

**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

DOCKET NO. E-22, SUB 562)
)
In the Matter of)
Application of Virginia Electric and Power)
Company d/b/a Dominion Energy North)
Carolina for Adjustment of Rates and Charges)
Applicable to Electric Service in North Carolina)

NOTICE OF DECISION

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 Greensville County Combined)
Cycle Addition)

HEARD: Tuesday, July 30, 2019, at 7:00 p.m., Halifax County Historical Courthouse,
357 Ferrell Lane, Halifax, North Carolina

Wednesday, July 31, 2019, at 7:00 p.m., Martin County Courthouse, 305 E.
Main Street, Williamston, North Carolina

Wednesday, August 7, 2019, at 7:00 p.m., Dare County Courthouse, 962
Marshall Collins Drive, Manteo, North Carolina

Monday, September 23, 2019, at 2:00 p.m., in Commission Hearing Room
2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

BEFORE: Chair Charlotte A. Mitchell, Presiding; Commissioners ToNola D. Brown-Bland,
Lyons Gray, and Daniel G. Clodfelter

APPEARANCES:

For Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina:

Mary Lynne Grigg, Andrea R. Kells, and W. Dixon Snukals, McGuireWoods LLP, 434 Fayetteville Street, Suite 2600, Raleigh, North Carolina 27601

Robert W. Kaylor, Law Office of Robert W. Kaylor, P.A., 353 East Six Forks Road, Suite 260, Raleigh, North Carolina 27609

For Carolina Industrial Group for Fair Utility Rates I:

Warren K. Hicks, Bailey & Dixon, LLP, Post Office Box 1351, Raleigh, North Carolina 27602-1351

For Nucor Steel-Hertford:

Joseph W. Eason, Nelson, Mullins, Riley & Scarborough, LLP, 4140 Park Lake Avenue, Suite 200, Raleigh, North Carolina 27612

Damon E. Xenopoulos, Stone Mattheis Xenopoulos & Brew, PC, 1025 Thomas Jefferson Street, NW, Washington, D.C. 20007-5201

For the Attorney General's Office:

Jennifer Harrod, Special Deputy Attorney General, Theresa Townsend, Special Deputy Attorney General, and Margaret A. Force, Assistant Attorney General, North Carolina Attorney General's Office, Department of Justice, 114 West Edenton Street, Raleigh, North Carolina 27603

For the Using and Consuming Public:

David Drooz, Chief Counsel, Dianna Downey, Staff Attorney, Gina Holt, Staff Attorney, Lucy Edmondson, Staff Attorney, Heather Fennell, Staff Attorney, and Layla Cummings, Staff Attorney, North Carolina Utilities Commission – Staff, Legal Division, 4326 Mail Service Center, Raleigh, North Carolina 27699-4300

BY THE COMMISSION: On February 27, 2019, pursuant to Commission Rule R1-17(a), Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina (DENC or the Company) filed a Notice of Intent to File a General Rate Application in Docket No. E-22, Sub 562.

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.

On March 25, 2019, Nucor-Steel-Hertford (Nucor) filed a Petition to Intervene. The Petition was granted by the Commission on March 29, 2019.

On March 29, 2019, DENC filed an application for a general rate increase, pursuant to N.C. Gen. Stat. §§ 62-133 and 62-134 and Commission Rule R1-17 (Application), along with a Rate Case Information Report – Commission Form E-1 (Form E-1), and the direct testimony and exhibits of Mark D. Mitchell – Vice President, Generation Construction; Richard M. Davis – Director of Corporate Finance and Assistant Treasurer; Robert B. Hevert – Managing Partner at ScottMadden, Inc.; Bruce E. Petrie – Manager of Generation System Planning; Jason E. Williams – Director of Environmental Services; Paul M. McLeod – Regulatory Specialist; Robert E. Miller – Regulatory Analyst; Paul B. Haynes – Director of Regulation; and Bobby E. McGuire – Director of Electric Transmission Project Development & Execution. Also on March 29, 2019, DENC filed an application for an accounting order to defer certain capital and operating costs associated with its Greenville County Power Station (Greenville CC) in Docket No. E-22, Sub 566. The Company also requested that the Commission consolidate its consideration of the deferral application with the Company’s application for a general rate increase in Docket No. E-22, Sub 562.

On April 29, 2019, the Commission issued an Order Declaring General Rate Case and Suspending Rates.

