STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-22, SUB 502

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application by Virginia Electric and Power Company, d/b/a Dominion North Carolina Power, for Authority to Adjust its Electric Rates Pursuant to G.S. 62-133.2 and Commission Rule R8-55	))))	ORDER APPROVING FUEL CHARGE ADJUSTMENT

HEARD: Wednesday, November 13, 2013, beginning at 9:30 a.m. in the Commission Hearing Room, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina 27603

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

APPEARANCES:

For Dominion North Carolina Power:

Mary Lynne Grigg, McGuire Woods LLP, 434 Fayetteville Street, Suite 2600, Raleigh, North Carolina 27601

Horace P. Payne, Jr., Dominion Resources Service, Inc., 120 Tredeger Street, RS-2, Richmond, Virginia 23219

For Nucor Steel-Hertford:

Phillip A. Harris, Jr., Nelson, Mullins, Riley & Scarborough, LLP, 4140 Parklake Avenue, Suite 200, Raleigh, North Carolina 27612

For the Public Staff:

Antoinette R. Wike, Chief Counsel, Public Staff-North Carolina Utilities Commission, 4326 Mail Service Center, Raleigh, North Carolina 27699-4326

BY THE COMMISSION: On August 29, 2013, Virginia Electric and Power Company, d/b/a Dominion North Carolina Power (Dominion North Carolina Power, DNCP, or the Company), filed its Application for Approval of its Annual Fuel Charge

Adjustment, pursuant to G.S. 62-133.2 and Commission Rule R8-55 relating to fuel and fuel-related charge adjustments for electric utilities. The Application was accompanied by the testimony and exhibits of Edward J. Anderson, Harrison H. Barker, John C. Ingram, Alan L. Meekins, Bruce E. Petrie, and Gregory A. Workman.

Petitions to intervene were filed by Carolina Industrial Group for Fair Utility Rates I (CIGFUR I) and Nucor Steel-Hertford (Nucor) and were granted by Orders dated September 4, 2013, and September 13, 2013, respectively. The Public Staff's participation and intervention is recognized pursuant to G.S. 62-15(d) and Commission Rule R1-19(e).

On September 12, 2013, the Commission issued its Order Scheduling Hearing, Establishing Discovery Guidelines, and Requiring Public Notice.

On October 18, 2013, the Company filed its Affidavit of Publication. On November 4, 2013, the Public Staff filed the direct testimony of Kennie D. Ellis and the affidavit of Sonja R. Johnson. On November 7, 2013, DNCP filed the rebuttal testimony of Daniel G. Stoddard.

On November 8, 2013, DNCP and the Public Staff filed a stipulation of settlement ("Settlement Agreement") between DNCP and the Public Staff resolving all issues in this docket. On November 11, 2013, the Public Staff and DNCP filed a joint motion to excuse witnesses. On November 12, 2013, the Commission granted the joint motion to excuse witnesses.

The case came on for hearing as scheduled on November 13, 2013. At the hearing, the parties agreed to move the Application and all of the pre-filed direct testimony, supplemental testimony, and rebuttal testimony into the record without objection from any party. No public witnesses appeared at the hearing.

For the Company, the following were received into evidence: the Company's Application, direct testimony for: Edward J. Anderson, John C. Ingram, and Bruce E. Petrie; Gregory A. Workman, Harrison H. Barker, and Alan L. Meekins, and the rebuttal testimony of Daniel G. Stoddard. The Commission also received into evidence the direct testimony of Kennie D. Ellis and the affidavit of Sonja R. Johnson, both of the Public Staff. All exhibits attached to those testimonies were received into evidence. Finally, the Settlement Agreement was marked as Hearing Exhibit No. 1 and received into evidence.

Based upon the verified Application, the evidence adduced at the hearing, and the entire record in this matter, the Commission makes the following:

FINDINGS OF FACT

1. Dominion North Carolina Power is duly organized as a public utility operating under the laws of the State of North Carolina and is subject to the jurisdiction of the North Carolina Utilities Commission. The Company is engaged in the business of developing, generating, transmitting, distributing, and selling electric power to the public in northeastern North Carolina. DNCP is lawfully before this Commission based on its Application filed pursuant to G.S. 62-133.2.

