STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-22, SUB 545

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 Approval of Demand Side Management and Energy Efficiency Cost Recovery Rider Pursuant to G.S. 62-133.9 and Commission Rule R8-69	))))))	ORDER APPROVING DSM/EE RIDER AND REQUIRING FILING OF PROPOSED CUSTOMER NOTICE

HEARD: Monday, November 6, 2017, at 1:40 p.m. in Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

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

APPEARANCES:

For Dominion Energy North Carolina:

E. Brett Breitschwerdt, McGuireWoods, LLP, 434 Fayetteville Street, Suite 2600, Raleigh, North Carolina 27601

For the Using and Consuming Public:

Heather D. Fennell, Staff Attorney, Public Staff – North Carolina Utilities Commission, 4326 Mail Service Center, Raleigh, North Carolina 27699-4300

BY THE COMMISSION: General Statute 62-133.9(d) authorizes the North Carolina Utilities Commission (Commission) to approve an annual rider to the rates of electric utilities to recover all reasonable and prudent costs incurred for the adoption and implementation of new demand-side management and energy efficiency (DSM/EE) programs. In accordance with Commission Rule R8-69(b), such rider consists of the utility's reasonable and appropriate estimate of expenses expected to be incurred during the rate period and a DSM/EE experience modification factor (DSM/EE EMF) rider to collect or refund the difference between the utility's actual reasonable and prudent costs incurred during the test period and actual revenues realized during the test period under the DSM/EE rider then in effect. The Commission is also authorized to award incentives to electric utilities for adopting and implementing new DSM/EE programs, including appropriate rewards based on the sharing of savings achieved by the programs. These utility incentives are included in the utility's reasonable and appropriate estimate of expenses expected to be incurred during the rate period and DSM/EE EMF riders described above.

Further, Commission Rule R8-69(b) provides that the Commission will each year conduct a proceeding for each electric utility to establish an annual DSM/EE rider to recover DSM/EE related costs and utility incentives. Commission Rule R8-69(e) provides that the annual DSM/EE cost recovery rider hearing for each public utility will be scheduled as soon as practicable after the annual fuel and fuel-related charge adjustment proceeding held by the Commission for the electric public utility under Commission Rule R8-55.

On August 15, 2017, Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina (DENC or the Company), filed in this docket its Application for Approval of Cost Recovery for Demand-Side Management and Energy Efficiency Measures (Application), seeking approval of new DSM/EE rider rates to recover the Company's reasonable and prudent DSM/EE costs, common costs, taxes, net lost revenues (NLR), and a DSM/EE Program Performance Incentive.

Pertinent Proceedings in Prior Dockets

The Commission most recently approved DENC's recovery of its reasonable and prudent DSM/EE costs and utility incentives by Order issued on December 19, 2016, in Docket No. E-22, Sub 536 (2016 Order).

On October 14, 2011, in Docket No. E-22, Sub 464, the Commission issued its Order Approving Agreement and Stipulation of Settlement, Approving DSM/EE Rider, and Requiring Compliance Filing (2010 Cost Recovery Order). In the 2010 Cost Recovery Order, the Commission approved the Agreement and Stipulation of Settlement between the Public Staff and the Company (Stipulation), filed on March 2, 2011, as well as the Cost Recovery and Incentive Mechanism (Mechanism), attached as Stipulation Exhibit 1 to the Stipulation (collectively, Stipulation and Mechanism).

On December 13, 2011, in Docket No. E-22, Sub 473, the Commission issued its Order Approving DSM/EE Rider and Requiring Customer Notice in DENC's 2011 DSM/EE cost recovery proceeding (2011 Cost Recovery Order). The 2011 Cost Recovery Order also approved a first Addendum to the Stipulation and Mechanism (Addendum I) related to jurisdictional allocation of DSM/EE costs. Addendum I was then incorporated as part of the Stipulation and Mechanism.

On April 29, 2013, in Docket No. E-22, Sub 486, the Commission issued its Order Granting Conditional Approval of Cost Assignment Proposal that approved a cost assignment methodology for allocating 100% of the incremental costs of DENC's prospective North Carolina-only Commercial Lighting Program and HVAC Upgrade Program to the North Carolina retail jurisdiction. On December 18, 2013, in Docket No. E-22, Sub 494, the Commission approved this cost assignment methodology for programs offered only in North Carolina as the second Addendum to the Stipulation and Mechanism (Addendum II). Addendum II was then incorporated as part of the Stipulation and Mechanism.

On May 7, 2015, in Docket No. E-22, Sub 464, the Commission also issued its Order Approving Revised Cost Recovery and Incentive Mechanism and Granting Waiver (Order on Revised Mechanism). The Order on Revised Mechanism approved an updated Cost Recovery and Incentive Mechanism for Demand Side Management and Energy Efficiency Programs (Revised Mechanism). The Revised Mechanism is effective for projected DSM/EE costs and utility incentives on and after January 1, 2016, and for true-up of DSM/EE costs and utility incentives for the period beginning July 1, 2014, through December 31, 2014, and on a lagging calendar year basis thereafter. The Revised Mechanism replaced the similar Mechanism that had been in effect since 2011. However, it also contained a provision stating that beginning with 2017, DENC would switch the calculation of the utility incentive approved for inclusion in its DSM/EE and DSM/EE EMF riders from a Program Performance Incentive to a Portfolio Performance Incentive (PPI).

On May 22, 2017, in Docket No. E-22, Sub 464, the Commission issued its Order Approving Revised Cost Recovery and Incentive Mechanism (2017 Mechanism). The 2017 Mechanism became effective as of May 22, 2017, for projected costs and utility incentives beginning January 1, 2018, and for true-ups of costs and utility incentives beginning January 1, 2017, and is used in this proceeding to calculate the Rider C billing rates related to DSM and EE measures projected to be installed or implemented for Vintage Year 2018.

