



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

September 18, 2019

Ms. Kimberly A. Campbell, Chief Clerk
North Carolina Utilities Commission
4326 Mail Service Center
Raleigh, North Carolina 27699-4300

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

Dear Ms. Campbell:

In connection with the above-captioned docket, I transmit herewith for filing on behalf of the Public Staff the Supplemental Testimony and Exhibit of Michael C. Maness, Director, Accounting Division.

By copy of this letter, we are providing copies to all other parties of record.

Sincerely,

/s/ Heather D. Fennell
Staff Attorney
heather.fennell@psncuc.nc.gov

Executive Director (919) 733-2435	Communications (919) 733-5610	Economic Research (919) 733-2267	Legal (919) 733-6110	Transportation (919) 733-7766
Accounting (919) 733-4279	Consumer Services (919) 733-9277	Electric (919) 733-2267	Natural Gas (919) 733-4326	Water (919) 733-5610

DOCKET NO. E-22, SUB 562
DOCKET NO. E-22, SUB 566

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-22, SUB 562)
)
In the Matter of)
Application of Dominion Energy North)
Carolina for Adjustment of Rates and)
Charges Applicable to Electric Utility)
Service in North Carolina)
)
DOCKET NO. E-22, SUB 566)
)
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)

SUPPLEMENTAL
TESTIMONY OF
MICHAEL C. MANESS
PUBLIC STAFF – NORTH
CAROLINA UTILITIES
COMMISSION

September 18, 2019

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
2 **PRESENT POSITION.**

3 A. My name is Michael C. Maness. My business address is 430 North
4 Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am the
5 Director of the Accounting Division of the Public Staff – North
6 Carolina Utilities Commission (Public Staff).

7 **Q. DID YOU FILE DIRECT TESTIMONY ON AUGUST 23, 2019 IN**
8 **THIS PROCEEDING?**

9 A. Yes.

10 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL**
11 **TESTIMONY IN THIS PROCEEDING?**

12 A. The purpose of my supplemental testimony is to present a revision
13 to the ratemaking adjustments that I am recommending for the costs
14 of Dominion Energy North Carolina's (DENC or the Company) CCR
15 activities. I have provided my revised adjustments to Public Staff
16 witness Sonja R. Johnson for inclusion in her Settlement Exhibit 1,
17 in which she calculates the revised overall increase in the Company's
18 revenue requirement recommended by the Public Staff in
19 accordance with the Agreement and Stipulation of Partial Settlement
20 (Stipulation) filed in this proceeding between DENC and the Public
21 Staff.

1 **Q. WHAT REVISION ARE YOU MAKING TO YOUR RECOMMENDED**
2 **ADJUSTMENTS IN THE AREA OF CCR COSTS?**

3 A. My revision applies solely to my recommended adjustment to the
4 amortization expense for deferred CCR costs. I am recommending
5 a reduction in the amortization period for deferred CCR costs from
6 19 years to 18 years.

7 **Q. WHY HAVE YOU REDUCED THE AMORTIZATION PERIOD TO 18**
8 **YEARS?**

9 A. As reflected in the Stipulation, the Public Staff and DENC have
10 agreed to a weighted overall rate of return of 7.20% for purposes of
11 setting rates in this proceeding. In my initial direct testimony, I state
12 that the Public Staff believes that a sharing rate of 60% to ratepayers
13 and 40% to shareholders for CCR costs is most reasonable and
14 appropriate. The overall rate of return, net of income taxes, affects
15 the number of years of amortization needed to achieve this sharing.
16 Because of the increase in the rate of return from that initially
17 recommended by the Public Staff to the 7.20% agreed to in the
18 Stipulation, the amortization period necessary to achieve an
19 approximate 60%-40% sharing has decreased to 18 years.

1 Q. YOU STATE THAT THE 60%-40% SHARING IS
2 “APPROXIMATE.” WHY IS IT NOT EXACT?

3 A. I have calculated the recommended amortization period in whole
4 years. An amortization period of 18 years produces a ratepayer
5 sharing portion of 59.212%, which is the closest to the 60.000%
6 target that can be arrived at using the stipulated rate of return and
7 whole years without the ratepayer portion exceeding that target.

8 Q. WHAT IS THE IMPACT OF YOUR REVISION ON YOUR
9 RECOMMENDED AMORTIZATION EXPENSE?

10 A. Reflection of the revision results in an increase in the recommended
11 North Carolina retail amortization expense from \$1,150,000 to
12 \$1,213,000, and thus a reduction in our recommended adjustment
13 from \$(6,153,000) to \$(6,090,000). My revised adjustment is set
14 forth on Maness Supplemental Exhibit I, Schedule 1, attached to this
15 testimony.

