. Stat. § 62-133.8(h) permits electric power suppliers to recover the incremental costs of complying with the REPS through an annual rider to base rates. N.C. Gen. Stat. § 62-133.9 allows electric public utilities to recover the costs incurred for adoption and implementation of new DSM and EE measures through an annual rider to rates. The Commission has approved a cost recovery and incentive mechanism for each utility that provides for the recovery of DSM/EE program costs plus an incentive based on a percentage of the kWh and kW saved because of the programs. The amounts of these riders are determined in annual proceedings that are conducted at the same time as the fuel proceedings. The 2019 REPS and DSM/EE annual proceedings resulted in the following rider amounts for Dominion Energy North Carolina (“DENC”), Duke Energy Carolinas, LLC (“DEC”) and Duke Energy Progress, LLC (“DEP”):

	2017	2018	2019
Dominion Energy North Carolina			
DSM and EE Programs:	¢ / kWh		
Residential	0.062	0.12	0.121
Small Gen. Service	0.060	0.154	0.222
Large Gen. Service	0.054	0.118	0.233
REPs:	\$ / month / account		
Residential	0.88	0.49	0.43
General Service	3.87	2.71	2.34
Industrial	25.82	18.12	15.89
Duke Energy Carolinas			
DSM and EE Programs:	¢ / kWh		
Residential	0.4291	0.5529	0.322
All non-residential	0.4822	0.6238	0.8286
REPs:	\$ / month / account		
Residential	0.91	0.83	0.07
General Service	4.19	3.71	1.03
Industrial	20.99	15.15	-6.44
Duke Energy Progress			
DSM and EE Programs:	¢ / kWh		
Residential	0.776	0.61	0.34
Commercial / General Service	0.659	0.623	0.244
REPs:	\$ / month / account		
Residential	1.29	0.55	1.42
General Service	10.66	6.42	7.96
Industrial	83.21	58.71	73.17

BIENNIAL DETERMINATION OF AVOIDED COST RATES

(Docket No. E-100, Sub 158)

Each electric utility is required under federal law (Section 210 of the Public Utility Regulatory Policies Act [“PURPA”]) to offer to purchase available electric energy from cogeneration and small power production facilities that obtain qualifying facility (“QF”) status under Section 210 of PURPA. For such purchases, electric utilities are required to pay rates that are just and reasonable to the ratepayers of the utility, are in the public interest, and do not discriminate against cogenerators or small power producers. Federal Energy Regulatory Commission (“FERC”) regulations require that the rates electric utilities pay to purchase electric energy and capacity from qualifying cogenerators and small power producers reflect the cost that the purchasing utility can avoid as a result of obtaining energy and capacity from these sources, rather than generating an equivalent amount of energy itself or purchasing the energy or capacity from other suppliers. Pursuant to FERC rules, the Commission holds biennial avoided cost proceedings to implement Section 210 of PURPA and determine the avoided cost rates to be paid by electric utilities to the QFs with which they interconnect. The Commission also reviews and approves other related matters involving the relationship between the electric utilities and QFs, such as terms and conditions of service, contractual arrangements, and interconnection charges.

On June 26, 2018, the Commission issued an order setting out the procedure for the 2018 avoided cost proceeding in Docket No. E-100, Sub 158. Pursuant to that order, on November 1, 2018, the utilities filed their proposed avoided cost rates for QFs establishing a legally enforceable obligation (“LEO”) as of that date. The Public Staff commenced its investigation of the proposed rates, and also assisted three consumers in presenting testimony at a public hearing in Raleigh on February 19, 2019.

Following the filing of initial and reply comments by the parties in February and March 2019, the Commission issued an Order Scheduling Evidentiary Hearing and Establishing Procedural Schedule on April 24, 2019, which found that the following issues merited consideration in an evidentiary hearing:

- Duke Energy’s quantification of ancillary services cost of integrating QF solar;
- Duke Energy’s proposed solar integration charge “Average Cost” rate design and biennial update;
- NCSEA and Public Staff’s proposals related to differing ancillary services costs for innovative QFs;
- Duke Energy’s Integrated Resource Plan (“IRP”) assumptions regarding expiring wholesale contracts;
- NCSEA’s recommendation to calculate avoided capacity rates based upon a hypothetical December 31, 2021, in-service date for standard offer QFs;

- Duke Energy’s updated avoided capacity rate design, including seasonal allocation of avoided capacity;
- Dominion’s proposed re-dispatch charge; and
- Duke Energy’s proposed modifications to the standard terms and conditions.

On these matters, the Commission directed the parties to file testimony in May and June of 2019, and the evidentiary hearing commenced on July 15, 2019.

In October 2019, the Commission issued a Notice of Decision addressing issues relevant to the calculation of avoided capacity rates and avoided energy rates so that Duke and the Independent Administrator of the CPRE Program can calculate such rates; adjust implementation of the CPRE Program, as necessary; and proceed with the evaluation of proposals submitted in the Tranche 2 CPRE RFP Solicitation.

In a Supplemental Notice of Decision, also issued in October of 2019, the Commission found that the Solar Integration Charge was appropriate to charge solar QFs for costs associated with intermittency from solar generation. The Commission found it appropriate to assess a fixed amount of \$1.10/MWh for DEC and \$2.39/MWh for DEP during the term of the contracts for those QFs that establish a legally enforceable obligation during the availability of the rates established in the E-100, Sub 158 proceeding. Furthermore, the charge could be avoided by a “controlled solar generator” if the facility operates in a manner that reduces or eliminates the need for additional ancillary services.

On April 15, 2020, the Commission issued its *Order Establishing Standard Rates and Contract Terms for Qualifying Facilities* in Docket E-100, Sub 158. Among other findings, the Commission made the following decisions:

- Accepted the proposed changes to the Utilities’ energy and capacity rate design to send better price signal to incent QFs to better match system needs.
- Accepted the following seasonal allocation weightings for use in weighting capacity value between winter and summer to calculate the Utilities’ avoided capacity rates: DEC - 90% for winter and 10% for summer; and DEP - 100% for winter; and DENC - 45% for summer, 40% for winter, and 15% for shoulder seasons.
- Beginning with the 2020 IRPs, the Utilities shall include a specific statement addressing the utility’s future capacity needs to be used to determine the first year of avoidable capacity need in the next biennial avoided cost proceeding.
- Pursuant to the N.C.G.S. § 62-156(b)(3), as amended in House Bill 329, the Utilities shall recognize that a swine or poultry waste generator, or a hydroelectric facility 5 MW or less in capacity that has a power purchase agreement in effect as of July 27, 2017, which commits to sell and deliver

energy and capacity for a new fixed-term contract prior to the termination of the QF's existing contract term is avoiding the Utilities' future capacity need for these designated resource types beginning in the first year following expiration of the QF's existing PPA.

- Duke shall apply prospectively the integration services charge to all new uncontrolled solar generators that commit to sell and deliver power into the DEC and DEP systems on or after November 1, 2018. Similarly, DENC shall apply its proposed re-dispatch charge to recover costs incurred to integrate intermittent, non-dispatchable QFs in its service territory.
- DEC and DEP are required to submit the solar integration study methodology to an independent technical review and shall report on that review in the next avoided cost proceeding.
- The proposed modifications to the Standard Terms and Conditions proposed by Duke, including the definition of Material Alteration, are reasonable and appropriate.
- Prior to increasing their output consistent with the Terms and Conditions of their existing PPAs, QFs seeking to add storage or materially increase their output should obtain utility consent.
- Material alterations to committed facilities that increase a utility's obligations to purchase energy at prior avoided cost rates are inappropriate and would unfairly burden ratepayers with increased payments to QFs that exceed current avoided cost rates.
- The parties should continue to discuss challenges associated with separately metering the energy output from energy storage that is co-located with existing solar and report back to the Commission prior to the next avoided cost proceeding.

INTEGRATED RESOURCE PLANNING

(Docket No. E-100, Sub 157)

Integrated Resource Planning is intended to identify those electric resource options that can be obtained at least cost to the utility and its ratepayers consistent with the provision of adequate, reliable electric service. Each utility's IRP considers demand-side alternatives, including conservation, efficiency, and load management, as well as supply-side alternatives in the selection of resource options. Commission Rule R8-60 defines an overall framework within which the Integrated Resource Planning process takes place in North Carolina. Analysis of the long-range need for future electric generating capacity pursuant to N.C. Gen. Stat. § 62-110.1 is included in the Rule as a part of the Integrated Resource Planning process. N.C. Gen. Stat. § 62-15(d) requires the Public Staff to assist the Commission in making its analysis and plan pursuant to N.C. Gen. Stat. § 62-110.1.

The Commission conducts an annual investigation into the electric utilities' Integrated Resource Planning. Commission Rule R8-60 requires that each utility, to the

extent that it is responsible for procurement of any or all of its individual power supply resources, furnish the Commission with a biennial IRP in even-numbered years that contains the specific information set out in that Rule. In odd-numbered years, each of the electric utilities must file an annual report updating its most recently filed biennial IRP. Commission Rule R8-60.1 requires each utility to file a smart grid technology plan (“SGTP”) with its biennial IRP. Under the streamlined rules, the Public Staff reviews IRP updates filed in odd years for compliance with the revised Rule.

On May 1, 2018, DENC filed its 2018 biennial IRP. On September 5, 2018, DEC and DEP filed their biennial IRPs and, on October 1, 2018, the utilities filed their 2018 SGTPs.

In 2018, the Public Staff filed separate comments on the SGTPs filed by DEC, DEP, and DENC, recommending that the utilities continue to investigate the potential to deploy cost-effective smart grid technologies that would improve the reliability and operation of the power grid, provide opportunities for customers to save money on their electric bills, and ensure customer rates and services driven by smart grid investments are cost-effective and prudent, while simultaneously maintaining grid reliability and the security of customer data. The Public Staff also recommended that the utilities include additional information about developments in, and opportunities for, smart grid investments in future SGTPs. On October 23, 2018, Duke Energy made a presentation to the Commission regarding its decision to deploy Advanced Metering Infrastructure (“AMI”) meters.

With respect to DEC and DEP’s 2018 biennial IRPs, the Public Staff recommended, among other things, that the Companies: continue to review their winter peak equations; present compound annual growth rates for both the summer and winter seasons; maximize the use of their DSM to reduce fuel costs; use DSM resource forecasts that represent the reasonably expected load reductions that are available at the time the resource is called upon as capacity; include more information regarding curtailed resources during activations of DSM; investigate and implement cost-effective DSM available to respond to winter peak demands; evaluate in future IRPs subsequent license renewals for all of their existing nuclear units; evaluate the feasibility and benefits of advanced analytic techniques that incorporate sub-hourly modeling and more granular system performance data; include in future IRPs a discussion of the data from smart meters to inform load forecasting, cost of service studies, and rate design; amend its utilization of forward natural gas prices greater than five years in future expansion models to develop methods of quantifying the benefits of fuel diversity; develop analytical tools to determine the least cost plan that provides the lowest risk to customers while maintaining operational and compliance flexibility for the utility; evaluate the residential rate impacts of each portfolio; consider different capacity values for solar resources; and include a statement of need in future IRPs clarifying the first year of capacity need for avoided cost purposes.

On March 7, 2019, DENC filed an update to its IRP to comply with an order by the Virginia State Corporations Commission requiring revisions to its 2018 IRP, for which the Public Staff filed comments on May 6, 2019.

The Public Staff also assisted 49 consumers in presenting testimony at a public hearing in Raleigh on February 4, 2019.

