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VIA MAIL & EMAIL

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Attorney General
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Executive Director
Public Staff - North Carolina Utilities Commission
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Re: Duke Energy Progress rate hike
NCUC Docket E-2, Sub 1142

Gentlemen:

My client, NC WARN, is urging you not to settle the DEP rate case until the discovery period is completed, the public hearings are held, and all of the parties have presented their testimony and had the opportunity to cross-examine witnesses in an evidentiary hearing. In the past several rate cases, premature settlement has made involvement by the public and intervenors almost meaningless.

NC WARN is deeply concerned about a number of the issues in the rate increase application:

1. Like most of the intervenors, we find the recovery of all of the costs of coal ash cleanup troublesome. DEP's application begs the question of whether the cleanup stemmed from a violation, court order, or the Federal criminal conviction. As detailed in NC WARN's March 7th comments on Duke Energy's Petition for an Accounting Order to Defer Environmental Compliance Costs, state laws do not allow Duke Energy to raise customer rates to pay for costs resulting from unlawful activities, lawsuit settlements or criminal convictions.

2. Recently, several insurance companies refused to pay liability claims and pointed out that DEP knew its coal ash management practices were risky. How much

has DEP and its shareholders already profited from risky practices of handling coal ash?

3. The prospective rate increase for additional coal ash cleanup is likely to be unlawful. The expenses are beyond the test year, and are highly speculative.

4. The exorbitant rate increase will be highest for residential customers, and have the most significant impact on low-income families and those on fixed incomes due to the 75% increase in the residential basic service charge. This increase will come on top of a requested fuel charge increase, meaning a total of at least \$20 more in electric bills each month for families least able to afford it.

5. Once again, DEP is gaming the ratemaking process by coming in with an unreasonably high return on equity request, while being prepared to settle at a much lower number. A monopoly company should not be rewarded with far higher returns than any other business venture – particularly when the company is seeking to increase customer rates to pay for massive corporate mistakes such as coal ash cleanup.

6. In past rate cases, the Public Staff did not conduct an in-depth review of all of the utilities' expenses, only a sampling. We recognize this is a major undertaking, but in the 2013 DEC rate case, NC WARN's expert found numerous overpayments and supposed accounting errors totaling nearly \$100 million. Improper charges are likely to be present in the current request, making careful scrutiny from all parties critical.

7. The rate increase reflects DEP's business model of constructing new power plants, along with grid modifications solely to support those units. If DEP remains on this track, this will be first of several major rate increases.

There may be additional issues presented at the public hearings and the evidentiary hearing that rise to the forefront.

An early settlement does not allow the public and the parties to present all of the issues the Commission will need to address. The issues in this proceeding are far too important to the economic well-being of customers and the state as a whole to be undercut by premature settlements made outside of the public's view.

We would appreciate your reply to confirm that you have received this letter and understand our concerns. Thank you for your consideration.

FOR NC WARN

John D. Runkle

cc. Service List (via email)