

McGuireWoods LLP  
501 Fayetteville Street  
Suite 500  
PO Box 27507 (27611)  
Raleigh, NC 27601  
Phone: 919.755.6600  
Fax: 919.755.6699  
www.mcguirewoods.com

Mary Lynne Grigg  
Direct: 919.755.6573

McGUIREWOODS

mgrigg@mcguirewoods.com

OFFICIAL COPY

Jan 29 2020

January 29, 2020

**VIA ELECTRONIC FILING**

Ms. Kimberley A. Campbell, Chief Clerk  
North Carolina Utilities Commission  
Dobbs Building  
430 North Salisbury Street  
Raleigh, North Carolina 27603

Re: *Annual Analysis and Request to Consolidate Annual Analysis Into NCUC  
Rule R25-6 Annual Report  
Docket Nos. E-2, Sub 1142 and E-7, Sub 1146*

Dear Ms. Campbell:

Enclosed for filing in the above-referenced proceedings on behalf of Duke Energy Carolinas, LLC (“DEC”) and Duke Energy Progress, LLC (“DEP”), is their *Annual Analysis and Request to Consolidate Annual Analysis Into NCUC Rule R25-6 Annual Report.*

If you have any questions regarding this filing, please do not hesitate to call me. Thank you for your assistance with this matter.

Very truly yours,

*/s/Mary Lynne Grigg*

MLG:kjg

Enclosure

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. E-2, SUB 1142  
DOCKET NO. E-7, SUB 1146

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	)	
Application of Duke Energy Progress, LLC, for Adjustment of Rates and Charges Applicable to Electric Utility Service in North Carolina	)	DUKE ENERGY CAROLINAS, LLC'S AND DUKE ENERGY PROGRESS, LLC'S ANNUAL ANALYSIS AND REQUEST TO CONSOLIDATE ANNUAL ANALYSIS INTO NCUC RULE R25-6 ANNUAL REPORT
In the Matter of	)	
Application of Duke Energy Carolinas, LLC, for Adjustment of Rates and Charges Applicable to Electric Utility Service in North Carolina	)	

Duke Energy Carolinas, LLC (“DEC”) and Duke Energy Progress, LLC (“DEP”) and together with DEC, “the Companies”), by and through counsel, hereby submit a comprehensive and detailed analysis of the direct benefits to the State of North Carolina (“NC”) of the dollars spent by each company in compliance with the Coal Combustion Rule (“CCR”) and North Carolina’s Coal Ash Management Act (“CAMA”) and the share and/or amounts of dollars paid to minority businesses and contractors that assisted the Companies in meeting their obligations pursuant to those requirements as required by the North Carolina Utilities Commission’s (“Commission” or “NCUC”) *Order Requesting Additional Information* issued in Docket Nos. E-2, Sub 1142 and E-7, Sub 1146 on November 9, 2018.<sup>1</sup> For the reasons stated herein, the Companies also petition the

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<sup>1</sup> Generic information that was previously provided in Late-Filed Exhibit No. 6 and Supplement to Late-Filed Exhibit No. 6 in Docket Nos. E-2, Sub 1142 and E-7, Sub 1146 is not repeated in this filing; however, as requested, updated and new information is provided in a format similar to the aforementioned exhibits.

Commission for authority to consolidate the annual analysis required by the Commission's *Order Requesting Additional Information* into the new Commission Rule R25-6 Annual Report due on or before March 1, 2021, of each year on a foregoing basis.

