

North Carolina's Public Utility Infrastructure & Regulatory Climate

Presented by

**NORTH CAROLINA
UTILITIES COMMISSION**

Who We Are



NORTH CAROLINA UTILITIES COMMISSION

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4325 Mail Service Center, Raleigh, North Carolina 27699-4300

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Commissioners

Edward S. Finley, Jr., Chairman

**Bryan E. Beatty
Susan W. Rabon
ToNola D. Brown-Bland**

**Don M. Bailey
Jerry C. Dockham
James G. Patterson**

Who Is The Public Staff – North Carolina Utilities Commission



- Established in the Commission is the Public Staff, an independent agency created in 1977 by legislation. (G.S. 62-15)
- Represents the Using and Consuming Public of the State's investor-owned public utilities and intervenes on their behalf in all Commission proceedings affecting rates or service.

Christopher J. Ayers, Executive Director

Dobbs Building, 430 North Salisbury Street 27603-5918

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■ ■ ■

Consumer Services Division (Consumer Complaints)

Phone: 919-733-9277 Toll Free: 1-866-380-9816 Fax: 919-733-4744

www.pubstaff.commerce.state.nc.us

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
- Recent trends: regulation of certain utility industries and services by the Commission has become more complex due to changes in State and Federal law and rules, and industry trends. Certain utility services have been fully or partially deregulated.

History of NC Utilities Commission

The background of the slide features a dark blue banner. On the left side of the banner is the Seal of the North Carolina Utilities Commission, which includes the text 'SEAL OF THE NORTH CAROLINA UTILITIES COMMISSION' and 'MAY 20, 1775'. On the right side of the banner is a photograph of a white semi-truck driving on a road, with a small airplane visible in the sky above it.

- 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

NCUC Organization



- Administrative agency of General Assembly; legislative oversight by House Committee on Public Utilities, Senate Committee on Commerce, and Joint Legislative Commission on Governmental Operations.
- Seven members: appointed by Governor, subject to confirmation by General Assembly. Terms of five Commissioners now serving are staggered, remaining portions of eight-year terms. Terms of two most recently appointed Commissioners are six-year terms. (G.S. 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. (G.S. 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 (*G.S. 62-10[i]*)
- Commission employs up to 66 people, current staffing is 52, organized among three divisions:
 - Legal & Administrative, Operations, and Fiscal Management
- Certified FY2015 annual budget: \$8,087,947
 - NCUC budget: \$ 7,029,126
 - Gas Pipeline Safety budget: \$ 614,408
 - NCUC ARRA Grant (Dept. of Energy): \$ 444,413 (Funds expired September 2014)
 - Gas Pipeline Safety is housed in Commission and receives partial federal reimbursement
 - NCUC is a fee-funded agency, supported by regulatory fee percentage established by General Assembly annually and applied to the jurisdictional revenues of public utilities (*G.S. 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 6/30/15:
 - 4,418 formal proceedings instituted before NCUC
 - 81 hearings in contested cases
 - 15,917 filings in Chief Clerk's office
 - 3,775 orders issued
 - 1,075 open dockets as of 6/30/15
- 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 (*G.S. 62-48*)



NCUC's Responsibilities & Procedures *cont.*

- Publication requirements (*G.S. 62-17*):
 - Annual reports to Governor include copies of general orders, regulations, comparative statistical data, rate comparisons, report of pending matters, and digest of principal decisions
 - Final decisions on merits in formal proceedings
- Limited jurisdiction over municipalities and cooperatives

Regulated Entities

(As of 6/30/15)

	<u>QTY</u>
BUS / BROKER	14
ELECTRIC	5
ELECTRIC COOPERATIVES	31
ELECTRIC MERCHANT PLANTS	10
ELECTRIC RESELLER	40
FERRIES	10
MOTOR CARRIERS OF HOUSEHOLD GOODS	268
NATURAL GAS:	
– LOCAL DISTRIBUTION COMPANIES	5
– INTRASTATE PIPELINE	1
SMALL POWER PRODUCERS	779
TELEPHONE:	
– COMPETING LOCAL PROVIDERS	166
– INCUMBENT LOCAL EXCHANGE COMPANIES	16
– LONG DISTANCE CARRIERS	283
– PAYPHONE SERVICE PROVIDERS	59
– SHARED TENANT SERVICES	16
WATER / WASTEWATER	110
WATER / WASTEWATER RESELLERS	<u>1,078</u>
TOTAL	2,891

Industry Revenue Profile



- FY2014 Jurisdictional Revenues: \$11.96 billion
 - Electric: \$8.85 billion
 - Telecommunications: \$1.39 billion
 - Includes Local and Long Distance Telephone Companies, Payphone Service Providers, and Shared Tenant Service Providers
 - Natural Gas: \$1.49 billion
 - Water and Wastewater: \$160.0 million
 - Includes Water/Wastewater Resale Companies
 - Transportation: \$72.0 million
 - Includes Brokers, Buses, Ferries, and Household Goods (HHG) Carriers

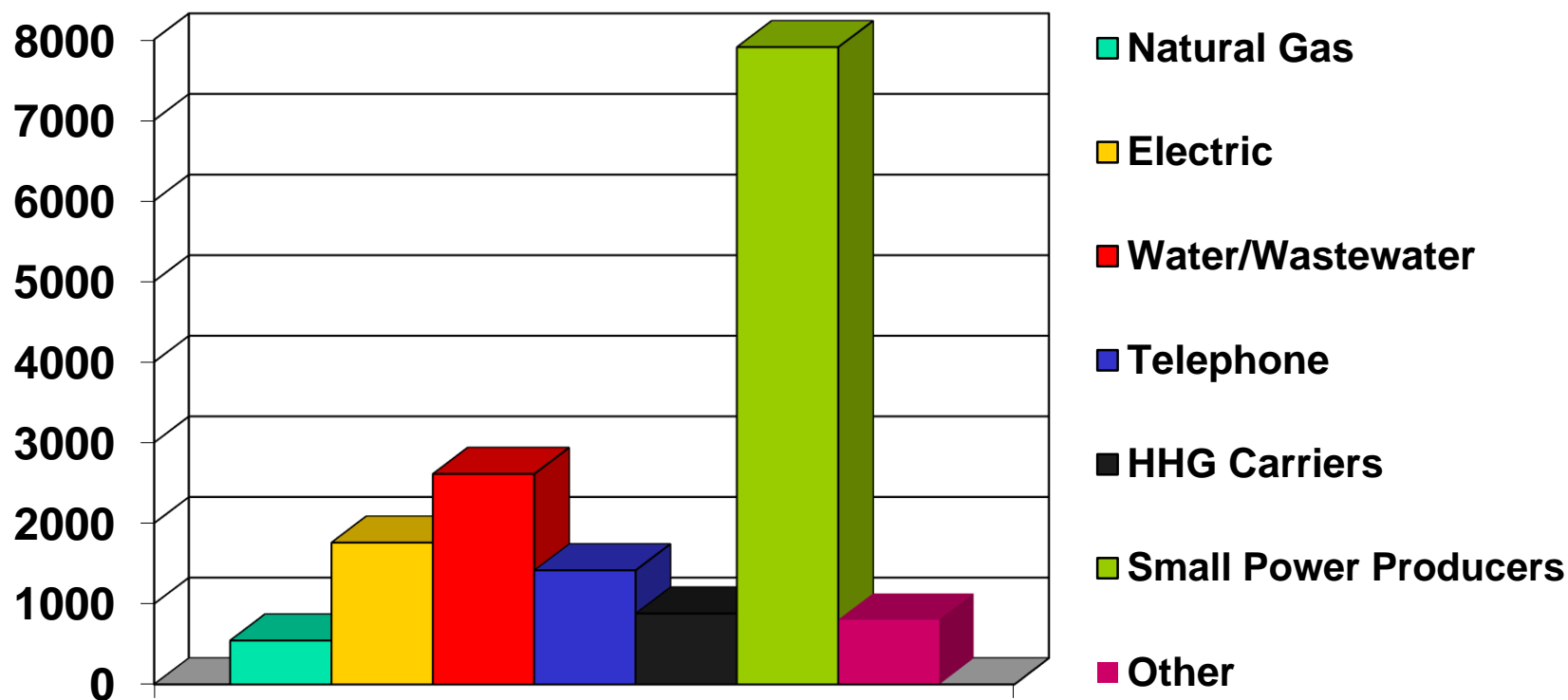
Filings & Orders by Industry Group

(For the 12-Month Period Ending 6/30/15)

	<u>Filings</u>	<u>Orders</u>
• Electric	1,759	414
• Telephone	1,415	194
• Natural Gas	544	68
• Water/Wastewater	2,611	1,330
• Household Goods Carriers	879	197
• Small Power Producers	7,906	1,401
• Other (Bus/Broker, Electric Merchant Plant, EMC, Ferry, Payphone Provider, Renewable Energy Facilities, & Misc.)	<u>803</u>	<u>171</u>
TOTAL	15,917	3,775

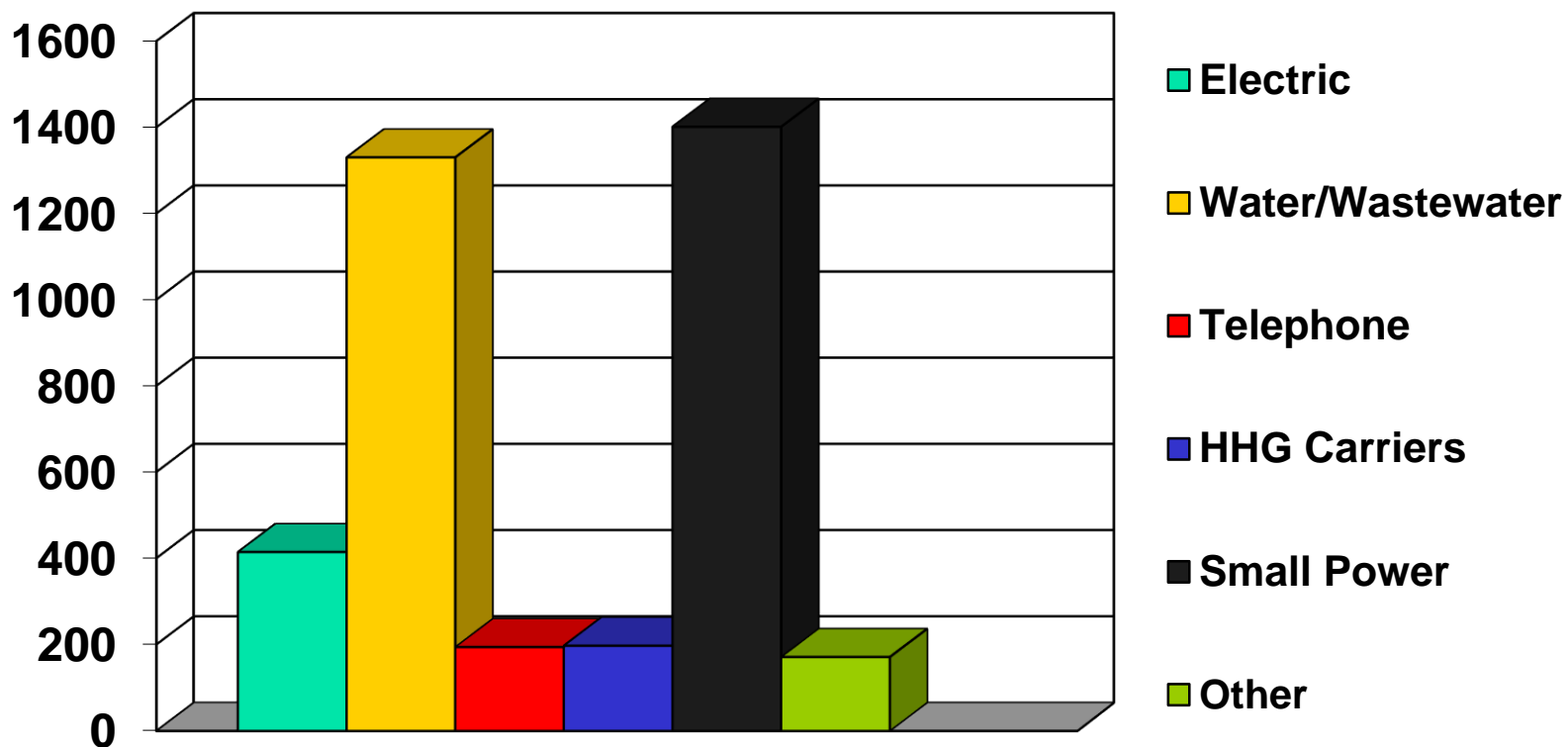
Filings by Industry Group

(For the 12-Month Period Ending 6/30/15)



