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UTILITY REVIEW COMMITTEE

REPORT
TO THE
1975

GENERAL ASSEMBLY OF NORTH CAROLINA
SECOND SESSION 1976



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RALEIGH, NORTH CAROLINA



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Utility Review Committee
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SENATOR WESLEY D. WEBSTER, CO-CHAIRMAN
REPRESENTATIVE THOMAS J. BAKER
SENATOR JACK CHILDERS
SENATOR J. J. HARRINGTON
REPRESENTATIVE GEORGE W. MILLER, JR

TO THE MEMBERS OF THE GENERAL ASSEMBLY:

Pursuant to Resolution 100 of the Session Laws of the 1975 General Assembly, the Utility Review Committee submits herewith its report to the members of the 1975 North Carolina General Assembly, Second Session 1976.

Wesley D. Webster
Wesley D. Webster
Co-Chairman

J. P. Huskins
J. P. Huskins
Co-Chairman

Table of Contents

	Page
Introduction . . .	1
Carolina Power & Light's Interim Rate Increase . . .	1
Effect of Legislation Intended to Reduce Regulatory Lag . . .	3
"Bill of Particulars" presented by Lieutenant Governor . . .	4
Temporary Rate Increases Under Bond . . .	5
Analysis of Utilities Commission by the Investment Community . . .	6
Request for Night Hearings . . .	7
Management Audits of Utility Companies . . .	7
Peak Load Pricing and Load Management . . .	8
Nuclear Power . . .	9
Telephone Directory Assistance Charges and Exemptions . . .	9
Public Information about Utility Rate Regulation . . .	10
Request by Attorney General for Staff Assistance . . .	10
Request by Utility Review Committee for Staff Assistance . . .	11
Telephone Service Problems . . .	12

Introduction

In Senate Joint Resolution 549 (ratified Resolution 100), the 1975 General Assembly established the Utility Review Committee. (SJR 549 is set out in Appendix 1.) The Utility Review Committee is a continuing committee of the General Assembly to exist for five (5) years, beginning July 1, 1975. Six sitting members of the General Assembly comprise the Committee. Prior to the convening of the 1975 General Assembly, Second Session 1976, the Committee has held 11 meetings. (See Appendix 2 for an outline of meeting dates, participants, and topics discussed.)

The Utility Review Committee does not have regulatory authority but is empowered to review the activities of the State Utilities Commission and of utility companies doing business in North Carolina, and it is required to submit evaluations of their performance to the General Assembly. Additionally, the Committee is authorized to make periodic reports and recommendations.

This document is a progress report of the Utility Review Committee's action since adjournment of the 1975 General Assembly, First Session 1975. It contains a list of the significant issues which have been addressed and a brief accompanying commentary to highlight some of the relevant factors surrounding each issue. For certain issues the Committee is making tentative recommendations regarding future legislative responses, although for several issues the Committee is still in a fact-finding role and withholds editorial comment. The Committee has decided not to offer any specific legislation for consideration during the upcoming session because of the complex factors which should be carefully weighed in designing solutions to the problems identified, and because of the subject and time restrictions of the session to be held in 1976.

I. THE UTILITY REVIEW COMMITTEE QUESTIONED CP&L'S OBTAINING A 12% INTERIM EMERGENCY RATE INCREASE.

In August 1975, Carolina Power and Light (CP&L) received a 12% (\$44.6 million) interim emergency rate increase from the Utilities Commission. This increase, similar to several other interim rate increases granted since 1971, was unpopular with CP&L's customers. The Utility Review Committee questioned Commission Chairman Marvin Wooten (on August 28, 1975) and Commissioner George Clark, Jr. (on Mar. 18, 1976) about the Commission's decision.

