

A Responsible Energy Future for North Carolina

2014 Update

More emissions, coal ash, and rate hikes vs. competition and cleaner, cheaper energy? The people of North Carolina should have the power to choose the path forward.

Each year Duke Energy must file a 15-year plan for meeting electricity demand in North Carolina – where it has monopoly control. In reviewing these integrated resource plans or IRPs, the NC Utilities Commission is required to ensure that utilities adopt the "least cost mix" of generation and energy-saving measures that is achievable in order to avoid undue costs for customers.

In fact, the NC Supreme Court has specified that the purpose of the IRPs is to prevent the costly overbuilding of new power plants.

Due to a 2012 merger, Duke Energy now operates two utilities that straddle the Carolinas. Together, Duke Energy Carolinas and Duke Energy Progress generate more than 95% of the electricity consumed in North Carolina. As a regulated monopoly, Duke is guaranteed a large profit for its shareholders for providing the power.

In its latest IRP, Duke proposes unabated use of its coal-fired power plants, increased burning of fracking gas, construction of high-risk nuclear plants – and negligible amounts of clean, affordable renewable energy and energy saving programs.

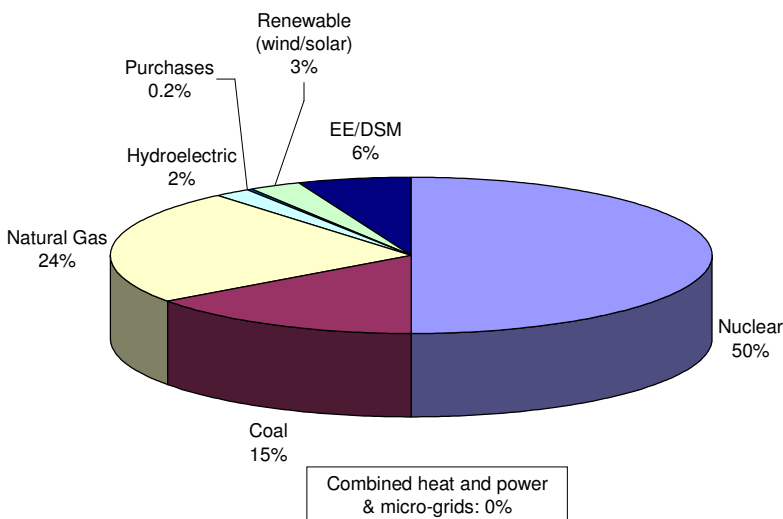
It is clear that Duke Energy plans to keep raising captive customers' rates by building power plants that are not needed, while attempting to lock out competition.

A \$25 BILLION FICTION

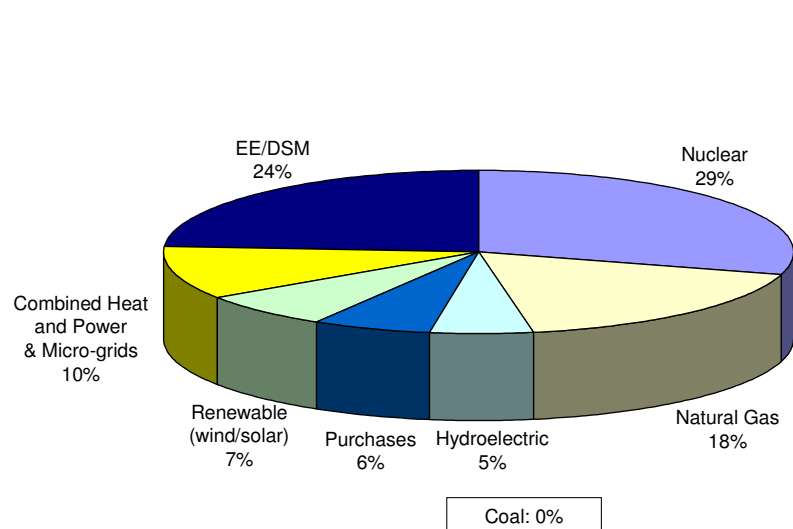
Duke bases its "build more plants" plan on a forecast of high growth in customers' use of electricity – about 1.5% each year – even though usage across the electric industry has been steady for more than a decade.