### Report

Duke Energy has a robust history of supporting diversity and economic development with diverse and local suppliers. As an enterprise for 2019, Duke Energy is expected to have a total diverse spend that exceeds \$1 billion. During the 2018 Q4 through 2019 Q3 period, Duke Energy was recognized for the following diverse awards at the national and state levels for its work with diverse suppliers and/or its focus on workforce diversity:

- Forbes 2018 Best Employers for Diversity
- 2018 Top Veteran-Friendly Supplier Diversity Program in the U.S. Veteran's Magazine
- 2018 Florida State Minority Supplier Development Council's (FSMSDC) – Doing Well While Doing Good® Award
- Fortune's 2018 "World's Most Admired Companies"
- 2019 Hispanic Chamber Corporate Procurement Group of the Year Award

In December 2018, Duke Energy hosted its Third Annual Supplier Exchange Forum that included approximately 40 suppliers. These suppliers support Duke Energy's commitment to corporate responsibility and the use of local and diverse businesses, and the employment of safe and environmentally-friendly practices. Award recipients at the Third Annual Supplier Exchange Forum were:

- Hightowers Petroleum Company, *Diverse Supplier of the Year*. This is a minority-owned wholesale fuel supplier headquartered in Middletown, OH, that has had a long-term relationship with Duke Energy and a history of providing support throughout the enterprise. Hightowers Petroleum is committed to corporate responsibility and having an overall positive impact on the communities where it works; Hightowers Petroleum was honored for several reasons including its operational performance and customer service.

- McDermott International, *2018 Corporate Responsibility Supplier of the Year*. This company created a network of local suppliers that operate and employ workers within the Duke Energy service territory. During the construction of the Combined-Cycle Natural Gas plant in Asheville, NC, McDermott International welcomed the opportunity to work collaboratively with Duke Energy to ensure the inclusion of local and diverse businesses. Interfacing with local economic development organizations and their members, conducting local outreach events, and attending job fairs are examples of the efforts taken by McDermott International to not only meet, but exceed expectations for both local and diverse spend.

The Supplier Engagement & Diversity team led the Duke Energy outreach efforts by engaging with national, regional, and local community/economic development organizations that support local and diverse businesses. An integral part of the supplier recruitment efforts of Duke Energy is identifying suppliers through outreach activities.

With an enhanced focus on the inclusion of more local and/or diverse suppliers to support the specialized Coal Combustion Products (“CCP”) work directly or through subcontracting, Duke Energy did the following:

- Conducted a Local and Diverse Supplier Business Opportunity Forum for Coal Ash and Grid Modernization Projects at North Carolina State University in Raleigh on October 3, 2018. After Duke Energy leadership delivered overviews of our commitment to diversity and inclusion, summaries of CCP and Grid Modernization projects, and opportunities, the diverse and local suppliers interacted with sixteen of Duke Energy’s supplier partners, Sourcing, and Supplier Engagement & Diversity (“SED”) personnel. Nearly 100 suppliers and Duke Energy representatives participated and, of that number, approximately 50 people attended on behalf of 37 local and/or diverse suppliers.
- Continued support of the National Minority Supplier Development Council (“NMSDC”) as a national corporate member. The organization’s mission is to support the development of US minority-owned businesses and advocate on their behalf with corporations and government entities. Duke Energy participated in the annual conference held in Austin, TX, October 14-17, 2018.
- Participated in the Black Enterprise Annual Entrepreneurs Summit, June 19-22, 2019, in Charlotte, NC.
- Attended the Women’s Business Enterprise National Council (“WBENC”) Annual Conference in Baltimore, MD June 25-27, 2019. This conference brings together top certified women business owners from across the US and

major corporate representatives. Activities include trade expo, marketing and business development, one-on-one sessions, and top business leaders sharing their stories of success. Duke Energy is a supporter of the WBENC affiliate, the Greater Women’s Business Council (“GWBC”), serving NC, SC, and GA.