They defended the decision, which had been made by a three-member panel, and offered several supporting reasons. For example:

- (1) CP&L's construction program had been reduced and delayed four times; this factor, plus the long lead time needed to construct new plants, the unexpected surge in summer peak demand, the anticipated future surge in demand as the economy rebounded, a trend by consumers to switch from oil and natural gas to electricity, and CP&L's low (10%) reserve capacity threatened to create shortages in CP&L's service territory by 1980-81.
- (2) CP&L had cut back on essential maintenance in early 1975 due to its financial condition.
- (3) CP&L's current base rate was based on 1973 calendar year costs; its service rate thus did not take into account substantial increases in the cost of money, construction, and fuel which had occurred during 1974.
- (4) Accounting records developed during the Commission's hearing on the interim increase showed that CP&L was earning a lower rate of profit than the Commission had authorized in CP&L's last general rate case.
- (5) To finance future construction, CP&L needed to issue \$60 million in bonds in the spring of 1976 and the same amount in the fall of 1976 (as well as \$60 million of common stock before the end of 1975). Its current earnings level appeared insufficient to prevent a downgrading of CP&L bonds on the market. If this occurred, the company would have to pay investors a higher interest rate on the 1976 bonds and the low quality would prevent some purchasers from buying the bonds. Also, many more shares of stock would have to be sold to raise the same amount of money.
- (6) If the interim increase had been denied by the Commission and it had later approved the full request in the general rate case, CP&L would have lost \$20 million in revenues.

Utility Review Committee members are not satisfied that an emergency rate increase was warranted, at least not one of the magnitude granted (12%). Certain points they find significant are:

- (1) The Commissioners admitted that CP&L's problems had developed over a long period and not overnight. Wooten stated that the CP&L problem was "nothing sudden and untoward." It was an "accumulative emergency" resulting from a continuation of the economic trend of the last few years.
- (2) CP&L would not have had to stop buying coal or shut down any plant operations if the interim increase had not been granted.
- (3) The rate increase gave CP&L more profit than necessary to meet the generally accepted "coverage

- test" needed to prevent the downgrading of the bonds.
- (4) CP&L's earnings per share for the first six months of 1975 were \$.25 compared to \$.03 for the first six months of 1974 (22% improvement).
 - (5) CP&L had not reduced its dividend rate in 1974 or 1975. Its stock price had rebounded from \$10 (late 1974) to \$18 (early 1975) and to \$20 (late 1975 after the rate increase).

The Review Committee tentatively recommends that legislation be forthcoming to restrict the Utilities Commission's authority to grant emergency interim rate increases by more narrowly defining "emergency" as that set of circumstances which threatens the existence or continued operation of a utility.

IA. 1975 LEGISLATION INTENDED TO REDUCE REGULATORY LAG WAS NOT IMPLEMENTED IN TIME TO AFFECT CP&L'S INTERIM REQUEST.

In studying facts surrounding CP&L's rate increase, Committee members were concerned about whether legislation passed by the 1975 General Assembly which was supposed to reduce "regulatory lag" and eliminate the need for interim increases had had its intended effect. Two Commissioners were added to the Utilities Commission bringing the total to seven (Chapter 243 of the 1975 Session Laws, First Session 1975); the Commission was authorized to hear cases in three-member panels (Chapter 45); and the Commission was appropriated an additional \$.15 million to provide supporting staff.

This concern was answered by Commission spokesmen, who pointed out that the 1975 legislation was not effective until July 1, 1975, and CP&L filed its interim request on July 16. The Commission simply had not had sufficient time to implement the General Assembly's directives. Commission members and staff have given the Review Committee a more recent assessment of these 1975 legislative changes. They indicate that "regulatory lag" has been significantly reduced: cases can be heard within four months after filing, and the Commission order can be published within six months. If their assessment is accurate, it appears to diminish the need or likelihood for grants of interim rate relief.

The Utility Review Committee believes that not enough time has elapsed to accurately judge whether this legislation has tended to promote fairer and faster rate regulation. This subject continues to concern Committee members and will be further investigated during the coming months.

II. THE LIEUTENANT GOVERNOR HAS PRESENTED A "BILL OF PARTICULARS" CONCERNING POWERS AND DUTIES OF THE UTILITIES COMMISSION FOR CONSIDERATION BY THE UTILITY REVIEW COMMITTEE.