2. The test period for purposes of this proceeding is the twelve months ended June 30, 2013.

3. The Company's fuel procurement and power purchasing practices during the test period were reasonable and prudent.

4. The Company's test period system sales are 81,387,056,459 kWh.

5. The test period per book system generation is 83,880,751 MWh, which includes various types of generation as follows:

Generation Types	MWh
Nuclear	28,009,282
Coal	21,126,275
Heavy Oil	136,013
Wood and Natural Gas Steam	528,895
Combined Cycle and Combustion	13,950,076
Hydro – Conventional and Pumped	3,377,786
Net Power Transactions	19,948,994
Less Energy for Pumping	(3,196,569)

6. The nuclear capacity factor appropriate for use in this proceeding is 95.35%, which is the Company's estimated nuclear capacity factor for the 12 months ending December 31, 2014.

7. The adjusted test period system sales for use in this proceeding are 80,220,452,041 kWh.

8. The adjusted test period system generation for use in this proceeding is 82,657,757 MWh, which is categorized as follows:

Generation Types	MWh
Nuclear	27,970,625
Coal (including wood and natural gas	21,205,270
Heavy Oil	133,190
Combined Cycle and Combustion Turbine	13,660,261
Hydro – Conventional and Pumped	3,377,786
Net Power Transactions	19,507,194
Less Energy for Pumping	(3,196,569)

9. Setting the fuel costs associated with purchases from power marketers and certain other sellers at a level equal to 85% of the energy portion of the purchase price is reasonable for use in this proceeding.

10. The adjusted test period system fuel expense for use in this proceeding is $1,981,557,233.

11. The proper fuel factors for Rider A for this proceeding, including gross receipts tax (GRT), are as follows:

Customer Class	Rider A
Residential	0.044 ¢/kWh
SGS & PA	0.043 ¢/kWh
LGS	0.047 ¢/kWh
NS	0.042 ¢/kWh
6VP	0.043 ¢/kWh
Outdoor Lighting	0.044 ¢/kWh
Traffic	0.044 ¢/kWh

12. The study submitted by the Company to demonstrate that it has complied with Ordering Paragraph 1(e) of the Commission's *Order Approving Transfer with Conditions* issued April 19, 2005, in Docket No. E-22, Sub 418 (PJM Order), is reasonable for use in this proceeding.

13. The appropriate North Carolina test period jurisdictional fuel expense over-collection is $704,234 plus interest in the amount of $105,635, for a total over-collection of $809,869. The adjusted North Carolina jurisdictional test year sales are 4,269,710,243.

14. The appropriate Experience Modification Factors (EMF) for this proceeding, which incorporates interest at ten percent per annum, including gross receipts tax (GRT), are as follows:

Customer Class	EMF Billing Factor
Residential	(0.020) ¢/kWh
SGS & PA	(0.020) ¢/kWh
LGS	(0.020) ¢/kWh
NS	(0.019) ¢/kWh
6VP	(0.020) ¢/kWh
Outdoor Lighting	(0.020) ¢/kWh
Traffic	(0.020) ¢/kWh

15. The final net fuel factors (inclusive of GRT) to be billed to DNCP's retail customers during the 2014 fuel clause billing period are as follows:

Customer Class	Total Net Fuel Factor
Residential	2.561 ¢/kWh
SGS & PA	2.559 ¢/kWh
LGS	2.540 ¢/kWh
NS	2.462 ¢/kWh
6VP	2.508 ¢/kWh
Outdoor Lighting	2.561 ¢/kWh
Traffic	2.561 ¢/kWh

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 1

This finding of fact is essentially informational, jurisdictional, and procedural in nature and is not controverted.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 2

General Statute 62-133.2(c) sets out the verified, annualized information that each electric utility is required to furnish the Commission in an annual fuel charge adjustment proceeding for an historical 12-month test period. Commission Rule R8-55(b) prescribes the 12 months ending June 30 as the test period for DNCP. The Company's filing was based on the 12 months ended June 30, 2013.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 3

The evidence for this finding of fact is contained in the direct testimony of DNCP witnesses Workman and Barker, and the testimony of Public Staff witness Ellis.