- Attended the Congressional Black Caucus Foundation – Annual Legislative Conference (“CBCF ALC”) in Washington, DC, September 11-14, 2019. The ALC is the leading policy conference on issues impacting African Americans and the global black community. More than 10,000 thought leaders, legislators, and concerned citizens discussed economic development, civil and social justice, public health, and education issues. Duke Energy participated in the Meet and Match Procurement Forum interacting with business representatives and sharing information about contracting opportunities. Duke Energy also participated in the historically black colleges and universities (“HBCU”) recruitment fair engaging with potential colleagues and aspiring entrepreneurs.
- Continued support of Carolinas-Virginia Minority Supplier Development Council (“CVMSDC”) as a corporate member and participated in the Business Opportunity Conference (Virginia Beach, VA), the Annual Meeting (Charlotte, NC), and the MBE Summit (Spartanburg, SC).

Additional outreach activities completed by the Companies are summarized in the following table:

<i>Additional October 2018 – September 2019 North Carolina Outreach Activities</i>	
<b>Organization</b>	<b>Event</b>
Hispanic Contractors Association of the Carolinas	Contractors Summit – Charlotte; Annual Gala – Raleigh
North Carolina Veteran’s Business Association	VetBiz Conference – Cary / Raleigh
Chix Dig It	Women in Construction Conference – Cary
National Association of Women Business Owners – Charlotte	Annual Gala, Monthly Luncheon – Charlotte
National Association of Women Business Owners – Raleigh	Annual Gala, Executive Installation Event – Raleigh
Latin American Chamber of Commerce Charlotte	Supplier Forum, Duke sponsors organization
Greensboro Chamber of Commerce – Minority Business Accelerator Program	Monthly Meeting – Duke Energy Business Opportunity Presentation – Greensboro

NC Department of Administration – HUB Program Event	Meet the Purchasers – Suppliers Conference – Raleigh
Duke Energy State President Regional Advisory Committee Meeting	Stakeholders Forum at Livingstone College – Salisbury

Duke Energy has also explored opportunities offered by the United States Hispanic Chamber of Commerce and the US Pan Asian American Chamber of Commerce and opted to seek engagement with their members through local affiliates and other community economic development organizations.

The economic impact of the CCP NC spend is shown on the graphical illustrations contained in Exhibit A. Note this spend is based on the NC remit address or NC headquartered companies and represents CCP NC spend with local NC suppliers from 2018 Q4 through 2019 Q3. The CCP direct spend with DEC NC contractors over the period identified is \$138.45 million. The CCP direct spend with DEP NC contractors over the period identified is \$60.79 million. This spend increases local employment and provides direct, indirect, and induced value. The economic impact included in Exhibit A was estimated in partnership with Dr. Jesse Daystar, Assistant Adjunct Professor at the Nicholas School of the Environment, Duke University using IMPLAN, an industry-standard economic impact modeling tool, with data supplied by Power Advocate, an energy intelligence company offering spend intelligence.

Regarding the CCP support of NC local suppliers, Duke Energy prepared tables of the top North Carolina contractors supporting CCP work for DEC and DEP. Note that these are firms with headquarters, or remit payment to address, located in North Carolina and the table does not include non-headquartered contractors (*though they may have local offices in NC*) actively performing work in NC.

**Top North Carolina Based Contractors/Government Entity Supporting the DEC  
Ash Basin Work**

	<b>Name of Contractor/Government Entity</b>	<b>Location</b>	<b>\$ Spend<sup>2</sup></b>
1	Crowder Industrial Construction,	Charlotte, NC	\$44,165,298
2	Earnhardt Grading Inc.	Stanley, NC	\$25,433,293
3	Sequoia Services, LLC	Greensboro, NC	\$7,161,241
4	Southern Industrial Constructors Inc	Raleigh, NC	\$6,573,915
5	J L Raper Corp	Statesville, NC	\$5,709,246
6	Gregory Poole Equipment Company	Raleigh, NC	\$5,502,523
7	Carolina Tractor & Equipment	Charlotte, NC	\$5,384,669
8	City of Eden (Government Entity)	Eden, NC	\$3,078,742
9	Sewell Contractors Inc	Shelby, NC	\$2,522,506
10	D.H. Griffin Wrecking Co Inc	Greensboro, NC	\$2,396,819
	<b>Total</b>		<b>\$107,928,252</b>

<sup>2</sup>The spend data is from Q4 of 2018 through Q3 of 2019.

