

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

**STAFF CONFERENCE AGENDA  
MAY 6, 2019**

**COMMISSION STAFF**

NO AGENDA ITEMS

**PUBLIC STAFF**

**A. TRANSPORTATION**

**P1. DOCKET NO. A-41, SUB 5 – APPLICATION BY BALD HEAD ISLAND TRANSPORTATION, INC., TO TERMINATE FUEL SURCHARGE PURSUANT TO COMMISSION RULES R4-4 AND R4-13**

EXPLANATION: On April 16, 2019, Bald Head Island Transportation, Inc. (BHIT), filed an application under the procedures set forth in Commission Rules R4-4 and R4-13, N.C. Gen. Stat. § 62-32(a), and the Orders of the Commission dated November 7, 2008, and January 29, 2009, in Docket No. A-100, Sub 0, and dated December 16, 2008, in Docket No. A-41, Sub 5. By its application, BHIT is seeking authority to terminate its fuel surcharge.

The current fuel surcharge approved in Docket No. A-41, Sub 15, is a negative one U.S. Dollar, (\$1.00). As of March 31, 2019, the fuel surcharge deferred account balance for BHIT is over-collected in the amount of \$24,648.17, as shown on the Quarterly Fuel Surcharge Tracking Report filed in Docket A-41, Sub 5A on April 12, 2019, and is rapidly declining.

Because the fuel cost surcharge deferred balance actually changes with each passenger riding the ferry and the cost of each tank of fuel purchased, it is impossible to determine precisely when that balance will be \$0.00. Therefore, BHIT requests that it be authorized to terminate its fuel surcharge on such date as it determines -- based upon its best efforts to project (at least seven calendar days in advance) ridership and fuel costs -- that its fuel cost surcharge deferred balance will be as close to \$0.00 as is practicable to predict and within the range of between a \$10,000 over-collection and a \$10,000 under-collection. Upon termination of the fuel surcharge, the rates to be charged by BHIT will simply revert to those rates approved by the Commission in the last general rate case, in Docket A-41, Sub 7.

BHIT states it will make this projection and provide public notice of the date of the termination of the fuel surcharge, and the ticket prices thereafter (as approved by the Commission in Docket No. A-41, Sub 7), no fewer than seven calendar days prior to the actual date of termination.

BHIT states that within 30 calendar days following the termination of the fuel surcharge, BHIT will file with the Commission in Docket No. A-41, Sub 5A a Final Report of the remaining fuel surcharge deferred balance, prepared pursuant to the requirements of the Commission's Orders in Docket No. A-100, Sub 0 and Commission Rule R4-13.

On June 28, 2017, the North Carolina General Assembly ratified Session Law 2017-120, codified in part at N.C. Gen. Stat. § 160A-680 et seq., authorizing the creation of the Bald Head Island Transportation Authority (Authority). BHIT states that the Authority has been undertaking its due diligence to purchase the operations of BHIT, pursuant to the provisions of the Ferry Transportation Authority Act. It is anticipated that BHIT will sell the ferry operations to the Authority.

BHIT states that if the final balance (which must be within \$10,000 of \$0.00) is an over-collection, then this over-collection will be accounted for as a liability on BHIT's balance sheet and will be credited against (and thus reducing) the purchase price to be paid by the Authority. BHIT also states that if the final balance is an under-collection, then this under-collection will be initially accounted for as an asset on BHIT's balance sheet but will be written-off by BHIT prior to any sale and not recovered from any customer(s) or purchaser of the ferry operations.

The Public Staff has reviewed the application and recommends approval as filed.

EXHIBIT: A proposed order is attached as Exhibit No. P-1.

RECOMMENDATION: (Perry/Downey) That the Commission issue the proposed order authorizing BHIT to terminate its fuel surcharge.

**D. ELECTRIC**

P1. APPLICATION FOR AMENDED CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO CONSTRUCT SOLAR FACILITY

EXPLANATION: The following application seeking an amended certificate of public convenience and necessity pursuant to N.C. Gen. Stat. § 62-110.1 for construction of a solar photovoltaic electric generating facility was filed pursuant to Commission Rule R8-64.

Duke Energy Progress:

- Docket No. SP-7468, Sub 0 – Application of Harding Solar, LLC, for an amended Certificate of Public Convenience and Necessity to Construct a 5-MW Solar Photovoltaic Facility in Greene County, North Carolina (registration statement issued previously).

