

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-22, SUB 557

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)
Application of Virginia Electric and Power)
Company, d/b/a Dominion Energy North) ORDER APPROVING REPS
Carolina, for Approval of Renewable Energy) AND REPS EMF RIDERS
and Energy Efficiency Portfolio Standard) AND 2017 REPS COMPLIANCE
Cost Rider Pursuant to N.C. Gen.)
Stat. § 62-133.8 and Commission Rule R8-67)

BEFORE: Commissioner Daniel G. Clodfelter, Presiding; Chairman Edward S. Finley, Jr.,
Commissioners ToNola D. Brown-Bland, Jerry C. Dockham, James G.
Patterson, Lyons Gray, and Charlotte A. Mitchell.

HEARD: Thursday, November 8, 2018, in Commission Hearing Room 2115, Dobbs
Building, 430 North Salisbury Street, Raleigh, North Carolina

APPEARANCES:

For Dominion Energy North Carolina:

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For the Using and Consuming Public:

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4300

BY THE COMMISSION: On August 30, 2018, Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina Power (Dominion), filed its annual Renewable Energy and Energy Efficiency Portfolio Standard (REPS) compliance report and application seeking an adjustment to its North Carolina retail (NC Retail) rates and charges pursuant to N.C. Gen. Stat. § 62-133.8(h) and Commission Rule R8-67. The Commission is required to conduct an annual proceeding for the purpose of determining whether a rider should be established to permit the recovery of the incremental costs incurred to comply with the requirements of N.C.G.S. § 62-133.8(b), (d), (e), and (f), and to true-up any under-recovery or over-recovery of compliance costs. Thus, Dominion's annual REPS Rider has two components: (1) a forward-looking component to recover Dominion's projected REPS compliance costs for the rate period of February 1, 2019 through January 31, 2020 (proposed by Dominion as Rider RP); and (2) a REPS

Experience Modification Factor (EMF) to true-up any over- or under-recovery of the REPS compliance costs under the previous REPS Rider from July 1, 2017 to June 30, 2018 (proposed by Dominion as Rider RPE). Dominion's application was accompanied by the testimony and exhibits of George E. Hitch, Senior Market Originator; Alan J. Moore, Regulatory Analyst III; and Robert C. Rice, Manager of Customer Rates for Dominion. In its application and pre-filed testimony, Dominion sought approval of the proposed REPS rider and REPS EMF rider, which incorporated Dominion's proposed adjustments in its NC Retail rates. In addition, Dominion requested Commission approval of its 2018 REPS Compliance Report for calendar year 2017 REPS compliance, which was sponsored as an exhibit by Dominion witness George E. Hitch.

On September 7, 2018, the Commission issued an Order Scheduling Hearing, Requiring Filing of Testimony, Establishing Discovery Guidelines, and Requiring Public Notice. Pursuant to that Order, the Commission established deadlines for the filing of petitions to intervene and testimony and exhibits, required the provision of appropriate public notice, and scheduled this matter for hearing.

The intervention and participation of the Public Staff in this docket are recognized pursuant to N.C.G.S. § 62-15(d) and Commission Rule R1-19(e). No persons have sought to intervene in this proceeding.

On October 2, 2018, the Commission issued an Order that, among other things, scheduled the portion of the hearing for the purpose of receiving expert witness testimony for November 8, 2018, and confirmed the portion of the hearing for the purpose of receiving public witness testimony would be held on November 5, 2018, as scheduled.

On October 15, 2018, Dominion filed Supplemental Testimony and Exhibits of Company witnesses George E. Hitch, Alan J. Moore, and Robert C. Rice.

On October 19, 2018, the Public Staff filed the affidavits of Jenny X. Li and Evan D. Lawrence.

On October 24, 2018, Dominion filed an affidavit of publication indicating that it had provided notice of hearing in newspapers of general circulation as required by the Commission's September 7, 2018 Order.

On October 30, 2018, Dominion filed Second Supplemental Testimony and Exhibits of George E. Hitch.

Also on October 30, 2018, the Public Staff filed the Revised Affidavit of Evan D. Lawrence.

