



North Carolina's Public Utility Infrastructure & Regulatory Climate

Presented by

**NORTH CAROLINA
UTILITIES COMMISSION**



NORTH CAROLINA UTILITIES COMMISSION

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Commissioners

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James G. Patterson

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Daniel G. Clodfelter

Charlotte A. Mitchell



Chairman Finley



Commissioner Brown-Bland



Commissioner Dockham



Commissioner Patterson



Commissioner Gray



Commissioner Clodfelter



Commissioner Mitchell

The Public Staff – North Carolina Utilities Commission

- Established in the Commission is the Public Staff, an independent agency created in 1977 by legislation (*N.C. Gen. Stat. § 62-15*)
- Represents the Using and Consuming Public of the State's investor-owned public utilities and intervenes on their behalf in all Commission proceedings affecting rates or service

Christopher J. Ayers, Executive Director

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■ ■ ■

www.publicstaff.nc.gov

Consumer Services Division (Consumer Complaints)

Phone: 919-733-9277 Toll-Free: 1-866-380-9816 Fax: 919-733-4744



Regulation of Public Utilities

- Purpose: protect the public's interest in receiving adequate service at reasonable rates
- Traditional regulatory bargain: utilities exchange benefit of monopoly franchised service territory for obligation to provide adequate service at reasonable rates
- Commission's regulatory obligation: to be fair and reasonable to public utilities and their customers
- Commission's regulatory tools:
 - certification of new facilities
 - rate establishment or review
 - service quality oversight
- Recent trends: regulation of certain utility industries and services by the Commission has become more complex due to changes in State and Federal law and rules, and industry trends. Certain utility services have been fully or partially deregulated

History of NC Utilities Commission

- Oldest regulatory body in state government: evolved from Railroad Commission (1891) to Corporation Commission (1899) to Utilities Commission (1933)
- History of significant legislative grants of, or limitation on, regulatory authority:
 - Railroad – 1891
 - Telephone – 1893
 - Electric, Gas, & Water – 1913
 - Wastewater – 1917
 - Housing – 1935
 - Hospitals – 1943
 - Buses/Brokers – 1949
 - Motor Carriers & Ferries – 1963
 - Electric Generation – 1965
 - Electric Membership Cooperatives – 1965
 - Payphone Service Providers – 1985
 - Long Distance Telephone Competition – 1985
 - Telephone Shared Tenant Service – 1987
 - Local Telephone Competition – 1995
 - Motor Carriers of Property, except Household Goods, Deregulation – 1995
 - Railroad Transferred to Dept. of Transportation – 1996
 - Water/Wastewater Resale – 1996
 - Charter Bus Deregulation – 1998
 - Long Distance Telephone Rate Deregulation – 2003
 - Electric Resale – 2011
 - Natural Gas Resale – 2017
 - Leasing of Solar Energy Facilities - 2017

NCUC Organization

- Administrative agency of General Assembly (*N.C. Gen. Stat. § 62-23*); legislative oversight by House Committee on Energy and Public Utilities, Senate Committee on Commerce and Insurance, and Joint Legislative Commission on Governmental Operations
- Seven members: appointed by Governor, subject to confirmation by General Assembly, serving staggered six-year terms (*N.C. Gen. Stat. § 62-10*)
- Chairman: appointed by Governor, four-year term, organizes Commission's work. *Ex officio* member of Geographic Information Coordinating Council. Membership responsibilities currently shared among Commissioners (*N.C. Gen. Stat. § 62-12, 13*)

NCUC Organization *cont.*

- Commissioners are subject to standards of judicial conduct and prohibited by law from engaging in any other employment, business or profession while in office (*N.C. Gen. Stat. § 62-10[i]*)
- Commission employs up to 62 people, current staffing is 60, organized among four divisions: Legal, Operations, Fiscal Management, and Clerk and IT Services
- Certified FY 2018-2019 annual budget: \$ 8,107,898
NCUC budget: \$ 7,353,599
Gas Pipeline Safety budget: \$ 754,299
 - Gas Pipeline Safety is housed in the Commission and receives partial federal reimbursement
 - NCUC is a fee-funded agency, supported by regulatory fee percentage applied to the jurisdictional revenues of public utilities (*N.C. Gen. Stat. § 62 -302*).
As of 7/1/2016, the NC Utilities Commission Chairman and Public Staff Executive Director establish the regulatory fee percentage within the parameters of House Bill 356 passed during the 2016 Legislative Session
 - The Public Staff maintains its own budget which is separate from the Commission's budget but it is funded by the same regulatory fee

NCUC's Responsibilities & Procedures

- For the 12-Month Period Ending 6/30/18:
 - 5,084 formal proceedings instituted before NCUC
 - 73 hearings in contested cases
 - 15,663 filings in Chief Clerk's office
 - 3,133 orders issued
 - 708 open dockets as of 6/30/18
- Appeals from general rate case decisions to NC Supreme Court; all others to NC Court of Appeals (absent federal jurisdiction)
- NCUC conducts proceedings pursuant to federal law and participates in proceedings before federal courts and regulatory agencies (*N.C. Gen. Stat. § 62-48*)



NCUC's Responsibilities & Procedures *cont.*

- Publication requirements (*N.C. Gen. Stat. § 62-17*):
 - Annual reports to Governor include copies of general orders, regulations, comparative statistical data, rate comparisons, report of pending matters, and digest of principal decisions
 - Final decisions on merits in formal proceedings
- Limited jurisdiction over municipalities and cooperatives



Regulated Entities

(As of 6/30/18)

	<u>QTY</u>
BUS / BROKER	11
ELECTRIC	5
ELECTRIC COOPERATIVES	31
ELECTRIC MERCHANT PLANTS	10
ELECTRIC RESELLER	47
FERRIES	9
MOTOR CARRIERS OF HOUSEHOLD GOODS	316
NATURAL GAS:	
– LOCAL DISTRIBUTION COMPANIES	4
– INTRASTATE PIPELINE	1
SMALL POWER PRODUCERS	1,082
TELEPHONE:	
– COMPETING LOCAL PROVIDERS	165
– INCUMBENT LOCAL EXCHANGE COMPANIES	16
– LONG DISTANCE CARRIERS	232
– PAYPHONE SERVICE PROVIDERS	31
– SHARED TENANT SERVICES	16
WATER / WASTEWATER	101
WATER / WASTEWATER RESELLERS	<u>1,379</u>
TOTAL	3,456

Industry Revenue Profile

- FY 2017-2018 Jurisdictional Revenues: \$11.58 billion
 - Electric: \$8.703 billion
 - Telecommunications: \$1.118 billion
 - Includes Local and Long Distance Telephone Companies, Payphone Service Providers, and Shared Tenant Service Providers
 - Natural Gas: \$1.45 billion
 - Water and Wastewater: \$219.0 million
 - Includes Water/Wastewater Resale Companies
 - Transportation: \$91.5 million
 - Includes Brokers, Buses, Ferries, and Household Goods (HHG) Carriers



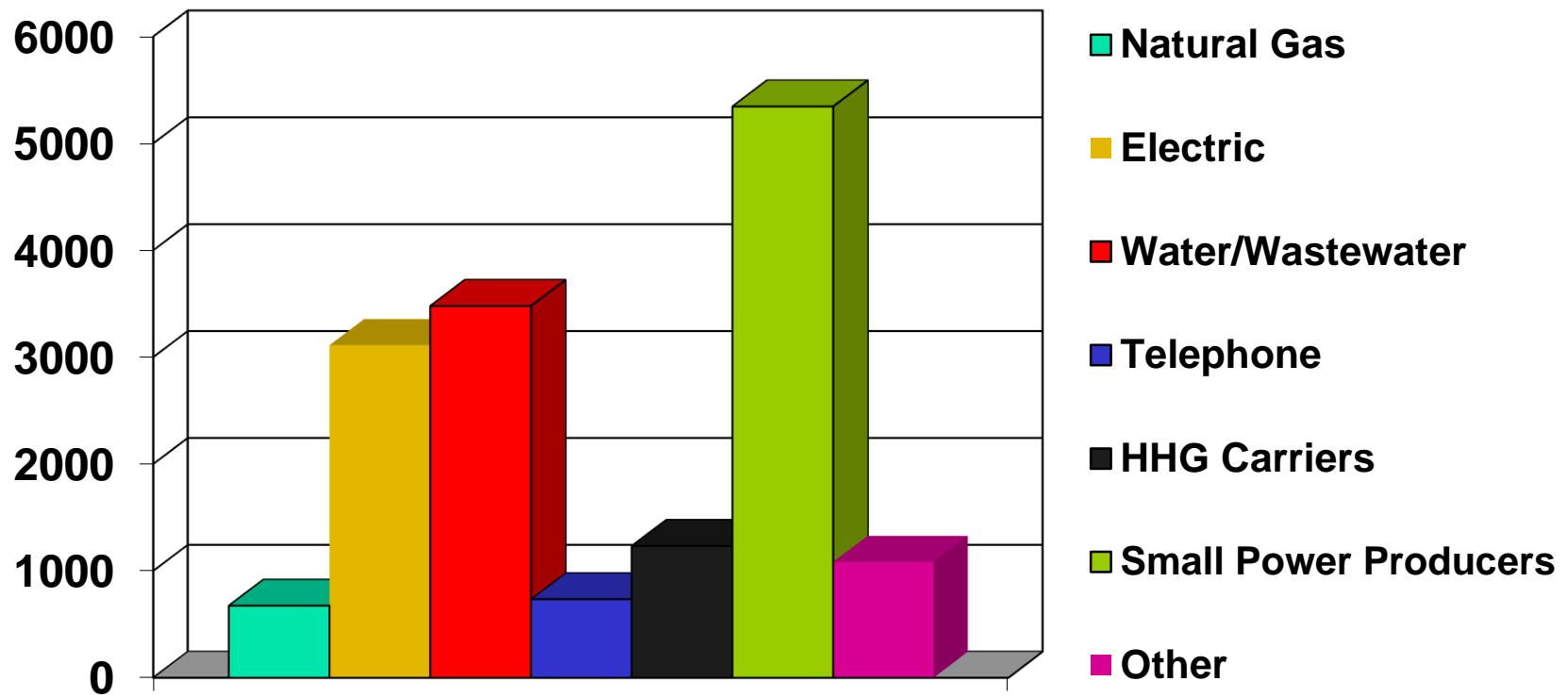
Filings & Orders by Industry Group

(For the 12-Month Period Ending 6/30/18)

	<u>Filings</u>	<u>Orders</u>
• Electric	3,112	630
• Telephone	735	131
• Natural Gas	674	94
• Water/Wastewater	3,479	1,409
• Household Goods Carriers	1,233	284
• Small Power Producers	5,346	458
• Other (Bus/Broker, Electric Merchant Plant, EMC, Ferry, Payphone Provider, Renewable Energy Facilities, & Misc.)	<u>1,084</u>	<u>127</u>
TOTAL	15,663	3,133

