



North Carolina

Utilities Commission

North Carolina's Public Utility Infrastructure & Regulatory Climate

Presented by

**NORTH CAROLINA
UTILITIES COMMISSION**



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NORTH CAROLINA UTILITIES COMMISSION

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Chair Mitchell



Commissioner
Duffley



Commissioner
Kemerait



Commissioner
Hughes



Commissioner
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McKissick



Commissioner
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The Public Staff – North Carolina Utilities Commission

- The Public Staff was established as an independent agency in the Commission created in 1977 by legislation (*N.C. Gen. Stat. § 62-15*)
- Represents the using and consuming public of the State's investor-owned public utilities and intervenes on their behalf in all Commission proceedings affecting rates or service

Christopher J. Ayers, Executive Director

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■ ■ ■

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Consumer Services Division (Consumer Complaints)

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Regulation of Public Utilities

- Purpose: Protect the public's interest in receiving adequate service at reasonable rates
- Regulatory Compact: Utilities exchange benefit of monopoly franchised service territory for obligation to provide adequate service at reasonable rates
- Commission's regulatory obligation: To be fair and reasonable to public utilities and their customers
- Commission's regulatory tools:
 - Certification of new facilities
 - Rate establishment or review, including performance-based regulation of electric public utilities and a multi-year Water and Sewer Investment Plan rate-making mechanism for water and sewer public utilities
 - Service quality oversight
- Regulation of certain utility industries and services by the Commission has become more complex due to changes in State and Federal laws and rules, and industry trends. Certain utility services have been fully or partially deregulated.



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History of NC Utilities Commission

- Oldest regulatory body in state government: evolved from Railroad Commission (1891) to Corporation Commission (1899) to Utilities Commission (1933)
- History of significant legislative grants of, or limitation on, regulatory authority:
 - Railroad – 1891
 - Telephone – 1893
 - Electric, Gas, & Water – 1913
 - Wastewater – 1917
 - Housing – 1935
 - Hospitals – 1943
 - Buses/Brokers – 1949
 - Motor Carriers & Ferries – 1963
 - Electric Generation – 1965
 - Electric Membership Cooperatives – 1965
 - Payphone Service Providers – 1985
 - Long Distance Telephone Competition – 1985
 - Telephone Shared Tenant Service – 1987
 - Local Telephone Competition – 1995
 - Motor Carriers of Property, except Household Goods, Deregulation – 1995
 - Railroad Transferred to Dept. of Transportation – 1996
 - Water/Wastewater Resale – 1996
 - Charter Bus Deregulation – 1998
 - Long Distance Telephone Rate Deregulation – 2003
 - Electric Resale – 2011
 - Natural Gas Resale – 2017
 - Leasing of Solar Energy Facilities – 2017
 - Multi-Year Water and Sewer Rate-Making - 2021
 - Performance-Based Regulation for Electric – 2021
 - Carbon Plan – 2021



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NCUC Organization

- Administrative agency of General Assembly (*N.C. Gen. Stat. § 62-23*); legislative oversight by House Committee on Energy and Public Utilities, Senate Committee on Commerce and Insurance, and Joint Legislative Commission on Governmental Operations.
- Currently seven members serving staggered six-year terms. In October 2023, S.L. 2023-136 was enacted which will reduce the Commission to five members upon expiration of two members' terms in 2025. Three members appointed by the Governor, subject to confirmation by General Assembly, one by Speaker of House, and one by the President Pro Temp, serving staggered six-year terms.
- Chair: Appointed by the Governor, three-year term, serves as the chief executive and administrative officer, organizes Commission's work and may designate various duties to other members. *Ex officio* member of Geographic Information Coordinating Council. (*N.C. Gen. Stat. § 62-12, 13*).
- Commissioners are subject to standards of judicial conduct and prohibited by law from engaging in any other employment, business or profession while in office (*N.C. Gen. Stat. § 62-10[i]*).



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NCUC Organization *cont.*

- Commission employs up to 72 people, current staffing is 63, organized among four divisions: Legal, Operations, Fiscal Management, and Clerk and IT Services.
- Certified FY 2023-2024 annual budget: \$ 11,390,512
 - NCUC budget: \$ 10,230,749
 - Gas Pipeline Safety budget: \$ 1,159,763
- Gas Pipeline Safety is housed in the Commission, has 8 staff members, is part of the Operations Division, and receives partial federal reimbursement
- NCUC is a fee-funded agency, supported by a regulatory fee percentage applied to jurisdictional revenues of public utilities. The Commission Chair and Public Staff Executive Director establish the regulatory fee percentage within statutory parameters. (*N.C. Gen. Stat. § 62-302*). Effective July 1, 2023, the regulatory fee percentage for noncompetitive jurisdictional revenues increased from 0.14% to 0.1475%.
- The Public Staff maintains its own budget which is separate from the Commission's budget but it is funded by the same regulatory fee.



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NCUC's Responsibilities & Procedures

- For the 12-Month Period Ending 12/31/2023:
 - 13,083 formal proceedings instituted before NCUC
 - 60 hearings in contested cases
 - 25,238 filings in Chief Clerk's Office
 - 3,276 orders issued
 - 850 open dockets
- Appeals from general rate case decisions to NC Supreme Court; all others to NC Court of Appeals (absent federal jurisdiction)
- NCUC conducts proceedings pursuant to federal law and participates in proceedings before federal courts and regulatory agencies
(*N.C. Gen. Stat. § 62-48*)



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NCUC's Responsibilities & Procedures cont.

- Publication requirements (*N.C. Gen. Stat. § 62-17*):
 - Annual reports to Governor include copies of general orders, regulations, comparative statistical data, rate comparisons, report of pending matters, and digest of principal decisions
 - Final decisions on merits in formal proceedings
- Limited jurisdiction over municipalities and cooperatives



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Regulated Entities

(As of 12/31/2023)

	<u>QTY</u>
BUS / BROKER	6
ELECTRIC	5
ELECTRIC COOPERATIVES	30
ELECTRIC MERCHANT PLANTS	16
ELECTRIC RESELLER	72
ELECTRIC GENERATOR LESSOR	9
ELECTRIC SUPPLERS	1
FERRIES	8
MOTOR CARRIERS OF HOUSEHOLD GOODS	372
NATURAL GAS:	
– LOCAL DISTRIBUTION COMPANIES	3
– INTRASTATE PIPELINE	1
– GAS RESELLERS	1
– PROPANE COMPANY	1
SMALL POWER PRODUCERS	1,126
TELEPHONE:	
– COMPETING LOCAL PROVIDERS	118
– INCUMBENT LOCAL EXCHANGE COMPANIES	66
– LONG DISTANCE CARRIERS	84
– PAYPHONE SERVICE PROVIDERS	22
– SHARED TENANT SERVICES	5
WATER / WASTEWATER	90
WATER / WASTEWATER RESELLERS	2,127
WATER RESELLER NON-CONTIGUOUS	<u>84</u>
TOTAL	4,526



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Industry Revenue Profile

- FY 2022-2023 Jurisdictional Revenues: \$12.72 billion
 - Electric: \$9.470 billion
 - Natural Gas: \$2.083 billion
 - Telecommunications: \$727.7 million
 - Includes Local and Long Distance Telephone Companies, Payphone Service Providers, and Shared Tenant Service Providers
 - Water and Wastewater: \$315.9 million
 - Includes Water/Wastewater Resale Companies
 - Transportation: \$131.6 million
 - Includes Brokers, Buses, Ferries, and Household Goods (HHG) Carriers



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Filings & Orders by Industry Group

(For the 12-Month Period Ending 12/31/2023)

	<u>Filings</u>	<u>Orders</u>
• Electric	3,385	759
• Natural Gas	740	86
• Telephone	330	68
• Water/Wastewater	4,579	2,018
• Household Goods Movers	1,043	112
• Small Power Producers	13,888	127
• Other (PSP/Special Certificate, Shared Tenant, Bus/Broker, Electric Resell, EMC, Ferry, & Misc.)	<u>1,373</u>	<u>106</u>
TOTAL	25,238	3,276



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Industry Specific Overview

- I Electric
- II Natural Gas
- III Telecommunications
- IV Transportation
- V Water and Wastewater
- VI Selected Financial and Operational Data



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I Electric

Basic Facts: Regulated Electric Utilities

(For the 12-Month Period Ending 9/30/2023)

- 3 Investor-Owned Utilities (IOUs)
 - Duke Energy Carolinas – 2,195,000 customers in Piedmont and Western North Carolina
 - Duke Energy Progress – 1,589,000 customers in Eastern and Western North Carolina
 - Dominion Energy North Carolina – 126,000 customers in Northeastern North Carolina



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EMC, Municipal-Owned, & University-Owned

