

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-35, SUB 51

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application of Western Carolina University)	ORDER GRANTING
for an Adjustment of Rates and Charges)	GENERAL RATE INCREASE
for Electric Service in North Carolina)	AND ACCEPTING STIPULATION

BY THE COMMISSION: On March 9, 2020, Western Carolina University (WCU) filed an application with the Commission requesting authority to adjust its rates for retail electric service in its service area in Jackson County, North Carolina. WCU filed an amended application on June 24, 2020. WCU operates an off-campus electric distribution system that serves approximately 3,170 residential customers and 230 commercial customers. The present rates have been in effect since 2016, with annual purchased power adjustments. WCU's application was verified by Mike Byers, Vice-Chancellor for Administration and Finance for WCU, and was accompanied by the direct testimony of William R. O'Donnell, CPA.

On April 6, 2020, the Commission issued an order declaring this proceeding to be a general rate case pursuant to N.C. Gen. Stat. § 62-137 and suspending the proposed rate increases for up to 270 days pursuant to N.C.G.S. § 62-134. In this Order, the Commission also provided that an order scheduling hearings and requiring customer notice would be issued at a later date.

On July 17, 2020, because of restrictions on mass gatherings imposed by the Governor to address the spread of the coronavirus, the Commission issued an order scheduling a remote hearing in this proceeding to occur on Thursday, September 10, 2020, for the purpose of receiving the testimony of public witnesses and resuming on Monday, September 14, 2020, for the purpose of receiving the testimony of expert witnesses. This Order also provided that members of the public who wish to testify at the remote hearing on September 10, 2020, must register with the Public Staff prior to 4:00 p.m. on September 4, 2020 and further provided that the Commission would issue an order setting forth procedures for a remote expert witness hearing or confirming that the expert witness hearing will be held in the Commission Hearing Room. Finally, that Order established the test period to be used in this proceeding, required WCU to provide notice of its pending application and established August 10, 2020, as the deadline for the filing of petitions to intervene.

On August 6, 2020, WCU filed a statement consenting to conducting the expert witness hearing remotely.

On August 10, 2020, the Public Staff filed a statement consenting to conducting the expert witness hearing remotely. As of August 10, 2020, the deadline for the filing of petitions to intervene, no persons had sought to intervene in this proceeding, although the Public Staff is recognized as a party to this proceeding in accordance with N.C.G.S. § 62-15(d).

On August 14, 2020, the Commission issued an order confirming that the expert witness hearing in this proceeding would be held by remote means and adopting certain procedural requirements for the remote proceeding.

On August 21, 2020, the Public Staff filed the testimony and exhibits of its witnesses Scott J. Saillor, Evan D. Lawrence, Benjamin P. Lozier, and Sonja R. Johnson.

On August 27, 2020, the Public Staff filed a notice of settlement informing the Commission that the Public Staff and WCU have reached a settlement in this proceeding. The Public Staff further stated that a detailed settlement agreement would be filed at a later date.

On September 8, 2020, WCU filed an Affidavit of Publication demonstrating that notice of the proposed rate increase had been provided to its customers consistent as required by the Commission.

On September 9, 2020, the Commission issued an order canceling the public witness hearing scheduled for Thursday, September 10, 2020.

Also on September 9, 2020, the Public Staff filed a stipulation of settlement, detailing the Public Staff and WCU's agreements in settlement of this proceeding (Stipulation). In summary, the Stipulation provides that the parties agree to certain adjustments to WCU's requested revenue requirement to produce a \$612,749 increase in WCU's revenue requirement, as recommended in the testimony and exhibits of Public Staff witness Sonja R. Johnson. The Stipulation further details the parties' agreements regarding revenues per customer class and the appropriate treatment of the purchased power adjustment rider (PPA rider), which was most recently approved in Docket No. E-35, Sub 50. In addition, the Stipulation provides that the Public Staff and WCU agree to the admission of the testimony and exhibits filed in this docket and to waive the right to cross-examine all witnesses. Finally, the Stipulation provides that the Public Staff and WCU agree that the agreements in the Stipulation resulted from extensive negotiation and compromise, including the debt calculation methodology used, should not be given precedential effect before the Commission or any other regulatory body.