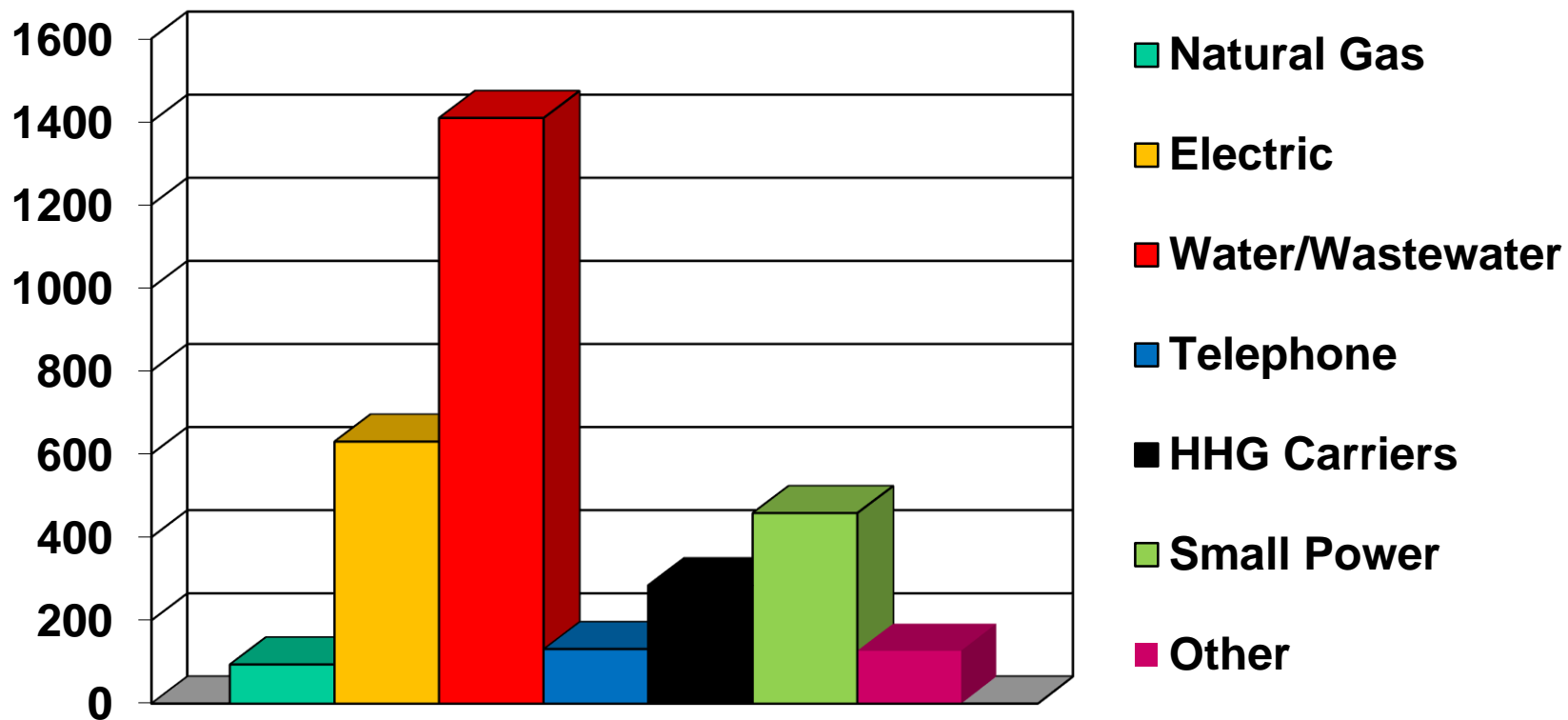
Filings by Industry Group

(For the 12-Month Period Ending 6/30/18)



Orders by Industry Group

(For the 12-Month Period Ending 6/30/18)



Industry Specific Overview

- I Electric
- II Natural Gas
- III Telecommunications
- IV Transportation
- V Water and Wastewater
- VI Selected Financial and Operational Data

I Electric

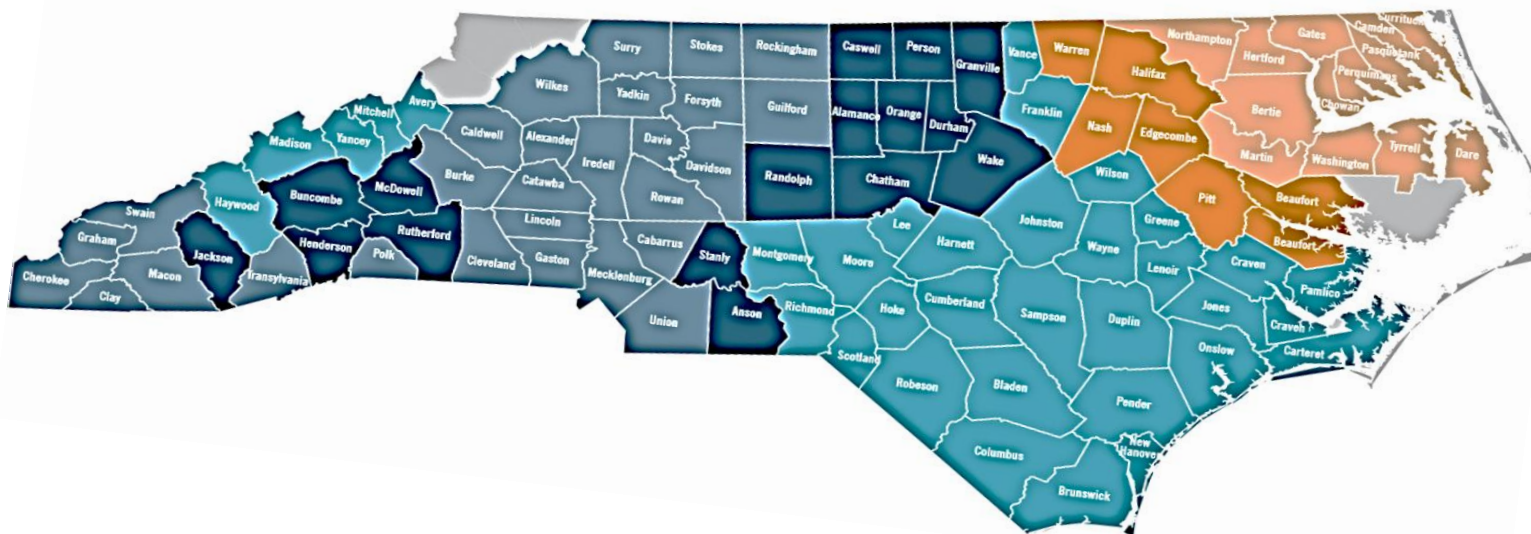
Basic Facts: Regulated Electric Utilities

- 3 Investor-Owned Utilities (IOUs)
 - Duke Energy Carolinas – 1,976,000 customers in Piedmont and Western North Carolina
 - Duke Energy Progress – 1,379,000 customers in Eastern and Western North Carolina
 - Dominion Energy North Carolina – 121,000 customers in Northeastern North Carolina

EMC, Municipal-Owned, & University-Owned

- 31 Electric Membership Corporations (EMCs) – Serving approximately 1 million customers in N.C.
- About 75 Municipal and University-owned electric distribution systems – Serving approximately 595,000 customers in N.C.
- Limited NCUC jurisdiction: EMCs, Munis, and certain University systems
 - Monitor subsidiary business activities of EMCs to prevent subsidization by electric customers (*N.C. Gen. Stat. § 117-18.1*)
 - EMC territorial assignment issues (*N.C. Gen. Stat. § 62-110.2*)
 - Certification authority for construction of electric generating facilities (*N.C. Gen. Stat. § 62-110.1*) and electric transmission lines of 161 + kV (*N.C. Gen. Stat. § 62-101*)
 - Adjudicate pole attachment disputes (*N.C. Gen. Stat. § 62-350*)
 - Safety jurisdiction over gas pipeline facilities operated by municipalities and similar entities (*N.C. Gen. Stat. § 62-50*)
 - Rates charged to customers of New River Light and Power (Boone) and Western Carolina University (Cullowhee) are regulated by the Commission

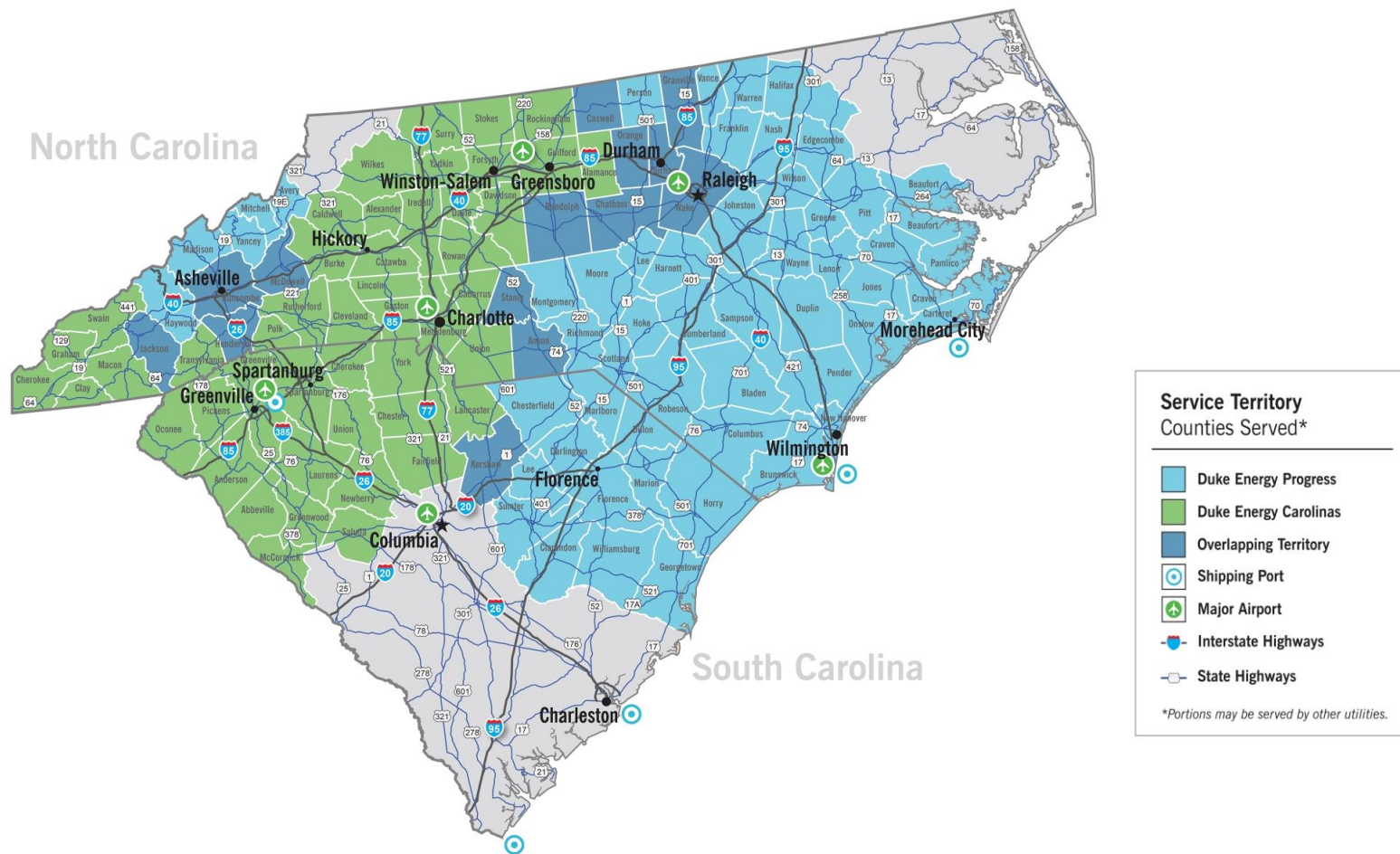
North Carolina Electric IOU Service Area Map