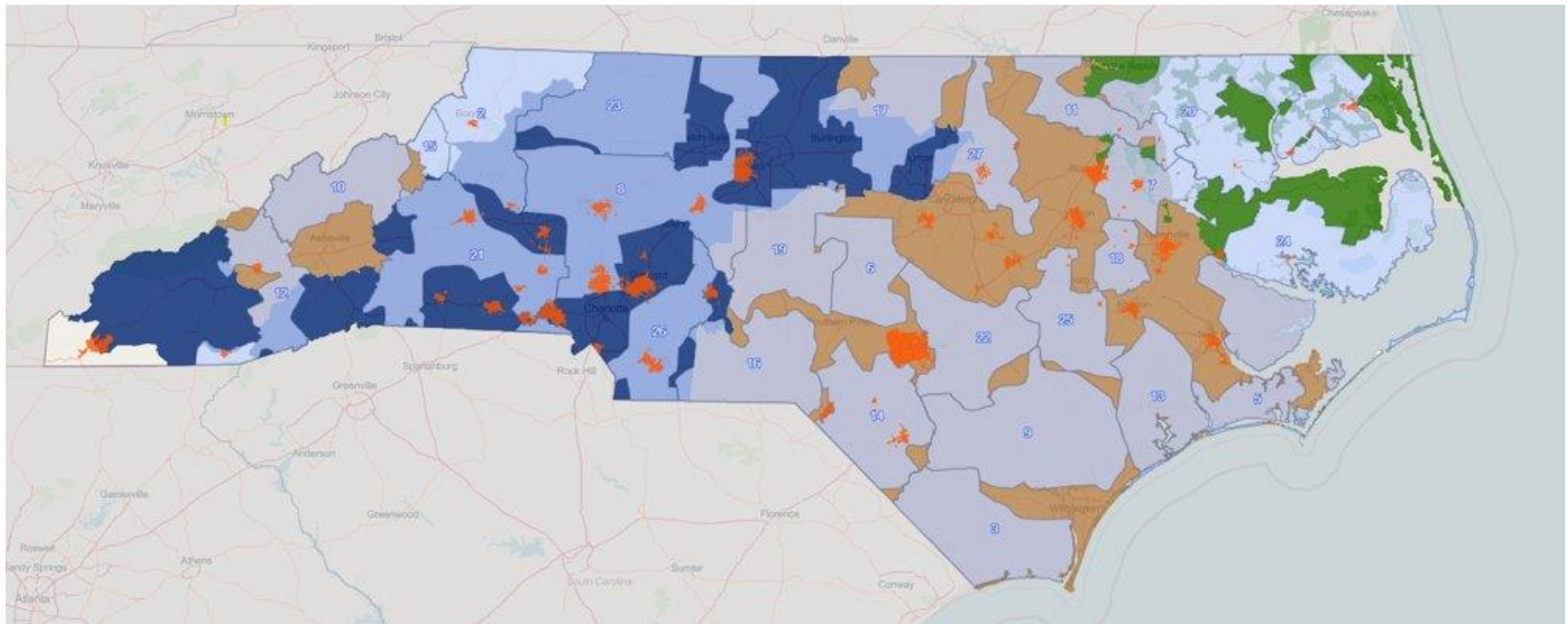
- 31 Electric Membership Corporations (EMCs) – Serving approximately 1 million customers in N.C. (26 are headquartered in N.C.)
- About 76 Municipal and University-owned electric distribution systems – Serving approximately 599,000 customers in N.C.
- Limited NCUC jurisdiction: EMCs, Munis, and certain University systems
 - Monitor subsidiary business activities of EMCs to prevent subsidization by electric customers (N.C. Gen. Stat. § 117-18.1)
 - The Commission oversees compliance for REPS (N.C. Gen. Stat. § 62-133.8) for all electric suppliers (IOUs, co-ops, and munis) (N.C. Gen. Stat. § 62-133.9)
 - Service territory issues (N.C. Gen. Stat. § 62-110.2)
 - Certification authority for construction of electric generating facilities (N.C. Gen. Stat. § 62-110.1) and electric transmission lines of 161 + kV (N.C. Gen. Stat. § 62-101)
 - Adjudicate pole attachment disputes (N.C. Gen. Stat. § 62-350)
 - Safety jurisdiction over gas pipeline facilities operated by municipalities and similar entities (N.C. Gen. Stat. § 62-50)
 - Rates charged to customers of New River Light and Power (Boone) and Western Carolina University (Cullowhee) are regulated by the Commission



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North Carolina Electric Service Area Map



 Duke Energy Carolinas

 Duke Energy Progress

   Electric Cooperatives

 Dominion Energy North Carolina

 Municipally Owned Electric Utilities

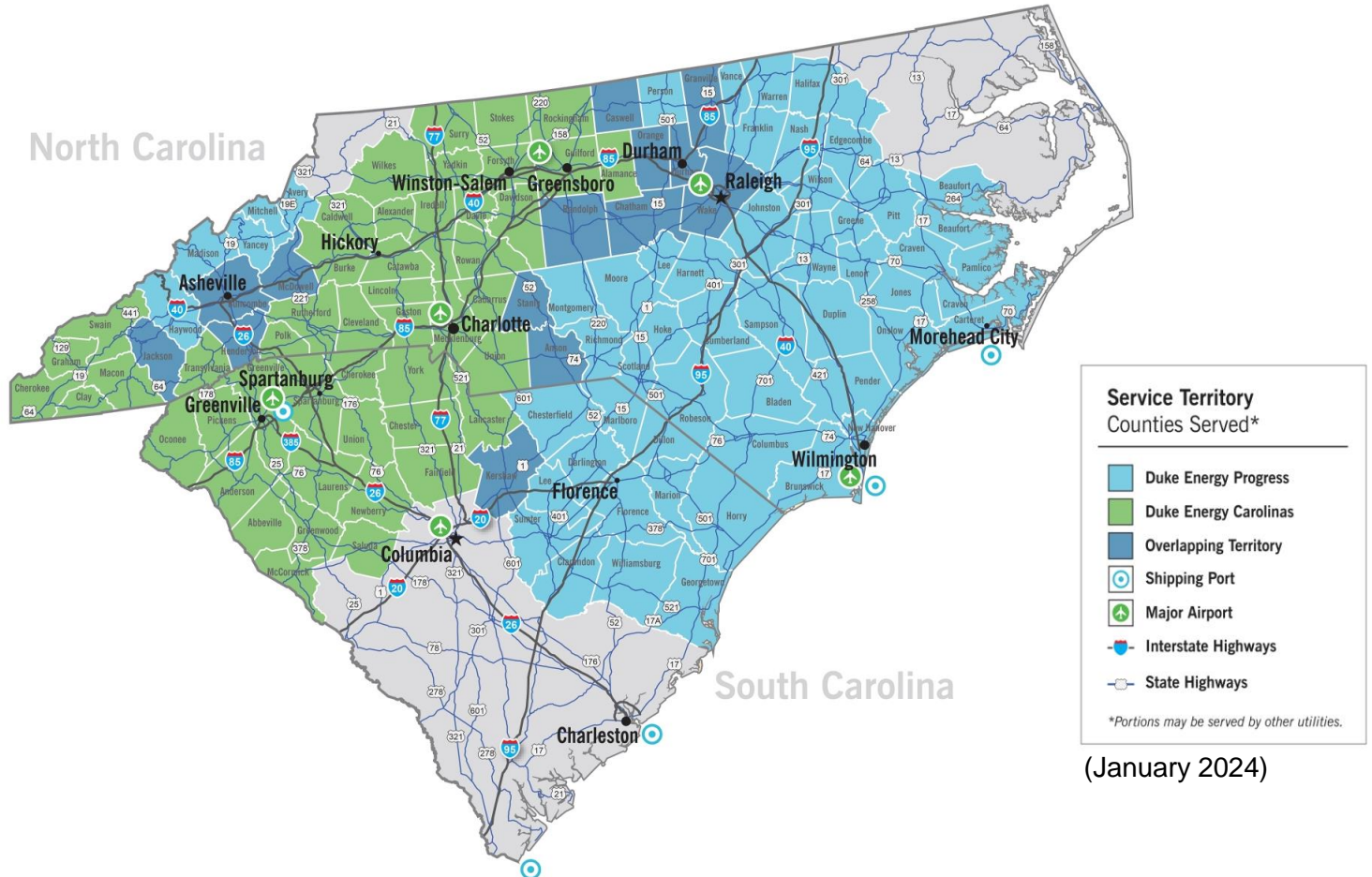
Source: <https://ncseamaps.maps.arcgis.com/apps/webappviewer/index.html?id=d142d97344df494aa20a519c74876e53> (January 2024)



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Duke Energy's Carolinas and Progress NC & SC Service Areas



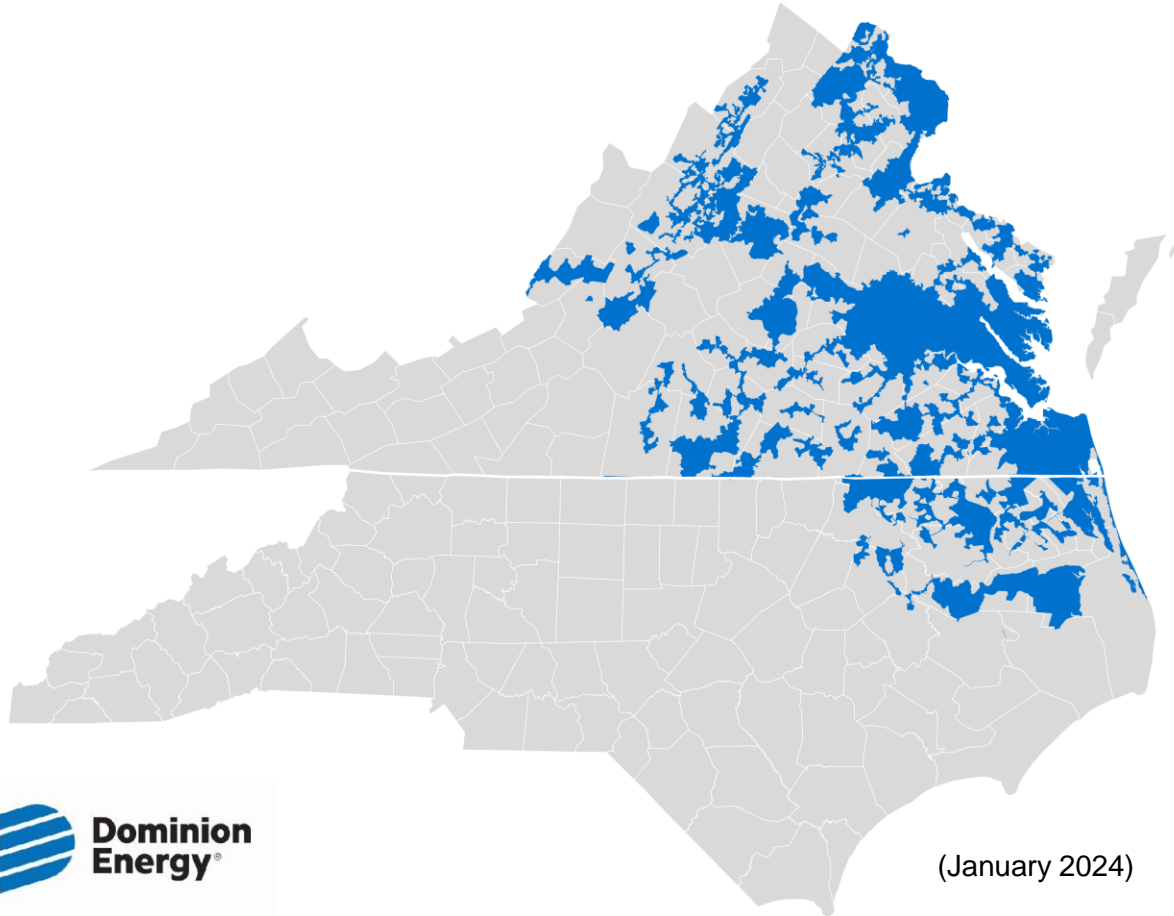
(January 2024)



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Dominion Energy NC & VA Service Areas



(January 2024)