On February 12, 1976, the Lieutenant Governor appeared before the Committee and presented a list of suggested questions that bear on whether the State Utilities Commission has assumed the initiative to assure the public economical and efficient utility services. He identified fourteen areas of statutory duty and responsibility which have been placed with the Utilities Commission. For example, G.S. 62-2 states the legislative policy in creating the Commission; G.S. 62-14 requires the Commission to make economic and financial studies of public utility services and evaluate the future need for such services; G.S. 62-17 requires the Commission to make a detailed annual report of its activities to the Governor; G.S. 62-32(b) empowers the Commission to compel a public utility to provide reasonable service; and G.S. 62-42 authorizes the Commission to order a public utility to improve inadequate service.

The Lieutenant Governor then posed specific questions regarding the Commission's statutory duties and responsibilities: Has the Commission acted pursuant to each section? How often? In what circumstances? What has been the result of its action? Has its statutory duty been fulfilled? What action is planned for the next year? And, has the expanded budget and staff aided the Commission in carrying out its duties and responsibilities? The Lieutenant Governor asked the Utility Review Committee to seek answers to these questions from spokesmen for the Utilities Commission.

The Utility Review Committee submitted the "Bill of Particulars" (accompanied by additional questions raised by members) to both the Utilities Commission and the Department of Justice and requested a response.

On February 27, Assistant Attorney General Robert Gruber appeared on behalf of the Department of Justice (Utilities Division) to answer the questions presented. In response to the question of whether the Utilities Commission has promoted adequate, reliable and economic utility service, he said he was satisfied with the Commission's regulation of telephone rates. However, he believed the Commission had allowed electrical power companies too high a rate of profit in the last few years,

because it had overreacted to adverse financial conditions which had occurred in the electrical power industry in 1974.

The Utilities Commission submitted a written response but deferred its testimony until Committee members could examine the voluminous written material produced. This testimony was subsequently offered on March 18; three Commissioners and several members of the Utilities Commission staff participated.

The Utility Review Committee believes it has received only a partial answer to the questions presented and intends to seek further input from the Utilities Commission and staff before reporting its findings.

III. THE UTILITY REVIEW COMMITTEE QUESTIONS WHETHER COMPANIES SHOULD BE ALLOWED TO OBTAIN AN AUTOMATIC TEMPORARY RATE INCREASE.

G.S. 62-135 currently allows a utility to automatically effect a temporary rate increase under bond if the Utilities Commission has not made a final determination within six months after the filing of the company's request for a rate increase. The maximum allowable temporary rate increase is 20%. The Committee has discussed whether the 20% temporary increase should be eliminated. It is hoped that 1975 legislative changes intended to expedite Commission proceedings are beginning to achieve that result. If so, then temporary increases can be avoided by timely decision-making. While there has been some testimony concerning the relative merit of eliminating versus reducing the 20% temporary increase, the Committee reserves any specific recommendation on the subject until it has had more time to observe the Commission's practice in light of the legislative changes.

If the Commission finally determines that the rate increase put into effect is excessive, the excess plus interest on that excess at the rate of 6% per year must be refunded to the customer. (This 6% interest charge also applies to interim rate increases granted, if the Commission finally determines that a lesser rate increase or no increase is warranted.) The Committee questions whether the 6% interest rate on the refund is reasonable in today's money market. Several points should be noted: the ratepayer can earn more on a certificate of deposit or other short-term security; utilities have to pay from 8 1/2 to 10% to borrow funds on the open market; and the IRS interest rate charged delinquent taxpayers is 7%. Commissioner Clark suggested that the interest rate on refunds could properly be tied to the prime rate, savings and loan account rates, or any other rate that is realistic in reflecting current credit market conditions.

The low interest rate also offers no deterrent to a utility's filing an inflated rate application. The company may have full

knowledge that the Commission will eventually rule the request excessive, but meanwhile the company can expect to earn a 12 to 16% return on funds that will later be returned to its customers with only 6% interest.

