

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-22, SUB 590

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Virginia Electric and Power)
Company, d/b/a Dominion Energy North Carolina,) ORDER APPROVING
Pursuant to N.C. Gen. Stat. § 62-133.2 and) FUEL CHARGE ADJUSTMENT
Commission Rule R8-55 Regarding Fuel and)
Fuel-Related Costs Adjustments for Electric)
Utilities)

HEARD: Tuesday, November 17, 2020, at 10:00 a.m. via Webex

BEFORE: Chair Charlotte A. Mitchell; and Commissioners ToNola D. Brown-Bland;
Lyons Gray; Daniel G. Clodfelter; Kimberly W. Duffley; Jeffrey A. Hughes;
and Floyd B. McKissick, Jr.

APPEARANCES:

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

Mary Lynne Grigg, McGuireWoods LLP, 501 Fayetteville Street, Suite 500,
Raleigh, North Carolina 27601

For the Using and Consuming Public:

John D. Little, Public Staff – North Carolina Utilities Commission, 4326 Mail
Service Center, Raleigh, North Carolina 27699-4300

BY THE COMMISSION: On August 11, 2020, Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina (DENC or the Company), filed its application for a fuel charge adjustment, along with accompanying testimony and exhibits, pursuant to N.C. Gen. Stat. § 62-133.2 and North Carolina Utilities Commission (Commission) Rule R8-55 relating to fuel and fuel-related charge adjustments for electric utilities (Application). The Application was accompanied by the testimony and exhibits of Jeffrey D. Matzen, Ronnie T. Campbell, Dale E. Hinson, Tom A. Brookmire, and George G. Beasley.

On August 19, 2020, the Company filed a complete copy of Company witness Beasley's Exhibit GGB-1, Schedule 4.

On September 14, 2020, the Commission issued its Order Scheduling Hearing, Requiring Filing of Testimony, Establishing Discovery Guidelines, and Requiring Public Notice.

On October 22, 2020, Carolina Industrial Group for Fair Utility Rates I (CIGFUR) filed a Petition to Intervene. The Petition was granted on October 26, 2020.

On October 23, 2020, the Company filed the corrected direct testimony and Exhibit GGB-1 of Witness Beasley. On that same day, the Company filed its petition for waiver of notice requirements. The petition was granted on October 27, 2020.

On October 26, 2020, the Company, the Public Staff, and CIGFUR each filed their separate consent to remote hearing. Also, on October 26, 2020, the Public Staff filed a motion for extension of time to file testimony. The motion was granted on October 27, 2020.

On November 2, 2020, the Public Staff filed the direct testimony of Michael C. Maness and Evan D. Lawrence, and the testimony and exhibit of Jenny X. Li.

On November 9, 2020, the Company filed the rebuttal testimony of -witness Campbell.

On November 10, 2020, the Public Staff and the Company filed a Joint Motion to Excuse Witnesses from appearing at the November 17, 2020 evidentiary hearing, stating that for purposes of the present proceeding, the Company and the Public Staff were in agreement on all issues and had agreed to waive cross-examination of each other's witnesses.

On November 16, 2020, the Commission granted the Joint Motion to Excuse Witnesses. The Commission canceled the evidentiary hearing and accepted into evidence the testimony and exhibits of witnesses Matzen, Campbell, Hinson, Brookmire, and Beasley, and the Public Staff testimony of witnesses Maness, Lawrence, and Li.

On November 16, 2020, the Company filed its Affidavit of Publication.

This matter came on for public hearing as scheduled on November 17, 2020, via Webex, before Hearing Examiner Heather Fennell. No public witnesses appeared at the hearing

On December 17, 2020, a Joint Proposed Order was filed by DENC and the Public Staff.

Based upon the evidence presented and the entire record in this proceeding, the Commission makes the following

FINDINGS OF FACT

1. The Company is duly organized as a public utility operating under the laws of the State of North Carolina and is subject to the jurisdiction of the North Carolina Utilities Commission. The Company is engaged in the business of generating, transmitting, distributing, and selling electric power to the public in northeastern North Carolina. The Company is lawfully before this Commission based on its application filed pursuant to N.C.G.S. § 62-133.2.