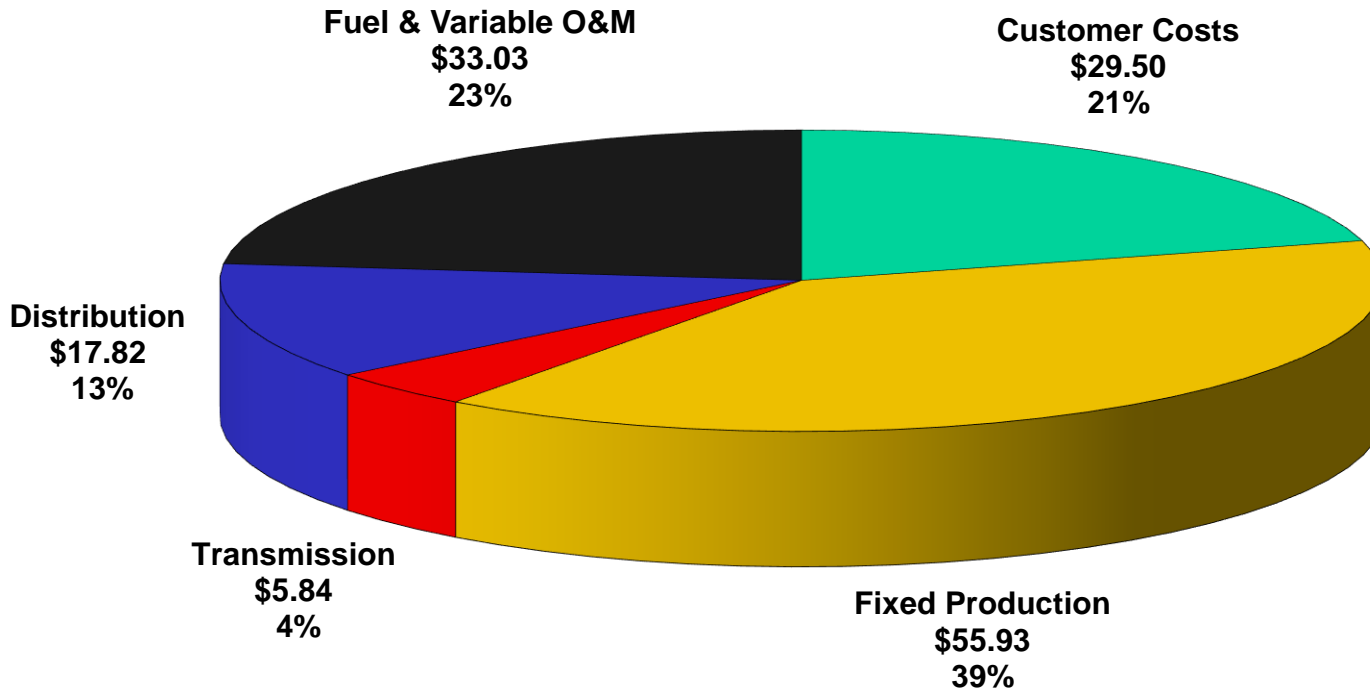
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Duke Energy Carolinas

Typical Residential 1,000 kWh Monthly Bill Total \$142.12

January 2024





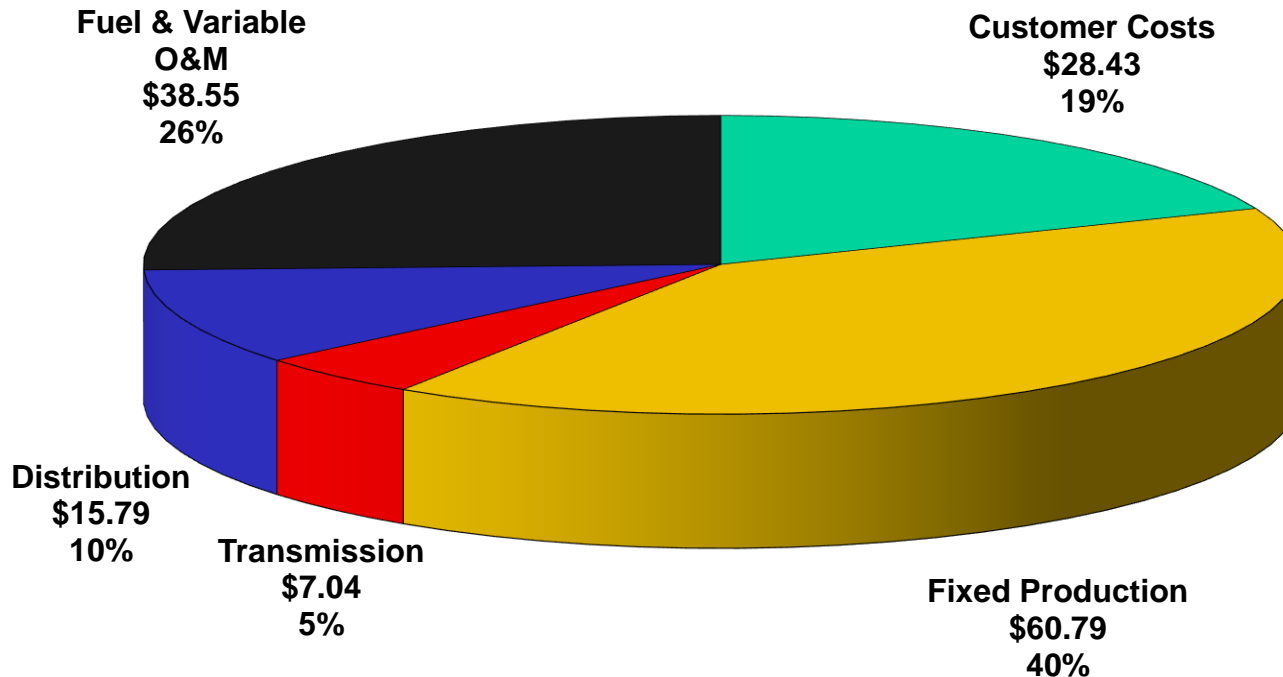
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Duke Energy Progress

Typical Residential 1,000 kWh Monthly Bill Total \$150.60

October 2023





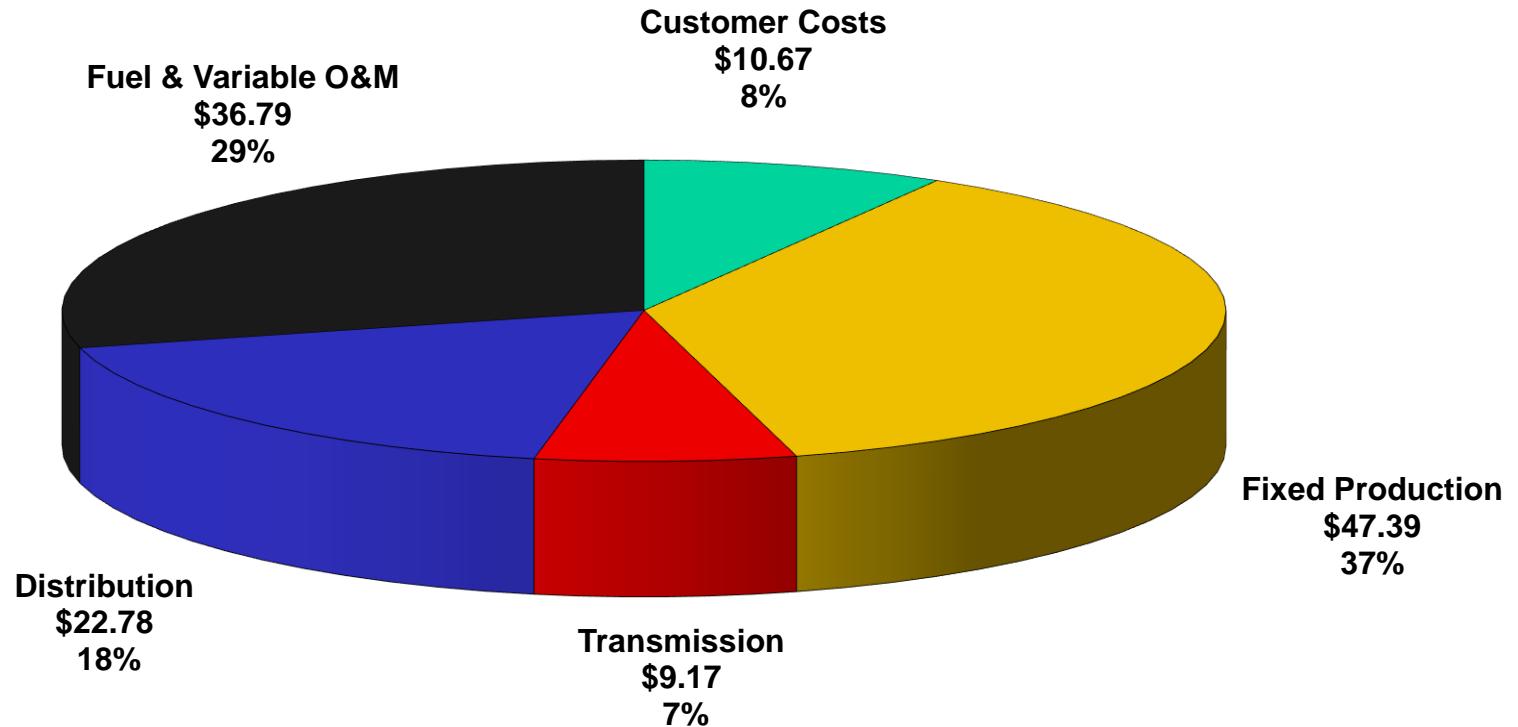
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Dominion Energy North Carolina

Typical Residential 1,000 kWh Monthly Bill Total \$126.80

February 2024





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Reserve Margins

- DEP and DEC each utilize a minimum winter planning reserve margin of 17%.
- Dominion is a PJM member and signatory to PJM's Reliability Assurance Agreement, and thus it participates in the PJM capacity planning process to ensure supply of capacity resources for its customer load. Dominion has elected to meet its capacity requirements via the Fixed Resource Requirement. This is an alternative to participation in PJM's capacity market which obligates Dominion to obtain sufficient capacity for all load and expected load growth in its service territory, i.e. to "self-supply" its capacity obligation. PJM currently recommends using an overall installed reserve margin of 17.7% for delivery year 2024/2025. In its 2023 IRP filing with the Commission, Dominion reported that for 2024, it planned a summer reserve margin of 14.7% of load and a winter reserve margin of 29.7% of load.



