NC WARN BUILDING PEOPLE POWER FOR ENERGY & CLIMATE JUSTICE

Appalachian Voices

January 28, 2019

Hon. Phil Berger, President Pro Tempore, North Carolina Senate
Hon. Tim Moore, Speaker, North Carolina House of Representatives

Subject: Don't let Duke Energy use its monopoly power to overcharge North Carolina families billions of dollars for unnecessary grid "improvement" scheme

Dear President Berger and Speaker Moore,

Duke Energy is expected to seek a legislative bailout of its twice-failed effort to pass a $13 billion scheme to charge North Carolina's electricity customers for routine grid maintenance and unnecessary expenses under the guise of "improving" our power grid. With your leadership, the grid scheme was roundly rejected by the legislature in 2017, and then again by the NC Utilities Commission in 2018 while also being vigorously opposed by nearly all business and consumer groups. Now, as the legislative session approaches, Duke lobbyists and senior officials are again seeking to persuade legislators and others to support their grid "improvement" scheme.

We urge you to hold the line against this attempt by an electric monopoly to satisfy corporate investors hungry for expensive capital projects, because if approved it would lead to repeated power bill increases for captive families and businesses. While 21st century competitive energy markets are shifting rapidly toward distributed power matched with battery storage, Duke Energy is clearly trying to lock in billions in outdated investments before having to make the inevitable transition away from capital-intensive central power stations.

Below is a summary of key reasons the legislature should again deny Duke Energy's grid "improvement" scheme. More details are provided in the attached report by engineer Bill Powers, which was filed with the NC Utilities Commission earlier this month.

- Grid "improvement" is a nationwide phenomenon driven by electric monopolies to assure investors that – despite flat or falling demand and the abandonment of expensive nuclear projects – billions in capital investment income can be made by converting routine and redundant grid expenses into rate-based profit centers. Even industry executives are among the many skeptics.
- In fact, a year ago, Duke Energy executives promised shareholders they will initiate "multiple rate cases" in North Carolina due to an ambitious $20+ billion build-out of gas-fired generation and grid "improvement," and would pursue grid "improvement" to "enhance investment returns."
- In rejecting the grid scheme, the NCUC emphasized the routine nature of many elements of Duke's grid "improvement" plan, and therefore the lack of justification for special treatment via a bill rider.

- ➢ Duke Energy's 15-year strategic plan ignores the most cost-effective solutions to grid reliability in favor of routine infrastructure additions. Solar power matched with battery storage is already more cost effective than gas-fired peaker turbine plants in parts of the U.S. and storage prices continue to decline. A proven zinc-air battery now on the market promises to drive prices down rapidly.
- ➢ Due to superior cost-effectiveness and reliability, industry analysts project that battery storage will capture up to 80 percent of the market for peaking power generation by the mid-2020s. This adds to the risk that Duke Energy's plans to continue building gas plants will lead to billions of dollars in stranded assets – which, under the monopoly system, would be borne by customers.
- ➢ Implementing battery storage at the point where power is used will increase reliability for all North Carolina communities by reducing dependence on wires. Storage is more economical and effective than Duke's proposal to build redundant backup transmission lines and place some distribution lines underground.
- ➢ Third-party developers have installed about 4,700 MW of solar in North Carolina, primarily in rural eastern and southeastern areas. Transmission line congestion is beginning to occur in some of these areas caused by high mid-day solar production. The optimal solution to congestion is the addition of battery capacity at the solar farm to reduce daytime peak output and convert the solar resource into a reliable, round-the-clock power supply.
- ➢ Duke asserts that grid "improvement" is necessary to support a green energy future, yet forecasts that its generation from renewables will reach only 8 percent by 2033.
- ➢ Duke actually proposes to slow the rate of new utility-scale solar capacity over the next 15 years to about one-quarter the rate of solar additions achieved over the last four years. While Duke proposes very little storage of its own, solar companies are openly angry that Duke is trying to make it impossible for them to develop storage projects.

Duke Energy's strategy is to gain approval for an initial portion of the massive grid "improvement" scheme. However, as noted by the Charlotte Business Journal last week, Duke executives plan to seek the entire, multi-billion dollar rate hike over time. Transitioning to a 21st century energy system is going to require planning, investment and wisdom. Going along with Duke Energy's plans to bypass open public review and foist billions of dollars worth of exorbitant and unnecessary costs onto the backs of North Carolina families and businesses is the wrong approach and would make our state less desirable to new and existing businesses. The millions of North Carolinians who have no choice about where to buy their electricity are depending on you to stand up for them against the most powerful monopoly in the state.

We welcome the opportunity to discuss this matter and provide additional information.

Sincerely,

Jim Warren

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