

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-22, SUB 494

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Virginia Electric and Power)
Company d/b/a Dominion North Carolina) ORDER APPROVING DSM/EE AND
Power for Approval of Demand Side) DSM/EE EMF RIDERS AND
Management and Energy Efficiency Cost) REQUIRING CUSTOMER NOTICE
Recovery Rider Pursuant to G.S. 62-133.9)
and Commission Rule R8-69)

BEFORE: Commissioner ToNola D. Brown-Bland, Presiding; Chairman Edward S. Finley, Jr.; Commissioners Bryan E. Beatty, Susan W. Rabon, Jerry C. Dockham, James G. Patterson, and Don M. Bailey

HEARD: Wednesday, November 13, 2013, Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

APPEARANCES:

FOR DOMINION NORTH CAROLINA POWER:

Vishwa B. Link, McGuireWoods, LLP, One James Center, 901 East Cary Street, Richmond, Virginia 23219

E. Brett Breitschwerdt, McGuireWoods, LLP, 434 Fayetteville Street, Suite 2600, Raleigh, North Carolina 27601

FOR THE USING AND CONSUMING PUBLIC:

David T. Drooz, Staff Attorney, Public Staff – North Carolina Utilities Commission, 4326 Mail Service Center, Raleigh, North Carolina 27699-4326

BY THE COMMISSION: General Statute 62-133.9(d) authorizes the Commission to approve an annual rider to the rates of electric utilities to recover all reasonable and prudent costs incurred for the adoption and implementation of new demand-side management and energy efficiency (DSM/EE) programs. In accordance with Commission Rule R8-69(b), such rider consists of the utility's reasonable and appropriate estimate of expenses expected to be incurred during the rate period and an experience modification factor (EMF) rider to collect or refund the difference between the utility's actual reasonable and prudent costs incurred during the test period and actual revenues realized during the test period under the DSM/EE rider then in effect. The Commission is

also authorized to award incentives to electric utilities for adopting and implementing new DSM/EE programs, including appropriate rewards based on the sharing of savings achieved by the programs. These utility incentives are included in the utility's reasonable and appropriate estimate of expenses expected to be incurred during the rate period and DSM/EE EMF riders described above.

Further, Commission Rule R8-69(b) provides that the Commission will each year conduct a proceeding for each electric utility to establish an annual DSM/EE rider to recover DSM/EE related costs and utility incentives. Commission Rule R8-69(e) provides that the annual DSM/EE cost recovery rider hearing for each public utility will be scheduled as soon as practicable after the annual fuel and fuel-related charge adjustment proceeding held by the Commission for the electric public utility under Commission Rule R8-55.

On August 20, 2013, Virginia Electric and Power Company d/b/a Dominion North Carolina Power (DNCP or the Company) filed in this docket its Application for Approval of Cost Recovery for Demand-Side Management and Energy Efficiency Measures (Application), together with the prefiled direct testimony and exhibits of its witnesses Brandon E. Stites, Ripley C. Newcomb, Michael J. Jesensky, David L. Turner, C. Alan Givens, J. Clayton Crouch, and Robert C. Rice for the approval of a DSM/EE rider to recover the Company's reasonable and prudent forecasted DSM/EE costs, capital costs, indirect common costs, taxes, net lost revenues (NLR), and a Program Performance Incentive (PPI) for implementation of its DSM/EE programs.

DNCP's Application requested an annual projected rate period revenue requirement of \$3,310,828 to be recovered through its updated DSM/EE rider, Rider C, effective on and after January 1, 2014. DNCP also requested approval of a decrement DSM/EE EMF rider, Rider CE, in the amount of (\$899,739), to true up its actual costs and revenues received under Rider C rates in effect during the period July 1, 2012 through June 30, 2013. This request, including gross receipts taxes, would result in the following kilowatt-hour (kWh) charges: 0.093 cents per kWh for residential customers; 0.084 cents per kWh for small general service and public authority customers; 0.106 cents per kWh for large general service customers; and 0.091 cents per kWh for rate schedule 6VP customers. The net effect of these requests would increase the monthly bill of a typical residential customer using 1000 kWh by approximately \$0.01, or approximately 0.01%.

Contemporaneous with DNCP's filing of its Application in this docket, the Company also filed eight new DSM and EE programs for Commission approval under Commission Rule R8-68. These programs include the North Carolina-only Commercial Lighting Program; North Carolina-only Commercial HVAC Upgrade Program; Non-Residential Energy Audit Program; Non-Residential Duct Testing and Sealing Program; Residential Home Energy Check Up Program; Residential Duct Testing & Sealing Program; Residential Heat Pump Tune Up Program; and Residential Heat

Pump Upgrade Program.¹ The Company requested that each of these new Programs be approved to begin accepting participants in North Carolina on January 1, 2014, and the costs and incentives associated with implementing these new Programs be approved for recovery in this proceeding.

Proceedings in Prior Dockets

On October 14, 2011, in Docket No. E-22, Sub 464 the Commission issued its Order Approving Agreement and Stipulation of Settlement, Approving DSM/EE Rider, and Requiring Compliance Filing (2010 Cost Recovery Order). In the 2010 Cost Recovery Order, the Commission approved the Agreement and Stipulation of Settlement between the Public Staff and the Company (Stipulation), filed on March 2, 2011, as well as the Cost Recovery and Incentive Mechanism (Mechanism), attached as Stipulation Exhibit 1 to the Stipulation (collectively, Stipulation and Mechanism).

On December 13, 2011, in Docket No. E-22, Sub 473 the Commission issued its Order Approving DSM/EE Rider and Requiring Customer Notice in DNCP's 2011 DSM/EE cost recovery proceeding (2011 Cost Recovery Order). The 2011 Cost Recovery Order also approved a first Addendum to the Stipulation and Mechanism (Addendum I) related to jurisdictional allocation of DSM/EE costs. The Addendum I is now incorporated as part of the Stipulation and Mechanism.

