

NORTH CAROLINA UTILITIES COMMISSION
MINUTES OF REGULAR COMMISSION STAFF CONFERENCE

June 15, 2020

The Regular Commission Staff Conference of the North Carolina Utilities Commission was held on Monday, June 15, 2020, at 10:00 a.m., with Chair Mitchell, presiding. The remote meeting was conducted by use of simultaneous communication (via WebEx) pursuant to N.C. Gen. Stat. § 166A-19.24, streamed live online, and available to the public.

The following were present during the entirety of the remote meeting:

COMMISSIONERS

Commissioner Brown-Bland
Commissioner Gray
Commissioner Clodfelter
Commissioner Duffley
Commissioner Hughes
Commissioner McKissick

COMMISSION STAFF: Ms. Lowell, Ms. Lazo, Ms. Henderson, Mr. Watson, Mr. Buffkin, Ms. Jarvis, Mr. Mertz, Ms. Fennell, Ms. Barnes, Ms. Condie, Ms. Jones, Ms. Needham, Mr. Warren, Ms. Kite, Ms. Paschal, Ms. Hilburn, Mr. Sessoms, Ms. Eastwood, Mr. Barber, Mr. Jackson, Ms. Jayasheela, Ms. Burns, Mr. Lazinski

PUBLIC STAFF: Mr. Ayers, Ms. Downey, Ms. Culpepper, Ms. Holt, Mr. Grantmyre, Ms. Edmondson, Ms. Luhr, Mr. Maness, Ms. Li, Mr. Allison, Ms. Perry, Mr. McLawhorn, Mr. Floyd, Mr. Saillor, Mr. D. Williamson, Mr. Furr, Ms. Casselberry, Mr. Larsen

ATTORNEY GENERAL:

COURT REPORTER: Ms. Mitchell

D. ELECTRIC**P1. DOCKET NO. SP-22930, SUB 0 – MEMBER EMC SOLAR SIX, LLC – APPLICATION FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO CONSTRUCT A 1.99-MW SOLAR FACILITY IN RANDOLPH COUNTY, NORTH CAROLINA**

On February 28, 2020, Member EMC Solar Six, LLC (Applicant), filed an application in Docket No. EC-67, Sub 46, seeking a certificate of public convenience and necessity (CPCN) pursuant to N.C. Gen. Stat. § 62-110.1(a) for the construction of a 1.99-MW_{AC} solar photovoltaic (PV) electric generating facility to be located at 276 Spencer Meadow Road, Asheboro, Randolph County, North Carolina. The Applicant plans to sell the electricity produced by the facility to the North Carolina Electric Membership Corporation (NCEMC).

Contemporaneously with the application, the Applicant filed a registration statement for a renewable energy facility or new renewable energy facility. The registration statement included certified attestations that: (1) the facility is in substantial compliance with all federal and state laws, regulations, and rules for the protection of the environment and conservation of natural resources; (2) the facility will be operated as a renewable energy facility; (3) the Applicant will not remarket or otherwise resell any renewable energy certificates sold to an electric power supplier to comply with N.C.G.S. § 62-133.8; and (4) the Applicant will consent to the auditing of its books and records by the Public Staff insofar as those records relate to transactions with North Carolina electric power suppliers.

On April 6, 2020, the Commission issued an order requiring publication of notice, transferring the application to Docket No. SP-22930, Sub 0, and closing Docket No. EC-67, Sub 46

Also on April 6, 2020, the Applicant filed a letter that indicated that the application was inadvertently filed pursuant to Commission Rule R8-64 rather than Rule R8-61, as would have been appropriate for a utility-owned project, and requested that the Commission accept the information as filed for an application pursuant to Rule R8-61(b). The filing also included supplemental information required by Rule R8-61(b)(1). Further, the Applicant opined that there was no need for additional information in order for the Public Staff or Commission Staff to evaluate the project, and therefore requested that the Commission waive the usual requirement of pre-filed testimony.

On April 17, 2020, the Commission issued an order requiring the Applicant to file a verification of the supplemental information filed on April 6, 2020, and requiring the Public Staff to file a recommendation as to whether the Applicant's request for a waiver of prefiled testimony should be granted and whether the application for a CPCN should be approved.

On April 22, 2020, the Applicant filed its Verification of Supplemental Information.

On May 4, 2020, at the request of the Public Staff, the Applicant filed a supplemental site plan identifying the point of interconnection for the facility.