On November 2, 2018, Dominion filed a letter in lieu rebuttal indicating there were no issues in dispute between Dominion and the Public Staff based upon the Public Staff's affidavits.

On November 5, 2018, Dominion and the Public Staff filed a joint motion in which they notified the Commission that they were not in disagreement on any issue and had agreed to waive cross-examination of each other's witnesses. In addition, Dominion and the Public Staff requested that all witnesses be excused from attending the hearing. The Commission granted this motion by Order issued on November 6, 2018.

This matter came on for hearing as scheduled on November 5, 2018, for the purpose of receiving public witness testimony. No public witnesses appeared at the hearing. The Commission resumed the hearing as scheduled on November 8, 2018, for the purpose of receiving expert witness testimony. Dominion presented the testimony and exhibits of witnesses Hitch, Moore, and Rice, and the Public Staff presented the affidavits of witnesses Li and Lawrence. The testimony, exhibits, and affidavits were accepted into evidence.

Based upon the foregoing, including the testimony, exhibits, and affidavits received into evidence, the records in the North Carolina Renewable Energy Tracking System (NC-RETS), and the entire record in this proceeding, the Commission makes the following:

FINDINGS OF FACT

1. Dominion is duly organized as a public utility company under the laws of the State of North Carolina and is subject to the jurisdiction of the Commission. Dominion is engaged in the business of generating, transmitting, distributing, and selling electric power and energy to the public for compensation in North Carolina. Dominion is also an electric power supplier as defined in N.C.G.S. § 62-133.8(a)(3). Dominion is lawfully before this Commission based upon its Application filed pursuant to N.C.G.S. § 62-133.8 and Commission Rule R8-67.

2. The test period and billing period for this proceeding are, respectively, the 12-month period July 1, 2017, through June 30, 2018, and the 12-month period from February 1, 2019, through January 31, 2020.

3. Pursuant to N.C.G.S. § 62-133.8(h), an electric power supplier is authorized to recover the "incremental costs" of compliance with the REPS requirements through an annual REPS rider. The "incremental costs," as defined in N.C.G.S. § 62-133.8(h)(1), include the reasonable and prudent costs incurred by an electric power supplier to comply with REPS "that are in excess of the electric supplier's avoided costs." The term "avoided costs" includes both avoided energy costs and avoided capacity costs. Pursuant to Commission Rule R8-67(e)(2), the total costs reasonably and prudently incurred during the Test Period to purchase unbundled renewable energy certificates (RECs) constitute incremental costs. The projected costs to purchase such RECs during the Billing Period constitute forecasted incremental costs.

4. For calendar year 2017, Dominion is required to meet 6% of its previous year's NC Retail electric sales by a combination of renewable energy and energy reductions due to the implementation of energy efficiency (EE) measures (General REPS

Requirement). Dominion may meet the General REPS Requirement by any one or more of the compliance options listed in N.C.G.S. § 62-133.8(b)(2). Pursuant to N.C.G.S. § 62-133.8(b)(2)(e), Dominion may use 100% out-of-state RECs to achieve REPS compliance.

5. Also in 2017, Dominion is required to acquire solar energy, or RECs for solar energy, in an amount equal to at least 0.14% of the previous year's NC Retail sales (Solar Set-Aside Requirement). These solar energy sources can be a combination of new solar electric facilities and new metered solar thermal energy facilities.

6. Beginning in 2012, N.C.G.S. § 62-133.8(e) and (f) require Dominion and the electric power suppliers of North Carolina, in the aggregate, to procure a certain portion of their renewable energy requirements from electricity generated from swine and poultry waste, based on each electric power supplier's respective pro-rata share derived from the ratio of its North Carolina retail sales as compared to total North Carolina retail sales (respectively, the Swine Waste Set-Aside Requirement and the Poultry Waste Set-Aside Requirement). In its Order Modifying the Swine and Poultry Waste Set-Aside Requirements and Providing Other Relief, issued October 16, 2017, in Docket No. E-100, Sub 113 (2017 Delay Order), the Commission delayed the initial swine waste requirement for one additional year, maintained the aggregate poultry waste requirement at 170,000 MWh for 2017, and delayed the scheduled increases in these requirements.