Orders by Industry Group

(For the 12-Month Period Ending 6/30/15)



Industry Specific Overview



- I Electric
- II Natural Gas
- III Telecommunications
- IV Transportation
- V Water and Wastewater
- VI Selected Financial and Operational Data

I Electric

Basic Facts: Regulated Electric Utilities

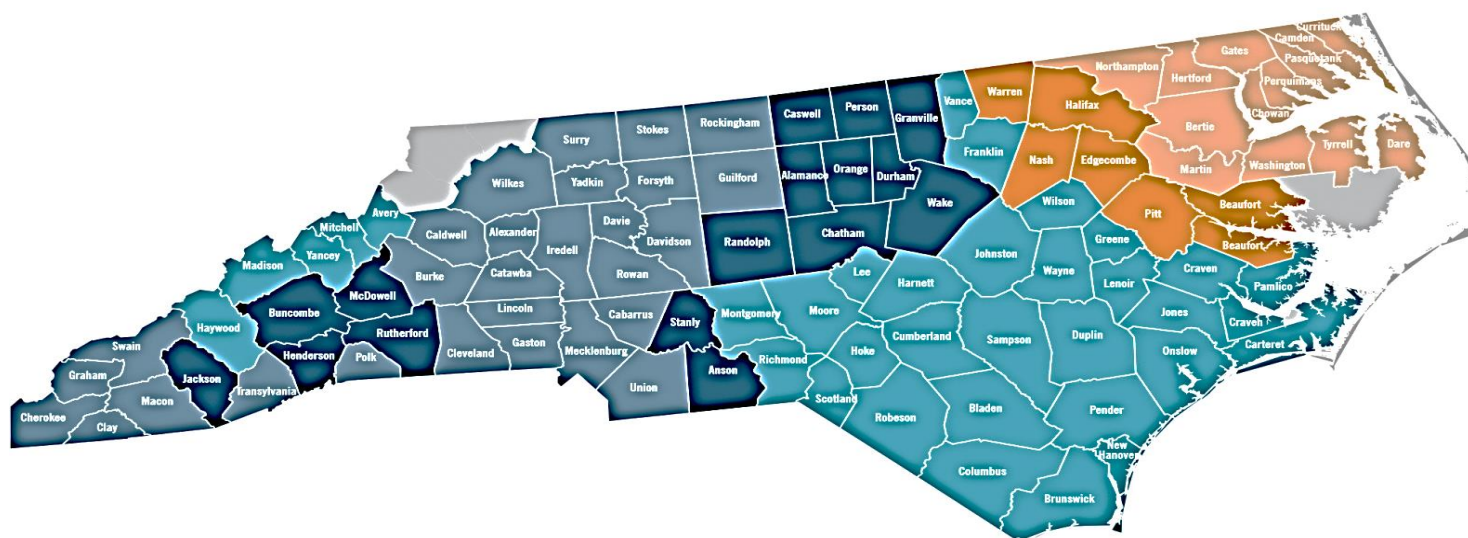
- 3 Investor-Owned Utilities (IOUs)
 - Duke Energy Carolinas – 1,896,000 customers in Piedmont and Western North Carolina
 - Duke Energy Progress – 1,319,000 customers in Eastern and Western North Carolina
 - Dominion NC Power – 119,000 customers in Northeastern North Carolina

EMC, Municipal-Owned, & University-Owned







- 31 Electric Membership Corporations (EMCs) – 1,054,000 customers
- About 75 Municipal and University-owned electric distribution systems – 575,000 customers
- Limited NCUC jurisdiction: EMCs, Munis, and certain University systems
 - Monitor subsidiary business activities of EMCs to prevent subsidization by electric customers (*G.S. 117-18.1*)
 - EMC territorial assignment issues (*G.S. 62-110.2*)
 - Certification authority for construction of electric generating facilities (*G.S. 62-110.1*) and electric transmission lines of 161 + kV (*G.S. 62-101*)
 - Adjudicate pole attachment disputes (*G.S. 62-350*)
 - Safety jurisdiction over gas pipeline facilities operated by municipalities and similar entities (*G.S. 62-50*)
 - Rates charged to customers of New River Light and Power (Boone) and Western Carolina University (Cullowhee) are regulated by the Commission

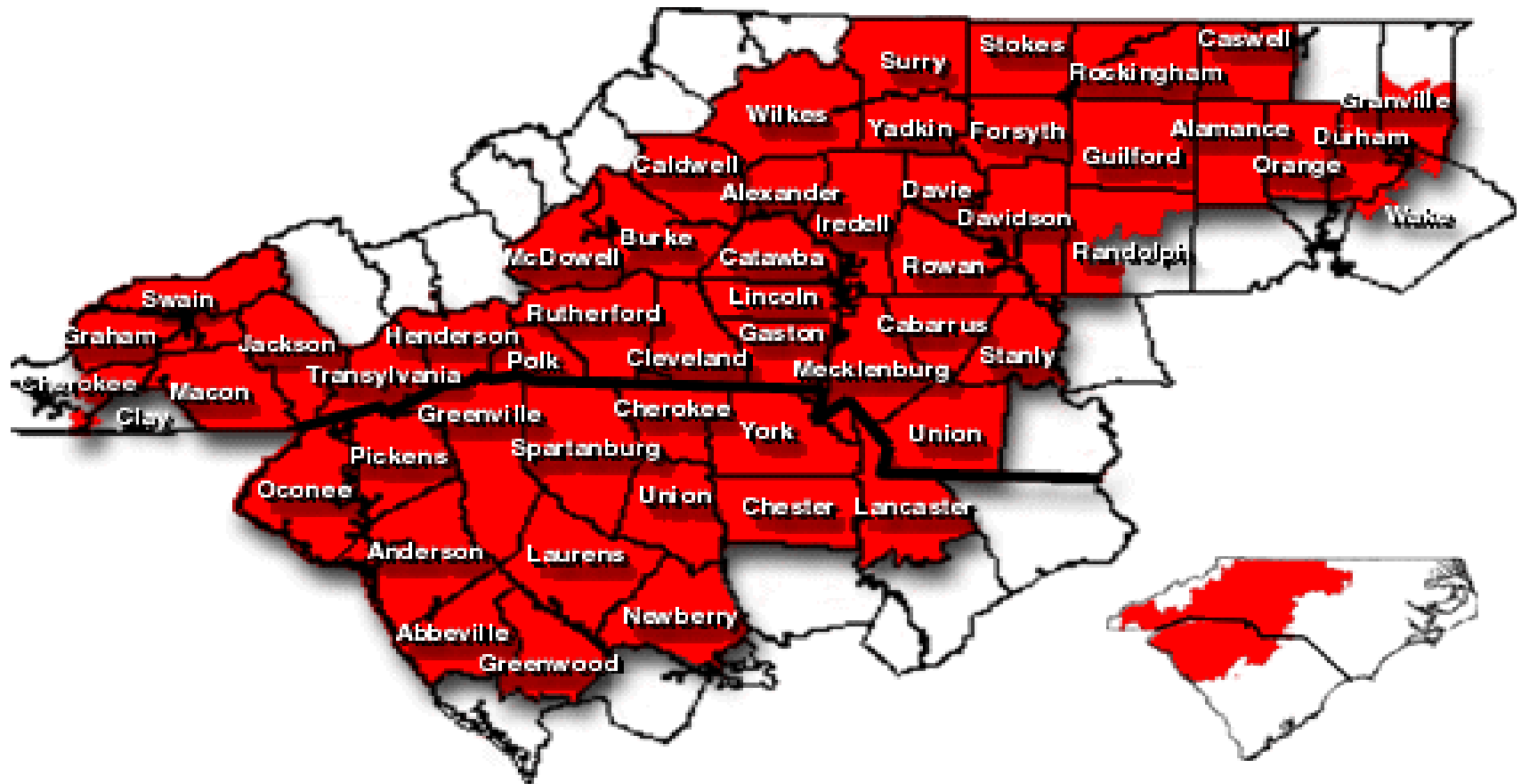
North Carolina Electric IOU Service Area Map