The Public Staff has reviewed the application and determined that it complies with the requirements of N.C. Gen. Stat. § 62-110.1 and Commission Rule R8-64.

RECOMMENDATION: (D. Williamson) That the Commission issue an order approving the amended application and issuing the requested amended certificate for this facility. A proposed order has been provided to the Commission Staff.

P2. DOCKET NO. E-2, SUB 1085 – DUKE ENERGY PROGRESS, LLC – APPLICATION TO TERMINATE SAVE ENERGY AND WATER KIT PROGRAM

EXPLANATION: On April 2, 2019, Duke Energy Progress, LLC (DEP or the Company), filed a letter seeking approval to terminate its Save Energy and Water Kit Program (SEWK Program). The SEWK Program was approved as an energy efficiency (EE) program on October 6, 2015.

The SEWK Program was designed to provide participants with free energy efficient water heating savings kits, consisting of a combination of low flow showerheads, kitchen and bathroom faucet aerators, and pipe wrap insulation.

On February 27, 2019, the Commission approved modifications to DEP's Residential Energy Efficient Appliances and Devices (REEAD) Program. Those modifications included incorporating the water reduction and efficiency measures offered by the SEWK Program into the REEAD Program. DEP states that with the approval of the REEAD Program modifications, the SEWK Program is now redundant.

The Public Staff has reviewed the request and recommends that the Commission approve DEP's request to terminate the SEWK Program.

EXHIBIT: The Public Staff's proposed order is attached as Exhibit No. P-2.

RECOMMENDATION: (Floyd) That the Commission issue the Public Staff's proposed order approving DEP's request to terminate the SEWK Program as filed.

P3. DOCKET NO. E-22, SUB 563 – DOMINION ENERGY NORTH CAROLINA – APPLICATION FOR APPROVAL OF AFFILIATE SERVICES AGREEMENT

EXPLANATION: On March 1, 2019, Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina (DENC or the Company), filed an Application requesting approval of an affiliate services agreement (Services Agreement) with South Carolina Electric & Gas Company (SCE&G), pursuant to N.C. Gen. Stat. § 62-153 and ordering paragraph seven of the Commission's *Order Approving Merger Subject to Regulatory Conditions and Code of Conduct* (Merger Order) issued in Docket Nos. E-22, Sub 551 and G-5, Sub 585 on November 19, 2018, approving the merger of Dominion Energy, Inc. (DEI) and SCANA Corporation (SCANA). The Company filed, on March 21, 2019, a corrected Exhibit III to the Services Agreement.

On January 1, 2019, DEI completed its acquisition of SCANA, and SCE&G became an indirect subsidiary of DEI. By virtue of this acquisition, DENC and SCE&G became affiliates.

The proposed Services Agreement, set forth as Attachment A to the Application, describes eight services that the Company and SCE&G are willing to provide and receive at their election as follows: accounting, information technology, nuclear operations, executive and administrative, business services, supply chain, environmental compliance, and office space and equipment. The provision of these services will also include the exchange of Confidential Systems Operation Information (CSOI). Pursuant to Section III.A.3.a.iii of the Code of Conduct Governing the Relationships Among DENC, Public Service Company of North Carolina, Inc., their Affiliates, and their Nonpublic Utility Operations, approved by the Commission in the Merger Order, the list of CSOI is provided in Exhibit IV to the Services Agreement. The Company indicates that the Services Agreement will allow DENC and SCE&G to share knowledge, expertise, and best practices in the areas of nuclear operations and environmental compliance for the benefit of customers. The Services Agreement will extend the existing approved structure for the management of the regulated and non-regulated nuclear fleet to include SCE&G.

According to the Application, DENC and SCE&G currently seek to offer and receive, to and from each other, services in the nuclear operations and environmental compliance categories. In addition, SCE&G seeks to offer to DENC services in the accounting, information technology, executive and administrative, business services, and supply chain categories that are currently provided by SCE&G employees in coordination with nuclear operations. The Company indicates that should DENC or SCE&G elect in the future to offer and receive new services not currently selected in the Services Agreement, then DENC will provide written notice to the Commission of such election consistent with Regulatory Condition 4.4(b) as approved in the Merger Order. DENC and SCE&G also indicate that there may be future opportunities to exchange services associated with electric transmission operations, electric distribution operations, and non-nuclear electric generation operations for the benefit of customers, consistent with DENC's exchange of these services with its merchant affiliates. However, DENC and SCE&G will seek

separate Commission approval in a future application if they determine such services are needed.