2. The test period for purposes of this proceeding is the 12 months ended June 30, 2020.

3. The Company's fuel procurement practices during the test period were reasonable and prudent.

4. The per books test period system sales are 84,774,176,000 kilowatt-hours (kWh).

5. The per books test period system generation is 88,704,117 megawatt-hours (MWh), which includes various types of generation as follows:

<u>Generation Types</u>	<u>MWh</u>
Nuclear	27,724,152
Coal	7,149,876
Heavy Oil	87,868
Wood and Natural Gas Steam	893,933
Combined Cycle and Combustion Turbine	41,800,412
Solar and Hydro – Conventional and Pumped	3,050,046
Net Power Transactions	10,581,660
Less: Energy for Pumping	(2,583,830)

6. The Company's baseload plants were managed prudently and efficiently during the test period so as to minimize fuel and fuel-related costs.

7. The nuclear capacity factor appropriate for use in this proceeding is 93.4% which is the estimated nuclear capacity factor for the 12 months beginning February 1, 2021.

8. The adjusted test period system sales for use in this proceeding are 85,444,348,726 kWh.

9. The adjusted test period system generation for use in this proceeding is 86,192,004 MWh, which is categorized as follows:

<u>Generation Types</u>	<u>MWh</u>
Nuclear	27,445,280
Coal (including wood and natural gas steam)	7,780,762
Heavy Oil	84,993
Combined Cycle and Combustion Turbine	40,433,562
Hydro	2,795,636
Solar	254,410
Net Power Transactions	10,235,601
Less: Energy for Pumping	(2,583,830)

10. A marketer percentage serves as a proxy for fuel costs when actual fuel costs associated with power purchases are not available. A marketer percentage of 71% should be applied in this proceeding to approximate the fuel cost of such power purchases.

11. The adjusted test period system fuel expense for use in this proceeding is \$1,568,811,597.

12. The reasonable and appropriate North Carolina retail class-specific base fuel factors as approved in the Docket No. E-22, Sub 562 - (including the regulatory fee), are as follows:

<u>Customer Class</u>	<u>Base Fuel Factors</u>
Residential	2.118 ¢/kWh
SGS &PA	2.115 ¢/kWh
LGS	2.098 ¢/kWh
Schedule NS	2.036 ¢/kWh
6VP	2.065 ¢/kWh
Outdoor Lighting	2.118 ¢/kWh
Traffic	2.118 ¢/kWh

13. The reasonable and appropriate prospective N-C- retail class-specific Rider A decrements - (including the regulatory fee), are as follows:

<u>Customer Class</u>	<u>Prospective Fuel Factors</u>
Residential	(0.260) ¢/kWh
SGS & PA	(0.259) ¢/kWh
LGS	(0.256) ¢/kWh
Schedule NS	(0.249) ¢/kWh
6VP	(0.253) ¢/kWh
Outdoor Lighting	(0.260) ¢/kWh
Traffic	(0.260) ¢/kWh

14. The appropriate North Carolina retail test period jurisdictional fuel expense over-collection, including interest, is \$4,690,241 and the adjusted North Carolina retail jurisdictional test period system sales are 4,135,568,372 kWh.

15. The appropriate Experience Modification Factor decrements (EMF or Rider B) for this proceeding (including the regulatory fee) are as follows:

<u>Customer Class</u>	<u>EMF - Factors</u>
Residential	(0.115) ¢/kWh
SGS &PA	(0.114) ¢/kWh
LGS	(0.114) ¢/kWh
Schedule NS	(0.110) ¢/kWh
6VP	(0.112) ¢/kWh
Outdoor Lighting	(0.115) ¢/kWh
Traffic	(0.115) ¢/kWh

16. The total fuel factors to be billed to the Company's NC retail customers during the February 1, 2021 through January 31, 2022 fuel charge billing period (including the regulatory fee) are as follows:

<u>Customer Class</u>	<u>- Total Fuel Factors</u>
Residential	1.743 ¢/kWh
SGS &PA	1.742 ¢/kWh
LGS	1.728 ¢/kWh
Schedule NS	1.677 ¢/kWh
6VP	1.700 ¢/kWh
Outdoor Lighting	1.743 ¢/kWh
Traffic	1.743 ¢/kWh

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 1

This finding of fact is essentially informational, jurisdictional, and procedural in nature and is not controverted.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 2

North Carolina General Statute Section 62-133.2(c) sets out the verified, annualized information that each electric utility is required to furnish the Commission in an annual fuel charge adjustment proceeding for an historical 12-month test period. Commission Rule R8-55(b) prescribes the 12 months ending June 30 as the test period for the Company. The Company's filing was based on the 12 months ended June 30, 2020.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 3

The evidence for this finding of fact is contained in the direct testimony and exhibits of Company witnesses Hinson and Brookmire.