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Renewable Energy & Energy Efficiency Portfolio Standard (REPS)

- In 2007, North Carolina became the first State in Southeast to adopt a renewable energy portfolio standard – Session Law 2007-397 (Senate Bill 3)
- REPS requirement applies to investor-owned electric utilities (electric public utilities), electric membership corporations, and municipal utilities
- REPS requirement may be met through combination of renewable energy generation and energy efficiency savings. A third-party renewable energy certificate (REC) tracking system became operational in 2010.
- Specific requirements for energy derived from the sun and from poultry and swine waste, with solar requirement that began in 2010
- REPS requirement increased from 3% of customer electricity use in 2012 to 12.5% in 2021 (for electric public utilities). Current annual requirement is 12.5%.
- Cap on incremental cost of compliance, including annual rate adjustments for investor-owned utilities
- Legislation adopting REPS also provides timely cost recovery for new demand-side management programs and energy efficiency measures by electric public utilities, including the opportunity for utility incentives
- The Commission has approved about 1,264 renewable energy facilities (net of cancellations and revocations, as of 1/31/2024)



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Carbon Plan

- On December 30, 2022, the Commission issued an order in Docket No. E-100, Sub 179, adopting an initial Carbon Plan which establishes a least cost path forward to meet the carbon dioxide emissions reduction mandates of N.C. Gen. Stat. § 62-110.9 (Carbon Plan Statute) and provides direction to Duke Energy Carolinas, LLC (DEC), and Duke Energy Progress, LLC (DEP), for future resource planning.
- Requirements of Carbon Plan Statute:
 - Achieve a 70% reduction in carbon dioxide emissions from electric generating facilities in North Carolina owned or operated by DEC and DEP from 2005 levels by the year 2030.
 - Achieve carbon dioxide neutrality by the year 2050 — while maintaining or improving the reliability of the electric system.
 - The Carbon Plan shall be reviewed every two years.
- Rather than approve a single, preferred portfolio of generation assets in its December 30, 2022 order, the Commission, as provided for in the law, adopted reasonable steps, including the approval of a number of near-term actions, toward meeting the carbon dioxide emissions reduction mandates.
- On September 1, 2023, in Docket No. E-100, Sub 190, DEC and DEP filed their proposed 2023-2024 Carbon Plan and Integrated Resource Plan (CPIRP). After holding public witness hearings and an expert witness hearing, the Commission will issue by the end of 2024.



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II Natural Gas

Basic Facts: Industry Structure

- Three parts of natural gas industry
 - Exploration and Production (E&P)
 - Interstate pipelines and storage facilities
 - Local Distribution Companies (LDCs) and intrastate pipeline
- E&P companies are not price-regulated
- Interstate companies are regulated by FERC (Federal Energy Regulatory Commission)
- LDCs are regulated by state commissions



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Natural Gas Utilities

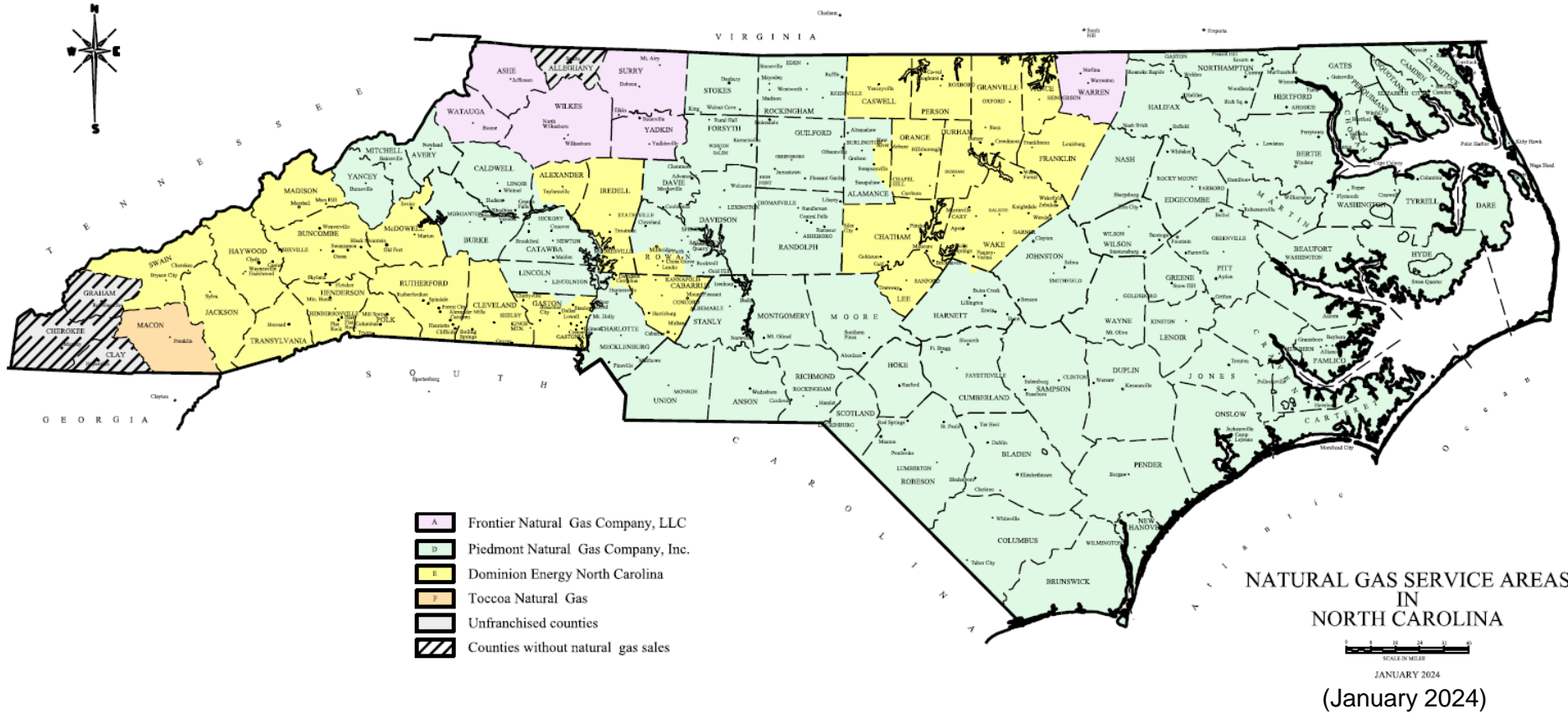
- 4 Local Distribution Companies (LDCs) in the state
 - Piedmont Natural Gas Company, Inc.
 - PSNC Energy
 - Frontier Natural Gas Company, LLC
 - Toccoa Natural Gas
- 1 Intrastate gas pipeline (Cardinal Pipeline Company, LLC)
- 8 Municipal gas systems – rates not regulated by NCUC
- 1 Interstate gas pipeline (Transco) crosses the State
 - 2 others (Columbia and Patriot) provide small volumes
 - The Mountain Valley Pipeline (MVP) is currently under construction and is expected to be completed and commissioned by the second quarter of 2024.
- 1 Interstate liquefied natural gas storage facility (Pine Needle LNG Company, LLC)



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Local Distribution Companies' Service Territories

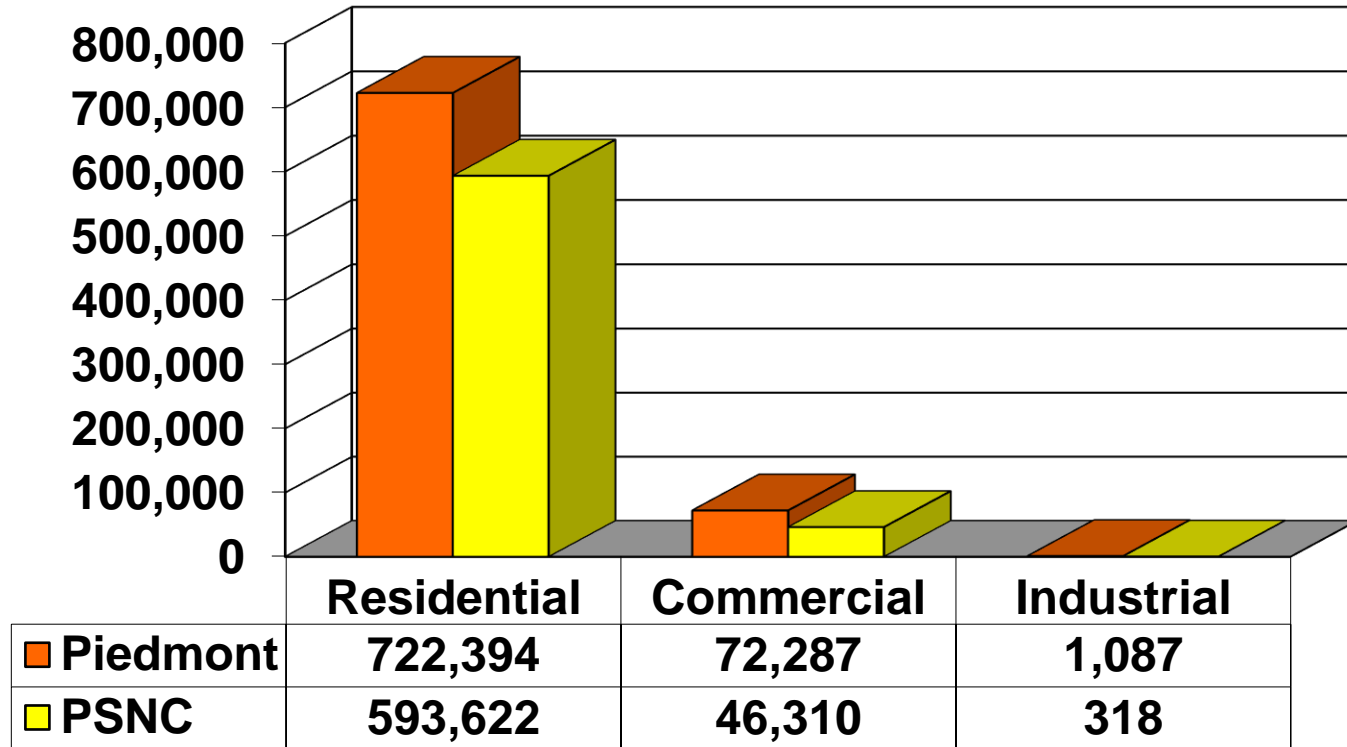




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Major Local Distribution Companies' Number of Customers (As of 9/30/2023)



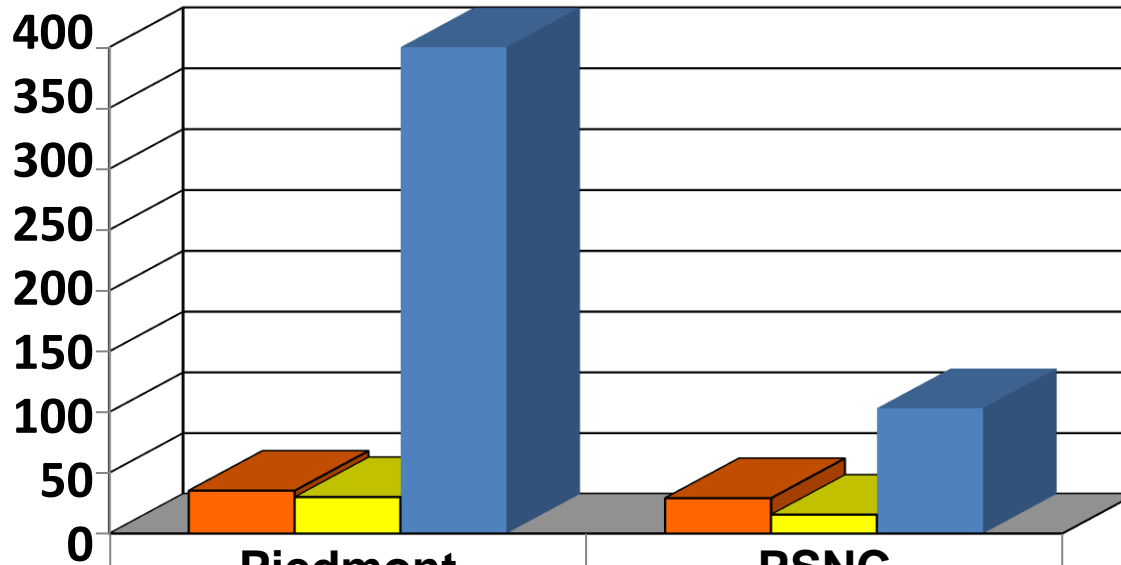
Note: "Industrial & Other" customers include gas transported for others and sales to public authorities.



