



Lawrence B. Somers
Deputy General Counsel

Mailing Address:
NCRH 20 / P.O. Box 1551
Raleigh, NC 27602

o: 919.546.6722
f: 919.546.2694

bo.somers@duke-energy.com

April 30, 2021

VIA ELECTRONIC FILING

Ms. Kimberley A. Campbell, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

**RE: Duke Energy Carolinas, LLC and Duke Energy Progress, LLC's
Notice of Rate Design Study Initiation
Docket Nos. E-7, Sub 1214 and E-2, Sub 1219**

Dear Ms. Campbell:

Pursuant to the North Carolina Utilities Commission's ("Commission") March 31, 2021 *Order Accepting Stipulations, Granting Partial Rate Increase, and Requiring Customer Notice* in Docket No. E-7, Sub 1214 and its April 16, 2021 *Order Accepting Stipulations, Granting Partial Rate Increase, and Requiring Customer Notice* in Docket No. E-2, Sub 1219 (collectively, the "Orders") Duke Energy Carolinas, LLC ("DEC") and Duke Energy Progress, LLC ("DEP" and collectively with DEC, the "Companies"), are initiating the comprehensive Rate Design Study by notifying all interested parties and the Commission of the following process plans, preliminary dates, and communication expectations. The following plans and the Rate Design Study overall will benefit from incorporation of lessons learned from other recent stakeholder processes undertaken by the Companies at the direction of the Commission. The Companies conferred with the Public Staff on this initial plan and look forward to engaging with all interested parties in formalizing the process and prioritizing the ideas and topics for review.

Communication and Engagement

As noted in the Commission Orders, "in depth evaluation, debate, and discussion by and among stakeholders regarding cost to serve, rate design, and making the most efficient use of the electric system is necessary to achieve results that are in the public interest," and "all parties to the rate case proceeding should be afforded the opportunity to participate as stakeholders in the Rate Design Study." Such discussions and evaluation require ready access to information and regular, open forums for dialogue. The following communication and engagement activities will provide a framework for such constructive dialogue:

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- The Companies have developed a dedicated website, www.duke-energy.com/our-company/rate-review, open to the public that will contain information on Rate Design Study meetings, educational materials on key rate design topics, and meeting materials and Q&A from past meetings. Some stakeholders may have a specific focus or limited ability to participate in all Study activities but can remain informed through the website materials.
- The Companies have already begun efforts to engage an independent third party for workshop facilitation, as directed by the Commission. The independent facilitator will be knowledgeable of rate design and contribute to forward progress of the Study, with a primary focus on process efficiency, fair treatment and sequencing of ideas, and ensuring that interested participants can be active and have a voice in the process.
- For the benefit of the Commission as well as other parties less active in the process, the Companies will file quarterly reports no later than 3 weeks following the close of each quarter, with the first such quarterly report filed by July 21, 2021, as directed by the Commission Orders.
- Finally, with this initial filing, the Companies notify all parties to the rate case of the opportunity to participate as a stakeholder in the Rate Design Study by joining the kickoff meeting scheduled for May 18, 2021 from 9:00 to 11:30 a.m. An invitation will be sent to all parties in the 2019 DEC and DEP rate cases, as well as other interested stakeholders, in advance of the meeting. The Companies request that interested stakeholders please send an email to: RateReview@duke-energy.com to be included in the May 18th meeting as well as receive future information and updates as the study progresses.

Scope, Schedule, and Process

Rather than define a detailed process independently up front, the Companies prefer to develop priorities and sequence review efforts collaboratively with participating parties and supported by the independent facilitator. The kickoff meeting on May 18th will be a forum to discuss the process and create an opening for dialogue regarding topics to cover earlier in the comprehensive rate review. Meetings will initially be virtual to allow for broad participation and access, with possible later discussions and workshops in-person as appropriate. Finally, some items may be addressed by smaller subsets of stakeholders, as each participant expresses interest, to improve efficiency and breadth of topics covered.

The Companies recognize that the Commission has ordered the Rate Design Study to be “comprehensive.” Although several items were noted explicitly for inclusion by the Commission, the scope ultimately includes “all necessary and appropriate topics” to “achieve results that are in the public interest.” The Companies believe the public interest is served best by sequencing topics and issues such that early efforts target consensus and rapid improvement for the largest number of customers. The Companies will work with stakeholders early in the process to identify and prioritize those areas where beneficial change is most readily achievable. Such prioritization, conducted in collaboration with stakeholders, will ensure that “resources are efficiently expended on this endeavor and that the outcome aligns with the public interest,” as directed by the Commission.

Given the complexity and breadth of the topics included, the Companies anticipate a few sessions covering foundational rate design topics during the month of June. As desired by participants, other educational sessions covering topics such as methods of analysis regarding cost to serve and findings from recent analysis on winter peaking could be included. Materials from the sessions, including Q&A, will be subsequently posted on the website referenced above for easy access by interested parties. Topics to include in these educational sessions can be adjusted during the May 18th kickoff meeting.