The Committee notes that the 1975 General Assembly attempted unsuccessfully to raise this interest rate (House Bill 265 and House Bill 533). It is clear that further consideration of the matter partly depends on whether or not the temporary 20% rate increase is eliminated.

IV. THE UTILITY REVIEW COMMITTEE IS CONCERNED THAT
THE INVESTMENT COMMUNITY VIEWS FAVORABLY RECENT DECISIONS
OF THE NORTH CAROLINA UTILITIES COMMISSION.

Memoranda recently released by two investment research firms indicate that the regulatory attitude expressed by the State Utilities Commission is very constructive as far as its effect on investors. Wheat First Securities Research Notes, published March 2, 1976, specifically analyzed the Utilities Commission's grant of a 22% retail rate increase to CP&L on February 20, 1976: "The increase granted was the full amount sought by the company. In our opinion, this decision was quite favorable, especially in that it reaffirms our conclusion, reached after the last Duke rate order, that North Carolina has one of the country's most favorable regulatory climates."

Blyth Eastman Dillon & Co., Inc., was similarly impressed. Its analysis, published in Trends in Utility Regulation, April, 1976, also focused on the CP&L increase and included the following: "It appears that one good rate decision after another is forthcoming from the North Carolina Utilities Commission. This increase (CP&L) is 100% of the amount requested, and Duke Power received 91% of its request in a recent rate decision.... We have regarded regulation in North Carolina as very favorable as indicated by our past evaluation rating of an above average two. We maintain this rating."

The two investment houses cited several factors in the Commission's handling of the CP&L case to support their favorable analysis:

- (1) The allowance of a Job Development Investment Tax Credit of \$14.9 million in CP&L's rate base by including it in common equity is very rare. "In fact, we know of no other state regulatory body that has permitted this."
- (2) The use of the "outmoded" historical test year "was mitigated by an adjustment for known changes which occurred up through the conclusion of the hearings ..." (the \$251.1 million Brunswick #2 nuclear plant was placed in service 11 months after the test period ended).

- (3) The depreciation rate established for nuclear plants (4.24%) is "one of the highest rates now in use".
- (4) In establishing CP&L's rate base, the Commission determined the utility plant investment to be \$1.041 billion; CP&L had calculated its investment at only \$1.013 billion.

The Utility Review Committee realizes that there must be ample electric power in order for North Carolina's citizens to enjoy a satisfactory standard of living; that utility companies must acquire the necessary capital in order to finance future construction of generating units to supply that electric power; and that these companies must present an adequate "earnings" and "return on investment" picture to potential investors in order to attract that capital. Decision of the Utilities Commission should, however, strike a fair balance among the various interests concerned in utilities regulation. It is disturbing to discover that the investment community appears to be delighted with the Utilities Commission's performance while consumers throughout the State are outraged by the steady increase in their monthly electric bills.

V. THE UTILITY REVIEW COMMITTEE RECOMMENDED THAT THE UTILITIES COMMISSION HOLD A NIGHT HEARING IN THE CP&L GENERAL RATE CASE.

Carolina Action, a public interest group, appeared at the Utility Review Committee's October 30, 1975, meeting and requested the Committee to support its effort to persuade the Utilities Commission to hold a night hearing in the CP&L rate case. Committee members agreed to recommend this procedure to the Utilities Commission. The Commission responded that it had reviewed this subject at length and concluded that night hearings would not be appropriate in the CP&L case.

VI. MANAGEMENT AUDITS OF FOUR PUBLIC UTILITY COMPANIES WILL BE CONDUCTED BY INDEPENDENT FIRMS WHICH HAVE BEEN SELECTED BY THE UTILITIES COMMISSION.

By 1975 amendment, G.S. 62-37(b) now authorizes the Commission to select independent firms to perform management audits of public utilities (Chapter 867 of the 1975 Session Laws, First Session 1975). After several months of research on other states' experiences with these audits, the Commission has selected four

regulated utilities for appraisal and three consulting firms to perform the audits: Duke Power Co. and Carolina Power and Light Co. (Booz, Allen and Hamilton); Southern Bell Telephone Co. (A.D. Little, Inc.); and, Western Carolina Telephone Co. and its subsidiary, Westco (Theodore Barry and Associates).