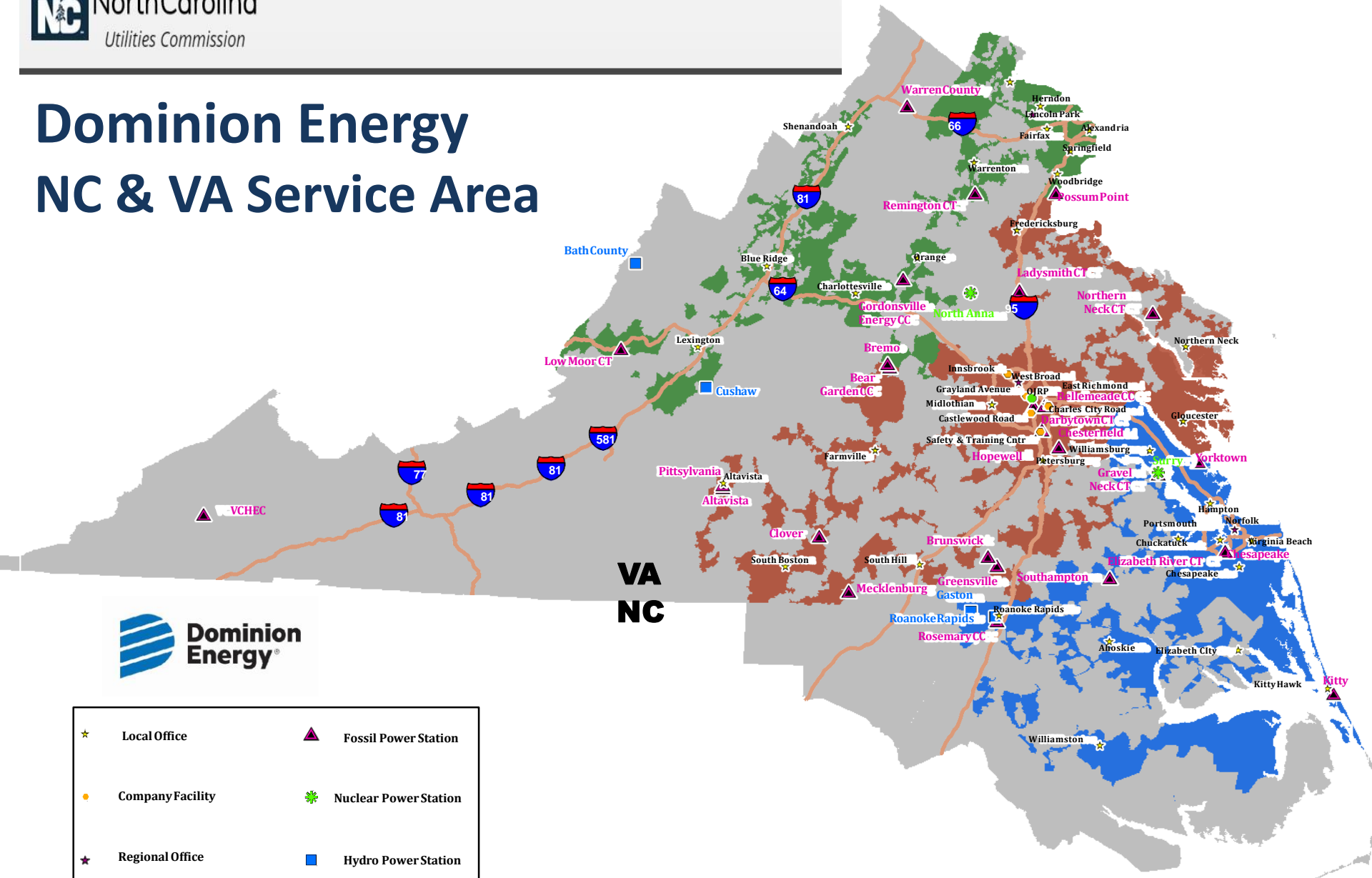
SERVICE TERRITORIES



Duke Energy's Carolinas and Progress NC & SC Service Areas



Dominion Energy NC & VA Service Area

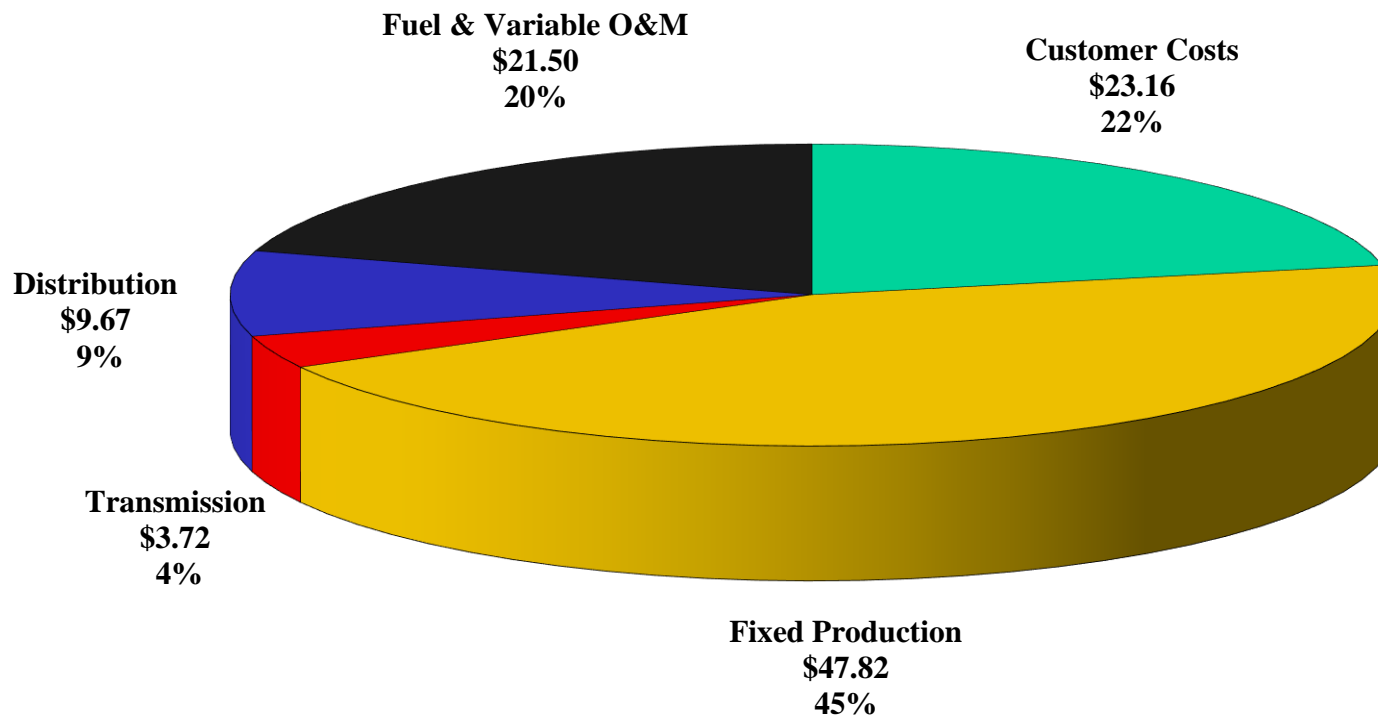


★ Local Office	▲ Fossil Power Station
● Company Facility	★ Nuclear Power Station
★ Regional Office	■ Hydro Power Station
● Corporate Office	