DENC states that all services will be provided at the lower of cost or market. Exhibit III to the Application describes the rules and methods for determining the cost of the service provider that will be charged to the service recipient. According to the Application, the Company and SCE&G may modify the offer or receipt of services at any time on 30 days' written notice to the other party, and either party may terminate the Services Agreement upon 60 days' written notice to the other party.

The Company also proposes that the Services Agreement commence on the effective date approved by the Commission and remain in effect, unless terminated earlier pursuant to the provisions of the Services Agreement, for a period of two years. The Company states that the proposed two-year term is consistent with the expected approximate two-year integration period associated with the merger.

The Virginia State Corporation Commission (VSCC) approved the Services Agreement on April 19, 2019.

#### RECOMMENDATION

The Public Staff recommends that the Commission accept for filing the Services Agreement and allow DENC to pay its affiliate pursuant to this agreement, subject to the following conditions<sup>1</sup>:

- (1) That the Services Agreement be accepted and payment thereunder authorized for two years, from April 19, 2019, to April 18, 2021, with DENC's ability to pay the affiliate subject to adjustment if found appropriate by the Commission upon its own motion, or a petition by the Public Staff or another party;
- (2) That if the Company wishes to extend the Services Agreement beyond the two-year period, separate Commission approval will be required;
- (3) No changes may be made to the Services Agreement without prior filing with the Commission, including changes in the terms and conditions, allocation methodologies, service category descriptions, and successors or assigns. DENC is required to file any proposed amendments prior to the execution of the amended agreement and prior to any payment for services thereunder;
- (4) The Commission's acceptance of the Services Agreement and approval of payment thereunder shall have no accounting or ratemaking implications;

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<sup>1</sup> The majority of the Public Staff's recommendations were previously approved in Docket No. E-22, Subs 476 and 477, by Order dated January 18, 2019.

- (5) The Commission's acceptance of the Services Agreement and approval of payment thereunder shall be limited to the specific services identified in the Services Agreement. Should DENC wish to obtain additional services from its affiliate other than those specifically identified in the Services Agreement, separate Commission approval shall be required;
- (6) DENC shall be required to provide written notice to the Commission within 15 days of any election, by either DENC or SCE&G, of new services not currently selected that it intends to take pursuant to the Services Agreement, regardless of the cost of such services. If new services are selected, DENC shall include that information in its Annual Report of Affiliated Transactions (ARAT);
- (7) All terms of the Services Agreement and the activities conducted pursuant thereto remain subject to DENC's compliance with its Regulatory Conditions and Code of Conduct approved by the Commission in the Merger Order;
- (8) All services provided by each affiliate pursuant to the Services Agreement shall be at the lower of cost or market. Supporting documentation for such transactions shall be made available for Public Staff and Commission review upon request, including the periodically-conducted market price studies required by Regulatory Condition No. 4.2;
- (9) DENC shall have the burden of proving that any and all goods and services procured from its affiliate have been procured on the most favorable terms and conditions reasonably available in the relevant market, which shall include a showing that such goods and services could not have been procured at a lower cost from non-affiliate sources or that DENC could not have provided the services or goods for itself on the same basis at a lower cost, as required by Regulatory Condition 4.2(a). Records of such investigations and comparisons shall be made available for Public Staff and Commission review upon request;
- (10) The Commission's approval of the Services Agreement shall not be deemed, in connection with any future proceeding before the Commission, to determine and establish DENC's retail rates or for any other purpose, or to constitute Commission approval of any level of charges directly charged, assigned, or allocated to DENC under the agreement;
- (11) All terms of the Services Agreement and the activities conducted pursuant thereto remain subject to ongoing review as to their appropriateness and reasonableness and to modification by the Commission upon its own motion, or upon a motion by the Public Staff or another party;
- (12) All goods and services rendered pursuant to the Services Agreement and the costs and benefits directly charged, assigned, and allocated in connection with such services, and the determination or calculation of the bases and factors utilized to assign or allocate such costs and benefits, remain subject to ongoing review as to

their appropriateness and reasonableness and to further action by Commission Order upon its own motion or upon the motion of any party;

