



Overview of the North Carolina Utilities Commission and Utility Regulation in North Carolina

Presentation to the N.C. House
Committee on Energy and Public Utilities

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NORTH CAROLINA UTILITIES COMMISSION

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Commissioners

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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



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

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
- 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*).
- 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)

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



Limited Jurisdiction to Regulate “Other Utilities”

- The Commission has limited authority to regulate municipal electric utilities and electric cooperatives.
- The Commission has no authority to regulate:
 - Publicly-owned water and sewer utilities
 - Broadband
 - Cell phone
 - Cable
 - Internet services
 - Interstate Gas Pipelines

Emerging Issues in Utility Regulation

- Era of more frequent general rate cases
 - Electric: coal ash spending is key driver
 - Water: capital spending is key driver
- Staffing challenges in a tight employment market
- Distributed generation revolution
 - North Carolina a leader in solar and renewables
 - Continued Implementation of HB 589
(presentation topic for next meeting)



Questions/Contact

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