



# NORTH CAROLINA LEADERSHIP FORUM

### 2017-2018 FINAL REPORT

*How can North Carolina best meet the future energy needs of its residents and businesses?* 





Duke POLIS

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Z. Smith Reynolds FOUNDATION







## Introduction

The North Carolina Leadership Forum (NCLF) is a program of the Duke University Sanford School of Public Policy. It was established in 2015 to create constructive engagement between North Carolina policy, business and non-profit leaders across party lines, ideologies, professional experiences, and regional perspectives. Our first aim was to provide an opportunity for these leaders to engage in frank and civil discourse that would help them better understand, build greater trust of and constructively engage with each other. The second aim was to provide an opportunity for them to learn together about a significant issue facing North Carolina and its potential solutions and, to the extent possible, to find common ground on some of those solutions.

### Our goals

Although North Carolinians have always had significant political differences, they have long exhibited a practical, problem-solving orientation to politics. In recent decades leaders from both parties have been elected and appointed to important public offices. Previously, citizens have usually been able to come together to address common problems and to create opportunities in a broadly acceptable way. Today, across North Carolina, as in much of the rest of the United States, that culture of civil cooperation is sorely tested. The tenor of the times is highly partisan, and both elected leaders and engaged citizens find themselves sharply divided. Progressive and conservative leaders rarely talk to people with whom they disagree, access different media and social media, operate with different facts and beliefs, and too often assume the worst about others' motives. For these reasons, our leaders are less willing and able to work together to create broadly embraced solutions and opportunities for our state and its people.

The overarching goal of NCLF is to develop cohorts of civic and political leaders who have the will, the skills, and the relationships to work constructively with others of different political parties or ideologies. We focus on leaders, both those engaged in state-level policy making and those dispersed throughout the state. Our aim is to build a significantly large cohort of these leaders to create a healthy and productive policy making environment for the state and its local governments.

More specifically, our goal is to engage with Republican, Democratic and independent leaders, across the spectrum from conservative to liberal, in the government, business and non-profit sectors to:

- 1. Increase their understanding of their own and others' views;
- 2. Develop their willingness to acknowledge some level of ambiguity in their own views, perhaps recognizing the validity of some of the others' concerns or values;
- 3. Build authentic relationships between leaders of different political parties and ideological views;
- 4. Find consensus on the nature of important problems and the relevant facts; and
- 5. Identify any points of cross-party acceptance of solutions to those problems and understand the nature of cross-party disagreements.

# **The Question Addressed**

The 2017-2018 NCLF addressed a vitally important question for the future of our state: How can North Carolina best meet its future energy needs?

# The Leadership

Facilitation of the meetings was provided by Frederick Mayer, the Director of the Program and of the Duke Center for Political Leadership, Innovation and Service (POLIS) at the Sanford School of Public Policy, and by members of the Steering Committee.

The NCLF Steering Committee members are:

- John Hood, Co-chair: President, John William Pope Foundation
- Leslie Winner, Co-chair: Former Executive Director, Z. Smith Reynolds Fdn. and former member, NC Senate
- Anita Brown-Graham, Professor and Director of NC Impact, UNC School of Government
- Maurice Green, Executive Director, Z. Smith Reynolds Foundation
- Arthur Morehead, Vice President and General Counsel, The Duke Endowment
- Charles B. Neely, Partner, Williams Mullen and former member, NC House of Representatives

Across the political spectrum there are similarities and differences in opinion about the nature of the problem, the primary values and the priority of those values, the potential directions the State should go, and the best solutions to the challenges we face.

The Forum utilized expertise provided by Tim Profeta, the Director of Duke University's Nicholas Institute for Environmental Policy Solutions, Brian Murray, director of the Duke University Energy Initiative, Jennifer Weiss, a senior policy associate in the Nicholas Institute's Climate and Energy Program, and other members of the faculty and staff of the Nicholas Institute. These advisors provided participants with information about current energy needs, the production and distribution of electricity in North Carolina and future options, provided a collection of readings to help the participants form a knowledge and fact base for future discussions, and led the group in a simulation that demonstrated the trade-offs in using various methods of energy production.



# The Participants

The 2017-18 cohort of the Forum initially consisted of 35 participants, 33 of whom were able to complete the program. Participants included members of the General Assembly, state and local officials, leaders of non-profit and philanthropic organizations, and business leaders from across the political spectrum and from across North Carolina. Some of the participants are deeply engaged in energy policy and some are more generally engaged in the development of public policy in North Carolina. A list of participants follows:

- 1. Melanie Allen, Mary Reynolds Babcock Foundation
- 2. Ian Baltutis, Mayor of Burlington
- 3. Tamara Barringer, N.C. Senate
- 4. Anita Brown-Ğraham, U.N.C. School of Government
- 5. Brian Buzby, N.C. Conservation Network
- 6. Algenon Cash, Wharton Gladden
- 7. Jack Cecil, Biltmore Farms LLC
- 8. Jay Chaudhuri, N.C. Senate
- 9. Adrienne Cole, Greater Raleigh Chamber of Commerce
- 10. Jennifer Copeland, N.C. Council of Churches
- 11. Courtney Crowder, Crowder Consulting
- 12. Natalie English, Wilmington Chamber of Commerce
- 13. Greg Fishel, Capitol Broadcasting
- 14. David Fountain, Duke Energy
- 15. Rick Glazier, N.C. Justice Center
- 16. Maurice "Mo" Green, Z. Smith Reynolds Foundation
- 17. Mike Hager, former NCGA member
- 18. Reginald Holley, The Longmire Group
- 19. John Hood, John William Pope Foundation
- 20. Angie Maier, North Carolina Pork Council
- 21. Esther Manheimer, Mayor of Asheville
- 22. Marilynn Marsh-Robinson, Environmental Defense Fund
- 23. Julie Mayfield, Asheville City Council and Co-Director, MountainTrue
- 24. Graig Meyer, N.C. House of Representatives
- 25. Arthur Morehead, The Duke Endowment
- 26. BJ Murphy, Mayor of Kinston
- 27. Chuck Neely, Williams Mullen, former NCGA member
- 28. Art Pope, John William Pope Foundation
- 29. Jack Sommer, UNC-Charlotte
- 30. John Szoka, N.C. House of Representatives
- 31. Jack Temple, Tailored Chemical Products, Inc.
- 32. Ivan Urlaub, N.C. Sustainable Energy Association
- 33. Glen Webb, Pitt County Board of Commissioners
- 34. Leslie Winner, Former Éxecutive Director, Z. Smith Reynolds Foundation, former NCGA member
- 35. Curtis Wynn, Roanoke Electric Cooperative

## The Process

The group met five times between September 2017 and May 2018, three times for 24-hour overnight meetings at Duke University, in Kinston and in Asheville, and twice for day-long meetings at Duke University.

