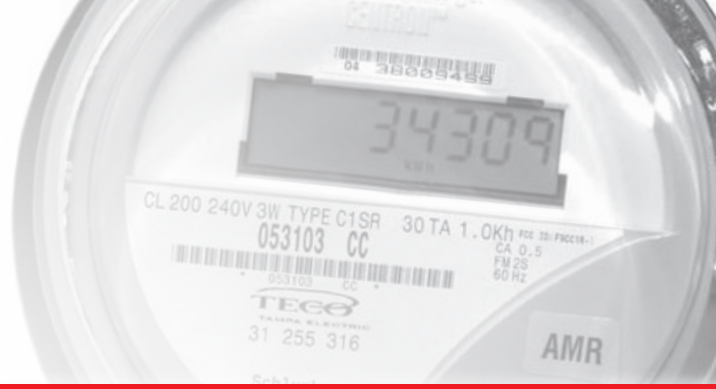




YOUR UTILITY RATE SPECIALISTS

Editor: Brian W. Coughlan, PE
 BSEE, MSEE, MBA, CEM, CEA, CEP, CDSM
President of UMS



POWER NOTES - DUKE ENERGY EDITION

Duke Energy Rate Case

Advocating on Your Behalf

UMS President Brian Coughlan testified as an expert witness in the 2018 Duke Energy Carolinas rate increase hearings in front of the North Carolina Utilities Commission. Among other things, Mr. Coughlan advocated for additional rate options and an overall reduction in electric rates to reflect the savings that will result from the new federal tax laws.

New Rate Opportunities

Mr. Coughlan requested additional time-of-use, critical peak and dynamic pricing electric rate options for commercial, industrial and governmental customers. Duke Energy requested additional time to conduct further studies prior to creating new rate options. The Commission ordered Duke Energy to create the rates in a more timely manner in order to take advantage of existing Advanced Metering Infrastructure. The new rates will be presented to the Commission on April 1, 2019 and are anticipated to take effect August of 2019.

These new rates should create additional savings opportunities for many customers. Once the new rates are available, the Analysts at UMS will conduct a review of all your electric accounts to determine if there are any new savings opportunities for you.

If you have accounts we have not audited, this is a good time to scan a recent copy of the bills for those accounts to us at Audits@UtilManagement.com. We will look them over for any savings opportunities associated with the new and existing rates at Duke Energy. We will be in touch if we find any additional savings opportunities for you.

Reduced Electric Rates Due to Tax Cuts

The Tax Cuts and Jobs Act of 2017 reduced the federal corporate tax rate from 35% to 21%, an overall reduction of 14%. Duke Energy made an estimated three billion dollars in pre-tax profits in 2018. Therefore, as a corporation, the new tax rates save them approximately \$430,220,000 a year. See actual calculation below for estimate:

CALCULATION OF ANNUAL TAX SAVINGS TO DUKE ENERGY

$$\begin{aligned} \text{tax break} \times \text{pre-tax profits} &= \text{tax savings per year} \\ 0.14 \times \$3,073,000,000 &= \$430,220,000 \text{ per year} \end{aligned}$$

These tax savings will be distributed across all power companies owned by Duke Energy. To ensure these savings flowed to the customers of Duke Energy rather than solely to their shareholders, Mr. Coughlan requested that overall electric rates be lowered immediately. The Commission ordered Duke Energy to reduce all of their electric rates, thus passing the savings resulting from the new tax rates to the customers. This resulted in lower electric rates for everyone served by Duke Energy.

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Duke Energy Rebates and Incentives

Should I Accept A Rebate?

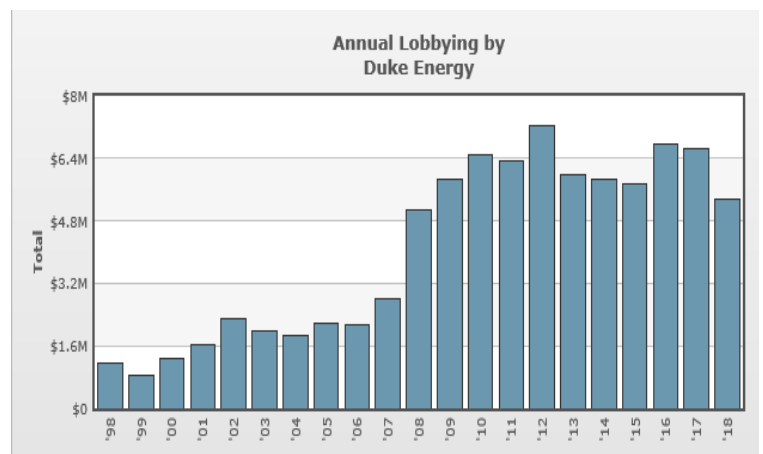
Duke Energy has rebate programs that will help pay for upgrades to your lighting systems, HVAC systems or other energy using equipment. However, depending on your individual characteristics, there is a rider that you will be required to pay if you accept a rebate. The rider costs can be many times the amount of the rebate.

A customer of ours had previously received a \$7,000 rebate from their power company only to later realize they were required to pay a rider charge for a three-year total cost of \$54,000. The customer paid almost eight times what they received from the rebate.

At UMS, we can analyze your accounts to help you take advantage of savings opportunities and avoid costly mistakes. If you are considering accepting a rebate, please scan a copy of the bills for those accounts to us at Audits@UtilManagement.com.