7. Dominion has agreed to provide REPS compliance services, including the procurement of RECs, to the Town of Windsor pursuant to N.C.G.S. § 62-133.8(c)(2)(e). The Town of Windsor's 2016 REPS compliance status is included in Dominion's 2018 compliance report.

8. Dominion's approach of managing its retail REPS compliance costs separately from the REPS compliance costs for its wholesale customer, the Town of Windsor, is reasonable.

9. Dominion has complied with the 2017 General REPS Requirement and the Solar Set-Aside Requirement for itself and the Town of Windsor. As modified by the 2017 Delay Order, Dominion has complied with the Poultry Waste Set-Aside Requirement for itself and the Town of Windsor, and the Swine Waste Set-Aside Requirements were delayed by one year.

10. Dominion's 2018 REPS compliance report, filed pursuant to Commission Rule R8-67(c), contains all the information required by Rule R8-67(c) and demonstrates that Dominion is in compliance with N.C.G.S. § 62-133.8(b) for 2017.

11. The costs incurred by Dominion to fund research activities during the Test Period, including the micro-grid research project costs, are "incremental costs" recoverable pursuant to N.C.G.S. § 62-133.8(h)(1)(b).

12. It is appropriate to maintain the Rider RP charges set by the Commission in Docket No. E-22, Sub 544 and to reduce the Rider RPE charges to \$0.00 for the entire month of January 2019.

13. Dominion's total adjusted number of customer accounts is 120,704, including 103,079 in the residential class, 17,565 in the commercial class, and 60 in the industrial class.

14. The appropriate monthly amount of the REPS EMF charge (Rider RPE) to be collected during the billing period, per customer account, including the regulatory fee, is \$0.09 for residential accounts, \$0.47 for commercial accounts, and \$3.26 for industrial accounts.

15. Dominion appropriately calculated its avoided costs for the Test Period and Billing Period. For purposes of establishing the REPS EMF rider charge in this proceeding, Dominion's incremental costs for REPS compliance during the Test Period were \$768,667 and these costs were reasonably and prudently incurred. During the Test Period, Dominion collected revenue totaling \$555,778 through REPS rider charges, resulting in an under-recovery of \$212,889, which is appropriately recovered through REPS EMF rider charges during the Billing Period. Dominion's projected incremental costs for REPS compliance for the Billing Period are \$826,817 and these costs were reasonably and prudently calculated.

16. The appropriate monthly amount of the forecasted REPS charge to be collected during the billing period (Rider RP), per customer account, including the regulatory fee, is \$0.34 for residential accounts, \$1.88 for commercial accounts, and \$12.63 for industrial accounts. The combined monthly REPS (Rider RP) and REPS EMF (Rider RPE) charges to be collected during the billing period, per customer account, including the regulatory fee, are \$0.43 for residential accounts, \$2.35 for commercial accounts, and \$15.89 for industrial accounts.

17. Dominion's combined REPS riders to be charged to each customer account for the billing period are within the annual limits established in N.C.G.S. § 62-133.8(h)(4).

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-6

These findings of fact are essentially informational, jurisdictional, and procedural in nature and are not contested.

North Carolina General Statutes section 62-133.8(b)(1) and (c)(1) establish a REPS requirement for all electric power suppliers in the State. These provisions require each electric power supplier to provide a certain percentage of its North Carolina sales from various renewable energy or EE resources. Authorized methods of compliance with the REPS requirement for electric public utilities are listed in N.C.G.S. § 62-133.8(b)(2) as follows: (a) generate electric power at a new renewable energy facility; (b) use a renewable energy resource to generate electric power at a generating facility other than

the generation of electric power from waste heat derived from the combustion of fossil fuel; (c) reduce energy consumption through the implementation of an EE measure; (d) purchase electric power from a new renewable energy facility; (e) purchase RECs derived from in-State or out-of-state new renewable energy facilities; (f) use electric power that is supplied by a new renewable energy facility or energy saved due to the implementation of an EE measure that exceeds the requirements of this section for any calendar year as a credit towards the requirements of this section in the following calendar year; or (g) electricity demand reduction. In 2017, the electric public utilities were required to meet six percent (6%) of their previous year's North Carolina retail electric sales by a combination of the measures authorized by N.C.G.S. § 62-133.8(b). Each of these compliance methods is subject to certain additional limitations and conditions.