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Major Local Distribution Companies' Volumes Delivered (In Millions of Dekatherms) (12-Month Period Ending 9/30/2023)



	Piedmont	PSNC
■ Residential	35.3	29.1
■ Commercial	30.0	15.5
■ Industrial	428.6	103.2

Note: "Industrial & Other" volumes include deliveries to gas-fired electric generators and gas transported; Piedmont's "Industrial" volumes include deliveries for resale to municipal gas systems.



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State Regulatory Framework For Local Distribution Companies

Rates

- NCUC establishes the level of base rates in a general rate case
- LDCs earn a return on equity invested
 - Pass through prudently incurred costs
- LDCs may file for purchased gas adjustments at any time
 - To adjust gas cost portion of rates prospectively
 - To pass through the wholesale cost of natural gas
 - LDCs do not profit from high gas prices
- NCUC annually reviews each LDC's gas purchasing practices
 - Compares prudently incurred costs to costs recovered
 - Changes rates to "true up" under-recoveries or over-recoveries



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State Regulatory Framework For Local Distribution Companies *cont.*

Tracker Mechanisms

- Laws allow for certain costs to be recovered outside of a rate case
 - N.C. Gen. Stat. § 62-133.7 – customer usage adjustment
 - N.C. Gen. Stat. § 62-133.7A – safety-related capital expenditure adjustment
- N.C. Gen. Stat. § 62-133.7 – Allows LDCs to adjust rates to track customer usage
 - Without this, reduced usage would cause LDCs to under-recover margin
 - Would punish LDCs for promoting conservation and efficiency
 - Tracker allows for rate adjustments to recover rate case margins
- N.C. Gen. Stat. § 62-133.7A. – Lets LDCs put safety-related investments in rate base
 - Federal pipeline safety laws and regulations require major investments
 - Without this, LDCs might have to file frequent “pancaked” rate cases



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Renewable Natural Gas - Appendix F Pilot Program

- On June 19, 2018, in Docket No. G-9, Sub 698, the Commission issued an Order Approving Appendix F and Establishing Pilot Program (Appendix F Order) that sets the terms and conditions under which Piedmont will accept Alternative Gas or Renewable Natural Gas (RNG) into its system and deliver or redeliver it to Piedmont's customers.
- Alternative Gas is defined as gas capable of combustion in customer appliances or facilities which is similar in heat content and chemical characteristics to natural gas produced from traditional underground well sources and which is intended to act as a substitute or replacement for natural gas. Alternative Gas includes but is not limited to biogas, biomethane, and landfill gas, as well as any other type of natural gas equivalent produced or manufactured from sources other than traditional underground well sources.
- On September 8, 2021, the Commission issued an Order in Sub 698 that extended the Appendix F pilot program for an additional three years (until September 8, 2024).
- As of September 2023, the Commission has approved participation in the Appendix F pilot program by 17 RNG suppliers.



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III Telecommunications

Basic Facts: Telecom Utilities

(As of 12/31/23)

- 16 Incumbent Local Exchange Companies (ILECs)
 - No ILECs remain rate-of-return or price-plan regulated
 - 8 ILECs Subsection (h) price-plan elected, effective upon filing notice¹ (*N.C. Gen. Stat. § 62-133.5[h]*)
 - 8 ILECs Subsection (m) price-plan elected, effective upon filing notice² (*N.C. Gen. Stat. § 62-133.5[m]*)
- 168 Competing Local Providers (CLPs)
 - Rates are not regulated; may raise rates after 14 days customer notice
- 104 Interexchange Long Distance Carriers (IXCs)
 - Senate Bill 814, signed into law on 5/30/2003, found long distance services sufficiently competitive and no longer subject to regulation by the Commission. However, the Commission has authority regarding certification and enforcement of slamming and cramming rules.

¹ Barnardsville Telephone Company, Citizens Telephone Company, d/b/a Comporium, Ellerbe Telephone Company, Frontier Communications of the Carolinas, Inc., North State Telephone Company, Pineville Telephone Company, Saluda Mountain Telephone Company, and Service Telephone Company.

² BellSouth Telecommunications, Inc. d/b/a AT&T North Carolina, Brightspeed of Central North Carolina, LLC, Brightspeed of Eastern North Carolina, LLC, Brightspeed of North Carolina, LLC, Verizon South, Inc. (Knotts Island exchange only), Windstream Concord Telephone, LLC, Windstream Lexcom Communications, LLC, and Windstream North Carolina, LLC.



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Telecom Utilities cont.

(As of 12/31/2023)

- 22 Payphone Service Providers (PSPs)
- 5 Shared Tenant Services (STS) Providers
- Commission does not regulate:
 - Telephone Membership Corporations
 - Cable and Satellite
 - Commercial Mobile Radio Service (*includes cellular and pagers*)
 - Data and Internet Service Providers
 - Long Distance Providers (*with the exceptions of certification and enforcement of slamming and cramming rules*)
 - Rates, terms, conditions, or availability of retail services of Subsection (h) and Subsection (m) price-plan entities (ILEC or CLP)



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House Bill 1180

Subsection (h) Price Plans – (N.C. Gen. Stat. § 62-133.5[h])

- HB1180 signed into law on 6/30/2009
- Allowed ILECs and CLPs to adopt a Subsection (h) price plan
- ILEC or CLP only needs to file notice of adoption of Subsection (h) price plan with the Commission which becomes effective immediately upon filing
- Commission cannot regulate the rates, terms, conditions, or availability of retail services for Subsection (h) price-plan companies
- Subsection (h) price-plan ILECs must continue to offer stand-alone basic residential lines to all customers who choose to subscribe to that service, and the rate for stand-alone basic residential service may not increase more than the GDP-PI on an annual basis
- The following CLPs are Subsection (h) companies: dishNet Wireline, LLC, ETC Communications, LLC, Frontier Communications of America, Inc., Onvoy, LLC, RiverStreet Wireless of North Carolina, Inc., Smithville Telecom, Inc., South Carolina Net, Inc., and Tri-County Communications, Inc.



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Subsection (h) Price Plans *cont.*

- The following ILECs are Subsection (h) companies: Barnardsville Telephone Company, Citizens Telephone Company, d/b/a Comporium, Ellerbe Telephone Company, Frontier Communications of the Carolinas, Inc., North State Telephone Company, Pineville Telephone Company, Saluda Mountain Telephone Company, and Service Telephone Company.
- Subsection (h) ILECs are not required to file financial information and are only required to provide, on an annual basis, a link to their financial filings with the SEC which does not provide North Carolina-specific data



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Senate Bill 343

Subsection (m) Price Plans – (N.C. Gen. Stat. § 62-133.5[m])

- SB343 signed into law on 4/26/2011
- Allowed ILECs and CLPs to adopt a Subsection (m) price plan
- ILEC or CLP only needs to file notice of adoption of Subsection (m) price plan with the Commission which becomes effective immediately upon filing
- Commission cannot regulate the rates, terms, conditions, or availability of retail services for Subsection (m) price-plan companies, including stand-alone basic residential service
- A Subsection (m) company does not have any carrier of last resort obligations
- Subsection (m) price-plan companies are **not** required to offer stand-alone basic residential service



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Subsection (m) Price Plans *cont.*

- A subsection (m) company forgoes receipt of any funding from a State funding mechanism that may be established to support universal service
- The following CLPs are Subsection (m) companies: AT&T Corp., CenturyLink Communications, LLC, CenturyTel Broadband Services, LLC, Charter Fiberlink NC-CCO, LLC, Clear Rate Communications, LLC, Comcast Phone of North Carolina, LLC, Comporium, Inc., Crosstel Tandem, Inc., EarthGrid PBC Corp., eNetworks, LLC, Global Crossing Local Services, Inc., Level 3 Communications LLC, Level 3 Telecom of North Carolina, LP, Lightrunner, LLC, MCImetro Access Transmission Services Corp. d/b/a Verizon Access Transmission Services, North State Communications Advanced Services, LLC, Springboard Telecom, LLC, TDS Metrocom, LLC, Telcove Operations, LLC, Teleport Communications America, LLC, Time Warner Cable Information Services (North Carolina), LLC, Wide Voice, LLC, and XO Communications Services, LLC
- The following ILECs are Subsection (m) companies: BellSouth Telecommunications, LLC d/b/a AT&T North Carolina, Brightspeed of Central North Carolina, LLC, Brightspeed of Eastern North Carolina, LLC, Brightspeed of North Carolina, LLC, Verizon South, Inc., Windstream Concord Telephone, LLC, Windstream Lexcom Communications, LLC, and Windstream North Carolina, LLC
- Subsection (m) ILECs are not required to file financial information and are only required to provide, on an annual basis, a link to their financial filings with the SEC which does not provide North Carolina-specific data



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North Carolina Area Codes

<u>Area Code</u>	<u>Exhaust Date*</u>
336/743	1 st Qtr. 2045
910/472	1 st Qtr. 2051
252	1 st Qtr. 2030
828	2 nd Qtr. 2028
919/984	4 th Qtr. 2042
704/980	1 st Qtr. 2034

* As of October 2023 NANPA Exhaust Analysis. Exhaust dates are current projections which are subject to change.