These management audits will contain two phases. First, the independent firm will perform an overall diagnosis and report its preliminary findings to a staff committee of the Utilities Commission. The staff committee will make an analysis and request detailed information concerning specifically identified problem areas. The entire audit procedure will probably be completed for each company during December, 1976.

The Utility Review Committee has questioned Commission spokesmen repeatedly about the progress of these audits. Additionally, Committee members recommend that a management audit be conducted at the Utilities Commission.

VII. PEAK-LOAD PRICING AND LOAD MANAGEMENT ARE BEING STUDIED AS POSSIBLE STEPS TO PROMOTE CONSERVATION OF ELECTRICITY.

The 1975 General Assembly encouraged investigation into these two subjects by the Utilities Commission and each public utility (Chapter 780 of the 1975 Session Laws, s. 2). Underlying this legislation is the hope that it will promote the State's policy to "conserve energy through efficient utilization of all resources," and lower citizens' electric bills by reducing future expansion needs of power companies.

Peak-load pricing would restructure electric rates: electricity would cost more during times of higher demand on the system, and consumers would be encouraged to switch large portions of electric usage to off-peak periods of the day and seasons of the year.

Load management would allow power companies to "temporarily curtail or cut off certain types of appliances or equipment for short periods of time whenever an unusual peak demand threatens to overload its system". Both of these actions would allow power companies to more efficiently utilize their fixed plants.

The Utility Review Committee has discussed the advantages and disadvantages of implementing these techniques with power company representatives, Utilities Commission members and staff, and spokesmen from the Attorney General's office. Committee members attended a presentation on metering and load-management hardware devices sponsored by the Lieutenant Governor's office (October 3, 1975); they also attended part of the four-day hearings on peak pricing at the Utilities Commission (December 16-19, 1975). As a result of these hearings, the Utilities Commission on February 25, 1976, ordered the State's three major electric utilities to begin a system of voluntary experiments in peak pricing.

The Committee has heard reservations and concerns about whether peak pricing can be successfully implemented in the near future. It would tend to place an additional burden on those individuals and business establishments who cannot change their consumption patterns. Also, it may actually weaken the load factor of power companies if consumers cut their usage during off-peak periods and most peak periods in order to be able to use substantial electricity on the hottest few days of the year.

VIII. THE INCREASED USE OF NUCLEAR POWER AS AN ENERGY SOURCE SHOULD BE THOROUGHLY EXAMINED.

The subject of nuclear power was addressed by several sources. Concern was expressed that the State may be adopting a policy of supplying a large percentage of future electric power needs with nuclear fuel without fully investigating either the hazards of nuclear fuel or the potential in other sources of power. A consumer group has suggested that the General Assembly may provide the most suitable setting for a forum-type discussion on nuclear power.

The economics of nuclear power should also be examined. It has long been recognized that capital construction of nuclear power plants is more costly than for traditional fossil fuel plants (25% more costly in Duke Power's case), but this higher capital cost is believed to be more than offset by the lower fuel cost to generate nuclear power. However, there is a possibility that the country's rush to embrace nuclear power may cause uranium workers to react to their captive market. Carl Horn, Duke Power Co. President, indicated that uranium prices had already risen from \$8 per pound to \$35 per pound in recent years.

Additionally, the Federal Government has a monopoly on enrichment of uranium, and enrichment cost represents 1/3 of the total cost of uranium to a utility.

IX. THE UTILITY REVIEW COMMITTEE RECOMMENDS THAT THE UTILITIES COMMISSION EXTEND THE TELEPHONE DIRECTORY ASSISTANCE CHARGE EXEMPTION FOR BLIND AND PHYSICALLY HANDICAPPED PERSONS BEYOND ONE YEAR; AND THAT THE COMMISSION ESTABLISH A UNIFORM BASIS FOR DIRECTORY ASSISTANCE CHARGES.