North Carolina General Statutes section 62-133.8(c) has similar requirements for electric membership corporations (EMCs) and municipal electric systems.

North Carolina General Statutes section 62-133.8(d) requires a certain percentage of the total electric power sold to retail electric customers in the State, or an equivalent amount of energy, to be supplied by a combination of new solar electric facilities and new metered solar thermal energy facilities. The percentage requirement for solar resources is 0.14% for the years 2015 through 2017, increasing thereafter.

North Carolina General Statutes section 62-133.8(e) requires a certain percentage of the total electric power sold to retail electric customers in the State to be supplied by swine waste resources. The General Assembly established an initial aggregate 0.07% swine waste resources requirement in 2012, increasing thereafter. N.C.G.S. § 62-133.8(f) requires a specific amount of electric power sold to retail electric customers in the State, or an equivalent amount of energy, to be supplied, or contracted for supply in each year, by poultry waste resources. The General Assembly established an initial aggregate poultry waste resources requirement of 170,000 megawatt-hours (MWh) in 2012, increasing thereafter. Pursuant to the Commission's Order on Pro-Rata Allocation of Aggregate Swine and Poultry Waste Set-Aside Requirements and Motion for Clarification issued on March 31, 2010, in Docket No. E-100, Sub 113, Dominion's share of the aggregate State set-aside requirements for energy from poultry waste resources is based on the ratio of its North Carolina retail kilowatt-hour (kWh) sales from the previous year divided by the previous year's total North Carolina retail kWh sales for all electric power suppliers. Pursuant to the Commission's Order Establishing Method of Allocating the Aggregate Poultry Waste Resources Set-Aside Requirement issued April 18, 2016, in Docket No. E-100, Sub 113, starting with compliance year 2016, the aggregate poultry waste set-aside obligation shall be allocated among the electric power suppliers by averaging three years of historical retail sales, with the resulting allocation being held constant for three years.

At the joint request of the State's electric power suppliers, including Dominion, the Commission issued the Orders in Docket No. E-100, Sub 113, pursuant to specific authority provided to the Commission by the General Assembly to modify the REPS requirements under N.C.G.S. § 62-133.8(i)(2).

Specifically, the Commission's November 29, 2012 Order Modifying the Poultry and Swine Waste Set-Aside Requirements and Granting Other Relief directed that the swine waste resource set-aside requirement for 2012 be eliminated and that the poultry waste resource requirements for 2012 and subsequent years be delayed for a year. On March 26, 2014, the Commission issued a Final Order Modifying the Poultry and Swine Waste Set-Aside Requirements and Providing Other Relief, approving another one-year delay for both the swine waste resource and poultry waste resource requirements and requiring certain additional reporting by all electric power suppliers, including Dominion. On November 13, 2014, the Commission issued an Order Delaying Swine Set-Aside and Providing Other Relief, delaying Dominion's and other electric power suppliers' swine waste resource requirement for one year and establishing an initial aggregate poultry waste resource requirement of 170,000 MWh for 2014, to be divided amongst the electric power suppliers. On December 1, 2015, the Commission issued an Order Delaying Swine Set-Aside and Providing Other Relief, granting a further delay of the initial swine waste requirement until 2016, modifying the 2015 poultry waste set-aside requirement to remain at the same level as the 2014 aggregate requirement of 170,000 MWh, and delaying by one year the scheduled increases in the requirement (the requirement was scheduled to increase to 700,000 MWh in the aggregate for all electric power suppliers). On October 16, 2016, the Commission issued an Order Modifying the Swine Waste Set-Aside Requirement and Providing Other Relief, which delayed for one additional year the commencement of the swine waste set-aside requirement. The Commission also modified the 2016 poultry waste set-aside requirement to remain at the same level as the 2014 and 2015 aggregate requirement of 170,000 MWh, and delayed by one additional year the scheduled increases in the requirement (increasing to 700,000 MWh for 2017, and 900,000 MWh for 2018 and each year thereafter). On October 16, 2017, the Commission issued an Order Modifying the Swine Waste Set-Aside Requirement and Providing Other Relief, which delayed for one additional year the initial compliance requirement under the swine waste set-aside. The Commission also modified the 2017 poultry waste set-aside requirement to remain at the same level as the 2014 and 2015 aggregate requirement of 170,000 MWh, and delayed by one additional year the scheduled increases in the requirement (increasing to 700,000 MWh for 2018, and 900,000 MWh for 2019 and each year thereafter). Through its Delay Orders, the Commission established that the aggregate statewide poultry waste resource requirement for the State's electric power suppliers, including Dominion, is 170,000 MWh for 2016 and 2017, and delayed the initial swine waste requirement until 2018. In its October 18, 2018 Order, the Commission required the electric public utilities, including Dominion, to meet 0.02% of their sales using swine waste resources and decreased the aggregate poultry waste requirement to 300,000 MWh.

