

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-100, SUB 178

In the Matter of)	Comments
Rulemaking Proceeding to Implement)	of the North Carolina Retail
Performance-Based Regulation of)	Merchants Association
Electric Utilities)	

Pursuant to the October 14, 2021, *Order Requesting Comments and Proposed Rules* issued by the North Carolina Public Utilities Commission (“Commission”), the North Carolina Retail Merchants Association (“NCRMA”) respectfully submits the following comments.

NCRMA expects that the utilities and Public Staff will take the lead on proposing specific language for a rule to implement performance-based ratemaking (“PBR”) consistent with House Bill 951. As such, NCRMA shall not herein duplicate those efforts, yet expects to weigh in on proposed rule language in NCRMA’s reply comments. Accordingly, in this initial set of comments, NCRMA shall focus on some general parameters for successful implementation of a PBR rule.

First, with respect to items 1 through 4 of the Commission’s *Order Requesting Comments and Proposed Rules*, NCRMA points out that Commission’s PBR approval authority is expressly conditioned on a requirement that a utility’s revenue requirement be allocated among customer classes “based upon the cost causation principle, including the use of minimum system methodology ... and interclass subsidization of ratepayers is minimized to the greatest extent practicable by the conclusion of the MYRP period.” N.C.G.S. § 62-133.16(b). Of course then, the final rule must ensure that this requirement will be carried out - by the respective utility demonstrating that its proposed PBR mechanism minimizes to the greatest extent practicable any interclass rate subsidization.

Second, the Commission is directed to establish in a multi-year rate proceeding a rate rider “to refund amounts related to the earnings sharing mechanism, and to refund or collect amounts related to PIM rewards or penalties, and decoupling adjustments.” N.C.G.S. § 62-133.16(c)(1)b. Obviously, this rate rider must also minimize any interclass rate subsidization (and it should minimize intraclass rate subsidization as well). What remains open, however, is how this rate rider collects or returns amounts to individual ratepayers within such classes. Options include on a per-kW basis, on a per-kwh basis, or on a percentage bill basis. As decoupling adjustments do not apply to commercial or industrial (“C&I”) classes, NCRMA shall not address any mechanism for such adjustments. The performance incentive mechanism, however, is to be evaluated on a percentage of revenue requirement basis. Thus, pursuant to N.C.G.S. § 62-133.16(c)(4), total performance incentives or penalties shall “not exceed one percent (1%) of ... total annual revenue requirement”¹ Accordingly, NCRMA proffers that a reasonable method for collecting from or returning to customers performance incentives or penalties (and excess earnings) is on a percentage of the base rate portion of a customer’s bill. This structure would be easy to implement and eliminate any potential dispute among higher or lower load factor customers on a given rate schedule.

Third, the Commission should consider defining the term “rate shock” in its final rule. House Bill 951 provides that the Commission consider whether any PBR application “[w]ill not unreasonably prejudice any class of electric customers and result in sudden substantial rate increases or ‘rate shock’ to customers.” N.C.G.S. § 62-133.16(d)(1). What constitutes rate shock is often a contentious issue in a rate case and typically an entirely subjective measure of impact. Additionally, an individual customer group may focus on an increase to one element of a

¹ Likewise, pursuant to N.C.G.S. § 62-133.16(c)(1)b.1, excess earnings are defined as earnings that are 50 basis points above the allowed rate of return.

particular rate schedule, but House Bill 951 as a whole appears to focus on overall revenue requirement. Therefore, NCRMA believes that the potential increase to the total revenue requirement for each utility is the proper focus of a rate shock analysis and this should be delineated in the final rule.

WHEREFORE, NCRMA respectfully requests that the Commission incorporate the above comments into its PBR rules.

Respectfully submitted, this 9th day of November, 2021.

/s/ Brian O. Beverly

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ATTORNEYS FOR INTERVENOR, THE NORTH CAROLINA RETAIL MERCHANTS ASSOCIATION

CERTIFICATE OF SERVICE

I certify that a copy of the initial comments of NCRMA in Docket No. E-100, Sub 178 has been served on each party of record by electronic mail.

This 9th day of November, 2021.

/s/ Brian O. Beverly

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