16 Q. DOES THE INCREASE IN YOUR RECOMMENDED
17 AMORTIZATION EXPENSE AFFECT RATE BASE?

18 A. No. The Public Staff continues to recommend that deferred CCR
19 costs be excluded from rate base in their entirety, in order to achieve
20 an equitable sharing of those costs between the ratepayers and the
21 shareholders.

- 1 Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?
- 2 A. Yes, it does.

INDEX TO MANESS SUPPLEMENTAL EXHIBIT I

	<u>Title</u>	<u>Schedule Number</u>
1	ADJUSTMENTS TO DEFERRED CCR COSTS	1
2	AMORTIZATION SCHEDULE FOR DEFERRED CCR COSTS	1-1

DOMINION ENERGY NORTH CAROLINA
Docket No. E-22, Sub 562
North Carolina Retail Operations
ADJUSTMENTS TO DEFERRED CCR COSTS
For the Test Year Ended December 31, 2018
(in Thousands)

Maness Supplemental Exhibit I
Schedule 1

Line No.	Item	NC Retail Amount
Income statement impact		
1	Balance for Amortization	\$ 21,841 ^{1/}
2	Years to Amortize	<u>18</u> ^{2/}
3	Annual amortization per Public Staff (L1 / L2)	1,213
4	Annual amortization per Company	<u>7,303</u> ^{3/}
5	Public Staff adjustment to other O&M expense (L3 - L4)	<u>\$ (6,090)</u>
6	Statutory tax rate	25.6228% ^{4/}
7	Public Staff adjustment to income taxes (-L5 x L6)	<u>\$ 1,560</u>
Rate base impact		
8	Coal Ash Balance at May 1, 2018 per Public Staff (L1)	\$ 21,841
9	Less annual amortization (-L3)	<u>(1,213)</u>
10	Annualized Coal Ash Deferral Balance per Public Staff (L8 + L9)	20,627
11	Coal Ash Deferral Balance per Company filings	<u>14,607</u> ^{5/}
12	Public Staff annualization adjustment to coal ash deferral balance (L10 - L11)	6,020
13	Adjustment to remove remaining coal ash deferral balance from rate base (-L10)	<u>(20,627)</u>
14	Total Public Staff adjustment to total additions (L12 + L13)	<u>\$ (14,607)</u>
15	Adjustment to ADIT (-L14 x L6)	<u>\$ 3,743</u>

1/ Maness Supplemental Exh bit I, Schedule 1-1, Line 41, Column (k).
2/ Amortization period recommended by Public Staff to achieve equitable sharing - approx. 60% to ratepayers, 40% to stockholders.
3/ Supplemental Company Exhibit PMM-1, Schedule 3, Page 2, Line NC-33.
4/ Johnson Exh bit 1, Schedule 1-3, Line 8.
5/ NCUC Form E-1, Supplemental Item 10, Page 310 of 350, Line 4.

DOMINION ENERGY NORTH CAROLINA
 Docket No. E-22, Sub 562
 North Carolina Retail Operations
 AMORTIZATION SCHEDULE FOR DEFERRED
 CCR COSTS
 For the Test Year Ended December 31, 2018
 (in Thousands)