On April 29, 2013, in Docket No. E-22, Sub 486 the Commission issued its Order Granting Conditional Approval of Cost Assignment Proposal that approved a cost assignment methodology for purposes of allocating DNCP's costs of offering its Commercial Lighting Program and HVAC Upgrade Program only in North Carolina. The cost assignment methodology had been agreed upon by DNCP and the Public Staff. In the present docket, DNCP filed a copy of the approved cost assignment methodology as Attachment 1 to its Application, and requested that the Commission incorporate it into the Stipulation and Mechanism as Addendum II (Addendum II).

Proceedings in the Present Docket

On September 12, 2013, the Commission issued an Order Scheduling Hearing, Requiring Filing of Testimony, Establishing Discovery Guidelines, and Requiring Public Notice regarding DNCP's Application. Pursuant to this Order, the Commission established deadlines for the filing of petitions to intervene, intervenor testimony and exhibits, and Company rebuttal testimony and exhibits, and scheduled a hearing to be held in this proceeding on November 13, 2013.

On September 26, 2013, DNCP filed the Exhibit CAG-1, Schedule 3, workpapers of Company witness C. Alan Givens.

¹ These eight new DSM/EE programs were filed for approval in Docket No. E-22, Subs 467, 469, and 495-500.

On September 27, 2013, the North Carolina Sustainable Energy Association (NCSEA) filed a motion to intervene in the proceeding. On October 2, 2013, the Commission issued an order allowing NCSEA's motion. Intervention and participation in this docket by the Public Staff is recognized pursuant to G.S. 62-15(d) and Commission Rule R1-19(e).

On October 18, 2013, DNCP filed its Affidavit of Publication indicating that it had provided notice in newspapers of general circulation as required by the Commission's September 12, 2013 Order.

On October 30, 2013, the Public Staff filed the Affidavits of Jack L. Floyd, Electric Engineer, Electric Division, and Michael C. Maness, Assistant Director, Accounting Division.

On November 1, 2013, DNCP filed a motion seeking authority to allow Vishwa B. Link, an attorney licensed to practice in the Commonwealth of Virginia, to appear pro hac vice on behalf of DNCP in this docket. The Commission granted the motion for limited appearance by Order issued on November 8, 2013.

On November 6, 2013, the Company prefiled rebuttal testimony and exhibits of its witnesses Brandon E. Stites, Ripley C. Newcomb, Michael J. Jesensky, C. Alan Givens, J. Clayton Crouch, and Robert C. Rice in support of its Application and in response to the affidavits filed by the Public Staff. The Company's rebuttal testimony updated the DSM/EE EMF Rider CE revenue requirement refund amount to (\$911,589). No other changes to the revenue requirement were proposed by the Company's rebuttal testimony.

On November 8, 2013, the Public Staff and DNCP filed a Joint Motion to Excuse Witnesses, stating that they had reached agreement on all issues in this docket and had agreed to waive cross-examination of each other's witnesses. Further, the Joint Motion requested that the Commission excuse the Public Staff and DNCP witnesses from attending the evidentiary hearing on November 13, 2013, and admit the testimony and exhibits of those witnesses into evidence at the hearing. On November 12, 2013, the Commission issued an Order granting the Joint Motion.

On November 13, 2013, the Commission held the evidentiary hearing as scheduled. No public witnesses appeared or testified at the hearing.

DNCP and the Public Staff jointly filed a Proposed Order on December 4, 2013.

Based upon DNCP's application, the testimony and exhibits received into evidence at the hearing, and the record as a whole, the Commission makes the following:

FINDINGS OF FACT

1. Virginia Electric and Power Company is a public utility operating in the State of North Carolina as DNCP, is engaged in the business of generating, transmitting, distributing, and selling electric power and energy to the public for compensation in North Carolina, and is subject to the jurisdiction of the North Carolina Utilities Commission as a public utility.

2. DNCP is lawfully before this Commission based upon its application filed pursuant to G.S. 62-133.9 and Commission Rule R8-69.

3. Pursuant to Commission Rule R8-69, the rate period for purposes of this proceeding is the 12-month period January 1, 2014, through December 31, 2014.

4. Pursuant to Commission Rule R8-69, the test period for purposes of this proceeding is the 12-month period July 1, 2012, through June 30, 2013.

5. DNCP has requested rate period recovery of costs and incentives related to the following approved DSM/EE programs: (a) Low Income Program; and (b) Residential Air Conditioner Cycling Program. DNCP has also requested the recovery of costs and incentives related to the following proposed DSM/EE programs: (a) North Carolina-Only Commercial HVAC Upgrade Program; (b) North Carolina-Only Commercial Lighting Program; (c) Non-Residential Energy Audit Program; (d) Non-Residential Duct Testing and Sealing Program; (e) Residential Home Energy Check Up Program; (f) Residential Duct Testing & Sealing Program; (g) Residential Heat Pump Tune Up Program; and (h) Residential Heat Pump Upgrade Program.

6. Consistent with the Orders Approving Programs issued by the Commission on December 16 and 17, 2013, in Docket No. E-22, Subs 467, 469, and 495-500, it is reasonable and appropriate for the Company to recover the costs associated with offering each of the ongoing and newly approved DSM/EE Programs during the rate period.

7. Addendum II is reasonable and appropriate for inclusion as part of the Stipulation and Mechanism.

8. Recovery via Rider C of DNCP's forecasted DSM/EE program costs, common costs, NLR, and a PPI, as well as a true up via Rider CE of DNCP's test period DSM/EE program costs, common costs, NLR, and a PPI, are subject to the terms of the Stipulation and Mechanism agreed to between the Company and the Public Staff and approved by the Commission in the 2010 Cost Recovery Order, as modified by the 2011 Cost Recovery Order and as further modified by Addendum II.