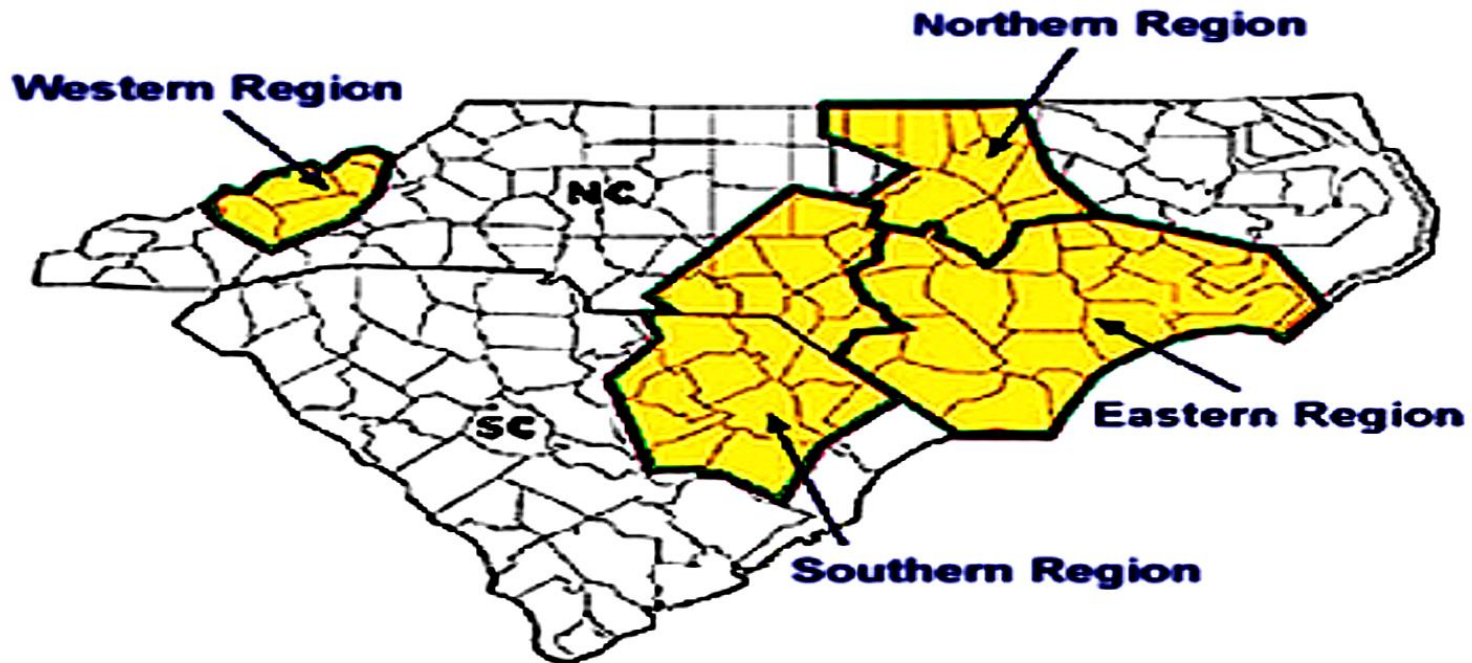
SERVICE TERRITORIES (counties served)

- | | |
|---|---|
|  Duke Energy Carolinas |  Dominion North Carolina Power |
|  Duke Energy Progress |  Dominion North Carolina Power/
Duke Energy Progress overlapping counties |
|  Duke Energy Carolinas/
Duke Energy Progress overlapping counties | |

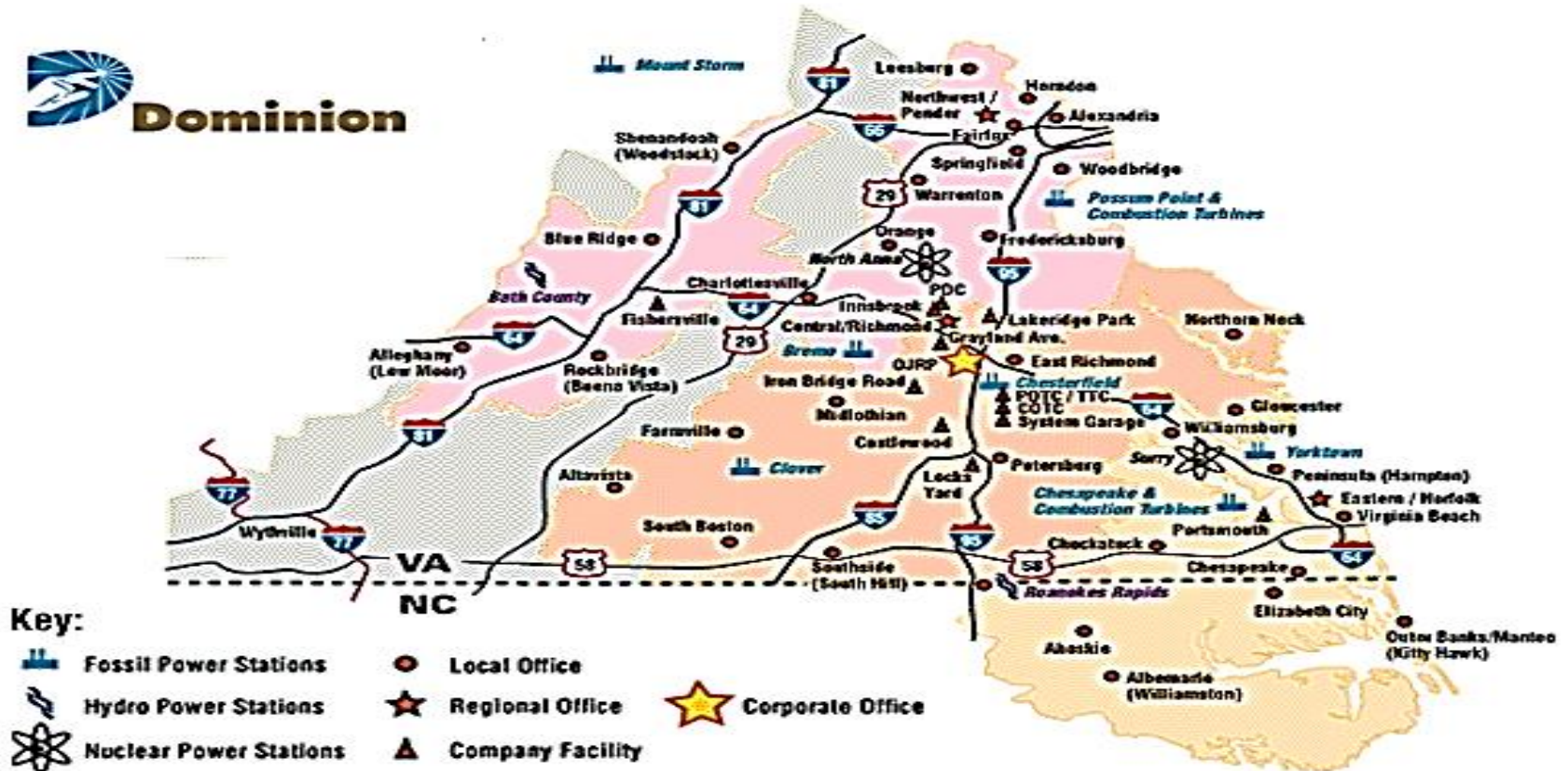
Duke Energy Carolinas NC & SC Service Area



