

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-22, SUB 503

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
Power for Approval of Renewable Energy) REPS AND REPS EMF
and Energy Efficiency Portfolio Standard) RIDERS AND 2012 REPS
Cost Rider Pursuant to G.S. 62-133.8 and) COMPLIANCE
Commission Rule 8-67)

BEFORE: Commissioner Bryan E. Beatty, Presiding; Chairman Edward S. Finley, Jr.; Commissioners Susan W. Rabon, ToNola D. Brown-Bland, 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:

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For Nucor Steel-Hertferd:

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For the Using and Consuming Public:

Robert S. Gillam, Tim R. Dodge, Staff Attorneys, 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 (DNCP or the Company) filed an Application for Approval of REPS [Renewable Energy and Energy Efficiency Portfolio

Standard] Cost Recovery Rider and 2012 REPS Compliance Report, and Request for Limited Modification of EMF [Experience Modification Factor] Test Period (application), pursuant to Commission Rule R8-67, together with the pre-filed direct testimony and exhibits of its witnesses Chiman H. Muchhala, Gary D. Courts, C. Alan Givens, and Robert C. Rice. DNCP's application requested an annual projected rate period revenue requirement of \$883,838 to be recovered through its proposed Rider RP, as well as an initial REPS EMF revenue requirement of \$794,561 to be recovered through proposed Rider RPE.

On September 12, 2013, the Commission issued an Order Scheduling Hearing, Requiring Filing of Testimony, Establishing Discovery Guidelines, and Requiring Public Notice. 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 on November 13, 2013.

Petitions to intervene in this docket were filed separately by Nucor Steel-Hertford on September 17, 2013, and the North Carolina Sustainable Energy Association (NCSEA) on September 27, 2013. The Commission issued Orders allowing the interventions on September 26, 2013, and October 2, 2013, respectively. 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 September 26, 2013, DNCP filed a revised page 9 of its application and a revised Rice Exhibit 1, Schedules 1 through 7.

On October 24, 2013, DNCP filed its Affidavit of Publication indicating that the Company had provided notice in newspapers of general circulation as required by the Commission's September 12, 2013 Order.

On October 30, 2013, DNCP filed the supplemental testimony of C. Alan Givens and Robert C. Rice. DNCP witness Givens' supplemental testimony presented an updated projected rate period revenue requirement of \$879,731 and an updated initial REPS EMF revenue requirement of \$797,661. Witness Rice's supplemental testimony presented updated Rider RP and RPE rates.

Also on October 30, 2013, the Public Staff filed a Motion for Extension of Time until November 1, 2013, to file testimony. The Commission issued an Order on October 31, 2013, allowing the extension of time requested by the Public Staff and also extending the time for DNCP to file rebuttal testimony until November 8, 2013.

On October 31, 2013, DNCP filed the Supplemental Schedule 6 of witness Rice, which had been inadvertently omitted from his supplemental testimony.

On November 1, 2013, the Public Staff filed the direct testimony of Jay B. Lucas, Engineer, Public Staff - Electric Division, and the Affidavit of Darlene P. Peedin, Supervisor, Public Staff - Accounting Division.

On November 8, 2013, the Public Staff and DNCP filed a Joint Motion to Excuse Witnesses, stating that they had reached agreement on all contested issues in this docket and had agreed to waive cross-examination of their respective 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.

NCSEA filed a Post-Hearing Brief on December 3, 2013. DNCP and the Public Staff filed a Joint Proposed Order on December 4, 2013.

Based upon DNCP's application, the testimony and exhibits received into evidence at the hearing, DNCP's records in the North Carolina Renewable Energy Tracking System (NC-RETS), and the entire record in this proceeding, the Commission makes the following:

FINDINGS OF FACT

1. DNCP is a public utility operating in the State of North Carolina as Dominion North Carolina Power, 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. DNCP is lawfully before this Commission based upon its application filed pursuant to G.S. 62-133.8 and Commission Rule R8-67.