9. Recovery of the Company's incremental common costs not directly related to specific DSM or EE programs, as well as NLR and a utility incentive in the form of a PPI, are reasonable and consistent with the Stipulation and Mechanism.

10. For purposes of determining Rider C, DNCP's reasonable and appropriate estimate of its North Carolina retail DSM/EE total revenue requirement, consisting of DSM/EE program costs, common costs, NLR, and a PPI, is \$3,310,828. This is the appropriate amount to use to develop the forward-looking DSM/EE revenue requirement for recovery through Rider C.

11. Rider C is reasonable and appropriate, and consists of the following customer class billing factors (including Gross Receipts Tax (GRT)): Residential – 0.141 ¢/kWh; Small General Service and Public Authority – 0.098 ¢/kWh; Large General Service – 0.124 ¢/kWh; 6VP – 0.106 ¢/kWh; and no charge for NS, Outdoor Lighting, and Traffic Lighting. It is reasonable and appropriate for Rider C to become effective for usage on and after January 1, 2014.

12. For purposes of determining its DSM/EE EMF, Rider CE, DNCP's reasonable and prudent North Carolina retail total revenue requirement for the DSM/EE EMF Test Period, consisting of amortized DSM/EE program costs, common costs, and utility incentives, is (\$911,589). This DSM/EE EMF refund includes interest of 10% on the over-recovery amount, as contemplated by Commission Rule R8-69(b)(3) and the Mechanism.

13. Rider CE is reasonable and appropriate, and consists of the following decrements to customer class billing factors (including GRT): Residential – (0.049) ¢/kWh; Small General Service and Public Authority – (0.014) ¢/kWh; Large General Service – (0.018) ¢/kWh; 6VP – (0.015) ¢/kWh; and no charge for NS, Outdoor Lighting, and Traffic Lighting. It is reasonable and appropriate for Rider CE to become effective for usage on and after January 1, 2014.

14. DNCP requested the recovery of NLR and a PPI in the amount of \$140,556 for the test period and \$836,355 for the rate period. DNCP's calculation and proposed recovery of NLR and a PPI is consistent with the Stipulation and Mechanism, and is appropriate for recovery in this proceeding.

15. In the present proceeding, DNCP provided the Commission with an explanation of its consumer education and awareness activities and the volume of activity associated with each initiative during the test period, as initially directed by the Commission's 2011 Cost Recovery Order in Docket No. E-22, Sub 473. It is appropriate for DNCP to continue to provide such information to the Commission in future rider proceedings.

16. The evaluation, measurement, and verification (EM&V) analyses and reports prepared by DNCP are reasonable for purposes of this proceeding. The EM&V data provided by DNCP and reviewed by the Public Staff for vintage years 2011 and

2012 is sufficient to consider those vintage years complete for all programs operating in those years. It is appropriate for DNCP to incorporate the EM&V recommendations of Public Staff witness Floyd in future EM&V.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-4

These findings of fact are essentially informational, procedural, and jurisdictional in nature and are uncontroverted. The rate period and test period used by DNCP are consistent with Commission Rule R8-69.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 5-7

The evidence for these findings of fact is contained in DNCP's Application, the testimony of DNCP witnesses Stites and Crouch, the affidavits of Public Staff witnesses Floyd and Maness filed in this proceeding, and the Comments of the Public Staff and the Commission's Orders Approving Programs in Docket No. E-22, Subs 467, 469, and 495-500.

The Company's Application requested approval of rate period cost recovery for (i) its ongoing Phase I Residential Low Income and Air Conditioner Cycling Programs; (ii) six proposed Phase II DSM/EE programs that have been previously approved by the Virginia State Corporation Commission and are now deployed in the Company's Virginia jurisdiction; and (iii) two proposed North Carolina-only programs, the Commercial HVAC Upgrade and Commercial Lighting Programs. Company witness Stites explained that DNCP began offering these Phase II programs in its Virginia jurisdiction in the summer of 2012, and, subject to Commission approval, proposes to begin accepting customers in North Carolina beginning on January 1, 2014.

With regard to the two North Carolina-only programs, witness Stites explained that the Commission previously allowed DNCP to suspend these two system-wide programs in order to evaluate whether they could cost-effectively be offered only in North Carolina, and to work with the Public Staff on a more appropriate cost recovery methodology that would align recovery of program costs with the benefits of offering the programs only in North Carolina. On February 12, 2013, in Docket No. E-22, Sub 486, the Company filed "100% cost assignment language," in agreement with the Public Staff, for purposes of recovering the costs of offering these two programs on a North Carolina-only basis. On April 29, 2013, the Commission's Order Granting Conditional Approval of the cost assignment language in Docket E-22, Sub 486, conditionally approved DNCP's and the Public Staff's 100% cost assignment proposal, subject to (1) DNCP submitting updated program applications, including cost-effectiveness results, in accordance with Commission Rule R8-68; (2) Commission approval of the refiled North Carolina-only programs; (3) DNCP and the Public Staff submitting a signed amendment to the Addendum memorializing the agreed-upon 100% cost assignment language; and (4) DNCP sponsoring a witness in its annual DSM/EE cost recovery proceedings to address any Commission questions regarding cost recovery for these North Carolina-only programs. The Company filed the two North Carolina-only programs contemporaneous

with its Application in this docket. The Company filed Addendum II as Attachment 1 to the Company's Application in this docket, and witness Crouch fully assigned the costs of these two programs to the North Carolina retail jurisdiction in accordance with the 100% cost assignment language presented in proposed Addendum II to the Stipulation and Mechanism.

