



September 17, 2019

Dear Conservative Legislators:

In a typical business environment, there is market competition. Businesses offer a product or service and they must provide value for money that outperforms the competition in order to keep their business afloat. North Carolina's current electricity market, however, operates as a regulated monopoly. Customers have no choice and, as long as the current regulatory model holds, the power company is guaranteed the right to earn a profit as long as they spend enough customer money on infrastructure and other capital investments. There is no performance incentive pushing them to improve. We, as conservatives, demand better.

The monopoly business model may have made sense 100 years ago when we needed to incentivize the utility to build more generation and connect more people to the grid. But now the demand for electricity is flat and the utility cannot keep up with the pace at which technology is advancing. Some of these technologies, like energy storage, have incredible benefits for electricity consumers, but the utility is fighting to keep them out of the market because it may mean they can't build new power plants, which means lower company profits.

It's time for market-based reform. The version of Senate Bill 559 that allows multi-year rate plans or return-on-equity (ROE) band doubles down on an already outdated regulatory model. This construct would also allow Duke Energy the right to pocket cash when they over-earn – cash that would otherwise be in the pockets of North Carolina ratepayers, not Duke Energy shareholders.

Conservatives have long wanted a bill that ensures the market for electricity is open for competition and innovation. Our neighbor to the north, Virginia, is moving in this direction after making the mistake of imposing multi-year rate plans, and Texas has seen success with more open markets for years.

There are options available to improve our model, but the monopoly utility wants to further insulate themselves from profit impacts, limiting the kind of innovation that would save money for ratepayers. Conservatives are serious about utility reform. Let's take the time to study the implications of multi-year rates and ensure it's a concept that benefits customers, not harms them. Markets, competition, and innovation are conservative economic hallmarks.

Sincerely,

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