But Duke Energy executives have since told investors, legislators, and reporters a very different story.

Duke Energy's Plan: 2028



NC WARN's Responsible Energy Future: 2028



Shortly after Duke filed its high-growth, build-plants IRP in October of 2013, CEO Lynn Good told investors growth would be 0.5 - 0.9%. Statements to investors are scrutinized by federal authorities.

Jim Rogers – Duke’s CEO until 2013, who remains the industry’s leading spokesman – says growth will be “flat to declining,” and that new power plants won’t be built at all. The US Energy Information Administration agrees that growth will be flat for the foreseeable future.

The projected growth in energy usage is critical to determining the need for new power plants. The difference between a 1.5% increase and flat growth over the 15-year period is equal to \$25 – 30 billion worth of new power plants – if ratepayers are forced to go this route.

A SAFER, CHEAPER PATH

In response to Duke Energy’s 2012 IRP, NC WARN created an alternative, *Responsible Energy Future*. The analysis showed that, even using Duke Energy’s exaggerated growth projections, all coal plants in the Carolinas can be phased out and no natural gas and nuclear plants need to be constructed. (See the report and NC WARN’s comments on both the 2012 and 2013 IRPs at ncwarn.org.)

This year, NC WARN adjusted our proposal to reflect the flat demand predicted by Rogers and others, along with a greater adoption of renewable energy, energy efficiency and combined heat and power.

Our updated *Responsible Energy Future* calls for North Carolina to achieve the following by 2028:

- 7% renewable energy, 24% energy efficiency, and 10% combined heat and power, as a percentage of total energy sales;
- phase out of all coal-fired power generating plants;
- no new natural gas or nuclear plants; and
- closing some of the dirtiest natural gas or most dangerous nuclear units.

A transition to cleaner energy will benefit North Carolina’s economy and its people’s health.

Eliminating coal from North Carolina’s energy mix and reducing the use of natural gas keeps the \$1.7 billion for out-of-state coal in our state’s economy, while drastically reducing the climate-harming pollution pumped into the atmosphere and coal ash stored by our rivers and groundwater. Ramping up clean energy sources promotes economic development; a 2013 census estimates the clean energy industry employs 18,404 workers in the state and brings in \$3.6 billion in revenue.

It is clear that a balanced mix of distributed power (putting electricity where it is needed) and energy efficiency is the most reliable, cost effective and readily available path over the next 15 years.

Meanwhile, there are many “disruptive challenges” in the electric utilities business, such as the widespread opposition to carbon-producing power plants, the demise of the nuclear renaissance, rapid advances in utility-scale batteries and the emergence of solar energy as a cost-effective option. Some have pronounced these rapidly changing market conditions the “corporate death spiral.” Duke Energy’s plans suggest they have chosen to ignore these industry-wide changes, and we cannot allow them to drag the rest of us down.

A transition by Duke Energy toward a business model that embraces new advances in the industry such as distributed energy and energy efficiency, instead of one that relies on massive, unneeded centralized power plants, could be a national, if not international, game-changer to reduce the drastic impacts of climate change.

If the Commission approves the Duke Energy plan as proposed, it approves a status quo threatening to bankrupt North Carolina’s economy and continue polluting our air and water. There is much at stake for North Carolina, and for each one of us; the status quo is no longer acceptable.

State policy requires the Utilities Commission to consider our plan. The bottom line is that our approach can provide an estimated annual savings for NC electricity customers of more than \$2 billion. It is a responsible energy future, one that promotes a good economy and jobs, and will provide us all with a healthier place to live while implementing solutions to climate change.