On May 14, 2020, and May 19, 2020, the State Clearinghouse filed comments. The cover letters indicated that, because of the nature of the comments, no further State Clearinghouse review action by the Commission was required for compliance with the North Carolina Environmental Policy Act.

On May 15, 2020, the Applicant filed a verified certificate of service stating that the application and the related public notice were provided to NCEMC on April 7, 2020.

On May 20, 2020, the Applicant filed an affidavit of publication from The Courier-Tribune (Asheboro, North Carolina), stating that the publication of notice was completed on May 3, 2020. No complaints have been received.

The Public Staff agrees that the application should be filed pursuant to Commission Rule R8-61 and does not object to the waiver of prefiled testimony. The Public Staff has reviewed the application and determined it to be in compliance with the requirements of N.C.G.S. § 62-110.1(a) and Commission Rule R8-61.

The registration statement contains the certified attestations required by Commission Rule R8-66(b). Therefore, the Public Staff also recommends approval of the registration statement for the facility.

The Public Staff recommended that the Commission issue its proposed order granting a waiver of the testimony requirement of Commission Rule R8-61(b), approving the application, issuing the requested certificate, and accepting the registration statement for this facility.

It was moved and passed that the Public Staff's recommendation be adopted.

P2. DOCKET NO. E-7, SUBS 487, 828, 1026, AND 1146 – DUKE ENERGY CAROLINAS, LLC – EXISTING DSM PROGRAM COSTS ADJUSTMENT RIDER

On March 30, 2020, Duke Energy Carolinas, LLC (DEC or the Company), made a filing proposing its annual change to the Existing DSM Program Rider (EDPR), based on the December 31, 2019, legacy demand-side management (DSM) deferral account balance. The Company requested that the EDPR be effective beginning July 1, 2020.

An EDPR was first approved in DEC's general rate case in Docket No. E-7, Sub 828 (the Sub 828 Order), and the Commission has continued to approve the EDPR mechanism in DEC's subsequent general rate cases. The EDPR reflects the inclusion in DEC's approved base rates of a per kWh amount specifically intended to recover the costs of certain legacy DSM and energy efficiency (EE) programs existing as of the date of the Sub 828 Order. The EDPR is adjusted annually to true up the difference between the

applicable base rate amount in effect and the actual cost of the legacy DSM and EE programs incurred during the then most recent calendar year. In its March 30, 2020 filing, DEC indicated that during calendar year 2019, the applicable base rate amount was 0.0067 cents per kWh,¹ as reaffirmed pursuant to the Commission's June 25, 2019, Order in general rate case Docket No. E-7, Sub 1146.

In its March 30, 2020 filing, DEC proposed to replace the existing EDPR decrement rider amount of (0.0043) cents per kWh (excluding the regulatory fee),² with a new decrement rider amount of (0.0007) cents per kWh (excluding the regulatory fee), to be effective on and after July 1, 2020.

The base existing DSM program cost amount of 0.0067 cents per kWh will remain in place following Commission approval of the new EDPR pursuant to the current filing. Adjusting for the regulatory fee does not result in a change to either the base amount or the rider amount proposed in this proceeding. Therefore, the proposed net change to the EDPR, relative to the currently approved amount, including all rate adders, is the difference between the proposed decrement rider, including the regulatory fee, of (0.0007) cents per kWh, and the current decrement rider, including the regulatory fee, of (0.0043) cents per kWh, or a net rate increase of 0.0036 cents per kWh.

The Public Staff has reviewed DEC's calculation of the amended proposed EDPR, including the supporting workpapers submitted with the filing and information provided by DEC in response to Public Staff data requests. Based on its review, the Public Staff has concluded that the proposed rate decrement is reasonable. Therefore, the Public Staff recommends that DEC's proposed EDPR be approved, effective for the period July 1, 2020, through June 30, 2021.

The Public Staff recommended that the Commission issue the proposed order approving DEC's proposed EDPR effective July 1, 2020, through June 30, 2021.

It was moved and passed that the Public Staff's recommendation be adopted.

¹ Except as otherwise indicated, all rates are excluding the North Carolina regulatory fee.

² The existing EDPR decrement rider was allowed to become effective as of July 1, 2019, pursuant to Commission Order in these dockets.