Commission Rule R8-52(b) requires each electric utility to file a Fuel Procurement Practices Report at least once every ten years and each time the utility's fuel procurement practices change. The Company's current fuel procurement practices were filed with the Commission in Docket No. E-100, Sub 47A, on December 20, 2013.

Company witness Hinson described the Company's fuel procurement practices and explained that the Company continues to follow the same procurement practices it has in the past in accordance with its report filed in Docket No. E-100, Sub 47A. He also testified to the Company's price hedging program under which it price hedges commodities needed for power generation using a range of volume targets, gradually decreasing over a three-year period.

Regarding natural gas procurement, witness Hinson explained that the Company employs a disciplined natural gas procurement plan to ensure a reliable supply of natural gas at competitive prices. He stated that through periodic solicitations and the open market, the Company serves its gas-fired fleet using a combination of day-ahead, monthly, seasonal, and multiyear physical gas supply purchases. Witness Hinson also described how the Company evaluates its diverse portfolio of pipeline transportation and storage contracts to determine the most reliable and economical delivered fuel options for each power station, and how this portfolio of natural gas transportation contracts provides access to multiple natural gas supply and trading points from the Marcellus shale region to the southeast region. He also noted that the Company actively participates in the interstate pipeline capacity release and physical supply markets as well as longer-term, pipeline expansion projects that will augment its transportation portfolio and enhance reliability at a reasonable cost. Witness Hinson testified that Company-owned natural gas-fired generation accounted for as much as 61% and, on average, over 53% of the Company's electricity generation, during the test period. Brunswick, Greenville, and Warren County Power Stations are the Company's newest, most efficient natural gas-fired combined cycle stations with a combined maximum generation capacity of approximately 4,500 MW. Regarding coal procurement, witness Hinson testified that the Company employs a multi-year physical procurement plan to ensure a reliable supply of coal, delivered to its generating stations by truck or rail, at competitive prices. The Company accomplishes this by procuring long-term coal requirements primarily through periodic solicitations and secondarily on the open market for short-term or spot needs. He noted that this blend of contract terms creates a diverse coal fuel portfolio and allows the Company to proactively manage its fuel procurement strategy, contingency plans, and any risk of supplier non-performance.

Witness Hinson also testified that the Company has a varied procurement strategy for its biomass stations depending on their geographical region. He stated that the Company's biomass stations at Hopewell and Southampton continue to be served by

multiple suppliers under both short and long-term agreements, which enables the Company to increase the reliability of its biomass supply by diversifying its supplier base. He also noted that the Company continues to purchase long-term fuel supply through one supplier for its Altavista Power Station, and to procure biomass needs for the Virginia City Hybrid Energy Center via short and long-term contracts with various suppliers.

Finally, witness Hinson described how, with respect to its oil procurement practices, the Company purchases No. 2 fuel oil and No. 6 fuel oil requirements on the spot market and optimizes its inventory, storage, and transportation to ensure reliable supply.

Company witness Brookmire testified that the nuclear fuel market has softened considerably in the past eight to nine years, with uranium, conversion and enrichment markets all showing varying levels of decreased prices. This is largely due to the long-lasting impact of the earthquake and tsunami in Japan in March 2011, but also due to reductions in demand. He noted that some reductions in supply have in part offset some of the downward trend in demand. Witness Brookmire indicated that the price for conversion services has recently experienced some upward price life due to production cuts in the United States. He also noted that the cost for enrichment services has stabilized somewhat during the test period, and that despite prices in this market still being depressed, there has been some uplift in term price due to some recent interest in long-term enrichment services. He explained that while the price trend in the U.S. domestic nuclear fuel fabrication industry continues to be difficult to measure due to the lack of a spot market, the general consensus is that costs will continue to increase due to regulatory requirements, reduced competition, and underserved demand in the U.S. and abroad, and financial distress recently experienced by parent companies for U.S. nuclear fuel fabricators. He also pointed out that China's nuclear energy program continues to be a significant factor in supply and demand for uranium.