2. Under the State's REPS, G.S. 62-133.8, in 2012 electric power suppliers were required to meet three percent (3%) of their previous year's North Carolina retail electric sales by a combination of renewable energy and energy reductions due to the implementation of energy efficiency (EE) measures. In addition, by the end of 2012 electric power suppliers must have acquired solar energy, or renewable energy certificates (RECs) for solar energy, in an amount equal to at least 0.07% of the previous year's North Carolina retail sales. The 0.07% solar energy requirement is part of the 3% total REPS requirement. The solar energy sources can be a combination of new solar electric facilities and new metered solar thermal energy facilities. The electric power suppliers of North Carolina were initially required by G.S. 62-133.8 to procure a certain portion of their renewable energy requirements beginning in 2012 from electricity generated by poultry and swine waste. However, in its November 29, 2012 Order in Docket No. E-100, Sub 113, the Commission eliminated the 2012 requirement relative to swine waste resources, and the 2012 requirement relative to poultry waste resources was delayed for one year.

3. General Statute 62-133.8(h)(4) provides that an electric power supplier shall be allowed to recover through an annual rider the incremental costs incurred to comply with the REPS.

4. Pursuant to G.S. 62-133.8(b)(2)(e), DNCP may use 100% out-of-state RECs to achieve REPS compliance. Under Commission Rule R8-67(e)(2), the total costs reasonably and prudently incurred during the test period to purchase unbundled RECs constitute incremental costs. The projected costs to purchase such RECs during the billing period constitute forecasted incremental costs.

5. DNCP has agreed to provide REPS compliance services, including the procurement of RECs, to the Town of Windsor pursuant to G.S. 62-133.8(c)(2)(e). The Town of Windsor's 2012 REPS compliance status is included in DNCP's 2012 compliance report.

6. DNCP, on its own behalf and on behalf of the Town of Windsor, has complied with its 2012 REPS obligations, except for the swine and poultry waste resource set-asides from which it had been relieved under the Commission's Order of November 29, 2012, in Docket No. E-100, Sub 113. DNCP's 2012 REPS compliance report should be approved.

7. For purposes of DNCP's annual rider pursuant to G.S. 62-133.8(h), the rate period is the 12-month period January 1, 2014, through December 31, 2014, and the test period is the 12-month period July 1, 2012, through June 30, 2013. This is DNCP's first request to recover its REPS costs. Therefore, the period for calculating the Company's initial REPS EMF in this proceeding is the period January 1, 2012, through June 30, 2013 (REPS EMF true up period).

8. DNCP's micro-grid research project costs are renewable research costs recoverable pursuant to G.S. 62-133.8(h)(1)(b). DNCP's research costs are within the statute's \$1,000,000 annual limit. It is appropriate for DNCP to provide the Commission annual updates on the status of its micro-grid research during each year of the three-year demonstration period (2015-2017). DNCP should file these updates with its annual REPS compliance report during these years.

9. DNCP's approach of managing its retail REPS costs separately from the REPS costs for its wholesale customer, the Town of Windsor, is reasonable.

10. For purposes of establishing the REPS EMF rider in this proceeding, DNCP's incremental costs of REPS compliance during the REPS EMF true up period was \$797,661.

11. For purposes of establishing the forecasted REPS rider in this proceeding, DNCP's incremental costs of REPS compliance projected to be incurred during the rate period are \$879,731.

12. The appropriate monthly amount of the REPS EMF rider (RPE) to be collected during the billing period, per customer account, including gross receipts tax, is \$0.20 for Residential accounts, \$2.51 for Commercial accounts, and \$16.80 for Industrial accounts.

13. The appropriate monthly amount of the REPS rider (RP) to be collected during the billing period, per customer account, including gross receipts tax, is \$0.17 for Residential accounts, \$2.82 for Commercial accounts, and \$19.13 for Industrial accounts.

14. The combined monthly REPS and REPS EMF rider charges to be collected during the billing period, per customer account, including gross receipts tax, are \$0.37 for Residential accounts, \$5.33 for Commercial accounts, and \$35.93 for Industrial accounts.

15. DNCP's REPS incremental cost riders to be charged to each customer account for the billing period are within the annual cost caps established in G.S. 62-133.8(h)(4).

16. DNCP's approach to defining a customer account for purposes of developing the REPS rider is reasonable.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1 – 5

These findings of fact are essentially informational, jurisdictional, and procedural in nature and are not contested.