- (13) DENC shall include all transactions under the Services Agreement in its ARAT filed with the Commission. The report of the transactions should include the docket number in which the Services Agreement was approved, the name and type of activity performed by each direct and indirect affiliate or future affiliate to the Services Agreement, and a schedule in Excel electronic spreadsheet format, with formulas intact, listing the prior years' transactions by month, type of service, FERC account, and the dollar amount (as the transaction is recorded on the Company's books);
- (14) The Commission's acceptance of the Services Agreement shall not be deemed to constitute the approval of any specific charges under the Services Agreement, or a guarantee of any recovery of costs directly or indirectly related to the Services Agreement;
- (15) The Commission reserves the right to examine the books and records of DENC and SCE&G in connection with the Services Agreement, whether or not such affiliate is regulated by the Commission;
- (16) DENC shall file with the Commission signed and executed copies of the Services Agreement within 30 days of the date of an order approving the agreement; and
- (17) The Commission's acceptance of the Services Agreement and authorization for DENC to make payments pursuant to the agreement does not constitute approval of the amount of fees or compensation paid by DENC under the agreement for ratemaking purposes, and the authority granted by the Commission in this Order shall be without prejudice to the right of any party to take issue with any provision of the agreement in question in a future proceeding.

DENC has agreed to the conditions proposed by the Public Staff.

EXHIBIT: A proposed order is attached as Exhibit No. P-3.

RECOMMENDATION: (Peedin/Holt) That the Commission issue the proposed order accepting for filing the Services Agreement and allowing DENC to pay the affiliate pursuant to this agreement, subject to the conditions set forth herein.

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. A-41, SUB 5

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application of Bald Head Island	)	ORDER TERMINATING FUEL
Transportation, Inc., to Terminate Fuel	)	SURCHARGE
Surcharge Pursuant to Commission	)	
Rule R4-4 and R4-13	)	

BY THE COMMISSION: On April 16, 2019, Bald Head Island Transportation, Inc. (BHIT), filed an application under the procedures set forth in Commission Rules R4-4 and R4-13, N.C. Gen. Stat. § 62-32(a), and the Orders of the Commission dated November 7, 2008, and January 29, 2009, in Docket No. A-100, Sub 0, and dated December 16, 2008, in Docket No. A-41, Sub 5. By its application, BHIT sought authority to terminate its fuel surcharge.

The current fuel surcharge approved in Docket No. A-41, Sub 15, is a negative one U.S. Dollar, (\$1.00). As of March 31, 2019, the fuel surcharge deferred account balance for BHIT was over-collected in the amount of \$24,648.17, as shown on the Quarterly Fuel Surcharge Tracking Report filed in Docket A-41, Sub 5A on April 12, 2019, and is rapidly declining.

Because the fuel cost surcharge deferred balance actually changes with each passenger riding the ferry and the cost of each tank of fuel purchased, it is impossible to determine precisely when that balance will be \$0.00. Therefore, BHIT requested that it be authorized to terminate its fuel surcharge on such date as it determines -- based upon its best efforts to project (at least seven calendar days in advance) ridership and fuel costs -- that its fuel cost surcharge deferred balance will be as close to \$0.00 as is practicable to predict and within the range of between a \$10,000 over-collection and a \$10,000 under-collection. Upon termination of the fuel surcharge, the rates to be charged by BHIT would simply revert to those rates approved by the Commission in the last general rate case, in Docket A-41, Sub 7.

BHIT stated that it will make this projection and provide public notice of the date of the termination of the fuel surcharge, and the ticket prices thereafter (as approved by the Commission in Docket No. A-41, Sub 7), no fewer than seven calendar days prior to the actual date of termination.

BHIT stated that within 30 calendar days following the termination of the fuel surcharge, BHIT will file with the Commission in Docket No. A-41, Sub 5A a Final Report of the remaining fuel surcharge deferred balance, prepared pursuant to the requirements of the Commission's Orders in Docket No. A-100, Sub 0 and Commission Rule R4-13.

On June 28, 2017, the North Carolina General Assembly ratified Session Law 2017-120, codified in part at N.C. Gen. Stat. § 160A-680 et seq., authorizing the creation of the Bald Head Island Transportation Authority. BHIT stated that the Authority has been undertaking its due diligence to purchase the operations of BHIT, pursuant to the provisions of the Ferry Transportation Authority Act. It is anticipated that BHIT will sell the ferry operations to the Authority.