On May 2, 2019, the Commission issued an 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 operation of the Greenville County CC in Docket No. E-22, Sub 566.

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.

On August 5, 2019, DENC filed supplemental direct testimony and exhibits of witnesses Davis, McLeod, Miller, Haynes, Petrie, and Deanna R. Kesler, as well as applicable supplemental Form E-1 information report items and supplemental Commission Rule R1-17 information.

On August 14, 2019, DENC filed additional supplemental direct testimony and exhibits of witness Haynes.

On August 15, 2019, DENC filed affidavits of publication evidencing proof of publication of notice.

On August 23, 2019, the North Carolina Utilities Commission – Public Staff (Public Staff) filed the testimony and exhibits of Sonja R. Johnson – Accountant; David M. Williamson – Utilities Engineer; Jack L. Floyd – Utilities Engineer; Michelle M. Boswell – Staff Accountant; Tommy C. Williamson – Utilities Engineer; Roxie McCullar – Consultant

at William Dunkel and Associates; Dr. J. Randall Woolridge – Consultant; Jeffrey T. Thomas – Utilities Engineer; Michael C. Maness – Director of the Accounting Division; and Jay B. Lucas – Utilities Engineer. Also on August 23, 2019, Nucor filed the testimony and exhibits of Paul J. Wielgus and Jacob M. Thomas, and CIGFUR filed the testimony and exhibits of Nicholas Phillips, Jr.

On August 27, 2019, the North Carolina Attorney General's Office (AGO) filed a Notice of Intervention.

On August 28, 2019, the Commission issued an Order Requesting Additional Information.

On September 10, 2019, DENC filed a Motion for Extension of Time to file its rebuttal testimony. The motion was granted by the Commission on September 11, 2019.

On September 12, 2019, DENC filed second supplemental direct testimony and exhibits of witness McLeod, supplemental Form E-1 items, and supplemental Commission Rule R1-17 information. Also on September 12, 2019, DENC filed the rebuttal testimony and exhibits of witnesses Davis, Hevert, McLeod, Miller, Haynes, and Williams.

On September 16, 2019, the Commission issued an Order Providing Notice of Commission Questions. Also on September 16, 2019, DENC filed its Witness List.

On September 17, 2019, DENC filed an Agreement and Stipulation of Partial Settlement with the Public Staff (Public Staff Stipulation). Also on September 17, 2019, the Public Staff filed Partial Settlement Joint Testimony of witnesses Johnson and James S. McLawhorn – Director, Electric Division, and DENC filed testimony in support of the Public Staff Stipulation of witnesses Davis, Hevert, McLeod, Miller, and Haynes.

On September 18, 2019, the Public Staff filed supplemental testimony of witness Maness. Also on September 18, 2019, the Public Staff filed exhibits and supporting schedules for the joint testimony of witnesses McLawhorn and Johnson previously filed on September 17, 2019.

On September 19, 2019, DENC and the Public Staff filed a joint motion to excuse several of their witnesses, and CIGFUR filed a motion to excuse its witness. The motions were granted on September 23, 2019.

On September 23, 2019, DENC filed an Agreement and Stipulation of Settlement with CIGFUR (CIGFUR Stipulation). Also on September 23, 2019, DENC filed a Revised Witness List and Late Filed Exhibits in response to the Commission's Order Providing Notice of Commission Questions.

The public hearings were held as scheduled. The following public witnesses appeared and testified:

Halifax: Tony Burnette, Dean Knight, Chuck Overton, and Silverleen Alston.

Williamston: John Liddick, Patrick Flynn, Tommy Bowen, James Wiggins, and Glenda Barnes.

Manteo: Rhett White, Manny Medeiros, John Windley, and Brad Bernard.

Raleigh: No public witnesses appeared.

The Commission received numerous consumer statements of position in this matter. All public witness testimony and consumer statements of position have been considered by the Commission and made a part of the record.

The matter came on for expert witness hearing on September 23, 2019. DENC presented the testimony of witnesses Mitchell, Davis, Hevert, McLeod, Haynes, Miller, and Williams. The testimony and exhibits of DENC witnesses McGuire, Kessler, and Petrie were stipulated into the record. The testimony and exhibits of Nucor witnesses Thomas and Wielgus were stipulated into the record. The testimony and exhibits of CIGFUR witness Phillips were stipulated into the record. The Public Staff presented the testimony of witnesses Maness, Johnson, Woolridge, and McLawhorn. The testimony and exhibits of Public Staff witnesses David Williamson, Floyd, Boswell, Tommy Williamson, McCullar, Woolridge, and Thomas were stipulated into the record.