Duke Energy Carolinas

Typical Residential 1,000 kWh Monthly Bill Total \$105.87

SEPTEMBER 2018

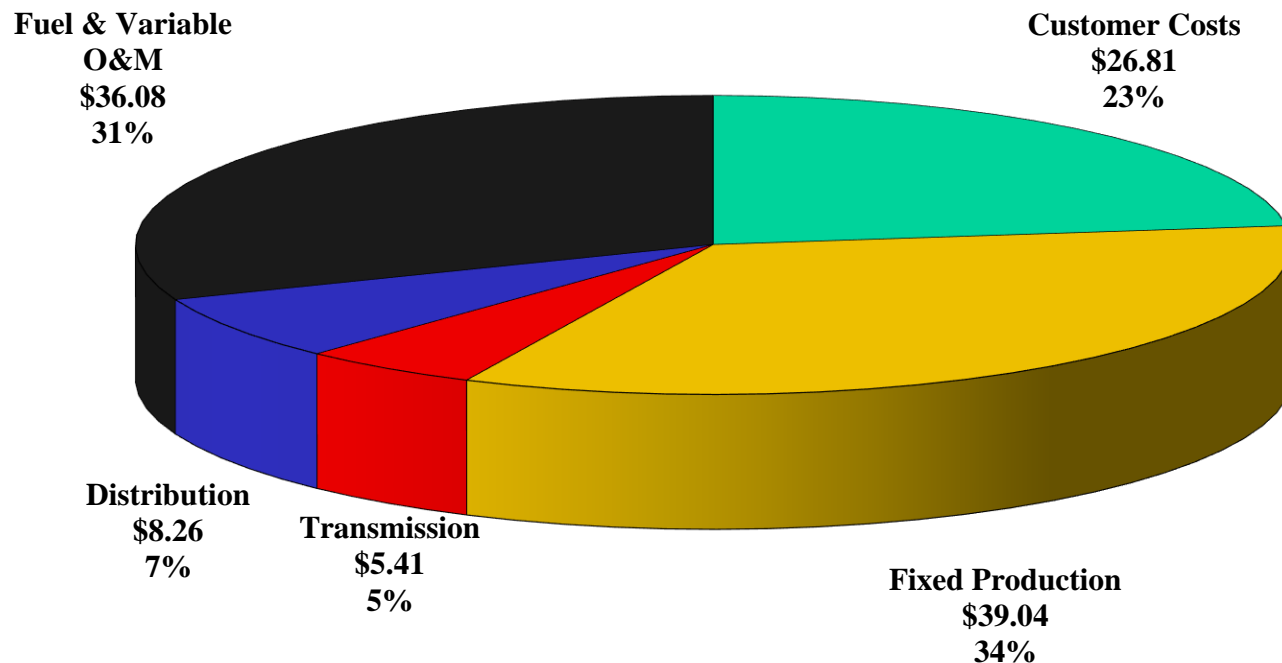




Duke Energy Progress

Typical Residential 1,000 kWh Monthly Bill Total \$115.60

SEPTEMBER 2018

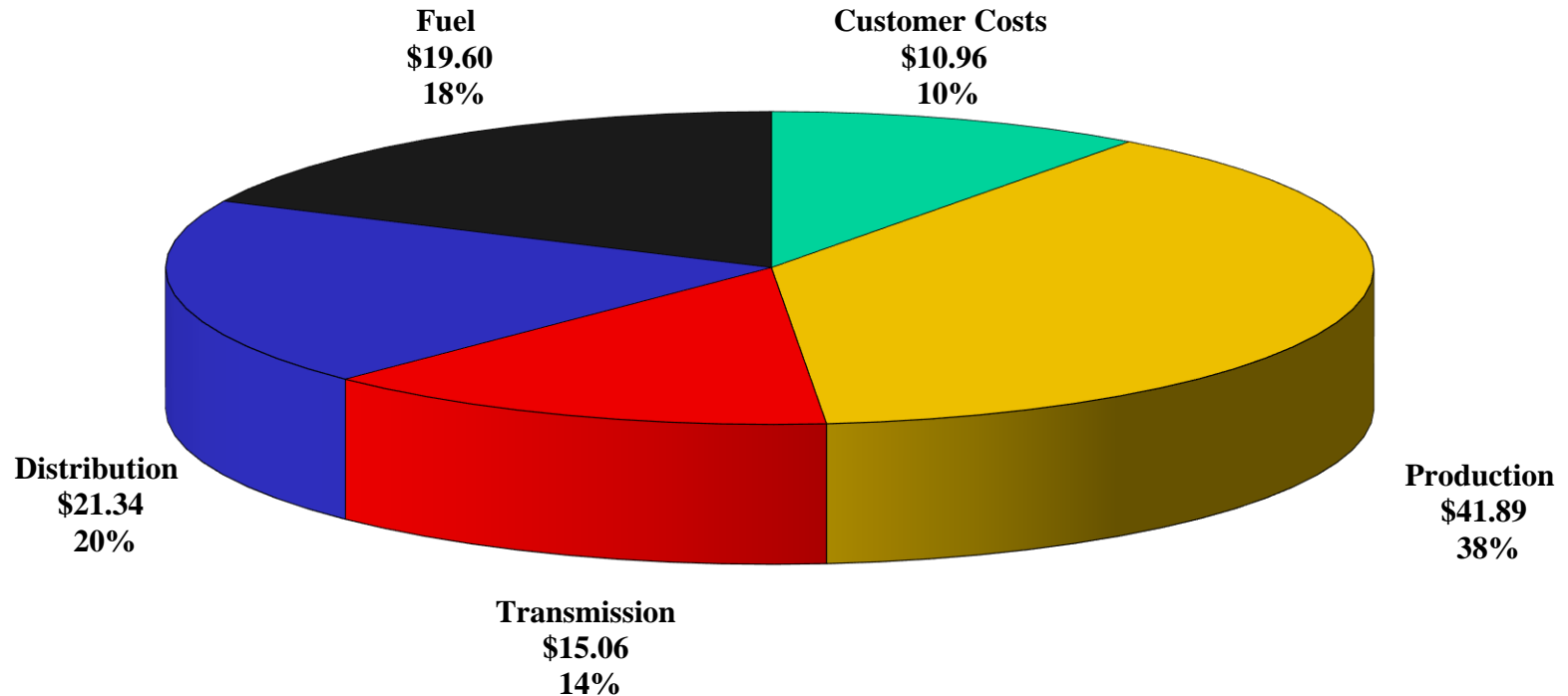




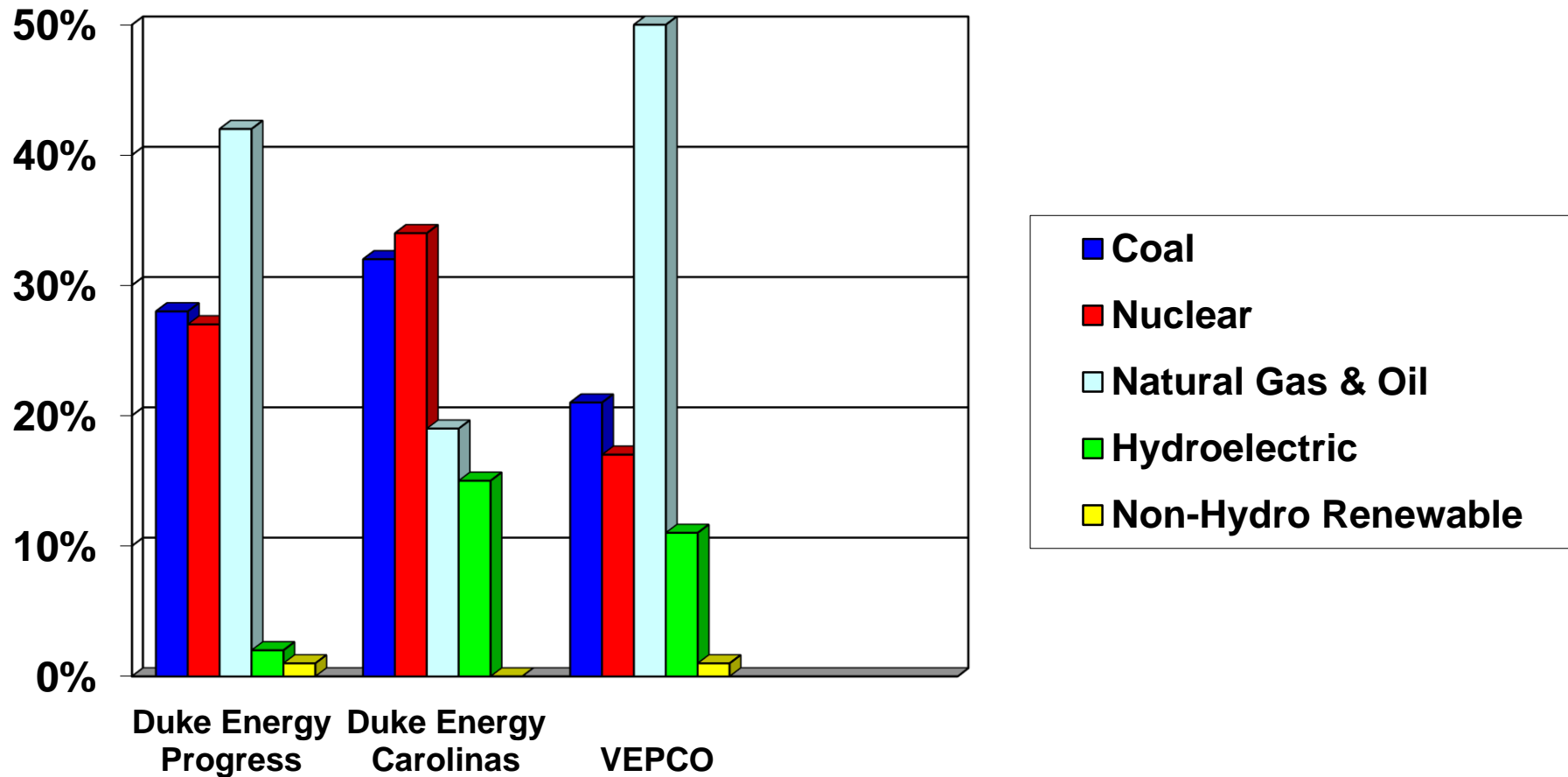
Dominion Energy North Carolina

Typical Residential 1,000 kWh Monthly Bill Total \$108.85

FEBRUARY 2018



Summer Generating Capacity by Fuel Type



Projected Reserve Margins Through 2032

Company	Reserve Margins
Duke Energy Progress	17% – 26% (Winter)
Duke Energy Carolinas	17% – 22% (Winter)
Virginia Electric and Power Company	13% – 19% (Summer) (Note 1)

- (1) Virginia Electric and Power Company is a PJM Member and signatory to PJM Reliability Assurance Agreement. The Company is obligated to maintain a reserve margin (12.48%) for its portion of the PJM coincidental peak load. Also, the Company participates in PJM's capacity auction which results in short-term reserves in excess of the target level.

Renewable Energy & Energy Efficiency Portfolio Standard (REPS)

- In 2007, North Carolina became the first State in Southeast to adopt a renewable energy portfolio standard – Session Law 2007-397 (Senate Bill 3)
- REPS requirement may be met through combination of renewable energy generation and energy efficiency savings
- REPS requirement applies to investor-owned electric utilities (electric public utilities), electric membership corporations, and municipal utilities
- REPS requirement increases from 3% of customer electricity use in 2012 to 12.5% by 2021 (for electric public utilities). Current requirement is 10%
- Specific requirements for energy derived from the sun and from poultry and swine waste, with solar requirement that began in 2010
- Cap on incremental cost of compliance, including annual rate adjustments for investor-owned utilities
- Legislation adopting REPS also provides timely cost recovery for new demand-side management programs and energy efficiency measures by electric public utilities, including the opportunity for utility incentives
- The Commission has approved about 1,455 renewable energy facilities, and a third-party renewable energy certificate (REC) tracking system became operational in 2010

II Natural Gas

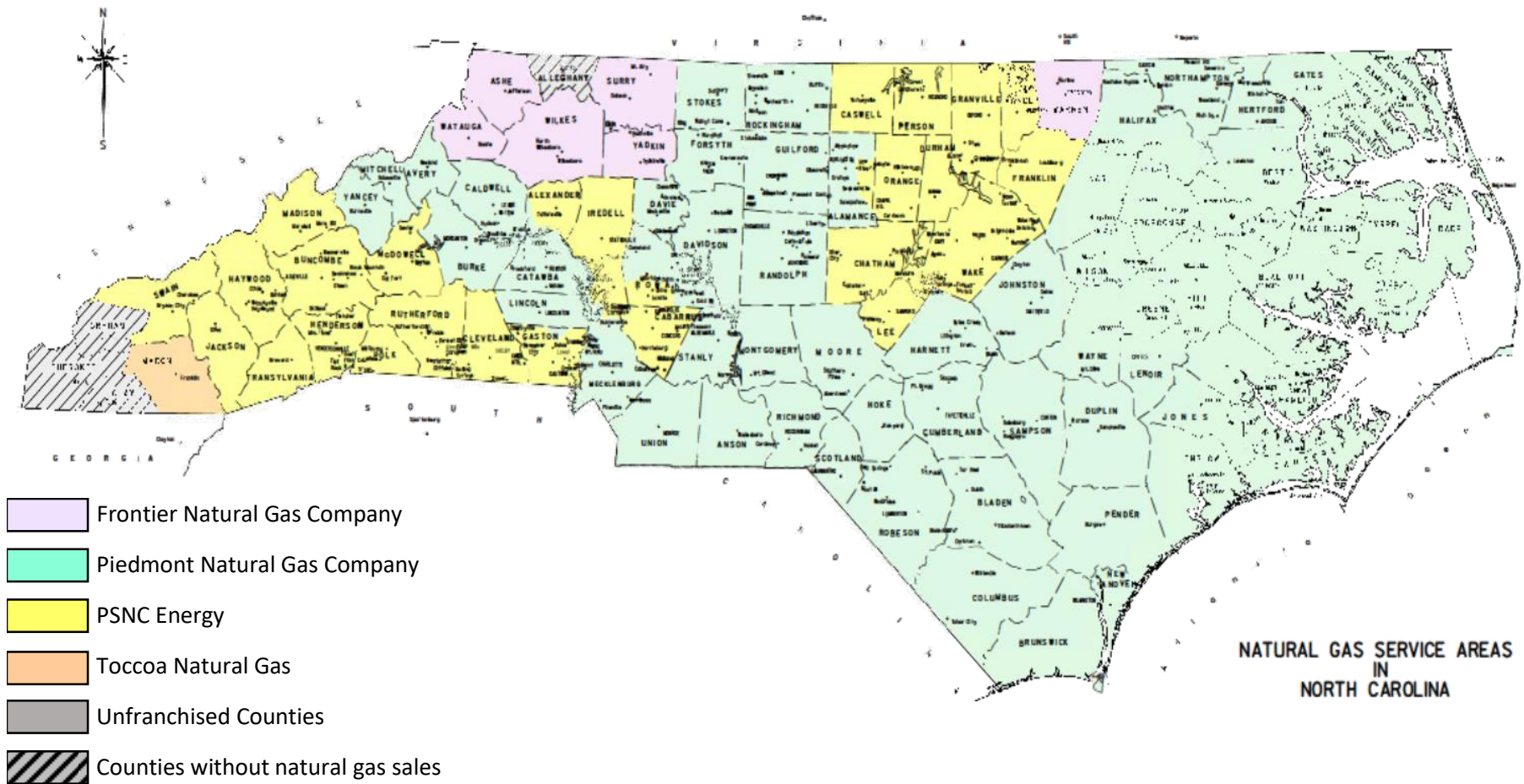
Basic Facts: Industry Structure

- Three parts of natural gas industry
 - Exploration and Production (E&P)
 - Interstate pipelines and storage facilities
 - Local Distribution Companies (LDCs) and intrastate pipeline
- E&P companies are not price-regulated
- Interstate companies are regulated by FERC (Federal Energy Regulatory Commission)
- LDCs are regulated by state commissions