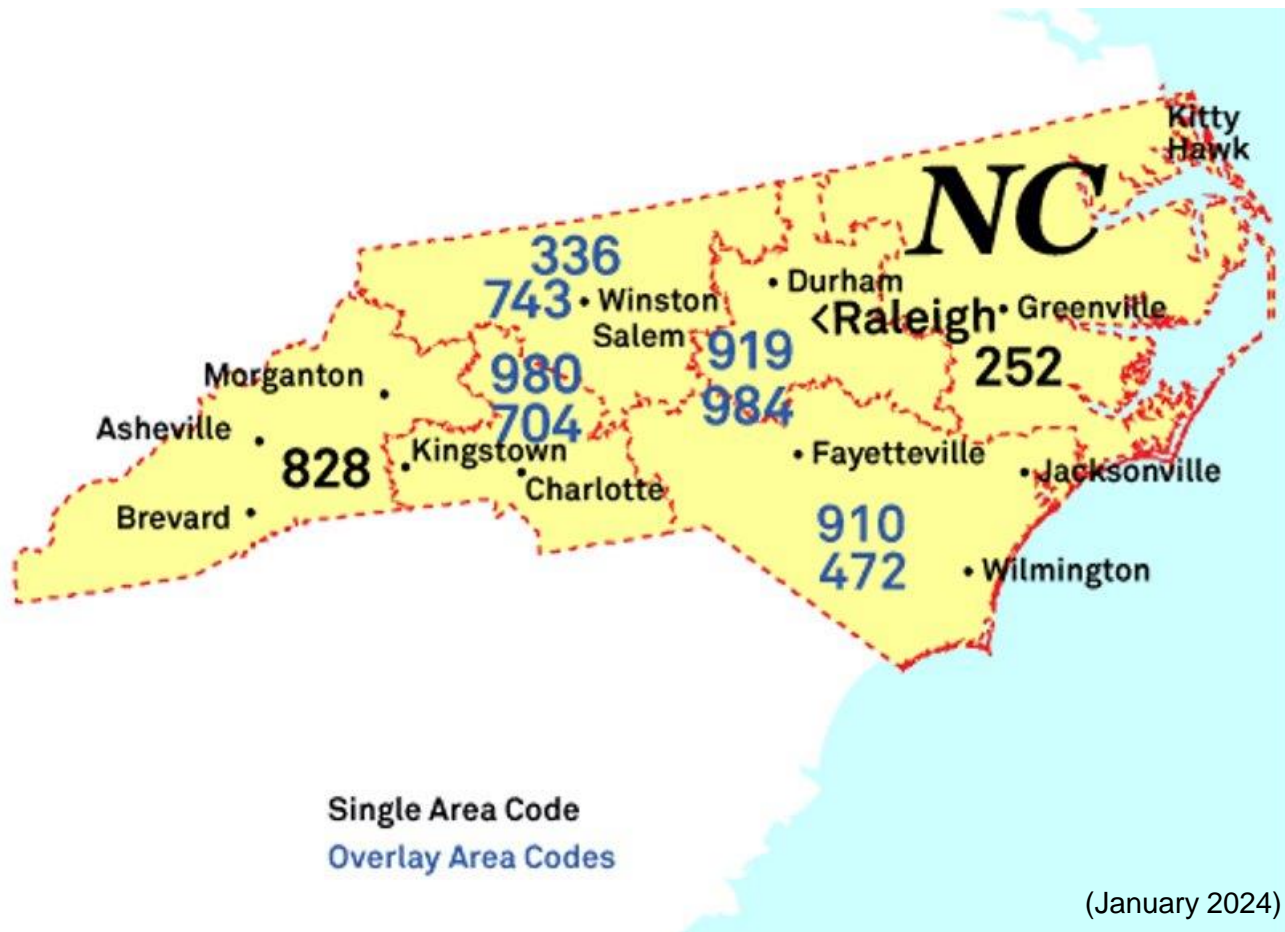
https://www.nationalnanpa.com/reports/reports_npa.html



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North Carolina Area Code Map





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IV Transportation

Basic Facts

(As of 12/31/2023)

- **Motor Carriers of Household Goods (HHG)**
 - 365 certificated movers
 - Subject to provisions of Maximum Rate Tariff, effective 1/1/2003
 - Provide intrastate transport of HHG
- **Regular Route Passenger Carriers**
 - 2 certificated bus companies
 - Provide passenger service over regular routes
- **Passenger Brokers**
 - 6 licensed brokers
 - Broker tours and trips with charter bus companies
- **Ferryboat Operators**
 - 8 certificated ferryboat operators
 - Provide passenger service via water over authorized routes
 - Commission does not regulate ferries operated by NCDOT's Ferry Division



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V Water and Wastewater

Basic Facts: Water/Wastewater Industry

- Anyone furnishing water to the public for compensation or operating a public sewerage system for compensation is a public utility (*N.C. Gen. Stat. § 62-3(23)a.2*)
- Regulation does not include:
 - Water or Sewer Operations with less than 15 residential customers
 - Municipal or County systems
 - Sanitary Districts
 - Mobile Home Parks (where water/wastewater included in rent)
 - Homeowners' Associations
 - Nonprofit and consumer-owned corporations



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Water/Wastewater Industry *cont.*

- NCUC grants certificates for specific service area and regulates rates and service aspects of utility operation
- NCUC does not regulate drinking water quality, but requires compliance with NCDEQ, Division of Water Resources, Public Water Supply regulations
- NCUC does not regulate discharge of sewage being treated, but requires compliance with NCDEQ, Division of Water Resources, Water Quality regulations



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Rates of Water/Wastewater Utilities

- Traditional Companies
 - NCUC establishes base rates in general rate case
(*N.C. Gen. Stat. § 62-133 and N.C. Gen. Stat. § 62-133.1*)
 - In general rate case, Company may seek approval of a water and/or sewer system improvement charge (WSIC and SSIC) rate adjustment mechanism for investment in eligible improvements and replacement of water and sewer facilities (*N.C. Gen. Stat. § 62-133.12*). Once mechanism is approved and eligible system improvements are completed and placed in service between rate cases, Company may seek approval to impose the WSIC and/or SSIC, subject to a statutory cap and NCUC procedures (*Rules R7-39 and R10-26*). Session Law 2021-149 increased statutory cap for the WSIC and SSIC from 5% to 7.5% and modified the definitions of “eligible water/sewer system improvements”
 - Company may request a pass-through rate adjustment, outside a general rate case, for changes in costs based on third-party supplier’s rates (*N.C. Gen. Stat. § 62-133.11*)
 - Company may request to establish rate base by using the fair value of the utility property instead of original cost when acquiring an existing water or wastewater system owned by a municipality or county or an authority or district established under Chapter 162A of the General Statutes (*N.C. Gen. Stat. § 62-133.1A and NCUC Rules R7-41 and R10-28*)



North Carolina

Utilities Commission

Rates of Water/Wastewater Utilities

- Traditional Companies
 - In general rate case, Company may seek approval of rate adjustment mechanism to track and true up variations in average per customer usage by rate schedule from levels adopted in general rate case proceeding (*N.C. Gen. Stat. § 62-133.12A and NCUC Rules R7-40 and R10-27*)
 - Utility may file a general rate application utilizing a Water and Sewer Investment Plan (WSIP) mechanism under which the Commission sets water and sewer base rates, revenue requirements through banding of authorized returns, authorizes annual rate changes for a three-year period based on reasonably known and measurable capital investments and anticipated reasonable and prudent expenses approved under the plan without the need for a base rate proceeding during the plan period.
 - A WSIP includes performance-based metrics that benefit customers and ensure the provision of safe, reliable, and cost-effective service by the water or sewer utility. Utility is required to file quarterly earnings reports and status of capital projects reports. An annual review of earnings and established metrics by the Public Staff is required for a determination of incentives, penalties, or customer refunds, if any.
 - If the utility does not have a new general rate case in effect at the end of Rate Year Three, the rates in effect at the end of Rate Year Three remain in effect until further order of the Commission, with continued quarterly reporting of earnings and status of capital projects. (*N.C. Gen. Stat. § 62-133.1B and NCUC Rules R1-17A*)



North Carolina

Utilities Commission

Rates of Water/Wastewater Utilities cont.

- Resale Companies
 - For the purpose of encouraging water conservation, NCUC establishes rates based upon charges by a third-party supplier of service and an administrative fee that landlords may charge lessees of residential contiguous and non-contiguous premises (*N.C. Gen. Stat. § 62-110[g]*)
 - NCUC grants a certificate of authority to the owner of the residential premises within 30 days of receipt of a completed application (*NCUC Rule R18-3*)
 - Company may request a pass-through rate adjustment for changes in costs based on third-party supplier's revised rates. A valid rate adjustment is allowed to become effective after 14 days notice to the Commission, unless otherwise suspended or disapproved (*N.C. Gen. Stat. § 62-110[g]*)



North Carolina

Utilities Commission

Rates of Water/Wastewater Utilities cont.

- Resale Companies
 - Landlord may pass through and charge lessees of residential premises the same flat rate for water or sewer services, rather than a rate based on metered consumption, and an administrative fee if the NCUC approves a flat rate to be charged by a water or sewer utility for the provision of water or sewer services for such premises
 - Landlord of any leased residential premises, as that term is defined under N.C. Gen. Stat. § 42-59(3), may equally divide the amount of the water and sewer bill for a unit among all the lessees in the unit and may send one bill to each lessee.
(N.C. Gen. Stat. § 62-110[g][1b]. NCUC rules and procedures to be established.)



North Carolina

Utilities Commission

Water/Wastewater Utilities

(As of 12/31/2022)

- Traditional Companies
 - 37 Water and Wastewater
 - 24 Water only
 - 28 Wastewater only
 - Operating in 72 North Carolina counties
 - 133,325 Water and 70,137 Wastewater customers
- Resale Companies
 - 2,135 Water and/or Wastewater

} 89 Total Companies



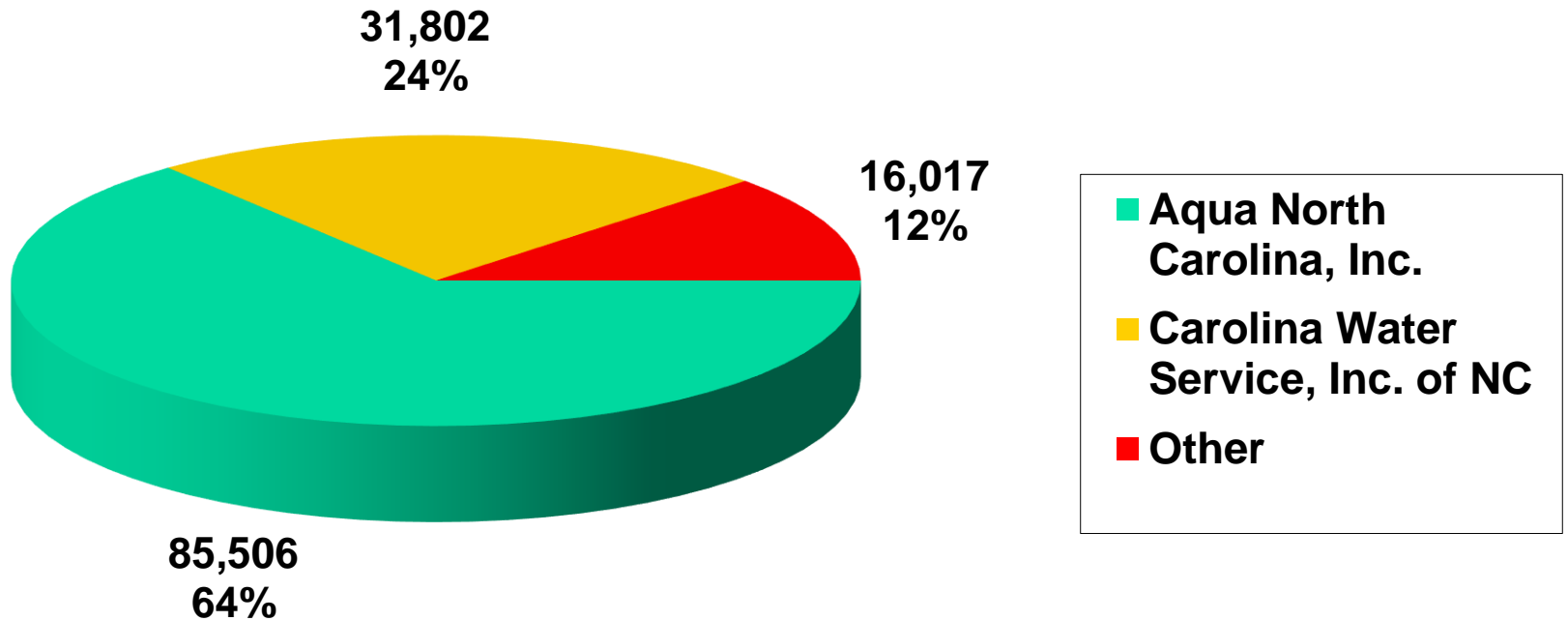
North Carolina

Utilities Commission

Water Customers

(As of 12/31/2022)