Witness Brookmire stated that these changes in market costs have not significantly impacted the Company's projected near-term costs, as the Company's current mix of longer-term front-end component contracts has reduced its exposure to the market price volatility that has occurred over the past several years. Witness Brookmire also pointed out that the 18-month refueling schedule for the Company's nuclear plants delays the full effect of any significant changes in a component price. He also noted that the Company has been active in the market and has some market-based and fixed price contracts that allow the Company to take advantage of current lower prices. Witness Brookmire testified that the Company continues to follow the same procurement practices as it has in the past in accordance with the procedures filed in Docket No. E-100, Sub 47A.

Witness Brookmire also testified that the President decided to take no action with regard to the Department of Commerce's recommendation on the Section 232 petition filed by two U.S. miners in January 2018. He explained that, in lieu thereof, the President formed the United States Nuclear Fuel Working Group consisting of certain cabinet members and other high-level agency staff. The Working Group was requested to examine the current state of domestic nuclear fuel production to reinvigorate the entire

nuclear fuel supply chain, consistent with U.S. national security and nonproliferation goals. Witness Brookmire testified that the Working Group's report was issued on April 23, 2020, but to date no significant market impacts have been realized.

No party offered testimony contesting the Company's fuel procurement practices. Based on the foregoing, the Commission concludes that the Company's fuel procurement and power purchasing practices during the test period were reasonable and prudent.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 4-5

The evidence for these findings of fact is contained in the direct testimony and exhibits of Company witnesses Campbell and Matzen.

Company witness Campbell's Schedule 3 identified that the Company's per books test period system sales were 84,774,176,000 kWh, and witness Matzen's Schedule 3 identified that the Company's per books test period system generation was 88,704,117 MWh. Witness Matzen's Schedule 3 identified that the per books test period system generation is categorized as follows:

<u>Generation Types</u>	<u>MWh</u>
Nuclear	27,724,152
Coal	7,149,876
Heavy Oil	87,868
Wood and Natural Gas Steam	893,933
Combined Cycle and Combustion Turbine	41,800,412
Solar and Hydro – Conventional and Pumped	3,050,046
Net Power Transactions	10,581,660
Less: Energy for Pumping	(2,583,830)

No other party offered testimony on the level of per books test period system MWh sales or generation. The Commission thus concludes that the foregoing test period per books levels of sales and generation are reasonable and appropriate for use in this proceeding.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 6

The evidence for this finding of fact is contained in the direct testimony of Company witness Matzen and the testimony of Public Staff witness Lawrence.

For purposes of determining the EMF rider, Commission Rule R8-55(k) requires that a utility must achieve either (a) an actual system-wide nuclear capacity factor in the test year that is at least equal to the national average capacity factor for nuclear production facilities based on the most recent five-year period available as reflected in the most recent Generating Availability Report of the North American Electric Reliability Corporation (NERC), appropriately weighted for size and type of plant, or (b) an average system-wide nuclear capacity factor, based upon a two-year simple average of the

system-wide capacity factors actually experienced in the test year and the preceding year, that is at least equal to the national average capacity factor for nuclear production facilities based on the most recent five-year period available as reflected in the most recent NERC Generating Availability Report, appropriately weighted for size and type of plant. Rule R8-55(k) also provides that, if a utility does not meet either standard, a rebuttable presumption is created that the increased cost of fuel was incurred imprudently, and a disallowance may be appropriate. Commission Rule R8-55(d)(1) provides that capacity factors for nuclear production facilities will be normalized based generally on the national average for nuclear production facilities as reflected in the most recent NERC Generating Availability Report, adjusted to reflect the unique, inherent characteristics of the utility facilities and any unusual events.