The pre-filed testimony of those witnesses who testified at the expert witness hearing, as well as the pre-filed testimony of all other witnesses filing testimony in this docket, was copied into the record as if given orally from the stand, and their pre-filed exhibits were admitted into evidence.

The Public Staff and DENC filed late-filed exhibits and responses to Commission questions on September 23, September 26, September 27, October 1, October 2, October 7, October 8, and October 23, 2019.

On November 6, 2019, DENC and the Public Staff filed a Joint Proposed Order on the issues covered by the Public Staff Stipulation, and separate proposed orders on the issues of cost recovery for coal combustion residuals. Post-hearing briefs were filed by DENC, the AGO, CIGFUR, and Nucor.

The above is a summary of the main filings and proceedings in this docket. Additional filings made by the parties and orders issued in this proceeding are not discussed in this Order, but are included in the record.

NOTICE OF DECISION

The Commission has reached conclusions on all of the settled and contested issues in this proceeding, except the question of whether DENC should receive a return on its future deferred CCR costs during the deferral period. The Commission has not finalized its written findings of fact or completed its written discussions of its conclusions on the issues. As a result, the Commission finds good cause to issue this Notice of Decision to inform the parties of the ultimate results on the issues, other than a return on CCR costs during the deferral period, so that the Company can proceed with implementing new rates based on such ultimate results.

The Commission hereby gives notice that it will issue a full order in this docket concluding:

1. That the Stipulation filed by DENC and the Public Staff is hereby approved, with the exception of Section VII.A and the directive in Paragraph No. 23 below;
2. That DENC shall remove from its revenue requirement and rate base all North Carolina retail jurisdictional costs and effects arising from the wet to dry CCR conversion project for Units 3 and 4 of the Chesterfield Power Station;
3. That the Stipulation filed by DENC and CIGFUR is hereby approved in its entirety;
4. That DENC shall recover from its North Carolina retail ratepayers its CCR remediation and waste management facility closure costs incurred during the period July 1, 2016, through June 30, 2019;
5. That the Company's CCR costs shall be amortized and recovered from ratepayers over a ten-year period;
6. That during the amortization and recovery of the Company's CCR costs the CCR costs shall not earn a return;
7. That the Company shall use annual compounding for calculating the return on deferred costs during the Deferral Period of July 1, 2016, through June 30, 2019;
8. That DENC shall maintain complete records of all environmental management activity and test results that pertain to its coal ash management program, and make such records available to the Public Staff and the Commission upon request and in the format that is reasonably requested by the Public Staff and the Commission;
9. That as soon as practicable following the issuance of this Notice of Decision DENC shall file with the Commission the annual revenue requirement and accompanying rate schedules and terms and conditions that are consistent with the conclusions of this Notice of Decision and the Public Staff Stipulation, with the exception of Section VII.A. The Company shall work with the Public Staff to verify the accuracy of the filing. Further,

DENC shall file schedules summarizing the gross revenue and the rate of return that the Company should have the opportunity to achieve based on the Commission's conclusions stated in this Notice of Decision;

10. That DENC is hereby authorized to adjust its rates and charges in accordance with the conclusions stated in this Notice of Decision effective for service rendered on and after the following day after the Commission issues an Order accepting the calculations required by Ordering Paragraph No. 9;

11. That the Commission shall issue an Order as soon as reasonably practicable approving the final revenue requirement numbers once received from DENC and verified by the Public Staff;

12. That the proper jurisdictional average base fuel factor for this proceeding is 2.089¢/kWh, excluding regulatory fee, and 2.092¢/kWh, including regulatory fee. The Company shall replace the voltage-differentiated base fuel factors approved in Sub 532 with the following voltage-differentiated base fuel factors, including regulatory fee, effective February 1, 2020:

Customer Class	Base Fuel Factor
Residential	2.118 ¢/kWh
SGS & PA	2.115 ¢/kWh
LGS	2.098 ¢/kWh
NS	2.036 ¢/kWh
6VP	2.065 ¢/kWh
Outdoor Lighting	2.118 ¢/kWh
Traffic	2.118 ¢/kWh

13. That the jurisdictional and class cost allocation, rate design principles, and service regulations proposed by the Company, and agreed upon in the Public Staff Stipulation, are approved and shall be implemented;