Public Staff witness Floyd testified that the Public Staff supported DNCP's request to recover its costs associated with the previously approved Phase I DSM/EE programs and conditionally supported inclusion of the pending Phase II and North Carolina-only programs contingent on the Commission's approval of each of the programs as a new DSM/EE program under Rule R8-68. On November 25, 2013, the Public Staff filed comments in each of the program approval dockets in support of Commission approval of the two North Carolina-only programs and six Phase II programs, subject to certain enumerated conditions, to which the Company had no objection.

On December 18, 2013, the Commission issued Orders Approving Programs for the two North Carolina-only programs and six Phase II programs in Docket No. E-22, Subs 467, 469, and 495-500.

Consistent with the Commission's Orders Approving Programs allowing the Company to accept North Carolina retail customers in each of the Company's DSM/EE Programs on and after January 1, 2014, the Commission finds and concludes that DNCP should be allowed to recover its projected rate period costs associated with offering each of its ongoing and newly approved programs as requested in its Application. The Commission also finds that Addendum II memorializing the agreed-upon 100% cost assignment language between DNCP and the Public Staff is reasonable and should be approved and incorporated as Addendum II to the Stipulation and Mechanism.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 8-14

The evidence for these findings of fact is contained in the testimony and exhibits of DNCP witnesses Stites, Newcomb, Turner, Givens, Crouch, and Rice and the affidavit of Public Staff witness Maness.

In his direct testimony, Company witness Turner provided evidence regarding the estimated system-level or North Carolina-only program costs of the Company's portfolio of DSM/EE programs, and common costs associated with implementing the system-level or North Carolina-only Programs. According to witness Turner, "program costs" are costs directly attributable to individual programs, while "common costs" are costs associated with the overall effort of designing, implementing, and operating the DSM/EE programs, but not directly attributable to any individual program. Witness Turner also provided actual DSM/EE program and common costs for currently operational programs for the July 1, 2012 through June 30, 2013 test period.

Witness Turner also calculated DNCP's projected rate period PPI amount for the previously approved Phase I Residential Lighting, Commercial Lighting, and Commercial

HVAC Upgrade Programs, the six Phase II Programs and the North Carolina-only Commercial HVAC Upgrade and Commercial Lighting Programs. Witness Turner also calculated a PPI true up for the previously-approved Phase I Residential Lighting, Commercial Lighting, and Commercial HVAC Upgrade Programs for vintage year 2011, and a PPI true up for the Phase I Commercial Lighting Program for vintage year 2012.

Company witness Givens testified that DNCP's projected revenue requirement includes the following cost components: (1) operating expenses projected to be incurred during the rate period, (2) capital costs (including related depreciation expense) projected to be incurred during the rate period, (3) a PPI projected for the rate period, and (4) NLR projected to be incurred during the rate period. Witness Givens calculated DNCP's requested North Carolina retail rate period (January 2014 through December 2014) revenue requirement as follows:

1. Operating Expense	\$2,365,596
2. Capital Cost	\$ 108,878
3. NLR	\$ 716,451
4. PPI	\$ 119,904
5. Total	\$3,310,828

Company witness Givens also calculated DNCP's DSM/EE EMF revenue requirement, which includes actual costs (both capital and operation and maintenance (O&M) components), a PPI, and actual NLR for the DSM/EE EMF test period. The DSM/EE EMF revenue requirement was initially calculated to be a refund of (\$899,739).

Public Staff witness Maness recommended certain limited adjustments related to the Company's calculation of carrying charges on the test period over-recovery amount used to calculate the Rider CE DSM/EE EMF Rider revenue requirement. Specifically, witness Maness noted that the Company calculated carrying charges (a return) and interest on the over-recovery of its test period DSM/EE revenue requirement using methodologies that produce (1) carrying charges due to ratepayers higher than prescribed by the Mechanism and Commission Rule R8-69(b)(6) and (c)(3), and (2) an interest amount pursuant to the Mechanism and Commission Rule R8-69(b)(3) lower than what would be produced by the 10% simple interest rate applied to the average over-recovered balance method recommended by witness Maness and traditionally adopted by the Commission. To address these concerns, witness Maness made two adjustments to the Company's Rider CE DSM/EE EMF revenue requirement calculation. First, he applied the maximum statutory rate of 10% per annum, set forth in G.S. 62-130(e), as the interest rate to be used on DNCP's pre-tax average outstanding balance, as historically approved by the Commission for refunds of this type. Second, witness Maness proposed to include the carrying charges accrued pursuant to Paragraph 23 of the Mechanism in the amount to which the 10% interest is applied.

DNCP witness Givens testified in his rebuttal testimony that for purposes of this case, the Company accepts the adjustments proposed by witness Maness to the DSM/EE EMF Rider CE revenue requirement. Witness Givens also testified as to three

minor corrections to the Rider CE DSM/EE EMF revenue requirement calculation that were identified during the discovery process and discussed with the Public Staff as part of the Company's effort to come to an agreement as to the proper revenue requirement in this proceeding. These three corrections included (1) incorporating updated test period kWh energy reductions for the Low Income Program provided by Company witness Jesensky; (2) updating the State Apportionment Transactional Rate; and (3) incorporating the updated North Carolina retail jurisdictional allocation factor used to allocate common costs to the North Carolina retail jurisdiction provided by Company witness Crouch. As a result of witness Maness' recommendations and the three updates to the Rider CE revenue requirement supported by witness Givens, the DSM/EE EMF revenue requirement was updated by witness Givens to a refund of (\$911,589).