In his direct testimony, Company witness Matzen testified to the performance of the Company's major generating units during the test period. Witness Matzen also testified that the Company's net capacity factors during the test period for its four nuclear units were:

North Anna Unit 1	95.0%
North Anna Unit 2	99.2%
Surry Unit 1	90.3%
Surry Unit 2	92.6%

Thus, the aggregate capacity factor for the Company's nuclear units during the test period was 94.3%, which exceeded the five-year industry weighted average capacity factor of 92.2% for the period 2014-2018 for 800-999 megawatt (MW) units, as reported by NERC in its latest Generating Availability Report. -Witness Matzen testified in addition that, for the same five-year period (i.e., 2014-2018), the Company's net nuclear capacity factor was 94.3%, compared to the national average of 92.2%. Based on these figures, he stated that the Company's nuclear fleet performance during the test period was clearly better than the industry five-year average for comparable units.

Public Staff witness Lawrence testified that the Company met the standards of Commission Rule R8-55(k) with both an actual system-wide capacity factor and a two-year simple average of the system wide capacity factor that exceeded the NERC weighted average capacity factor.

Witness Lawrence testified that the Company met the standards of Commission Rule R8-55(k) for the test year by maintaining an actual system-wide nuclear capacity factor that exceed the NERC weighted average nuclear capacity factor of 92%. Additionally, he stated that the Company's two-year simple average of system-wide nuclear capacity factor exceeded the NERC weighted average nuclear capacity factor. Based on his investigations, he did not recommend any adjustments to the projected fuel prices for the calculation of the total fuel factor.

Based upon the evidence in the record, the Commission concludes that DENC managed its baseload plants prudently and efficiently to minimize fuel and fuel-related costs.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 7

The evidence for this finding of fact is contained in the direct testimony of Company witness Matzen.

Witness Matzen testified that for the 12-month rate period ending January 31, 2022, North Anna Unit 1 is projected to operate at a net capacity factor of 90.6%, North Anna Unit 2 is projected to operate at a net capacity factor of 90.6%, Surry Unit 1 is projected to operate at a net capacity factor of 92.8%, and Surry Unit 2 is projected to operate at a net capacity factor of 100.2%. Based on this projection, the Company normalized expected nuclear generation and fuel expenses in developing the proposed fuel cost rider. DENC's projected fuel costs are based on a 93.4% nuclear capacity factor, which is what DENC anticipates for the 12 months from February 1, 2021 through January 31, 2022, the period the new rates will be in effect. No party offered testimony contesting the projected normalized system nuclear capacity factor.

Based on the foregoing evidence, the Commission concludes that a projected normalized system nuclear capacity factor of 93.4% is reasonable and appropriate for use in this proceeding.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 8

The evidence for this finding of fact is contained in the direct testimony of the Company witness Beasley and the testimony of the Public Staff.

Witness Beasley testified that he was sponsoring the calculation of the adjustment to the Company's system sales for the 12 months ended June 30, 2020, due to changes in usage, weather normalization, and customer growth. -Witness Beasley stated the adjustment is consistent with the methodology used in the Company's last general rate case (Docket No. E-22, Sub 562) and the last fuel charge adjustment case (Docket No. E-22, Sub 579) with one exception. The workpapers supporting the change in usage, weather normalization, and customer growth calculation are provided in response to Rule R8-55 (e) (2). The Federal Government customers and usage in the Virginia Jurisdiction were removed and placed in the Virginia Non-Jurisdiction class and combined with the MS class. This was based upon an order from the Virginia State Corporation Commission to remove Federal Government customers and usage from the Virginia Jurisdiction cost of service. This revised MS/Federal Government group of customers in Virginia, although small in number and outside the North Carolina Jurisdiction, increased significantly in proportion due to this reclassification. This increase in customers and their associated usage created model results that predicted an increase in customers and kWh adjustments that are unlikely for the MS/Federal Government class in Virginia. Therefore,

in this proceeding the Company proposed no adjustment for increased usage weather effect or customer growth in the MS/Federal Government class.

For all others, Witness Beasley adjusted total system Company sales by 699,552,428 kWh. The Public Staff reviewed and accepted these adjustments. No other party offered or elicited testimony on the adjustment.

Based on the foregoing, the Commission concludes that the adjustments for changes in usage, weather normalization, and customer growth are reasonable and appropriate adjustments for use in this proceeding. The adjusted system sales for the 12 months ended June 30, 2020, are 85,444,348,726 kWh.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 9

The evidence for this finding of fact is contained in the direct testimony of Company witness Matzen.