BHIT stated that if the final balance (which must be within \$10,000 of \$0.00) is an over-collection, then this over-collection will be accounted for as a liability on BHIT's balance sheet and will be credited against (and thus reducing) the purchase price to be paid by the Authority. BHIT also stated that if the final balance is an under-collection, then this under-collection will be initially accounted for as an asset on BHIT's balance sheet but will be written-off by BHIT prior to any sale and not recovered from any customer(s) or purchaser of the ferry operations.

The matter was presented to the Commission at its Regular Staff Conference on May 6, 2019. The Public Staff stated that it had reviewed the application and recommended approval as filed.

Based upon a review of the application and the recommendation of the Public Staff, the Commission is of the opinion that the proposed termination of the fuel surcharge should be allowed to become effective as filed.

IT IS, THEREFORE, ORDERED as follows:

1. That BHIT is authorized to terminate its fuel surcharge on such date as it determines, based upon its best efforts to project (at least seven calendar days in advance) ridership and fuel costs, that its fuel cost surcharge deferred balance will be as close to \$0.00 as is practicable to predict, and within the range of between a \$10,000 over-collection and a \$10,000 under-collection;

2. That BHIT shall provide public notice of the date of the termination of the fuel surcharge, and the ticket prices thereafter (as approved by the Commission in Docket No. A-41, Sub 7), no fewer than seven calendar days prior to the actual date of termination;

3. That within seven calendar days of the termination of the fuel surcharge, BHIT shall file with the Commission and the Public Staff Transportation Rates Division revised tariffs consistent with Ordering Paragraph No. 1; and

4. That within 30 days of the termination of the fuel surcharge, BHIT shall file with the Commission in Docket No. A-41, Sub 5A a Final Report of the remaining fuel surcharge deferred balance, prepared pursuant to the requirements of the Commission's Orders in Docket No. A-100, Sub 0 and Rule R4-13, and that the accounting for any remaining fuel surcharge deferred balance will be as represented in BHIT's Application.

ISSUED BY ORDER OF THE COMMISSION.

This the \_\_\_\_\_ day of May, 2019.

NORTH CAROLINA UTILITIES COMMISSION

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M. Lynn Jarvis, Chief Clerk

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. E-2, SUB 1085

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application by Duke Energy Progress, LLC, for Approval to Terminate the Residential Save Energy and Water Kit Program	) ) ) )	ORDER TERMINATING PROGRAM

BY THE COMMISSION: On April 2, 2019, Duke Energy Progress, LLC (DEP or the Company), filed an application seeking approval to terminate its Residential Save Energy and Water Kit Program (SEWK Program).

The SEWK Program was originally approved as an energy efficiency (EE) program on October 6, 2015 to provide participants with free energy efficient water heating savings kits, consisting of a combination of low flow showerheads, kitchen and bathroom faucet aerators, and pipe wrap insulation.

On February 27, 2019, the Commission approved modifications to DEP's Residential Energy Efficient Appliances and Devices (REEAD) Program. Those modifications included incorporating the water reduction and efficiency measures offered by the SEWK Program into the REEAD Program. DEP stated that with the approval of the REEAD Program modifications, the SEWK Program is now redundant.

The Public Staff presented this matter at the Commission's Regular Staff Conference on May 6, 2019, and recommended approval of the Company's request to terminate the SEWK Program.

Based on the foregoing and the entire record in this proceeding, the Commission finds good cause to approve DEP's request to terminate the SEWK Program.

IT IS, THEREFORE, ORDERED as follows:

1. That the SEWK Program is hereby terminated effective as of the date of this Order; and

2. That the Commission shall determine the appropriate ratemaking treatment for the SEWK Program, including program costs, net lost revenues, and incentives, in DEP's annual cost recovery rider, in accordance with N.C. Gen. Stat. § 62-133.9 and Commission Rule R8-69.

ISSUED BY ORDER OF THE COMMISSION.

This the \_\_\_\_ day of May, 2019.

NORTH CAROLINA UTILITIES COMMISSION

M. Lynn Jarvis, Chief Clerk

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. E-22, SUB 563

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Request of Virginia Electric and Power Company	)	ORDER ON
d/b/a Dominion Energy North Carolina for Approval	)	AFFILIATE
of an Affiliate Services Agreement	)	SERVICES AGREEMENT

BY THE COMMISSION: On March 1, 2019, Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina (DENC or the Company), filed an Application requesting approval of an affiliate services agreement (Services Agreement) with South Carolina Electric & Gas Company (SCE&G), pursuant to N.C. Gen. Stat. § 62-153 and ordering paragraph seven of the Commission’s *Order Approving Merger Subject to Regulatory Conditions and Code of Conduct* (Merger Order) issued in Docket Nos. E-22, Sub 551 and G-5, Sub 585 on November 19, 2018, approving the merger of Dominion Energy Inc. (DEI) and SCANA Corporation (SCANA). The Company filed, on March 21, 2019, a corrected Exhibit III to the Services Agreement.