Commission Rule R8-52(b) requires each electric utility to file a Fuel Procurement Practices Report at least once every ten years and each time the utility's fuel procurement practices change. The Company's current fuel procurement practices were filed with the Commission in Docket Nos. E-100, Sub 47A on July 10, 2008, and

E-22, Sub 451, on September 3, 2008. In addition, the Company files monthly reports of its fuel costs pursuant to Rule R8-52(a).

Company witness Workman described in his direct testimony the Company's fossil fuel procurement practices. He explained that the Company continues to follow the same procurement practices it has in the past. This includes the use of a rolling five-year plan for coal procurement to ensure a reliable supply of coal at competitive solicitations and secondarily on the open market, allowing the Company to layer in coal contracts of various lengths of term and market prices over a five-year period to mitigate significant price exposure for any single market period.

Company witness Workman also stated that there have not been any changes in the Company's gas procurement policies. The Company continues to procure a majority of its natural gas on the daily spot market. The Company also purchases its No. 2 fuel oil requirements on the spot market. The Company procures wood chips and wood derivative products to fuel 100% of the needs at the Pittsylvania power station.

Company witness Barker addressed in his direct testimony the nuclear fuel market and the Company's nuclear fuel procurement practices. He explained that the Company maintains a mix of longer-term front-end component contracts to reduce the near-term impact of changes in market prices, but noted that some leveling out of past increases in nuclear fuel expense rates is expected going forward.

Based on the foregoing, the Commission concludes that the Company's fuel procurement and power purchasing practices were reasonable and prudent during the test period.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 4 & 5

The evidence for these findings of fact is contained in the direct testimony of DNCP witnesses Ingram and Petrie.

DNCP witness Ingram testified that the Company's test period per book system sales were 81,387,056,459 kWh, and witness Petrie testified that the Company's test period per book system generation was 83,880,751 MWh. Witness Petrie stated that the test period per book system generation is categorized as follows:

Generation Types	MWh
Nuclear	28,009,282
Coal	21,126,275
Heavy Oil	136,013
Wood and Natural Gas Steam	528,895
Combined Cycle and Combustion	13,950,076
Hydro – Conventional and Pumped	3,377,786
Net Power Transactions	19,948,994
Less Energy for Pumping	(3,196,569)

No other party offered or elicited testimony on the level of test year per book system MWh sales or generation. The Commission thus concludes that the foregoing test period per books levels of sales and generation are reasonable and appropriate for use in this proceeding.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 6

The evidence for this finding of fact is contained in the direct and supplemental testimony of DNCP witness Petrie, and the testimony of Public Staff witness Ellis.

Commission Rule R8-55(d)(1) provides that capacity factors for nuclear production facilities will be normalized based generally on the national average for nuclear production facilities as reflected in the most recent North American Electric Reliability Council's (NERC) Generating Availability Report, adjusted to reflect the unique, inherent characteristics of the utility facilities and any unusual events, and may be weighted based, if appropriate, for both pressurized water reactors and boiling water reactors.

Company witness Petrie testified in his direct testimony that, for the 12 months ending December 31, 2014, North Anna Unit 1 is projected to operate at a net capacity factor of 99.8%, North Anna Unit 2 is projected to operate at a net capacity factor of 90.4%, Surry Unit 1 is projected to operate at a net capacity factor of 100.2%, and Surry Unit 2 is projected to operate a net capacity factor of 91.0%. For the nuclear fleet, the projected nuclear generation during the upcoming rate year is expected to be slightly lower than the actual generation during the test year. Based on this projection, the Company has normalized expected nuclear generation and fuel expenses in developing the proposed fuel cost rider. Public Staff witness Ellis testified that DNCP's projected fuel and fuel-related costs are based on a 95.35% nuclear capacity factor, which is what DNCP anticipates for the twelve months from January 1, 2014, through December 31, 2014, the period the new rates will be in effect.