North Carolina General Statutes section 62-133.8(b)(2)(e) provides that an electric power supplier shall achieve no more than 25% of its annual REPS compliance obligations using RECs from out-of-state new renewable energy facilities. However, paragraph (b)(2)(e) specifically exempts any electric public utility with less than 150,000 North Carolina retail jurisdictional customers as of December 31, 2006. The Commission held in its Order on Dominion's Motion for Further Clarification, issued September 22, 2009, in Docket No. E-100, Sub 113, that this exemption applies to Dominion for purposes

of both its general REPS obligation and individual set-aside requirements pursuant to N.C.G.S. § 62-133.8(d)-(f). Dominion may, therefore, achieve 100% of its REPS compliance using RECs generated by out-of-state new renewable energy facilities.

North Carolina General Statutes section 62-133.8(b)(2)(c) provides that an electric power supplier may use energy efficiency certificates (EECs) to meet no more than 25% of its total requirement. This limitation on the use of EECs to meet the total requirement does not apply to municipal suppliers such as Town of Windsor.

North Carolina General Statutes section 62-133.8(h)(4) requires the Commission to allow an electric power supplier to recover all of its incremental costs incurred to comply with N.C.G.S. § 62-133.8 through an annual rider. N.C.G.S. § 62-133.8(h)(1) provides that “incremental costs” means all reasonable and prudent costs incurred by an electric power supplier to comply with the REPS requirements that are in excess of the electric power supplier’s avoided costs, other than those costs recovered pursuant to N.C.G.S. § 62-133.9. The term “avoided costs” includes both avoided energy costs and avoided capacity costs. Commission Rule R8-67(e)(2) provides that the reasonable and prudently-incurred costs of unbundled RECs are incremental costs and have no avoided cost component.

Commission Rule R8-67(e)(5) provides that “[t]he REPS EMF will reflect the difference between reasonable and prudently incurred incremental costs and the revenues that were actually realized during the test period under the REPS rider then in effect.”

Dominion’s 2018 REPS compliance report for compliance year 2017 stated that pursuant to N.C.G.S. § 62-133.8(c)(2)(e) Dominion provided renewable energy resources and compliance reporting services for Town of Windsor.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NOS. 7-8

The evidence supporting these findings of fact is found in the testimony and exhibits of Dominion witness Hitch, and is uncontroverted. Dominion witness Hitch testified that Dominion purchases RECs for use by the Town of Windsor, its wholesale customer, to meet its REPS obligations. However, 75% of the Town of Windsor’s RECs must be obtained from in-state sources, whereas Dominion, pursuant to N.C.G.S. § 62-133.8(b)(2)(e), is exempt from this requirement and may obtain all of its RECs from outside North Carolina. Because of this difference in requirements, Dominion has directly assigned to the Town of Windsor the costs of RECs used for its REPS compliance, and has excluded them from the REPS costs Dominion is seeking to recover in this proceeding. Similarly, Dominion witness Hitch testified that other incremental REPS compliance costs reasonably attributable to the Town of Windsor are excluded from the costs that Dominion is seeking to recover. The Public Staff made no objection to the manner in which Dominion separates its own REPS compliance costs from those incurred on behalf of the Town of Windsor. The Commission finds that Dominion’s approach of managing its retail REPS costs separately from the REPS costs for the Town of Windsor is reasonable.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 9-10

The evidence supporting these findings of fact appears in Dominion's 2018 REPS compliance report (for compliance year 2017) and in the testimony and exhibits of Dominion witness Hitch and the affidavit of Public Staff witness Lawrence, and is uncontroverted.