Company witness Matzen presented an adjustment to per books MWh generation for the 12-month period ended June 30, 2020, to incorporate nuclear generation based upon the expected future operating parameters for each unit. Other sources of generation were then normalized, including an adjustment for weather, customer growth, and increased usage. This methodology for normalizing test period generation resulted in an adjusted generation level of 86,192,004 MWh, which is categorized as follows:

<u>Generation Types</u>	<u>MWh</u>
Nuclear	27,445,280
Coal (including wood and natural gas steam)	7,780,762
Heavy Oil	84,993
Combined Cycle and Combustion Turbine	40,433,562
Hydro	2,795,636
Solar	254,410
Net Power Transactions	10,235,601
Less: Energy for Pumping	(2,583,830)

No other party offered or elicited testimony on the adjusted test period system generation for use in this proceeding. Thus, based on the foregoing, the Commission concludes that the adjusted test period system generation level of 86,192,004 MWh is reasonable and appropriate for use in this proceeding.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 10

The evidence for this finding of fact is contained in the Sub 562 Order, the direct testimony of Company witness Matzen, and the testimony of Public Staff witness Li.

In her direct testimony, Company witness Matzen testified that as approved in the 2019 base rate case in Docket No. E-22, Sub 562, the Company is using an updated

marketer percentage of 71% to approximate the percentage of unreported power purchase costs related to fuel. Therefore, witness Matzen utilized the updated 71% marketer percentage to calculate the Company's costs associated with purchases of power from the PJM Interconnection, LLC (PJM) market and dispatchable non-utility generators. Public Staff witness Li stated that she verified that effective February 1, 2020, the Company began using the 71% marketer percentage.

Consistent with the Sub 562 Order and based on the evidence in this proceeding, the Commission concludes that it is reasonable for the Company to continue to apply a 71% marketer percentage to purchases from suppliers that do not provide DENC with actual fuel costs as a proxy for actual fuel costs associated with such purchases in this proceeding.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 11-13

The evidence for these findings of fact is contained in the direct testimony of Company witnesses Matzen and Beasley, and the testimony of Public Staff witness Lawrence.

Company witness Matzen presented the Company's system fuel expense for the test period and the normalized system fuel expenses for the upcoming rate period of \$1,568,811,597. He testified that the fuel over-recovery experienced by the Company during the test year was primarily driven by moderate winter weather and the absence of major spikes or movements in commodity prices. He further testified that he used the expense normalization methodology that has been used by the Company and approved in previous North Carolina annual fuel factor proceedings. Specifically, the first step in computing normalized system fuel expense is to calculate nuclear generation based on the expected future operating parameters for each unit. The expected generation from the nuclear units was calculated for the 12-month period ending January 2022. Other sources of generation were then normalized for the test period. The total of coal, heavy oil, combustion turbine and combined cycles, non-utility generation (NUG), and purchased energy during the test period was then calculated. A percentage of this total was then calculated for each of these resources. Normalized generation was computed by applying these percentages to a new total, including an adjustment for weather, customer growth, increased usage, and the net change in nuclear generation. He stated that this methodology for normalizing the test period generation resulted in adjusted annual system energy requirements of 86,192,004 MWh.

Witness Matzen also testified that during the test period the 142 MW Colonial Trail West Solar Facility was brought online in December 2019. In addition, the Spring Grove Solar Facility, an approximately 135 MW (nominal alternating current (AC)) facility located in Surry County, is expected to be in service later in 2020. He also testified that the Company is planning on retiring Possum Point Unit 5 in June 2021. This unit is fueled by #6 oil and would require a large expenditure on environmental equipment in order to remain in compliance. He concluded that the Company does not anticipate a significant impact to system fuel expense from any of these changes.

Company witness Beasley presented the Company's calculation of the base fuel component for the North Carolina jurisdiction and each customer class. He first determined the average system fuel factor of \$0.01838/kWh, based on system fuel expenses of \$1,568,811,597 and system sales of 85,444,348,726 kWh, that reflected adjustments for changes in usage, weather normalization, and customer growth. Witness Beasley also presented the calculations used to differentiate the jurisdictional base fuel component by voltage to determine the class fuel factors and testified that these are consistent with the methodology used in the Company's previous fuel proceeding, Docket No. E-22, Sub 579.