The flow of the meetings was:

- Start building relationships between members in the group and skills in constructive engagement
- Develop an understanding of the nature of the problem
- Identify the core values involved
- Develop a common knowledge base
- Identify the issues to be addressed
- Identify potential solutions and determine the extent of agreement/ disagreement about those solutions
- Requisition briefing papers for and against the primary solutions under consideration
- Engage in discussion about the primary proposed solutions and the underlying issue of climate change
- Identify areas of agreement and disagreement
- Engage in follow-up discussions about those solutions that engendered the greatest amount of disagreement to allow participants to go deeper in their engagement and to determine if there are any mutually acceptable aspects of those solutions

Members of the group were encouraged to build relationships with others of different perspectives throughout the process. This was done by use of "buddy" pairs which met outside of the sessions, through occasional optional no-agenda dinners in between sessions, and through various ways of enabling and encouraging interaction using pairs, diverse "home room groups," small discussion groups, and jigsaw sessions, in addition to full group discussions.

In the first meeting, participants were welcomed by former Governor Jim Hunt and former Charlotte Mayor Richard Vinroot, as well as by Duke President Vincent Price. To develop a common understanding of the nature of the problem and the values at play, NCLF used videos of North Carolina residents who were experiencing energy challenges or were engaged in energy solutions, and we utilized the expertise of the Duke University Energy Team. To view these videos, visit the NCLF website at sites.duke.edu/nclf.

At this meeting the group's discussion focused on the core issues involved in:

- 1. The Future of Electricity
- 2. The Future of Transportation
- 3. Meeting the Challenge of Energy Poverty
- 4. The Future of North Carolina Energy Production
- 5. The Future of the North Carolina Energy Technology and Services Economy

Although different participants prioritized them differently, there was broad agreement that the dominant values of concern are that NC's energy system should be:

- 1. Affordable
- 2. Reliable
- 3. Clean
- 4. Equitable

After the first meeting, participants were provided background materials which can be accessed on the NCLF website.

At the second meeting, in addition to learning about the economic development successes of and challenges facing the City of Kinston, the group focused on the key choices and trade-offs facing the electricity sector. After a conversation with the Executive Director of the public staff of the NC Utilities Commission, the Duke University Energy Team lead teams of participants in an energy simulation exercise. This exercise was designed to enable participants to work in teams to solve problems, drawing attention to the economic and environmental trade-offs in electricity production and the tensions decision makers may encounter in the face of uncertainty.

At the third meeting, the group began to develop potential solutions, focusing on production and delivery of electricity, climate change, energy poverty and equity, and transportation.

The fourth meeting was held in Asheville, beginning with an optional tour of Duke Energy's Power Plant and a Biltmore Farms development, Biltmore Park. The full group began the meeting by hearing from a group of Asheville civic and business leaders about how they have worked together with environmental groups and Duke Energy to find creative solutions to the region's energy needs (see *Blue Horizions Project* box on page 7.)

Before the fourth meeting, the group had received position papers offering contrasting views concerning appropriate actions to take regarding climate change, reliance on natural gas, increasing competition in the electricity sector, and transportation. Members spent the meeting discussing their varying views of North Carolina's best pathways forward in these areas. At the end of the meeting, we used polling to determine the degree of agreement and disagreement about the potential actions that had been proposed. At the fifth and final meeting, the participants addressed the four areas of greatest disagreement:

- 1. How aggressively North Carolina should take measures to limit climate change;
- 2. The extent to which North Carolina should should commit to natural gas as a fuel source;
- 3. Whether changes are needed in regulation and competition in the electricity sector; and
- 4. The best ways to address energy poverty and inequity.

Full group sessions gave participants an opportunity to deepen their understanding of these issues and to determine whether they could identify or negotiate even partial solutions that all or most could accept. At the end of this meeting, time was reserved for participants to reflect on what they were taking away from the experience.



Since February 2016, the City of Asheville, Buncombe County, and Duke Energy have been engaged in a nationally unique partnership to avoid future fossil fuel investments in Western North Carolina and move to a clean energy future. This partnership was born out of conflict between the community and Duke Energy, but has proven enormously successful at uniting the community, shifting regional priorities within Duke Energy, and bringing new resources to advance clean energy.

In May 2015, after the three-year Asheville Beyond Coal campaign, Duke announced it would retire the Asheville coal plant. Unsatisfied with Duke's initial replacement plan, the community pushed Duke to try again and to involve the community in its decision-making. In November 2015, Duke responded by proposing a better plan overall but one that also anticipated construction of a 190 MW "peaker" plant to accommodate spikes in energy demand on the coldest winter mornings.

Most importantly, Duke's revised plan also called for a collaborative effort aimed at delaying or avoiding the peaker plant. As a result, Buncombe County, the City of Asheville, and Duke Energy created the Energy Innovation Task Force (EITF) - a partnership including businesses, non-profits and environmental leaders aimed at preventing the peaker plant and transitioning the region to a clean energy future. The EITF explored the region's energy use in depth and developed a plan to reach these goals.

In March 2018, with government, private sector, and philanthropic support, the EITF launched the Blue Horizons Project to provide a comprehensive hub of energy-efficiency and renewable energy programs and to engage residents and businesses in saving money and helping create Western North Carolina's clean energy future. Duke Energy and other communities are looking at the EITF and the Blue Horizons Project as a model for how utilities and communities can work successfully together.

# Issues, Criteria, Options, and Findings

Over the course of five meetings, members of the NCLF, engaged in substantive conversations informed by presentations from experts, background materials, and their own considerable experience. The goals were to identify the critical issues facing the state in the energy arena, to

## Values and criteria

As a first step in the process, the Forum considered what values or criteria should be used to evaluate possible options. The Forum discussed a wide range of possible criteria.

Although members weighed the criteria differently, the group agreed that North Carolina's energy future should be:

- Affordable
- Reliable
- Clean
- Equitable

The remainder of this section of the report provides basic background on the energy sector in North Carolina, which set the context for NCLF's deliberations, and describes consider a range of possible solutions to those issues, to seek agreement where possible on those solutions, and, when agreement was not possible, to understand better the basis of those of opposing views.

the deliberation of Forum members with respect to the four key issues participants identified:

- 1. Climate Change and North Carolina's Future Energy Mix
- 2. Electricity Regulation and Competition
- 3. Energy Poverty and Inequity
- 4. Transportation Energy Use

Forum members decided to exclude the development of the clean technology industry in the North Carolina from their discussion in order to focus more attention on these four issues.



# North Carolina's Energy Use Picture

### Electricity and Transportation Dominate North Carolina's Energy Landscape

Electricity generation for residential, commercial and industrial uses, and petroleum fuels used for transportation dominate North Carolina's energy landscape, as illustrated in Figure 1. Together these two uses account for 85% of NC energy consumption.





### Natural Gas and Renewables Have Grown Rapidly While Generation from Coal Has Declined

The mix of primary energy sources for electricity generation has shifted dramatically in recent years, as coal-fired plants have been retired and natural gas and (to a lesser extent) utility-scale solar have come on line. In 2016, roughly equal amounts of electricity were generated from nuclear, natural gas, and coal, as Figure 2 shows.

### Natural Gas, Solar, and Wind Generation Costs Have Fallen

As shown in Figure 3, the shift to natural gas reflects a significant decrease in the cost per MWh of natural gas over the last decade, from \$83 to \$60 per MWh, a reduction of 27% (as indicated in the box on the figure). At the same time, the cost of utility scale solar and wind have dropped even more dramatically, to the point that their per MWh cost is now below that of other sources. Solar and wind have drawbacks, however, notably that they are intermittent sources and therefore are not as reliable as coal, natural gas, and nuclear given current limitations in energy storage. To fully and fairly compare these sources, therefore, may require taking additional costs into consideration.