General Statute 62-133.8(b)(1) and (c)(1) establish a REPS requirement for all electric power suppliers in the State. These provisions require each electric power supplier to provide a certain percentage of its North Carolina sales from various renewable energy or EE resources. Authorized methods of compliance with the REPS requirement for electric public utilities are listed in G.S. 62-133.8(b)(2) as follows: (a) generate electric power at a new renewable energy facility; (b) use a renewable energy resource to generate electric power at a generating facility other than the generation of electric power from waste heat derived from the combustion of fossil fuel; (c) reduce energy consumption through the implementation of an EE measure; (d) purchase electric power from a new renewable energy facility; (e) purchase RECs derived from in-State or out-of-state new renewable energy facilities; (f) use electric power that is supplied by a new renewable energy facility or energy saved due to the implementation of an EE measure that exceeds the requirements of this section for any calendar year as a credit towards the requirements of this section in the following calendar year; or (g) electricity demand reduction. In 2012, the electric public utilities were required to meet three percent (3%) of their previous year's North Carolina retail electric sales by a combination of the measures authorized by G.S. 62-133.8(b). Each of these compliance methods is subject to certain additional limitations and conditions.

G.S. 62-133.8(c) has similar requirements for electric membership corporations (EMCs) and municipal electric systems.

General Statute 62-133.8(d) requires a certain percentage of the total electric power sold to retail electric customers in the State, or an equivalent amount of energy, to be supplied by a combination of new solar electric facilities and new metered solar thermal energy facilities. The percentage requirement for solar resources is 0.07% for the years 2012 through 2014.

General Statute 62-133.8(e) requires a certain percentage of the total electric power sold to retail electric customers in the State to be supplied, or contracted for supply each year, by swine waste resources. In 2012 the aggregate requirement for swine waste resources was 0.07%. General Statute 62-133.8(f) requires a specific amount of electric power sold to retail electric customers in the State to be supplied, or contracted for supply each year, by poultry waste resources. In 2012 the aggregate requirement for poultry waste resources was 170,000 megawatt-hours (MWh). Pursuant to the Commission's Order on Pro-Rata Allocation of Aggregate Swine and Poultry Waste Set-Aside Requirements and Motion for Clarification, issued on March 31, 2010, in Docket No. E-100, Sub 113, DNCP's share of the aggregate State set-aside requirements for energy from swine and poultry waste resources is based on the ratio of its North Carolina retail kilowatt-hour (kWh) sales from the previous year divided by the previous year's total North Carolina retail kWh sales for all electric power suppliers. However, in its Order Modifying the Poultry and Swine Waste Set-Aside Requirements and Granting Other Relief, issued on November 29, 2012, in Docket No. E-100, Sub 113, the Commission found that because of the immaturity of the technology of power production from swine and poultry waste resources, and for a variety of other reasons, most of the State's electric power suppliers would be unable to comply with the swine and poultry waste resource set-aside requirements for 2012, despite having made a reasonable effort to comply. The Commission directed, pursuant to G.S. 62-133.8(i)(2), that the swine waste resource set-aside requirement for 2012 be eliminated, and that the poultry waste resource requirements for 2012 and subsequent years be delayed for a year, so that the aggregate statewide poultry waste resource requirement would be 170,000 MWh rather than 700,000 MWh for 2013, and 700,000 MWh rather than 900,000 MWh for 2014.¹

General Statute 62-133.8(b)(2)(e) provides that an electric power supplier shall achieve no more than 25% of its annual REPS compliance obligations using RECs from out-of-state new renewable energy facilities. However, this section specifically exempts any electric public utility with less than 150,000 North Carolina retail jurisdictional customers as of December 31, 2006. The Commission held in its Order on Dominion's Motion for Further Clarification, issued September 22, 2009, in Docket No. E-100,

¹ A joint motion was filed by DNCP and other electric power suppliers on September 16, 2013, in Docket No. E-100, Sub 113, to delay the 2013 swine waste and poultry waste resource set-asides. An evidentiary hearing was held on November 6, 2013, and that requested delay is pending before the Commission.

Sub 113, that this exemption applies to DNCP for purposes of both its general REPS obligation and individual set-aside requirements pursuant to G.S. 62-133.8(d)-(f). DNCP may, therefore, achieve 100% of its REPS compliance using RECs generated by out-of-state new renewable energy facilities.

General Statute 62-133.8(h)(4) requires the Commission to allow an electric power supplier to recover all of its incremental costs incurred to comply with G.S. 62-133.8 through an annual rider. General Statute 62-133.8(h)(1) provides that "incremental costs" means all reasonable and prudent costs incurred by an electric power supplier to comply with the REPS requirements that are in excess of the electric power supplier's avoided costs, other than those costs recovered pursuant to G.S. 62-133.9. The term "avoided costs" includes both avoided energy costs and avoided capacity costs. Commission Rule R8-67(e)(2) provides that the reasonable and prudently-incurred costs of unbundled RECs are incremental costs and have no avoided cost component.