Distribution of 133,325 Traditional Water Customers





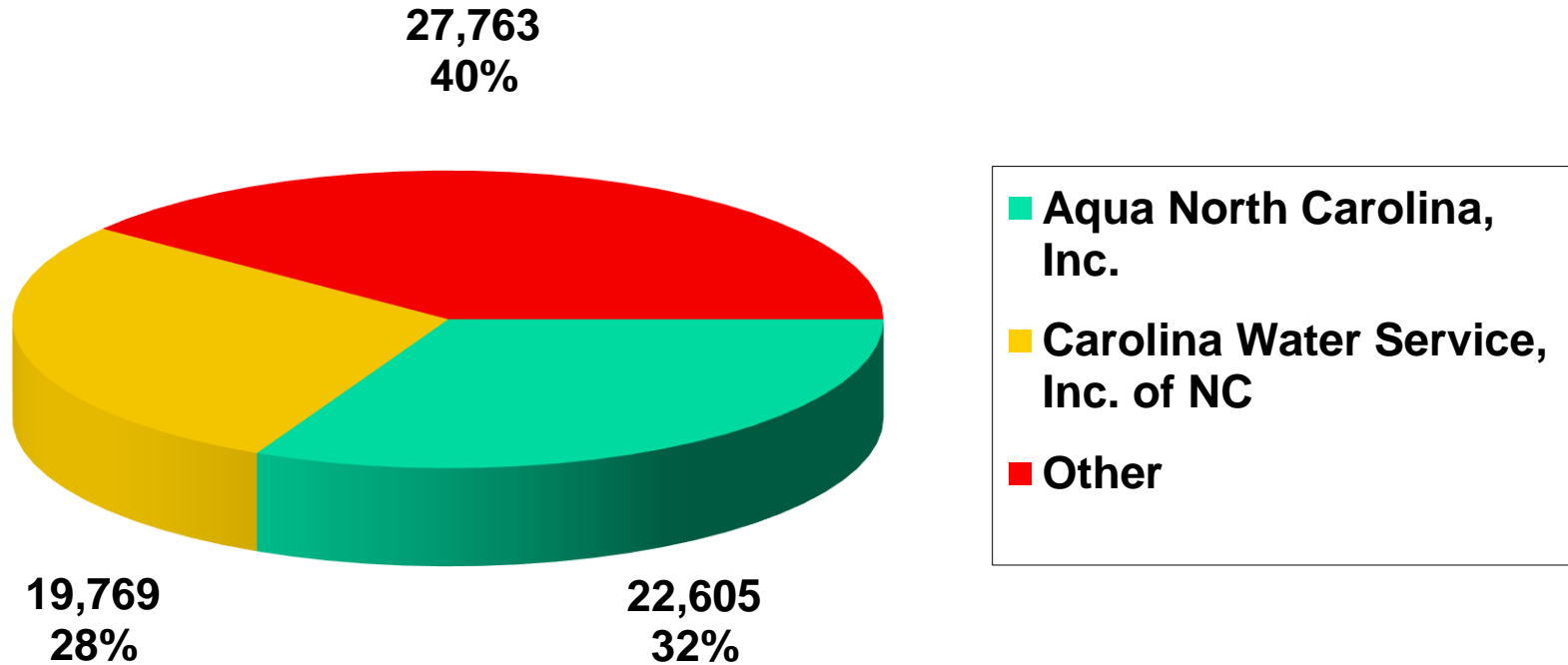
North Carolina

Utilities Commission

Wastewater Customers

(As of 12/31/2022)

Distribution of 70,137 Traditional Wastewater Customers





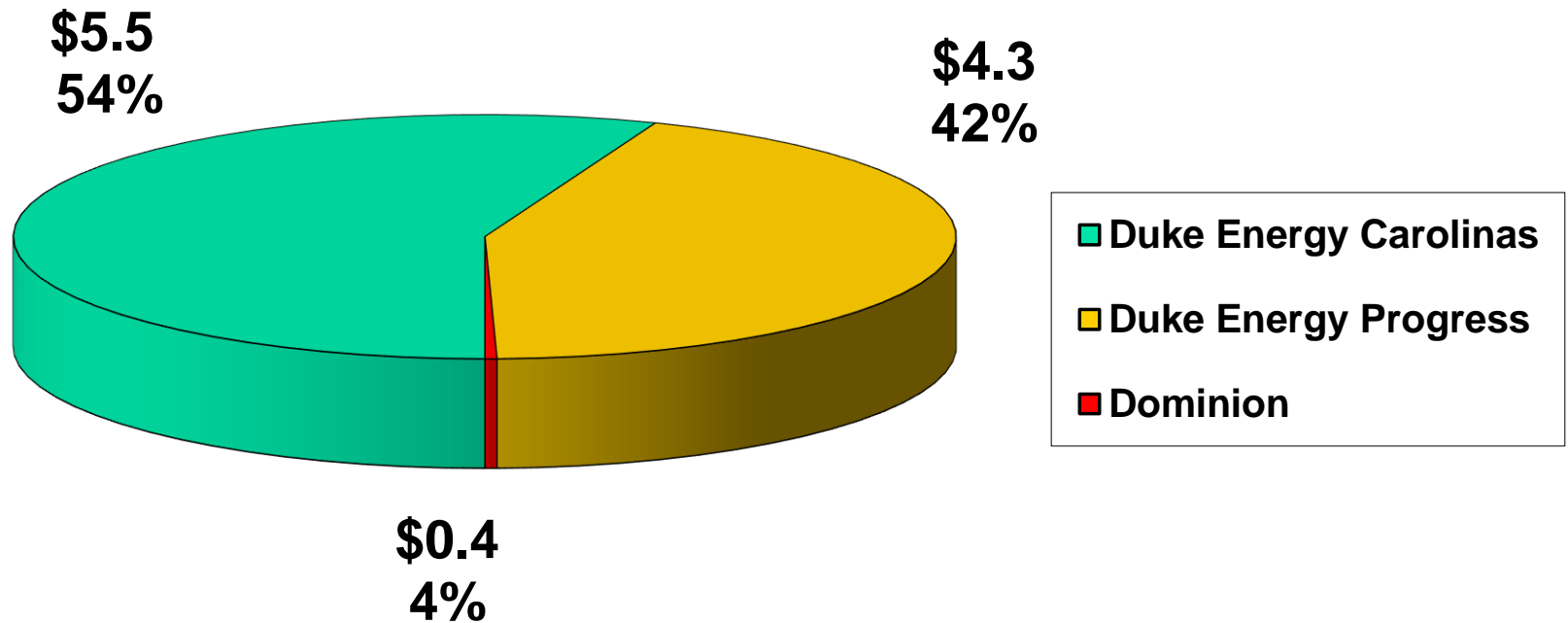
North Carolina

Utilities Commission

VI Selected Financial and Operational Data Operating Revenues by Electric Utility (\$10.2B Total)

(12-Month Period Ending 9/30/2023)

(\$ in Billions)



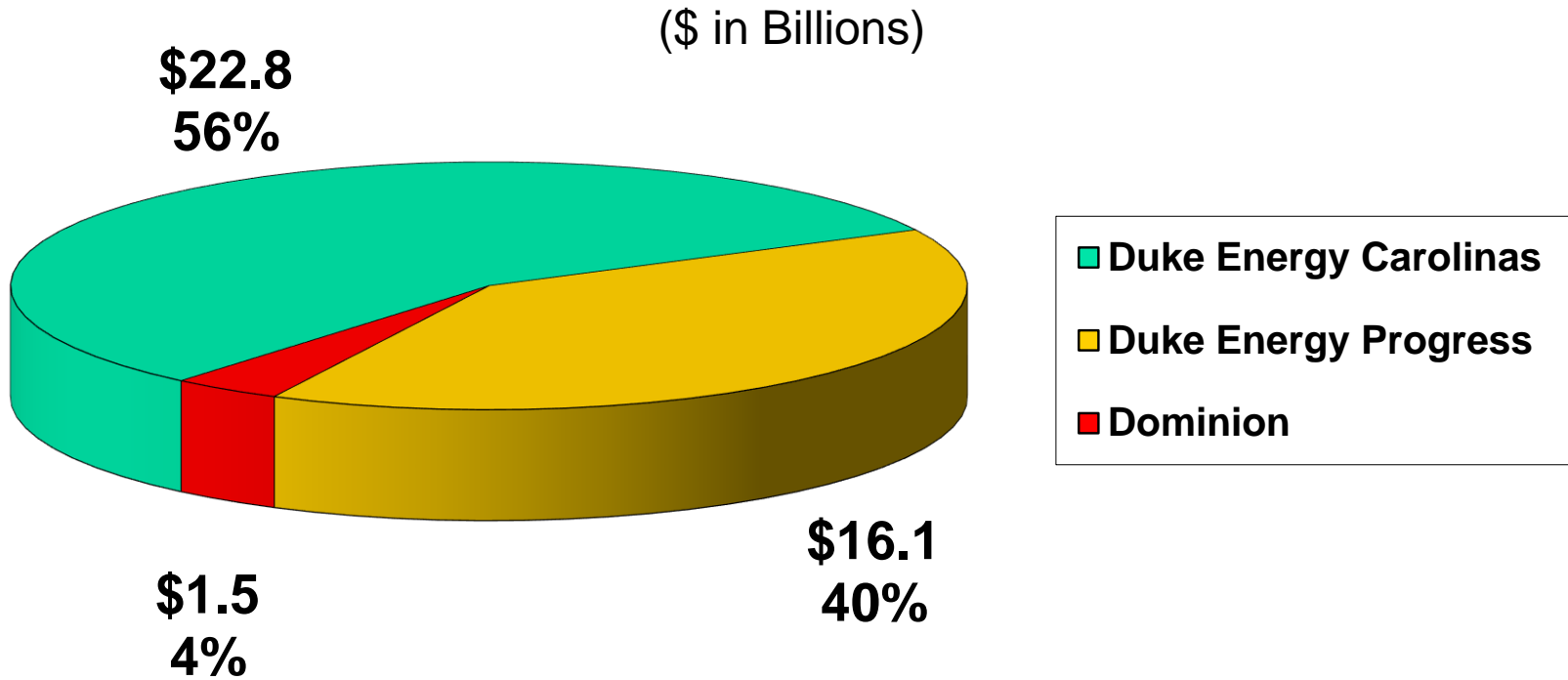


North Carolina

Utilities Commission

Net Plant Investment by Electric Utility (\$40.4B Total)