#### North Carolina Electricity Rates Are Relatively Low

In the retail market, electric power in North Carolina is supplied by investor-owned utilities (Duke Energy Progress, Duke Energy Carolinas, and Dominion Energy), membership cooperatives, and publicly-owned (municipal) systems. Roughly 2/3rds of the retail sales are from the investor owned utilities (IOUs). The role of the IOUs is larger than the retail market implies, however, as membership cooperatives and municipal systems purchase most of their energy from the IOUs on the wholesale market.

Compared with national and regional averages, the price of electricity in North Carolina is relatively low, more than two cents per KwH, as shown in Figure 4.

### Elecricity Rates Are (On Average) Higher for Customers of Rural Cooperatives and Municipal Utilities

Although the price of electricity in North Carolina is below both the national and southeast US averages, the price of electricity is somewhat higher for municipals and cooperatives, as shown in Figure 5.





Source: Fisher, Sheenan & Colton, Home Energy Affordability Gap, 2016

### North Carolina's Poorer Residents Have a High Energy Burden

Notwithstanding the relatively low cost of electricity in North Carolina, energy costs place a high burden on many of North Carolina's poorest residents. On average, households below 50% of the poverty level spend nearly 30% of their income on energy.

#### Emissions from the Electricity Sector Have Declined

Largely as a consequence of the shift from coal to natural gas, CO2 emissions in North Carolina, as well as SO2 and NOx, have declined over the last decade, as shown in Figure 7.

Further reductions are possible. North Carolina currently has the 2nd largest installed capacity of utility scale solar. The potential exists for substantially greater reliance on wind and, especially, solar power, both of which would further reduce these emissions.



"Most valuable were the information presentation and the environment that fostered a constructive place to express, digest and debate our views."



### North Carolina Electric Power and Transportation Sector CO2 Emissions

Transportation in North Carolina remains almost exclusively dependent on petroleum. As a consequence, CO2 emissions from transportation are now roughly equal to those from electric power generation. Energy use in the transportation section has remained relatively constant over the last decade. After declining during the 2008-9 recession it has rebounded to some extent, as Figure 8 illustrates.

# Climate Change and North Carolina's Energy Mix

#### **Background and Key Issues**

Although there was some discussion of the merits of climate science, most of our discussion was based on the assumption—accepted by the vast majority of Forum members, although not all—that the climate is warming and that the warming is caused to some extent by human activity. Beyond that, however, there were considerable differences of view regarding the likely magnitude and cost of climate change and even greater disagreement with respect to the policy implications. For example, Forum members were sharply divided on their response to the statement, "Concerns about climate science are exaggerated by the climate science community and used to justify unwarranted regulation," with nearly as many people agreeing as disagreeing.

"Getting to know him helped me understand why he holds that belief [about climate change]—not coming to agreement but at least understanding."

As background information for the discussion, members agreed that North Carolina's carbon emissions from electricity generation have dropped significantly (with an even larger reduction in SO2), largely as a consequence of the shift from coal to natural gas and partly as a consequence of the increase in utility scale solar. Duke Energy has retired more than 30 coal-fired units in the last decade and has plans to retire a number more. Coupled with North Carolina's continued reliance on nuclear power to generate electricity, the carbon footprint of electric power generation is relatively low compared to other states. To the extent that there are methane leaks during the extraction and transportation of natural gas used in NC, however, North Carolina's climate impact may be higher, given methane's potency as a greenhouse gas.

The same cannot be said for energy consumption in the transportation sector, which continues to rely almost exclusively on petroleum products and in which carbon emissions continue to increase.

Looking to the future, reductions in the cost of solar and wind power are likely to continue. If there are breakthroughs in energy storage, an area in which there are now intense research efforts, renewable energy could become more reliable and therefore an even more significant part of North Carolina's energy mix. Further in the future, advances in small-scale nuclear or other technologies are also possible. In addition, if transportation shifts towards electrification (discussed below), North Carolina's carbon footprint could be further reduced.

Two key issues dominated our discussions about policies to reduce reliance on fossil fuels. The first was the extent to which North Carolina should act to reduce its contribution to climate change. A clear majority of the Forum members agreed that "we need to do our part to combat global climate change by taking aggressive action to reduce North Carolina's carbon footprint," but a sizable minority disagreed.

For those who disagreed with North Carolina's taking aggressive action to combat climate change, their caution represented a concern that the costs of acting would outweigh the benefits, and a recognition of the public goods nature of the problem, asserting that North Carolina, acting alone, can have little impact on climate change globally.

Those who supported more aggressive action were skeptical that market forces and voluntary action would be sufficient, were more likely to anticipate future federal regulation and therefore saw stronger intervention now as prudent, and, while acknowledging the limits of what North Carolina alone could accomplish, felt that North Carolina could have an impact by being a leader and developing models which could be emulated by other states or regions. They also argued that there is a moral obligation to do our part in reducing climate change.

The second issue was the extent to which public policies should accelerate uptake of renewable energy (and decreased consumption of carbon based fuels) or should largely defer to market forces. One significant area of disagreement was the extent to which the state's regulated utilities should be making a long-term commitment to natural gas production and distribution infrastructure or should be working more ambitiously to accelerate the shift towards renewable energy and/or to maintain future flexibility. If natural gas is a "bridge" to renewables, how long should that bridge be? This second issue is also bound up in the larger issue of whether North Carolina should move away from a traditional cost-plus regulated monopoly towards greater competition in the electricity sector.

### **Policy Options**

The forum discussed four policy options:

- promote renewable energy,
- increase investment in the smart grid,
- increase investment in end-user technology to promote greater efficiency, and
- reduce planned investment in natural gas infrastruce

As noted above, there was disagreement among Forum members with respect to the urgency or aggressiveness of acting to respond to climate change and about whether the costs of such actions outweigh the benefits.

> "The timeline we get locked into for natural gas may freeze out other technologies."

#### Promote Renewable Energy

There are a variety of measures that could be taken to promote the production and uptake of renewable energy, including direct subsidies, tax credits, and measures to open the market to greater competition, such as allowing third party sales.

A core question with respect to subsidies and tax credits is whether NC should invest beyond requirements established by the federal government. The Forum was divided on this question, with a narrow majority favoring action beyond what is required by the federal government, but an almost equal number opposed. Those in favor felt that climate change requires urgent action. Those opposed feared that trying to rush the changeover to renewables would create unnecessary costs and decrease reliability of the system.

Forum members were generally more receptive to possibilities to create greater competition and innovation in renewables, including, for example, allowing third party sales.

#### Invest in Grid Modernization

Duke Energy and other providers are already making major investments in "modernizing" the grid, which would facilitate better integration of renewable energy, enable more efficient shifting of loads, and allow customers to manage their energy use more efficiently. Additional investments might accelerate the pace with which this occurs and allow greater flexibility for small-scale solar and other independent sources to be incorporated into the grid.

Misguided renewable energy policy could exacerbate the energy burden for low-income customers. On the other hand, grid infrastructure improvements and new technology integration can be incorporated (i.e. thermostat control, prepay options, water heaters, etc.), and positioned correctly, to present greater opportunities for all consumers by providing more choice, control, convenience and cost containment. One possibility is to design grid structures that reflect the lower population density of rural populations, for example, by creating micro-grids consisting of renewable energy, storage and other energy sources to that the grid infrastructure more appropriate for rural areas.