At its January 9 meeting the Committee heard 10 interested witnesses request that blind and physically handicapped persons be exempt from the recently enacted service charge for directory assistance calls. Chairman Wooten of the Utilities Commission explained that telephone companies had requested the charge in an effort to keep down rates for basic telephone service by assessing those persons needing directory assistance with the

cost of providing that service. As a result of the reaction by blind and physically handicapped persons, the Commission issued a new order exempting them from the charge. The order is effective for one year.

Testimony was also received from several telephone company representatives who indicated that each company has a different manner of administering the directory charge.

The Utility Review Committee recommends that the exemption for blind and physically handicapped persons be made permanent and that a uniform procedure for directory assistance charges be adopted by all telephone companies in the state.

X. THE PUBLIC SHOULD BE AFFORDED A BETTER OPPORTUNITY TO UNDERSTAND UTILITY RATE REGULATION.

During Committee discussions it was pointed out that perhaps the most important problem concerning utility rates is the general public's lack of understanding about utility rate regulation. Several factors contribute to the problem: a utility company's tendency to file a massive stack of technical documents in rate cases and in response to questions by the Committee; this same tendency on the part of the Utilities Commission in responding to legislative inquiries; the inherent complexity of utility rate-making; and the Utilities Commission's publication of orders that the public cannot comprehend.

A solution to the problem was suggested by the Attorney General's office. The Utilities Commission should be allowed to hire a public information officer to put the Commission's orders in language that the press and public can understand. This would be a significant improvement should the Commission order power companies to go to peak pricing. Also, it was suggested that electric rate bills be redesigned to provide more readily understandable information explaining the customer's bill.

XI. THE ATTORNEY GENERAL INDICATES THAT ADDITIONAL STAFF ASSISTANCE IS NEEDED TO ADEQUATELY REPRESENT THE USING AND CONSUMING PUBLIC IN PROCEEDINGS BEFORE THE UTILITIES COMMISSION.

G.S. 62-20 requires the Attorney General to "assign an assistant attorney general and such staff attorneys as may be necessary to the handling of matters and proceedings before the Commission...." The statute also states that intervention on the part of the Attorney General's office can occur when he "deems it

advisable in the public interest, of intervening in proceedings before the Commission on behalf of the using and consuming public...."

Attorney General Edmisten testified before the Utility Review Committee on October 3, 1975, that the branch of his Department assigned to utilities (the Utilities Division) did not have enough attorneys and staff support to fulfill its role as the public advocate on behalf of the people. Mr. Edmisten pointed out that Commission hearings are adversary proceedings; yet, the Utilities Division has four attorneys (two of which had recently been transferred from other divisions to help with the caseload) to counter the legal resources of the forty-two major licensed utilities in the State.

He specifically requested that at least eight experienced staff attorneys should be available to the Utilities Division, with a supporting staff of at least two economists, two accountants, and adequate research and secretarial help. Additionally, he believed that the Utilities Division should have a contingency fund of at least two hundred thousand dollars to pay for independent expert consultants to counter testimony of the companies.

XII. PROFESSIONAL STAFF ASSISTANCE IS NEEDED FOR THE UTILITY REVIEW COMMITTEE TO PROPERLY EVALUATE THE PERFORMANCE OF THE STATE UTILITIES COMMISSION AND THE VARIOUS UTILITIES OPERATING IN THE STATE.

As one of its functions, the Utility Review Committee has been assigned to develop such an evaluation and submit it to the General Assembly (Resolution 100, s. 6(5)). Meetings during the Committee's early months of operation have given members a general picture of the variety of issues in the field of utilities regulation. They have become familiar with business practices in the field, with many of the personalities whose roles are prominent in rate regulation, and with a great deal of statistical data which has been offered to support companies' rate increase requests and to justify Commission decisions. Staff assistance during this period has been provided by two regular employees of the Legislative Services Commission (an economist and an attorney) on a distinctly part-time basis.