In addition, on September 9, 2020, the Public Staff filed a motion requesting that the expert witness hearing scheduled for September 14, 2020 be canceled. In support of its motion, the Public Staff states that the parties have reached a settlement of all disputed issues in this case, as reflected in the Stipulation. The Public Staff further states that it contacted counsel for WCU and that WCU has no objection to canceling the expert witness hearing.

On September 11, 2020, the Commission issued an order canceling the expert witness hearing scheduled for September 14, 2020, admitting into the record the testimony and exhibits filed in this docket, and allowing the parties to file proposed orders and briefs on or before October 12, 2020.

Based upon the foregoing and the entire record herein, the Commission makes the following

FINDINGS OF FACT

1. WCU is a State-supported institution of higher learning which owns and operates an electric distribution system. Although not a public utility, WCU is properly subject to the jurisdiction of the Commission pursuant to N.C.G.S. § 116-35 with respect to the justness and reasonableness of the rates charged and services rendered to its retail electric customers in the Cullowhee area, Jackson County, North Carolina.

2. WCU does not generate its own electricity but buys power wholesale from Duke Energy Carolinas, LLC, at rates approved by the Federal Energy Regulatory Commission (FERC).

3. WCU's last general rate case order was issued on May 25, 2016.

4. The test year for purposes of establishing rates in this docket is the 12-month period ended June 30, 2019.

5. WCU requested an increase in its electric rates that would produce \$625,500 in additional annual revenues.

6. WCU is providing adequate electric service to its customers in its service area.

7. WCU gave sufficient and proper notice to its customers of the proposed increase in rates.

8. The Parties filed the Stipulation on September 9, 2020, resolving all disputed issues in this docket.

9. WCU had plant in service, net of cost-free capital, of \$6,937,255 as of the end of the test year.

10. The reasonable balance of accumulated depreciation as of the end of the test year was \$(3,842,817).

11. The reasonable balance of supplies and material inventory as of the end of the test year was \$313,580.

12. The reasonable balance of working capital as of the end of the test year was \$364,903.

13. The reasonable balance of customer deposits as of the end of the test year was \$(224,671).

14. WCU's reasonable original cost rate base for purposes of this proceeding, consisting of plant in service (net of cost-free capital), supplies and material inventory, and working capital, net of accumulated depreciation and customer deposits, is \$3,548,251.

15. The pro forma test year amount of operation and maintenance expenses under present rates reasonable and appropriate for purposes of this proceeding is \$4,714,589.

16. The pro forma test year amount of depreciation expense reasonable and appropriate for purposes of this proceeding is \$196,026.

17. WCU's pro forma test year amount of Unrelated Business Income Tax expense reasonable and appropriate for purposes of this proceeding is \$(93,153).

18. WCU's total pro forma test year operating revenue deductions under present rates for purposes of this proceeding are \$4,817,462.

19. WCU's total pro forma test year operating revenues under present rates for purposes of this proceeding are \$4,569,742.

20. The Parties agreed on a 6.32% overall rate of return. The stipulated overall rate of return reflects a hypothetical capital structure for WCU consisting of 50% debt and 50% equity.

21. The reasonable and appropriate cost of debt for purposes of this proceeding is 3.64% and the reasonable and appropriate cost of equity for purposes of this proceeding is 9.00%.

22. The Parties agreed that WCU is entitled to rates and charges that will produce \$612,749 in additional annual revenues.

23. The Parties agreed that WCU's revenues from its retail operations for the twelve months ended June 30, 2019, by customer class under present base rates and as increased to meet the agreed-upon revenue increase requirement, will be as follows:

Customer Class	Present Operating Revenues	Proposed Revenue Increase	Proposed Operating Revenues
Residential	\$ 3,461,647	\$ 469,836	\$ 3,931,483
Commercial	\$ 1,070,065	\$ 120,095	\$ 1,190,159
Lighting	\$ 38,031	\$ 22,818	\$ 60,849
Rate Schedule Total	\$ 4,569,742	\$ 612,749	\$ 5,182,491

24. With regard to the cost of purchased power and the Purchased Power Adjustment (PPA) rider, the Parties agreed that it is appropriate and reasonable to continue the current procedure and method used to determine the annual PPA rider, which was first approved in Docket Nos. E-35, Sub 17 and Sub 19. The Parties have further agreed that the base purchased power cost factor reflected in the agreed-to proposed base revenues in this proceeding and established for use in future PPA Rider proceedings, coincident with the effective date of rates approved in this proceeding, is \$0.07759 per kilowatt-hour (kWh). The Parties have further agreed that, coincident with the effective date of rates approved in this proceeding, the current "Factor for estimated purchased power costs for the period February 2020 through January 2021" of \$0.00074 per kWh, approved as a component of the Schedule "CP" Purchased Power Cost Rider in Docket No. E-35, Sub 50, will be reset to \$0.00000 per kWh.

