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June 1, 2018

Ms. Martha Lynn Jarvis
Chief Clerk
North Carolina utilities Commission
430 North Salisbury Street
Dobbs Building
Raleigh, NC 27603-5918

Re: Duke Energy Carolinas, LLC Proposed Stipulation and Settlement Agreement (Docket No. E-7, Sub 1146)

Dear Ms. Jarvis:

We write on behalf of the North Carolina Justice Center, North Carolina Housing Coalition, Natural Resources Defense Council and Southern Alliance for Clean Energy, to urge the Commission to reject the proposed partial settlement between Duke Energy Carolinas ("DEC"), the Environmental Defense Fund, the North Carolina Sustainable Energy Association and the Sierra Club (the "Grid Rider Settlement").

The proposed Grid Rider Settlement cannot be approved because it violates the long-standing prohibition on single-issue ratemaking under North Carolina law. Not only would the proposed Grid Rider be unlawful, recovery of multi-billion dollar grid investments through a rider, rather than a general rate case, would be bad policy and harmful to ratepayers. Meanwhile, DEC's "Power/Forward Carolinas" grid spending initiative remains ill-defined and unjustified.

The spending contemplated in the Grid Rider Settlement would pose a real hardship to DEC's residential ratepayers, particularly those with low incomes who already struggle to pay their electric bills. Based on evidence presented by DEC, those residential customers have the least to gain from DEC's planned multi-billion-dollar grid spending, but are expected to shoulder the vast majority of those costs. Though the Grid Rider Settlement puts a cap on DEC's spending on Power/Forward over the next three years, there is no firm cap on the amount that residential customers will be forced to pay. In fact, the spending authorized in the Grid Rider Settlement would result in even steeper rate increases during the three-year pilot than over the first three years of the grid rider initially proposed by the Company. Under DEC's initial proposal, DEC estimated a cumulative 5.7 percent rate impact on residential customers from the Grid Rider by the third year of the program. (Fountain Redirect Exhibit 1). Under the Grid Rider Settlement, residential customers would experience a 6.1 percent rate impact by the third year of the Grid Rider (Proposed Settlement, Attachment C), in addition to any rate increase approved by the Commission.

Although the settlement includes positive commitments from DEC to deploy clean energy resources and engage in integrated system planning, those are actions that DEC should be taking anyway to meet its obligation to serve at least cost. Battery storage, when combined with distributed energy resources, is now cost-competitive with new natural gas generation. Volt-var control will save energy and reduce system costs. And investments in electric vehicle charging stations, while helping to decarbonize the transportation sector, will help Duke to sell more electricity.

For these reasons, we oppose the settlement and urge the Commission not to approve it. Instead, the Commission should require Duke Energy to continue the collaborative process initiated in the May 17, 2018 Power/Forward Carolinas technical workshop. That process represents a promising opportunity for Duke Energy to engage in a constructive dialogue with stakeholders about grid investments that would enable the integration of more cost-saving distributed energy resources in ways that benefit customers, particularly those who are struggling to pay their electric bills. The Commission may also wish to initiate an investigation of what investments are truly needed to modernize the grid in North Carolina.

Finally, while we welcome Duke Energy's announced contribution to the Helping Home Fund, $1.5 million is simply inadequate to mitigate the impact of increased rates on DEC's low-income customers. DEC's one-time $1.5 million contribution would enable delivery of efficiency upgrades and critical health and safety repairs to about 300 households (Helping Home Fund projects average about $2,500, with the average household receiving two projects). To put that figure in perspective, there are over 600,000 households in DEC's service territory that are eligible to receive services under the Helping Home Fund. To the extent that the Commission grants any component of DEC's request for a rate increase, it should require DEC to direct $5 million per year of DEC's unprotected excess deferred income taxes to the Helping Home Fund for as long as that EDIT is amortized to flow back to ratepayers.

Sincerely,

s/ Gudrun Thompson

s/ David Neal

cc: Parties of Record