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OFFICIAL COPY

Sep 23 2019

September 23, 2019

VIA ELECTRONIC FILING

Ms. Kimberley A. Campbell, Chief Clerk
North Carolina Utilities Commission
Dobbs Building
430 North Salisbury Street
Raleigh, North Carolina 27603-5918

Re: Docket No. E-22, Sub 562
Docket No. E-22, Sub 566

Dear Ms. Campbell:

Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina (“DENC”), submits for filing in the above-referenced dockets the Agreement and Stipulation of Settlement as executed by DENC and the Carolina Industrial Group for Fair Utility Rates – I.

Please do not hesitate to contact me if you have any questions regarding this filing.

Sincerely,

/s/Mary Lynne Grigg

MLG:mth

Enclosure

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-22, SUB 562

DOCKET NO. E-22, SUB 566

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application of Dominion Energy North Carolina)
for Adjustment of Rates and Charges Applicable)
to Electric Service in North Carolina)
)
In the Matter of Petition of Virginia Electric and)
Power Company, d/b/a Dominion Energy North)
Carolina for an Accounting Order to Defer)
Certain Capital and Operating Costs Associated)
with Greenville County Combined Cycle)
Addition)

AGREEMENT AND
STIPULATION OF PARTIAL
SETTLEMENT

Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina (“DENC” or the “Company”) and the Carolina Industrial Group for Fair Utility Rates – I (“CIGFUR”), collectively referred to as the Stipulating Parties, through counsel and pursuant to N.C. Gen. Stat. § 62-69, respectfully submit the following Agreement and Stipulation of Partial Settlement (“Stipulation”) for consideration by the North Carolina Utilities Commission (“Commission”) in the above-captioned dockets.

I. BACKGROUND

- A. On February 27, 2019, DENC filed a Notice of Intent to File a General Rate Application.
- B. On March 1, 2019, Carolina Industrial Group for Fair Utility Rates I (“CIGFUR”) filed a Petition to Intervene. The Petition was granted by the Commission on March 7, 2019.

- C. On March 25, 2019, Nucor-Steel-Hertford (“Nucor”) filed a Petition to Intervene. The Petition was granted by the Commission on March 29, 2019.
- D. On March 29, 2019, DENC filed an application (Application) in Docket No. E-22, Sub 562, for a general rate increase, pursuant to N.C. Gen. Stat. §§ 62-133 and 62-134 and Commission Rule R1-17, along with direct testimony and exhibits requesting a non-fuel base rate increase of approximately \$27 million. The filing was based upon a rate of return on equity (“ROE”) of 10.75%, an embedded long-term debt cost of 4.451%, and the Company’s actual North Carolina ratemaking capital structure as of the end of the 2018 test period, consisting of 53.006% common equity and 46.99% long-term debt.
- E. On April 29, 2019, the Commission issued its Order Establishing General Rate Case and Suspending Rates.
- F. On May 2, 2019, the Commission issued its order Consolidating Dockets, which consolidated this general rate case with DENC’s pending petition for deferral accounting authority to defer post-in-service costs associated with commercial operations of the Greenville Power Station in Docket No. E-22, Sub 566.
- G. On May 30, 2019, the Commission issued an Order Scheduling Investigation and Hearings, Establishing Intervention and Testimony Due Dates and Discovery Deadlines and Requiring Public Notice.
- H. On August 5, 2019, the Company filed supplemental direct testimony and exhibits, supplemental Form E-1 items and supplemental Commission Rule R1-17 information.