Natural Gas Utilities

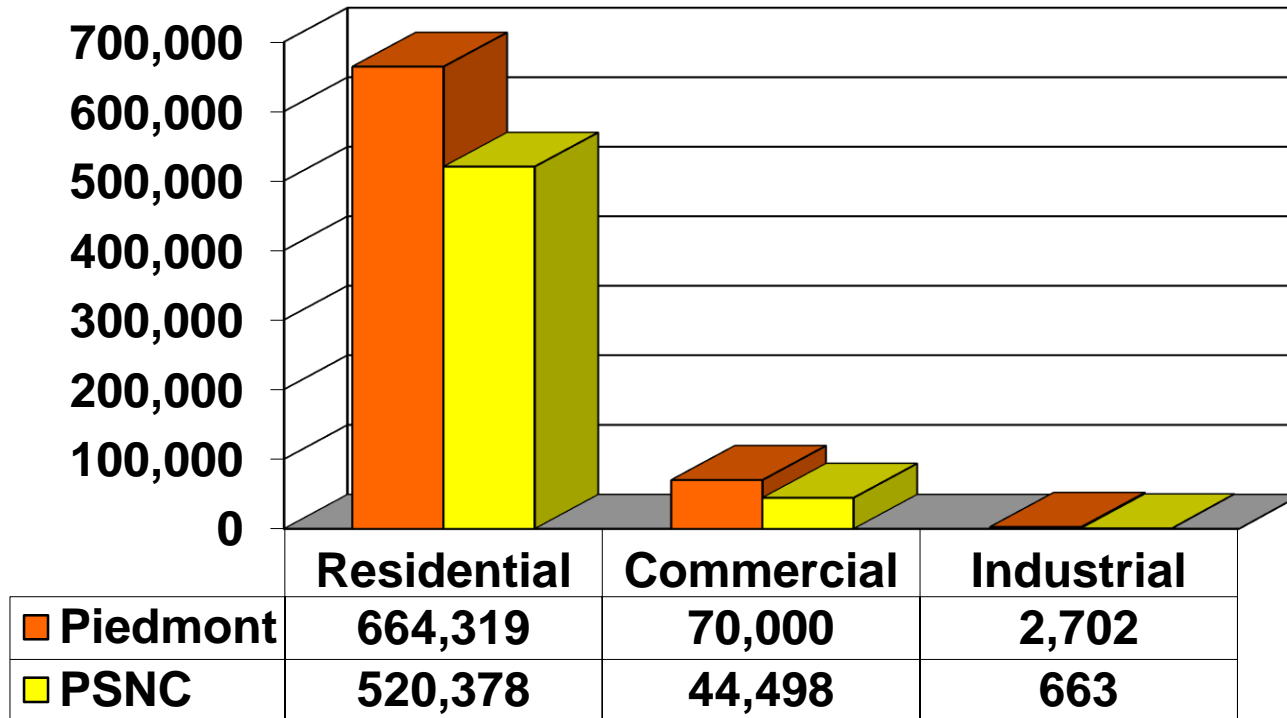
- 4 Local Distribution Companies (LDCs) in the state
 - Piedmont Natural Gas Company, Inc.
 - PSNC Energy
 - Frontier Natural Gas Company, LLC
 - Toccoa Natural Gas
- 1 Intrastate gas pipeline (Cardinal Pipeline Company, LLC)
- 8 Municipal gas systems – rates not regulated by NCUC
- 1 Interstate gas pipeline (Transco) crosses the State
 - 2 others (Columbia and Patriot) provide small volumes
 - 2 major new interstate pipelines are proposed
- 1 Interstate liquefied natural gas storage facility
(Pine Needle LNG Company, LLC)

Local Distribution Companies' Service Territories



Major Local Distribution Companies' Number of Customers

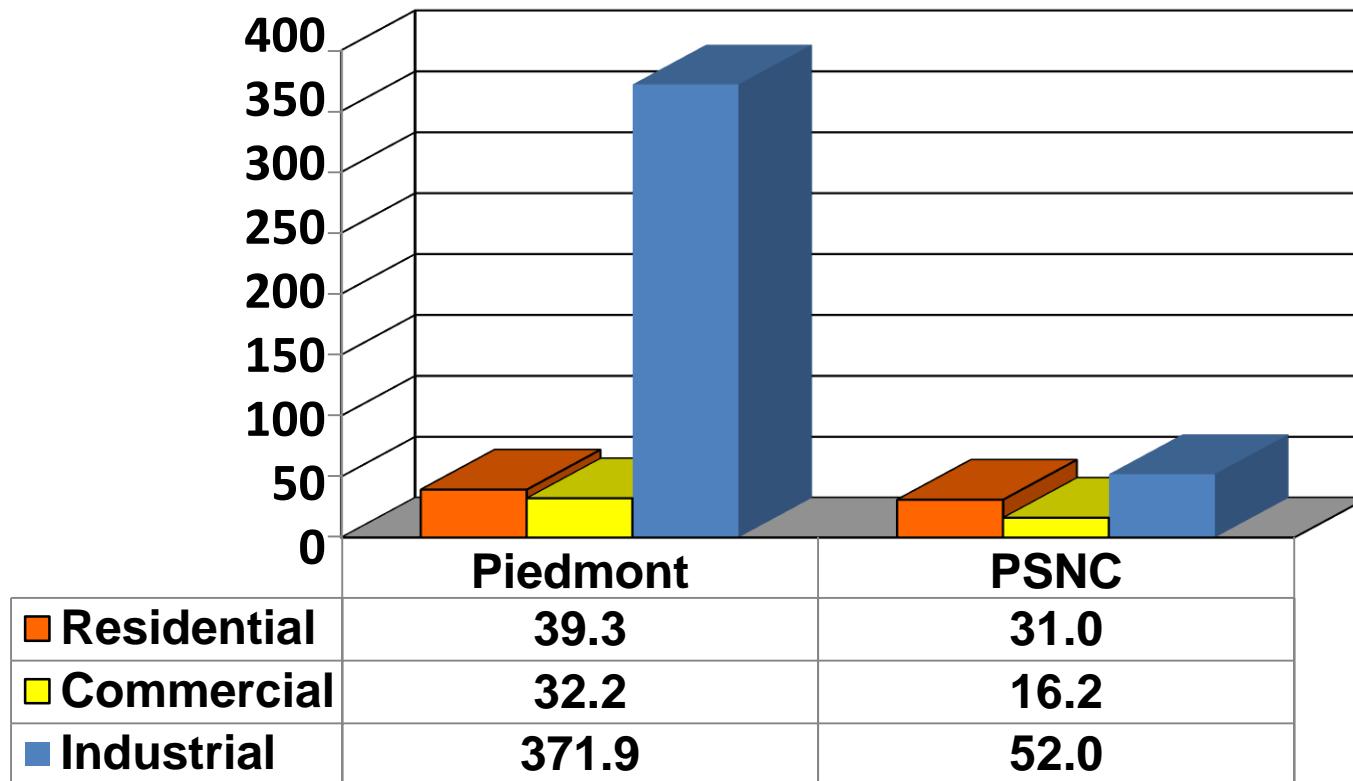
(As of 6/30/18)



Note: "Industrial" customers include Gas Transported for others and sales to public authorities

Major Local Distribution Companies' Volumes Delivered (In Millions of Dekatherms)

(12-Month Period Ending 6/30/18)



Note: "Industrial" volumes include deliveries to gas-fired electric generators; Piedmont's "Industrial" volumes include deliveries for resale to municipal gas systems.

State Regulatory Framework For Local Distribution Companies

Rates

- NCUC establishes level of base rates in a general rate case
- LDCs earn a return on equity invested
 - Pass through prudently incurred costs
- LDCs may file purchased gas adjustments at any time
 - To adjust gas cost portion of rates prospectively
 - To pass through the wholesale cost of natural gas
 - LDCs do not profit from high gas prices
- NCUC annually reviews each LDC's gas purchasing practices
 - Compares prudently incurred costs to costs recovered
 - Changes rates to “true up” under-recoveries or over-recoveries

State Regulatory Framework For Local Distribution Companies *cont.*

Tracker Mechanisms

- Laws allow for certain costs to be recovered outside of a rate case
 - N.C. Gen. Stat. § 62-133.7 – customer usage adjustment
 - N.C. Gen. Stat. § 62-133.7A – safety-related capital expenditure adjustment
- N.C. Gen. Stat. § 62-133.7 – Lets LDCs adjust rates to track customer usage
 - Without this, reduced usage would cause LDCs to under-recover margin
 - Would punish LDCs for promoting conservation and efficiency
 - Tracker allows for rate adjustments to recover rate case margins
- N.C. Gen. Stat. § 62-133.7A. – Lets LDCs put safety-related investments in rate base
 - Federal pipeline safety laws and regulations require major investments
 - Without this, LDCs might have to file frequent “pancaked” rate cases

Current Issues: Growing, Changing Market

- U.S. natural gas production is at an all time high
 - New shale plays have greatly increased production
 - Infrastructure is needed to move shale gas from new areas
- Biogas is being developed in North Carolina
- Natural gas prices are relatively low
- U.S. natural gas use is near a historic high
 - 27.1 trillion cubic feet in 2017
 - Up 20% over 2009
- Demand for gas for electric generation is increasing
 - Now accounts for over half the gas delivered by NC LDCs
- Shale gas beginning to flow south to North Carolina

Current Issues: Interstate Pipeline Capacity

- New pipeline capacity is being added to bring down shale gas
- Transco has several projects, reversing flow from north to south
 - Flow reversal eliminates cheap backhaul of market-area storage
 - Piedmont & PSNC have signed up for firm Transco capacity
- Atlantic Coast Pipeline (ACP) due in service by late 2019
 - Will run down I-95 Corridor
 - Dominion and Duke are equity partners
 - Duke, Piedmont, and PSNC are customers
- Mountain Valley Pipeline (MVP) brings shale gas to south Virginia
- MVP Southgate lateral will extend MVP into Alamance County
 - 300,000 dekatherms/day of capacity due in service in late 2020
 - PSNC will have a 30% equity share just in MVP Southgate

III Telecommunications

Basic Facts: Telecom Utilities

(As of 6/30/18)

- 16 Incumbent Local Exchange Companies (ILECs)
 - No ILECs remain rate-of-return or price-plan regulated
 - 12 ILECs Subsection (h) price-plan elected, effective upon filing notice¹ (*N.C. Gen. Stat. § 62-133.5[h]*)
 - 4 ILECs Subsection (m) price-plan elected, effective upon filing notice² (*N.C. Gen. Stat. § 62-133.5[m]*)
- 165 Competing Local Providers (CLPs)
 - Rates are not regulated; may raise rates after 14 days customer notice
- 232 Interexchange Long Distance Carriers (IXCs)
 - Senate Bill 814, signed into law on 5/30/03, found long distance services sufficiently competitive and no longer subject to regulation by the Commission. However, the Commission has authority regarding certification and enforcement of slamming and cramming rules.

