



**NORTH CAROLINA ENERGY POLICY COUNCIL
MEETING MINUTES
10:00 a.m., Wednesday, November 17, 2021
Virtual Via WebEx**

Energy Policy Council Members Present:

Brian LiVecchi, Lt. Governor Mark Robinson’s designee
Rachel Estes Gus Simmons
John Hardin Ryan Gragg
Scott Tew Kendal Bowman
Bruce Barkley
Sushma Masemore

Energy Policy Council Members Not-Present:

Paolo Carollo Herbert Eckerlin
Paul Worley Jenny Kelvington

CALL TO ORDER

Mr. Brian LiVecchi, Lt. Governor Mark Robinson’s designee, called the Energy Policy Council (EPC) meeting to order at 10:00 a.m. on Wednesday, November 17, 2021. He opened the meeting and welcomed the members and participants. After establishing a quorum for the meeting, he asked for a motion to approve the EPC’s August 18 meeting minutes. Mr. John Hardin moved for approval of the minutes and Mr. Gus Simmons seconded the motion. The motion was unanimously approved. Mr. Brian LiVecchi then asked for the Sub-Committee reports.

SUB-COMMITTEE REPORTS

Energy Assurance (EA) Committee, *Mr. John Hardin reported for Mr. Paul Worley, EA Committee Chair*

Mr. John Hardin provided the following EA Committee updates.

- The Petroleum Disruption Tabletop Exercise (TTX), presented by NC Department of Public Safety’s Division of Emergency Management (NCEM) on September 22, was a “very good learning experience” according to attendee Ms. Jenny Kelvington. A total of 132 people registered and 92 of those attended the virtual event. NCEM is drafting an after-action report (AAR) for the TTX. Preliminary findings for the TTX include: assuring that checkpoints and triggers are in place for real-time response; emphasizing the need for local planning and response; and investigating a regional (southeastern states) emergency planning initiative. Mr. Hardin stated that TTX’s provide worthwhile practice, since they help to identify preparation for unknown potential impacts during an emergency event.
- At the request of the EA Committee, a Natural Gas (NG) TTX is being planned by NCEM for the first half of 2022. It will consider issues related to the on-going high demand for NG (as an electric generation source replacing coal-fired generation) and NC’s NG pipeline capacity sufficiency. The EA Committee believes that it will be a good exercise that opens conversations about possible NG disruptions and how it



can meet supply needs in the future. NCEM is currently talking about the TTX with Duke Energy and other NG stakeholders. Since NCEM plans to hold the TTX next year, the EA Committee has an opportunity to offer recommendations about the event to them. EA Committee Chair Mr. Worley offered that a NG disruption may have more of an impact than a petroleum disruption.

- The EA Committee discussed the upcoming 2022 EPC Biennial Report and agreed to begin developing its recommendations at a future meeting.

Energy Efficiency (EE) Committee, *Mr. Scott Tew, EE Committee Chair*

Mr. Tew provided the following EE Committee updates.

- A joint EI and EE Meeting on electric vehicles (EVs) was held in response to recommendations in the 2020 Biennial Report. In response to the EV discussions during the joint meeting, DEQ staff developed a “Summary of Recent Transportation and Electric Vehicle Activities in North Carolina” report. The Summary addresses key focus areas for potential action and potential EV speakers. The EE Committee recommended that at the next full EPC Meeting, a 45-minute to 1-hour presentation be given by EV representatives from local and state government, municipalities, and schools.
- The EE Committee plans to hold two meetings prior to the February EPC Meeting. Planned Discussion topics include: the EE Apprenticeship Program; CPACE; and EE building targets (state agency/university and commercial).

Energy Infrastructure (EI) Committee, *Mr. Gus Simmons, EI Committee Chair*

Mr. Simmons provided the following EI Committee updates.

- Agreed that the joint EE and EI Committee meeting which resulted in DEQ’s Summary report was most beneficial. Concurred with and endorsed the EE Committee’s recommendation to invite EV speakers to the February EPC meeting, especially those from the private sector and municipalities who utilize alternate/renewable fleet vehicles.
- The EI Committee plans to review its 2020 EPC recommendations for updates. They are looking at work done in academia and with utilities on incorporating hydrogen and biofuels.
- The EI Committee continues to monitor policy activities, rules, and regulations, that includes NC House Bill #H951.

Following the Sub-Committee Reports, EPC Chair Mr. Brian LiVecchi commented that the EPC itself has the ability and authority to establish any additional Committees. He said that it might help to have an Energy Innovation Subcommittee on emerging energy technology. He then asked if the EPC would like to discuss the option for five minutes to discuss or table until next meeting?