- I. On August 14, 2019, the Company filed additional supplemental direct testimony and exhibits.
- J. On August 23, 2019, intervenors, including the Public Staff, Nucor, and CIGFUR, filed testimony and exhibits.
- K. On September 12, 2019, the Company filed second supplemental direct testimony and exhibits, supplemental Form E-1 items and supplemental Commission Rule R1-17 information.
- L. Also on September 12, 2019, DENC filed rebuttal testimony and exhibits.
- M. On September 17, 2019, DENC filed an Agreement and Stipulation of Settlement with the Public Staff.
- N. The parties to this proceeding have conducted substantial discovery on the issues raised in the Company's Application as well as on the direct, supplemental, and rebuttal testimony of the Company and the testimony of the intervenors.
- O. Prior to the evidentiary hearing scheduled to begin on September 23, 2019, the Stipulating Parties reached a settlement with respect to all of the issues presented by the Company's Application, including those arising from the supplemental and rebuttal testimonies and exhibits. The Stipulating Parties agree and stipulate as follows:

II. RATE OF RETURN

- A. The Stipulating Parties agree that the revenues approved in this proceeding should provide the Company, through sound management, the opportunity to earn an ROE of 9.75%. This ROE will be applied to the common equity

component of the stipulated ratemaking capital structure consisting of 52% equity and 48% long-term debt. The embedded cost of debt agreed to by the Stipulating Parties as appropriate and reasonable for purposes of this proceeding is 4.442 %. The weighted overall rate of return resulting from the above inputs is 7.20%.

III. COST ALLOCATION, RATE DESIGN, AND TERMS AND CONDITIONS

- A. For purposes of settlement only, the Stipulating Parties agree that the Company's Summer-Winter Peak and Average ("SWPA") methodology calculated using the system load factor to weight the average component and (1 – system load factor) to weight the peak demand component is appropriate for use in allocating the Company's per books cost of service to the North Carolina jurisdiction and between the customer classes in this case. This shall not be a precedent for and may be contested in future general rate case proceedings. The Stipulating Parties further agree to two adjustments made in the course of calculating the SWPA: i) the Company's proposed adjustment to its recorded summer and winter peaks to recognize the peak demand contributions of non-utility generators interconnected to the Company's distribution system is appropriate and reasonable, and ii) the Company's proposed adjustment to remove the demand and energy requirements of three customers, one wholesale customer, NCEMC, and two large industrial customers in the Company's

Virginia jurisdiction for whom the obligation to provide generation service has ended or will end during 2019.

- B. The Stipulating Parties have not reached a compromise on the total base revenue increases the Company proposes to assign to the LGS and 6VP customer classes or the Company's proposed rates of return for the customer classes.
- C. The Stipulating Parties agree that in its next general rate case, in addition to filing a class cost of service study based on the SWPA method weighted using the system load factor, the Company shall also file the results of a class cost of service study with production and transmission costs allocated on the basis of the Summer/Winter Coincident Peak method and consider such results for the sole purpose of apportionment of the change in revenue to the customer classes.
- D. The Stipulating Parties agree that, at the hearing, CIGFUR may cross-examine DENC Witness Paul B. Haynes regarding the provision on page 10 of the Stipulation between the Company and the Public Staff that states "The parties agree that all classes should share in the total base rate revenue increase" and regarding the fact that the proposed increases in total base rates and the proposed rates of return for the LGS and 6VP customer classes exceed the Company's cost of providing service to these rate classes. CIGFUR counsel will not cross-examine any other Company witnesses and will not cross Witness Haynes on additional topics. The Company may ask redirect of witness Haynes on this limited topic based on CIGFUR's cross-examination.

E. The Stipulating Parties agree that, considering that: (1) the Commission directed the Company in its final order in DENC's previous rate case, Docket No. E-22, Sub 532, to file a pilot or experimental RTP rate; (2) the Company did file such rates on August 4, 2017 in that same docket; (3) the Commission approved such rates by order issued on December 6, 2017; and (4) no customers have taken service under such rates, the Company agrees to work with CIGFUR to consider whether certain provisions within such rates should be modified. If there is mutual agreement between CIGFUR and the Company to such modifications, and CIGFUR indicates that at least one of its member customers is willing to take service under such rates, the Company agrees to re-filing such rates with the Commission for approval with the modifications agreed upon between the Stipulating Parties within sixty (60) days of such agreement.