P3. DOCKET NO. E-7, SUB 1026 – DUKE ENERGY CAROLINAS, LLC – BPM NET REVENUES AND NON-FIRM POINT-TO-POINT TRANSMISSION REVENUES ADJUSTMENT RIDER

On May 1, 2020, Duke Energy Carolinas, LLC (DEC or the Company), filed a proposed Bulk Power Marketing (BPM) True-up Rider and a BPM Prospective Rider, to be effective for the period July 1, 2020, through June 30, 2021.³ The purpose of the BPM Prospective Rider and the BPM True-up Rider is to flow back to DEC's North Carolina retail customers their jurisdictionally allocated share of 90% of the Company's BPM Net Revenues and 100% of its Non-Firm Point-to-Point Transmission (NFPTP) Revenues, on a prospective basis and subsequently on a trued-up basis. As reflected in the May 1 filing, the proposed BPM True-up Rider consists of a rate decrement of (0.0049) cents per kWh, based on a comparison of DEC's actual BPM Net Revenues and NFPTP Revenues earned in calendar year 2019 with the amounts credited to North Carolina retail customers during 2019 for those two categories. In the filing, DEC also proposed a BPM Prospective Rider consisting of a rate decrement of (0.0129) cents per kWh.

The proposed decrement BPM True-up Rider of (0.0049) cents per kWh, if approved, will replace the existing decrement BPM True-up Rider of (0.0040) cents per kWh approved by the Commission in its Order issued June 25, 2019, in Docket No. E-7, Sub 1026. The proposed decrement BPM Prospective Rider of (0.0129) cents per kWh, if approved, will replace the current BPM Prospective Rider decrement of (0.0122) cents per kWh included in base rates. The sum of the proposed BPM Prospective Rider and BPM True-up Rider, including the regulatory fee, is a rate decrement of (0.0178) cents per kWh, which is a further decrement of (0.0016) cents per kWh from the existing combined rider decrement of (0.0162) cents per kWh, including the regulatory fee, approved in 2019.

A BPM/NFPTP Rider was first approved by the Commission on December 20, 2007, in DEC's general rate case in Docket No. E-7, Sub 828, and the Commission has continued to approve the BPM/NFPTP mechanism in subsequent general rate cases. Under the mechanism, 90% of the allocated North Carolina retail portion of DEC's BPM Net Revenues and 100% of the similarly allocated NFPTP Revenues are flowed through to the benefit of the Company's North Carolina retail customers. The annual rider was established to true up the difference between the actual amounts calculated to be flowed through pursuant to those allocations and percentages and the amounts included in base rates for that purpose, as calculated for the then most recent calendar year.

In its 2013 general rate case order in Docket No. E-7, Sub 1026 (Sub 1026 Order), the Commission reaffirmed the 90% and 100% allocations, and also reaffirmed that the true-up process would continue. Additionally, the Sub 1026 Order directed that (1) the decrement amounts recovered in base rates would be prospectively implemented in the form of a continuing decrement rider (BPM Prospective Rider), which would be subject to modification in each annual rider adjustment proceeding; (2) the annual true-up for the most recent calendar year (the BPM True-up Rider) would continue; and (3) the return on

³ Except as otherwise indicated, all proposed rates exclude the North Carolina regulatory fee.

any over- or under-recovery included as part of the BPM True-up Rider would be calculated using a rate of return equal to 50% of the after-tax rate of return then approved by the Commission. The BPM Prospective Rider is calculated annually based on projected BPM and NFPTP transmission revenues and expected kWh sales.

According to DEC's May 1, 2020 filing, the proposed BPM True-up Rider is calculated by dividing the North Carolina retail BPM and NFPTP Revenues Adjustment of \$(2,824,431) (the difference between 2019 actual BPM and NFPTP revenues and the collected 2019 BPM Prospective Rider decrements, plus a return on deferred revenues) by projected North Carolina retail sales of 57,069,434,000 kWh for the period July 2020 - June 2021. The resulting BPM True-up Rider amount is a rate decrement of (0.0049) cents per kWh. The proposed BPM Prospective Rider is calculated by dividing the North Carolina retail BPM and NFPTP forecasted calendar year 2020 revenue to share of \$(7,298,000) by projected North Carolina retail calendar year 2020 sales of 56,541,206,000 kWh.