14. That DENC shall implement Rider EDIT as described in Section VIII of the Public Staff Stipulation. Further, although not specifically outlined in the Public Staff Stipulation, it is appropriate that in this proceeding DENC's fully-adjusted cost of service includes the income tax benefit arising from the annual amortization of federal protected EDIT during the test year, thereby incorporating a going-level of federal protected EDIT amortization per the IRC's normalization rules in base non-fuel rates;

15. That as soon as practicable after the date of this Notice of Decision, DENC shall file for Commission approval five copies of rate schedules designed to comply with

the rate design approved herein, accompanied by calculations showing the revenues that will be produced by the rates for each schedule. This shall include a schedule comparing the revenue produced by the filed schedules during the test period with the revenue that will be produced under the rate schedules to be approved herein and a schedule illustrating the rates of return by class based on the revenues produced by the rates for each schedule;

16. That as soon as practicable after the issuance of this Notice of Decision and the Commission orders in the pending rate-related proceedings in the Sub 579 fuel charge adjustment proceeding, Sub 578 renewable energy and energy efficiency portfolio standard (REPS) cost recovery proceeding, and Sub 577 demand-side management (DSM) proceeding, DENC shall file a consolidated proposed customer notice addressing the rate changes associated with the non-fuel base and base fuel rate changes approved in this Notice of Decision, the Fuel Rider B in the Sub 579 proceeding, the REPS Rider RP and RPE rate changes in Sub 578, and the DSM Rider C and Rider CE rate changes in Sub 577. Such notice shall include the effect of each rate-related proceeding on a residential customer using 1,000 kWh and the combined effect of all four rate-related proceedings on a residential customer using 1,000 kWh. Upon approval by the Commission, DENC shall notify its North Carolina retail customers of the foregoing rate adjustments by including the approved notice as a bill insert with customer bills rendered during the next regular scheduled billing cycle;

17. That the Company shall continue to annually file a cost of service study with the Commission using the Summer/Winter Peak and Average methodology;

18. That in its next general rate case, the Company shall 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 in addition to the SWPA used in this proceeding and consider such results for the sole purpose of apportionment of the change in revenue to the customer classes;

19. That if DENC receives revenue for any deferred cost for a longer period of time than the amortization period approved by the Commission for that deferred cost, the Company shall continue to record all revenue received for that deferred cost in the specific regulatory asset account established for that deferred cost until the Company's next general rate case;

20. That the Company shall work with CIGFUR to consider whether certain provisions within its Real Time Pricing (RTP) rates should be modified and, if there is mutual agreement between CIGFUR and DENC to such modifications, and CIGFUR indicates that at least one of its member customers is willing to take service under such rates, DENC shall re-file such RTP rates with the Commission for approval with the modifications agreed upon within 60 days of such agreement;

21. That within ten days of the resolution by settlement, judgment or otherwise of the pending and future CCR insurance claims, DENC shall file a report with the

Commission explaining the result and stating the amount of insurance proceeds to be received or recovered by DENC. This reporting requirement shall apply even if there is litigation appealed to a higher court;

22. That DENC shall place all CCR insurance proceeds received or recovered by DENC from pending and future insurance claims in a regulatory liability account and hold such proceeds until the Commission enters an order directing DENC as to the appropriate disbursement of the proceeds. The regulatory liability account shall accrue a carrying charge at the net-of-tax overall rate of return authorized for DENC in this Notice of Decision;

23. That in DENC's next update of its depreciation study it shall account for its projected CCR waste management facility decommissioning and closure costs in the decommissioning expenses for its coal-fired power plants; and

24. That if necessary, the Commission will address in a subsequent order any refund due ratepayers based on any differences in the rates approved in this Notice of Decision and the Company's temporary rates implemented on November 1, 2019.

Finally, the Commission concludes that because this Notice of Decision does not include findings of fact or a full discussion of the decisions announced herein, the time for filing exceptions and notices of appeal with regard to the Commission's decisions in this docket shall run from the date of entry of a full order, not from the date of this Notice of Decision.

IT IS, THEREFORE, SO ORDERED.

ISSUED BY ORDER OF THE COMMISSION.

This the 23rd day of January, 2020.

NORTH CAROLINA UTILITIES COMMISSION

Handwritten signature of Kimberley A. Campbell in black ink.

Kimberley A. Campbell, Chief Clerk

Commissioner Daniel G. Clodfelter dissents.