**Top North Carolina Based Contractors Supporting the DEP Ash Basin Work**

	<b>Name of Contractor</b>	<b>Location</b>	<b>\$ Spend<sup>3</sup></b>
1	Sequoia Services LLC	Greensboro, NC	\$19,992,792
2	Funston Company, Inc.	Winnabow, NC	\$4,779,569
3	Shamrock Environmental Corporation	Browns Summit, NC	\$4,677,666
4	Stewart's Grading and Hauling, Inc.	Germanton, NC	\$3,744,714
5	Piedmont Maintenance & Services of Roxboro, Inc.	Roxboro, NC	\$2,761,471
6	Wesco Distribution Inc	Charlotte, NC	\$1,860,195
7	Crowder Constructors Inc.	Charlotte, NC	\$1,644,582
8	Southern Industrial Constructors Inc	Wilmington, NC	\$1,634,701
9	Xylem Dewatering Solutions, Inc.	Garner, NC	\$1,294,054
10	ASYST Controls Incorporated	State Road, NC	\$1,276,188
	<b>Total</b>		<b>\$43,665,932</b>

<sup>3</sup>The spend data is from Q4 of 2018 through Q3 of 2019.

A conservative estimate of NC residents employed as the result of CCP work is 3,970 (2,370 + 1,583, see below). According to the NC Local Economic Impact Study,

Duke Energy's business supported approximately 2,370 jobs in NC. Duke Energy also received input from 50 companies performing CCP work in NC that were not represented in the North Carolina Local Economic Impact Study (non-NC headquartered), as can be seen in Exhibit B to this filing. These companies, during the 2018 Q4 through 2019 Q3 timeframe, have employed 1,583 NC residents, of which 812 NC residents are diverse. The total new hires of NC residents during the 2018 Q4 through 2019 Q3 period is 518 NC residents for these non-NC headquartered companies. A breakdown of the demographics of the 812 diverse residents by these non-NC headquartered companies is shown in the table below:

<b>Diverse Classification</b>	<b>Number</b>
African-American Men	165
Hispanic/Latino Men	240
Asian Men	40
Native-American Men	26
African-American Women	26
Hispanic/Latino Women	31
Asian Women	14
Native-American Women	2
Caucasian Women	268
<b>Total</b>	<b>812</b>

The CCP total DEC Tier I<sup>4</sup> diverse spend with NC based companies and other companies outside of NC from 2018 Q4 through 2019 Q3 is \$7,591,577. The CCP total DEP Tier I diverse spend with NC based companies and other companies outside of NC from 2018 Q4 through 2019 Q3 is \$5,882,223. Regarding CCP support of Tier I NC based diverse suppliers, see the below tables of the Top NC based diverse Tier I contractors supporting CCP work, for both DEC and DEP.

**Top 10 North Carolina Based Diversity Contractors Supporting the DEC  
Ash Basin Work**

	<b>Name of Diverse Contractor</b>	<b>Diversity Category</b>	<b>Location</b>	<b>Spend Category</b>	<b>\$ Spend<sup>5</sup></b>
1	Sewell Contractors, Inc.	Woman Owned	Shelby, NC	Maintenance & Repair Services	\$2,522,506
2	Stewart's Grading and Hauling, Inc.	Woman Owned	Germanton, NC	Construction & Maintenance	\$1,918,802
3	Southern Concrete Materials Inc.	Woman Owned	Charlotte, NC	Construction & Maintenance	\$941,160
4	Locke-Lane Construction, Inc.	Service Disabled Veteran Owned	Stony Point, NC	Construction & Maintenance	\$621,031
5	Crisp and Crisp, Inc.	HUB Zone	Robbinsville, NC	T&D Services	\$594,813
6	Glenn Industrial Group, Inc.	Minority (Hispanic) Woman Owned	Charlotte, NC	Construction & Maintenance	\$325,554
7	Glenn Underwater Services, LLC	Minority (Hispanic) Woman Owned	Charlotte, NC	Construction & Maintenance	\$134,959
8	Water Purification Consultants, Inc.	Woman Owned	Winston-Salem, NC	Water Treatment	\$124,091
9	LDSI, Inc.	Service Disabled Veteran Owned	Charlotte, NC	Professional Services	\$111,440
10	Bio-Nomic Services Inc	Woman Owned	Belmont, NC	Professional Services	\$75,433
	<b>Total</b>				<b>\$7,369,788</b>