Based on the foregoing evidence, the Commission concludes that a projected normalized system nuclear capacity factor of 95.35% is reasonable and appropriate for use in this proceeding.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 7

The evidence for this finding of fact is contained in the direct testimony of DNCP witness Anderson, and in the testimony of Public Staff witness Ellis.

Witness Anderson testified that the Company's system sales for the twelve months ended June 30, 2013, were adjusted for changes in usage, weather normalization, and customer growth, in accordance with Commission Rule R8-55(d)(2). Witness Anderson adjusted total Company sales by 1,166,604,418 kWh. This adjustment is the sum of adjustments for changes in usage, weather normalization, and

customer growth. The Public Staff reviewed and accepted these adjustments. No other party offered or elicited testimony on these adjustments.

Based on the foregoing, the Commission concludes that the adjustments for changes in usage, weather normalization, and customer growth are reasonable and appropriate adjustments for use in this proceeding. Therefore, the Company's adjusted system sales for the twelve months ended June 30, 2013, were 80,220,452,041 kWh.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 8

The evidence for this finding of fact is contained in the direct testimony of Company witness Petrie.

DNCP witness Petrie presented an adjustment to per book MWh generation for the 12-month period ended June 30, 2013, due to weather normalization, customer growth, and increased usage, to arrive at his adjusted generation level of 82,657,757 MWh. The Public Staff accepted this adjusted generation level, which includes various types of generation as follows:

Generation Types	MWh
Nuclear	27,970,625
Coal (including wood and natural gas	21,205,270
Heavy Oil	133,190
Combined Cycle and Combustion Turbine	13,660,261
Hydro – Conventional and Pumped	3,377,786
Net Power Transactions	19,507,194
Less Energy for Pumping	(3,196,569)

No other party offered or elicited testimony on the adjusted test period system generation for use in this proceeding. Thus, based on the foregoing, the Commission concludes that adjusted test period system generation level of 82,657,757 MWh is reasonable and appropriate for use in this proceeding.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 9

The evidence for this finding of fact is contained in the direct testimony of DNCP witness Ingram and the affidavit of Public Staff witness Johnson.

Company witness Ingram explained that for dispatchable non-utility generators (NUGs) that do not provide actual fuel costs, the Company continues to include 85% of the reasonable and prudent energy costs in the EMF calculation. Continued use of the 85% "marketer percentage" was agreed to between the Company and the Public Staff and approved by the Commission in the Company's 2012 fuel factor proceeding, Docket No. E-22. Sub 485. All PJM net purchases used in the EMF calculation were recorded at the 85% marketer percentage.

Public Staff witness Johnson explained that DNCP purchased power through markets administered by PJM and from two dispatchable NUGs that did not provide DNCP with the actual fuel costs associated with the purchases. As a result, a proxy marketer percentage was determined and applied to the total energy costs of the purchases. She also explained that the use of a "proxy" has been accepted by this Commission as reasonable in every fuel proceeding since 1997. Witness Johnson stated that due to the 2007 enactment of Senate Bill 3, calculation of a marketer percentage is no longer necessary for Duke Energy Carolinas, LLC, and Duke Energy Progress, Inc., however it remains necessary for DNCP, due to the treatment of the Company's purchased power expense pursuant to G.S. 62-133.2(a3). According to witness Johnson, the most current marketer percentage was approved by the Commission in the Order Granting General Rate Increase Approving Fuel Charge Adjustment, and Approving Stipulation and Supplemental Agreement (Order) issued in Docket No. E-22, Sub 479, which provided that 85% of the reasonable and prudent energy costs incurred during the fuel charge adjustment proceeding test period are to be recovered through DNCP's fuel factor. The 85% marketer percentage is to remain in effect until the sooner of DNCP's next general rate case or the fuel charge adjustment proceeding held in 2015 (with rates effective January 1, 2016). No party disputed the use of 85% in this proceeding or the use of actual fuel costs as described by the Company.