For the continuing Phase I and proposed Phase II system programs, Company witness Crouch allocated common costs to the DSM/EE programs, allocated program costs to the North Carolina retail jurisdiction, and then assigned (residential programs) and allocated (commercial programs) costs to the customer classes in accordance with Sections 3.A, 3.B, and 3.C of the Stipulation and Mechanism, respectively. Witness Crouch also directly assigned 100% of the projected rate period costs of the proposed North Carolina-only Commercial HVAC Upgrade and Commercial Lighting Programs to the North Carolina retail jurisdiction, in accordance with Addendum II to the Stipulation and Mechanism. Witness Crouch's rebuttal testimony updated the allocations and assignments for the Rider CE DSM/EE EMF revenue requirement provided by Company witness Givens.

Per these allocations and assignments, the North Carolina retail jurisdictional rate period revenue requirement was allocated to the classes as follows:

<u>Rate Class</u>	<u>Rider C Amount</u>	<u>Rider CE Amount</u>
Residential	\$2,150,077	\$(734,803)
SGS Co & Muni	\$752,426	\$(106,915)
LGS	\$270,572	\$(38,447)
6VP	\$137,753	\$(19,574)
NS	\$0	\$0
ST & Outdoor Lighting	\$0	\$0
Traffic Lighting	\$0	\$0

Company witness Rice provided the North Carolina forecasted net kilowatt-hour (kWh) sales for the rate period, and calculated the Rider C and Rider CE rates designed to recover the Rider C and Rider CE revenue requirements allocated to the classes. Witness Rice proposed in testimony that the following customer class Rider C billing factors (including GRT) be put into effect on January 1, 2014: Residential – 0.141 ¢/kWh; Small General Service and Public Authority – 0.098 ¢/kWh; Large General Service - 0.124 ¢/kWh; 6VP - 0.106 ¢/kWh; and no charge for NS, Outdoor Lighting, and Traffic Lighting. Witness Rice also testified and set forth a rebuttal schedule proposing that the following customer class decrement Rider CE billing factors (including GRT) be put into effect on January 1, 2014: Residential – (0.049) ¢/kWh; Small General Service and Public

Authority – (0.014) ¢/kWh; Large General Service – (0.018) ¢/kWh; 6VP – (0.015) ¢/kWh; and no charge for NS, Outdoor Lighting, and Traffic Lighting.

Other than the adjustments to carrying charges noted above, Public Staff witness Maness testified that the Public Staff's investigation of DNCP's filing indicates that the Company generally has calculated the proposed riders in accordance with the methods set forth in the approved Stipulation and Mechanism for recovery of costs, NLR, and the PPI. Public Staff witness Maness also testified that his investigation into DNCP's Application showed that the Company had calculated its PPI true ups for vintage years 2011 and 2012 in accordance with the Public Staff's recommendations and the Stipulation and Mechanism.

Based upon the testimony of witnesses Stites, Newcomb, Turner, Givens, Crouch, and Rice, the affidavit of witness Maness, and the entire record of this proceeding, the Commission finds and concludes that the DSM/EE EMF revenue requirement and proposed Rider CE billing factors to be charged during the rate period are appropriate. The Commission further finds and concludes that the projected DSM/EE rate period revenue requirement and Rider C billing factors to be charged during the rate period are appropriate.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 15

The evidence for this finding of fact is contained in the testimony of DNCP witness Turner and in various Commission orders.

In response to Ordering Paragraph 4 of the Commission's 2011 Cost Recovery Order, DNCP witness Turner provided information on DNCP's consumer education and awareness initiatives and event sponsorships during the test period. Witness Turner explained that DNCP's Energy Conservation (EC) department actively ties its communication and outreach activities directly to a specific DSM/EE program, so general education and awareness actual costs are fairly limited. During the test period, the EC department exhibited or spoke at approximately 14 events in North Carolina and Virginia. This included presentations focused on the EC department's specific programs and activities, and energy conservation in general. The combined efforts reached approximately 55,500 people. DNCP's main event sponsorships during this time period were for the following events: North Carolina Sustainable Energy Conference for 2013; the Virginia Commonwealth University Energy and Sustainability Conference and the Virginia Governor's Conference on Energy for 2012. The EC department also exhibited at other community events such as Fall for Fairfax and Earth Day. In addition to this community presence, the EC department supplied materials for outreach purposes and in response to customer requests, including 250 Department of Energy general tip books and over 500 activity/coloring books on energy conservation.

Witness Turner also described the EC department's use of the Company's website to provide general education to its customers through tips, videos, and online home audit tools, among other channels. The Company's program home pages received over 79,000

visits in the past year. In addition, the EC department took advantage of DNCP's growing social media presence on both Facebook and Twitter (with over 31,000 fans and 22,000 followers, respectively). Whenever possible, the EC department attempts to utilize low cost channels to communicate general education to the Company's customers.

The Public Staff did not oppose DNCP's consumer education and awareness activities or costs.

The Commission finds and concludes that DNCP's consumer education and awareness activities and costs are reasonable for purposes of this proceeding. The Commission also finds that the Company should continue to include a list of consumer education and awareness activities and the volume of activity associated with each during the test period in its annual DSM/EE cost recovery filing.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 16

The evidence for this finding of fact is contained in the testimony of DNCP witness Jesensky, the affidavit of Public Staff witness Floyd, and various Commission orders.