Public Staff witness Lawrence testified that the Public Staff recommended approval of the base fuel factors as shown in his Table 1 and are as follows for each of the Company's North Carolina retail customer classes:

<u>Customer Class</u>	<u>Base Fuel Factors</u>
Residential	\$0.02118 /kWh
SGS &PA	\$0.02115 /kWh
LGS	\$0.02098 /kWh
Schedule NS	\$0.02036 /kWh
6VP	\$0.02065 /kWh
Outdoor Lighting	\$0.02118 /kWh
Traffic	\$0.02118 /kWh

Witnesses Beasley and Lawrence testified to the proposed Rider A as set forth in Lawrence Table 1 as follows:

<u>Customer Class</u>	<u>Prospective Fuel Factors</u>
Residential	(\$0.00260) /kWh
SGS & PA	(\$0.00259) /kWh
LGS	(\$0.00256) /kWh
Schedule NS	(\$0.00249) /kWh
6VP	(\$0.00253) /kWh
Outdoor Lighting	(\$0.00260) /kWh
Traffic	(\$0.00260) /kWh

No other party offered or elicited testimony on the adjusted test period system fuel expense for use in this proceeding. In the Sub 562 Order, the Commission approved the marketer percentage, the system base fuel factor, and the North Carolina retail class-specific base fuel factors. Based upon that approval and the evidence presented in this proceeding, the Commission concludes that the appropriate level of fuel expenses to be used to set the prospective, or forward-looking, fuel factor in this proceeding is \$1,568,811,597 and the appropriate class-specific base fuel factors (including regulatory fee) are as set forth in Table 1 of Public Staff witness Lawrence's testimony in this case.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 14- 15

The evidence for these findings of fact is contained in the Company's Application, the direct testimony of Company witnesses Campbell, Matzen, and Beasley, the direct testimony of Public Staff witnesses Maness, Lawrence, and Li, and the rebuttal testimony of Company witness Campbell.

Company witness Matzen's direct testimony explained moderate winter weather and the absence of major spikes or movements in commodity prices during the test year resulted in a minor over-recovery of fuel costs. Company witness Campbell testified that the fuel costs allocated to North Carolina jurisdictional customers totaled \$77,177,781, while the Company received fuel revenues totality \$81,226,910. The difference between the fuel costs and the fuel revenues resulted in an over-recovery of \$4,049,129 for the test period. To determine the EMF (Rider B), Company witness Beasley added interest of \$641,112 to the net balance, divided the result by the adjusted jurisdictional test period sales of 4,135,568,372 kWh. He then used customer class expansion factors to differentiate the uniform factor by voltage to determine the North Carolina retail jurisdictional voltage differentiated EMF fuel factors at the sales level applicable to each class.

Public Staff witness Li's testimony stated that the Public Staff had reviewed the calculations of the EMF provided by DENC and based on that review recommended that DENC's EMF decrement rider (Rider B) for each customer class be based on a net over-recovery of fuel and fuel-related costs of \$4,690,241 including interest and the Company's pro forma North Carolina retail sales of 4,135,568,372 kWh. This conclusion is consistent with the Company's Application. She stated that this produces an EMF decrement rider (Rider B), of (\$0.00113) per kWh, (including the regulatory fee).

Witness Maness testified to inform the Commission of a matter that the Public Staff was in the process of reviewing that involves the intersystem sales component of the fuel and fuel-related cost factor. Witness Maness described the Public Staff's perspective on intersystem or off-system sales versus system sales, how the revenues and costs of such sales are typically determined, and how that methodology is applied in DENC fuel cases. He testified that no profit on intersystem sales is supposed to flow through the fuel factor, and explained that based on its review of the EMF proposed in this proceeding, the Public Staff believes it to be possible that while only the fuel costs associated with intersystem sales are being deducted from the EMF calculation, the corresponding increase in the fuel factor includes a portion of the margin above fuel costs associated with the purchase of that energy from PJM, thus creating a mismatch. He testified that because the determination of the fuel and other costs associated with intersystem sales is intertwined with the complex cost calculations performed by PJM, and set forth in its billings to the Company, the Public Staff had not been able to reach a definitive conclusion on this matter, and, thus, the Public Staff was not recommending an adjustment in this proceeding, but may recommend an adjustment in next year's or another future Company fuel factor proceeding.