This initial period has laid the foundation for a more probing examination of the subject. To meaningfully examine witnesses that appear on behalf of the Utilities Commission or individual utilities companies, to review activities and programs of the Commission and the regulated companies, and to exercise responsible judgment in informing the General Assembly about recommended legislation that will restore an equitable balance between regulated utilities and their customers, Committee members believe that special staff assistance is now warranted. Professional assistance should be obtained from a person who is both knowledgeable and experienced in utilities regulation. If

possible this specialist should have, as one qualification, prior contact with the Utilities Commission as an employee, commissioner, or in some other capacity which has allowed the person to observe the Commission's activity.

The legislation which created the Utility Review Committee also authorized it to employ a professional staff (Resolution 100, S. 4). The Committee respectfully requests that the General Assembly support efforts to employ a specialist in utilities regulation.

XIII. FUTURE INVESTIGATIONS INTO TELEPHONE SERVICE PROBLEMS

Due to the magnitude of the recent interim and general rate increases granted to Carolina Power and Light and the effect of the higher power prices on North Carolina consumers, the Committee has spent a much greater proportion of its time investigating electric power rates than it has spent looking at telephone service problems. The Committee plans to devote more of its time in the future to telephone rates and service problems.

One telephone service problem investigated by the Committee is that resulting from having more than one telephone company serving a small, closely-knit geographic area. At its October meeting the Committee received testimony from Mrs. E. A. Middle, a resident of a rural area near Stokesdale, North Carolina who was on the Madison exchange served by Central Telephone although most of her business and personal telephone calls and those of her neighbors were to Stokesdale, which is on an exchange served by Southern Bell. Thus they had to pay long-distance charges to call only a few miles. The customer was able to get the Utilities Commission to order Southern Bell to provide service to her but the Commission order was overruled by the Court of Appeals.

Another concern of the Committee is the fact that, even though the Utilities Commission has found that certain telephone companies in North Carolina are providing inadequate service, some of the same service problems still plague telephone subscribers. The Committee intends to pursue these telephone service problems in the upcoming year.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1975
RATIFIED BILL

RESOLUTION 100

SENATE JOINT RESOLUTION 549

A JOINT RESOLUTION TO ESTABLISH A UTILITY REVIEW COMMITTEE.

Whereas, the ultimate authority to regulate business and industry in North Carolina is vested in the General Assembly; and

Whereas, the people of North Carolina look to the General Assembly to exercise that authority wisely and for the greatest good of the greatest number; and

Whereas, in this period of rapid change in the economic climate, it is difficult for the members of the General Assembly to exercise responsible judgment unless adequately informed in such complex areas as the regulation of public utilities; and

Whereas, the establishment of utility rates and the maintenance of an equitable balance between the legitimate interest of the companies and the necessary protection of the consumers are ongoing problems which will face successive sessions of the General Assembly:

Now, therefore, be it resolved by the Senate, the House of Representatives concurring:

Section 1. Notwithstanding the provisions of the Executive Budget Act, there is hereby established a permanent Utility Review Committee to evaluate the actions of the State Utilities Commission and analyze the operations of the several utility companies doing business in North Carolina and make periodic reports and recommendations to the General Assembly.

Sec. 2. The Utility Review Committee shall consist of six sitting members of the General Assembly, three to be named by the Speaker of the House and three by the Lieutenant Governor. The chairman or co-chairman shall be elected by the committee from among its members.

Sec. 3. The Utility Review Committee shall continue in existence for five years, beginning July 1, 1975; and any vacancy occurring during that period shall be filled through appointment by the presiding officer of the appropriate house.

Sec. 4. The Utility Review Committee shall have authority to employ a professional staff, giving first consideration to employees of the Legislative Services Commission who may be able to serve on an interim basis without additional pay except as is necessary to cover travel, subsistence and such other expenses as may be incurred.

Sec. 5. The Utility Review Committee shall be independent of all offices, agencies, boards, commissions, divisions and other instrumentalities of State government except the General Assembly. It shall not be subject to the Executive Budget Act or the State Personnel Act.

Sec. 6. The Utility Review Committee shall have no regulatory authority, but may exercise the following powers and duties:

(1) To review the interim and final orders of the State Utility Commission to the end that members of the General Assembly may better judge whether these actions serve the best interest of the citizens of North Carolina, individual and

corporate.