DNCP witness Jesensky testified that the objectives of the Company's EM&V are to provide an assessment of each program's progress toward its goals, including tracking actual cumulative indicators over time versus planning assumptions, such as the number of participants, estimated energy (kWh) and demand (kW) savings, and program costs. EM&V tracking also provides, per participant, the average peak kW reduction, average kWh savings, if appropriate, and average participant incentive for each program. Witness Jesensky testified that DNCP filed the latest EM&V report by its consultant, DNV KEMA Energy and Sustainability (KEMA), with the Commission on April 1, 2013, reflecting North Carolina program activity through the end of 2012, including: (1) the number of participating customers, (2) estimated gross and net kW and kWh impacts for each of the programs, (3) associated program costs, and (4) any recommendations or observations following the analysis of the EM&V data. The Company will continue to file its annual EM&V report on April 1 each year. Witness Jesensky also noted that the Company had implemented the specific EM&V recommendations recommended by witness Floyd in DNCP's 2012 DSM/EE rider proceeding and provided the Public Staff with Residential Air Conditioner Cycling Program operational data as requested by the Public Staff in lieu of a snapback² analysis.

Public Staff witness Floyd testified that his review of DNCP's EM&V Report suggests that the Public Staff's past recommendations have for the most part been incorporated in the EM&V data used in this proceeding. Witness Floyd also testified that

² "Snapback" refers to an increased use of electricity in the period following activation of DSM. For example, if DNCP interrupts air conditioner use of participating customers during an hour of peak demand, the air conditioners of those customers may subsequently run longer or harder to get the house back to the customers' thermostat settings.

for purposes of this and previous DSM/EE cost recovery proceedings for DNCP, the EM&V Report data used to true up program savings and participation for vintage year 2012 and earlier vintages are sufficient to consider those vintage years to be complete for all programs operating in those years.

Witness Floyd also provided more detailed discussion of snapback and waste heat factors, as well as hours-of-use for lighting measures. Witness Floyd explained that his preliminary review suggests that limited savings could be achieved from further snapback analysis, such that conducting further evaluation to determine the exact amount of snapback would cost far more than any benefit in reduced PPI. Therefore, the Public Staff does not recommend further snapback analysis. Witness Floyd also recommended that DNCP begin applying waste heat factors for new lighting measures proposed through Residential or Commercial Lighting programs on or after January 1, 2014. Lastly, witness Floyd recommended that the "hours-of-use" estimates used to calculate lighting measure savings should be based on North Carolina-specific data when feasible and that DNCP should discuss and seek to reach agreement with the Public Staff on hours-of-use for EE lighting measures before filing DNCP's next EM&V report.

In his rebuttal testimony, DNCP witness Jesensky agreed with the Public Staff's waste heat factor recommendation and explained that, consistent with witness Floyd's recommendation, the Company would update its hours-of-use variable beginning January 1, 2014, to be consistent with the North Carolina hours-of-use variable reported by Duke Energy Progress, Inc., in Docket No. E-2, Sub 950.

The Commission finds that the EM&V analyses and reports prepared by DNCP are reasonable for purposes of this proceeding. The Commission also finds that DNCP has appropriately incorporated the Public Staff's prior EM&V recommendations into the current EM&V Report, and that DNCP should take the actions outlined in the rebuttal testimony of Company witness Jesensky in regard to its future EM&V. The Company should continue to file its updated EM&V Report on April 1 of each year and the Public Staff should continue to review future EM&V reports to ensure the reasonableness of the assumptions and EM&V data provided to the Commission. The Commission also finds and concludes that the EM&V Report data used to true up program savings and participation for vintage year 2012 and earlier vintages are sufficient to consider those vintage years to be complete for all programs operating in those years.

IT IS, THEREFORE, ORDERED as follows:

1. That Addendum II to the Stipulation and Mechanism entered into by DNCP and the Public Staff and filed by DNCP as Attachment 1 to its Application, attached hereto as Appendix A, is hereby approved.
2. That the appropriate annual DSM/EE rider, Rider C, to become effective on and after January 1, 2014, consists of the following customer class billing factors (including GRT): Residential – 0.141 ¢/kWh; Small General Service and Public

Authority – 0.098¢/kWh; Large General Service – 0.124 ¢/kWh; 6VP – 0.106 ¢/kWh; and no charge for NS, Outdoor Lighting and Traffic Lighting.

3. That the appropriate annual DSM/EE EMF rider, Rider CE, to become effective on and after January 1, 2014, consists of the following decrement customer class billing factors (including GRT): Residential – (0.049) ¢/kWh; Small General Service and Public Authority – (0.014) ¢/kWh; Large General Service – (0.018) ¢/kWh; 6VP – (0.015) ¢/kWh; and no charge for NS, Outdoor Lighting and Traffic Lighting.

4. That the Notice to Customers attached hereto as Appendix B is appropriate and is hereby approved. The Company shall use such Notice to Customers to provide notice of the rate changes ordered by the Commission in this proceeding and in Docket No. E-22, Subs 502³ and 503.⁴

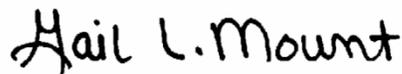
5. That DNCP shall file appropriate rate schedules and riders with the Commission to implement the provisions of this Order as soon as practicable.

6. That DNCP shall continue to provide a listing of the Company's event sponsorship and consumer education and awareness initiatives during the test period in future DSM/EE rider proceedings.

ISSUED BY ORDER OF THE COMMISSION.

This the 18th day of December, 2013.

NORTH CAROLINA UTILITIES COMMISSION



Gail L. Mount, Chief Clerk

³ Application by DNCP for a fuel charge adjustment pursuant to G.S. 62-133.2 and Commission Rule R8-55.

⁴ Application by DNCP for a Renewable Energy and Energy Efficiency Portfolio Standard adjustment pursuant to G.S. 62-133.7 and Commission Rule R8-67.