25. The Parties acknowledged that the Stipulation resulted from extensive negotiations and compromise. Thus, the agreements reached do not necessarily reflect the respective Parties' beliefs as to the proper treatment or level of the matters cited. Except as needed to carry out the terms of the Commission's order based on the Stipulation, the Parties agreed that none of the positions, treatments, figures or other matters reflected in the Stipulation shall have any precedential value, nor shall they otherwise be used in any subsequent proceedings before this Commission or any other regulatory body as proof of the matter in issue.

26. The Stipulation is the product of give-and-take in settlement negotiations, and the rates agreed to in the Stipulation are just and reasonable and serve the public interest.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-5

The evidence supporting these findings of fact is found in WCU's verified application; the affidavits, testimony, and exhibits of the Parties' witnesses; the Stipulation; and the entire record herein. These findings of fact are essentially informational, jurisdictional, and procedural, and are not in dispute.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 6

The evidence supporting this finding of fact is found in the affidavits, testimony, and exhibits of the Parties' witnesses and in the entire record in this proceeding. No customers or other non-expert public witnesses submitted any comments regarding the quality of service by WCU, and no WCU customers expressed an interest in testifying at the public witness hearing in this proceeding. Based upon the foregoing and the entire record herein, the Commission finds that WCU is providing adequate electric service to its customers in its service area.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 7

The evidence supporting this finding of fact is found in the affidavits filed by WCU on September 8, 2020, indicating that customer notice had been provided in accordance with the Commission's Order. This finding is uncontested. Based upon the foregoing, the Commission finds that WCU gave sufficient and proper notice to its customers of the proposed increase in rates.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 8-26

The evidence supporting these findings of fact is found in WCU's verified application; the affidavits, testimony, and exhibits of the Parties; the Stipulation between the Parties; and the entire record in this proceeding.

On September 9, 2020, the Parties filed a Stipulation in which they agreed to and recommended an increase in revenues. The amount of the agreed-upon increase was \$612,749. The Stipulation recites that the agreements embodied in the Stipulation resulted from extensive negotiations and compromise between WCU and the Public Staff, and, thus, the agreements reached do not necessarily reflect the respective Parties' beliefs as to the proper treatment or level of the matters cited. Except as needed to carry out the terms of the Commission's order based on the Stipulation, the Parties agreed that none of the positions, treatments, figures or other matters reflected in the Stipulation shall have any precedential value, nor shall they otherwise be used in any subsequent proceedings before this Commission or any other regulatory body as proof of the matter in issue.

The Commission has carefully considered the Stipulation and the entire record herein. Based on this review, the Commission finds that the Stipulation is the product of give-and-take in settlement negotiations. The Commission further finds that the rates

agreed to in the Stipulation are just and reasonable and serve the public interest. Therefore, the Commission concludes that the Stipulation between WCU and the Public Staff is reasonable and appropriate for purposes of this proceeding and should be accepted, and that the rates agreed to in the Stipulation should be approved.

IT IS, THEREFORE, ORDERED as follows:

1. That WCU is authorized to adjust its rates and charges and fees to increase its annual gross revenues by \$612,749, effective for bills rendered on or after December 1, 2020;

2. That WCU shall file tariff sheets within ten days from the date of this Order reflecting the rates and fees designed to produce the increase in revenues as approved herein; and

3. That WCU and the Public Staff shall jointly prepare and within ten days of the date of this Order file a proposed customer notice addressing the rate increase approved herein, effective for bills rendered on or after December 1, 2020.

ISSUED BY ORDER OF THE COMMISSION.

This the 29th day of October, 2020.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in cursive script, appearing to read "Joann R. Snyder".

Joann R. Snyder, Deputy Clerk