<sup>4</sup>Tier I diverse spend represents payments made to diverse suppliers by Duke Energy.

<sup>5</sup>The spend data is from Q4 of 2018 through Q3 of 2019.

**Top 10 North Carolina Based Diversity Contractors Supporting the DEP Ash Basin Work**

	<b>Name of Diverse Contractor</b>	<b>Diversity Category</b>	<b>Location</b>	<b>Spend Category</b>	<b>\$ Spend<sup>6</sup></b>
1	Stewart's Grading and Hauling, Inc.	Woman Owned	Germanton, NC	Construction & Maintenance	\$3,744,714
2	Edwards, Inc.	Service Disabled Veteran Owned	Spring Hope, NC	Construction & Maintenance	\$785,889
3	Carolina Coating Solutions and Industrial Services Inc.	Woman Owned	Durham, NC	Construction & Maintenance	\$653,332
4	Crisp and Crisp, Inc.	HUB Zone	Robbinsville, NC	T&D Services	\$275,869
5	MJ Price Construction Co., Inc	HUB Zone, Woman Owned	Roanoke Rapids, NC	Construction & Maintenance	\$114,203
6	Bio-Nomic Services Inc	Woman Owned	Belmont, NC	Professional Services	\$105,540
7	Glenn Industrial Group, Inc.	Minority (Hispanic) Woman Owned	Charlotte, NC	Construction & Maintenance	\$67,790
8	Southern Fasteners & Supply, Inc.	Minority (Native American) Owned	Winston-Salem, NC	Industrial Parts & Supply	\$46,218
9	McArthur Construction Co.	HUB Zone, Woman Owned	Lumberton, NC	Construction & Maintenance	\$36,179
10	Edwards, Inc.	Service Disabled Veteran Owned	Spring Hope, NC	Construction & Maintenance	\$20,813
	<b>Total</b>				<b>\$5,850,546</b>

<sup>6</sup>The spend data is from Q4 of 2018 through Q3 of 2019.

CCP Tier II diverse spend for both DEC and DEP amounts to \$5.6 million for the period of 2018 Q4 through 2019 Q3. Tier II diverse spend represents payments to diverse

suppliers by Duke Energy Tier I suppliers. Exhibit C is the CCP Tier II diverse spend reported by DEC and DEP contractors.

Several of Duke Energy's CCP non-NC headquartered direct contractors sub-contracted with NC headquartered companies during the 2018 Q3 through 2019 Q4 period; this is not reflected in the NC Local Economic Impact study. A summary of the \$13.6 million NC Local sub-contracted spend not included in the study, as provided by the following non-NC headquartered contractors, is shown in Exhibit D.

In summary, Duke Energy takes economic development and corporate responsibility seriously and it continually looks for opportunities to utilize local suppliers and diverse suppliers. As a regulated utility, Duke Energy must also maintain its obligation to customers to be reasonable and prudent while considering suppliers that are market competitive and experienced in safe work methodologies.