Dominion's 2018 REPS compliance report was admitted into evidence as Company Exhibit GEH-1. This report provided the information required by Commission Rule R8-67(c) for Dominion and Town of Windsor. Public Staff witness Lawrence stated in his affidavit that he reviewed Dominion's 2018 REPS compliance report and recommended that it be approved.

Dominion's 2018 REPS compliance report stated that Dominion's 2016 retail electric sales were 4,294,053MWh and Town of Windsor's were 48,968 MWh. Dominion's 6% 2017 total REPS obligation amounted to 257,644 RECs, including general obligation RECs, 6,012 solar RECs (0.14% of 4,294,053), 5,628 poultry waste RECs, and 17,943 EECs from its portfolio of in-state EE programs approved pursuant to N.C.G.S. § 62-133.9. Town of Windsor's 6% 2017 total REPS obligation amounted to 2,939 RECs, including 2,805 general RECs, 69 solar RECs (0.14% of 48,968) and 65 poultry waste RECs. Town of Windsor did not use any EECs for compliance. Public Staff witness Lawrence stated in his affidavit that these numbers of RECs met the REPS requirements that 6% of 2016 retail sales must be matched with an equivalent number of RECs in 2017, including 0.14% of 2016 retail sales that must be matched with an equivalent number of RECs derived from solar energy. Witness Lawrence confirmed that Dominion had placed these numbers of RECs in its own and Town of Windsor's NC-RETS compliance sub-accounts. Witness Hitch testified that out-of-state RECs may be used for 100% of Dominion's REPS compliance, but may not be used to meet more than 25% of Town of Windsor's REPS requirements. Dominion complied with these limitations. NC-RETS further indicates that Dominion complied with the provisions of N.C.G.S. § 62-133.8(b)(2)(e) and (c)(2)(d).

Public Staff witness Lawrence testified that Dominion indicated in response to Public Staff data requests in previous years, that it determines the service life of an energy efficiency measure for REPS compliance purposes based on the measure lives Dominion uses when filing for approval of a DSM program. As an example, Dominion noted its most recent Application for Approval of the Small Business Improvement Program, as filed on July 29, 2016, in Docket No. E-22, Sub 538, which presents measure lives of 14 years.

The Public Staff does not dispute that Dominion and Town of Windsor complied with their 2017 REPS requirements.

Based on the foregoing and the entire record in this proceeding, the Commission finds that Dominion and its wholesale customer, Town of Windsor, for which Dominion is providing REPS compliance services, have complied with the General REPS Requirement, the Solar Set-Aside Requirement, and the Poultry Waste Set-Aside

Requirement, as modified by the 2017 Delay Order. Dominion and the Town of Windsor, like other electric power suppliers have been relieved of the requirement to comply with the Swine Waste Set-Aside Requirement pursuant to the 2017 Delay Order. The Commission further finds that Dominion's 2018 REPS compliance report contains all the information required by Commission Rule R8-67(c) for Dominion and the Town of Windsor, sufficient to demonstrate Dominion and Windsor's compliance with the REPS requirements. Therefore, the Commission concludes that Dominion's 2018 REPS compliance report for compliance year 2017 should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 11

The evidence supporting these findings of fact appears in the testimony and exhibits of Dominion witnesses Hitch and Moore and the affidavits of Public Staff witnesses Lawrence and Li.

Pursuant to N.C.G.S. § 62-133.8(h)(1), "incremental costs" include, among other things, "all reasonable and prudent costs incurred by an electric power supplier to . . . (b) [f]und research that encourages the development of renewable energy, energy efficiency, or improved air quality, provided those costs do not exceed one million dollars (\$1,000,000) per year." Whether specific test period or forecasted rate period expenditures to fund research are eligible for cost recovery through an annual rider pursuant to this provision is determined by the Commission on a case- by-case basis.