DEC's and DEP's Integrated Systems and Operations Planning (ISOP)

In their 2018 IRPs, DEC and DEP (collectively "Duke") indicated that they are examining ways of enhancing the traditional methods of utility resource planning in order to keep pace with changes occurring in the industry. As an example, Duke stated that it has not been able to identify the locational value of distributed generation sources, and is now developing models to do so. Duke indicated that it is addressing this and other issues through an Integrated Systems and Operations Planning (ISOP) effort. Further, Duke indicated that the future enhancements in planning are expected to be addressed over the next several years, as soon as the modeling tools, processes, and data development will allow. On August 28, 2019, the Commission held a Technical Conference to receive further information from Duke on ISOP. On December 10, 2019, Duke held an ISOP Workshop with a diverse group of stakeholders to seek their input regarding the ISOP process. A second ISOP Workshop is scheduled for August 4, 2020.

SMART METER OPT-OUT

In its 2015 Order approving the utilities' 2015 SGTPs, the Commission ordered DEC to address the issue of AMI opt-outs. DEC filed a proposed rider in Docket No. E-7, Sub 1115 on July 29, 2016, which would require residential customers opting out of smart meter installation on their homes to pay an initial set-up fee of \$150.00 and an ongoing monthly fee of \$11.75. The Public Staff filed comments on the proposal supporting the availability of an opt-out program, raised questions regarding certain data and assumptions, and made recommendations regarding program implementation and fees. In addition, the Commission required DEC to submit verified responses to questions on April 28, 2017, August 21, 2017, and November 20, 2017. A substantial number of consumer statements of position raising health and privacy concerns were also filed.

On June 22, 2018, the Commission issued an *Order Approving Manually Read Meter Rider with Modifications and Requesting Meter-Related Information*, in which it approved DEC's opt-out tariff, with certain modifications, including waiving the customer fees associated with opting out for those customers who provide the Company with a notarized statement from a medical physician licensed by the North Carolina Medical Board that the customer must avoid exposure to radio frequency emissions to the extent possible to protect their health. In addition, the Commission directed DEC to include information in its Smart Grid Technology plans addressing privacy and safety concerns raised by customers surrounding the use of AMI meters. Following the filing of recommendations by the Public Staff, the Commission issued an *Order Approving Revised Tariff and Implementation Plan* on September 26, 2018.

On October 4, 2018, DEP filed a Request for Approval of Revised Meter-Related Optional Programs Rider MROP (AMI Opt-Out) in Docket No. E-2, Sub 834 that was

similar in many respects to the approved DEC program, including the medical waiver options, but would require residential customers opting out of smart meter installation on their homes to pay an initial set-up fee of \$170.00 and an ongoing monthly fee of \$14.75. The DEP AMI-Opt Out was approved by the Commission on May 2, 2019.

CUSTOMER USAGE DATA ACCESS (Docket No. E-100, Sub 161)

On January 16, 2019, the Public Staff filed comments in Docket No. E-100, Sub 15 that, among other matters, stated that there is a need for a rulemaking to “create rules that would provide customers or a third party with customer permission appropriate access to customer data, while protecting customers and their personal and energy consumption data.” The Public Staff further recommended the rulemaking “establish a definition of ‘customer data,’ who should have access to that data, how access should be granted, customer data protections, liability for parties who breach the confidentiality of data, and who pays for the access.” In addition, the Public Staff stated:

With the deployment of smart meters and a new customer information and billing platform, a greater emphasis on customer data regulation is necessary to ensure that customers understand and have confidence in their energy data and the bill developed for that data, how their data is used and made available to third parties, and who will be responsible for the integrity and security of that data.

On February 4, 2019, the Commission issued an *Order Requiring Information, Requesting Comments, and Initiating Rulemaking* in the above-captioned docket initiating a rulemaking on access to electric customer usage data. The Order, among other things, allowed parties to file initial comments and/or proposed rules by April 15, 2019. To facilitate the discussions among parties about proposed rules, the Commission granted extensions of time to file initial comments and/or proposed rules. On February 10, 2020, initial comments were filed by several parties, and proposed rules were filed by the Public Staff, Attorney General’s Office, and Mission:data Coalition. On May 26, 2020, the Commission issued an *Order Requesting Reply Comments*, to allow parties to file reply comments on the proposed rules on or before June 29, 2020.

METER TESTING AND BILLING INFORMATION (Docket No. E-100, Sub 153)

In its October 24, 2016 comments in Docket No. E-7, Sub 1115, the Public Staff supported a generic proceeding in which the rules associated with metering and billing for electric utility service can be reviewed and revised to accommodate the changing nature of electric service. The Public Staff noted that several of the rules date back into the 1950s and 1960s, and predated many of the modern metering and billing technologies that exist today. The Public Staff stated that the Commission’s current rules do not

adequately address the engineering and design standards that are used to build, test, and deploy electric meters.

On August 21, 2017, the Commission issued an *Order Initiating Rulemaking Proceeding*, directing the parties to file comments, suggestions, or proposed rule revisions. The proceeding was established in order to assist the Commission in revising its rules for the location, testing facilities, average error calculations, and accuracy of electric meters (Rules R8-7 through R8-14, and R8-21), as well as to revise its meter testing rules to better align them with the industry's transition from analog, non-communicating meters, to advanced metering infrastructure ("AMI"), which involves digital meters with two-way communications technology.

In October 2017, pursuant to a motion filed by the Public Staff, the Commission issue an Order Granting Motion to Hold Proceedings in Abeyance during the pendency of the DEC and DEP rate cases that were underway.

On November 19, 2018, the Commission issued an Order in Docket No. E-100, Sub 153 scheduling a staff technical conference and a tour of the utilities' meter testing facilities, and requiring DEC, DEP, and DENC to file information describing their current meter testing programs. The Staff technical conference was held on December 18, 2018, and the additional materials were filed by the utilities on December 21, 2018.

On February 4, 2019, the Commission issued an *Order Requiring Information, Requesting Comments, and Initiating Rulemaking* in the above-captioned docket, to reopen the rulemaking docket. On June 14, 2019, the Public Staff, DEC, DEP, and DENC filed joint comments and proposed revisions to Rules R8-7 through R8-21.

On July 10, 2019, the Commission issued an *Order Requesting Comments on Proposed Rules and Requiring Additional Revisions*, in which the Commission requested that parties file additional draft revisions and reply comments to address following issues:

- Additional rule revisions that clarify the key provisions from American National Standards Institute (ANSI) standards relied on in the draft rules that are most likely to be of interest to customers;
- How the rules could be amended to address the need to test the two-way communications aspects of AMI;
- How the rules could be amended to assure the utilities take steps to protect their AMI communications networks from cyber-related vulnerabilities;
- Whether the Commission should repeal Rule R8-16 (Standard Frequency) in its entirety; and
- Whether it would be more efficient for some or all of the requirements from the Commission's June 22, 2018 Manually-Read Meter Order to be transitioned from the Smart Grid Technology Plan filing into the proposed annual meter testing report.

Parties filed comments and reply comments in September and October, respectively. On November 27, 2019, the Commission issued its *Order Revising Rules and Requiring Annual Reports*, in which it approved the proposed changes to rules R8-8 through R8-21 (with slight modifications), and found that the changes are appropriate in light of changes in metering technology and industry standards for meter testing, as well as strike the appropriate balance by being both accessible to the public and grounded in national industry standards that are updated periodically via a rigorous standard-setting process.

REPS SWINE AND POULTRY WASTE SET-ASIDE COMPLIANCE

(Docket No. E-100, Sub 113)

N.C. Gen. Stat. § 62-133.8(i)(2) authorizes the Commission to modify or delay the REPS provisions, in whole or in part, if the Commission determines it to be in the public interest to do so. In September 2019, DEC, DEP, DENC, GreenCo, Fayetteville PWC, EnergyUnited EMC, TVA, the Town of Waynesville, the Town of Windsor, NCEMPA, and NCMPA1 (the “Joint Movants”) filed a joint motion pursuant to N.C. Gen. Stat. § 62-133.8(i)-(2), requesting that the Commission: 1) modify the requirements of N.C. Gen. Stat. § 62-133.8(e) (compliance with the REPS requirements through the use of swine waste resources) for DEC, DEP, and DENC by lowering the 2019 compliance requirement to 0.04% of prior-year retail sales, shifting the increase to 0.07% to begin in calendar year 2020, and delaying the requirements of N.C. Gen. Stat. § 62-133.8(e) for all other Joint Movants until 2020; and 2) modify the requirements of N.C. Gen. Stat. § 62-133.8(f) (compliance with REPS requirements through the use of poultry waste resources) by lowering the 2019 requirement to 500,000 MWh and shifting the increase to 700,000 MWh and 900,000 MWh to calendar years 2020 and 2021, respectively. The Joint Movants further requested that they be allowed to bank any swine and poultry waste RECs previously or subsequently acquired for use in future compliance years and to replace compliance with the swine and poultry waste requirements in 2019 with other compliance measures.

The Joint Movants asserted that they had individually and collectively taken a number of actions to comply with the REPS swine and poultry waste resource provisions, including actively engaging waste-to-energy developers, issuing requests for proposals, evaluating bids received, negotiating and executing long-term REC purchase agreements for these resources, processing interconnection requests from these generators, actively monitoring executed agreements, and, in some cases, further modifying REC purchase agreements to provide developers a reasonable opportunity for successful project execution. The Public Staff submitted comments on the joint motion and supported the requested delay.

On December 16, 2019, the Commission issued an Order finding that the State’s electric power suppliers had made reasonable efforts to comply with the 2018 statewide swine and poultry waste set-aside requirements, as previously modified by the

Commission, and determining that it was in the public interest to grant the modifications as requested in the Joint Motion. In addition, the Commission required all electric power suppliers to continue to file reports on their compliance efforts on a semiannual basis until the Commission orders that they be discontinued. Finally, the Commission directed the Public Staff to continue to arrange and facilitate a stakeholder meeting at least once a year to occur in the summer months. The Public Staff held these meetings on June 13, 2019, and June 12, 2020.

INTERCONNECTION STANDARDS REVISIONS **(Docket No. E-100, Sub 101)**

Following the completion of the stakeholder process in 2017 that was mandated by the Commission as part of its last revision to the North Carolina Interconnection Standard (“NCIP”), the Public Staff filed with the Commission in December 2017 a consolidated, but not consensus, set of revisions to the NCIP that attempted to capture the different perspectives of the stakeholder participants.

Following the filing of comments in January and February 2018, the Commission, in August 2018, set the matter for hearing and directed the parties to file testimony on the proposed revisions. In addition, the Commission scheduled an oral argument in September 2018 to discuss interim modifications to the NCIP to accommodate the evaluation and selection of proposals received in response to the Tranche 1 CPRE RFP Solicitation, as well as file additional comments on this matter.

On October 5, 2018, the Commission issued an *Order Approving Interim Modifications to North Carolina Connection Procedures for Tranche 1 of CPRE RFP*, based on the information presented in the oral arguments and filings by the parties. The Commission held an evidentiary hearing in January 2019 on the broader changes to the NCIP. On June 14, 2019, the Commission issued an *Order Approving Revised Interconnection Standard and Requiring Reports and Testimony*, in which the Commission made the following modifications, among others:

- Made clarifying and conforming revisions to the NCIP to reflect certain changes proposed by the parties;
- Adjusted the fees applicable to the interconnection process;
- Modified the Material Modification standard in the Interconnection Procedures to consider the addition of energy storage equipment to interconnection requests;
- Provided for an expedited review of interconnections for small swine and poultry waste facilities, pursuant to Part VII of House Bill 589, Session Law 2017-192;
- Modified the dispute resolution process available to interconnection customers;

- Directed DEC and DEP to clarify and formalize the process by which the Companies consider and share technical study practices and amendments to their application of good utility practice with all interconnection customers, the Public Staff, and other interested parties; and
- Modified the queue management reports and other reporting requirements applicable to the NCIP.
- Required a report on Duke's implementation a stakeholder process to develop a group study proposal requiring a transition to queue-wide cluster study process to replace the current serial queue study process.