Lobbying Expenditures By Duke Energy

The graph below, from the OpenSecrets.org web site (run by the Center For Responsive Politics), shows that Duke Energy has spent \$5.1 million to \$7.5 million in lobbying expenses in each of the last 11 years. Power companies routinely provide money to candidates and causes that may help reduce the environmental and regulatory burdens on the power company, reduce their tax liabilities or help them in some other way.



Where did the money go?

To find out use the link below for additional details:

<https://www.opensecrets.org/lobby/clientsum.php?id=D000000477>



At UMS, we follow environmental, regulatory, economic and financial issues in the energy industry. Here are some of the predictions from UMS - and some from the US Energy Information Administration - of what may be in coming years.

Climate Change

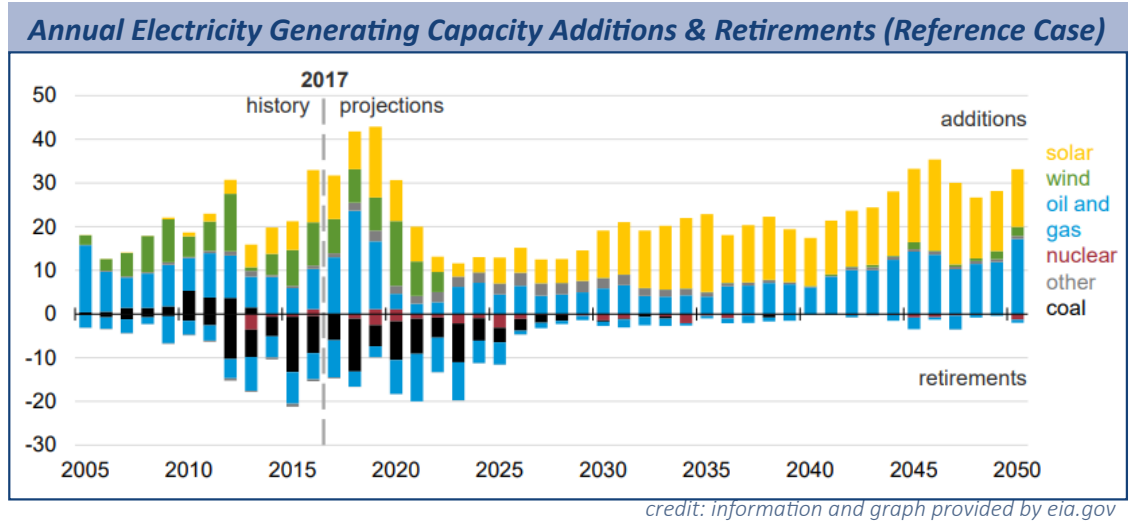
Climate change will likely stop being seen as a theory and become widely accepted as a scientific fact. We will likely also accept that human activities, primarily the burning of fossil fuels, are the cause of the change. This could lead to sweeping changes in the energy industry that would impact everyone. Even with these changes, we can only slow the effects of climate change - there is no reversing it.

Lighting

The government may mandate LED lighting for new construction and ban the sale of incandescent and fluorescent lighting. Many incandescent and fluorescent lamps are already banned by the government. Thanks to the extremely long life of an LED lamp, purchasing and replacing bulbs will become rare.

Solar Energy

Building codes may be updated to mandate solar panels on most new residential and commercial construction. Solar panels may become like insulation - you'll be required to install to help conserve energy. The trend toward solar is underway. Starting in 2020, California will require solar panels on most new homes. Tax credits and falling costs of solar technology help drive new solar installations, and, according to a graphic published by the US Energy Information Administration (EIA), solar will become the dominant source of new generating capacity.



credit: information and graph provided by eia.gov

Wind Energy

The wind energy industry has grown dramatically over the last 15 years. EIA predicts increases in wind energy to diminish with the end of the tax credits in 2023.

Coal Plants

Coal will continue its steady decline. The EIA graph shows now new coal power capacity has come on line since 2012 and extensive coal plant retirements for the foreseeable future. The Trump administration has canceled the Clean Power Plan; this will slow, but not eliminate, the decline in coal power. Twenty years ago, coal produced 50 percent of our electricity. By 2040, it will produce less than 20 percent.

Natural Gas

Vast quantities of natural gas have been identified in the US. Thanks to fracking, it can be extracted in a cost-effective manner. Natural gas is now used to produce more electricity than coal; it is much cleaner.

Nuclear Plants

When the EIA created this same graph in 2016, they forecast a small amount of nuclear generating capacity in 2018 and 2019. That was for the new units at Plant Vogtle in Georgia, and the VC Summer units in South Carolina. The Vogtle units are dramatically over budget, behind schedule and may never produce electricity. The EIA forecasts no new nuclear generation after the Vogtle units and nuclear plants being retired in the coming years.

US Becomes an Energy Exporter

The EIA predicts that the US will soon become a net energy exporter, due to the dramatic increases in exporting liquified natural gas. This puts us in a favorable trading and economic position. We will continue to be a net importer of petroleum, but at lower rates than today.

Energy Tax

The government may implement an energy tax in some form to provide incentive to conserve energy. It could be a carbon tax, which has already been implemented in Canada and has many advocates in the US. It could be a BTU tax, which was proposed by President Clinton in 1993.

Energy Prices

The EIA projects increases in the costs of petroleum, natural gas and electricity for the foreseeable future.



Utility Management Services, Inc.
6317 Oleander Drive, Suite C
Wilmington, NC 28403
888.867.3230

www.UtilManagement.com

Payments ONLY to:
PO Box 890134, Charlotte, NC 28289

Credit Card Payments, call:
888.867.3230 ext. 101