Mr. John Hardin responded that he could not say if the EPC could take on another Sub-Committee, but that his office and the Department of Commerce would be interested in participating and even chairing it since it has an Innovative Science and Technology section. He further stated that they are involved in NC’s in offshore wind efforts and are in the progress of creating Assistant Secretary position for Clean Energy Economy. He closed by saying the it would be great thing to create this subcommittee.

Ms. Sushma Masemore said that innovative technologies could be embedded within existing committees, but if it is more targeted towards innovative solutions (resource planning and energy support, like transportation) it could be a separate committee. She offered that in light of funding opportunities from federal and state partnerships that focus



on new technology (hydrogen fuel cells, modular nuclear, green energy and batteries) that perhaps narrowing those priority items where there is large scale of funding and interest at federal and state level may be useful. Mr. Brian LiVecchi agreed, saying that we would also be missing out on opportunities of emerging technologies that may not be candidates for funding. He continued that regardless of if they are scalable or funded, we need to act in an advising capacity such as a research and development type endeavor. Mr. Michael Stowe said that the Sub-Committee concept aligns with their goals and that they would be happy to participate.

PRESENTATION: Basics of Ratemaking and HB951

Ms. Dianna Downey, Chief Counsel, Public Staff of NC Utilities Commission (NCUC)

Ms. Downey covered the following topics:

- What is the Public Staff?
Separate from NCUC, represent NC public, respond to complaints (3,449 last year-slight decline)
- The Rate Case Process
Takes 270 Days, discussions start until after a filing, evidentiary hearings usually in-person, but may be mix of also remote in future, recent Duke cases filed September and Oct 2019 but delayed due to COVID, full process through Sep 2021?
- Ratemaking Overview
“Least cost” is not necessarily lowest initial cost, present value calculations are considered
- General Ratemaking Formula
$$\text{Revenue Requirement} = (\text{Rate Base} * \text{Rate of Return}) + \text{Expenses}$$
 - Rate Base = Accumulated depreciation expense to avoid double recovery
 - Rate of Return = Cost of debt usually non-controversial, Cost of equity (ROE) based on models, single most contentious issue because involves biggest dollars, Capital structure: greater equity -> greater rates
 - Expenses = Pass through
- Cost Allocation and Methodologies
 - Cost Allocation is an area of controversy and litigation
 - Cost Allocation Methodologies
 - Some costs assigned, like distribution line in NC
 - methodology assigned for things like generating plant
 - SWPA Peaking Average favors residential, all-hours
 - SCP favors shifting load
- Riders
 - Fuel was traditional and first rider
 - CPRE is competitive procurement
 - JAAR is DPE-only on NCMA?
 - Duke assets
- Performance Based Ratemaking (PBR) in H951: How the Rate Case Process Changes
 - Decoupling - New in electric world
 - Performance Incentive Mechanism - also new, avoids PIM for something utility already supposed to be doing; serves as incentive



- Multiyear Rate Plan
- Earnings Sharing Mechanism - Also new in NC

PRESENTATION: House Bill 951

NC Senator Mr. Paul Newton (R-NC):

- Thanks to everyone serving on Council, for navigating energy in better and smarter way. Thanks to Dianna for covering most complex section (ratemaking) of this Bill.
- Everyone was “hard pressed” to support Bill as written by the House. The Senate took a step back and asked: “What is the best energy policy for NC, regardless of economic interests?”
- Pillars of our policy bill include:
 - Carbon reduction;
 - Least cost: have incented higher cost generation, building lots of solar but NC still residential rates below national average; NC primarily has a vertical utility model; our goal is to use existing electric grid and sites;
 - Reliability: solar represents only 25% of generation; energy is agnostic; dispatchable energy needs to be available 24/7; need mix of sources like nuclear and hydrogen; innovation will be necessary in the future;
 - Decommissioning solar panels/plants needs to be considered;
 - Saving money for customers is important; and
 - Reduced rates on Federal contracts should be addressed

PUBLIC COMMENT

Mr. Brian LiVecchi asked for public comments. One person entered the need for renewable energy in the chat box.

CLOSING COMMENTS

Mr. Brian LiVecchi thanked the presenters and the EPC members for their active participation and work. A motion to adjourn was made by Mr. Tew and seconded by Mr. Simmons. The meeting adjourned at 11:20 a.m.

Approved by Energy Policy Council
Members on February 16, 2022.