Duke Energy Progress NC & SC Service Area



Dominion NC Power NC & VA Service Area

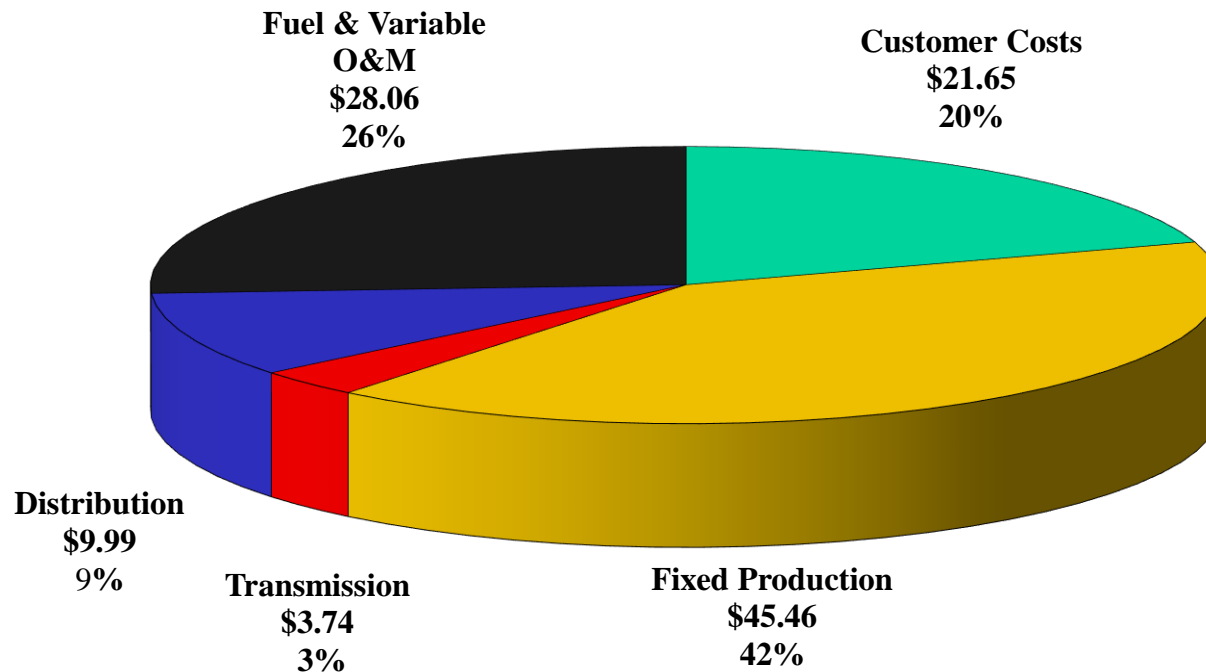


Duke Energy Carolinas

Typical Residential 1,000 kWh Monthly Bill

Total \$108.90

JULY 2015

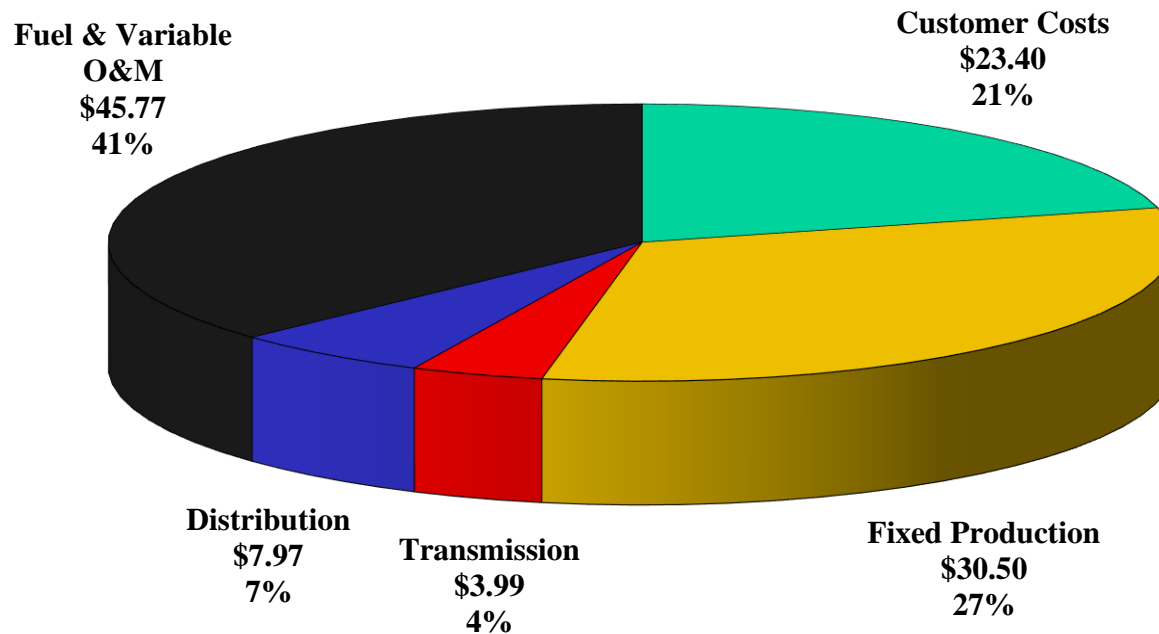


Duke Energy Progress

Typical Residential 1,000 kWh Monthly Bill

Total \$111.63

JULY 2015

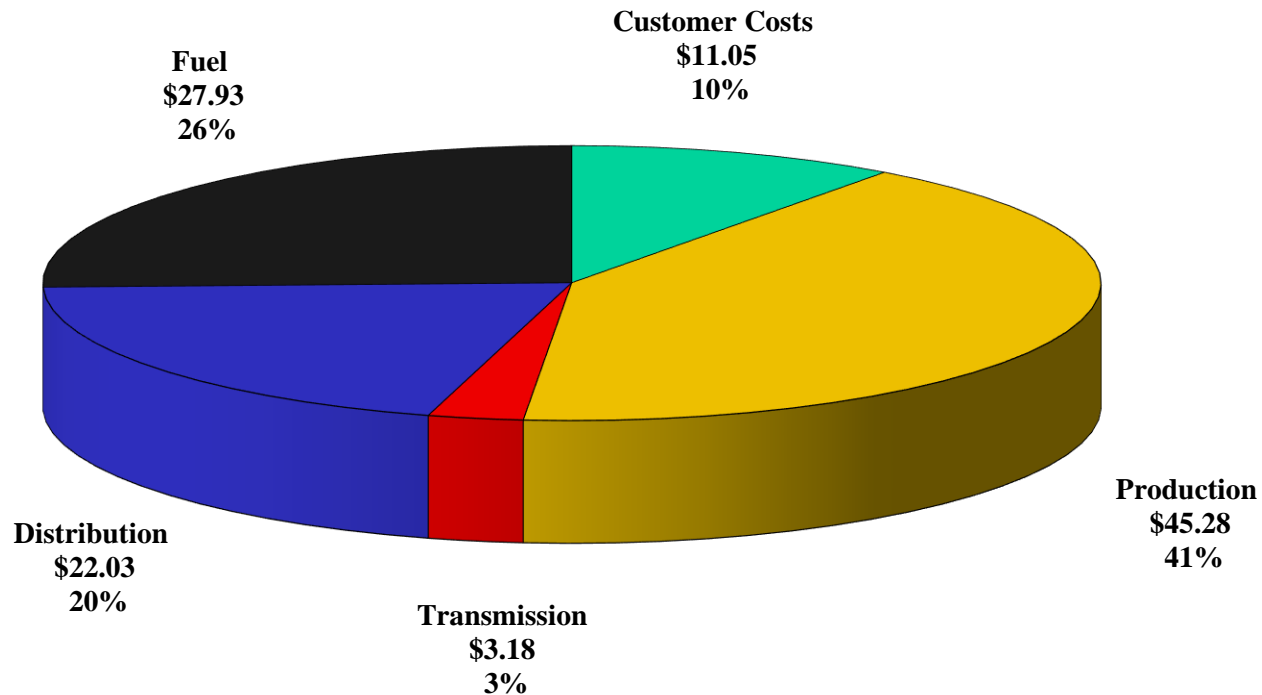


Dominion NC Power

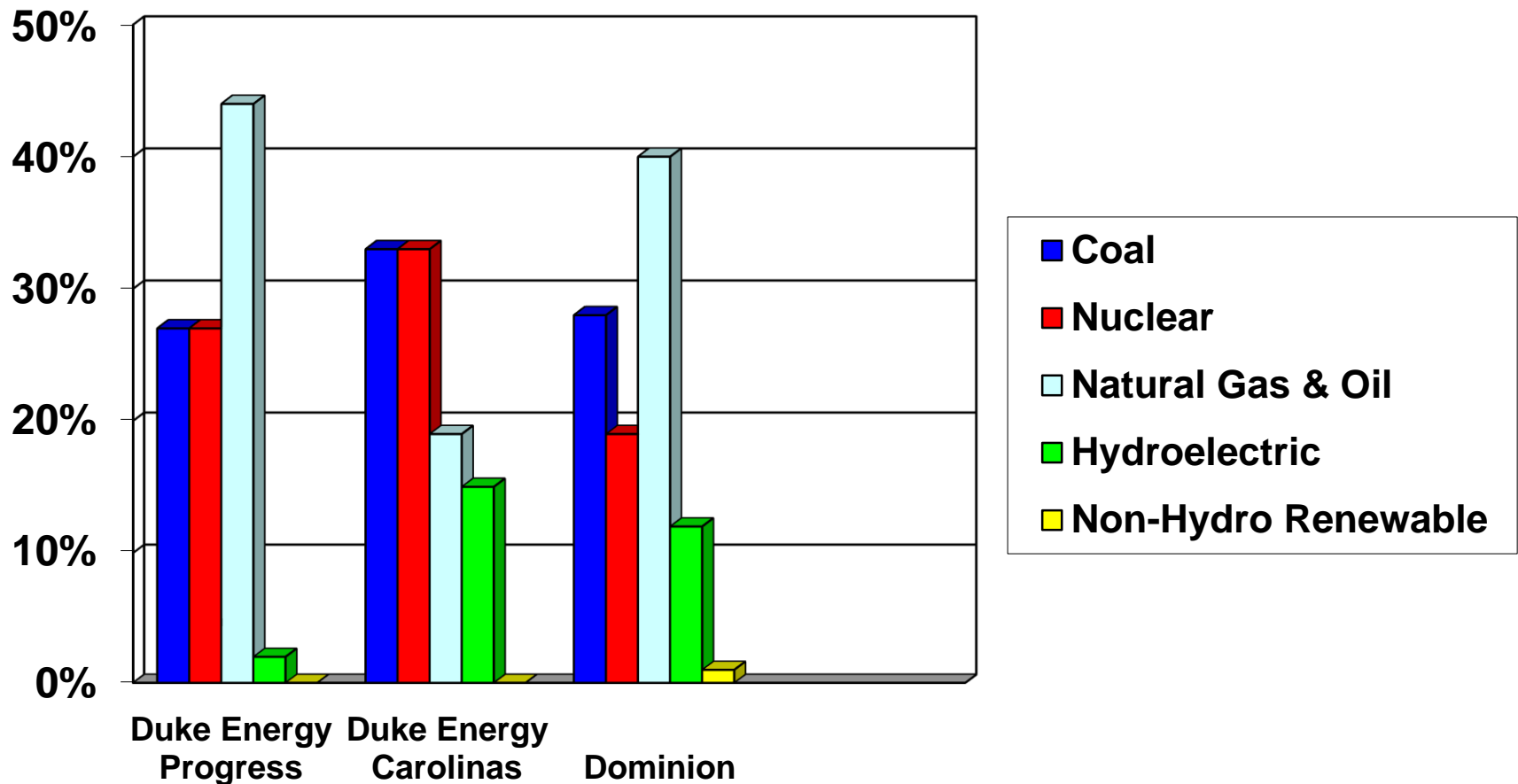
Typical Residential 1,000 kWh Monthly Bill

Total \$109.47

JULY 2015



Generating Capacity by Fuel Type



Projected Reserve Margins Through 2029

Company	Reserve Margins
Duke Energy Progress	15.2% – 21.1%
Duke Energy Carolinas	15.0% – 22.7%
Dominion	11.2% – 17.4%

Renewable Energy & Energy Efficiency Portfolio Standard (REPS)



- In 2007, North Carolina became the first State in Southeast to adopt a renewable energy portfolio standard – Session Law 2007-397 (Senate Bill 3)
- REPS requirement may be met through combination of renewable energy generation and energy efficiency savings
- REPS requirement applies to investor-owned electric utilities (electric public utilities), electric membership corporations, and municipal utilities
- REPS requirement increases from 3% of customer electricity use in 2012 to 12.5% by 2021 (for electric public utilities)
- Specific requirements for energy derived from the sun and from poultry and swine waste, with solar requirement that began in 2010
- Cap on incremental cost of compliance, including annual rate adjustments for investor-owned utilities
- Legislation adopting REPS also provides timely cost recovery for new demand-side management programs and energy efficiency measures by electric public utilities, including the opportunity for utility incentives
- The Commission has approved about 1,280 renewable energy facilities, and a third-party renewable energy certificate (REC) tracking system became operational in 2010

II Natural Gas

Basic Facts: Industry Structure



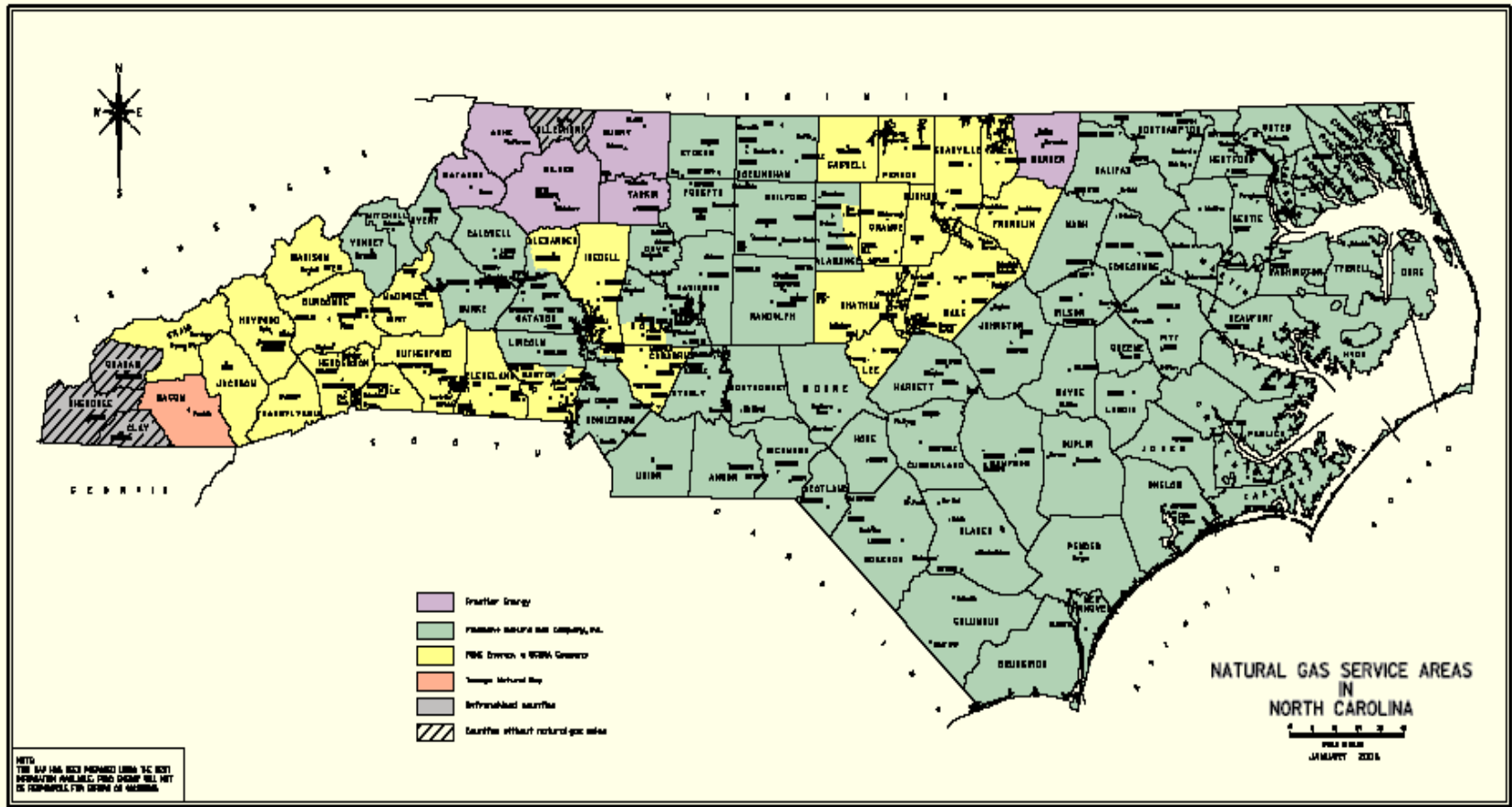
- Three parts of natural gas industry
 - Exploration and Production (E&P)
 - Interstate pipelines and storage facilities
 - Local Distribution Companies (LDCs)
- E&P companies are not price-regulated
- Interstate companies are regulated by FERC (Federal Energy Regulatory Commission)
- LDCs are regulated by state commissions