Witness Campbell testified that the Company agrees with witness Maness that, since all or most of DENC's off-system sales are made to or through PJM, and thus the PJM cost and billing system is intertwined with the determination of the fuel cost of these sales, the tracking and accounting of the components of these sales is somewhat more complicated. He stated that the Company's position is that it appropriately accounts for the components of off-system sales in the fuel factor and in its general rate cases, and the Company has received no previous indication that a change in its accounting practices is warranted. However, the Company will continue to work with the Public Staff to address its concerns and any additional inquiries. Mr. Campbell recommended that to the extent that the Public Staff or the Commission raises the issue of how the Company accounts for off-system sales in the future, this issue should be addressed in coordination with the Company's next general rate case, since components of off-system sales are included in base rates.

Based on the evidence in this proceeding, the Commission concludes that the appropriate North Carolina retail test period jurisdictional fuel expense over-collection is \$4,690,241 including interest and that the adjusted North Carolina jurisdictional test period sales appropriate for computing the EMF (Rider B) are 4,135,568,372 kWh.

The Commission concludes that the appropriate EMF decrements (Rider B) for this proceeding including interest and the regulatory fee are as follows:

<u>Customer Class</u>	<u>EMF - Factors</u>
Residential	(0.115) ¢/kWh
SGS &PA	(0.114) ¢/kWh
LGS	(0.114) ¢/kWh
Schedule NS	(0.110) ¢/kWh
6VP	(0.112) ¢/kWh
Outdoor Lighting	(0.115) ¢/kWh
Traffic	(0.115) ¢/kWh

The Commission agrees with the witnesses that it is appropriate to take no action in this proceeding regarding the Company's intersystem sales as raised in the testimony of Witness Maness and rebuttal testimony of Company witness Campbell and to the extent this issue arises in future proceedings will consider it based on the evidence presented at that time.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 16

The evidence supporting this finding of fact is cumulative and is contained in the direct testimony and exhibits of Company witnesses Matzen, Campbell, Hinson, Brookmire, and Beasley, and the testimony of Public Staff witnesses Lawrence and Li.

Based upon the above findings and conclusions, the Commission finds and concludes that the total net fuel factors (including the regulatory fee) are as follows:

<u>Customer Class</u>	<u>Total - Fuel Factors</u>
Residential	1.743 ¢/kWh
SGS &PA	1.742 ¢/kWh
LGS	1.728 ¢/kWh
Schedule NS	1.677 ¢/kWh
6VP	1.700 ¢/kWh
Outdoor Lighting	1.743 ¢/kWh
Traffic	1.743 ¢/kWh

IT IS THEREFORE ORDERED as follows:

1. That effective beginning with usage on and after February 1, 2021, the Company shall implement Fuel Cost Rider A decrements for all classes as approved and set forth in the Evidence and Conclusions for Finding of Fact No. 13 above;

2. That the EMF Rider Rider B decrements as approved and set forth in the Evidence and Conclusions for Finding of Fact No. 15 above, shall be instituted and remain in effect for usage from February 1, 2021, through January 31, 2022;

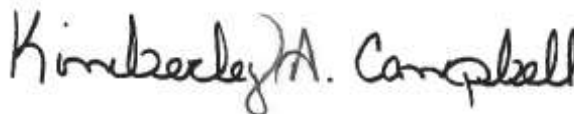
3. That the Company shall file appropriate rate schedules and riders with the Commission in order to implement the fuel charge adjustments approved herein as soon as practicable; and

4. That the Company shall work with the Public Staff to prepare a joint proposed Notice to Customers of the rate adjustments ordered by the Commission herein-and in Docket Nos. E-22, Sub 588 and Sub 589, and the Company shall file such proposed notice for Commission approval as soon as practicable.

ISSUED BY ORDER OF THE COMMISSION

This the 22nd day of January, 2021.

NORTH CAROLINA UTILITIES COMMISSION



Kimberley A. Campbell, Chief Clerk