ADDENDUM II TO AGREEMENT AND STIPULATION OF SETTLEMENT

Virginia Electric and Power Company, d/b/a Dominion North Carolina Power (“DNCP” or the “Company”) and the Public Staff-North Carolina Utilities Commission (“Public Staff”), collectively referred to as the Stipulating Parties, through counsel and pursuant to N.C. Gen. Stat. § 62-69, respectfully submit the following Addendum II to the Agreement and Stipulation of Settlement (Stipulation) approved by the North Carolina Utilities Commission (“Commission”) in its October 14, 2011, Order issued in Docket No. E-22, Sub 464. This Addendum II sets forth the previously-filed “100% Cost Assignment Language,” as conditionally approved by the Commission in its April 29, 2013, Order issued in Docket No. E-22, Sub 486, and is being resubmitted as a signed Addendum to the Stipulation in accordance with the Commission’s direction in that Order. The Stipulating Parties hereby agree and stipulate as follows:

100% COST ASSIGNMENT LANGUAGE - COMMERCIAL LIGHTING AND COMMERCIAL HVAC UPGRADE PROGRAMS

With regard to the Commercial Lighting and Commercial HVAC Upgrade Programs (Programs), the following has been demonstrated:

1. Despite all reasonable efforts by Virginia Electric and Power Company d/b/a Dominion Virginia Power in the Commonwealth of Virginia (DVP) to have the Programs, or reasonably similar or comparable DSM/EE programs, continued to be approved for offering to Virginia retail jurisdictional customers on a going-forward basis, the Virginia State Corporation Commission (VSCC) discontinued approval of spending for the Programs as of April 30, 2012; consequently, DVP ceased offering the Programs to new participants in Virginia as of mid-May 2012.

2. On August 14, 2012, the North Carolina Utilities Commission (Commission) issued an order approving the motion of Virginia Electric and Power Company d/b/a Dominion North Carolina Power in the State of North Carolina (DNCP) to suspend the Programs in North Carolina pending evaluation of the cost-effectiveness of operating the Programs solely in North Carolina. Subsequently, in its December 14, 2012 Order in DNCP's DSM/EE cost and incentive recovery proceeding, the Commission ordered DNCP to collaborate with the Public Staff to perform this evaluation, as well as to evaluate the proper jurisdictional allocation of the costs of the Programs, and to file a proposal regarding the future of the Programs within 60 days of the date of the order.

If the Programs are approved by the Commission to be offered on a going forward basis only to North Carolina retail jurisdictional customers, the retail system-wide allocation methodology agreed to by the Public Staff and DNCP in the Addendum to Agreement and Stipulation of Settlement (Addendum), filed with the Commission in Docket No. E-22, Subs 464 and 473, on November 4, 2011, and approved by the Commission in Sub 473 on December 13, 2011, would result in certain costs of the Program being allocated to the Virginia retail jurisdiction and certain Virginia

non-jurisdictional customers for North Carolina regulatory purposes, while not being recoverable in Virginia for Virginia regulatory purposes, at least for the time being.⁵

Over the past several months, pursuant to discussions held between DNCP and the Public Staff (the Stipulating Parties) in accordance with the Addendum, the Stipulating Parties have worked together to determine the appropriate jurisdictional allocation of the costs of the Programs, should they be offered only to North Carolina retail customers? As a result of these discussions, the Stipulating Parties have agreed in principle that for as long as the Programs are offered to only North Carolina retail customers, 100% of the incremental costs of the Programs may be allocated to North Carolina retail jurisdictional operations for purposes of the annual DSM/EE cost recovery proceedings, provided that a reasonable estimate of 100% of the applicable incremental savings from the Programs shall also be allocated to North Carolina retail operations.

To estimate incremental savings, DNCP and the Public Staff have worked together to develop an approach which involves comparing the avoided cost of the DSM/EE Programs to the amount of savings that will naturally flow to the North Carolina retail ratepayers through the operations of the Company's jurisdictional cost of service study, and then "truing up" any difference between the two in the annual DSM/EE cost recovery proceedings. Such a "truing up" could result in a positive or a negative adjustment. As part of this approach, the impact on the jurisdictional cost of service study of the Commercial Distributed Generation Program, which is currently offered only by DVP in Virginia, will also be considered.

Using current estimates, the difference between the avoided cost DSM/EE savings of the Programs and the savings naturally flowed through in the cost of service study appears to be insignificant, especially in the early years.

Therefore, the Stipulating Parties have agreed that presently, DNCP will not be required to file the calculations made pursuant to the agreed-upon approach in its annual DSM/EE cost and incentive recovery applications. Instead, the Public Staff will be free to evaluate whether an adjustment is necessary as part of its investigation of each annual DSM/EE filing beginning with the 2014 DSM/EE annual filing, including obtaining through the discovery process the information necessary to make the calculations. In any case, the Stipulating Parties shall review the terms and conditions of this 100% cost assignment language at least every three years and shall submit any proposed changes to the Commission for approval.

⁵ This impact on DNCP's ability to fully recover its total DSM/EE costs differs from that caused simply by different jurisdictions utilizing differing allocation methodologies.

The foregoing Addendum II Language is agreed and stipulated to this the ____ day of August, 2013.