¹ Barnardsville Telephone Company, Citizens Telephone Company, d/b/a Comporium (effective 10/1/18), Ellerbe Telephone Company, Frontier Communications of the Carolinas, Inc., North State Telephone Company, Pineville Telephone Company, Saluda Mountain Telephone Company, Service Telephone Company, Verizon South, Inc. (Knotts Island exchange only), Windstream Concord Telephone, LLC, Windstream Lexcom Communications, LLC, and Windstream North Carolina, LLC.

² BellSouth Telecommunications, Inc. d/b/a AT&T North Carolina, Carolina Telephone and Telegraph Company LLC d/b/a CenturyLink, Central Telephone Company d/b/a CenturyLink, and MebTel, Inc. d/b/a CenturyLink.

Telecom Utilities *cont.*

(As of 6/30/18)

- 31 Payphone Service Providers (PSPs)
- 16 Shared Tenant Services (STS) Providers
- Commission does not regulate:
 - Telephone Membership Corporations
 - Cable and Satellite
 - Commercial Mobile Radio Service (*includes cellular and pagers*)
 - Data and Internet Service Providers
 - Long Distance Providers (*with the exceptions of certification and enforcement of slamming and cramming rules*)
 - Rates, terms, conditions, or availability of retail services of Subsection (h) and Subsection (m) price-plan entities (ILEC or CLP)

House Bill 1180

Subsection (h) Price Plans – (N.C. Gen. Stat. § 62-133.5[h])

- HB1180 signed into law on 6/30/09
- Allowed ILECs and CLPs to adopt a Subsection (h) price plan
- ILEC or CLP only needs to file notice of adoption of Subsection (h) price plan with the Commission which becomes effective immediately upon filing
- Commission cannot regulate the rates, terms, conditions, or availability of retail services for Subsection (h) price-plan companies
- Subsection (h) price-plan ILECs must continue to offer stand-alone basic residential lines to all customers who choose to subscribe to that service, and the rate for stand-alone basic residential service may not increase more than the GDP-PI on an annual basis
- The following CLPs are Subsection (h) companies: dishNet Wireline, LLC, ETC Communications, LLC, Frontier Communications of America, Inc., Onvoy, LLC, Rosebud Telephone, LLC, SCTG Communications, Smithville Telecom, Inc., and Tri-County Communications, Inc.

Subsection (h) Price Plans *cont.*

- The following ILECs are Subsection (h) companies: Barnardsville Telephone Company, Citizens Telephone Company, d/b/a Comporium (effective 10/1/2018), Ellerbe Telephone Company, Frontier Communications of the Carolinas, Inc., North State Telephone Company, Pineville Telephone Company, Saluda Mountain Telephone Company, Service Telephone Company, Verizon South, Inc., Windstream Concord Telephone, LLC, Windstream Lexcom Communications, LLC, and Windstream North Carolina, LLC
- Subsection (h) ILECs are not required to file financial information and are only required to provide, on an annual basis, a link to their financial filings with the SEC which does not provide North Carolina-specific data

Senate Bill 343

Subsection (m) Price Plans – (N.C. Gen. Stat. § 62-133.5[m])

- SB343 signed into law on 4/26/11
- Allowed ILECs and CLPs to adopt a Subsection (m) price plan
- ILEC or CLP only needs to file notice of adoption of Subsection (m) price plan with the Commission which becomes effective immediately upon filing
- Commission cannot regulate the rates, terms, conditions, or availability of retail services for Subsection (m) price-plan companies, including stand-alone basic residential service
- A Subsection (m) company does not have any carrier of last resort obligations
- Subsection (m) price-plan companies are **not** required to offer stand-alone basic residential service

Subsection (m) Price Plans *cont.*

- A subsection (m) company forgoes receipt of any funding from a State funding mechanism that may be established to support universal service
- The following CLPs are Subsection (m) companies: AT&T Corp., CenturyLink Communications, LLC, Comporium, Inc., Crosstel Tandem, Inc., eNetworks, LLC, Lightrunner, LLC, North State Communications Advanced Services, LLC, Springboard Telecom, LLC, Teleport Communications America, LLC, Time Warner Cable Information Services (North Carolina), LLC, and Wide Voice, LLC
- The following ILECs are Subsection (m) companies: BellSouth Telecommunications, LLC d/b/a AT&T North Carolina, Carolina Telephone and Telegraph Company, Central Telephone Company, and MebTel, Inc.
- Subsection (m) ILECs are not required to file financial information and are only required to provide, on an annual basis, a link to their financial filings with the SEC which does not provide North Carolina-specific data

North Carolina ILECs

(As of 12/30/17)

- Largest NC Incumbent Local Exchange Companies (ILECs)
 - Carolina Telephone (d/b/a CenturyLink) – 380,222 access lines
 - AT&T – 371,070 access lines
 - Frontier – 115,523 access lines
 - Windstream NC – 100,851 access lines
 - Central Telephone (d/b/a CenturyLink) – 84,769 access lines
- All other ILECs serve total of 126,195 access lines in NC



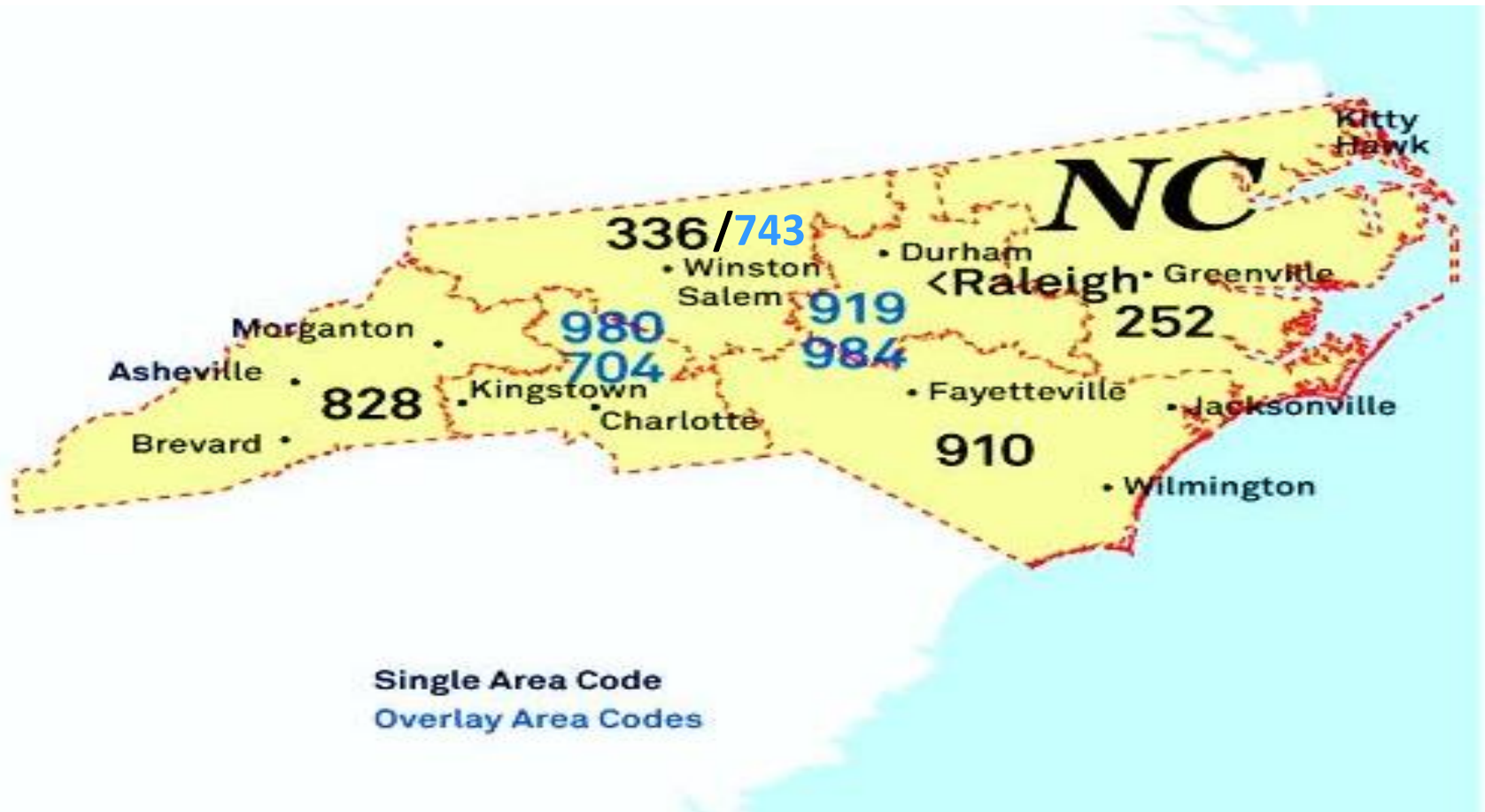
North Carolina Area Codes

<u>Area Code</u>	<u>Exhaust Date*</u>
336/743	Beyond 30 Years
910	1 st Qtr. 2024
252	Beyond 30 Years
828	2 nd Qtr. 2036
919/984	Beyond 30 Years
704/980	1 st Qtr. 2042

* Exhaust dates are current projections which are subject to change.



North Carolina Area Code Map



IV Transportation

Basic Facts

(As of 8/31/18)

- **Motor Carriers of Household Goods (HHG)**
 - 322 certificated movers
 - Subject to provisions of Maximum Rate Tariff, effective 1/1/03
 - Provide intrastate transport of HHG
- **Regular Route Passenger Carriers**
 - 2 certificated bus companies
 - Provide passenger service over regular routes
- **Passenger Brokers**
 - 9 licensed brokers
 - Broker tours and trips with charter bus companies
- **Ferryboat Operators**
 - 8 certificated ferryboat operators
 - Provide passenger service via water over authorized routes
 - Commission does not regulate ferries operated by NCDOT's Ferry Division

V Water and Wastewater

Basic Facts: Water/Wastewater Industry

- Anyone furnishing water to the public for compensation or operating a public sewerage system for compensation is a public utility (*N.C. Gen. Stat. § 62-3(23)a.2*)
- Regulation does not include —
 - Water Operations with less than 15 residential customers
 - Municipal or County systems
 - Sanitary Districts
 - Mobile Home Parks (where water/wastewater included in rent)
 - Homeowners' Associations
 - Nonprofit and consumer-owned corporations

Water/Wastewater Industry *cont.*

- NCUC grants certificates for specific service area and regulates rates and service aspects of utility operation
- NCUC does not regulate drinking water quality, but requires compliance with NCDEQ, Division of Water Resources, Public Water Supply regulations
- NCUC does not regulate discharge of sewage being treated, but requires compliance with NCDEQ, Division of Water Resources, Water Quality regulations

Rates of Water/Wastewater Utilities

- Traditional Companies
 - NCUC establishes base rates in general rate case (*N.C. Gen. Stat. § 62-133 and N.C. Gen. Stat. § 62-133.1*)
 - In general rate case, Company may seek approval of rate adjustment mechanism for investment in eligible repair, improvement, and replacement of water and sewer facilities (*N.C. Gen. Stat. § 62-133.12*). Once mechanism is approved and eligible system improvements are completed and placed in service between rate cases, Company may seek approval to impose water (and/or sewer) system improvement charge (WSIC and SSIC) pursuant to mechanism, subject to 5% statutory cap and NCUC procedures (*Rules R7-39 and R10-26*)
 - Company may request a pass-through rate adjustment, outside a general rate case, for changes in costs based on third-party supplier's rates (*N.C. Gen. Stat. § 62-133.11*)
 - Company may request to establish rate base by using the fair value of the utility property instead of original cost when acquiring an existing water or wastewater system owned by a municipality or county or an authority or district established under Chapter 162A of the General Statutes (*N.C. Gen. Stat. § 62-133.1A*). NCUC rules and procedures to be established.