Dominion witnesses Hitch and Moore described the status of Dominion's micro-grid project, which the Commission approved in Dominion's 2013 REPS rider proceeding, Docket No. E-22, Sub 503, as a research project qualifying for REPS rider cost recovery pursuant to N.C.G.S. § 62-133.8(h)(1). Dominion's micro-grid project was constructed at Dominion's Kitty Hawk district office beginning in February 2014, and was commissioned and placed in service for operation as a micro-grid on July 22, 2014.

The confidential exhibits of Company witness Moore set forth the ongoing operations and maintenance expenses the micro-grid project incurred during the test period.

Public Staff witness Lawrence stated in his affidavit that the Public Staff reviewed Dominion's micro-grid research costs as part of its investigation into Dominion's Application and did not take issue with the nature of the ongoing costs associated with the project.

Based upon the foregoing and the entire record in this proceeding, the Commission finds that the research activities proposed by Dominion to be funded during the rate period are eligible research costs recoverable under N.C.G.S. § 62-133.8(h)(1)(b), and that such research costs are within the annual \$1,000,000 limit.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 12-17

The evidence supporting these findings of fact is found in the testimony of Dominion witnesses Hitch, Moore, and Rice, and the affidavits of Public Staff witnesses Li and Lawrence.

Commission Rule R8-67(e)(3) provides that the test period for REPS rider proceedings shall be the same as that used by the utility in its annual fuel charge adjustment proceedings, which is specified in Rule R8-55(c) for Dominion to be the 12-month period ending each June 30. Therefore, the test period to be used for purposes of this proceeding is the period July 1, 2017, through June 30, 2018.

Regarding the rate period, Rule R8-67(e)(4) provides that the REPS and REPS EMF riders shall be in effect for a fixed period that “shall coincide, to the extent practical, with the recovery period for the cost of fuel and fuel-related cost rider established pursuant to Rule R8-55.” For Dominion, in previous years, this has been the calendar year. In its current fuel proceeding, Docket No. E-22, Sub 558, and in this proceeding, Dominion has proposed that its rate adjustments take effect on February 1, 2019, and remain in effect for a 12-month period. In its application, Dominion stated that the proposed adjustment to the annual rate period would extend the time for the Commission to issue orders in Dominion’s three annual rider proceedings filed pursuant to NCUC Rules R8-55, R8-67, and R8-69, respectively, and to then allow Dominion additional time to finalize rates and customer notices prior to the updated annual riders’ effective date.

Company witness Rice testified that in order to effectuate the transition to a February 1 – January 31 rate period, Dominion is proposing to maintain Rider RP as approved by the Commission in Dominion’s previous REPS cost recovery proceeding, and to reduce Rider RPE for all classes to zero during the month of January 2019.

Dominion’s test period and rate period were not challenged by any party.¹ Therefore, the Commission finds that the test period and billing period proposed by Dominion are appropriate for use in this proceeding. For January 2019, Dominion shall continue to charge Rider RP as approved in the 2017 proceeding, and shall reduce the rate charged under Rider RPE to zero as proposed.

As shown in witness Moore’s Supplemental Exhibit AJM-1, Dominion’s incremental REPS compliance costs for the test period amounted to \$768,667, while Dominion’s test-period Rider RP revenues totaled \$555,778, resulting in an under-recovery of \$212,889, to be recovered through Rider RPE. The under-recovery for each customer class is set forth on witness Rice’s Supplemental Exhibit RCR-1, Schedule 2, as follows: \$108,810 for the residential class, \$101,733 for the commercial

¹ The Company’s proposal is consistent with the Petition filed by the Public Staff in Docket No. E-100, Sub 160 on September 6, 2018, which suggested that moving the effective date of Dominion’s new cost recovery riders to February 1st would alleviate the burden on the Commission, the Public Staff, and Dominion to file and issue proposed and final orders and implement revised rates by January 1st each year. On October 11, 2018, the Commission issued an order adopting the Public Staff’s recommendation.

class, and \$2,347 for the industrial class.² These under-recoveries are divided by the total adjusted number of accounts, which are 103,079, 17,565, and 60 for the residential, commercial, and industrial classes, respectively, and further divided by 12 months to determine the monthly per-account charge. The projected incremental costs for the billing period, which are recovered through Rider RP, amount to \$826,817. These costs are set forth on Supplemental Exhibit RCR-1, Schedule 4, and are broken down by customer class as follows: \$421,144 for the residential class, \$396,592 for the commercial class, and \$9,081 for the industrial class.³ These incremental costs are divided by the total adjusted number of accounts for each class, and further divided by 12 months to determine the monthly per-account charge.