On January 1, 2019, DEI completed its acquisition of SCANA, and SCE&G became an indirect subsidiary of DEI. By virtue of this acquisition, DENC and SCE&G became affiliates.

The proposed Services Agreement, set forth as Attachment A to the Application, describes eight services that the Company and SCE&G are willing to provide and receive at their election as follows: accounting, information technology, nuclear operations, executive and administrative, business services, supply chain, environmental compliance, and office space and equipment. The provision of these services will also include the exchange of Confidential Systems Operation Information (CSOI). Pursuant to Section III.A.3.a.iii of the Code of Conduct Governing the Relationships Among DENC, Public Service Company of North Carolina, Inc., their Affiliates, and their Nonpublic Utility Operations, approved by the Commission in the Merger Order, the list of CSOI is provided in Exhibit IV to the Services Agreement. The Company indicated that the Services Agreement will allow DENC and SCE&G to share knowledge, expertise, and best practices in the areas of nuclear operations and environmental compliance, for the benefit

of customers. The Services Agreement will extend the existing approved structure for the management of the regulated and non-regulated nuclear fleet to include SCE&G.

According to the Application, DENC and SCE&G currently seek to offer and receive, to and from each other, services in the nuclear operations and environmental compliance categories. In addition, SCE&G seeks to offer to DENC services in the accounting, information technology, executive and administrative, business services, and supply chain categories that are currently provided by SCE&G employees in coordination with nuclear operations. The Company indicated that should DENC or SCE&G elect in the future to offer and/or receive new services not currently selected in the Services Agreement, then DENC will provide written notice to the Commission of such election consistent with Regulatory Condition 4.4(b) as approved in the Merger Order. DENC and SCE&G also indicated that there may be future opportunities to exchange services associated with electric transmission operations, electric distribution operations, and non-nuclear electric generation operations for the benefit of customers, consistent with DENC's exchange of these services with its merchant affiliates. However, DENC and SCE&G will seek separate Commission approval in a future application if they determine such services are needed.

DENC stated that all services will be provided at the lower of cost or market. Exhibit III to the Application describes the rules and methods for determining the cost of the service provider that will be charged to the service recipient. According to the Application, the Company and SCE&G may modify the offer or receipt of services at any time on 30 days' written notice to the other party, and either party may terminate the Services Agreement upon 60 days' written notice to the other party.

The Company also proposed that the Services Agreement commence on the effective date approved by the Commission and remain in effect, unless terminated earlier pursuant to the provisions of the Services Agreement, for a period of two years. The Company stated that the proposed two-year term is consistent with the expected approximate two-year integration period associated with the merger.

The Virginia State Corporation Commission (VSCC) approved the Services Agreement on April 19, 2019.

The Public Staff presented this item at the May 6, 2019, Staff Conference and recommended that the Commission accept for filing the Services Agreement and allow DENC to pay its affiliate pursuant to this agreement, subject to the following conditions<sup>1</sup> which have been agreed to by DENC:

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<sup>1</sup> The majority of the Public Staff's recommendations were approved in Docket No. E-22, Subs 476 and 477, by Order dated January 18, 2019.