Virginia Electric and Power Company d/b/a Dominion North
Carolina Power

By: _____

Public Staff – North Carolina Utilities Commission

By: _____

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-22, SUB 494
DOCKET NO. E-22, SUB 502
DOCKET NO. E-22, SUB 503

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-22, SUB 494

In the Matter of)
Application by Virginia Electric and Power)
Company, d/b/a Dominion North Carolina)
Power, for Approval of Demand-Side)
Management and Energy Efficiency Cost)
Recovery Rider Pursuant to G.S. 62-133.9)
and Commission Rule R8-69)

DOCKET NO. E-22, SUB 502)

In the Matter of)
Application by Virginia Electric and Power)
Company, d/b/a Dominion North Carolina)
Power Pursuant to G.S. 62-133.2 and)
Commission Rule R8-55 Regarding Fuel)
And Fuel-Related Costs Adjustments for)
Electric Utilities)

NOTICE TO CUSTOMERS
OF CHANGE IN RATES

DOCKET NO. E-22, SUB 503)

In the Matter of)
Application of Virginia Electric and Power)
Company, d/b/a Dominion North Carolina)
Power for Approval of Renewable Energy)
and Energy Efficiency Portfolio Standard)
Cost Rider Pursuant to G.S. 62-133.8 and)
Commission Rule 8-67)

NOTICE IS HEREBY GIVEN that, as required by legislation passed in 2007 by the North Carolina General Assembly, the North Carolina Utilities Commission has authorized Virginia Electric and Power Company, d/b/a Dominion North Carolina Power (DNCP or Company), to adjust its rates to recover its costs of purchasing renewable energy, its costs of fuel and fuel-related costs, and its costs associated with programs implemented to encourage more efficient use of electricity by its customers. The

Commission's Orders were issued on December 18, 2013, in Docket No. E-22, Subs 503, 502 and 494. These rate adjustments will become effective for usage on and after January 1, 2014.

Renewable Energy and Energy Efficiency Portfolio Standard Rate Increase

The Commission approved DNCP's proposed new Riders RP and RPE designed to recover \$1,677,392 associated with its annual obligation to purchase electricity produced by renewable energy resources under North Carolina's Renewable Energy and Energy Efficiency Portfolio Standard (REPS). The rate increase was approved by the Commission after review of DNCP's incremental REPS compliance costs incurred during the period January 1, 2012, through June 30, 2013, and costs projected to be incurred during calendar year 2014. The combined Rider RP and Rider RPE charges result in the following monthly per-account customer charges for usage during calendar year 2014: Residential - \$0.37; Commercial - \$5.33; and Industrial - \$35.93. As approved, DNCP's renewable energy cost recovery rider is not applicable to agreements under the Company's outdoor lighting rate schedules, or for sub-metered service agreements. Additionally, the REPS rider is not applicable to small auxiliary separately metered services provided to a customer on the same property as a residential or other service account. An auxiliary service is defined as a non-demand metered, nonresidential service provided on schedule SGS or SG, at the same premises, with the same service address, and with the same account names as an agreement for which a monthly REPS charge has been applied. To qualify for an auxiliary service, not subject to this rider, the customer must notify the Company and the Company must verify that such service is considered an auxiliary service, after which the REPS billing factor will not be applied to qualifying auxiliary service agreements. The customer shall also be responsible for notifying the Company of any change in service that would no longer qualify the service as auxiliary. Please contact the Company at 1-866-DOM-HELP or 1-866-366-4357, or go to <https://www.dom.com/REPS-opt-out> for additional details on qualifying as an eligible auxiliary service account.

Fuel-Related Rate Increase

The Commission approved a \$4,899,151 aggregate increase in DNCP's annual fuel revenues. The rate increase was approved by the Commission after review of the Company's fuel expenses during the 12-month period ended June 30, 2013, and represents changes experienced and expected by the Company with respect to its reasonable costs of fuel and the fuel component of purchased power. DNCP's total net fuel factors for each customer class to be billed during calendar year 2014 are: Residential - 2.561 ¢/kilowatt hour (kWh); SGS & Public Authority - 2.559 ¢/kWh; LGS - 2.540 ¢/kWh; NS - 2.462 ¢/kWh; 6VP - 2.508 ¢/kWh; Outdoor Lighting - 2.561 ¢/kWh; and Traffic - 2.561 ¢/kWh. The foregoing rates are the result of the Commission's approval of a Stipulation of Settlement agreed to by DNCP and the Public Staff – North Carolina Utilities Commission in this proceeding.

Demand-Side Management and Energy Efficiency Related Rate Increase

The Commission approved a \$466,930 aggregate increase in DNCP's annual demand-side management and energy efficiency (DSM/EE) program revenues. The rate increase was approved by the Commission after review of the Company's forecasted DSM/EE program expenses and utility incentives for the calendar year 2014 (Rider C) and its true up of its actual costs and revenues received under Rider C rates in effect during the twelve months ending June 30, 2013 (Rider CE). The combined Rider C and Rider CE rates result in the following kWh charges for usage during calendar year 2014: Residential - 0.092 ¢/kWh; SGS & Public Authority - 0.084 ¢/kWh; LGS - 0.106 ¢/kWh; 6VP - 0.091 ¢/kWh; no charge for NS, Outdoor Lighting and Traffic. Commercial customers with annual consumption of 1,000,000 kWh or greater in the prior calendar year, and all industrial customers, may elect not to participate in the Company's DSM/EE programs and thereby avoid paying these charges by notifying the Company that they have implemented or will implement their own DSM or EE measures. Commercial and industrial customers choosing this option will receive an offsetting credit to the DSM/EE rates on their monthly bills. Please go to <https://www.dom.com/dominion-north-carolina-power/customer-service/energy-conservation/north-carolina-dsm-commercial-opt-out.jsp> for additional details on DSM/EE opt out eligibility.

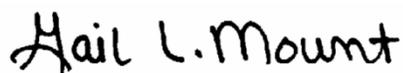
Summary of Rate Increases

Each of these rate changes will become effective for usage on and after January 1, 2014. The total monthly impact of these rate changes for a residential customer using 1,000 kWh per month is an increase of \$1.53, which is approximately a 1.4% increase. The total monthly impact for commercial and industrial customers will vary based upon consumption and customers' participation in the Company's DSM/EE programs.

ISSUED BY ORDER OF THE COMMISSION.

This the 18th day of December, 2013.

NORTH CAROLINA UTILITIES COMMISSION



Gail L. Mount, Chief Clerk