

April 29, 2019

The Honorable Phil Berger
Via Hand Delivery

The Honorable Bill Rabon
Via Hand Delivery

The Honorable Ralph Hise
Via Hand Delivery

The Honorable Dan Blue
Via Hand Delivery

Re: North Carolina Electric Utility Stakeholders **Oppose** Part II of SB 559

Dear Senators Berger, Rabon, Hise and Blue:

The undersigned oppose Part II of SB 559. Such significant changes in ratemaking policy should identify concrete net benefits to ratepayers and be the result of a comprehensive and transparent stakeholder process to ensure the interests of ratepayers and utility shareholders are evenly balanced.

If authorized and implemented, multi-year rate plans and return-on-equity (ROE) banding will permit electric utilities to continually earn more than their authorized profit margin and jeopardize future economic development and investment in the State through ever-increasing electric rates. The recent amendment to SB 559 does nothing to assuage these concerns. In fact, the amendment severely reduces the Commission's authority because it empowers utilities to reject the Commission's approved plan if it modifies the utility's initial proposal. Also, the provision to withdraw an application underscores our view that the current system is not eminently broken. We strongly urge you to strike this provision in the amendment.

Further, if you will not withdraw Part II the bill, we request that **at a minimum** the following ratepayer protections be included in the legislation:

Refund overearnings. We request that any banding of a utility's authorized return not exceed a range of 150 basis points and in no event should the top-range of the band exceed the regional average by more than 50 basis points. Additionally, if the utility's annual earnings exceed the band, all earnings must be returned to customers via a bill credit within 30 days of the order requiring the refund. Any failure to refund ratepayers should be subject to a penalty.

Cap rate increases. To ensure that rates do not drastically increase, we recommend that annual rate increases not exceed two percent (2%) of the utility's North Carolina retail jurisdictional gross revenues for the preceding calendar year.

Authorize more time for review. Multi-year rate plans will require substantially greater effort by the Commission, the Public Staff and intervening parties. As such, an additional 150 days should be added to the timeframe currently authorized in proposed § 62-133A(b).

Address the reduction in risk. Multi-year ratemaking and ROE banding significantly reduce a utility's risk, and it should be mandatory that the Commission consider this reduced risk when setting the utility's authorized return.

Require a rulemaking process. The proposed legislation substantially alters the ratemaking process in North Carolina. A formal Commission rulemaking will allow stakeholders to participate in the development of the new regulatory mechanisms.

We appreciate your consideration of these concerns.

Sincerely,

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AARP North Carolina
Ajinomoto North America, Inc.
AkzoNobel
Arauco North America, Inc.
Archer Daniels Midland Company
Ashley Furniture Industries
Carolina Industrial Group for Fair Utility Rates
Carolina Stalite
Carolina Utility Customers Association
Carus
The Chemours Company FC, LLC
Clariant Corporation
Clearwater Paper Corporation
Corning Incorporated
Cummins Inc.
DAK Americas
Dow Chemical
DuPont Company
Ecolab
EGGER
Elementis Chromium Inc.
Evergreen Packaging, LLC
Fortron Industries
Georgia-Pacific LLC
GlaxoSmithKline
Google LLC
Industrial & Agricultural Chemicals, Inc.
Industrial Hard Carbon, LLC

Ingredion, Inc.
International Paper
INVISTA
Kimberly-Clark Corporation
Kuraray America, Inc.
LanXess (formerly Chemtura)
Louisiana-Pacific
Mallinckrodt Pharmaceuticals
The Mitchell Gold Co.
Messer LLC
Momentive Specialty Chemicals
North Carolina Clean Energy Business Alliance
North Carolina Manufacturers Alliance
Novozymes North America
Nucor Corporation
Nutrien
Resinall Corporation
Robert Bosch Tool Corporation
Shurtape Technologies, LLC
Silar, LLC
Smithfield Foods, Inc.
Spantek Expanded Metal
Speedball Art Products
Surry Chemicals, Inc.
Syngenta Crop Science
The Timken Company
Trinity Manufacturing, Inc.
WestRock Company
Weyerhaeuser Company

cc: Members of the North Carolina Senate