- (1) That the Services Agreement be accepted and payment thereunder authorized for two years from April 19, 2019, to April 18, 2021, with DENC's ability to pay the affiliate subject to adjustment if found appropriate by the Commission upon its own motion, or a petition by the Public Staff or another party;
- (2) That if the Company wishes to extend the Services Agreement beyond the two-year period, separate Commission approval will be required;
- (3) No changes may be made to the Services Agreement without prior filing with the Commission, including changes in the terms and conditions, allocation methodologies, service category descriptions, and successors or assigns. DENC is required to file any proposed amendments prior to the execution of the amended agreement and prior to any payment for services thereunder;
- (4) The Commission's acceptance of the Services Agreement and approval of payment thereunder shall have no accounting or ratemaking implications;
- (5) The Commission's acceptance of the Services Agreement and approval of payment thereunder shall be limited to the specific services identified in the Services Agreement. Should DENC wish to obtain additional services from its affiliate other than those specifically identified in the Service Agreement, separate Commission approval shall be required;
- (6) DENC shall be required to provide written notice to the Commission within 15 days of any election, by either DENC or SCE&G, of new services not currently selected that it intends to take pursuant to the Service Agreement, regardless of the cost of such services. If new services are selected, DENC shall include that information in its Annual Report of Affiliated Transactions (ARAT);
- (7) All terms of the Services Agreement and the activities conducted pursuant thereto remain subject to DENC's compliance with its Regulatory Conditions and Code of Conduct approved by the Commission in the Merger Order;
- (8) All services provided by each affiliate pursuant to the Services Agreement shall be at the lower of cost or market. Supporting documentation for such transactions shall be made available for Public Staff and Commission review upon request, including the periodically-conducted market price studies required by Regulatory Condition No. 4.2;
- (9) DENC shall have the burden of proving that any and all goods and services procured from its affiliate have been procured on the most favorable terms and

conditions reasonably available in the relevant market, which shall include a showing that such goods and services could not have been procured at a lower cost from non-affiliate sources or that DENC could not have provided the services or goods for itself on the same basis at a lower cost, as required by Regulatory Condition 4.2(a). Records of such investigations and comparisons shall be made available for Public Staff and Commission review upon request;

- (10) The Commission's approval of the Services Agreement shall not be deemed, in connection with any future proceeding before the Commission, to determine and establish DENC's retail rates or for any other purpose, or to constitute Commission approval of any level of charges directly charged, assigned, or allocated to DENC under the agreement;
- (11) All terms of the Services Agreement and the activities conducted pursuant thereto remain subject to ongoing review as to their appropriateness and reasonableness and to modification by the Commission upon its own motion, or upon a motion by the Public Staff or another party;
- (12) All goods and services rendered pursuant to the Services Agreement and the costs and benefits directly charged, assigned, and allocated in connection with such services, and the determination or calculation of the bases and factors utilized to assign or allocate such costs and benefits remain subject to ongoing review as to their appropriateness and reasonableness and to further action by Commission Order upon its own motion or upon the motion of any party;
- (13) DENC shall include all transactions under the Services Agreement in its ARAT filed with the Commission. The report of the transactions should include the docket number in which the Services Agreement was approved, the name and type of activity performed by each direct and indirect affiliate or future affiliate to the Services Agreement, and a schedule in Excel electronic spreadsheet format, with formulas intact, listing the prior years' transactions by month, type of service, FERC account, and the dollar amount (as the transaction is recorded on the Company's books);
- (14) The Commission's acceptance of the Services Agreement shall not be deemed to constitute the approval of any specific charges under the Services Agreement, or a guarantee of any recovery of costs directly or indirectly related to the affiliate agreement;

- (15) The Commission reserves the right to examine the books and records of DENC and SCE&G in connection with the Services Agreement, whether or not such affiliate is regulated by the Commission;
- (16) DENC shall file with the Commission signed and executed copies of the Services Agreement within 30 days of the date of an order approving the agreement; and
- (17) The Commission's acceptance of the Services Agreement and authorization for DENC to make payments pursuant to the agreement does not constitute approval of the amount of fees or compensation paid by DENC under the agreement for ratemaking purposes, and the authority granted by the Commission in this Order shall be without prejudice to the right of any party to take issue with any provision of the agreement in question in a future proceeding.

Based upon the foregoing, the Commission concludes that pursuant to N.C. Gen. Stat. § 62-153. the Services Agreement should be accepted for filing, and that DENC should be authorized to make payments for its receipt of services in accordance with the terms of the agreement, subject to the conditions recommended by the Public Staff as set forth above.

IT IS, THEREFORE, ORDERED as follows:

1. That the Services Agreement is accepted for filing;
2. That DENC shall file with the Commission signed and executed copies of the Services Agreement within 30 days of the date of this Order;
3. That DENC is authorized to make payments under the Services Agreement in accordance with its terms; and
4. That the Commission's acceptance for filing and authorization for DENC to make payments under the Services Agreement shall be subject to the conditions recommended by the Public Staff, as enumerated in the body of this order.

ISSUED BY ORDER OF THE COMMISSION.

This the \_\_\_\_ day of May, 2019.

NORTH CAROLINA UTILITIES COMMISSION

Martha Lynn Jarvis, Chief Clerk