Rate designs that are being discussed in other dockets and proceedings will also be included in the Rate Design Study, where and when appropriate. For example, collaborative efforts to enhance programs and rate options for electric vehicles (“EV”) are already underway, and the Commission specifically notes the affordability collaborative occurring contemporaneous to the Rate Design Study. Ideas and solutions invoking potential changes to current rate designs (e.g., changes to the current basic customer charge) or new and innovative rate designs (e.g., options for EV owners and net metering) from these parallel efforts will be considered as part of the Rate Design Study and included in the detailed roadmap developed through this initiative.

Throughout the Rate Design Study process, the Companies will consider and pursue alignment opportunities between DEC and DEP, including rates structures and policies regarding application or administration; however, the Companies do not anticipate full alignment of DEC and DEP rates will be achieved through this process. The alignment focus will be interwoven in all topics covered, rather than treated as a separate item. Similarly, existing rate schedules, groups of rate schedules, and new or alternative rate designs for customers will be considered throughout the process. During those reviews, each rate schedule will be subject to scrutiny as to whether it remains pertinent to current utility service or has the potential to serve the public interest for evolving utility services (e.g., distributed energy resources and energy storage). Where appropriate, outdated rate schedules could be optionally terminated or frozen to new customers, with customers migrated as necessary.

The Companies also recognize that rate designs in North Carolina and South Carolina contain many similar structures and thus likely similar opportunities to improve. Accordingly, the Companies are planning to include interested parties from South Carolina to leverage the process and time of participants more efficiently, while careful not to slow or burden the progress of the North Carolina effort.

Study Focus and Prioritization

As mentioned, priority will be given to the most pressing topics and issues as highlighted by the Commission’s Orders, with significant weight given to the potential for consensus and/or timely improvements for the largest number of customers. Proper segmentation would ideally lead to implementation or proposals for changes even prior to the completion of the overall study. In other words, if a strong degree of alignment exists across participants for particular topics that can be modified outside of a rate case (e.g., net metering), the Companies will pursue filing new rate designs prior to the conclusion of the study.

As noted in the Commission Orders, the Rate Design Study will utilize methods proposed by the Public Staff, specifically leveraging advanced metering infrastructure (“AMI”) data to evaluate customer characteristics and customer class information, that align with cost of service and support new or improved rate designs. Use of AMI data will provide improved alignment of rate design and cost of service (“COS”), while also providing opportunities to limit or avoid disproportionate impacts on small subsets of customers with unique usage profiles. Following such a process supports minimization of subsidization among the customer classes.

As noted by Public Staff witness Jack Floyd in his rate case testimony, DEC’s Schedule OPT required an 18-month process to gain broad stakeholder support. Although the Companies anticipate some items may quickly gain consensus and move towards implementation, some will require more effort and be captured in the final roadmap as anticipated work to be undertaken going forward. Similarly, some possible improvements may result in significant changes for certain customers or customer groups and therefore must be implemented over time in accordance with the rate design principle of gradualism. Finally, any legislative changes impacting regulatory constructs broadly or rate design mechanisms in particular will need to be incorporated as appropriate to ensure relevancy and value of study findings and the improvement roadmap.

Topics for Consideration

Because the Companies wish to keep topic sequencing and prioritization open for feedback, the following topics, listed in no particular order, represent focus areas to be considered for staging.

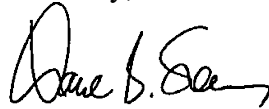
- Net Energy Metering
- Firm, non-firm utility services, including development of interruptible rates
- Rate availability for EV charging for residential, fleet, and public access charging
- Rate availability for emerging end uses such as storage, cogeneration, and microgrids
- Expanded Time-of-Use and dynamic pricing options
- Structure of demand charges in existing and future rate schedules
- Seasonal pricing differences for both energy and demand
- Rate options providing improved customer bill certainty
- Economic development for system beneficial load additions
- Load factor and volume pricing differences in current and potential future rates
 - Rate designs for unique customer load profiles (e.g., High Load Factor)
- Expanded options for marginal cost rates with real-time or hourly pricing
- Multi-site aggregate rate options
- Formats of future rate schedules
- Unbundling of average rates into the various functions of utility services
- Alternative customer class structures based on distinguishing load characteristics
 - Informed by marginal and embedded cost-of-service analyses
- Pertinence of existing rate schedules to current utility service (keep, modify, replace)

- Incorporation of affordability rate design elements (as recommended by the affordability collaborative)

As previously mentioned, work on the topics listed will include consideration as to the feasibility of consolidating the rates offered by DEC and DEP. Additionally, where either changes to existing rates or the introduction of new rates will lead to customer migration between rate schedules, transition plans will be considered.

Thank you for your attention to this matter. If you have any questions, please let me know.

Sincerely,



Lawrence B. Somers

cc: Parties of Record