Natural Gas Utilities



- 4 Local Distribution Companies (LDCs) in the state
 - Piedmont Natural Gas Company, Inc.
 - PSNC Energy
 - Frontier Natural Gas Company, LLC
 - Toccoa Natural Gas
- 1 Intrastate Gas Pipeline (Cardinal Pipeline Company, LLC)
- 8 Municipal Gas Systems – rates not regulated by NCUC
- 1 Interstate Gas Pipeline (Transco) crosses the state
 - 2 others (Columbia and Patriot) provide small volumes
- 1 interstate liquefied natural gas storage facility
(Pine Needle LNG Company, LLC)

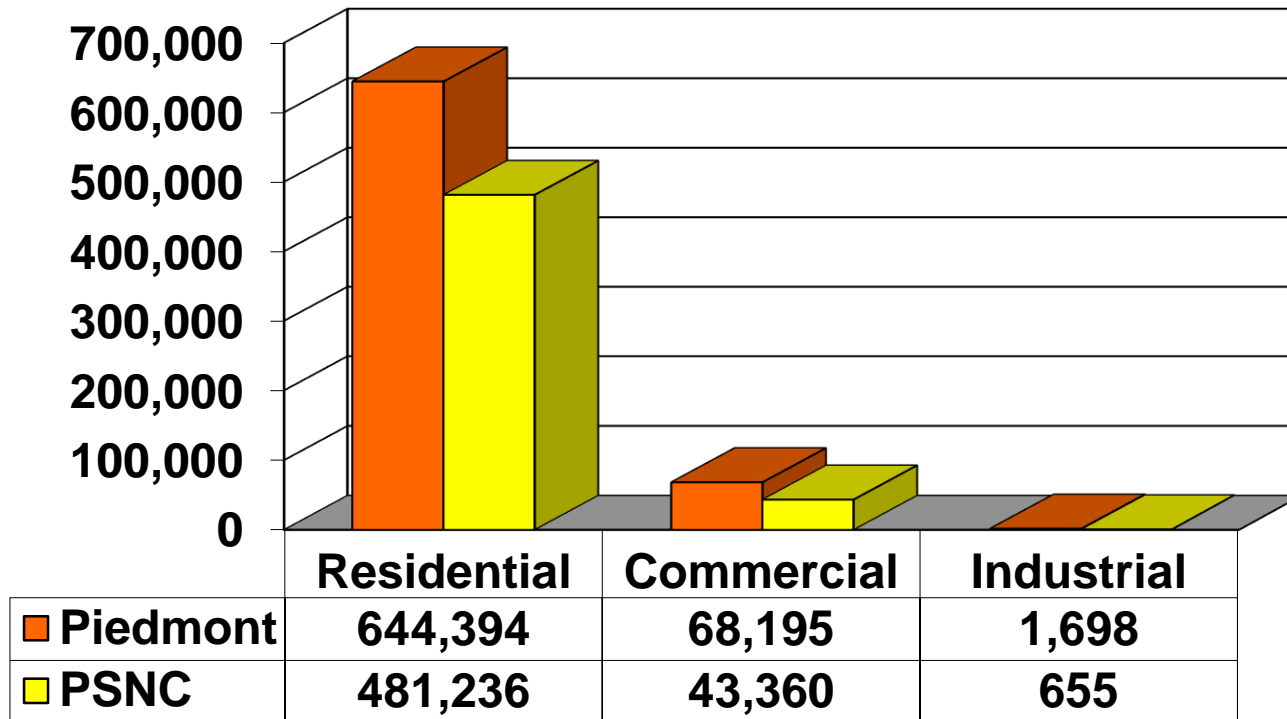
Local Distribution Companies' Service Territories



Major Local Distribution Companies' Number of Customers

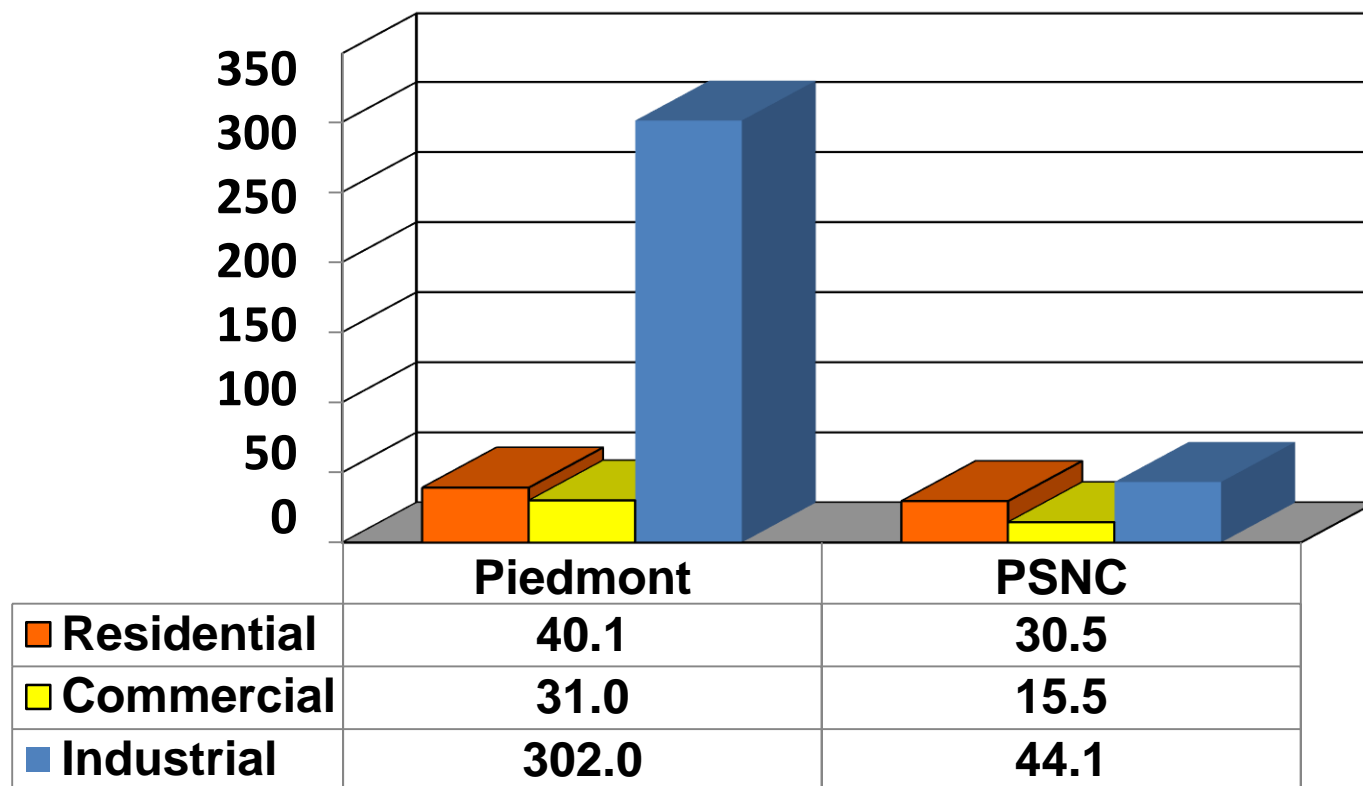


(As of 3/31/15)



Major Local Distribution Companies' Volumes Delivered (In Millions of Dekatherms)

(12-Month Period Ending 3/31/15)



Note: "Industrial" volumes include deliveries to gas-fired electric generators;
Piedmont's "Industrial" volumes include deliveries for resale to municipal gas systems.

State Regulatory Framework For Local Distribution Companies *cont.*



Rates

- NCUC establishes level of base rates in a general rate case
- LDCs earn a return on equity invested
 - Pass through prudently incurred costs
- LDCs may file purchased gas adjustments at any time
 - To adjust gas cost portion of rates prospectively
 - To pass through the wholesale cost of natural gas
 - LDCs do not profit from high gas prices
- NCUC annually reviews each LDC's gas purchasing practices
 - Compares prudently incurred costs to costs recovered
 - Changes rates to “true up” under-recoveries or over-recoveries

State Regulatory Framework For Local Distribution Companies *cont.*

Tracker Mechanisms

- Laws allow for certain costs to be recovered outside of a rate case
 - G.S. 62-133.7 – customer usage adjustment
 - G.S. 62-133.7A – safety-related capital expenditure adjustment
- G.S. 62-133.7 – Lets LDCs adjust rates to track customer usage
 - Without this, reduced usage would cause LDCs to under-recover margin
 - Would punish LDCs for promoting conservation and efficiency
 - Tracker allows for rate adjustments to recover rate case margins
- G.S. 62-133.7A. – Lets LDCs put safety-related investments in rate base
 - Federal pipeline safety laws and regulations require major investments
 - Without this, LDCs might have to file frequent “pancaked” rate cases

Current Issues: Growing, Changing Market



- U.S. natural gas production is at a four-decade high
 - New shale plays have greatly increased production
 - Infrastructure is needed to move shale gas from new areas
- Natural gas prices are low
- U.S. natural gas use is at an historic high
 - 26.8 trillion cubic feet in 2014
 - Up 17% over 2009
- Demand for gas for electric generation is increasing
 - Deliveries by LDCs have more than tripled since 2011
- Shale gas beginning to flow south to North Carolina

Current Issues: Interstate Pipeline Capacity



- Development of Northeast shale play has had a major impact
 - Gas production at a record high
 - Demand is growing, particularly for electric generation
- Transco is adding capacity, reversing flow from north to south
 - Several projects, including Leidy Southeast (SE) Project
 - Piedmont & PSNC both got 100,000 dekatherms/day on Leidy SE
- Dominion plans the Atlantic Coast Pipeline (ACP)
 - Duke (40%) and Piedmont (10%) are equity partners
 - ACP will generally run down the I-95 corridor
 - Duke, Piedmont, and PSNC are customers
 - In service by November 2018

III Telecommunications

Basic Facts: Telecom Utilities

(As of 6/30/15)

- 16 Incumbent Local Exchange Companies (ILECs)
 - 4 ILECs price-plan regulated¹
 - No ILECs remain rate-of-return regulated
 - 8 ILECs Subsection (h) price-plan elected, effective upon filing notice² (G.S. 62-133.5(h))
 - 4 ILECs Subsection (m) price-plan elected, effective upon filing notice³ (G.S. 62-133.5(m))
- 166 Competing Local Providers (CLPs)
 - Rates are not regulated; may raise rates after 14 days customer notice
- 283 Interexchange Long Distance Carriers (IXCs)
 - Senate Bill 814, signed into law on 5/30/03, found long distance services sufficiently competitive and no longer subject to regulation by the Commission. However, the Commission has authority regarding certification and enforcement of slamming and cramming rules.