In its August 27, 2019 *Order Requiring Queue Reform Proposal and Comments*, the Commission required Duke to file a queue reform proposal to transition to a grouping study process. Duke filed a proposal on October 15, 2019 and proposed a further stakeholder process to address specific areas of the queue reform proposal, specifically: (1) cluster timeline/ predictability and restudy; (2) cost allocation; (3) interdependencies; and (4) cluster milestone payments and refunds. On May 15, 2020, Duke filed its updated queue reform proposal. In its proposal, Duke asked for a decision from the Commission by September 15, 2020, to allow queue reform efforts to be aligned in South Carolina and with the Federal Energy Regulatory Commission. As of June 2020, the Commission is reviewing comments of the parties on the queue reform proposal.

ANNUAL NATURAL GAS COST REVIEWS

N.C. Gen. Stat. § 62-133.4 allows the natural gas local distribution companies ("LDCs") to adjust their rates from time-to-time to track changes in the cost of gas supply and transportation. These rate adjustments, which are known as purchased gas adjustments, may occur as often as monthly and do not require an evidentiary hearing. The Public Staff reviews the calculations of the adjustments and supporting documentation and makes recommendations to the Commission regarding approval.

N.C. Gen. Stat. § 62-133.4 also provides for annual proceedings to compare the LDCs' prudently incurred gas costs with the costs recovered from ratepayers during a 12-month test period. If the prudently incurred gas costs of an LDC are less than the costs recovered from ratepayers, the Commission must require the LDC to make refunds through bill credits or rate decrements. If the prudently incurred costs are greater than the costs recovered, the Commission may allow the LDC to recover the deficiency through a rate increment.

There are four LDCs in North Carolina: Public Service Company of North Carolina, Inc. ("PSNC"), Piedmont Natural Gas Company, Inc. ("Piedmont"), Frontier Natural Gas Company ("Frontier"), and Toccoa Natural Gas. Throughout 2019, the Public Staff reviewed the LDCs' gas costs and deferred account reports, gas procurement practices, and hedging policies. The Public Staff conducted in-depth investigations of the information submitted by the LDCs in their 2019 filings and presented its findings and recommendations regarding whether the utilities' gas purchases and hedging activities

were prudent and whether the utilities properly accounted for gas costs. After conducting a hearing for each LDC, the Commission issued orders approving the gas costs incurred, the accounting for gas costs, any recommendations, and the proposed rate increments and decrements as appropriate.

PIPELINE INTEGRITY MANAGEMENT COST RECOVERY

N.C. Gen. Stat. § 62-133.7A authorizes the Commission to approve a rate adjustment mechanism to enable a natural gas LDC to recover its prudently incurred capital investment and associated costs of complying with federal gas pipeline safety requirements.

PIEDMONT NATURAL GAS COMPANY, INC. INTEGRITY MANAGEMENT RIDER (“IMR”) (Docket No. G-9, Subs 734, 748 and 757)

The Commission approved an IMR mechanism as part of Piedmont’s 2013 general rate case, which is Appendix E of Piedmont’s Service Regulations. Appendix E states that Piedmont shall file with the Commission by October 31st its Annual IMR Report summarizing the Integrity Management (“IM”) Plant Investment for the 12-month period ending September 30th and the data substantiating and supporting its Integrity Management Revenue Requirement (“IMRR”) calculation for rates effective December 1st.

On April 30, 2019, Piedmont, pursuant to the IMR mechanism, filed an IMRR bi-annual rate adjustment, effective June 1, 2019, based on the Company’s IM Plant Investment through March 31, 2019. In the filing, Piedmont also proposed a true-up adjustment for the IM Deferred Account based on the actual account balance at March 31, 2019. On May 15, 2019, Piedmont filed the schedule showing the computation of the proposed IM rate adjustment for each rate schedule and the revised tariffs effective June 1, 2019. The Public Staff determined that these rate adjustments were properly calculated and recommended approval. The Commission approved the proposed rate adjustments.

The proposed IMR rate adjustments, expressed in dollars per dekatherm (\$/dt), are as follows:

Description	Residential Rate 101	Medium General Rate 102, 142, 152	Large General Rate 103, 113, 12 T-10, T-12	Interruptible Large General Rate 104, 114
Rate Class Percentage	64.64%	29.43%	2.67%	3.26%
IMRR	\$57,785,377	\$26,309,153	\$2,386,865	\$2,914,300
IM Deferred Account Balance	(\$10,282,210)	(\$4,681,396)	(\$424,714)	(\$518,564)
Total Amount for recovery	\$47,503,167	\$21,627,757	\$1,962,151	\$2,395,736
Rate Case Volumes (dts)	36,504,751	27,448,263	30,188,509	34,669,378
IM Increment per dt	\$1.3013	\$0.7879	\$0.0650	\$0.0691
Remove Previous Increment	(\$1.2920)	(\$0.7823)	(\$0.0645)	(\$0.0686)
Change in IM Increment per dt	\$0.0093	\$0.0056	\$0.0005	\$0.0005

On April 1, 2019, in Docket No. G-9, Sub 743, Piedmont filed its first general rate case since the inception of the IMR mechanism. On October 31, 2019, the Commission issued its Order Approving Stipulation, Granting Partial Rate Increase, Line 434 Revenue Rider, EDIT Riders, Provisional Revenues Rider, and Requiring Customer Notice (Sub 743 Order). The Sub 743 Order continued the IMR mechanism and was based on rate base as of June 30, 2019, and authorized the implementation of new base rates and updated inputs to the IMR model. Therefore, Piedmont's IMR rates eliminated going-forward recovery of IM plant and the return on those IMR-eligible assets since they were rolled into the new base rates authorized by the Commission as of June 30, 2019, the cut-off period established in the rate case.

On October 31, 2019, Piedmont filed its projected three-year plan of IM Plant Investment and computations of the IMR rate adjustments that it proposed to implement effective December 1, 2019. The IMRR calculation reflected approved depreciation rates and the overall return approved in the Sub 743 Order, as applied to the net plant investment for the three month period from July 1, 2019 through September 30, 2019.

On November 15, 2019, Piedmont filed its proposed IMR rate adjustments, including an increment to collect the October 31, 2019 balance in the IM Deferred Account to be effective December 1, 2019. On November 26, 2019, Piedmont filed a corrected schedule. The proposed IMR rate adjustments, expressed in dollars per dekatherm (\$/dt), are as follows:

Description	Residential Rate 101	Small & Medium General Rate 102, 142, 152	Firm Large General Rate 103, 113, 12 T-10, T-12	Interruptible Large General Rate 104, 114
Rate Class Percentage	64.78%	30.18%	2.73%	2.31%
IMRR	\$7,397,078	\$3,446,184	\$311,732	\$263,774
IM Deferred Account Balance	(\$1,618,272)	(\$753,928)	(\$68,198)	(\$57,706)
Total Amount for recovery	\$5,778,806	\$2,692,256	\$243,534	\$206,068
Rate Case Volumes (dts)	39,305,821	32,055,951	35,121,753	29,923,758
IM Increment per dt	\$0.1470	\$0.0840	\$0.0069	\$0.0069
Remove Previous Decrement	\$0.2817	\$0.1706	\$0.0141	\$0.0150
Change in IM Increment per dt	\$0.4287	\$0.2546	\$0.0210	\$0.0219

The Public Staff investigated the filing and recommended approval of the proposed IMR rate adjustments. (Note: The difference in Rate Class Percentage and Rate Case Volume is due to updates to these figures in Piedmont’s 2019 general rate case.) The Commission approved the rate adjustments.

PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INC.
INTEGRITY MANAGEMENT TRACKER (“IMT”)
(Docket No. G-5, Subs 602 and 612)

The IMT, Rider E of its tariff, requires that PSNC file an annual report summarizing the IM Plant Investment for the prior 12-month period ending December 31st and the data substantiating and supporting its IMRR calculation for the next bi-annual IMT rate adjustment. Additionally, PSNC is required to file by February 15th an IM True-Up Adjustment based on the balance in the IM Deferred Account as of January 31st. PSNC is also required to file bi-annual adjustments to its rates based upon qualifying capital investments in integrity and safety projects as of December 31st and June 30th, respectively. Rider E of its tariff requires PSNC to make a filing with the Commission by February 15th and August 15th each year showing the computation of the IMT rate adjustment that it proposes to charge during the six-month period beginning March 1st and September 1st, respectively.

On January 31, 2019, PSNC filed its projected three-year plan of IM Plant Investment. On February 14, 2019, PSNC filed an application requesting authority to adjust its rates effective March 1, 2019, to implement new temporary increments in its rates pursuant to Rider E.

The proposed IMT rate adjustments, expressed in dollars per dekatherm (\$/dt), are as follows:

Description	Residential	Commercial	Firm	Interruptible
	Rates 101, 102, 115	Rates 125, 126 127, 140	Large General Rates 145, 175	Large General Rates 135, 150, 160, 165, 180
Rate Class Percentage	69.89%	19.92%	7.25%	2.94%
IMRR for Recovery	\$14,529,696	\$4,141,244	\$1,507,230	\$611,208
IM Deferred Account Balance	<u>(\$548,537)</u>	<u>(\$156,344)</u>	<u>(\$56,902)</u>	<u>(\$23,075)</u>
Net IMRR for Recovery	\$13,981,159	\$3,984,900	\$1,450,328	\$588,133
Rate Case Volumes (dts)	30,270,961	15,477,549	20,238,473	14,871,673
IM Rate Increment (per dts)	\$0.4619	\$0.2575	\$0.0717	\$0.0395
Remove Current IMT Increment	<u>\$0.4229</u>	<u>\$0.2357</u>	<u>\$0.0656</u>	<u>\$0.0362</u>
Adjustment to IMT Increment	\$0.0390	\$0.0218	\$0.0061	\$0.0033

The Public Staff determined that these rate adjustments were properly calculated, and the Commission issued an order approving them.

On July 31, 2019, PSNC filed the computation for the IMRR that supports the bi-annual IMT rate adjustment, effective September 1, 2019, based on its IM Plant Investment through June 30, 2019.

On August 15, 2019, PSNC filed the computation of the IMT rate adjustments for each rate schedule and the revised tariffs, effective for service rendered on and after September 1, 2019.

The proposed IMT rate adjustments, expressed in dollars per dekatherm (\$/dt), are as follows:

Description	Residential	Commercial	Firm	Interruptible
	Rates 101, 102, 115	Rates 125, 126 127, 140	Large General Rates 145, 175	Large General Rates 135, 150, 160, 165, 180
Rate Class Percentage	69.89%	19.92%	7.25%	2.94%
Net IMRR for Recovery	\$14,840,802	\$4,229,915	\$1,539,502	\$624,295
Rate Case Volumes (dts)	30,270,961	15,477,549	20,238,473	14,871,673
IM Rate Increment (per dt)	\$0.4903	\$0.2733	\$0.0761	\$0.0420
Remove Current IMT Increment	<u>\$0.4619</u>	<u>\$0.2575</u>	<u>\$0.0717</u>	<u>\$0.0395</u>
Adjustment to IMT Increment	\$0.0284	\$0.0158	\$0.0044	\$0.0025

The Public Staff investigated the filing and recommended approval of the proposed IMT rate adjustments. The Commission approved the rate adjustments.