Rates of Water/Wastewater Utilities cont.

- Resale Companies
 - NCUC establishes rates based upon charges by a third-party supplier of service and an administrative fee that landlords may charge lessees of residential premises (*N.C. Gen. Stat. § 62-110[g]*)
 - Company may request a pass-through rate adjustment for changes in costs based on third-party supplier's revised rates. A valid rate adjustment is allowed to become effective after 14 days notice to the Commission, unless otherwise suspended or disapproved. (*N.C. Gen. Stat. § 62-110[g]*)



Water/Wastewater Utilities

(As of 6/30/18)

- Traditional Companies
 - 38 Water and Wastewater
 - 30 Water only
 - 31 Wastewater only
 - 1,139 Systems
 - 123,853 Water and 59,764 Wastewater customers
- Resale Companies
 - 1,410 Water and/or Wastewater

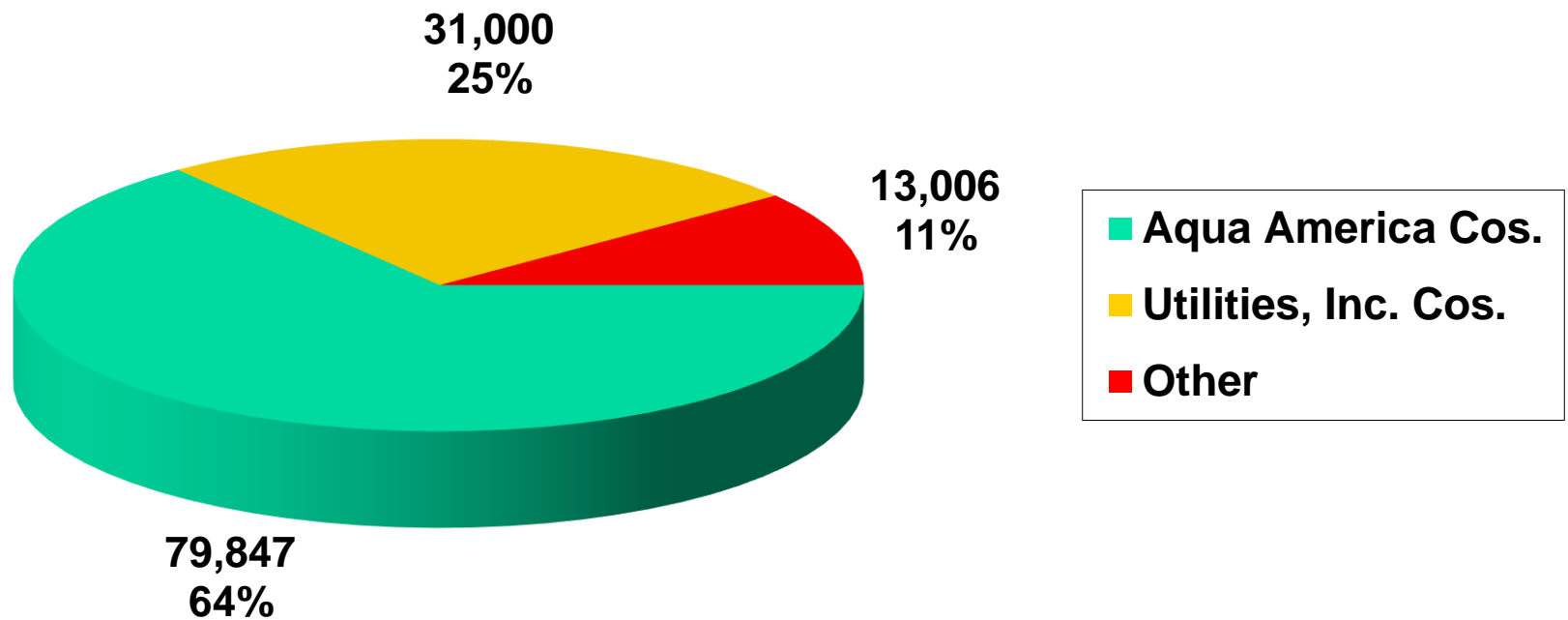
} 99 Total Companies



Water Customers

(As of 6/30/18)

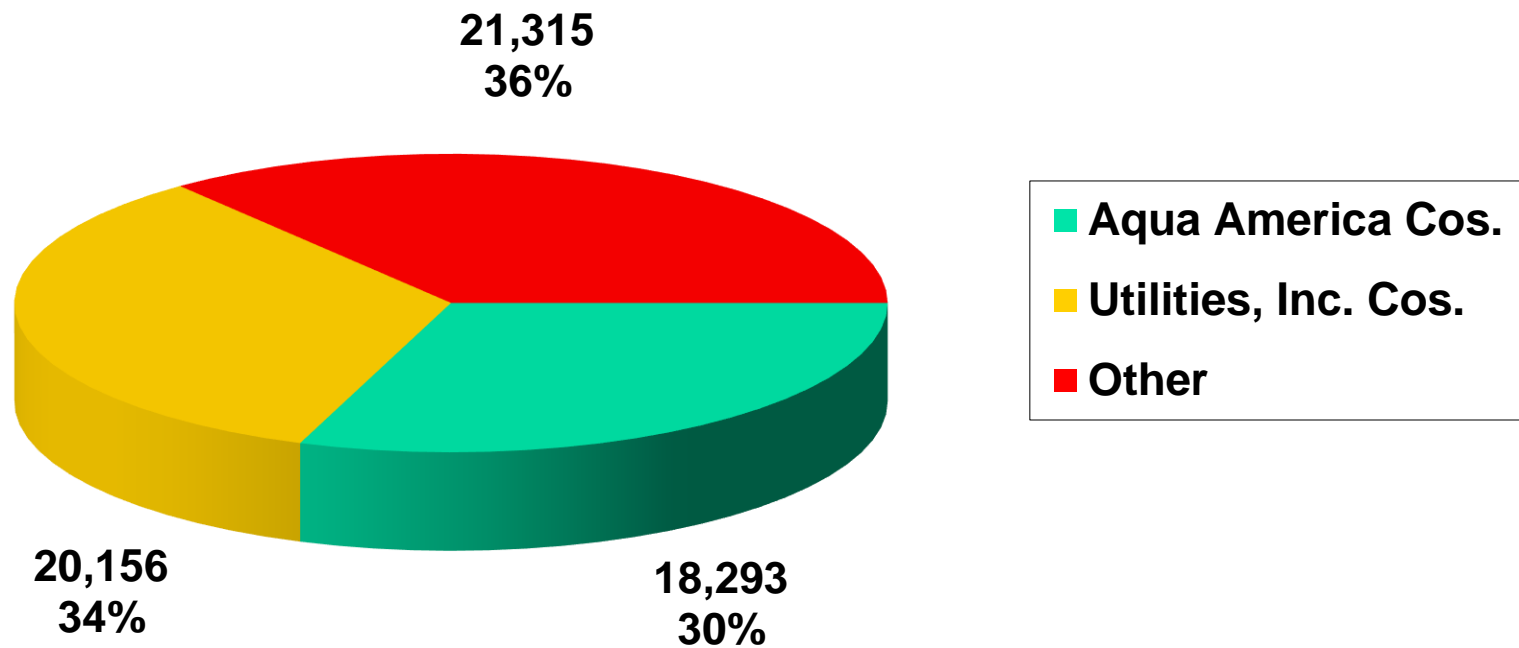
Distribution of 123,853 Traditional Water Customers



Wastewater Customers

(As of 6/30/18)

Distribution of 59,764 Traditional Wastewater Customers

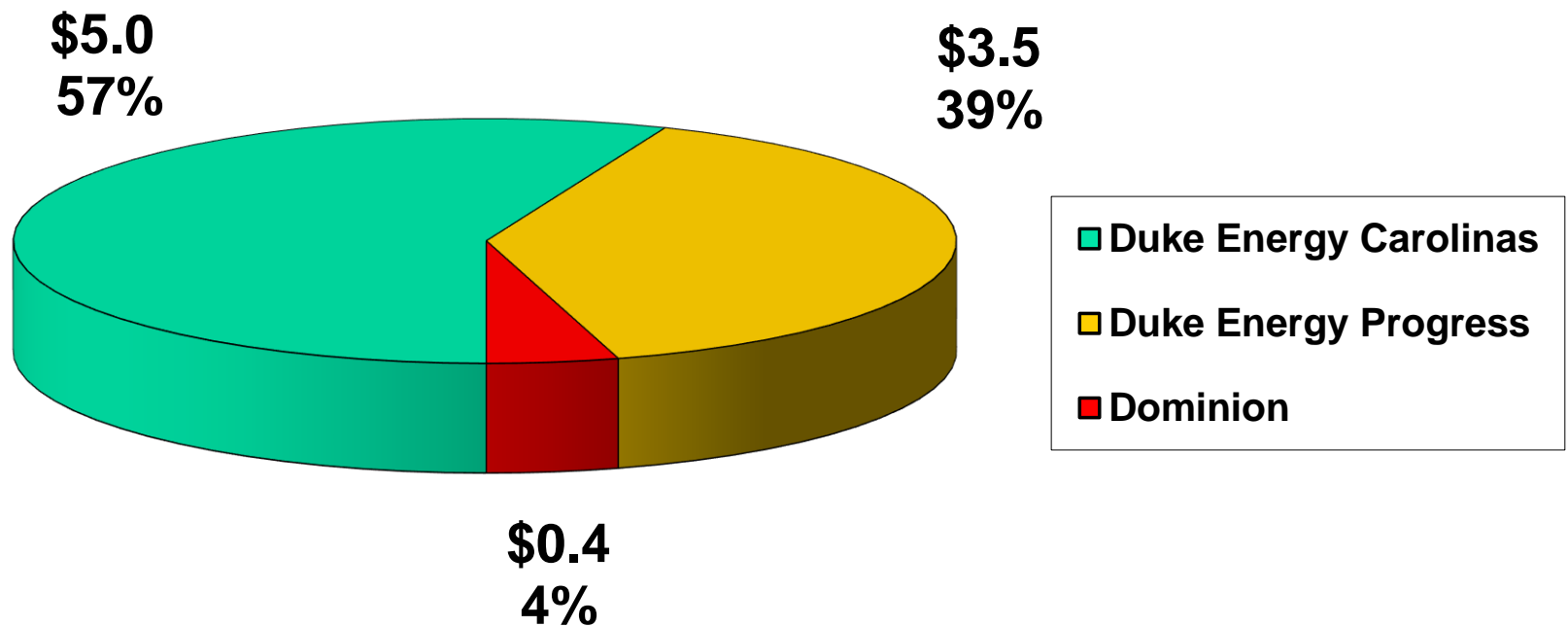


VI Selected Financial and Operational Data

Operating Revenues by Electric Utility (\$8.9B Total)

