Rate Increase Update

Last August, DEC filed a rate increase request with the North Carolina Utilities Commission. DEC requested an overall increase of 13.6%, or $647 million per year.

Why did DEC request this increase?

DEC is primarily seeking to recover costs in these key areas:

**Power Generation** - DEC is asking customers to pay $636 million over 12 years to cover planning and design costs at the proposed and then canceled Lee Nuclear Generating Station in South Carolina. (The proposed plant is near the Cherokee Nuclear Power Plant - another proposed nuclear plant that Duke started building but never completed, and eventually abandoned in the 1980s after spending $633 million.) DEC is also seeking to be paid for a new natural gas fired power plant in South Carolina and two new solar powered plants.

**Coal Ash Remediation** - DEC is seeking more than $2 billion for cleaning up the coal ash pits at current and former coal-fired power plants. DEC stored coal ash in open, unlined pits at coal-fired plants for decades. In 2014, a coal ash pit breach at a former DEC plant contaminated 70 miles of the Dan River. Since then, environmental regulations have changed and DEC must move the coal ash to lined pits.

**Grid Improvements** - DEC is installing smart meters and making other improvements to their electrical grid. These improvements should enhance service reliability and provide more energy usage data to customers.

What is the status of this rate increase request?

Many interveners got involved in the case and challenged aspects of the requested increase. Hearings are being held in the first half of March. DEC and the interveners are making their cases to the NCUC.

On February 28, 2018, DEC and the Public Staff of the North Carolina Utilities Commission reached a partial settlement agreement that would result in an increase of 10%, or $512 million per year. The NCUC must approve the final rate increase amount.

Is UMS involved in the rate case?

Yes. On March 7, 2018, UMS President Brian Coughlan testified as an expert witness in the rate case hearing in front of the NCUC. He testified on behalf of the NC League of Municipalities (NCLM). The NCLM advocates for the interests of the 540 cities and towns in NC that are their members. Mr. Coughlan requested the following on behalf of the NCLM:

**Another Time-of-Use Rate**

Under order by the NCUC, DEC piloted a new time-of-use rate from 2013 to 2015 with a small number of customers. After the pilot, they canceled the rate. The rate could be very beneficial to many municipal, commercial and industrial customers. We have asked that it be reinstated.

**A Peak Time Credit Rider**

DEC also piloted a Peak Time Credit Rider under order by the NCUC from 2013 to 2015. That rider paid customers a generous premium if they reduced electrical consumption during a few peak days per year upon request by DEC. This rider would save money for many municipal, commercial and industrial customers. It was canceled after the pilot. We have asked that it be reinstated.

What should customers expect?

A 10% Rate increase beginning with bills received in May is likely. If UMS and NCLM were successful, additional rate and rider options will also be available.

Will UMS review my accounts once the new rates are approved?

Yes. Once the new rates are finalized, we will be reviewing the electric accounts of our clients for additional savings opportunities. We will be in touch if we find additional savings for your accounts.

Thank You for Your Business!

At UMS, we strive to reduce your electricity bills; if we don’t save you money, we don’t earn money. We are in this together and our interests are aligned. We appreciate the opportunity to work for you!
The Tax Cuts & Jobs Act of 2017 reduced the corporate income tax rate from 35% to 21%. This creates a very significant windfall for investor owned utilities. This windfall should be passed on to the customers, rather than to the shareholders of these firms. Some rough math and assumptions indicate the potential magnitude of these savings for customers to around 2.727% of a current bill.

Advocating for Customers

I will be testifying as an expert witness in the pending Duke Energy Carolinas rate case in North Carolina. I will be advocating for more rate and pricing options for business customers as well as making changes to all electric rates to reflect the new corporate income tax rates.

In this case, the potential savings associated with accounting for the new corporate income tax rate is about $170,944,000/year.

-Brian Coughlan, PE
BSEE, MSEE, MBA, CEM, CEA, CEP, CDMS
President of UMS

Will my power provider adjust their rates to reflect the new taxes?

Not necessarily. Rates are set by state regulatory commissions. Rates are generally only adjusted as part of a formal rate case. These proceedings typically happen every few years. Power companies receiving a windfall have no incentive to ask state regulators to reduce their rates to reflect the new taxes. In some cases, they may simply enjoy the windfall for several years until the next rate case. Also, even when a power company does have a rate case, they may forget to point out this significant windfall to their state regulators.

What can an average customer do?

Contact your state regulatory commission and ask them to schedule a rate case proceeding specifically to address the new tax laws in the electric rates. If your power provider is having a rate case, send a letter to state regulators requesting the new tax law be accounted for when setting the new electric rates.

Feel free to call me if you have questions:
Brian Coughlan, President - 910.793.6232 x102

You may have noticed there’s something different about this quarter’s newsletter. Increasing the layout to legal size allows us to share more information.

We’re also Going Electronic!

We have started delivering our newsletter via email. Many email addresses are already in our database, but we’re working to obtain more. See RIGHT for more info.

Quarterly Prizes - Win! Win! Win!

Each quarter’s newsletter will include an opportunity for you to provide feedback of some sort. All who respond will be entered into a drawing for the quarterly prize!

Please provide three email addresses for people in your organization to receive our newsletters.

Name
Email Address

Provide three email addresses by end-of-day on March 31, 2018 and you will be entered to win this quarter’s prize: Apple Watch

Scan your response and email it to Lindsey Quick at LQuick@UtilManagement.com or simply send Lindsey an email with your three names and email addresses. Must be received prior to 5pm on March 31, 2018.

Congratulations to three of our employees on passing the following AEE certification exams!

Jessica Hannah passed the Certified Demand Side Manager Exam
Janessa Goldstein passed the Certified Lighting Efficiency Professional Exam
James Horne passed the Certified Energy Procurement Professional Exam