¹ Barnardsville Telephone Company, Citizens Telephone Company, d/b/a Comporium, Saluda Mountain Telephone Company, and Service Telephone Company.

² Ellerbe Telephone Company, Frontier Communications of the Carolinas Inc., North State Telephone Company, Pineville Telephone Company, Verizon South, Inc. (Knotts Island exchange only), Windstream Concord Telephone Company, Windstream Lexcom Telephone Company, and Windstream North Carolina, LLC.

³ BellSouth Telecommunications, Inc. d/b/a AT&T North Carolina, Carolina Telephone and Telegraph Company LLC d/b/a CenturyLink, Central Telephone Company d/b/a CenturyLink, and MebTel, Inc. d/b/a CenturyLink.

Telecom Utilities *cont.*



(As of 6/30/15)

- 59 Payphone Service Providers (PSPs)
- 16 Shared Tenant Services (STS) Providers
- Commission does not regulate:
 - Telephone Membership Corporations
 - Cable and Satellite
 - Commercial Mobile Radio Service (*includes cellular and pagers*)
 - Data and Internet Service Providers
 - Long Distance Providers (*with the exceptions of certification and enforcement of slamming and cramming rules*)
 - Rates, terms, conditions, or availability of retail services of Subsection (h) and Subsection (m) price-plan entities (ILEC or CLP)

House Bill 1180

Subsection (h) Price Plans – G.S. 62-133.5(h)

- HB1180 signed into law on 6/30/09
- Allowed ILECs and CLPs to adopt a Subsection (h) price plan
- ILEC or CLP only needs to file notice of adoption of Subsection (h) price plan with the Commission which becomes effective immediately upon filing
- Commission cannot regulate the rates, terms, conditions, or availability of retail services for Subsection (h) price-plan companies
- Subsection (h) price-plan ILECs must continue to offer stand-alone basic residential lines to all customers who choose to subscribe to that service, and the rate for stand-alone basic residential service may not increase more than the GDP-PI on an annual basis
- The following CLPs are Subsection (h) companies: dishNet Wireline, LLC, ETC Communications, LLC, Frontier Communications of America, Inc., Onvoy, Inc., Rosebud Telephone, LLC, SCTG Communications, Smithville Telecom, LLC, and Tri-County Communications, Inc.



Subsection (h) Price Plans *cont.*

- The following ILECs are Subsection (h) companies: Ellerbe Telephone Company, Frontier Communications of the Carolinas, Inc., North State Telephone Company, Pineville Telephone Company, Verizon South, Inc., Windstream Concord Telephone, Inc., Windstream Lexcom Communications, Inc., and Windstream North Carolina, LLC
- Subsection (h) ILECs are not required to file financial information and are only required to provide, on an annual basis, a link to their financial filings with the SEC which does not provide North Carolina-specific data



Senate Bill 343

Subsection (m) Price Plans – G.S. 62-133.5(m)

- SB343 signed into law on 4/26/11
- Allowed ILECs and CLPs to adopt a Subsection (m) price plan
- ILEC or CLP only needs to file notice of adoption of Subsection (m) price plan with the Commission which becomes effective immediately upon filing
- Commission cannot regulate the rates, terms, conditions, or availability of retail services for Subsection (m) price-plan companies, including stand-alone basic residential service
- A Subsection (m) company does not have any carrier of last resort obligations
- Subsection (m) price-plan companies are **not** required to offer stand-alone basic residential service



Subsection (m) Price Plans *cont.*

- A subsection (m) company forgoes receipt of any funding from a State funding mechanism that may be established to support universal service
- The following CLPs are Subsection (m) companies: AT&T Corp., CenturyLink Communications, LLC, Crosstel Tandem, Inc., North State Communications Advanced Services, LLC, Teleport Communications America, LLC, and Time Warner Cable Information Services, LLC
- The following ILECs are Subsection (m) companies: BellSouth Telecommunications, Inc., d/b/a AT&T North Carolina, Carolina Telephone and Telegraph Company, Central Telephone Company, and MebTel, Inc.
- Subsection (m) ILECs are not required to file financial information and are only required to provide, on an annual basis, a link to their financial filings with the SEC which does not provide North Carolina-specific data

North Carolina ILECs



(As of 12/31/14)

- Largest NC Incumbent Local Exchange Companies (ILECs)
 - AT&T – 617,393 access lines
 - Carolina Telephone (d/b/a CenturyLink) – 535,705 access lines
 - Frontier – 154,199 access lines
 - Central Telephone (d/b/a CenturyLink) – 119,632 access lines
- All other ILECs serve total of 305,293 access lines in NC

North Carolina Area Codes

Area Code

Exhaust Date*

336

4th Qtr. 2016 ^[1]

910

3rd Qtr. 2021

252

2nd Qtr. 2035

828

2nd Qtr. 2035

919/984

Beyond 30 Years

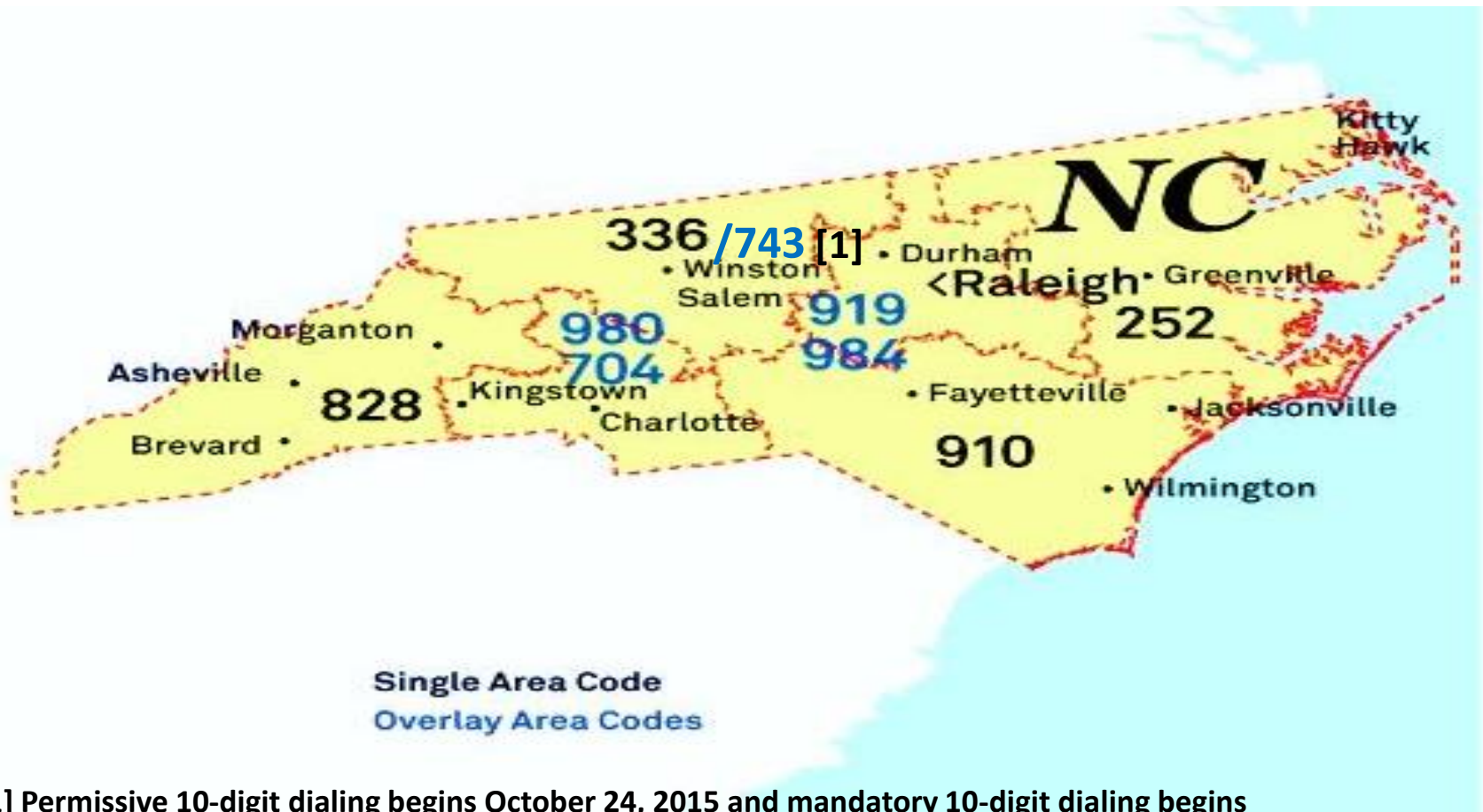
704/980

2nd Qtr. 2040

[1] The Commission has ordered an all-services distributed overlay for relief of the 336 area code. Permissive 10-digit dialing will begin October 24, 2015. The new area code will be 743. (See Docket No. P-100, Sub 137c.)

* Exhaust dates are current projections which are subject to change.

North Carolina Area Code Map



[1] Permissive 10-digit dialing begins October 24, 2015 and mandatory 10-digit dialing begins April 23, 2016. The earliest new area code number activation date is May 23, 2016.

