



# THIS WEEK'S SPEAKER

July 13, 2021

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## Julie Janson, EVP and CEO Duke Energy Carolinas

by Rick Handford

Ed Driggs introduced Julie Janson, the executive vice president and chief executive officer for Duke Energy Carolinas. She has responsibility for regulatory and legislative affairs – and for the long-term strategic direction, growth and overall financial performance of Duke Energy's regulated utilities in North Carolina and South Carolina.

Janson's extensive experience in the energy and legal industries includes serving as Duke Energy's chief legal officer, where she was the primary legal advisor to Duke Energy's board of directors and senior management. She led the Office of the General Counsel, which includes the company's legal, corporate governance, ethics and compliance, and corporate audit services functions. Janson also served as Duke Energy's corporate secretary and senior vice president of ethics and compliance.

Active in several community and professional activities, Janson is currently a member of the executive committee and co-chairs the Advocacy Pillar Council for the Charlotte Regional Business Alliance. She serves on the board of directors of Ohio National Mutual Holdings, Inc. She is also a member of the Commercial Club of Cincinnati and serves as a trustee for the Duke Energy Foundation. Janson and her husband, Chip, have two daughters.

Julie began her remarks by thanking the Club for having her, and telling us that she wanted to discuss energy, notably the ongoing transition in the industry, without being too “wonky”. (Your writer was grateful.) The Carolinas represent 50% of Duke Energy’s customer base, or about 4 million customers. She said that surveys of Duke customers identified that what they wanted was reliable,

affordable, and clean energy. Focusing on the 'clean' item, she noted that Duke has a goal of reducing carbon emissions to 50% less than 2005 levels by 2030 and reaching "Net Zero" by 2050. They have retired 2/3 of the coal plants in her area, replacing them with renewables and natural gas. Today, the company is already down 40% from 2005 levels, some 20% under the national average.

Last fall, the company filed Integrated Resource Plans (IRPs) in both Carolinas, outlining six pathways for going forward over the next 15 years with generating cleaner power at the mandated "least cost to consumers". The plans deal with the interests of the various parties (solar developers, manufacturers, environmentalists, retail consumers, etc.) and each handles the required trade-offs between the parties in different ways. New technologies will be required for Duke to be able to achieve the 2050 goal, since increasing renewables means more wind and solar, which require the wind to blow and the sun to shine, and battery storage can only handle about 4 hours of backup. These renewable sources cannot meet the demand for energy required on a cold February morning.

About 50% of Duke's power needs are provided by eleven nuclear power plants, exceptionally well run, and maintained. They believe that these can continue to function well for at least 20 more years if regulatory permission can be extended. The quest is for a "Zero Emitting Load Following Resource", that can scale up/down as required by demand while emitting no CO2. While the technology progresses, they will be using natural gas as a bridge fuel, replacing existing coal-fired plants. While not as good as nuclear, gas is significantly cleaner than coal.

There is currently a bill in the NC House (HB 951) that provides for 5 coal plants to be replaced with a mix of renewables, gas, and advanced nuclear production that will result in emissions 54% below 2005 levels by 2030, exceeding Duke's earlier goal, while making some regulatory changes that could increase the predictability of rates going forward.

With regard to affordability, Duke learned a lot about the needs of its most vulnerable customers during the pandemic, working with the likes of Crisis Assistance and other groups. The Duke Foundation directly funded \$2.1 million of relief, and in March of 2020 the company voluntarily halted disconnecting needy customers for failure to pay, which policy will continue until 10/1/2021. They have also developed zero-interest deferred payment agreements to allow those who fell behind to catch up as easily as reasonably possible. They have also developed a program, and provided an internal organization, to connect customers with agencies and groups that can provide support.

She closed her remarks by saying that they are "honored and humbled" by the opportunity to provide their customers every day with affordable, reliable, and clean energy.

In response to questions, Julie answered that:

The Texas power failures resulted from an unregulated system with multiple providers feeding an unregulated grid system that did not provide adequate safety margins or provide adequate hardening of their system against the unforeseen cold weather conditions. Our system does not have these issues, and she does not see how any similar situation could happen here, although we do have other issues involving weather that are problems.

The funding required to provide the breakthrough technologies is beyond what Duke can provide, but she expects to be a quick adapter of new technologies provided by government or (more likely) private sector researchers.

That providing for electric vehicles will require additional charging stations (which Duke is working to provide) and helping to encourage vehicle charging during off-peak hours. As might be expected, the changes required to provide for expanded numbers of electric vehicles will present problems with permitting at both the state and federal levels.

There are various advanced nuclear technologies that are being worked on, notably small nuclear plants modeled on the nuclear power plants used in ships and submarines. They expect that replacement capacity will be available to replace the existing plants, especially given that the existing plants, properly maintained, can last for 20 or more years.

There is limited ability to increase hydropower production. While there is some capability to expand capacity in South Carolina, any increase will be quite expensive.

In looking at the labor shortage, they have found that veterans are a good source of talent for distribution engineers and linemen, and are also working with community and other colleges to train young people coming into the workforce. Re-training employees whose coal-fired plants are being retired is another source.

Rate stability, the affordable part of “reliable, affordable and clean” is part of the ongoing set of trade-offs that must be continuously managed. Efficiencies, new technologies, and government regulations all impact affordability, and Duke does their best to keep energy affordable within the constraints placed on them.

The 2019 agreement on cleaning up existing coal ash is being implemented. Some 150 million tons of ash is stored, and currently it is being relocated from existing unlined ponds to more secure, lined ponds on Duke property. Newly generated ash is being repurposed into safe products, such as concrete and gypsum wallboard, among others.

Weather events are very expensive, both to plan and prepare for and to respond to when they occur. By way of example, the series of hurricanes and resultant flooding that occurred in 2018 resulted in Duke spending about \$1 billion over just six weeks, and that was not the end of the spending. Ratepayers ultimately fund the costs of weather events, although these are recovered at-cost, with no profit benefit to shareholders.

Ultimately the decision of which of the six pathways presented in the IRP will be taken is made by the regulators, because they must approve the closure of existing facilities and the permitting of new replacements.

While there were more questions in waiting, time expired. Many thanks to Julie Janson for generously sharing her time with us.

\*A recording of the program is available here: <https://vimeo.com/574602795>

Meeting begins at the 5:20 minute mark. Ms. Janson’s presentation begins at 22:45 minutes.