PIEDMONT NATURAL GAS COMPANY, INC.
APPLICATION FOR GENERAL RATE INCREASE
(Docket No. G-9, Sub 743)

On April 1, 2019, Piedmont filed an application for a general rate increase (Application) requesting authority to increase its rates and charges, effective no later than November 1, 2019, to produce additional overall annual North Carolina retail revenues of approximately \$83 million or 9% over current revenues, which would cause the average residential customer's bill to increase by about \$6.50 per month. Piedmont sought approval of (1) a rate of return on common equity of 10.60%; (2) continuation of its IMR mechanism contained in Appendix E to its approved service regulations; (3) regulatory asset treatment for certain incremental Distribution Integrity Management Program ("DIMP") Operations and Maintenance ("O&M") expenses; (4) adoption of revised and updated depreciation rates for its North Carolina and joint property assets; (5) updates and revisions to its rate schedules and service regulations; (6) revised and updated amortizations and recovery of certain regulatory assets accrued since its last

general rate case proceeding in 2013; (7) approval of expanded energy efficiency and conservation program spending; and (8) adoption of an Excess Deferred Income Tax (“EDIT”) Rider mechanism to manage the flowback to customers of deferrals and excess deferred income taxes created by changes to state and federal income tax rates.

Public hearings were held in High Point, Charlotte, Wilmington, and Raleigh, where 33 members of the public testified.

On August 13, 2019, Piedmont, the Public Staff, and other parties (“Stipulating Parties”) filed a Stipulation resolving the issues between them. The Stipulation provided for a total increase in annual level of operating revenues (in each instance compared to the current level of such revenues) for Piedmont by \$28,058,125 or 3.10% in the first year, \$64,757,365 or 7.20% in the second year, and \$82,820,089 annually or 9.20% for the years that follow. For the typical residential customer, the rate increase in the first year would result in an annual increase to the customer’s bill of \$22, or \$1.83 per month. The differing annual increases are due to the timing of the flowback of deferrals and EDIT as a result of reductions in state and federal income tax rates. After giving effect to the first and second year increases, the annual operating revenues for Piedmont would be \$930,101,661 and \$966,800,901, respectively. Beginning in the third year, the increase is capped at \$82,820,089 since this was the amount requested in the Application and noticed to the public. The Stipulating Parties agreed to a rate of return on common equity of 9.70% and a capital structure of 52.00% common equity, 0.85% short-term debt, and 47.15% long-term debt. The Stipulating Parties agreed to use 4.41% for the cost of long-term debt and 2.72% for the cost of short-term debt. The Stipulating parties also agreed that Piedmont’s revenue requirement should reflect the reduction in the federal corporate income tax rate from 35.00% to 21.00%, on the Company’s ongoing federal income tax expense, and the reduction in the state corporate income tax rate from 3.00% to 2.50%, on the Company’s ongoing state income tax expense.

The Stipulation also provided for regulatory asset treatment for new DIMP pipeline safety related O&M costs, as well as the continuation of the Transmission Integrity Management Program (“TIMP”) pipeline safety O&M costs and environmental compliance assessment and clean-up costs until the resolution of Piedmont’s next general rate proceeding, adoption of a pipeline revenue rider, state and federal tax-related riders and approval of Piedmont’s revised depreciation rates, proposed rate schedules and service regulation changes. The Stipulating Parties also agreed to continue Piedmont’s IMR mechanism as amended in Exhibit F of the Stipulation, along with the modifications to the calculations to the IMRR agreed to in the Stipulation, for a period of four years at which time Piedmont may seek further extension of the mechanism through a request to the Commission seeking such relief.

On October 31, 2019, the Commission issued the Sub 743 Order, which approved the Stipulation and required customer notice. The various rate increases change annually on November 1st.

Alternative Gas / Renewable Natural Gas

In Docket No. G-9, Sub 698, Piedmont sought approval for “alternative gas” to be injected into its pipeline system pursuant to a proposed Appendix F to its service regulations, which defines alternative gas and sets forth the terms and conditions under which Piedmont will accept alternative gas into its system and deliver or redeliver it to its customers. In June 2018, the Commission determined it was premature to unconditionally approve Appendix F in light of the Commission’s ongoing concerns related to potential service quality and operational issues, and authorized a three-year pilot program. To date, the Commission has approved seven applications for producers to participate in the pilot program; however, only two producers are in commercial operation at this time.

Similarly, PSNC applied for approval of a three-year Pilot Program in May of 2019 in Docket No. G-5, Sub 606. After responses to Commission’s questions by PSNC and the Public Staff, the Commission approved PSNC’s proposal and its Appendix B - Gas Quality Standards For Renewable Gas, which governs the standards of renewable gas. To date, PSNC has two approved renewable gas producers. PSNC’s renewable gas producers are currently in the developmental stages and are not in commercial production at this time.

CWSNC APPLICATION FOR GENERAL RATE INCREASE (Docket Nos. W-354, Subs 363, 364, and 365)

On January 17, 2019, in Docket No. W-354, Sub 363 (Sub 363), Carolina Water Service, Inc. of North Carolina (CWSNC or Company) filed a *Petition for an Accounting Order to Defer Unplanned Incremental Hurricane Florence Storm Damage Expenses, Capital Investments, and Revenue Loss*.

On May 24, 2019, in Docket No. W-354, Sub 364 (Sub 364), CWSNC filed its 30-day notice of intent to file an application for a general rate case pursuant to Commission Rule R1-17(a) of the Rules of Practice and Procedure of the Commission. By Order issued June 6, 2019, the Commission consolidated CWSNC’s Sub 363 docket with the Company’s impending Sub 364 rate case proceeding.

On June 28, 2019, CWSNC filed an application with the Commission seeking authority to increase its rates for providing water and sewer utility service in all of its service areas in North Carolina (Application). In its Application, CWSNC also requested authority to implement a water and wastewater customer usage tracking rate adjustment mechanism (CAM) within each rate division, assuming passage of pending House Bill 529; and in the alternative, a Conservation Rate Pilot Program and Revenue Adjustment Mechanism for The Point Subdivision. The Company sought an increase in total annual revenues of \$7,052,313, a 20.76% increase over total revenues generated by its current rates. Further, the Company requested an overall rate of return of 8.07%, based on an embedded cost of debt of 5.59%, a rate of return on common equity of 10.75%, and a capital structure consisting of 47.96% long-term debt and 52.04% common equity.

The Company's last general rate case order was issued by the Commission on February 21, 2019, in Docket No. W-354, Sub 360. CWSNC operates 96 water utility systems and 37 sewer utility systems and serves approximately 34,915 water customers, 21,403 sewer customers, and 4,809 availability accounts in 38 counties throughout the State.

On June 28, 2019, in Docket No. W-354, Sub 365 (Sub 365), CWSNC also filed a *Petition for an Accounting Order to Defer Post-In-Service Depreciation and Financing Costs Relating to Major New Projects*, which related to the Company's construction of two wastewater treatment plants ("WWTP") and two AMR meter installation projects. On November 15, 2019, the Company filed a request to consolidate Sub 365 with the Sub 364 rate case. By order issued November 19, 2019, the Commission granted the Company's request to consolidate the dockets.

Public hearings were held in Charlotte, Manteo, Boone, Asheville, Raleigh, and Jacksonville where 23 members of the public testified.

On November 18, 2019, the Company withdrew its request for consideration of the Company's proposed CAM and Conservation Rate Pilot Program proposed for The Point Subdivision. On November 27, 2019, CWSNC and the Public Staff entered into and filed a Joint Partial Settlement Agreement and Stipulation ("Stipulation") resolving some of the disputed issues between the stipulating parties in this proceeding.

By Order dated March 31, 2020, the Commission approved the Stipulating Parties' Stipulation and granted CWSNC a partial rate increase. The Commission's Order set an overall rate of return of 7.39%, based on an embedded cost of debt of 5.36%, a rate of return on equity of 9.5%, and a capital structure consisting of 50.90% long-term debt and 49.10% common equity. The Order further provided for an increase in CWSNC's annual level of operating revenues of \$4,945,759, a total increase in CWSNC's combined water and wastewater revenues of approximately 14.56% of its total operating revenues, or roughly 70.13% of the combined rate increase requested in the Application. The Commission approved the Company's request in Sub 363 to defer its costs related to the Hurricane Florence storm as set forth in the Stipulation. Additionally, the Commission approved the Company's request in Sub 365 to defer post-in-service costs associated with the two WWTPs, but denied the Company's petition to defer post-in-service costs associated with the two AMR meter installation projects.

AQUA NC APPLICATION FOR GENERAL RATE INCREASE

(Docket No. W-218, Sub 526)

On the last day of the year, December 31, 2019, Aqua North Carolina, Inc. (Aqua NC), filed an application with the Commission seeking authority to increase its rates for providing water and sewer utility service in all of its service areas in North Carolina. Aqua NC serves approximately 82,000 water customers and 20,000 sewer customers in 51 counties throughout the State. Aqua's last general rate case was decided by the Commission by Order entered December 18, 2018, in Docket No. W-218, Sub 497. The

application has been the subject of various filings in 2020, including to postpone and reschedule public hearings in light of the COVID 19 pandemic, which will be described in greater detail in next year's annual report by the Public Staff.

JOINT AGENCY ASSET RIDER PROCEEDING

(Docket No. E-2, Sub 1207)

On June 11, 2019, DEP filed an application for approval of its annual Joint Agency Asset Rider ("JAAR") to recover acquisition and operating costs related to facilities purchased from NCEMPA pursuant to N.C. Gen. Stat. § 62-133.14 and Commission Rule R8-70. In its application, DEP requested a total of \$152,923 million for the prospective component of its N.C. retail revenue requirement for the period December 1, 2019 through November 30, 2020. In addition to the prospective component, DEP requested to return to ratepayers \$33.618 million through the Joint Agency Asset Rolling Recovery Factor ("RRF") component of its N.C. retail revenue requirement for the same period related to the over-recovery of financing and non-fuel operating costs experienced through the test year ended December 31, 2018. On October 30, 2019, the Commission entered an order approving the JAAR and the following JAAR rates by class. For an average residential customer using 1,000 kWh, this represents a decrease of \$0.51 per month.

Rate Class	Applicable Schedule(s)	Prospective Rate	Rolling Recovery Factor	Combined Rate
Non-Demand Rate Class (dollars per kilowatt-hour)				
Residential	RES, R-TOUD, R-TOUE, R-TOU	0.00474	(0.00084)	0.00390
Small General Service	SGS, SGS-TOUE	0.00522	(0.00179)	0.00343
Medium General Service	CH-TOUE, CSE, CSG	0.00415	(0.00162)	0.00253
Seasonal and Intermittent Service	SI	0.00251	(0.00423)	0.00172
Traffic Signal Service	TSS, TFS	0.00236	(0.00065)	0.00171
Outdoor Lighting Service	ALS, SLS, SLR, SFLS	-	-	-
Demand Rate Classes (dollars per kilowatt)				
Medium General Service	MGS, GS-TES, AP-TES, SGS-TOU	1.37	(0.49)	0.88
Large General Service	LGS, LGS-TOU	1.45	(0.08)	1.37

HOUSE BILL 589 IMPLEMENTATION

House Bill 589, entitled “Competitive Energy Solutions for NC,” was enacted on July 27, 2017. It requires the implementation of several new renewable energy programs. Those programs and the status of their implementation are described below.