In his testimony, Dominion witness Rice determined that the appropriate monthly rates for Riders RP and RPE, including the regulatory fee, are as follows:

Customer Class	Forecast Rate (Rider RP)	EMF Rate (Rider RPE)	Total REPS Rate
Residential	\$0.34	\$0.09	\$0.43
Commercial	\$1.88	\$0.47	\$2.35
Industrial	\$12.63	\$3.26	\$15.89

Public Staff witnesses Lawrence and Li described the Public Staff's audit of Dominion's REPS costs and recommended that the Commission approve Dominion's proposed Rider RP and RPE charges.

Based upon the foregoing and the entire record herein, the Commission finds that Dominion appropriately calculated its incremental costs for REPS compliance for the Test Period and that these costs were reasonably and prudently incurred. The Commission further finds that Dominion appropriately forecasted its incremental costs for REPS compliance Billing Period, and these projected costs were reasonably and prudently calculated. In addition, and consistent with the methodology approved by the Commission in past REPS rider proceedings, the Commission finds that Dominion has appropriately adjusted its number of customer accounts, allocated its incremental costs of REPS compliance to each customer class, and that the resulting proposed REPS and REPS EMF rider charges as detailed in Dominion's application are appropriate. Therefore, the Commission concludes that Dominion should be allowed to collect the following combined, monthly per-account REPS and REPS EMF charges, including the regulatory fee, for each of the following customer classes: \$0.43 for residential accounts, \$2.35 for commercial accounts, and \$15.89 for industrial accounts. These combined REPS rider

² These figures can be found by combining lines 1 and 5, lines 2 and 6, and lines 3 and 7, in the next-to-last column of Company Exhibit No. RCR-1, Schedule 2.

³ These figures can be found by combining lines 1 and 5, lines 2 and 6, and lines 3 and 7, in the next-to-last column of Company Exhibit No. RCR-1, Schedule 4.

charges, on an annual basis, are within the annual limits provided in N.C.G.S. § 62-133.8(h)(4).

IT IS, THEREFORE, ORDERED as follows:

1. That Dominion shall establish a REPS Rider RP as described herein, in the amounts approved herein, and that this rider shall remain in effect for a 12-month period beginning February 1, 2019, and expiring January 31, 2020;

2. That Dominion shall establish a REPS EMF Rider RPE as described herein, and that this rider shall remain in effect for a 12-month period beginning February 1, 2019, and expiring January 31, 2020;

3. That Dominion shall be, and is hereby, authorized, nunc pro tunc, to continue to charge the REPS Rider RP approved in the previous REPS cost recovery proceeding from January 1-31, 2019, and to establish a REPS EMF Rider RPE with a rate of \$0.00 to be in effect beginning January 1, 2019, and expiring January 31, 2019;

4. That Dominion shall work with the Public Staff to prepare a joint notice to customers of the rate changes ordered by the Commission in this docket, as well as in Docket No. E-22, Subs 556 and 558, and Dominion shall file such notice for Commission approval as soon as practicable, but not later than three (3) working days after the Commission issues orders in all of the above-referenced dockets;

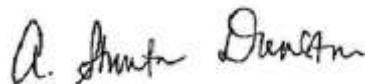
5. That Dominion shall file appropriate rate schedules and riders with the Commission to implement the provisions of this Order as soon as practicable;

6. That Dominion's 2018 REPS compliance report is hereby approved, and the RECs and EECs in Dominion's and Town of Windsor's 2017 compliance sub-accounts in NC-RETS shall be retired.

ISSUED BY ORDER OF THE COMMISSION.

This the 4th day of January, 2018.

NORTH CAROLINA UTILITIES COMMISSION



A. Shonta Dunston, Acting Deputy Clerk