The Public Staff has reviewed DEC's calculation of the Riders, including the supporting workpapers submitted with the filings and information provided by the Company in response to Public Staff data requests. Based on its review, the Public Staff has concluded that the proposed riders are reasonable. Therefore, the Public Staff recommends that DEC's proposed decrement BPM True-up Rider of (0.0049) cents per kWh (including the regulatory fee⁴), and proposed new decrement BPM Prospective Rider of (0.0129) cents per kWh (including the regulatory fee²), be approved, to become effective on July 1, 2020, as proposed.

The Public Staff recommended that the Commission issue the proposed order approving DEC's proposed BPM True-up Rider and BPM Prospective Rider, effective for the period July 1, 2020, through June 30, 2021.

It was moved and passed that the Public Staff's recommendation be adopted.

E. WATER

P1. DOCKET NO. W-354, SUB 369 – CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA - NOTIFICATION OF INTENTION TO BEGIN OPERATIONS IN CONTIGUOUS SERVICE AREA

On March 16, 2020, Carolina Water Service, Inc. of North Carolina (CWSNC or Applicant), filed a notification of intention to begin water and sewer utility operations in Rutledge Landing, Phase III and IV, which is contiguous to the Applicant's present Rutledge Landing in Wake County. On June 3, 2020, CWSNC filed an amendment to the notification, which changes the proposed rates to be charged in Rutledge Landing Phases III and IV to the rates recently approved by the Commission on March 31, 2020,

⁴ Including the North Carolina regulatory fee does not change in the Riders in this case.

in Docket No. W-354, Sub 364. CWSNC expects eventually to serve 64 connections in Phase III and 91 connections in Phase IV. The Applicant states that it is not serving any customers at this time.

CWSNC has entered into a water and sanitary sewer service agreement (Agreement), dated February 6, 2017, with Rutledge Development Company, LLC (Developer), under which the Developer shall construct and install the complete central distribution facility and wastewater collection system within the property at no cost to CWSNC and convey the water and sewer systems to CWSNC. The Agreement provides that the Developer understands that any lot or service requiring a residential pump station shall meet additional requirements for sanitary sewer and that any residential pump station within the lot boundaries shall remain the sole property and responsibility of the lot owner. The Developer also agrees to pay to CWSNC, CWSNC's approved water and sewer connection fee/tap fee for each equivalent single-family dwelling.

The North Carolina Department of Environmental Quality, Division of Water Resources (DWR), has approved water system improvements for a total of 198 connections, under serial number 06-00598, dated May 30, 2006.

The North Carolina Department of Environmental Quality, DWR, has issued to CWSNC Permit No. WQ0029345, dated October 12, 2005, for the construction and operation of a wastewater collection extension to serve 202 residential units as part of the Rutledge Landing Phases III and IV project.

The Commission by Order dated October 5, 2018, in Docket No. W-100, Sub 57, required in Ordering paragraph 2, that "all certificated water and wastewater companies shall collect the income tax on CIAC from contributors of plant for new contributions contracted for on or after the date of this Order using the full gross-up method on an interim basis until the Commission makes a final decision after comments are received on this matter." On August 26, 2019, in Docket No. W-100, Sub 57, the Commission issued an Order that required in Ordering paragraph 2 that "all certificated water and wastewater utilities shall collect from contributors the income tax on CIAC for new contributions contracted for on or after October 5, 2018, using the full gross up method."

The Agreement between CWSNC and the Developer in this matter was executed March 1, 2017, and is therefore not subject to the full gross-up requirements in the Commission's October 5, 2018, and August 26, 2019 orders.

The Public Staff is of the opinion that CWSNC has the technical, managerial, and financial capacity to provide water and sewer utility service in Rutledge Landing III and IV, and recommends that the contiguous extension be recognized.

The Public Staff further recommends that the Commission require posting of a \$20,000 bond for the contiguous extension in Rutledge Landing, Phases III and IV. CWSNC currently has \$3,730,000 of bonds posted with the Commission. Of this amount \$3,700,000 of the bond is assigned to specific subdivisions, and \$30,000 of the bond

remains unassigned. The Public Staff recommends that \$20,000 of CWSNC's unassigned bond surety be assigned to Rutledge Landing Phase III and IV.

The Public Staff recommended that the Commission issue the proposed order accepting and approving bond, recognizing the contiguous extension, and approving rates.

It was moved and passed that the Public Staff's recommendation be adopted.

Minutes of the Regular Commission Staff Conference for June 8, 2020, were approved.

Minutes prepared by Portia Barnes.