



**NORTH CAROLINA  
PUBLIC STAFF  
UTILITIES COMMISSION**

October 12, 2020

Ms. Kimberley A. Campbell, Chief Clerk  
North Carolina Utilities Commission  
4325 Mail Service Center  
Raleigh, North Carolina 27699-4300

Re: Docket No. E-35, Sub 51 - Application for an Adjustment of Rates  
and Charges

Dear Ms. Campbell:

Attached for filing is the Joint Proposed Order of the Public Staff and  
Western Carolina University in the above-referenced docket.

By copy of this letter, I am forwarding a copy to all parties of record by  
electronic delivery.

Sincerely,

Electronically submitted  
s/ John D. Little  
Staff Attorney  
[john.little@psncuc.nc.gov](mailto:john.little@psncuc.nc.gov)

JDL/cla

Attachment

Executive Director  
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Economic Research  
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Energy  
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DOCKET NO. E-35, SUB 51

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of  
Application of Western Carolina University ) JOINT PROPOSED ORDER OF  
for an Adjustment of Rates and Charges ) WESTERN CAROLINA UNIVERSITY  
for Electric Service in North Carolina ) AND THE PUBLIC STAFF

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

APPEARANCES:

For Western Carolina University:

Gabriel Du Sablon, Counsel, Cauley Pridgen, P.A. 2500 Nash Street  
North, Suite C, Wilson, NC 27896

For the Using and Consuming Public:

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

BY THE COMMISSION: On February 4, 2020, Western Carolina University (WCU) filed with the Commission a notice of intent to file a general rate application.

On March 9, 2020, WCU filed an application with the Commission seeking authority to increase its rates for electric service in its service area in Jackson County, North Carolina. The application was accompanied by the testimony and exhibits of William R. O'Donnell, Senior Financial Analyst with Nova Energy Consultants, Inc.

In an order issued April 6, 2020, the Commission declared the docket to be a general rate case and suspended the proposed rates for up to 270 days.

On June 23, 2020, WCU filed a Notice of Amendment stating that it would be amending its March 9, 2020 application. The amended application was filed on June 24, 2020.

The Commission issued an order on July 17, 2020 scheduling hearings. The hearings were to be held remotely via WebEx because of restrictions on mass gathering imposed by Governor Cooper due to the spread of the coronavirus. A remote public comment hearing was scheduled for September 10, 2020 and the evidentiary hearing was scheduled for September 14, 2020. The July 17, 2020 order also directed WCU to provide notice of the proposed rate increase and provide proof that the notice was provided. The parties were directed to file a statement with the Commission indicating whether they consented or objected to holding the hearings remotely.

WCU filed its consent to a remote hearing on August 6, 2020. The Public Staff filed its consent to a remote hearing on August 10, 2020.

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

On August 27, 2020, the Public Staff filed a Notice of Settlement informing the Commission that the Parties had reached a settlement whereby WCU accepted the \$612,749 revenue requirement increase recommended by the Public Staff, and WCU and the Public Staff agreed that the methodology used by the Public Staff to set the embedded cost of debt will not be cited as precedent in future

proceedings. The Public Staff filed the Stipulation of Western Carolina University and the Public Staff (Stipulation) on September 9, 2020.

WCU filed an Affidavit of Publication on September 8, 2020 providing proof that notice of the proposed rate increase had been given to its customers.

No public comments regarding the proposed rate increase were received so the Commission issued an order on September 9, 2020 cancelling the public comment hearing.

Because the settlement left no unresolved issues, the Commission granted the Public Staff's Motion to Cancel Evidentiary Hearing by order entered September 11, 2020. This order also admits into the record the testimony and exhibits of the witnesses filed in this docket.

Based upon the verified application, amended application, the Commission's records, the parties' Stipulation, the affidavits, testimony, and exhibits received into evidence in this proceeding, and the record as a whole, 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 G.S. 116-35 with respect to the justness and reasonableness of its 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 its 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 a Stipulation on September 9, 2020, resolving all 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. 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%.

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

22. 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:

<b>Customer Class</b>	<b>Present Operating Revenues</b>	<b>Proposed Revenue Increase</b>	<b>Proposed Operating Revenues</b>
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

23. With regard to the cost of purchased power and the Purchased Power Adjustment (PPA) rider, the Parties agreed that it is appropriate and reasonable for the current procedure and method used to determine the annual PPA rider, which was first approved in Docket No. E-35, Subs 17 and 19, to continue. 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.

24. The Parties agreed that any Recommended Order approving the rates and charges agreed to in the Stipulation may become the Final Order of the Commission upon issuance, and further agreed to waive the right to file exceptions to the Recommended Order.

25. The Parties agreed to waive appeal of a Final Order of the Commission incorporating the matters stipulated to herein.

26. 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.

#### EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT 1-5

The evidence supporting these Findings of Fact is contained in the verified application and the amended application; the affidavits, testimony, and exhibits of the Parties; the Stipulation; and the Commission's records. These Findings of Fact are essentially informational and uncontradicted.

#### EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT 6

The evidence supporting this Finding of Fact is contained in the Commission's records. No customers or other non-expert public witnesses submitted any comments regarding the quality of service by WCU. In conclusion, there is nothing in the record to support a finding that the level of service provided by WCU is less than adequate.

#### EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT 7

The evidence supporting this Finding of Fact is contained in the affidavits filed by WCU on September 8, 2020, indicating that customer notice had been given in accordance with the Commission's Order. No one took issue with these affidavits, and the Commission concludes that WCU gave sufficient and proper notice to its customers of the proposed increase in rates.

#### EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT 8-26

The evidence supporting these Findings of Fact is contained in the verified application; the 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 increase was \$612,749.

Based on its review of the entire record in this proceeding, the Commission concludes that the Stipulation between the Applicant and the Public Staff is reasonable and appropriate for purposes of this proceeding, and 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 not later than ten (10) days from the date of this Order reflecting the rates and fees designed to produce the increase in revenues as approved herein.

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

ISSUED BY ORDER OF THE COMMISSION.

This the \_\_\_\_\_ day of \_\_\_\_\_, 2020.

NORTH CAROLINA UTILITIES COMMISSION

Kimberley A. Campbell, Chief Clerk