

STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH

DOCKET NO.: E-22, SUB 558

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of:

Application by Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina, for Authority to Adjust its Electric Rates and Charges and Revise its Fuel Factor Pursuant to N.C.G.S. § 62-133.2 and NCUC Rule RB-55

**POST-HEARING BRIEF OF CIGFUR I**

The Carolina Industrial Group for Fair Utility Rates I (“CIGFUR”), a group of large industrial customers that purchase power from Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina’s (“the Company” or “DENC”) under Rate Schedules 6VP and 6P, respectfully submits this post-hearing brief in support of the Company’s mitigation alternative, which is discussed in Paragraphs 11-12 of Its Application for a Change in Fuel Component of Electric Rates (“Fuel Application”).

**I. The proposed increase may result in rate shock, particularly to the Company’s industrial customers.**

The Company requests an increase for the February 1, 2019 through January 31, 2020 rate period of \$24,301,249.00, which includes a fuel recovery increase of \$16,200,832.00. Phillips: Vol. 2, page 80: 8-9. This results in an increase in the fuel rate of \$0.00582/kWh, a 29.9% increase over the current fuel rate of \$0.01948/kWh. *Id.*, page 80: 14-15. Company witness George Beasley notes that “even when the proposed [Federal] Tax Act Reduction is

considered, the impact of the full recovery of fuel expense on these customer classes [discussing industrial rates 6VP and NS] results in a substantial increase.” Beasley: Vol. 2, page 74: 8-10.

Per the Company’s Fuel Application, it appreciates that such a substantial increase will negatively affect its customers. Fuel Application, ¶ 11. Therefore, the Company proposes, as an alternative to full recovery of the under-collected balance during the upcoming Rate Period, to establish rates in this proceeding to recover 50% of the deferral balance in the upcoming Rate Period. *Id.* Then, during the 2019 fuel proceeding, the Commission would establish rates to recover the other 50% of the deferral balance in the February 1, 2020 – January 31, 2021 rate period. *Id.* Per the Company’s proposal, the Commission would consider a final true-up to recover or refund any final over or under recovery of the original deferred balance in the 2021 fuel proceeding (impacting the February 1, 2022 – January 31, 2023 rate period). *Id.*

The Company’s industrial base, represented by CIGFUR and Nucor Steel – Hertford (“Nucor”), support the Company’s proposed mitigation alternative. CIGFUR sponsored the direct testimony of Nicholas Phillips, Jr., which it filed in this docket on October 26, 2018. Nucor filed the direct testimony of Paul J. Wielgus, also on October 26, 2018. Mr. Phillips and Mr. Wielgus agree that the full increase is significant and warn that, if approved, it may produce rate shock in the Company’s customers. Mr. Phillips explains that the term rate shock refers to a large, unexpected increase, which can cause a harmful impact on customers and should be avoided. Phillips: Vol. 2, page 81: 2, 10-11. Mr. Phillips continues, “the mitigation alternative will result in less rate shock to DENC’s customers, particularly its declining industrial base.” Phillips: Vol. 2, page 79: 16-18.

Mr. Phillips notes that the Company’s North Carolina service territory “is a traditionally disadvantaged area in terms of jobs, wages and income.” Phillips: Vol. 2, page 82: 10-11. “The

industrial base in DENC's service area has been shrinking in this century and is not expected to return to prior levels during DENC's current planning horizon." Phillips: Vol. 2, page 82: 14-16. CIGFUR and Nucor Steel are both major employers in this area and the jobs they provide are vital to the local economy. Phillips: Vol. 2, page 82: 18 – 83: 2. Mr. Wielgus warns that if the deferral is collected over 12 months, Nucor's competitiveness will be negatively impacted. Wielgus: Vol. 2, page 93: 11-14. Further, the potential loss of industrial customers and industrial electric usage can have drastic negative impacts on the economic well-being of local communities and the State as a whole. Phillips: Vol. 2, page 83: 17-19. Mr. Phillips cautions: "It is no surprise, then, that electricity-intensive industrial customers show dramatic responses to changes in electricity prices material change in the cost of electricity has the potential to impact employment, production and investment levels for large customers such as CIGFUR members, significantly impacting local communities that can least afford it." Phillips: Vol. 2, page 84: 10-14.

**II. Industrials support the Company's proposed mitigation alternative as a way to lessen rate shock, and the proposal is in the public interest.**

As stated above, Mr. Phillips opines that the proposed mitigation alternative will "levelize the increase . . . when compared with full recovery of the undercollection over a single rate period." Phillips: Vol. 2, page 84: 23 – 85: 2. He concludes that "[t]he Company's proposed mitigation alternative will result in less rate shock to DENC's North Carolina retail customers, particularly its declining industrial base, at no additional cost to ratepayers and is therefore in the public interest." Phillips: Vol. 2, page 86: 9-11. Nucor's witness, Mr. Wielgus concurs, concluding that the mitigation proposal is "good regulatory policy and should be approved by the Commission." Wielgus: Vol. 2, page 94: 8-9.

## CONCLUSION

For the foregoing reasons, CIGFUR respectfully recommends that the Commission accept the Company's mitigation proposal to have rates established in this proceeding to recover 50% of the deferral balance in the 2019 fuel year and 50% in the 2020 fuel year, without interest.

Respectfully submitted, December 10, 2018.

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## CERTIFICATE OF SERVICE

The undersigned attorney for CIGFUR I hereby certifies that on this day she caused the foregoing CIGFUR II's Post-Hearing Brief to be served upon the parties of record in the above referenced proceedings by electronic mail.

December 10, 2018.

By: /s/ Warren Hicks