IV Transportation

Basic Facts



(As of 6/30/15)

- **Motor Carriers of Household Goods (HHG)**
 - 268 certificated movers
 - Subject to provisions of Maximum Rate Tariff, effective 1/1/03
 - Provide intrastate transport of HHG
- **Regular Route Passenger Carriers**
 - 2 certificated bus companies
 - Provide passenger service over regular routes
- **Passenger Brokers**
 - 12 licensed brokers
 - Broker tours and trips with charter bus companies
- **Ferryboat Operators**
 - 10 certificated ferryboat operators
 - Provide passenger service via water over authorized routes
 - Commission does not regulate ferries operated by NCDOT's Ferry Division

V Water and Wastewater

Basic Facts: Water/Wastewater Industry

- Anyone furnishing water to the public for compensation or operating a public sewerage system for compensation is a public utility (*G.S. 62-3(23)a.2*)
- Regulation does not include –
 - Operations with less than 15 residential customers
 - Municipal or County systems
 - Sanitary Districts
 - Mobile Home Parks (where water/wastewater included in rent)
 - Homeowners' Associations
 - Nonprofit and consumer-owned corporations

Water/Wastewater Industry *cont.*

- NCUC grants certificates for specific service area and regulates rates and service aspects of utility operation
- NCUC does not regulate drinking water quality, but requires compliance with NCDENR, Division of Water Resources, Public Water Supply regulations
- NCUC does not regulate discharge of sewage being treated, but requires compliance with NCDENR, Division of Water Resources, Water Quality regulations

Rates of Water/Wastewater Utilities

- Traditional Companies
 - NCUC establishes base rates in general rate case (*G.S. 62-133 and G.S. 62-133.1*).
 - In general rate case, Company may seek approval of rate adjustment mechanism for investment in eligible repair, improvement, and replacement of water and sewer facilities (*G.S. 62-133.12*). Once mechanism is approved and eligible system improvements are completed and placed in service between rate cases, Company may seek approval to impose water (and/or sewer) system improvement charge (WSIC and SSIC) pursuant to mechanism, subject to 5% statutory cap and NCUC procedures (*Rules R7-39 and R10-26*).
 - Company may request a pass-through rate adjustment, outside a general rate case, for changes in costs based on third-party supplier's rates (*G.S. 62-133.11*).
- Resale Companies
 - NCUC establishes rates based upon charges by a third-party supplier of service and an administrative fee (*G.S. 62-110[g]*).

Water/Wastewater Utilities

(As of 3/31/15)

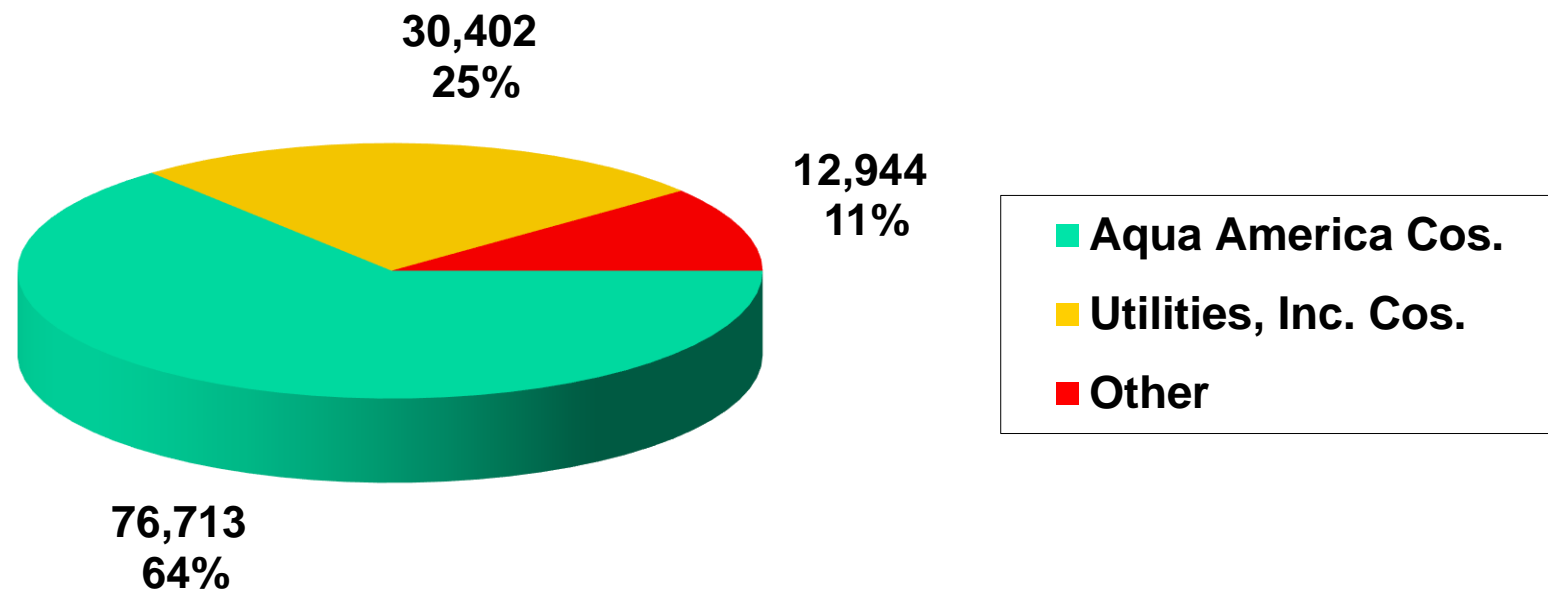
- Traditional Companies
 - 44 Water and Wastewater
 - 36 Water only
 - 30 Wastewater only
 - 1,130 Systems
 - 120,059 Water and 56,838 Wastewater customers
- Resale Companies
 - 1,026 Water and/or Wastewater

110 Total Companies

Water Customers

(As of 3/31/15)

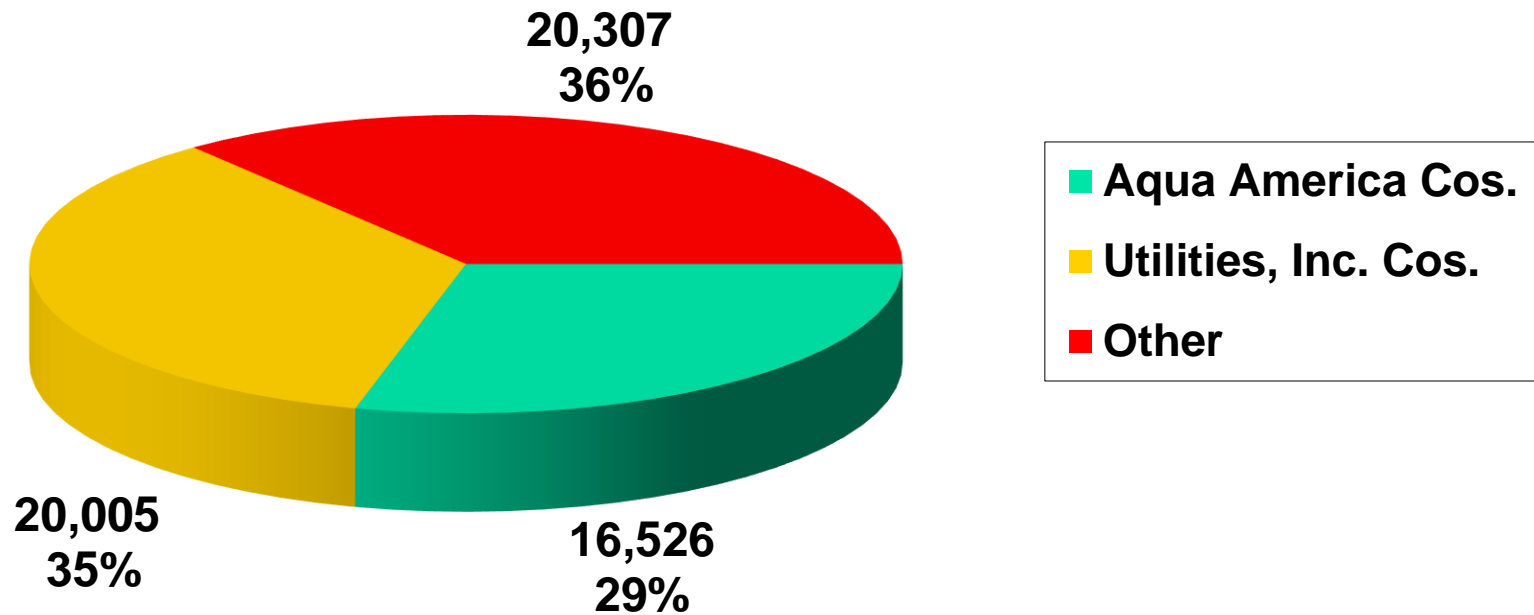
Distribution of 120,059 Traditional Water Customers



Wastewater Customers

(As of 3/31/15)

Distribution of 56,838 Traditional Wastewater Customers

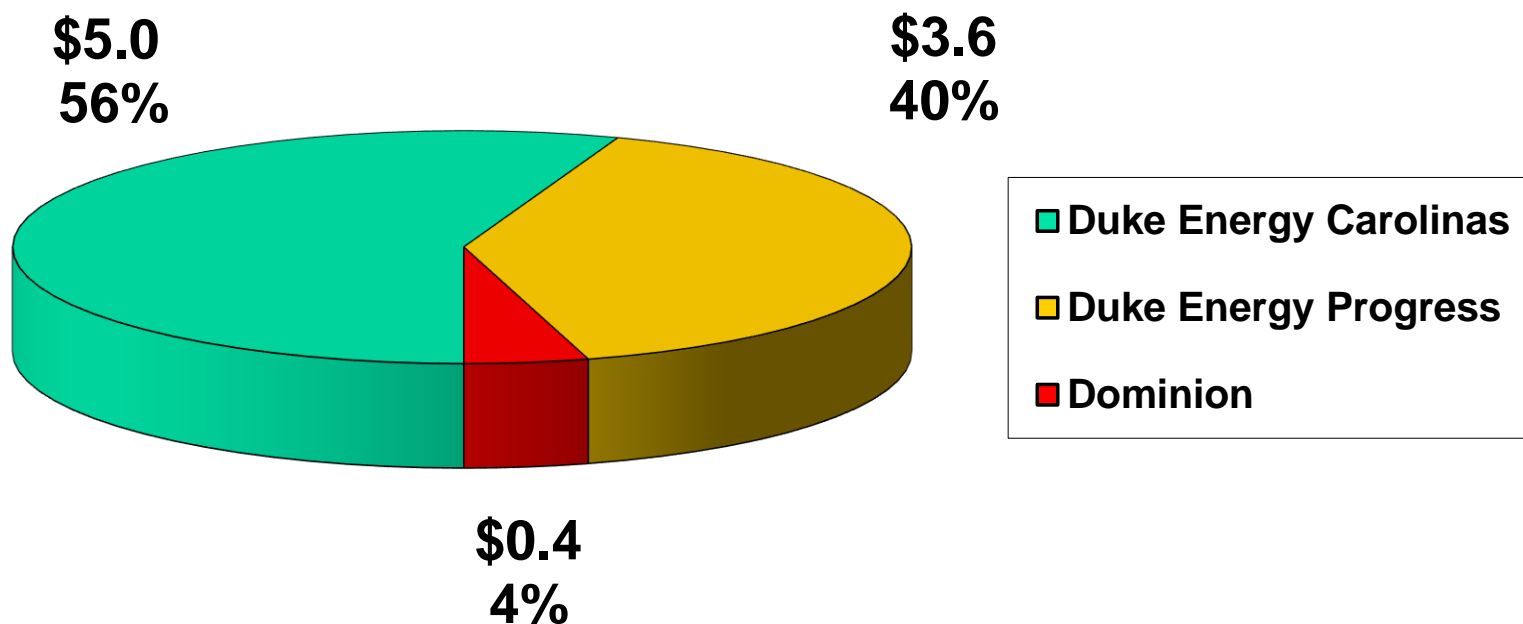


VI Selected Financial and Operational Data

Operating Revenues by Electric Utility

(\$9.0B Total)

(\$ in Billions)