(2) To review the programs, projects, sources and amounts of income, performance and accomplishments of utility companies doing business in North Carolina to determine whether expenditures plowed back into the rate structure were in all cases appropriate and necessary.

(3) To inquire into the role of the State Utilities Commission and the several utility companies in the development of alternate sources of energy.

(4) To inquire into the individual and collective effort of the utility companies to encourage the conservation of energy and thus reduce requirements for additional generating facilities.

(5) To submit evaluations to the General Assembly, from time to time, of the performance of the State Utilities Commission and the various utilities operating in the State. A proposed draft of such evaluation shall be submitted to the utilities commission and the affected public utilities prior to submission to the General Assembly and utilities commission and affected utilities shall be given an opportunity to be heard before the Utility Review Committee before the evaluation is finally completed and submitted to the General Assembly.

Sec. 7. The Utility Review Committee, or its designated agents, shall at all times with proper notice, have access to such books, records or other documents relating to expenditures, revenues, operations and organizations, public and private, as may be necessary to the performance of its mission.

Sec. 8. In the discharge of any duty imposed by law,

(4) Request for Commission to hold night hearings

Speakers: Marvin Wooten, Chairman, Utilities Commission
Bill Weatherman, Carolina Action

Meeting 6 - 12/17/75

(Committee met to support the Lt. Governor's presentation on
Peak Load Pricing which was held at the Utilities Commission)

Meeting 7 - 1/9/76

Telephone directory assistance charge; exemption for
blind persons

Speakers: Marvin Wooten, Chairman, Utilities Commission

Bryan Houck and Walter Sessoms, Southern Bell
Telephone Co.

T. P. Williamson, Carolina Telephone Co.

Dr. Bill Waters, Director, N. C. State Division of
Services for the Blind, Raleigh

Mrs. Staley, N. C. Federation of the Blind, Charlotte

Judge C. C. Cates, N. C. Commission for the Blind,
Burlington

Daniel L. Taylor, Attorney at Law representing the
Governor's Blind Advisory Commission, Winston-
Salem

James Wells, President, N. C. Association of
Industries for the Blind, Raleigh

Ray Pruette, Past President, N. C. Lion's Associa-
tion for the Blind, Franklinton

John A. Laurents, Diabetes Association, N. C.
Affiliate, Inc., Charlotte

Theodore Bryant, President, N. C. Council of the
Blind, Raleigh

Myrtle Garris, President, N. C. Association of
Workers for the Blind, Raleigh

Ben Eason, American National Insurance Company,
Raleigh

Meeting 8 - 2/12/76

- (1) Bill of Particulars submitted by Lt. Governor re:
questions to be addressed to the Commission
- (2) Proposal to obtain expert professional staff to advise
Utility Review Committee
- (3) Discussion of questions to be addressed to the Utilities
Commission and its staff, and to the Attorney General's
office
- (4) Election v. appointment of Utilities Commission members

Speaker: James B. Hunt, Lt. Governor

Meeting 9 - 2/27/76

- (1) Filing of written response by Utilities Commission to questions addressed by URC
- (2) Response by Attorney General's staff to questions addressed by URC

Speakers: Marvin Wooten, Chairman, Utilities Commission
Robert Gruber, Assistant Attorney General,
Utilities Division (Department of Justice)

Meeting 10 - 3/10/76

- (1) Duke Power Co. presentation re: recent media accounts of Co. profits; prediction that no rate increase requests will occur for 2 yrs.; factors that have caused electricity rates to increase; attitude towards peak-pricing proposals

Speaker: Carl Horn, Jr., President, Duke Power Co.

Meeting 11 - 3/18/76

- (1) Utilities Commission response to Lt. Governor's Bill of Particulars and URC questions

Speakers: Marvin Wooten, Chairman, Utilities Commission
George Clark, Commissioner
Barbara Simpson, Commissioner

Ed Hipp, Commission Counsel
Bob Koger
Andrew Williams

Commission Staff