#### **Request to Consolidate Annual Analysis with NCUC Rule R25-6 Report**

Subsequent to the Commission's *Order Requesting Additional Information*, on June 18, 2019, the Commission issued its *Order Adopting Rule* in Docket No. M-100, Sub 154. The *Order Adopting Rule* found good cause to adopt the Hire North Carolina Rule as Chapter 25 of the Commission's Rules and Regulations. The Hire North Carolina Rule requires the Companies to maintain a Hire North Carolina List and adhere to the reporting requirements outlined in NCUC Rule R25-6 "Annual Report." Commission Rule R25-6 specifically requires that:

On or before March 1 of each year, the utility shall file a report with the Commission addressing compliance with this rule during the preceding calendar year. The report shall include relevant and material information from the prior year, including a copy of the utility's most recent Hire North Carolina list, a listing of all student outreach event opportunities afforded by the utility, the total number of contracts subject to this rule awarded by

the utility in the previous year, a breakdown of how many of those contracts were awarded to resident contractors, including women- and minority-owned businesses, and how many to nonresident contractors, and a brief description of the type of work performed.

The utilities shall also summarize any outreach efforts undertaken pursuant to Rule R25-2 above, including the response to and perceived impact of such efforts.

Upon request of the utility or by order of the Commission, a public hearing for discussion of the annual report may be held after it has been filed by the utility. The public hearing should protect confidential information including, but not limited to, the identity of the contractors and costs.

As mentioned above and exemplified by the contents of this annual analysis, the Commission's *Order Requesting Additional Information* similarly requires the Companies to report by January 31 of each year the contents outlined in Commission Rule R25-6, but with specificity towards federal CCR and North Carolina CAMA-related activities. Thus, the Annual Report required by Commission Rule R25-6 encompasses the annual analysis required by the Commission's *Order Requesting Additional Information*. Consequently, the Companies are now required to file information required by the Hire NC Rule first in Docket Nos. E-2, Sub 1142 and E-7, Sub 1146 by January 31 of each year regarding federal CCR and North Carolina CAMA-related activities only, and then again on March 31 of each year in Docket No. M-100, Sub 154 regarding federal CCR and North Carolina CAMA-related activities, as well as all other activities.

Given that Commission Rule R25-6 encompasses the filing requirements contained in the Commission's *Order Requesting Additional Information*, the Companies hereby request authority to consolidate the annual analysis due January 31 of each year into the Annual Report due March 31 of each year required by NCUC Rule R25-6. The Companies submit that granting this request will create administrative and economic efficiencies for the Commission and Companies.

WHEREFORE, Duke Energy Carolinas, LLC, and Duke Energy Progress, LLC, respectfully submit this annual analysis to the Commission and request authority to consolidate the annual analysis into the NCUC Rule R25-6 Annual Report beginning on March 31, 2021, on a foregoing basis.

Respectfully submitted, this the 29<sup>th</sup> day of January, 2020.

/s/Mary Lynne Grigg

Mary Lynne Grigg

Kristin M. Athens

McGuireWoods LLP

501 Fayetteville Street, Suite 500 (27601)

PO Box 27507

Raleigh, North Carolina 27611

MLG Telephone: (919) 755-6573

KMA Telephone: (919) 835-5909

*mgrigg@mcguirewoods.com*

*kathens@mcguirewoods.com*

*Attorneys for Duke Energy Carolinas, LLC  
and Duke Energy Progress, LLC*

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing Annual Analysis and Request to Consolidate Annual Analysis Into NCUC Rule R25-6 Annual Report, as filed in Docket Nos. E-2, Sub 1142 and E-7, Sub 1146, was served electronically or via U.S. mail, first-class, postage prepaid, upon all parties of record.

This, the 29<sup>th</sup> day of January, 2020.

/s/Mary Lynne Grigg

Mary Lynne Grigg  
McGuireWoods LLP  
501 Fayetteville Street, Suite 500  
PO Box 27507 (27611)  
Raleigh, North Carolina 27601  
Telephone: (919) 755-6573  
[mgrigg@mcguirewoods.com](mailto:mgrigg@mcguirewoods.com)

*Attorney for Duke Energy Carolinas, LLC  
and Duke Energy Progress, LLC*