Competitive Procurement for Renewable Energy (“CPRE”) Program

Part II of House Bill 589 requires Duke Energy to procure 2,660 MW of renewable energy through a competitive procurement program. In accordance with the bill, the Commission adopted rules for the CPRE program in Docket No. E-100, Sub 150, approved CPRE programs for DEP and DEC in Docket Nos. E-2, Sub 1159, and E-7, Sub

1156, respectively, and selected an independent administrator (“IA”) of the program in Docket No. E-100, Sub 151.

The opening solicitation for the first tranche of the Program was delayed in order for the Commission to issue CPRE-related modifications to the North Carolina Interconnection Procedures to implement a grouping study process. The first solicitation opened on October 9, 2018 and aimed to procure 600 MW of energy for DEC and 80 MW for DEP. The IA concluded the first solicitation and reported on its results on April 9, 2019. The IA reported that the procured amount fell short of the initial procurement target but calculated the total nominal savings were estimated versus avoided cost over the full 20-year term as follows: DEC is estimated to have \$290.20 million in savings, and DEP to have \$84.69 million in savings.

In its Supplemental Notice of Decision in the 2018 biennial avoided cost proceeding (Docket E-100, Sub 158), the Commission determined that it was appropriate to include a solar integration charge. In its January 24, 2020 *Order Approving Pro Forma PPA*, the Commission determined that it is appropriate to include the solar integration charge in assessing the cost effectiveness of solar resources bidding into the CPRE program.

Tranche 2 of the CPRE was open from October 15, 2019 to March 9, 2020 with a capacity target of 600 MW in DEC and 80 MW in DEP. As of June 2020, Tranche 2 is in Step 2 of the IA’s evaluation with results expected later in the year.

Green Source Advantage (“GSA”) Program

Part III of House Bill 589 requires Duke Energy to file with the Commission an application for approval of a new program to procure 600 MW of renewable energy for major military installations, the University of North Carolina, and large nonresidential customers.

The program plan for the new GSA program was filed in Docket Nos. E-2, Sub 1170 and E-7, Sub 1169. Duke Energy, the Public Staff, the University of North Carolina, organizations representing potential GSA program customers and solar developers, and others took part in the proceeding. The Commission on February 1, 2019 issued an order modifying and approving the GSA Program and Duke Energy made a compliance filing containing a proposed program on March 18, 2019. The Commission approved Duke’s proposed allocation of the 250 MW of “unreserved capacity” available under the GSA Program between DEC and DEP based on the load ratio share of eligible customers as follows: 160 MW in DEC and 90 MW in DEP. The remaining capacity was reserved as required by N.C. Gen. Stat. § 62-159.2 for major military installations and the University of North Carolina.

On September 30, 2019, Duke filed notice that the GSA program would open on October 1, 2019. On October 18, 2019, Duke filed a program application summary indicating that 219 MW of capacity was applied for and all applications were for facilities in the DEC service territory. On March 2, 2020, the Commission granted Duke’s request

to reallocate the unreserved capacity from DEP's territory to be used in either DEP's or DEC's territory on a first-come, first-served basis.

As of June 2020, the set-asides for the major military installations or the University of North Carolina system have not been used.

Community Solar or "Shared Solar" Program

The Distributed Resources Access Act, as enacted by Part VI of House Bill 589, required Duke to file with the Commission applications for approval of a new program offering retail customers the opportunity to participate in community solar energy facilities. The law further requires Duke to deploy, on a first-come first-served basis, up to 20 MW of community solar capacity in each service territory (40 MW total), with subscribers able to participate in, and receive benefits from, distributed solar photovoltaic ("PV") resources without having to install, own, or maintain a system of their own.

The Commission approved Duke's Community Solar Program on April 4, 2019. . The Program is expected to start generating bill credits for customers with the launch of the Companies' new billing system, Customer Connect, in spring 2021 in DEC and spring 2022 in DEP.

On October 1, 2019, Duke filed an interim report summarizing its progress in implementing the program and reported that no developers had bid into the Request for Proposals for a community solar facility that had run from July 1 to August 23, 2019.

Solar Leasing program

The Distributed Resources Access Act allows Duke Energy customers the option to lease solar energy systems from third parties. Under a leasing program, a third party owns the solar energy system while the customer has a contract to use the solar panels.

A rulemaking has been completed for the program in Docket No. E-100, Sub 156, with the Commission issuing Rule R8-73 governing Electric Generator Lessors ("EGL"). Since that time, four EGL applications have been approved by the Commission, and three additional applications have been filed, but not yet approved.

Solar Rebate Program

Part VIII of House Bill 589 required Duke Energy to file an application requesting approval of a program to offer reasonable incentives to residential and nonresidential customers to install small solar energy facilities. The Commission approved Duke Energy's proposed rebate program (Solar Rebate Program) in April 2018 for eligible projects that were installed on or after January 1, 2018 in Docket Nos. E-2, Sub 1167, and E-7, Sub 1166. Duke Energy will provide rebates for residential and nonresidential customers totaling an estimated \$62 million, which the utility is authorized to recover,

along with program costs, under the annual REPS cost recovery rider. Under the Program, residential customers will be eligible for a rebate of 60 cents per watt for solar energy systems of 10 kW or less. Nonresidential customers will be eligible for 50 cents per watt and non-profit customers will be eligible for a rebate of 75 cents per watt for systems of 100 kW or less.

Duke Energy opened the initial application window for the Solar Rebate Program July 9, 2018, and closed the window for the residential and nonresidential classes on July 26, 2018, as a result of the annual participation levels being reached. On September 20, 2018, the Commission issued an *Order Modifying First Year of Solar Rebate Program* to allow certain affected customers to be reallocated capacity if any unused 2018 capacity became available, and also requiring Duke Energy to undertake efforts to more effectively communicate Solar Rebate Program details to existing and future rebate applicants and solar installers, to include hosting installer webinars, sending email notifications, and continuing to regularly update Duke's website to ensure that participation eligibility requirements and details are transparent.

Duke Energy opened the 2019 application window for the Solar Rebate Program January 2, 2019, and closed the window for the residential and nonresidential classes on January 4, 2019, as a result of the annual participation levels being reached.

Duke filed its annual report March 27, 2019, indicating that during the 2018 Program year, a total of 1,863 rebates were paid, with an associated installed capacity of approximately 14,264 kilowatts.

Duke Energy opened the 2020 application window for the Solar Rebate Program January 2, 2020, and closed the window for the residential and nonresidential classes on that same day, as a result of the annual participation levels being reached. During the enrollment window for the 2020 Program year, Duke's web-based application system experienced technical issues due, in part, to a flood of applications received the morning of January 2, 2020. The Public Staff received many complaints that applications were submitted but not processed or accepted by the Company. The Company is working with customers individually to address their concerns.

Duke filed its annual report on April 1, 2020, indicating that during the 2019 Program year, a total of 2,219 rebates were paid, with an associated capacity of approximately 19,640 kilowatts. The non-profit segments were not fully subscribed in 2018 or 2019.

To ensure the technical difficulties experienced with the 2020 enrollment are not repeated, the Companies propose "changing the application infrastructure to align with capabilities of a new server configuration" and providing additional windows to enroll during the calendar year. As of June 2020, the Commission is considering comments from the parties in the docket on any changes to the program's implementation.

DENC'S APPLICATION FOR A GENERAL RATE INCREASE **(Docket No. E-22, Sub 562)**

On March 29, 2019, DENC filed an application seeking a general rate increase. In its application and initial direct testimony and exhibits, DENC originally sought a net increase of approximately \$27 million, or 10.5%, in its annual electric sales revenues from its North Carolina retail electric operations, including a rate of return on common equity of 10.75%. DENC further proposed to increase its base fuel revenues by approximately \$3 million. Together, the proposed additional base non-fuel revenue and base fuel revenue, would increase overall base revenues by approximately \$30 million or approximately 8.7%. DENC also proposed a rider to return excess deferred federal corporate income taxes (EDIT) of approximately \$7 million to its North Carolina customers over a one-year period. On August 5, 2019, DENC filed supplemental direct testimony and exhibits updating the increase sought in its non-fuel base rates and charges to its North Carolina retail customers to \$24.9 million. On September 12, 2019, DENC filed second Supplemental testimony updating the increase sought to \$24.2 million.

From the filing of the application to the end of August 2019, the Public Staff and other intervenors conducted extensive discovery on DENC's application. On September 17, 2019, DENC filed an Agreement and Stipulation of Partial Settlement with the Public Staff and testimony supporting the partial settlement. The Public Staff filed testimony supporting the settlement on September 17 and 18, 2019. The Agreement and Stipulation of Partial Settlement provided for a 9.75% rate of return on equity, based upon a capital structure of 52% equity and 48% debt, agreement to reduce the requested revenue requirement by at least approximately \$13.5 million, agreement on numerous adjustments to the Company's cost of service, and agreements related to cost of service allocation methodology, recovery of the federal EDIT, costs of wet-to dry conversions at the Company's Chesterfield Power Station, and the quality of service. The stipulation did not address the Company's request to recover its deferred coal ash costs. On September 23, 2019, DENC filed a settlement agreement with the Carolina Industrial Group for Fair Utility Rates – I which resolved issues regarding the rate of return and capital structure, cost allocations, rate design, and terms and conditions between the parties.

Public hearings were conducted in Halifax, Williamston, and Manteo. The evidentiary hearing began on September 23, 2019. Following the evidentiary hearing, the parties submitted proposed orders, and on February 24, 2020, the Commission entered its *Order Accepting Public Staff Stipulation in Part, Accepting CIGFUR Stipulation, Deciding Contested Issues, and Granting Partial Rate Increase*. The Commission declined to accept the agreement between the Public Staff and DENC regarding the Chesterfield Power Station costs, but accepted the remainder of the terms of the Partial Settlement. The Commission concluded that DENC should be allowed to recover expenditures associated with managing coal combustion residuals and converting or closing waste ash management facilities totaling \$21.8 million. However, the Commission determined that those costs should be excluded from rate base and amortized recovery of the costs over 10 years. The Commission's order resulted in an increase of approximately \$5.7 million in DENC's non-fuel annual electric sales revenues from its

North Carolina retail electric operations including EDIT. Motions for Reconsideration or Clarification from the Company and the Public Staff are pending.

DEC'S APPLICATION FOR A GENERAL RATE INCREASE **(Docket No. E-7, Sub 1214)**

On September 30, 2019, DEC filed an application seeking a general rate increase. In its application and initial direct testimony and exhibits, DEC originally sought a net increase of approximately \$445.3 million, or 9.2%, in its annual electric sales revenues from its North Carolina retail electric operations, including a rate of return on common equity of 10.3%.

From the filing of the application to the beginning of 2020, the Public Staff and other intervenors conducted extensive discovery on DEC's application. On February 18, 2020, the Public Staff filed direct testimony, and on March 4, 2020, DEC filed rebuttal testimony. On March 25, 2020, DEC and the Public Staff filed a partial stipulation regarding certain revenue requirement issues, but left unresolved a number of issues, including coal ash costs, the return of excess deferred income taxes, return on equity and capital structure, and the Company's request to defer costs under its Grid Improvement Plan. The parties also agreed on the regulatory treatment and securitization of certain storm costs incurred by the Company in response to Hurricanes Florence and Michael and Winter Storm Diego. Settlement agreements between DEC and Harris Teeter, LLC; Carolina Industrial Group for Fair Utility Rates ("CIGFUR") III; and the Commercial Group were filed on May 28, 2020, May 29, 2020, and June 1, 2020, respectively. In each of these settlement agreements, the parties agreed on a 9.75% ROE and a 52% equity capital structure.