Based upon the foregoing, the Commission concludes that it is reasonable to use an 85% fuel-to-energy percentage applied to DNCP's purchases from suppliers that do not provide the Company with actual fuel costs as the proxy for actual fuel costs associated with such purchases in this proceeding.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NOS. 10 & 11

The evidence for these findings of fact is contained in the direct testimony of DNCP witnesses Petrie, Barker, and Anderson, and the testimony of Public Staff witness Ellis.

The Company proposed using fuel costs for the 12 months ended June 30, 2013, for all fuels. Company witness Barker testified regarding the market and components of the Company's fuel costs and how the Company's nuclear fuel expense rates are calculated. He explained that the calculation is based on expected plant operating cycles and the overall cost of nuclear fuel. Front-end component costs, along with Allowance for Funds Used During Construction (AFUDC), are amortized over the estimated energy production life of the nuclear fuel. Rear-end costs include the federal government's charge of one mill/kWh on net nuclear generation sold, which is intended to cover the eventual disposal cost of spent nuclear fuel in a federal repository. DNCP witness Barker noted that the spot price for conversion services has remained low as well, but long-term contract prices for conversion may rise due to (1) concern over the lack of investment in new conversion production facilities, (2) the possibility for shortfalls in capacity longer-term, and (3) an approximately 13-month shutdown of the only

conversion facility located in the United States in order to implement new safety upgrades after the March, 2011 events in Japan.

Company witness Petrie normalized fuel expenses using a methodology approved in previous fuel rate cases. The resulting normalized system fuel expense is $1,981,557,233. The Public Staff accepted these fuel prices. No other party offered or elicited testimony on the adjusted test period system sales for use in this proceeding. Based upon the foregoing, the Commission concludes that this is the appropriate level of fuel expenses to be used to set the prospective, or forward-looking, fuel factor.

The Commission further concludes that the proper fuel factors for Rider A for use in this proceeding, including GRT, are as follows:

Customer Class	Rider A
Residential	0.044 ¢/kWh
SGS & PA	0.043 ¢/kWh
LGS	0.047 ¢/kWh
NS	0.042 ¢/kWh
6VP	0.043 ¢/kWh
Outdoor Lighting	0.044 ¢/kWh
Traffic	0.044 ¢/kWh

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 12

The evidence for this finding of fact is contained in the direct testimony of DNCP witness Meekins.

Company witness Meekins testified that pursuant to the PJM Order and orders in previous fuel cases, the Company prepared and submitted a study showing the impact of the Company's integration into PJM Interconnection, LLC on its North Carolina fuel clause for the 12-month period ending June 30, 2013. The results of this study show that the Company's purchase of economy energy from the PJM market was economical and beneficial compared to how the Company would have operated as a stand-alone entity. The Company has been able to purchase and import significantly more energy from the PJM market than it was historically able to do as an independent Balancing Authority.

No party offered testimony contesting the Company's PJM study or conclusions based on the study. Based on witness Meekins' testimony and in the absence of evidence to the contrary, the Commission concludes that no adjustments are necessary to comply with the PJM Order. The approach used in this proceeding, which is the same approach as has been approved in recent fuel charge adjustment proceedings, shall be used for the study DNCP is required to conduct for its fuel charge adjustment proceeding in 2014.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NOS. 13 & 14

The evidence supporting these findings of fact is contained in the direct testimony and exhibits of DNCP witnesses Anderson and Petrie, the rebuttal testimony of DNCP witness Stoddard, the direct testimony of Public Staff witness Ellis and the affidavit of Public Staff witness Johnson, and the Settlement Agreement between DNCP and the Public Staff.

DNCP witness Petrie testified that the actual system fuel expenses incurred by the Company and allocated to North Carolina jurisdictional customers totaled $1,981,557,233. DNCP witness Anderson testified that the adjusted North Carolina jurisdictional fuel clause test year sales were 4,269,710,243 kWh, and DNCP witness Ingram testified that the Company received fuel revenues totaling $106,703,666, resulting in an over-recovered fuel cost balance of $614,234, for the test year ending June 30, 2013.