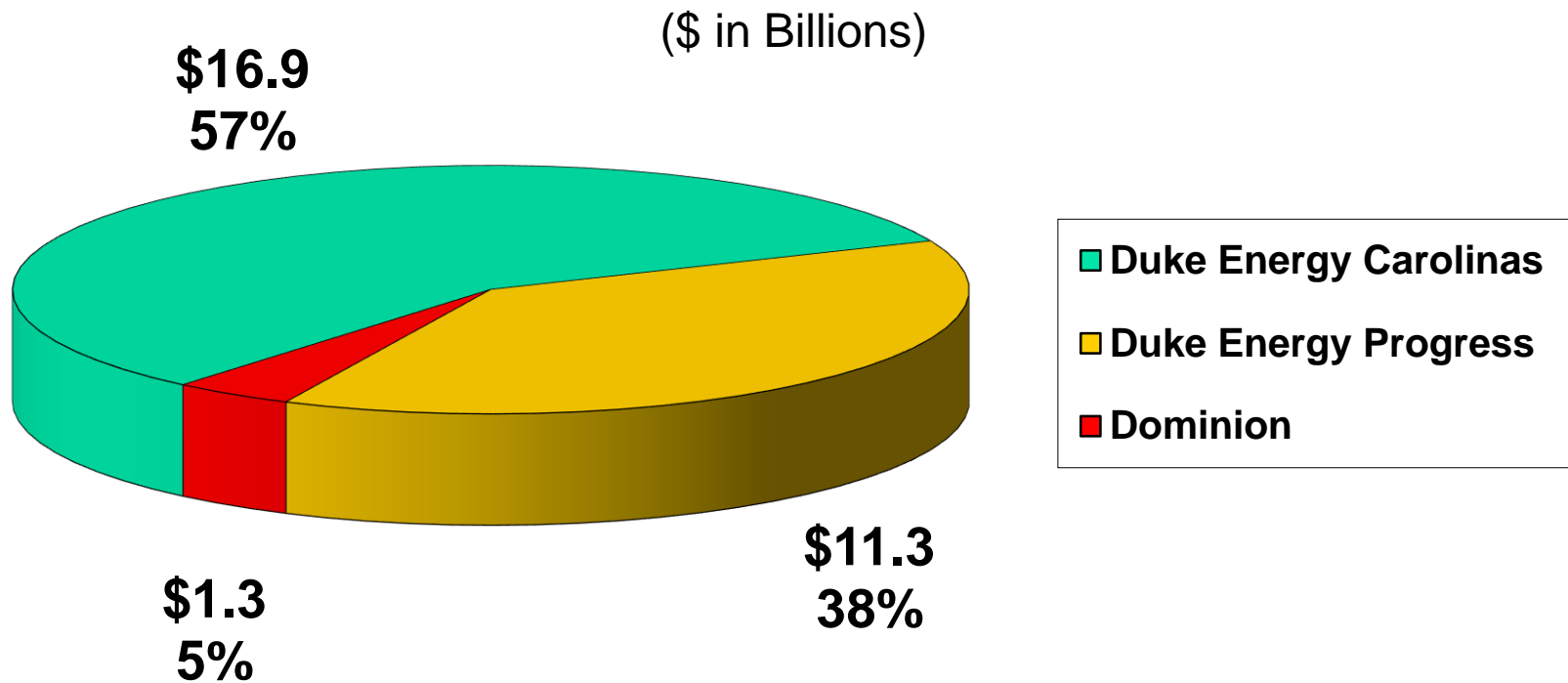
(12-Month Period Ending 6/30/18)

(\$ in Billions)



Net Plant Investment by Electric Utility (\$29.5B Total)

(As of 6/30/18)

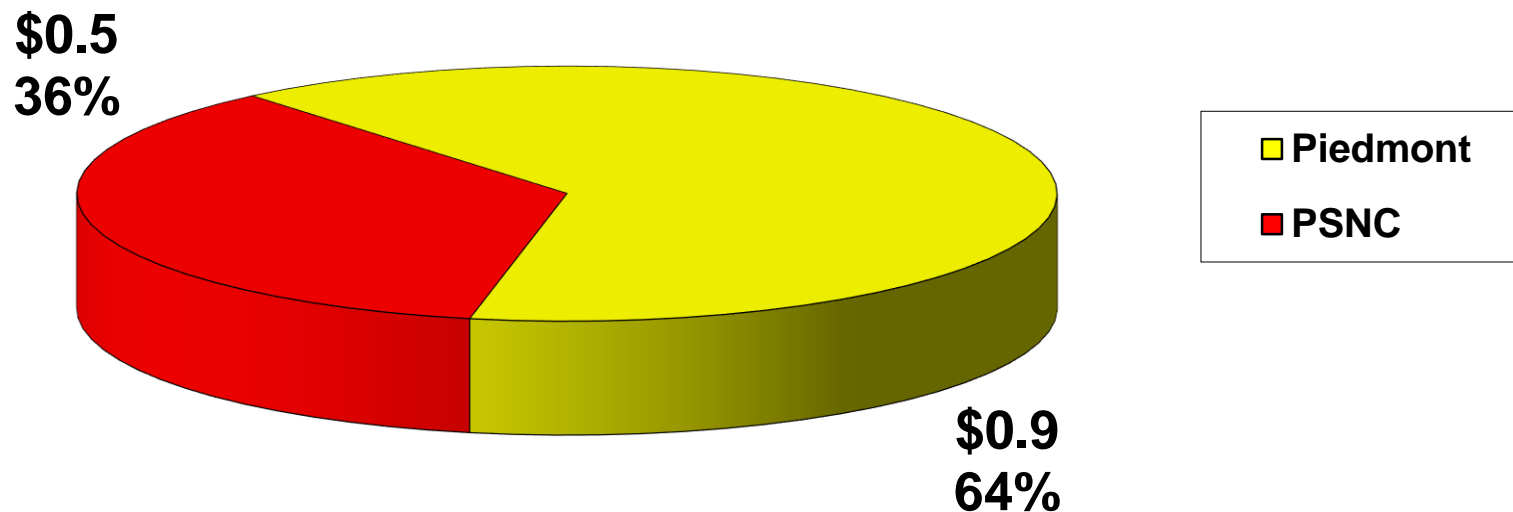




Operating Revenues by Natural Gas Utility (\$1.4B Total)

(As of 6/30/18)

(\$ in Billions)

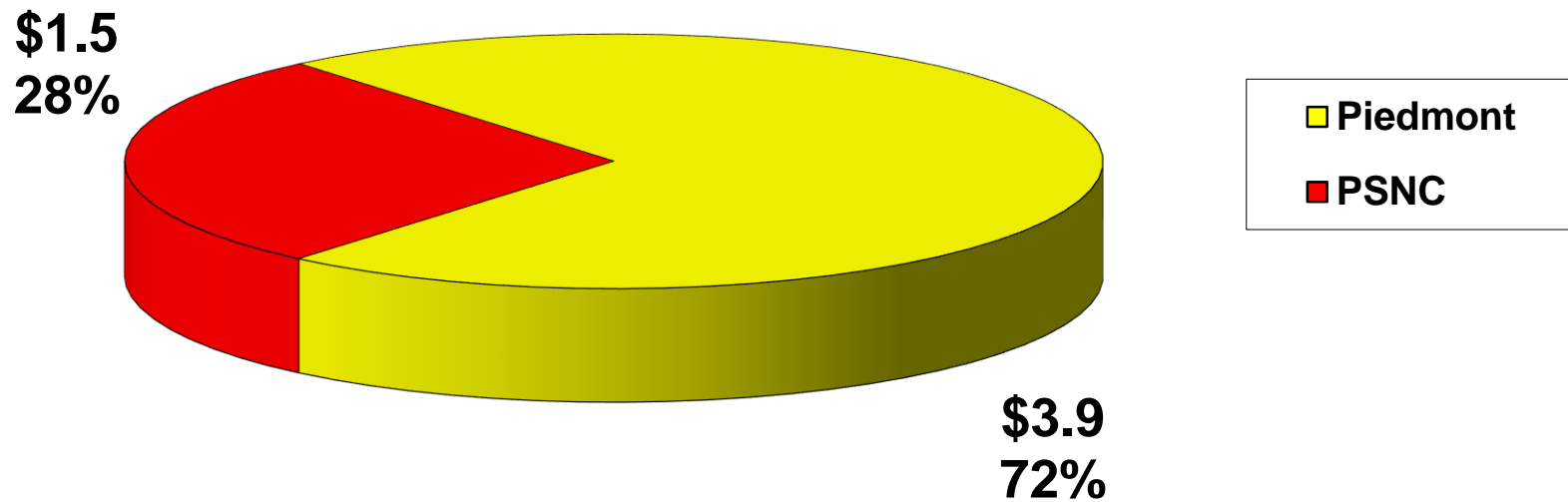




Net Plant Investment by Natural Gas Utility (\$5.4B Total)

(As of 6/30/18)

(\$ in Billions)



Selected Mergers and Acquisitions 2003 to Present^[1]

- Electric
 - In 2005, Dominion joined PJM Interconnection, LLC
 - In 2006, Duke Energy acquired Cinergy
 - In 2012, Progress Energy merged with Duke Energy

- Natural Gas
 - In 2003, Piedmont acquired NCNG and 50% interest in Eastern NCNG
 - In 2005, Piedmont acquired the remaining 50% interest in Eastern NCNG
 - In 2007, Energy West acquired Frontier
 - In 2016, Piedmont merged with Duke Energy
 - In 2017, BlackRock, Inc. acquired Frontier
 - In 2018, Dominion has proposed to buy PSNC's parent, SCANA

[1] The business combinations presented, although some are dated, typically engender the greatest interest.

Selected Mergers and Acquisitions 2003 to Present^[1] *cont.*

- Water/Wastewater
 - In 2004, Aqua America acquired stock of Heater
 - In 2006, Hydro Star acquired stock of Utilities, Inc., from nv Nuon
 - In 2007, Utilities, Inc. subsidiaries: Belvedere, Queens Harbor, Riverpointe, and Watauga Vista merged into Carolina Water
 - In 2008, Aqua America subsidiaries: Fairways, Glynnwood, Heater, Mountain Point, Rayco, and Willowbrook merged into Aqua NC
 - In 2009, Pluris acquired North Topsail
 - In 2010, Utilities, Inc. subsidiaries: Carolina Pines and Nero merged into Carolina Water
 - In 2012, Corix acquired stock of Utilities, Inc., from Hydro Star
 - In 2016, Utilities, Inc. subsidiaries: Bradfield Farms, Carolina Trace, CWS Systems, Elk River, and Transylvania merged into Carolina Water

[1] The business combinations presented, although some are dated, typically engender the greatest interest.

Major Issues

- **Electricity**
 - Strong demand for renewable energy, environmental laws and regulations (such as Clean Power Plan and Coal Combustion Residuals Rule), modernizing the power grid, security risks
 - Implementation of Session Law 2017-192 (House Bill 589), including competitive procurement of renewable energy, revised net metering, leasing of solar energy facilities, community solar energy facilities, and solar rebate programs
- **Natural Gas**
 - Low natural gas prices, new sources and pipelines, growing electric generation use, pipeline safety, biogas
- **Telecommunications**
 - Transition to all-IP network, broadband deployment, intercarrier compensation, net neutrality, universal service, Lifeline reform and expansion of Lifeline to broadband service

Major Issues *cont.*

- Transportation
 - Criminal history background checks and fitness of company principals, insurance compliance, unauthorized movers and related complaints

- Water & Wastewater
 - Water supply, water quality concerns generally related to aesthetic attributes measured by EPA's secondary drinking water standards, environmental issues, industry consolidation, drought conditions, financing/bonding, system repair/improvement/replacement, appointment of emergency operators

- Generic
 - Financial market pressures, storm impacts, emergency preparedness, accounting issues, merger conditions, tension at intersection of regulated and competitive activities of regulated companies, State versus Federal regulatory authority issues, cyber security