Commission Rule R8-67(e)(5) provides that "[t]he REPS EMF will reflect the difference between reasonable and prudently incurred incremental costs and the revenues that were actually realized during the test period under the REPS rider then in effect."

DNCP's 2012 REPS compliance report stated that pursuant to G.S. 62-133.8(c)(2)(e) the Company provided renewable energy resources and compliance reporting services for the Town of Windsor.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 6

The evidence supporting this finding of fact appears in DNCP's 2012 REPS compliance report and in the testimony of DNCP witness Muchhala and Public Staff witness Lucas. In addition, the Commission takes judicial notice of information contained in NC-RETS.

DNCP's 2012 REPS compliance report was admitted into evidence as Muchhala Exhibit No. 1. This report provided the information required by Commission Rule R8-67(c) for DNCP and the Town of Windsor, for which DNCP has agreed to provide REPS compliance services. Public Staff witness Lucas testified that he reviewed DNCP's 2012 REPS compliance report and recommended that it be approved.

DNCP's 2012 REPS compliance report stated that DNCP's 2011 retail electric sales were 4,178,919 MWh and the Town of Windsor's were 48,735 MWh. DNCP's 3% 2012 general REPS obligation amounted to 125,368 RECs, including 2,926 solar RECs (0.07% of 4,178,919 MWh). The Town of Windsor's 3% 2012 general REPS obligation amounted to 1,463 RECs, including 35 solar RECs (0.07% of 48,735 MWh). Public Staff witness Lucas testified that these numbers of RECs met the REPS requirements that 3% of 2011 retail sales must be matched with an equivalent number of RECs in 2012, including 0.07% of 2011 retail sales that must be matched with an equivalent number of

RECs derived from solar energy. Witness Lucas confirmed that DNCP had placed these numbers of RECs in its own and the Town of Windsor's NC-RETS compliance sub-accounts. Witness Muchhala testified that out-of-state RECs may be used for 100% of DNCP's REPS compliance, but may not be used to meet more than 25% of the Town of Windsor's REPS requirements. DNCP complied with these limitations. NC-RETS further indicates that DNCP complied with the provisions of G.S. 62-133.8(b)(2)(e) and (c)(2)(d). No party disputed that DNCP and the Town of Windsor complied with their 2012 REPS requirements, and witnesses Muchhala and Lucas both stated that DNCP and the Town of Windsor met the 2012 REPS requirements.

Based on the foregoing and all the evidence of record, the Commission finds that DNCP and its wholesale customer, the Town of Windsor, for which DNCP is providing REPS compliance services, have fully complied with the requirements of the REPS for 2012, and that DNCP's 2012 REPS compliance report should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 7

The evidence supporting this finding of fact appears in DNCP's application and in the testimony of DNCP witness Muchhala and Public Staff witness Peedin.

Commission Rule R8-67(e)(3) provides that the test period for REPS rider proceedings shall be the same as that used by the utility in its annual fuel charge adjustment proceedings, which is specified in Rule R8-55(c) for DNCP to be the 12-month period ending each June 30. Therefore, the test period to be used for purposes of DNCP's 2012 REPS cost recovery proceeding was the period July 1, 2012, through June 30, 2013.

For purposes of its initial REPS cost recovery proceeding, DNCP requested that the Commission allow a limited modification of the test period or "true up period" DNCP used for purposes of determining the costs to be recovered through its initial REPS EMF. As explained by Company witness Muchhala, the limited adjustment requested would allow the Company to fully recover its costs of 2012 REPS compliance incurred on or after January 1, 2012, through the end of the current test period, June 30, 2013, as well as REC costs for compliance in 2012 and future years incurred through June 30, 2013. Witness Muchhala testified that DNCP is not seeking recovery of its 2010 and 2011 REPS compliance costs in this proceeding. Public Staff witness Peedin stated that the Public Staff agreed to DNCP's one-time request for limited modification of its initial REPS EMF true up period because this is DNCP's first REPS cost recovery proceeding.

Regarding the prospective rate period, Rule R8-67(e)(4) provides that the REPS and REPS EMF riders shall be in effect for a fixed period that "shall coincide, to the extent practical, with the recovery period for the cost of fuel and fuel-related cost rider established pursuant to Rule R8-55." For DNCP, this is the calendar year. In its current fuel proceeding, Docket No. E-22, Sub 502, and in this proceeding, DNCP has

proposed that its rate adjustments take effect on January 1, 2014, and remain in effect for a 12-month period.