Public hearings were conducted in Franklin, Morganton, Graham, and Charlotte. On March 10, 2020, prior to the start of the evidentiary hearing, which was originally scheduled for March 23, 2020, Governor Roy Cooper issued Executive Order No. 116 declaring a State of Emergency in North Carolina to coordinate response and protective actions to prevent the spread of coronavirus ("COVID-19"). By subsequent executive orders, the Governor restricted non-essential movement of the State's residents and, ultimately, prohibited mass gatherings of more than 10 persons to limit the spread of COVID-19. In response to these executive orders, on March 16, 2020 and upon motion of DEC, the Commission entered an Order Postponing Hearing and Addressing Procedural Matters. In its motion, DEC waived its right to seek to implement its original proposed rates by operation of N.C. Gen. Stat. § 62-134(b) in the event that the postponement of the hearing renders it infeasible for the Commission to issue an order prior to expiration of the rate suspension period under N.C. Gen. Stat. § 62-134.

On May 6, 2020, DEC, DEP and the Public Staff filed a Joint Motion to consolidate the expert witness hearings in the DEC and DEP rate cases¹ given the extraordinary circumstances surrounding the COVID-19 pandemic and the substantial similarity of the

¹ See description of the DEP rate case proceeding in this report for more information.

issues and overlap of the intervenors in both rate case dockets. On May 29, 2020, the Commission entered an order proposing procedures for a partially consolidated expert witness hearing, scheduling a prehearing conference for June 5, 2020 for the parties to provide comments to the Commission on the procedure proposed in the order. The Commission also stated its intention to schedule the hearings to commence on Monday, July 27, 2020. The prehearing conference was held as scheduled. Further orders of the Commission are expected on when and how the Commission intends to conduct a consolidated hearing.

DEP'S APPLICATION FOR A GENERAL RATE INCREASE (Docket No. E-2, Sub 1219)

On October 30, 2019, DEP filed an application seeking a general rate increase. In its application and initial direct testimony and exhibits, DEP originally sought a net increase of approximately \$585.9 million, or 15.6%, in its annual electric sales revenues from its North Carolina retail electric operations, including a rate of return on common equity of 10.5%.

Public hearings were conducted in Rockingham, Raleigh, Wilmington, Snow Hill, and Asheville.

On March 10, 2020, Governor Roy Cooper issued Executive Order No. 116 declaring a State of Emergency in North Carolina to coordinate response and protective actions to prevent the spread of COVID-19. By subsequent executive orders, the Governor restricted non-essential movement of the State's residents and, ultimately, prohibited mass gatherings of more than 10 persons to limit the spread of COVID-19. In response to these executive orders, on March 24, 2020, the Commission entered an Order Suspending Procedural Schedule and Continuing Hearing.

On April 3, 2020, DEP filed a motion requesting that the Commission issue an order addressing several procedural issues, including ordering the partial resumption of the procedural schedule. In its motion, DEP also waived its right to seek to implement its original proposed rates by operation of N.C. Gen. Stat. § 62-134(b) in the event that the postponement of the hearing renders it infeasible for the Commission to issue an order prior to expiration of the rate suspension period under N.C. Gen. Stat. § 62-134. The Commission ordered the partial resumption of the procedural schedule.

From the filing of the application to the beginning of 2020, the Public Staff and other intervenors conducted extensive discovery on DEP's application. On April 13, 2020, the Public Staff filed direct testimony, and on May 4, 2020, DEP filed rebuttal testimony. On June 2, 2020, DEP and the Public Staff filed a partial stipulation regarding certain revenue requirement issues, but left unresolved a number of issues, including coal ash costs, the return of excess deferred income taxes, return on equity and capital structure, and the Company's request to defer costs under its Grid Improvement Plan. The parties also agreed on the regulatory treatment and securitization of certain storm costs incurred by the Company in response to Hurricanes Florence and Michael and Winter Storm Diego

in 2018, and Hurricane Dorian in 2019. Settlement agreements between DEP and Harris Teeter, LLC; the Commercial Group; CIGFUR II; were filed on June 8, 2020, June 9, 2020, and June 26, 2020, respectively. In each of these settlement agreements, the parties agreed on a 9.75% ROE and a 52% equity capital structure.

On May 6, 2020, DEC, DEP and the Public Staff filed a Joint Motion to consolidate the expert witness hearings in the DEC and DEP rate cases² given the extraordinary circumstances surrounding the COVID-19 pandemic and the substantial similarity of the issues and overlap of the intervenors in both rate case dockets. On May 29, 2020, the Commission entered an order proposing procedures for a partially consolidated expert witness hearing, scheduling a prehearing conference for June 5, 2020 for the parties to provide comments to the Commission on the procedure proposed in the order. The Commission also stated its intention to schedule the hearings to commence on Monday, July 27, 2020. The prehearing conference was held as scheduled. Further orders of the Commission are expected on when and how the Commission intends to conduct a consolidated hearing.

**DEP’S APPLICATION FOR
A CERTIFICATE OF PUBLIC CONVENIENCE AND
NECESSITY TO CONSTRUCT A MICROGRID SOLAR
AND BATTERY STORAGE FACILITY IN MADISON
COUNTY, NORTH CAROLINA
(Docket No. E-2, Sub 1185)**

On October 8, 2018, DEP filed a verified application pursuant to N.C. Gen. Stat. § 62-110.1 and Commission Rule R8-61 for a Certificate of Public Convenience and Necessity (“CPCN”) to construct the generation components of the Hot Springs Microgrid Solar and Battery Storage Facility (the “Hot Springs Microgrid”) on DEP-leased property in Madison County, North Carolina. DEP also requested appropriate approval from the Commission for its decision to construct and own the battery storage components of the Hot Springs Microgrid as consistent with the Company’s commitment and the Commission’s March 28, 2016 Order Granting Application, in Part, with Conditions, and Denying Application in Part in Docket No. E-2, Sub 1089 (the “Western Carolinas Modernization Project (WCMP) Order”).

The Hot Springs Microgrid consists of an approximately 3 MW direct current (“DC”) / 2 MW alternating current (“AC”) solar photovoltaic (“PV”) electric generator and an approximately 4 MW lithium-based battery storage facility to be constructed in Madison County, North Carolina. In addition to providing energy to the DEP system, the Hot Springs Microgrid will be capable of operating while disconnected from the grid (known as “islanding”) to improve reliability for DEP customers connected to the Hot Springs 22.86 kV feeder, which runs for approximately ten miles from the Marshall Substation along the French Broad River and through the Great Smoky Mountains. While grid-tied,

² See description of the DEC rate case proceeding in this report for more information.

the Hot Springs Microgrid should be capable of providing ancillary system services, such as frequency, voltage, and ramping support, to the electric grid, and capacity during system peaks.

On January 30, 2019, the Public Staff filed testimony recommending that the Hot Springs Microgrid be approved as a pilot project and that the certificate be granted, subject to certain conditions, to which DEP agreed.

On May 10, 2019, the Commission entered an Order granting the certificate. The Commission found that though it is not clear that the Hot Springs Microgrid is the most cost effective way to address reliability and service quality issues at Hot Springs, the overall public convenience and necessity would be served by granting the certificate for the solar facility and approving the Hot Springs Microgrid as a pilot project. The Commission further found that the system benefits from the Hot Springs Microgrid are material but are difficult to quantify accurately without real world experience in DEP's service territory. DEP will gain valuable experience by operating the Hot Springs Microgrid, and this experience and data collection and analysis will be beneficial in future cost-benefit analyses of projects with that proposed to include an energy storage component. For these reasons, the CPCN was granted, and the Hot Springs Microgrid approved as a pilot, subject to (1) the reporting requirements, (2) a study of frequency regulation, (3) the imposition of a cap on the above-the-line capital costs of the project, and (4) other conditions proposed by the Public Staff, all of which were agreed to by DEP.

APPLICATION OF DEC AND DEP FOR APPROVAL OF PROPOSED ELECTRIC TRANSPORTATION PILOT (Docket Nos. E-7, Sub 1195 and E-2, Sub 1197)

On March 29, 2019, DEC and DEP filed an application with the Commission for approval of an electric transportation pilot ("ET Pilots"). In the application, the companies proposed spending \$76 million over three years on seven programs: residential electric vehicle ("EV") charging, fleet EV charging, EV school bus charging, EV transit bus charging, multi-family dwelling charging stations, public level two (L2) charging stations, and fast charging stations. Additionally, the companies proposed spending \$3.3 million for education and outreach, and another \$2 million for ongoing operations and maintenance.

On April 4, 2019, the Commission issued an Order requesting comments and reply comments on the proposal. A number of parties, including the Public Staff, filed comments. The Commission conducted a hearing and requested proposed orders.

On February 28, 2020, the Public Staff and other parties filed proposed orders. The Public Staff recommended that the Commission deny the companies' application on the grounds that it is not a proof of concept program that typically characterizes a pilot. The Public Staff argued that the companies admit that the ET Pilots are fundamentally designed to promote EV adoption and install a foundational level of EV infrastructure, not

just to collect data. Such a proposal that addresses a substantial portion of statewide infrastructure needs renders the proposal more like preapproval of infrastructure spending rather than a group of pilot projects. Further, the companies admit that the EV programs, and particularly the charging station programs, are not economical or cost effective, arguing that the companies must “jumpstart” the market. The Public Staff asserted that while Duke is obligated to serve load reliably and safely, it has no such obligation to “jumpstart” the EV market at ratepayer expense. A decision by the Commission is pending.

FRIESIAN’S APPLICATION FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY (CPCN) TO CONSTRUCT A 70-MW SOLAR FACILITY IN SCOTLAND COUNTY, NORTH CAROLINA (EMP-105, Sub 0)

On May 15, 2019, in Docket No. EMP-105, Sub 0, Friesian Holdings filed an application for a certificate of public convenience and necessity (CPCN) pursuant to Commission Rule R8-63 as a merchant generator for the construction of a 70-MW solar photovoltaic electric generating facility in Scotland County. Friesian was seeking to interconnect to the DEP transmission system and the output from the facility would be wheeled by DEP to the North Carolina Electric Membership Corporation (NCEMC) pursuant to a power purchase agreement. The Facility required extensive network upgrades estimated to cost over \$200 million and include the reconductoring of 63 miles, and uprating of 10 miles, of DEP transmission lines.

The Commission suspended the procedural schedule, allowed the parties to file legal briefs, and address in oral arguments held on October 21, 2019, the following issues:

1. The appropriate standard of review for the Commission to apply in determining the public convenience and necessity for a certificate to construct a merchant generating facility pursuant to N.C.[G.S.] § 62-110.1 and Commission Rule R8-63;
2. Whether the Commission has authority under state and federal law to consider as part of its review of the Application the costs associated with the approximately \$227 million dollars in transmission network upgrades and interconnection facilities necessary to accommodate the FERC jurisdictional interconnection of the merchant generating facility, and the resulting impact of those network costs on retail rates in North Carolina; and
3. Whether the allocation of costs associated with interconnecting the Friesian project and any resulting additional capacity made available that is then utilized by State-jurisdictional interconnection projects is consistent with the Commission’s guidance provided in the Commission’s June 14, 2019, Order Approving Revised Interconnection Standard and Requiring Reports and Testimony, issued in Docket No. E-100, Sub 101, in which the

Commission directed the utilities as follows: “to the greatest extent possible, to continue to seek to recover from Interconnection Customers all expenses . . . associated with supporting the generator interconnection process under the NC Interconnection Standard.”

4. How the July 14, 2017 decision of the U.S. Court of Appeals for the D.C. Circuit in *Orangeburg v. FERC*, 862 F.3d 1071 (2017), applies to the issues noted above.