Company witness Anderson proposed EMF billing factors which incorporated interest at ten percent per annum as follows:

Customer Class	EMF Billing Factor
Residential	(0.018) ¢/kWh
SGS & PA	(0.018) ¢/kWh
LGS	(0.018) ¢/kWh
NS	(0.017) ¢/kWh
6VP	(0.018) ¢/kWh
Outdoor Lighting	(0.018) ¢/kWh
Traffic	(0.018) ¢/kWh

The methodology used to develop the EMF billing factors is consistent with the methodology approved in Docket No. E-22, Sub 461 and used in the Company's 2012 fuel case, Docket No. E-22, Sub 485.

Company witness Petrie testified in his direct testimony that, for the test period of July 1, 2012 to June 30, 2013, North Anna Unit 1 performed at a net capacity factor of 103.3%. North Anna Unit 2 performed at a net capacity factor of 84.4%, Surry Unit 1 performed at a net capacity factor of 102.7%, and Surry Unit 2 performed at a net capacity factor of 92.3%. DNCP witness Petrie testified that the aggregate capacity factor of 95.6% for the Company's nuclear units during the test year was higher than the NERC five-year historical average of 88.71%.

Commission Rule R8-55(k) provides that, for purposes of determining the EMF rider, a utility must achieve either (a) an actual system-wide nuclear capacity factor in the test year that is at least equal to the national average capacity factor for nuclear production facilities based on the most recent five-year period available as reflected in the most recent NERC Generating Availability Report, appropriately weighted for size

and type of plant, or (b) an average system-wide nuclear capacity factor, based upon a two-year simple average of the system-wide capacity factors actually experienced in the test year and the preceding year, that is at least equal to the national average capacity factor for nuclear production facilities based on the most recent five-year period available as reflected in the most recent NERC Generating Availability Report, appropriately weighted for size and type of plant.

Public Staff witness Ellis investigated DNCP's nuclear performance, fuel and fuel-related costs. In his testimony, witness Ellis testified that, based on the Public Staff's review, the forced outage at North Anna 2 that began on May 28, 2013, may have been preventable by DNCP under efficient management and oversight of a contract vendor's performance. Mr. Ellis recommended that the EMF factors be adjusted to remove the increased cost of replacement power due to this outage.

In his rebuttal testimony, DNCP witness Stoddard testified that the actions the Company took with respect to the circumstances that led to the outages discussed by the Public Staff were appropriate and, therefore, the Commission should not disallow any of the fuel costs incurred by DNCP during the test year.

DNCP and the Public Staff agreed to resolve all issues identified by the parties in the proceeding by reducing DNCP's EMF fuel costs by $90,000, plus interest. This agreement was memorialized by a Settlement Agreement between and among DNCP and the Public Staff, which was filed on November 8, 2013, and admitted into evidence at the hearing as Public Staff Hearing Exhibit No. 1, agreeing that the following EMF Billing Factors are reasonable.

Revised EMF Billing Factors Excluding GRT

Customer Class	Revised EMF Billing Factor
Residential	(0.019) ¢/kWh
SGS & PA	(0.019) ¢/kWh
LGS	(0.019) ¢/kWh
NS	(0.018) ¢/kWh
6VP	(0.019) ¢/kWh
Outdoor Lighting	(0.019) ¢/kWh
Traffic	(0.019) ¢/kWh

Revised EMF Billing Factors Including GRT

Customer Class	Revised EMF Billing Factor
Residential	(0.020) ¢/kWh
SGS & PA	(0.020) ¢/kWh
LGS	(0.020) ¢/kWh
NS	(0.019) ¢/kWh
6VP	(0.020) ¢/kWh
Outdoor Lighting	(0.020) ¢/kWh
Traffic	(0.020) ¢/kWh

G.S 62-133.2(d) provides in part that the Commission "shall incorporate in its fuel cost determination under this subsection the experienced over-recovery or under-recovery of reasonable fuel expenses prudently incurred during the test period . . . in fixing an increment or decrement rider. The Commission shall use deferral accounting, and consecutive test periods, in complying with this subsection, and the over-recovery or under-recovery portion of the increment or decrement shall be reflected in rates for 12 months, notwithstanding any changes in the base fuel cost in a general rate case."