"It's easy for people who already have access to natural gas to have opinions about limiting infrastructure and access."

#### Promote End User Energy Efficiency

There was general agreement among Forum members that smart meters and other tools could help promote efficiency and reduce energy use. The policy question, however, was whether to incentivize such investments (beyond financing options discussed below) and, if so, who would pay for such incentives: ratepayers, shareholders, or taxpayers?

Of particular concern for some Forum members was lack of access to broadband for many North Carolinians, which is essential to use many smart grid/smart meter tools. For consumers to truly benefit from new technology to manage energy costs, they must have access to affordable, high speed access to the internet. This is particularly important in rural, lower-income areas of the state.

#### *Level of commitment to large-scale natural gas fired power plants*

A centerpiece of Duke Energy's carbon reduction strategy has been an aggressive shift from coal to natural gas. The Forum primarily discussed two issues with respect to this shift. The first was the extent to which NC should build natural gas generating capacity and infrastructure that may limit future flexibility and slow the adoption of renewables and innovative technologies. Investments in new natural gas fired power plants represent a set of assumptions regarding future demand (including from electrification of transportation), the possibilities of new technologies, regulatory changes, and other uncertainties. The future could bring a number of possible shocks to the system that would ultimately make large investments with long payback periods unwise.

Forum members were divided on this question. Those who advocated for less of a commitment to natural gas emphasized the likelihood that options twenty or more years from now will likely look quite different from today, and that therefore it is important to maintain flexibility. They also argued that the relatively flat growth in demand for electricity will make this level of investment unnecessary. Those who advocated for continuing on the path of greater reliance on natural gas emphasized the immediate environmental gains from retiring coal, the cost and reliability of natural gas relative

to alternatives, the likelihood that electricity demand will grow from electrification of transportation, and the value of non-utility uses of natural gas.

A second concern was that the environmental gains from using natural gas to reduce CO2 relative to coal could be partly (or wholly) offset by methane leaks in the extraction and transport of natural gas. Methane is a much more potent greenhouse gas than CO2. Forum members agreed that more information was needed about the magnitude and consequences of methane leaks, and the efficacy of measures to minimize those leaks.

# **Climate Change:** Where We Agree and Disagree

#### The vast majority of Forum members A substantial majority of Forum members agreed that:

- Climate change is happening and is caused to some extent by human activity.
- North Carolina's energy future will involve greater reliance on renewable energy, including solar, wind, and biomass.
- New technology, including battery storage, will continue to enable significant gains in the grid efficiency and consumption.
- As we transition to a cleaner energy future, we will continue to rely on natural gas a source of fuel.

#### All Forum members agreed that:

North Carolina should not restrict information ۲ about climate change.

agreed:

- Further investments in cost-effective grid modernization and end-user technology are warranted.
- Greater focus on eliminating methane leaks from both production and transmission is warranted.

#### Forum members were divided on whether NC should:

- Take aggressive action to do our part to combat global climate change.
- Adopt policies or subsidies to promote greater production and use of renewable energy.
- Limit investments in long-term natural gas capacity.
- Go beyond what is required by the federal government to reduce its carbon footprint.

NOTE: Because these findings were based on polling of members present in our fourth meeting in Asheville, which not all could attend, we do not report percentages agreeing or disagreeing with these statements but characterize the degree of agreement and disagreement more generally.

# **Electricity Regulation and Competition**

The Forum discussed the question of how the electric utility industry is organized and regulated in North Carolina. Although there was considerable interest in possible changes, particularly in the direction of introducing greater competition to the market, given limited time to discuss the issue, many Forum members were hesitant to reach firm conclusions on the issue without further study.

### **Background and Key Issues**

Two-thirds of NC retail sales and a much larger percentage of electricity generated are provided by investor owned utilities (IOUs)—notably Duke Energy Progress, Duke Energy Carolinas and Dominion Energy—that are regulated by the state Utilities Commission. The essential business model is a "cost plus" model in which the utilities make rate cases based on their cost of providing mandated levels of service and a reasonable rate of return.

North Carolina's approach can be thought of as occupying one end of a spectrum of possible ways of organizing IOUs that begins with the cost-plus regulated monopoly, and then, moving along the spectrum, in turn introducing additional performance metrics and increasing levels of competition in retail and/or wholesale markets, and concluding at the other end of the spectrum with full competition.

"Increasing competition not only encourages small businesses to innovate, it also forces the monopoly holder to get in front of [innovation]."

The fundamental question that the Forum addressed is whether North Carolina should move to a different point along this spectrum. Critics of the current cost-plus system argued that it does not adequately reward efficiency gains or incentivize innovation. They argued, first, that at minimum North Carolina should move towards a broader set of performance metrics that incentivize efficiency, reducing environmental impacts, and promoting equity, and second, that the system should be more open to limited competition, including third-party sales, which would promote innovation and use of more renewables.

"A utility is best-positioned to see those things that are harmful or less than helpful."

On the other hand, supporters of the current system pointed to North Carolina's relatively low prices, clean fuel mix, and overall system reliability, and noted that North Carolina outperforms states that have aggressively moved to greater competition. On average, cost-of-service utilities such as Duke Energy price retail electricity at more than two cents per KWh less than restructured systems, such as that in New York state. Supporters of the current centralized system also argued that it can provide greater consumer protection and is better at introducing grid modernization, tools such as smart meters to allow customers to manage their use, financing and other programs for weatherization improvements, and innovative rate plans.

Although there was considerable interest in introducing greater competition into the electricity market, Forum members discussed a number of concerns. One concern was that as some consumers begin receiving electricity from new producers, remaining customers of the IOUs would bear a higher burden of the fixed costs of the current system. Disproportionate numbers of the remaining customers might be either poor or more concentrated in rural areas of the state. A second concern was with managing the relationship between "off-grid" arrangements and the necessity of maintaining connection to the grid as a backup, particularly if off-grid sources rely on more intermittent sources of energy.

		Figu	re 9		
Regulated: Vertically Integrated IOUs			Deregulated Competition		
Cost Plus (NC 2017)	Performance- Based Comp.	Limited 3 <sup>rd</sup> Party Sales	Wholesale Competition	Retail Competition	Full Competition

#### **Policy Options**

Many Forum members expressed interest in introducing greater competition into the North Carolina electricity sector. Forum members discussed a number of options along the spectrum of approaches illustrated in Figure 9.

Although there was considerable initial enthusiasm among Forum members for introducing greater competition into the electricity sector, the relatively low price for electricity in North Carolina and concerns about challenges faced by other states that have introduced greater competition made many Forum members more cautious about introducing changes. In particular, members voiced concerns about how changes might affect overall prices, whether the benefits of competition would be equitably shared, and what impact greater competition might have on the reliability of the system. These are highly complex issues, and most Forum members wanted more information on the subject before reaching a firm opinion.

#### Performance-Based Metrics

At present, rates are set by the Utility Commission based on a limited set of objectives, most notably the cost of providing reliable service. North Carolina could expand the criteria by which rate cases are evaluated to include greater emphasis on efficiency, use of renewables, efforts to assist poor customers, or other social objectives.