On October 25, 2019, the Commission issued an interlocutory order notifying the parties of the Commission’s preliminary decision on the legal issues. The Commission agreed with the Public Staff that future network upgrade costs may be considered in an application for a CPCN pursuant to N.C. Gen. Stat. § 62-110.1 and Commission Rule R8-63.

The matter came on for hearing on December 18, 2019. On June 11, 2020, the Commission issued its *Order Denying Certificate of Public Convenience and Necessity for Merchant Generating Facility*. As stated in the Order, the Commission found that the Commission may consider all costs that required to construct a proposed generating facility, including the cost to construct the generating plant, the interconnection facilities, and network upgrades when considering an application for a CPCN. The Commission was concerned that the cost of the Network Upgrades for the Facility dwarfs the costs of the generating plant and raises concerns regarding economic viability of the project.

Friesian did not dispute the amount of the network upgrades but argued that the network upgrades would among other benefits: enable significant, additional future generating capacity to interconnect to the DEP system; facilitate and reduce cost for DEP-owned proposed generating capacity; and help to meet state clean energy goals. The Commission found the benefits alleged were too speculative and uncertain to support a determination that granting the CPCN was in the public interest.

The Commission stated that the circumstances presented by the Friesian facility illustrate significant issues related to the continued development of renewable energy in the State. The success in development of solar facilities to date has created transmission constraints and operational challenges especially in the southeastern part of the State.

The Commission found it appropriate to defer any decision related to upgrades of the system in the southeastern region of the State pending the outcome of the activities underway to comprehensively address system challenges including the DEQ Carbon Reduction Stakeholder Group, Phase 2 of the NREL Carbon-Free Resources Integration Study, and the Queue Reform Proposal by Duke that will enable cluster studies and allow multiple facilities to share the costs of network upgrades.

The Commission concluded it is prudent to await the results of these efforts underway and to consider those results in the context of the IRP proceedings as the IRP is the appropriate forum to consider the costs and benefits of system upgrades in the context of reliability, resilience, and affordability.

APPELLATE CASES IN WHICH THE PUBLIC STAFF PARTICIPATED

State Of North Carolina Ex Rel. Utilities Commission; Duke Energy Progress, LLC, v. Attorney General Joshua H. Stein, Sierra Club, Public Staff – North Carolina Utilities Commission, NO. 271A18

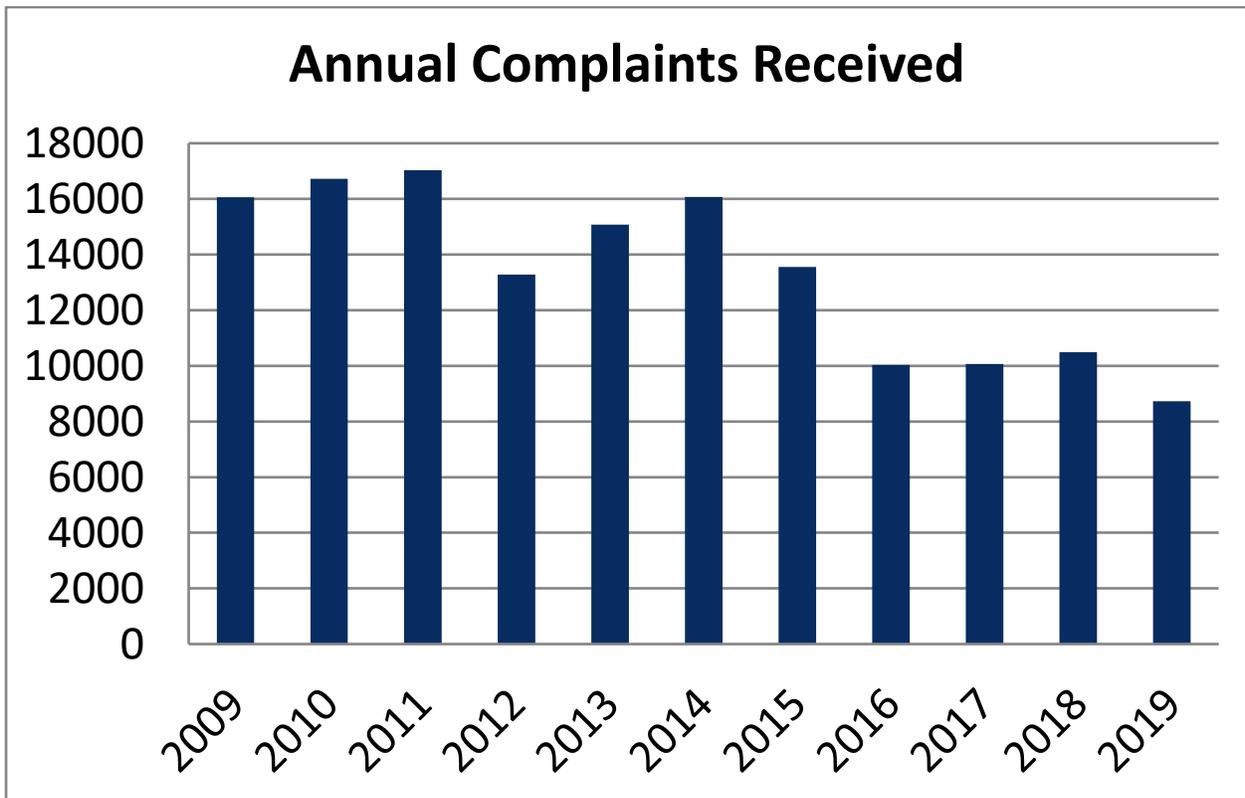
State Of North Carolina Ex Rel. Utilities Commission; Duke Energy Carolinas, LLC, v. Attorney General Joshua H. Stein; Sierra Club; North Carolina Sustainable Energy Association; North Carolina Justice Center, North Carolina Housing Coalition, Natural Resources Defense Council, And Southern Alliance For Clean Energy; Public Staff – North Carolina Utilities Commission, NO. 401A18

State of North Carolina Ex. Rel. Utilities Commission; Public Staff – North Carolina Utilities Commission; Fresh Air Energy II, LLC; And North Carolina Sustainable Energy Association v. Col. Francis X. De Luca USMCR (RET), NO. COA17-1339

CONSUMER SERVICES DIVISION

The Consumer Services Division facilitates the resolution of disputes between consumers and regulated utilities.³ In addition, it handles customer requests for information on utility matters and letters protesting proposed utility rate increases. Complaints and inquiries often relate to quality of service issues, billing disputes, pending disconnections, and requests for assistance in establishing alternative payment arrangements. In 2019, the Consumer Services Division processed a total of 8,732 complaints and inquiries. While the majority of the complaints are resolved informally, a small percentage of the complaints result in formal proceedings before the Commission.

Callers complaining about non-regulated aspects of utility services are directed to the appropriate government agency for resolution. These types of complaints include complaints regarding cable television services, internet, municipal utility services, cellular services, electric and telephone membership cooperative services, and those services regulated by the Federal Communications Commission (“FCC”).



³ The Transportation Division handles all complaints related to household goods movers separately from the Consumer Services Division. Transportation Division complaints are reported on page 46.

CONSUMER COMPLAINTS/INQUIRIES BY INDUSTRY

Industry	Complaints	Utility	Complaints
Electric	7,072		
		Duke Energy Carolinas	3862
		Duke Energy Progress	2,940
		Dominion NC Power	267
		Other	3
Natural Gas	467		
		Piedmont	365
		PSNC	101
		Other	1
Telephone	426		
		AT&T	119
		Frontier	140
		CenturyLink	97
		Windstream	29
		Time Warner/Spectrum	22
		Other	19
Water/Sewer	365		
		Aqua	144
		Water resellers	73
		Carolina Water Service	60
		Other	88
Other	402		

ELECTRIC DIVISION

The Electric Division represents the using and consuming public in matters brought before the Commission regarding regulated electric utilities, including matters such as generation plant siting, transmission line siting, rates and tariffs, DSM/EE program approval and performance, power plant operations, fuel procurement, quality of service, REPS compliance, mergers and acquisitions, electric resellers, avoided cost, integrated resource planning, and review of renewable energy facility applications. Engineers in the Division work with the Consumer Services Division to resolve electric service complaints.

Small power producers and renewable energy facilities require reporting to, or certification by, the Commission prior to commencing operation in the State. The Electric Division reviews and processes applications and makes recommendations to the Commission related to these facilities. In 2019, the Public Staff reviewed approximately 5,800 renewable facility applications. The status of solar renewable energy facilities in electric utility territories is shown below.

Status of Solar Renewable Energy Facilities as of December 31, 2019				
	Connected Facilities		Proposed Facilities (Pre- and Under-construction)	
Electric Utility	Number of Facilities	Capacity of Facilities in MW	Number of Facilities	Capacity of Facilities in MW
DEP	6,909	2,539	827	5,130
DEC	7,380	809	865	3,441
DENC	252	1,211	21	146
Total	14,541	4,559	1,713	8,716

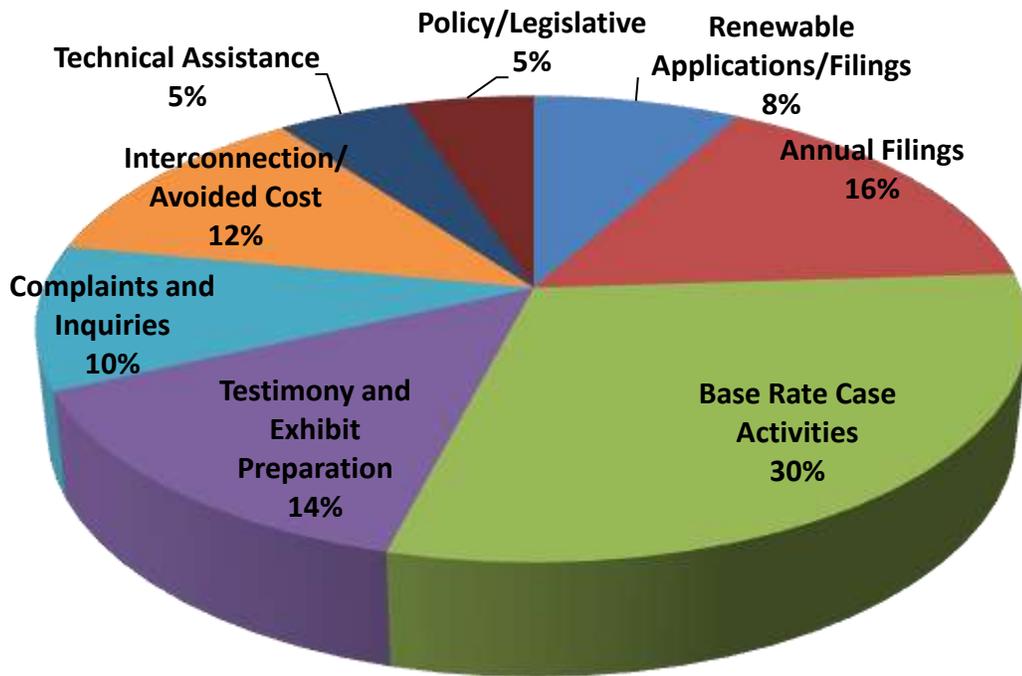
The Electric Division reviews and makes recommendations with respect to the annual REPS compliance plans and reports required by N.C. Gen. Stat. § 62-133.8(i)(1) and Commission Rule R8-67, as discussed earlier in this Report.

In addition, the Electric Division is directly and actively involved in the review, recommendations, and implementation of House Bill 589.