The Commission concludes that DNCP over-collected its fuel expenses by $614,234 during the test year ending June 30, 2013, and that the adjusted North Carolina jurisdictional fuel clause test year sales were 4,269,710,243 kWh. The Commission believes it is reasonable to adjust the proposed EMF balance of $614,234 by $90,000, to $704,234 plus interest in the amount of $105,635, as agreed by DNCP and the Public Staff in the Settlement Agreement. Therefore, the EMF decrements agreed to in the Settlement are reasonable and appropriate for use in this proceeding.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 15

The evidence supporting this finding of fact is cumulative and is contained in the direct testimony and exhibits of DNCP witnesses Anderson, Petrie, Barker, Ingram, Workman, and Meekins; the rebuttal testimony of DNCP witness Stoddard; the testimony of Public Staff witness Ellis and the affidavit of Public Staff witness Sonja Johnson; and the Settlement Agreement between and among DNCP and the Public Staff which was filed on November 8, 2013, and admitted into evidence at the hearing as Public Staff Hearing Exhibit No. 1.

Based upon the above findings and conclusions, the Commission finds and concludes that the final net fuel factors (¢/kWh) are determined as follows (inclusive of GRT):

Customer Class	Base	Rider A	Rider B	Total
NC Retail	2.508	0.044	(0.020)	2.532
Residential	2.537	0.044	(0.020)	2.561
SGS & PA	2.536	0.043	(0.020)	2.559
LGS	2.513	0.047	(0.020)	2.540
NS	2.439	0.042	(0.019)	2.462
6VP	2.485	0.043	(0.020)	2.508
Outdoor Lighting	2.537	0.044	(0.020)	2.561
Traffic	2.537	0.044	(0.020)	2.561

IT IS, THEREFORE, ORDERED as follows:

1. That the Commission hereby approves in its entirety the Settlement Agreement between and among DNCP and the Public Staff which was filed on November 8, 2013, and admitted into evidence at the hearing as Public Staff Hearing Exhibit No. 1;

2. That effective beginning with the usage on or after January 1, 2014, Dominion North Carolina Power shall implement incremental Rider A as approved and set forth in the Evidence and Conclusions for Finding of Fact No. 11 above;

3. That an EMF Rider decrement, Rider B, as approved and set forth in the Evidence and Conclusions for Finding of Fact No. 14 above, shall be instituted and remain in effect for usage from January 1, 2014, through December 31, 2014;

4. That Dominion North Carolina Power shall file appropriate rate schedules and riders with the Commission in order to implement the fuel charge adjustments approved herein not later than five working days from the date of receipt of this Order;

5. That Dominion North Carolina Power shall notify its North Carolina Retail customers of the rate adjustments approved in this proceeding by including the Notice to Customers of Rate Change attached to this Order as Appendix A as a bill insert with customer bills rendered during the next regularly scheduled billing cycle. Such Notice will appropriately provide notice of the rate changes ordered by the Commission in both this proceeding and in Docket No. E-22, Subs 494[1] and 503[2], and

[1] Application by DNCP for a demand side management and energy efficiency cost recovery pursuant to G.S. 62-133.9 and Commission Rule R8-69.

[2] 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.

6. That, with respect to the study required to determine compliance with Ordering Paragraph 1(e) of the PJM Order, Dominion North Carolina Power shall perform and file a PJM Study for the next fuel cost adjustment proceeding consistent with the PJM Study submitted in this proceeding.

ISSUED BY ORDER OF THE COMMISSION.

This, the _18th_ day of December, 2013.

NORTH CAROLINA UTILITIES COMMISSION

Gail L. Mount

Gail L. Mount, Chief Clerk

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

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 TO CUSTOMERS
OF CHANGE IN RATES

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, nor 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 agreement 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 detail 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

Gail L. Mount, Chief Clerk