DNCP's test period and billing period were not challenged by any party. Further, the Public Staff supported DNCP's request for a limited adjustment to the REPS EMF true up period to allow DNCP to fully recover its 2012 REPS compliance costs in this proceeding. Therefore, the Commission finds that the test period, rate period, and REPS EMF true up period proposed by DNCP are appropriate for use in this proceeding.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 8

The evidence supporting this finding of fact appears in the testimony and exhibits of DNCP witnesses Courts and Givens and Public Staff witnesses Lucas and Peedin.

Pursuant to G.S. 62-133.8(h)(1), "incremental costs" include, among other things, "all reasonable and prudent costs incurred by an electric power supplier to . . . (b) [f]und research that encourages the development of renewable energy, energy efficiency, or improved air quality, provided those costs do not exceed one million dollars (\$1,000,000) per year." Whether specific test period or forecasted rate period expenditures to fund research are eligible for cost recovery through an annual rider pursuant to this provision is determined by the Commission on a case-by-case basis.

DNCP witness Courts described the Company's planned micro-grid project as a research project qualifying for REPS rider cost recovery pursuant to G.S. 62-133.8(h)(1). DNCP's micro-grid project will be developed at the Company's Kitty Hawk district office, and will integrate a behind-the-meter on-site diesel generator, a utility feed, one five-kilowatt (kW) horizontal-axis and three vertical-axis wind turbines (3-kW, 4-kW and 5-kW); a lithium ion battery with a 75-kWh storage capacity and 25-kW discharge rate; a 6-kW ground-mounted solar array; protective relays, inverters, proprietary control software, metering, and circuit breakers; and round-the-clock system monitoring. Witness Courts explained that DNCP would collect data using 24-hour monitoring and would study the micro-grid's capabilities, including distributed renewable generation load factor and capacity factor improvement; reduction of distributed renewable generation intermittency; peak-shaving and peak-shifting; islanding during a utility outage; and energy storage in an environment subject to salt spray. DNCP plans to begin building the micro-grid project in late 2013 and to begin operation of the micro-grid in the summer of 2014. DNCP will then complete a three-year demonstration period extending through 2017, and will submit annual project updates to the Commission with the Company's annual REPS compliance reports.

Witness Courts presented the total cost of the micro-grid to be \$699,233, and the forecasted rate period costs to be \$591,970. Witness Courts also explained that the renewable energy property components of the micro-grid are eligible for both federal and North Carolina renewable energy tax credits that reduce the cost of the project to be recovered from customers in this proceeding. Witness Givens provided details on

how these tax credits are captured by DNCP, and explained that the Company's rate period revenue requirement credits the combined \$335,548 amount of federal and state renewable energy tax credits expected to be received during the rate period against the forecasted rate period cost of the micro-grid project. Witness Courts also testified that DNCP's recoverable research costs of the micro-grid are below the statutory limit of \$1,000,000 per year. Public Staff witnesses Lucas and Peedin testified that the Public Staff reviewed DNCP's research costs as part of its investigation into DNCP's application, and neither the Public Staff nor any party took issue with DNCP's testimony concerning the nature and costs of its micro-grid research activity nor questioned the reasonableness of the micro-grid project costs included for recovery.

In its Post-Hearing Brief, NCSEA stated that the Commission should require DNCP to file an annual report regarding its REPS-related research studies that are paid for by customers under G.S. 62-133.8(h)(1)(b).

The Commission concludes that the research activities proposed by DNCP to be funded during the rate period are eligible research costs recoverable under G.S. 62-133.8(h)(1)(b), and that such research costs included in the Company's Rider RP revenue requirement are within the annual limit allowed by statute. Additionally, the Commission finds and concludes that DNCP should file annual project updates with the Commission detailing its micro-grid study results with the Company's annual REPS compliance reports after each year of the three-year demonstration period (2015 to 2017).

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 9 – 15

The evidence supporting these findings of fact is found in the testimony and exhibits of DNCP witnesses Muchhala, Courts, Givens and Rice, and Public Staff witnesses Lucas and Peedin.