Most Forum members supported moves in this direction, although there was a question about how much discretion in establishing those criteria should be given to the Utility Commission and how much should be determined by the General Assembly.

#### Limited Third-Party Sales

At present, North Carolina prohibits wholesale or retail sales by third parties. North Carolina could allow for limited sales, for example, allowing sales by independent solar or wind generators.

Advocates for limited third-party sales argued that such opening would spark innovation, allow significant cost savings, and promote efficiency gains.

Critics of lifting restrictions raised concerns about impacts on the reliability of the system and the potential tradeoff between the possibility of efficiency gains from greater competition and innovation on the one hand and the possible negative impact on equity if those gains are not equally shared and if, as noted above IOUs have fewer customers across whom they could spread their fixed costs.

#### *Full Retail and/or Wholesale Competition*

North Carolina could move towards allowing full competition in either the wholesale or retail market, or both.

Forum members were sharply divided with regard to moving aggressively in the direction of full competition in either retail or wholesale markets. The arguments for and against such a policy shift were similar to those regarding limited competition, but with additional concerns about consumer protection, and greater concerns about the reliability of the system and of the possible equity impacts. Critics of deregulation also argued that deregulation has largely failed to meet its promises in states where it has been adopted, in part because greater competition in sales does not address the core issue of grid infrastructure efficiency.

## Electricity Regulation and Competition: Where We Agree and Disagree

Although the Forum learned about and discussed issues of regulation and competition, due to the highly complex nature of this issue, most members would have liked more information and more time for consideration. Nevertheless, a significant majority of Forum members agreed that:

- North Carolina should allow some limited 3rd party sales of electricity.
- North Carolina should consider a broader set of performance metrics for regulated utilities.

#### Forum members were divided on:

 Whether North Carolina should move towards much greater competition in retail or wholesale sales.

NOTE: Because these findings were based on polling of members present in our fourth meeting in Asheville, which not all could attend, we do not report percentages agreeing or disagreeing with these statements but characterize the degree of agreement and disagreement more generally.

# **Energy Poverty and Inequity**

The Forum discussed ways to address both energy poverty and energy inequity. Energy poverty was defined as the problem faced by many lower income North Carolinians who pay an unsustainable portion of their income on energy. Energy inequities was defined as differential access and affordability for different communities within North Carolina.

### Background and Key Issues

Energy costs can constitute a major economic burden for poorer citizens of North Carolina. Although energy prices are relatively low in North Carolina, the state has a high percentage of its citizens living below the poverty level: 15.4% in 2016 according to the US Census Bureau. Furthermore, rural areas of the state have higher rates of poverty, and these are areas in which energy costs are typically higher.



# Policy Options

Often, too, poorer citizens live in housing that is highly energy inefficient. As a consequence, they pay considerably more in energy bills than they would if their residences were properly insulated, were weather-tight, or were otherwise energy efficient. In addition, although they might be able to realize longer-term savings from weatherizing properties or otherwise investing in energy efficiency, poorer North Carolinians typically lack the resources to make such investments. As smart meters and other energy saving technologies become more widely available, a major concern is enabling poorer North Carolinians to utilize these energy-saving tools, particularly if they lack broadband access.

Substandard energy efficiency is a particularly acute problem in rental properties, in which landlords do not bear the cost of utilities and tenants lack resources (and have little incentive) to invest in energy efficiencies for their residences. Although there are higher percentages of people living in poverty in rural North Carolina, as illustrated in Figure 10, families living in NC's urban areas with high concentrations of poverty also face the problem of energy inefficient housing, especially energy efficient rental housing.

More than two-thirds of renters in North Carolina have incomes below their areas' median income level, as Figure 11 shows.



The combined consequences of low incomes and substandard housing, particularly for renters, is that home energy costs can be a significant economic burden for many North Carolinians. As Figure 12 below shows, the poorest citizens of the state, those living in households below 50% of the poverty level, have a home energy burden that is, on average, 29% of their income. Even those at nearly 200% of the official poverty level (\$50,200 for a family of 4), have an average burden of 6%, just reaching what is sometimes considered the "affordable" level.

neehan & Colton: Public Fin	dability GAP in NC 2 ance and general Economics: B	2016 Melmont, MS April 2017
Poverty Level	Home Energy Burden	Number of Households
Below 50%	29%	286,539
50 -100%	16%	371,583
100 - 125%	11%	207,464
100 12070		
125 - 150%	9%	205,764
125 – 150% 150 – 185%	9% 7%	205,764 274,888

Source: Fisher, Sheehan & Colton; Public Finance and general Economics; Belmont, MS Differential access to and higher costs of energy are a significant issue for many North Carolina communities. As noted above, electricity prices tend to be higher in rural parts of the state, which are more likely to be served by electricity membership co-ops or municipal electricity companies that, on average, charge higher rates because they buy energy on the wholesale market before reselling and because they often have higher transmission costs per customer. In addition, many parts of the state, including most rural areas, do not have access to natural gas which is less expensive for home heating.

#### **Policy Options**

"Given a choice between an ideal program that may not be implemented and a pracical program, I'd choose to make a difference when I can."

A number of current government and private programs seek to address the energy poverty/inequity problem. Government programs include the Low Income Home Energy Assistance Program (LIHEAP), a federal program that provides funding for emergency utility bill assistance and weatherization assistance. LIHEAP provides weatherization assistance to approximately 1600 homes a year in North Carolina. Duke Energy's Neighborhood Energy Saver Program has provided basic energy audits for houses in poorer neighborhoods and simple energy-saving upgrades to thousands of homes since 2016 and its Helping Homes Fund has provided free energy-efficiency improvements to 3500 families since 2015. Duke Energy recently announced that it would provide \$2.5 million in additional funding for energy-saving upgrades to 700 homes.

A promising approach adopted by some membership cooperatives is on-bill financing of energy efficiency improvements. Roanoke Electric, for example, has an "Upgrade to Save" program that provides up-front financing for energy-efficiency improvements to homeowners and then allows those customers to pay back in installments on their electricity bill.

Notwithstanding the positive impacts of these programs, it is clear that they do not come close to fully meeting the need. There are a number of options for building on these extant programs and for creating wholly new programs. Forum members had a high level of agreement on a number of these options. "I'd rather be in the cash-transfer business than the benefit-transfer business."

#### Address Poverty or Target Energy Poverty?

A fundamental question discussed at the Forum was whether it would be better to adopt policies that address poverty generally rather than focus on programs that target energy poverty. Those arguing that it is better to have more general policies that reduce poverty maintained that energy-specific policies are less efficient overall and deny individuals the ability to choose how best to allocate their resources. Moreover, It is not clear why energy should have policy priority over other areas such as food, education, health care, or housing. Those arguing for policies that target energy poverty agreed that those policies might be second-best in an ideal world, but that they are far more likely to be adopted and, therefore, more likely to help those in need.

#### Expand Funding for Weatherization

Energy efficiency investments, particularly for presently inefficient residences, are often the most cost-effective way to reduce a household's energy burden. Yet poorer citizens typically lack the resources to make these investments. Options include shifting funds within the LIHEAP program from emergency bill payment support to weatherization, establishing a state weatherization assistance program, rewarding utility companies for low-income energy efficiency programs (such as Duke Energy's "Helping Home Fund,") and promoting voluntary contributions to a weatherization fund for low-income households.

