

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH
DOCKET NO. E-7 Sub 1146**

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)	
Application of Duke Energy Carolinas, LLC for Adjustment of Rates and Charges Applicable to Electric Utility Service in North Carolina)	COMMENTS OF THE ATTORNEY GENERAL'S OFFICE ON THE PILOT GRID RIDER PROPOSAL

NOW COMES the North Carolina Attorney General's Office (the "AGO") and respectfully submits the following comments in regard to the "Pilot Grid Rider Agreement and Stipulation Among Certain Parties," filed by Duke Energy Carolinas, LLC ("Duke" or the "Company") regarding the Company's Power/Forward Carolinas grid modernization initiative ("Rider Agreement").

While the AGO appreciates the efforts made in the Rider Agreement to address and resolve certain issues, the Rider Agreement entered into by Duke and three intervenors does not cure many of the problems identified by the AGO and other intervenors in post-hearing submissions to the Commission.

1. A grid modernization rider remains unfair to ratepayers. Although the settlement is couched as a limited pilot, it is actually a significant rate increase of 4.5% over the initial three years, which will fall more heavily on residential consumers, whom Duke projects will bear a 6.1% increase.

If the Rider Agreement were adopted, it would advantage Duke's shareholders, and shift risks to ratepayers. Duke's testimony plainly established that the work of grid modernization is part of the duty it undertook when it was

granted a utility monopoly, *i.e.*, grid modernization is necessary to the provision of adequate, efficient, and reasonable service to ratepayers. (Simpson Tr. Vol. 17, p. 31.) The primary driver behind grid modernization is addressing Duke's aging grid. (Fountain Tr. Vol. 6, p. 433.) Duke's opinion is that its grid modernization plans are necessary and cannot be delayed. (Simpson Tr. Vol. 16, pp. 106, 201.) In N.C. Gen. Stat. § 62-133, the General Assembly has already provided the mechanism for Duke to recover its reasonable operating expenses, along with a rate of return. The Company should not receive special accommodations or incentives to perform its obligations.

2. The cost recovery requests in the Rider Agreement should be made in a normal ratemaking proceeding. No statute authorizes the rider, and no extraordinary circumstances exist to justify one. Allowing Duke to recover its costs during annual rider proceedings, even though ratepayers do not have the benefits of any offsetting savings Duke may enjoy during that time period, amounts to improper single-issue ratemaking. Duke's testimony demonstrates that there are no extraordinary circumstances that justify the Commission approving a rider. The grid modernization costs are neither unexpected nor volatile, nor are they out of Duke's control. (Simpson Tr. Vol. 17, pp. 30-31.) Rather, the costs addressed in the Rider Agreement are investment decisions that are within Duke's control and are fairly predictable. Therefore they should be addressed through normal ratemaking.

3. The substance and the procedure of the proposed rider remain ill-defined. The scope of the projects to be included in the grid modernization rider

is still unclear. Even after offering extensive testimony during the hearing in this rate case and after conducting a full day stakeholder workshop in May, Duke has not offered any objective means for the Commission or intervenors to determine whether a project is incremental to normal system work.

Given the high level of concern and opposition expressed by intervenors, it is noteworthy that Duke's current grid modernization rider proposal still does not provide adequate procedures for approval of Duke's grid modernization plan generally, or for particular projects. The Rider Agreement has no provision for advance review or involvement by the Commission. Instead, the Rider Agreement indicates that Duke will provide interested stakeholders with Duke's cost-benefit analyses fourteen days in advance of stakeholder meetings. It does not provide any apparent mechanism for discovery or investigation by intervenors.

For these reasons, the Attorney General's Office asks the Commission not to approve the Rider Agreement.

Respectfully submitted this the 15th day of June, 2018.

JOSHUA H. STEIN, ATTORNEY GENERAL

/s/

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CERTIFICATE OF SERVICE

The undersigned certifies that she has served a copy of the foregoing COMMENTS OF THE ATTORNEY GENERAL'S OFFICE ON THE PILOT GRID RIDER PROPOSAL upon the parties of record in this proceeding by email or by depositing a copy of the same in the United States Mail, postage prepaid, this the 15th day of June, 2018.

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