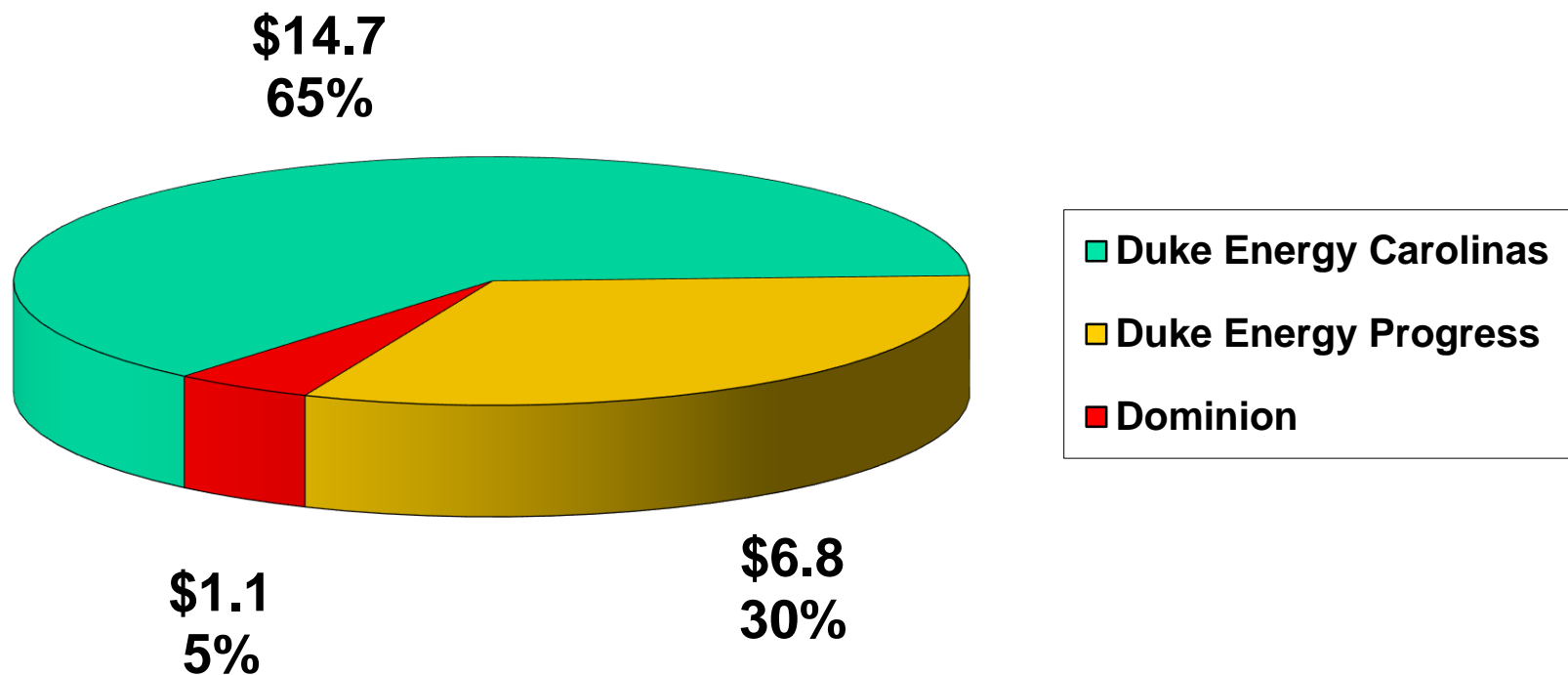


(12-Month Period Ending 3/31/15)

Net Plant Investment by Electric Utility (\$22.6B Total)



(\$ in Billions)

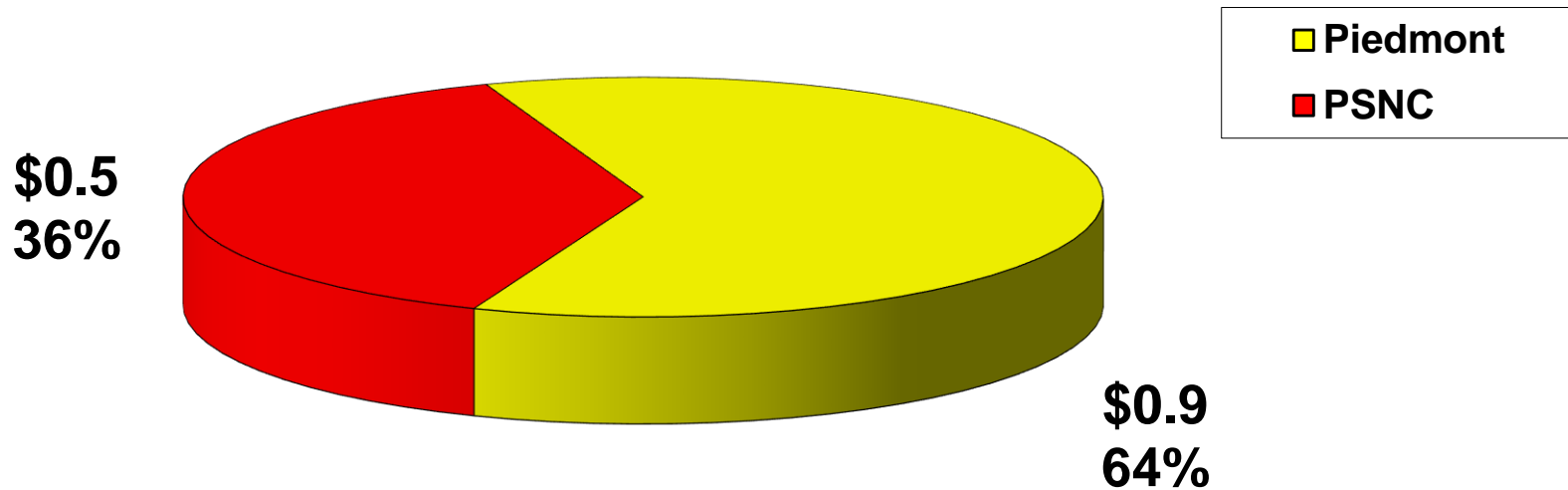


(As of 3/31/15)

Operating Revenues by Natural Gas Utility (\$1.4B Total)



(\$ in Billions)

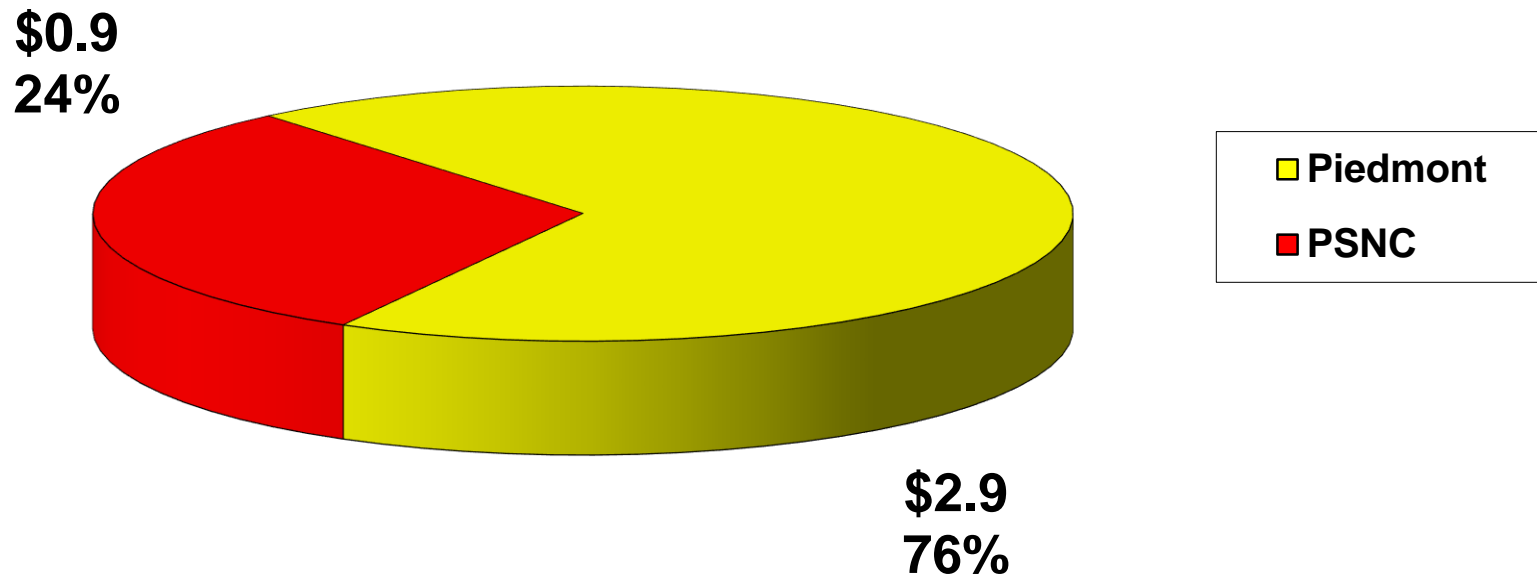


(12-Month Period Ending 3/31/15)

Net Plant Investment by Natural Gas Utility (\$3.8B Total)



(\$ in Billions)



(As of 3/31/15)



Selected Mergers and Acquisitions 2003 to Present^[1]

- Electric
 - In 2005, Dominion joined PJM Interconnection, LLC
 - In 2006, Duke Energy acquired Cinergy
 - In 2012, Progress Energy merged with Duke Energy
- Natural Gas
 - In 2003, Piedmont acquired NCNG and 50% interest in Eastern NCNG
 - In 2005, Piedmont acquired the remaining 50% interest in Eastern NCNG
 - In 2007, Energy West acquired Frontier
- Water/Wastewater
 - In 2004, Aqua America acquired stock of Heater Utilities
 - In 2006, Hydro Star acquired stock of Utilities, Inc., from nv Nuon
 - In 2009, Pluris, LLC, acquired North Topsail Utilities, Inc.
 - In 2012, Corix Utilities acquired stock of Utilities, Inc., from Hydro Star

[1] The business combinations presented, although dated, typically engender the greatest interest.

Major Issues



- Electricity
 - Renewable Energy and Energy Efficiency Portfolio Standard (REPS) compliance, conventional and renewable generation, fuel and fuel-related costs, transmission planning and construction, energy efficiency and demand response, nuclear and coal ash waste management, greenhouse gas emissions and carbon regulation, credit/financing
- Natural Gas
 - Low natural gas prices, new sources and pipelines, growing electric generation use
- Telecommunications
 - Transition to all-IP network (national trials underway), broadband deployment, intercarrier compensation, net neutrality, universal service, Lifeline reform

Major Issues *cont.*



- Transportation
 - Criminal history background checks and fitness of company principals, insurance compliance, unauthorized movers and related complaints
- Water & Wastewater
 - Water supply, environmental issues, industry consolidation, drought conditions, financing/bonding, system repair/improvement/replacement, appointment of emergency operators
- Generic
 - Financial market pressures, storm impacts, emergency preparedness, accounting issues, merger conditions, tension at intersection of regulated and competitive activities of regulated companies, State versus Federal regulatory authority issues