There was considerable agreement that additional investments in weatherizing housing and other such programs make sense, but there was less agreement about who should pay for it, whether by ratepayers, stockholders, taxpayers, or voluntary contributors.

#### Pre-Pay with Smart Meters

Pre-paying electric bills can help low-income customers manage their energy consumption and avoid disruptions, particularly when coupled with smart meters. These benefits may be offset, however, by high transaction fees and charges for smart meters. Moreover, many poorer customers lack internet access, which is required for smart meters.

A large majority of Forum members supported a pre-pay

option, if coupled with affordable smart meters and information provision, and if transaction fees are kept low.

#### Rate Design Options

Differential pricing of electricity could help lower-income households reduce their energy burden. Options include per-kWh discounts and discounts based on percentages of income. Concerns about this option include the question of who would pay for such discounts--other customers, stockholders, or taxpayers—and the observation that lowering prices could undercut effects to improve energy efficiency.

Given these concerns, there was sharp disagreement about using differential prices to address energy poverty and inequities. Those who agreed thought lower rates an effective way to address the problem. Those who disagreed asked who would bear the costs of the subsidies and worried that lowering energy prices would discourage efficiency. In either case, members agreed that any such subsidies should be transparent.

#### Address Landlord-Tenant Issue

A fundamental problem in the rental market is that landlords have inadequate incentives to make energy improvements in their properties since they rarely pay electric bills, while renters, particularly poorer renters, may struggle to pay utility bills and cannot afford to make the improvements that would reduce the bills. Options for addressing the issue include energy efficiency building code standards for rental property and incentives for energy efficiency improvements.

Forum members unanimously recognized the importance of the disconnect between landlords and tenants and a strong majority agreed that this issue should be addressed by a combination of regulations and incentives, but the group did not determine what the appropriate mix of policies should be.

#### A Caution About Unintended Consequences

Policies often have unintended consequences. Some members of the Forum raised concerns about the possibility that policies adopted to speed North Carolina's transition to renewable energy, to spur greater competition in the electricity market, and to accelerate electric vehicle uptake (discussed below), could exacerbate energy poverty and inequity. The concern is that such policies will primarily benefit more affluent customers who will be more likely to adopt new technologies, access alternative energy providers, or purchase electric cars. If these policies are successful in reducing demand for electricity from the primary providers, then fixed costs will be spread over a smaller base, and those who cannot access the programs will pay an increased proportion of those fixed costs. A few Forum members suggested that those policies be required to "do no harm" to North Carolinians who do not have the resources to participate in the resulting programs.

## Energy Poverty and Inequity: Where We Agree and Disagree

#### We agreed:

- The energy burden for poorer North Carolinians is a serious issue that needs to be addressed.
- A significant aspect of the problem is energy inefficient housing.
- Differences in incentives between landlords and tenants are a significant obstacle to improving energy efficiency.

#### Strong support, although not unanimous:

- Expanding utility company expenditures for weatherization and other energy efficiency programs.
- Increasing awareness of and simplifying access to existing programs.
- Allowing utilities to provide on-bill financing of home improvements that improve energy efficiency.
- Encouraging voluntary contributions to weatherization programs.
- Allowing pre-payment options, provided that transaction costs are kept low and poorer customers have access to smart meters.
- Using some combination of regulation and incentives to increase energy efficiency investment in rental housing.

### Majority support but with a significant opposition or reservations:

- Adopting building codes for new housing with stronger energy efficiency standards.
- Increasing public funding for weatherization and other efficiency investments for low income home owners.

#### Both support for and opposition to:

 Designing differential rate structures to lower energy costs for poorer customers. Forum members were somewhat more favorable to allowing IOUs to offer such rates without a public subsidy than with a public subsidy.

NOTE: Because these findings were based on polling of members present in our fourth meeting in Asheville, which not all could attend, we do not report percentages agreeing or disagreeing with these statements but characterize the degree of agreement and disagreement more generally.

# Strategies for Transportation Energy Use

#### **Background and Key Issues**

Transportation energy use represents nearly 30% of all energy use in North Carolina, and emits more than half the CO2. Furthermore, although average vehicle fuel efficiency has improved, energy use for transportation continues to grow.

Although Forum members discussed a number of other issues that relate to transportation energy use, including urban design, light rail service, and autonomous vehicles, members decided to focus primarily on the potential for electrification of the vehicle fleet. Currently electric vehicles make up only a tiny fraction of total vehicles on the road in North Carolina. The expectation, however, is that as battery performance improves and charging infrastructure becomes more widely available, the rate of uptake of electric vehicles will accelerate.

The Forum discussed several key issues: The first, as with other issues in this report, is whether or not to subsidize or reward electric vehicle purchase, electricity use by electric vehicles, or the electric charging infrastructure they require. The second is whether there are unnecessary market barriers to electric vehicles that could be eliminated with little or no cost. The third issue is how to ensure that any promotion of electric vehicle use is enjoyed equitably. The electrification of transportation will also obviously have an impact on demand for electricity. The impact of this increased demand will depend, in large measure, on whether most vehicle charging can be accomplished during off-peak hours.

### **Policy Options**

The Forum discussed five policy options for accelerating electric vehicle uptake.

#### Subsidize Purchase of Electric Vehicles

The state could subsidize the purchase of EVs through rebates, tax credits, or other forms of subsidies, as have several other states. Forum members were divided with respect to these subsidies. Proponents of such incentives argued that the environmental benefits of EVs warrant privileging them in the market. Those who disagreed felt that the state should not intervene in the market and that EVs should be treated equally with other consumer products.

#### Eliminate fee for EVs

Currently North Carolina charges an annual fee of \$130 to (partially) offset the lost revenues to the NC Road Fund from lost gas tax revenues. The group did not have precise information about how much a substantial uptake

of EVs would reduce revenues to the highway fund, but a majority of the group supported eliminating the \$130 fee and replacing it with a mileage-based fee charged on all cars. There was relatively little support for the suggestion that the mileage tax differentiate among vehicles to reward fuel efficiency or EVs.

#### *Provide incentives for charging infrastructure, particularly in low-population-density areas*

To encourage uptake of electric vehicles, North Carolina could promote investment in charging infrastructure, particularly in low-population-density (rural) areas of the state that might not have sufficient demand to attract such stations.

#### Allow third-party sales of electricity for vehicle charging

To promote investments in charging infrastructure, North Carolina could allow third party sales at charging stations at commercial establishments, state highway rest areas, or other locations.

The majority of Forum members supported this proposal. A majority of members also supported a tax on these charging stations to offset lost gas taxes.

# *Include charging infrastructure in building codes*

North Carolina could require charging infrastructure in the building codes for commercial establishments, including parking garages.

A substantial majority of Forum members supported this proposal.

#### Allow for direct sales of EVs

At present, North Carolina prohibits sales of motor vehicles outside of dealerships, which has prevented Tesla and other manufacturers from direct sales to customers.

The vast majority of Forum members thought this restriction should be eliminated.

# Energy for Transportation: Where We Agree and Disagree

The Forum focused its attention primarily on the potential for accelerating a shift to greater use of electric-powered vehicles (EVs).