DNCP witness Muchhala testified that the Company procured RECs to fully comply with its 2012 solar set-aside and general obligation REPS requirements, as well as the Town of Windsor's 2012 requirements. To date, DNCP had not purchased bundled renewable energy for REPS compliance, and, therefore, 100% of its prudently-incurred REC costs are incremental costs recoverable through the REPS rider. The Company is also well-positioned to comply with its own 2013 solar set-aside, poultry set-aside, and general obligation requirements, as well as the Town of Windsor's solar and general obligation requirements and the allowed 25% out-of-state portion of the Town of Windsor's poultry set-aside requirement. DNCP is not well-positioned to comply with the 2013 swine waste resource set-aside, and has joined other electric power suppliers in requesting a one-year delay of the 2013 swine and poultry set-aside requirements; this request is now pending before the Commission. In his Exhibit No. 2, witness Muchhala listed the suppliers from which DNCP expects to purchase RECs during the rate period, together with the amounts DNCP expects to pay to these suppliers.

Relying on the information presented in witness Muchhala's Exhibit No. 2 and witness Courts' testimony regarding micro-grid project costs, DNCP witness Givens developed the revenue requirements for both the initial REPS EMF true up period and the 2014 rate period. As explained by witness Muchhala, the REPS compliance costs used by witness Givens reflect DNCP's retail customers' REPS compliance costs and were net of the REC and non-REC costs incurred by DNCP for the Town of Windsor. DNCP witness Rice then allocated the rate period and REPS EMF true up period revenue requirements to the Residential, Commercial, and Industrial customer classes and developed the Rider RP and RPE rates to recover the class revenue requirements during the 2014 rate period.

DNCP witness Givens testified that as a result of discussions with the Public Staff during the discovery process his supplemental testimony presented updated REPS EMF true up period and rate period revenue requirements. Witness Givens explained that his updated revenue requirements reflected the following three adjustments: (1) updating the North Carolina jurisdictional allocation factor to exclude a portion allocated to the Town of Windsor; (2) correcting the State apportionment transactional rate used in developing the forecasted Rider RP revenue requirement; and (3) revising the Company's accounting treatment of certain Environmental Management Account (EMA) costs², so that they would be treated as service agreement costs and not as costs of acquired or internally-developed software. Witness Givens presented the updated REPS EMF true up period revenue requirement of \$797,661³ and the forecasted rate period revenue requirement of \$879,731.

DNCP witness Rice's supplemental testimony also updated his Schedules 1-7 to reflect discussions with the Public Staff during the discovery process; to allocate witness Givens' updated supplemental revenue requirement to the customer classes; and to develop updated Rider RP and Rider RPE rates. Among the updates to his Schedules, witness Rice testified that his Schedule 2 was revised to spread the Rider RPE revenue requirement across DNCP's total adjusted number of accounts using the year-end 2013 projected customer count rather than the end-of-initial REPS EMF true up period customer count. Schedules 2 and 4 were also updated to allocate EE credits (EECs) among the respective customer classes to reflect that EECs are eligible to satisfy only the G.S. 62-133.8(b) general obligation. Witness Rice's supplemental Schedule 7 provided updated Rider RP and RPE tariff sheets reflecting the revised Rider RP and RPE rates proposed for approval by DNCP.

Public Staff witness Lucas noted generally that DNCP and the Public Staff had agreed on changes to (1) the allocation of costs between customers in Virginia and North Carolina, (2) the cost accounting method for expenses related to DNCP's internal

² The Environmental Management Account is a software system for tracking RECs.

³ Because DNCP did not have an approved REPS rider in place during the REPS EMF true up period, the REPS EMF revenue requirement for the period is equal to DNCP's incremental REPS costs (i.e., not reduced by any concurrent REPS rider revenue collected).

EMA REC tracking system, (3) the method of allocating EECs among the three customer classes, and (4) the number of customers used in calculating the REPS EMF. Specific to EECs, witness Lucas testified that the Public Staff believed that each customer class should receive credit in its REPS cost recovery rate for the EECs it pays for through its DSM/EE cost recovery rate, since these EECs are used for REPS compliance. Witness Lucas stated that DNCP properly credited each of the three customer classes with the EECs that it created. All other changes were properly addressed through DNCP's supplemental revenue requirements and rates.