(As of 9/30/2023)





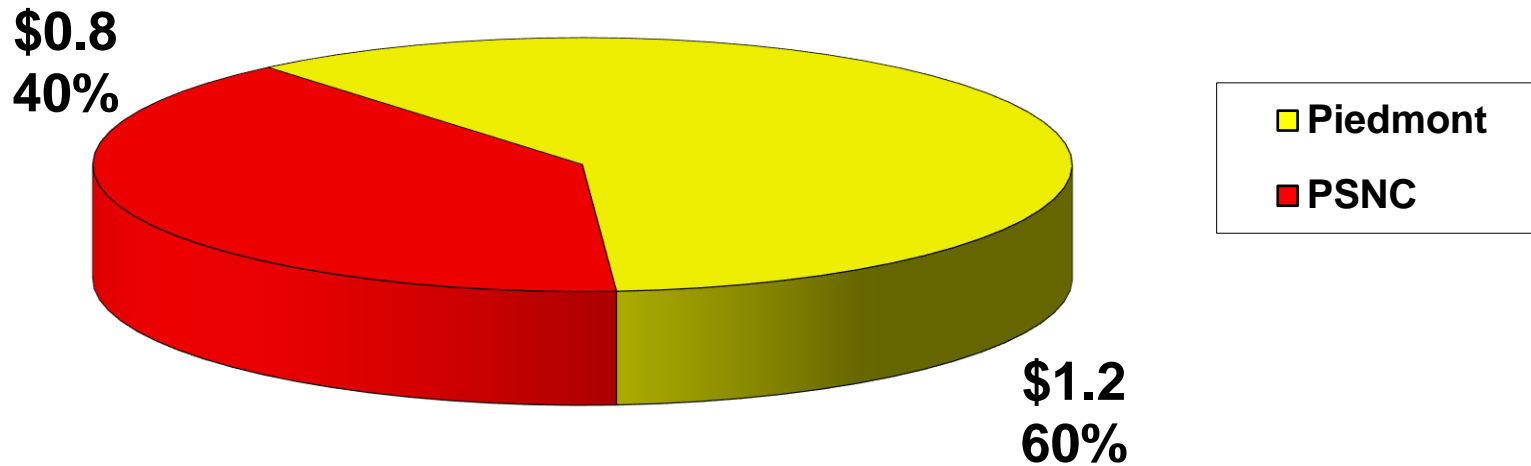
North Carolina

Utilities Commission

Operating Revenues by Natural Gas Utility (\$2B Total)

(As of 09/30/2023)

(\$ in Billions)



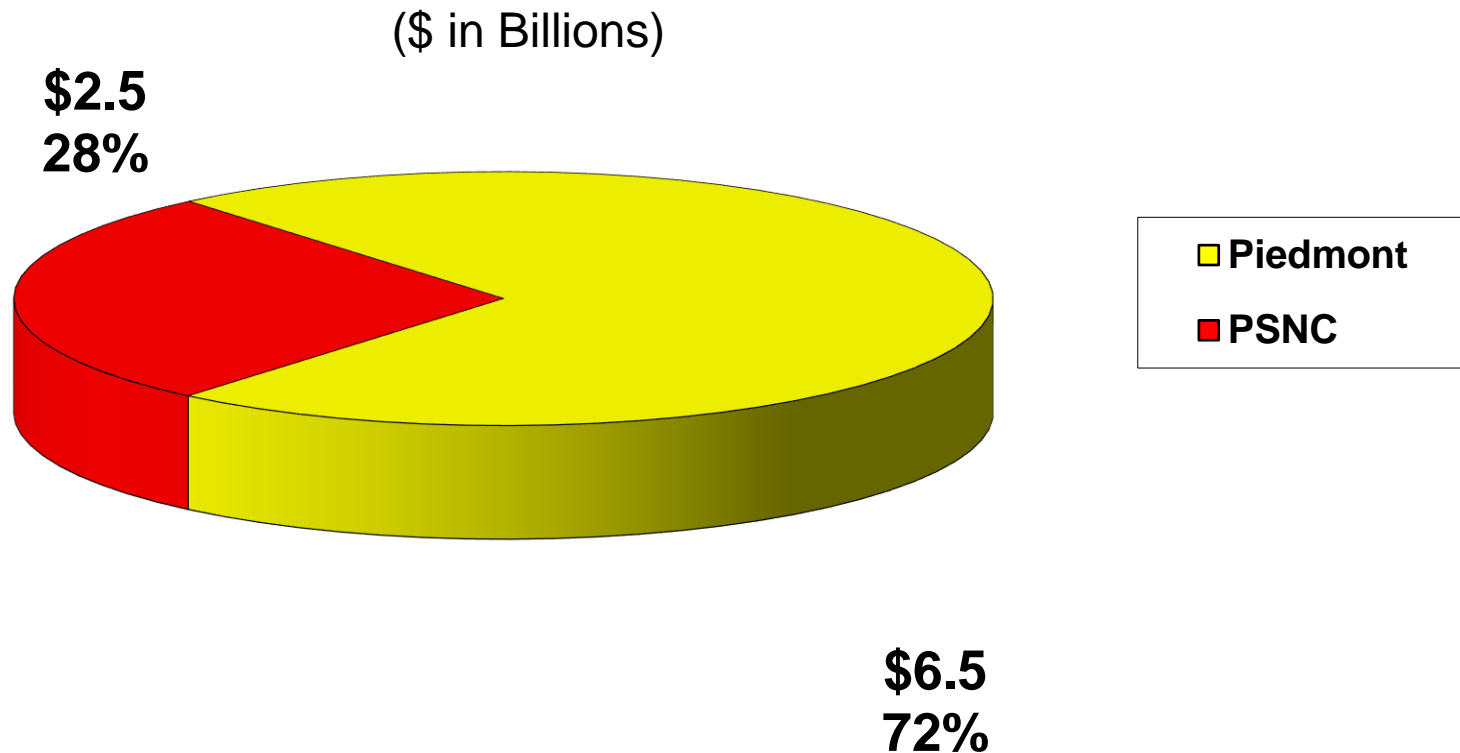


North Carolina

Utilities Commission

Net Plant Investment by Natural Gas Utility (\$9B Total)

(As of 9/30/2023)





North Carolina

Utilities Commission

Major Utilities: Last General Rate Case Order

(As of 12/31/2023)

- **Duke Energy Carolinas, LLC**
Docket No. E-7, Sub 1276; Multi-year; December 15, 2023
- **Duke Energy Progress, LLC**
Docket No. E-2, Sub 1300; Multi-year; August 18, 2023
- **Piedmont Natural Gas Company, Inc.**
Docket No. G-9, Sub 781; October 31, 2019
- **Public Service Company of North Carolina, Inc.**
Docket No. G-5, Sub 632; January 21, 2022
- **Aqua North Carolina, Inc.**
Docket No. W-218, Sub 526; Multi-year; June 5, 2023
- **Carolina Water Service, Inc. of North Carolina**
Docket No. W-354, Sub 400; Multi-year; April 26, 2023



North Carolina

Utilities Commission

Selected Mergers and Acquisitions 2003 to Present^[1]

- Electric

- In 2005, Dominion joined PJM Interconnection, LLC
- In 2006, Duke Energy acquired Cinergy
- In 2012, Progress Energy merged with Duke Energy

- Natural Gas

- In 2003, Piedmont acquired NCNG and 50% interest in Eastern NCNG
- In 2005, Piedmont acquired the remaining 50% interest in Eastern NCNG
- In 2007, Energy West acquired Frontier
- In 2016, Piedmont merged with Duke Energy
- In 2017, BlackRock, Inc. acquired Frontier
- In 2018, Dominion acquired PSNC's parent, SCANA
- In 2021, Ullico Infrastructure Hearthstone, LLC acquired Frontier

[1] The business combinations presented, although some are dated, typically engender the greatest interest.



North Carolina

Utilities Commission

Selected Mergers and Acquisitions 2004 to Present^[1] cont.

- Water/Wastewater

- In 2004, Aqua America acquired stock of Heater Utilities, Inc.
- In 2006, Hydro Star acquired stock of Utilities, Inc., from nv Nuon
- In 2007, Utilities, Inc. subsidiaries: Belvedere, Queens Harbor, Riverpointe, and Watauga Vista merged into Carolina Water
- In 2008, Aqua America subsidiaries: Fairways, Glynnwood, Heater, Mountain Point, Rayco, and Willowbrook merged into Aqua NC
- In 2010, Utilities, Inc. subsidiaries: Carolina Pines and Nero merged into Carolina Water
- In 2012, Corix acquired stock of Utilities, Inc., from Hydro Star
- In 2016, Utilities, Inc. subsidiaries: Bradfield Farms, Carolina Trace, CWS Systems, Elk River, and Transylvania merged into Carolina Water
- In 2018, Pluris Webb Creek acquired Webb Creek Water and Sewage, Inc.
- In 2022, Red Bird Utility Operating Company, LLC, acquired franchise serving Ocean Terrace and Pine Knoll Townes I, II, and III

[1] The business combinations presented, although some are dated, typically engender the greatest interest.



North Carolina

Utilities Commission

Selected Mergers and Acquisitions 2004 to Present^[1] *cont.*

- Water/Wastewater

- In 2023, Red Bird acquired franchise serving Lake Royale Subdivision; Bear Den Development; Baywood Forest and Cottonwood Subdivisions
- In 2023, Pluris, LLC, and Pluris Webb Creek, LLC, were sold to the Onslow County Water and Sewer Authority, an owner exempt from NCUC regulation
- In 2023, the NCUC approved the business combination of Carolina Water, Corix, and SW Merger Acquisition Corp. Pending regulatory approval in California, the merger is expected to consummate in March 2024.
- In 2023, Carolina Water acquired the Carteret County Water Systems under the fair value statute *N.C. Gen. Stat. § 62-133.1A*, a case of first impression

[1] The business combinations presented, although some are dated, typically engender the greatest interest.



North Carolina

Utilities Commission

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