### The overwhelming majority of Forum members supported:

- Direct sales of electric vehicles.
- Allowing third-party sales of electricity at EV charging stations.
- Allowing charging stations at state highway rest areas operated as concessions by private vendors.

### A strong majority of Forum members supported supported:

- Including charging infrastructure provisions in building codes for parking garages and large commercial establishments.
- Eliminating the EV registration fee and replacing it with a per mile fee to partially fund the highway system.

#### Forum members were divided on:

- Providing incentives for EV purchases.
- Providing incentives for charging stations in low-density areas of the state.

### A majority of Forum members did not agree to:

 Using the mileage fee on vehicles to advantage EVs .

NOTE: Because these findings were based on polling of members present in our fourth meeting in Asheville, which not all could attend, we do not report percentages agreeing or disagreeing with these statements but characterize the degree of agreement and disagreement more generally.

## What We Learned

# What Participants Gained from and Valued About the Process

NCLF provides policy leaders both with an opportunity to learn about and discuss a topic of importance to the State and with chance to build the capacity to work more constructively with a wide range of other leaders going forward. As discussed above, this year participants in NCLF learned about the energy challenges and opportunities facing North Carolina. In the process, they increased their understanding of their own views on the topic and the views of others with different perspectives. They also experienced the importance of listening to others with whom they disagree, had the opportunity to express their views to people who did not already agree with them, and built relationships with people with whom they otherwise would not have had the opportunity to know well.

"I would never have had that kind of opportunity or rather, taken that opportunity—to engage with someone so far out of my social circle / echo chamber."

# Understanding energy issues and the participants' own views

Because of the technical complexity of the topic, NCLF spent a significant amount of time developing a shared understanding of the current state of the production and distribution of energy in North Carolina as well as the pros and cons of various future options. The information about the status quo and the discussion of the options for the future enriched the participants' own understanding of the topic. Participants valued "the information presentation and the environment that fostered a constructive place to express, digest, and debate our views" and "examining the issue by starting with the important facts and then building out responses to the issue." Others noted that they have a much deeper understanding of the complexities of energy issues and understand the implications of climate change better.

According to the post-program survey, 95% of respondents reported that they learned more about energy issues facing North Carolina.

#### Understanding the views of others

The discussions among the participants enabled them to gain a better understanding about how other people view the energy challenges and opportunities facing North Carolina, and in some instances led to their modifying or nuancing their own views.

One participant noted, "The level of transparent and candid conversation this group was able to achieve was the most impressive aspect of the process."

According to the post-program survey:

- 95% better understand the values, opinions or priorities about NC's energy future held by people with different perspectives than their own.
- 75% viewed some issues about North Carolina's energy future differently than they did before participating in NCLF.

Many participants expressed their appreciation for having the opportunity to hear and discuss the views of others, which was a core aspect of the program. One participant wrote, "I have been skeptical that people with extreme views on any given topic can be swayed. Since NCLF, I believe it is possible to present evidence that might cause a person's position to be less extreme even if not different."

Other participants said, for example:

- The perspectives of the participants...the expertise provided by the others in the NCLF was MOST important.
- I have developed a much stronger relational awareness between my beliefs. The NCLF process helped me more

deeply explore my knowledge and values and even shifted my stances once I better understood the topic.

- I understand that the motivation of people with different views is not what I had decided it was. Their motivation comes from a place of wanting to do what's best for NC, though we disagree on how to get there.
- Political policy views are not absolute. Conservatives may believe some mandates or incentives are good. Similarly, liberals can appreciate the power of the market for change.

Other observations about changes were more specific, such as:

- I am more cautious about opening up the energy market for competitors to Duke. I better understand some of the risks in terms of cost and rates, and the states that have deregulated or have more competition do have problems that we don't have.
- I have a deeper understanding of the challenges energy consumers face.
- My views have been modified to appreciate more fully the sincere needs for the utility, Duke Energy, to recover certain infrastructure costs. This need for cost recovery, and perhaps their right to protect their investment, will impact third parties' entry into the space. I understand that more fully.
- I'm open to the possibility of different rate structures for energy depending on how poor you are and how energy efficient your dwelling is. But there has to be some incentive on upgrading the energy efficiency of that dwelling with the ultimate goal being to pay at the same rate as others do.

#### The importance of listening

One of the goals of NCLF is giving participants the opportunity to develop their capacity to engage constructively with people of different views. 80% of participants said that they did develop that capacity as a result of participating in the program.

A particular skill or habit that is necessary for constructive engagement is actively listening to people who have different viewpoints. Appreciation for the opportunity to hear differing views was widely expressed by participants:

- There is a value in listening. You need to understand what others' concerns are.
- Listen first to understand and take people at their word before making snap judgments.
- The importance of listening is key, and I have enjoyed listening to others' points of view.
- I could say a lot about how all of us have a tendency to form opinions based on preconceived notions. Some of those notions turn out to be true, but even when they are true, the truth is shaded differently when we stop to listen carefully to the other person's perspective.

One pair of assigned buddies poignantly recounted their experience of talking with and listening to each other. They met for lunch for three hours and then again for dinner, talking and listening for three more hours. Both said they would never have had the chance to hear each other's views without this program. One described the experience of listening to her buddy's experiences and views as "life changing." The other described the experience as feeling "divine and God sent."

#### Building relationships with others

In both the final meeting wrap up and in the post-program survey, many participants noted that the opportunity to build relationships with people of different viewpoints and from different parts of the state was, for them, the most valuable aspect of the program. Building relationships across difference is a core goal of the program, with the hope that establishing these relationships of trust will enable those involved in policy-making to work more constructively with each other going forward.

According to the 2017-18 year-end survey:

- 95% of participants formed relationships with one or more people of differing views that they likely would not have otherwise formed.
- 90% had had one or more conversation outside of class with an NCLF participant whom they did not know before, and over 40% had had 4-9 such conversations.

It is too soon to know if these relationships and skills will be carried into the future, but participants' comments indicate that NCLF enabled relationships to be build that will make a difference going forward. Participant comments included:

- I would have never had that kind of opportunity—or rather, taken that opportunity—to engage with someone so far out of my social circle / echo chamber.
- I have learned I can call on people for advice, comment, etc. whose views are very different from mine. In fact, I did this about an issue that was quite important.
- I appreciated the human interaction. I was able to enjoy relationships, and I have to figure out how to continue that outside of this group. I am grateful for the opportunity to experience these people.
- There are several levels of interpersonal connection. If anyone calls me I am going to return your call. When I see you at another formal function, we will have an ability to connect and communicate. The experience was structured and engineered to create one on one relationships.

The impact of NCLF outside the program is already evident by the survey response showing that 85% of participants, during the course of the program, made an effort to encourage or facilitate conversations between people of different parties or ideologies in their community or elsewhere.

# What the NCLF learned

The North Carolina Leadership Forum has now completed its second cohort of the program. NCLF is one of only a few programs in the country that is working with statelevel leaders for the purposes of enabling more constructive engagement between policy leaders across partisan and ideological divides. As we have developed the program we have learned a few lessons about how to deliver it in a way that promotes deep engagement.

#### Having a multi-session program with enough time both to delve deeply into a topic and to allow people to develop relationships is essential.