Electric Subject Matter Allocation

Rate proceedings (Base rates and DSM/EE, fuel, REPS, JAAR riders)	32%
SB 3/HB 589 issues/REPS compliance/renewable facility applications	18%
Interconnection/Avoided Cost	28%
Customer Complaints	7.5%
Transmission, Resource Planning, and Service Reliability	5.5%
Electric Resellers	2%

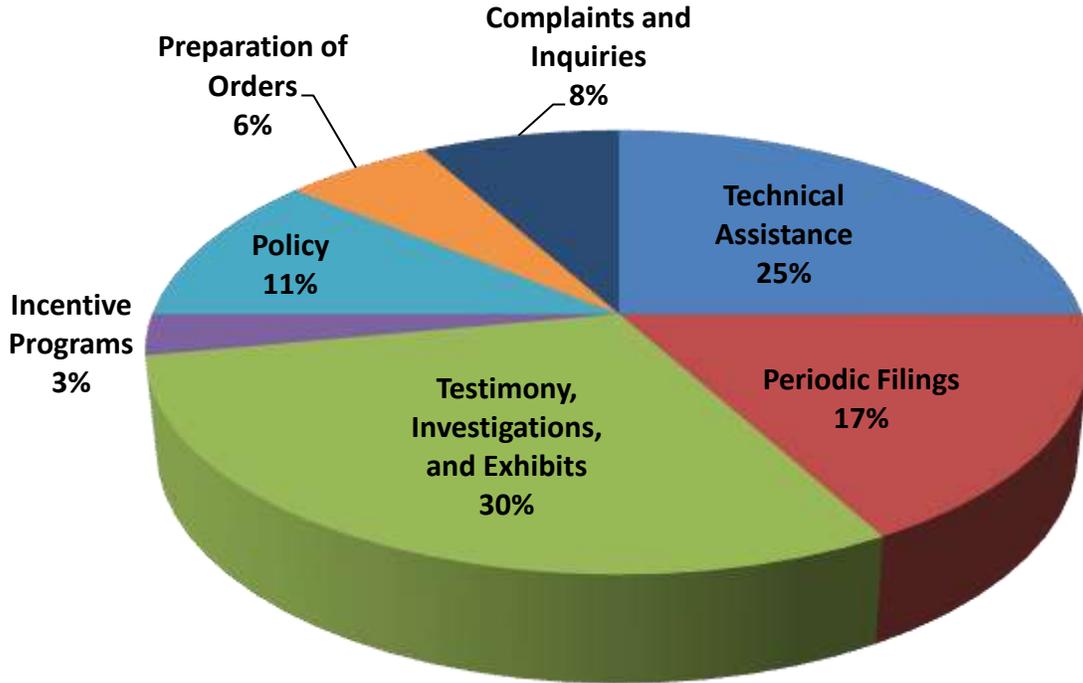
Allocation of Electric Staff Resources (by Task)



NATURAL GAS DIVISION

The Natural Gas Division represents the using and consuming public in filings brought before the Commission regarding regulated natural gas utilities. These matters include general rate cases, rider proceedings, annual gas cost reviews, purchased gas adjustment proceedings, pipeline integrity management spending and cost recovery in riders/trackers, oversight of customer usage and margin decoupling tracker mechanisms, and feasibility of extending service to new customers. The Division also works with the Consumer Services Division to provide technical assistance on customer complaints.

Allocation of Natural Gas Staff Resources



WATER/SEWER/TELEPHONE DIVISION

The Water and Sewer Division represents the using and consuming public in matters brought before the Commission regarding regulated water and sewer utilities. The Division also works with the Consumer Services Division to investigate customer complaints as necessary. During 2019, the Division handled over 1,520 filings.

Water and Sewer Subject Matter Allocation

Filings by utilities reselling water/sewer utility service in apartment complexes and mobile home parks for new/transfer/cancellation of service areas, and establishment of new rates	34%
Traditional water and wastewater utility rate case investigations/ audits/inspections and presentations before the Commission	27%
Investigations/audits of filings by water, wastewater, and telephone utilities for new/expanded franchise areas, transfers of franchises, contiguous extensions of service areas, discontinuations of service, tariff revisions, and related recommendations to the Commission	23%
Responding to verbal and written inquiries for information from the public, legislature, utilities, agencies, and outside professionals	6%
Working with Consumer Services Division to resolve utility customer complaints	4%
Resolving issues where water and/or wastewater utility customers are in danger of losing utility service	2%
Investigation/resolution of water quality issues	4%

Telephone Matters

On January 1, 2017, the Telephone Division of the Public Staff was consolidated under the Water and Sewer Division based on declining workload following the progressive deregulation of the communications industry in North Carolina from 1995 through 2013. The combined division represents the using and consuming public in regulated communications matters before the Commission. The division reviews filings and applications made by incumbent telephone companies and new entrants to the local and long distance industry. These filings include tariff filings, applications and certificates, interconnection agreements, and other general issue filings, such as universal service, competition in local/long distance markets, and unbundled network elements.

Division engineers also work directly with the Consumer Services Division to resolve service issues. While the Commission no longer has authority to order telephone companies to take corrective action in response to complaints, the Public Staff works with service providers to achieve acceptable outcomes for customers where possible.

Activities included reviewing or investigating the following matters:

- Tariff and price plan modifications
- Interconnection agreements
- Service quality
- Local and long distance telephone applications
- Customer complaints
- Access line counts
- Service outages
- Billing disputes

TRANSPORTATION DIVISION

The Transportation Division represents the using and consuming public in matters brought before the Commission regarding regulated transportation utilities. The Commission regulates the transport of passengers by motor carrier (buses) and over water (ferry service operations), as well as most movers of household goods by motor carriers over public highways within North Carolina. At the end of 2019, there were 321 household goods carriers holding certificates of exemption issued by the Commission, and two bus companies and eight ferry operators holding CPCNs. During 2019, the Division reviewed approximately 1,400 filings.

The Transportation Division investigated 82 customer complaints and responded to 675 inquiries related to household goods movers and other transportation matters received by the Public Staff in 2019.

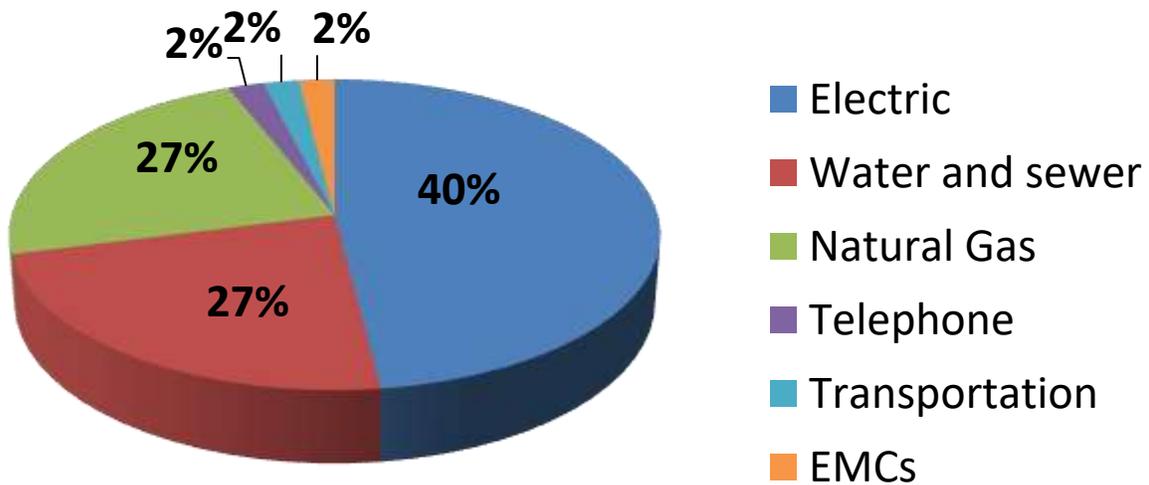
Allocation of Transportation Staff Resources

Clarify Maximum Rate Tariff regulations and provide technical assistance to consumers and companies	25%
Investigate unauthorized companies	15%
Conduct compliance audits of regulated companies	12%
Conduct Maximum Rate Tariff seminars	12%
Certify and Process Annual Reports of companies	12%
Investigate/Resolve damage claims and complaints	10%
Preparation of filings and orders	10%
Review/Modify tariffs for ferry service operations	3%
Review filings related to bus services and brokers	1%

ACCOUNTING DIVISION

The Accounting Division represents the using and consuming public by conducting investigations of revenue requirement calculations in ratemaking proceedings, undertaking reviews of accounting issues, proposed regulatory accounting treatments, and cost-benefit analyses, and providing recommendations to the Commission regarding these and other issues in utility cases. The Accounting Division also provides significant support to the other Public Staff divisions in general rate cases, merger and acquisition approval proceedings, natural gas prudence review proceedings, renewable energy, DSM/EE, and miscellaneous electric rider proceedings. The Accounting Division also reviews and processes the annual reports that all regulated utilities must file with the Commission pursuant to statute.

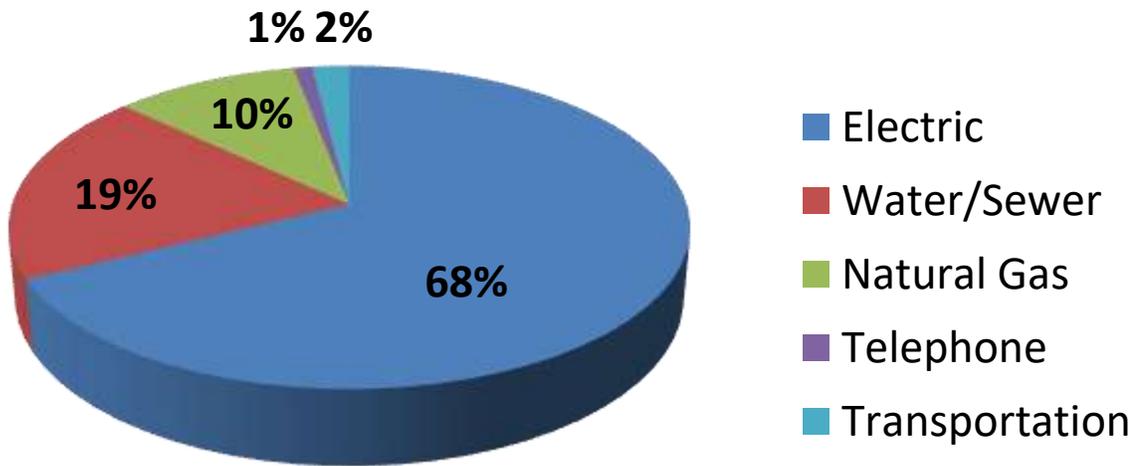
Allocation of Accounting Staff Resources



LEGAL DIVISION

The Legal Division represents the Public Staff and the using and consuming public in proceedings before the Commission and North Carolina appellate courts. The Legal Division is responsible for coordinating the preparation of reports, comments, testimony, proposed orders and other documents on behalf of the Public Staff.

Allocation of Legal Staff Resources



ECONOMIC RESEARCH DIVISION

The Economic Research Division represents the using and consuming public in matters before the Commission by providing research, analysis, and testimony on economic, statistical, and financial aspects of utility regulation. The Economic Research Division supports and collaborates with the other technical and professional divisions of the Public Staff. Approximately 70% of the Economic Research Division's resources are devoted to the biennial avoided cost proceedings and annual Integrated Resource Planning dockets. In addition, the Economic Research Division is responsible for utility financial viability assessments and general rate case analysis, including the recommendation of cost of capital rates/structures, customer growth adjustments, and decommissioning expense. The Division also provides financial analysis related to annual electric utility rider dockets, issuances of new securities, weather normalization of utility sales, and statistical sampling plans for meter testing.