Maness Supplemental Exhibit I
 Schedule 1-1

Line No.	Month	DENC Coal Ash Spend			DENC N.C. Retail Coal Ash Deferral								
		System Spend per Company 1/	Public Staff Prudence Adjustments 2/	System Spend per Public Staff 3/	% to NC for Spend 4/	Beginning Balance 5/	NC Spend 6/	Ending Balance 7/	Deferred Cost of Debt 8/	Deferred Cost of Equity 9/	Total Return 10/	Ending Balance 11/	
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	
1	Jun-16							\$ -					
2	Jul-16	\$ 8,385	\$ -	\$ 8,385	5.0924%	\$ -	\$ 427	427	\$ 0	\$ 1	\$ 1	\$ 428	
3	Aug-16	8,504	-	8,504	5.0924%	427	433	860	1	3	4	865	
4	Sep-16	15,634	-	15,634	5.0924%	860	796	1,656	2	5	7	1,668	
5	Oct-16	10,413	-	10,413	5.0924%	1,656	530	2,186	3	8	11	2,209	
6	Nov-16	9,958	-	9,958	5.0924%	2,186	507	2,694	3	10	14	2,730	
7	Dec-16	34,895	-	34,895	5.0924%	2,694	1,777	4,471	5	15	20	4,527	
8	Jan-17	(342)	-	(342)	5.0924%	4,471	(17)	4,453	6	19	25	4,535	
9	Feb-17	7,055	-	7,055	5.0924%	4,453	359	4,812	6	20	26	4,921	
10	Mar-17	11,081	-	11,081	5.0924%	4,812	564	5,377	7	22	29	5,514	
11	Apr-17	16,106	-	16,106	5.0924%	5,377	820	6,197	8	25	33	6,367	
12	May-17	5,783	-	5,783	5.0924%	6,197	295	6,491	9	27	36	6,697	
13	Jun-17	13,484	-	13,484	5.0924%	6,491	687	7,178	10	29	39	7,423	
14	Jul-17	5,304	-	5,304	5.0924%	7,423	270	7,693	11	32	43	7,735	
15	Aug-17	19,983	-	19,983	5.0924%	7,693	1,018	8,710	11	35	46	8,799	
16	Sep-17	11,814	-	11,814	5.0924%	8,710	602	9,312	13	38	51	9,452	
17	Oct-17	13,689	-	13,689	5.0924%	9,312	697	10,009	13	41	55	10,204	
18	Nov-17	6,321	-	6,321	5.0924%	10,009	322	10,331	14	43	58	10,583	
19	Dec-17	20,347	-	20,347	5.0924%	10,331	1,036	11,367	15	46	61	11,681	
20	Jan-18	6,396	-	6,396	5.0924%	11,367	326	11,693	16	49	65	12,072	
21	Feb-18	9,058	-	9,058	5.0924%	11,693	461	12,154	17	51	67	12,601	
22	Mar-18	10,001	-	10,001	5.0924%	12,154	509	12,663	17	53	70	13,180	
23	Apr-18	8,899	-	8,899	5.0924%	12,663	453	13,117	18	55	73	13,706	
24	May-18	8,945	-	8,945	5.0924%	13,117	456	13,572	19	57	76	14,237	
25	Jun-18	6,001	-	6,001	5.0924%	13,572	306	13,878	19	59	78	14,621	
26	Jul-18	9,256	-	9,256	5.0924%	14,621	471	15,092	21	63	84	15,176	
27	Aug-18	8,805	-	8,805	5.0924%	15,092	448	15,540	21	65	87	15,711	
28	Sep-18	7,889	-	7,889	5.0924%	15,540	402	15,942	22	67	89	16,202	
29	Oct-18	12,255	-	12,255	5.0924%	15,942	624	16,566	23	69	92	16,918	
30	Nov-18	7,088	-	7,088	5.0924%	16,566	361	16,927	23	71	95	17,374	
31	Dec-18	21,667	-	21,667	5.0924%	16,927	1,103	18,031	24	75	99	18,576	
32	Jan-19	3,464	-	3,464	5.0924%	18,031	176	18,207	25	77	103	18,855	
33	Feb-19	5,173	-	5,173	5.0924%	18,207	263	18,470	26	78	104	19,222	
34	Mar-19	7,223	-	7,223	5.0924%	18,470	368	18,838	26	80	106	19,696	
35	Apr-19	6,973	-	6,973	5.0924%	18,838	355	19,193	26	81	108	20,158	
36	May-19	6,457	-	6,457	5.0924%	19,193	329	19,522	27	83	110	20,597	
37	Jun-19	12,729	-	12,729	5.0924%	19,522	648	20,170	28	85	112	21,357	
38	Jul-19	-	-	-	5.0924%	21,357	-	21,357	30	91	121	21,478	
39	Aug-19	-	-	-	5.0924%	21,357	-	21,357	30	91	121	21,599	
40	Sep-19	-	-	-	5.0924%	21,357	-	21,357	30	91	121	21,720	
41	Oct-19	-	-	-	5.0924%	21,357	-	21,357	30	91	121	21,841	
42	Total	\$ 376,693	\$ -	\$ 376,693			\$ 19,183		\$ 653	\$ 2,005	\$ 2,658		

1/ NCUC Form E-1, Supplemental Item 10, Page 174 of 350, Column (1).
 2/ There are no Public Staff recommended prudence disallowances to the deferred CCR costs.
 3/ Column (a) plus Column (b).
 4/ NCUC Form E-1, Supplemental Item 10, Page 174 of 350, Column (2).
 5/ Amount in Column (g) of previous line, plus return for prior 12 months in July of each year.
 6/ Column (c) times Column (d).
 7/ Column (e) plus Column (f).

8/ Column (e) plus Column (g), divided by 2, times after tax cost of debt per NCUC Form E-1, Supplemental Item 10, Page 179 of 350, divided by 12.
 9/ Column (e) plus Column (g), divided by 2, times after tax cost of equity per NCUC Form E-1, Supplemental Item 10, Page 179 of 350, divided by 12.
 10/ Column (h) plus Column (i).
 11/ Column (g) plus total return for year to date from Column (j).