Witness Lucas testified that he reviewed DNCP's calculation of the revenue requirement and rates, and that DNCP and the Public Staff agreed to the following monthly charges for the forecast rate and EMF components of the total REPS rate, including gross receipts tax:

Customer Class	Forecast Rate (Rider RP)	EMF Rate (Rider RPE)	Total REPS Rate
Residential	\$0.17	\$0.20	\$0.37
Commercial	\$2.82	\$2.51	\$5.33
Industrial	\$19.13	\$16.80	\$35.93

Public Staff witness Peedin also recommended that the REPS EMF rates presented above be approved based upon her investigation of DNCP's application. The above Rider RP and RPE rates are consistent with the Rider RP and RPE rates presented in witness Rice's Supplemental Schedule 7.

Based upon the testimony of DNCP witnesses Muchhala, Courts, Givens and Rice and Public Staff witnesses Lucas and Peedin, and the entire record of this proceeding, the Commission finds and concludes that the proposed REPS EMF true up period and rate period revenue requirements and proposed Rider RPE and RP rates agreed to by DNCP and the Public Staff are appropriate to be charged during the 2014 rate period. The Commission also finds that DNCP's approach to crediting EECs among its customer classes is reasonable.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 16

The evidence supporting this finding of fact appears in the testimony of DNCP witness Rice and Public Staff witness Lucas.

DNCP witness Rice testified that for purposes of developing the per-account REPS charges, the Company defined a "customer account" as a "service point" or "application of a tariff." Witness Rice stated that DNCP rate schedules 1W, 1DF, 26, 30T, 7, and SG are not considered "accounts" for purposes of the per-account charge because these rate schedules are generally secondary accounts and customers on these rate schedules will pay a per-account charge under another primary tariff connected with these rate schedules. Witness Rice also testified that if a customer has a service point on contiguous property with the same service address, premises and

name, then that account may be deemed to be auxiliary and not subject to the REPS Riders RP and RPE if the Company is notified by the customer. Upon written notification from the customer, accounts meeting these criteria will be coded in the DNCP billing system to allow the customer to be charged only a single monthly REPS charge at the customer's primary service point.

Public Staff witness Lucas did not oppose the Company's approach to determining a customer account, and implicitly agreed to this approach in agreeing to the Rider RP and RPE rates to be charged, as they are calculated using DNCP's approach to determining customer accounts.

Based upon the testimony of DNCP witness Rice and Public Staff witness Lucas, and the entire record of this proceeding, the Commission finds and concludes that DNCP's approach to determining a customer account for purposes of calculating its per-account REPS charges is reasonable and appropriate. The Commission also approves DNCP's definition of an "auxiliary account" as well as DNCP's proposed approach to allowing a customer to inform DNCP in writing if it is the account holder for an auxiliary account that should be excluded from the REPS charge.

IT IS, THEREFORE, ORDERED as follows:

1. That DNCP shall establish a REPS rider RP as described herein, in the amounts approved herein, and that this rider shall remain in effect for a 12-month period beginning January 1, 2014, and expiring December 31, 2014;
2. That DNCP shall establish a REPS EMF rider RPE as described herein, and that this rider shall remain in effect for a 12-month period beginning January 1, 2014, and expiring December 31, 2014;
3. That the Notice to Customers attached hereto as Appendix A is appropriate and is hereby approved. Such notice will provide notice of the rate changes ordered by the Commission in this proceeding and in Docket No. E-22, Subs 502⁴ and 494.⁵ This notice reasonably informs DNCP's customers regarding the process to exclude an auxiliary account from the REPS charge;
4. That DNCP shall file appropriate rate schedules and riders with the Commission to implement the provisions of this Order as soon as practicable;

⁴ Application by DNCP for a fuel charge adjustment pursuant to G.S. 62-133.2 and Commission Rule R8-55.

⁵ Application by DNCP for demand side management and energy efficiency cost recovery pursuant to G.S. 62-133.9 and Commission Rule R8-69.

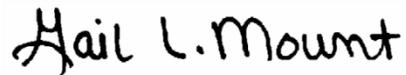
5. That DNCP's 2012 REPS compliance report is hereby approved and the RECs and EECs in DNCP's 2012 compliance sub-accounts in NC-RETS shall be retired; and

6. That DNCP shall file project updates to the Commission detailing its micro-grid study results with its annual REPS compliance reports.

ISSUED BY ORDER OF THE COMMISSION.

This the 18th day of December, 2013.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "Gail L. Mount". The signature is written in a cursive, slightly slanted style.

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)

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, 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 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.

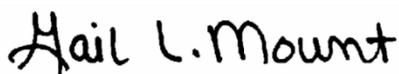
Summary of Rate Increases

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