This cohort of NCLF had five sessions, three that were from late afternoon one day until late afternoon the next day, and two that were from early morning until late afternoon in one day. This relatively "high dose" is instrumental. It takes time for people to gain the trust that allows them to have deep, meaningful and candid conversations and to build lasting relationships with people of different backgrounds and viewpoints. It also takes time to work through a complex problem, understanding the sub-issues at play, the relevant facts, the range of values that are relevant to forming solutions, the various options for moving forward, and the advantages and down-sides of each major option.

A disadvantage of a large dose is that it is hard for busy leaders to devote so much time. Nonetheless, all but 2 of the initial 35 participants completed the program, many attended all the meetings, and most others who missed one or two sessions did so because of illness or unavoidable work-related conflicts.

A few people who attended all of the meetings expressed frustration at the spotty attendance of others. When asked what barriers members faced to full participation, most people said there was nothing NCLF could do to facilitate more universal participation. The few suggestions for improving attendance were: be clear that accepting the invitation to participate includes a commitment to attend all sessions barring a personal or professional emergency; clearly state the dates and times of all future sessions in the invitation; consider reducing the number of sessions; keep the sessions more centrally located; or move to weekend sessions.

#### Selecting a topic

The question that the group focuses on must be a real,

complex challenge facing the State and must be one that an array of people agree is important. It should be a problem with significant disagreement about its solution. This year's topic, the best energy future for NC, clearly met the criteria of being an actual challenge North Carolina is facing; a broad array of people think is important; and various groups have differing views of the best path forward.

Embedded in this complex question are a number of sub-issues, with numerous possible solutions, each with benefits and downsides, such that the question fueled a rich, deep and extended discussion. There is merit in working on a real, not hypothetical, issue to increase understanding of what motivates the other side and to nuance self-understanding.

A downside of the energy topic is that it is that the relevant facts are scientifically, practically, and legally complex. While the participants were willing to grapple with this complexity, it took a significant amount of time to get everyone informationally up to speed so that a broad, engaged conversation was possible. Nonetheless, when asked about the complexity of the topic, 74% of participants thought it was about right, and only 26% thought it was too complex.

Having a topic that overly technical and complex has the potential to interfere with having enough time to have deep discussions about values and tradeoffs and to build relationships. No matter what the topic, the facilitators should recognize that the participants cannot be required to know everything that is relevant before beginning a dialogue. Providing background materials with sufficient time for participants to consider before meetings is important. Beyond establishing a factual baseline, and understanding which facts the whole group accepts as true, relevant facts can emerge as the conversation progresses.

#### Structuring the meetings

The challenge of using the limited meeting time well is to leave enough time for the participants (1) to develop an understanding of the issues and the relevant facts, (2) to engage in dialogue about their range of views and what experiences, practicalities, and values lie underneath those views, and (3) to develop meaningful relationships. Thus the facilitators need to be thoughtful about how to structure the use of time to allow for all three of these.

"Most valuable were the information presentation and the environment that fostered a constructive place to express, digest, and debate our views."

During this year's sessions the facilitators used the full spectrum of individual reflection, conversations in pairs, small group discussions (both diverse groups and affinity

groups), and full group discussions. Each of these serves a function in encouraging a deep and candid dialogue, and it is important to be intentional about how best to use each. Individual reflection allows each person to clarify his or her own thoughts or feelings and time to prepare for listening to other people's views. Pairs give each person an opportunity to articulate his or her views and to practice listening to another's views, probing the basis for those views. Jigsaw small groups serve a similar function. Subgroups allow several different hypotheses or potential solutions to be developed simultaneously. Whole group discussions give the maximum exposure to and opportunity to discuss the full range of views. Participants appreciated the full range of approaches and found the fully informed, multi-perspective whole-group discussions of the last two meetings to be particularly engaging.

In addition, NCLF continues to use Chatham House Rules to enable candor. Under Chatham House Rules, participants are free to use the information received outside of the meeting, but the identity of the speaker may not be revealed. In addition, no media and no observers were allowed to attend the meetings. These parameters allowed members to speak freely without fear that what they said would be used against them in any way or that they would be quoted outside the meetings.

"Meeting such a diverse group, not only politically, but so many walks of life! I would dearly love to do this again, or perhaps continue the effort in a different forum."

> "I never thought I would say this, but talking about the issue of respectful communication and a willingness to be wrong now floats my boat ... !"

#### We need to be thoughtful about building in opportunities for relationship building

In addition to building a pathway through the content, the steering committee paid attention to building in opportunities for people to form relationships with people they did not already know.

- Six "homeroom" groups that were as politically, geographically, sector, racially and gender diverse as possible were established at the first meeting. Most meetings started with these groups at a table, in order to give them the opportunity to connect on an ongoing basis. Several participants expressed appreciation for these groups.
- At the first meeting, instead of self-introductions, people were asked to partner with someone they did not know and then to introduce each other.
- Between the first and second meeting, each person was partnered with person from his or her general geographic area who likely had a different viewpoint. These "buddies" were asked to meet between the first and second meeting for at least an hour to talk about something significant to them. This "homework gave us chance to connect with people as people."
- In addition, an effort was made to arrange subgroup and whole group tables to give each member exposure to almost all the other members at some time during the process.

These methods were noticed and appreciated by the group.

- I loved the 'homeroom' tables!
- Actually, I thought the several devices used to bring us together were excellent: introducing the person next to us to the group; the jigsaw mixing; and the "buddy" arrangement were effective.
- The facilitators structured the experience and engineered our seating so we would be able to create one on one relationships.
- Guards fell down quickly, and people were more trusting.
- The content learning was helpful. But I feel like the interaction between participants was what really lead to modification of views.

What we did not do as well was to build in social time. Lunches were short, there were only a couple of social gatherings before dinners, and we were not able to schedule in-between session social dinners in a way that allowed robust attendance. In the future NCLF should include more social time. We might consider decreasing the number of sessions from five to four and having all of them be overnights with social time in the evenings.

### Conclusion

The experience of the 2017-2018 NCLF demonstrates that it remains possible for leaders who differ in their politics, their worldviews, and their life experiences to work together to address an issue of importance to the future of North Carolina. On the issue of North Carolina's energy future, Forum participants learned a great deal about the key challenges facing the state, identified a range of possible solutions, discovered some areas of agreement, and, where disagreement remained, adopted more nuanced positions and had a better understanding of the positions of others. By practicing active listening and constructive dialogue, Forum participants developed both a greater appreciation for the motivations and perspectives of others as well as skills for more effective engagement. And through myriad exchanges—problem solving in simulation exercises, discussing the merits of alternative approaches in small groups, social time during and between meetings—Forum members developed relationships with leaders that they would not otherwise have had, relationships that already have had impacts outside of the Forum.

It is a tribute to the deep love that North Carolinians have for the people of our state that such prominent leaders would carve out so much time from their busy schedules to engage frankly and in good faith with each other over so many hours. The spirit exhibited by these North Carolinians strikes an optimistic note in these polarized times and provides reassurance that, for all our differences, we can still work together for the betterment of North Carolina.

"I understand that the motivation of people with different views is not what I had decided it was. Their motivation comes from a place of wanting to do what's best for North Carolina, though we disagree on how to get there."





























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