IV. AGREEMENT IN SUPPORT OF SETTLEMENT; NON-WAIVER

A. The Stipulating Parties shall act in good faith and use their best efforts to recommend to the Commission that this Stipulation be accepted and approved. The Stipulating Parties further agree that this Stipulation is in the public interest because it reasonably balances customer interests in mitigating rate impacts with investor interests in providing for reasonable recovery of investments, thereby providing the necessary level of revenue requirement to allow the Company to maintain its financial strength and credit quality and continue to provide high quality electric utility service to its customers. The

Stipulating Parties intend to support the reasonableness of this Stipulation in any hearing before the Commission and any proposed order or brief in this docket.

- B. Neither this Stipulation nor any of its terms or conditions shall be admissible in any court or before the Commission except insofar as the Commission is addressing litigation arising out of the implementation of the terms herein or the approval of this Stipulation. This Stipulation shall not be cited as precedent by any of the Stipulating Parties with regard to any issue in any other proceeding or docket before this Commission or in any court. This Stipulation is not intended nor shall it be construed in any way as an admission or accusation of imprudence by the Stipulating Parties.
- C. The provisions of this Stipulation do not reflect any position asserted by any of the Stipulating Parties, but reflect instead the compromise and settlement among the Stipulating Parties as to all of the issues covered hereby. No Stipulating Party waives any right to assert any position in any future proceeding or docket before this or any other Commission and in any court.
- D. The Stipulation is the product of negotiation between the Stipulating Parties, and no provision of this Stipulation shall be strictly construed in favor or against any Party.

**V. RECEIPT OF TESTIMONY AND WAIVER OF CROSS-
EXAMINATION**

The Stipulating Parties agree that all pre-filed testimony and exhibits may be received in evidence without objection. Each Stipulating Party waives all

right to cross-examine any witness with respect to such pre-filed testimony and exhibits, with the exception that CIGFUR may cross-examine Company Witness Paul B. Haynes as provided above at section III.C. If, however, questions are asked by any Commissioner, or if questions are asked or positions are taken by any person who is not a Stipulating Party, then any Stipulating Party may respond to such questions by presenting testimony or exhibits and cross-examining any witness with respect to such testimony and exhibits, provided such testimony, exhibits, and cross-examination are not inconsistent with this Stipulation.

VI. STIPULATION BINDING ONLY IF ACCEPTED IN ITS ENTIRETY

This Stipulation is the product of negotiation and compromise of a complex set of issues, and no portion of this Stipulation is or will be binding on any of the Stipulating Parties unless the entire Agreement and Stipulation is accepted by the Commission. If the Commission rejects any part of this Stipulation or approves this Stipulation subject to any change or condition or if the Commission's approval of this Stipulation is rejected or conditioned by a reviewing court, the Parties agree to meet and discuss the applicable Commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Stipulation consistent with the order. No Party shall withdraw from the Stipulation prior to complying with the foregoing sentence. If any Party withdraws from the Stipulation, each Party retains the right to seek additional procedures before the Commission, including cross-examination of witnesses, with respect to

issues addressed by the Stipulation and shall not be bound or prejudiced by the terms and conditions of the Stipulation.

VII. COUNTERPARTS

This Stipulation may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Execution by facsimile signature shall be deemed to be, and shall have the same effect as, execution by original signature.

The foregoing is agreed and stipulated to this the 23rd day of September, 2019.

Dominion Energy North Carolina

By: /s Mary Lynne Grigg

Carolina Industrial Group for Fair Utility Rates - I

By: /s Warren Hicks

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing Agreement and Stipulation of Settlement, as filed in Docket No. E-22, Subs 562 and 566, were served electronically or via U.S. mail, first-class postage prepaid, upon all parties of record.

This the 23rd day of September, 2019.

/s/Mary Lynne Grigg

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