Proceedings in the Present Docket

On August 15, 2017, DENC filed its Application for Approval of Cost Recovery for Demand-Side Management Programs and Energy Efficiency Measures consisting of the direct testimony of Michael T. Hubbard, and the direct testimonies and exhibits of Deanna R. Kesler, Jarvis E. Bates, Alan J. Moore, Melba L. Lyons, and Debra A. Stephens. In summary, DENC's Application seeks recovery of DENC's reasonable and appropriate estimate of expenses and utility incentives expected to be incurred during the rate period, Rider C, and a DSM/EE EMF rider, Rider CE, to collect or refund the difference between DENC's actual reasonable and prudent costs and utility incentives incurred during the test period and actual revenues realized during the test period under the DSM/EE rider then in effect.

On August 24, 2017, DENC filed corrections at page 5 of witness Stephens' direct testimony to the projected typical customer bill impacts of proposed Riders C and CE.

On August 30, 2017, the Commission issued an Order Scheduling Hearing, Requiring Filing of Testimony, Establishing Discovery Guidelines, and Requiring Public Notice. Pursuant to this Order, the Commission established deadlines for the filing of petitions to intervene, intervenor testimony and exhibits, and Company rebuttal testimony and exhibits, scheduled a hearing to be held on Monday, November 6, 2017, in Raleigh, North Carolina, and required DENC to publish a customer notice.

The intervention and participation in this docket by the Public Staff is recognized pursuant to G.S. 62-15(d) and Commission Rule R1-19(e). No other parties intervened or presented testimony in this docket.

On October 23, 2017, the Public Staff filed the affidavit and exhibit of Michael C. Maness, Director, Accounting Division, and the testimony of Jack L. Floyd, Engineer, Electric Division.

On October 25, 2017, DENC filed its Affidavit of Publication indicating that it had provided notice in newspapers of general circulation.

On October 31, 2017, DENC filed the rebuttal testimony of Deanna R. Kesler and the rebuttal testimony and accompanying exhibit of Alan J. Moore.

On November 1, 2017, the Public Staff and DENC filed a Joint Motion to excuse witnesses from appearing at the November 6, 2017, expert witness hearing, stating that they had reached agreement on all issues in this docket and had agreed to waive cross-examination of each other's witnesses. On November 3, 2017, the Commission issued an Order granting the Joint Motion.

On November 3, 2017, the Public Staff filed a letter with the Commission stating that based on its detailed review of the costs of the portfolio of DSM/EE programs of DENC incurred during the 12-month test period ended December 31, 2016, that the revised DSM/EE EMF revenue requirement of $201,456 set forth in Company Exhibit No. AJM-1, Rebuttal Schedule 2, and the Company-proposed Rider C and Rider CE billing rates set forth in the Company's August, 15, 2017 filing in this proceeding be approved.

On November 6, 2017, the Commission held the hearing as scheduled. No public witnesses appeared at the hearing.

On December 14, 2017, DENC and the Public Staff filed a Joint Proposed Order.

Based upon DENC's Application, the testimony, affidavits, and exhibits received into evidence at the hearing, and the record as a whole, the Commission makes the following:

FINDINGS OF FACT

1. Virginia Electric and Power Company (VEPCO) operates in the State of North Carolina as DENC. VEPCO, d/b/a DENC, is engaged in the business of generating, transmitting, distributing, and selling electric power and energy to the public for compensation in North Carolina, and is subject to the jurisdiction of the North Carolina Utilities Commission as a public utility.

2. DENC is lawfully before the Commission based upon its Application filed pursuant to G.S. 62-133.9 and Commission Rule R8-69.

3. Pursuant to the 2017 Mechanism, the rate period for purposes of this proceeding is the 12-month period of January 1, 2018, through December 31, 2018.

4. Pursuant to the 2017 Mechanism, the test period for purposes of this proceeding is the 12-month period of January 1, 2016, through December 31, 2016.

5. DENC has requested rate period recovery of costs and utility incentives (NLR and PPI) related to the following approved DSM/EE Programs: (a) Phase I Air Conditioner Cycling Program; (b) Phase II DSM/EE programs: Non-residential Energy Audit Program, Non-residential Duct Testing and Sealing Program, Residential Home Energy Check-Up Program, Residential Duct Sealing Program, Residential Heat Pump Tune-Up Program, and Residential Heat Pump Upgrade Program; (c) Phase III DSM/EE programs: Non-residential Lighting Systems and Controls Program, Non-residential Heating & Cooling Efficiency Program, and Non-residential Window Film Program; (d) the Phase IV Income and Age Qualifying Home Improvement Program; (e) the Phase V Small Business Improvement Program, the North Carolina-only Residential Retail LED Lighting program; and the proposed Phase VI Non-Residential Prescriptive Program.[1]

6. In addition, DENC has requested test period recovery of costs and utility incentives related to the following approved DSM/EE Programs: Residential Low Income Program, Commercial Lighting Program, Commercial HVAC Program, Air Conditioner Cycling Program, Residential Heat Pump Tune Up Program, Residential Heat Pump Upgrade Program, Residential Home Energy Check Up Program, Residential Duct Sealing Program, Non-residential Duct Testing and Sealing Program, Non-residential Energy Audit Program, Non-residential Heating and Cooling Efficiency Program, Non-residential Lighting Systems and Controls Program, Residential Lighting Program, Non-residential Window Film Program, Small Business Improvement Program, North Carolina-only Residential LED Lighting Program, and the Residential Income and Age Qualifying Home Improvement Program.

7. Recovery of DENC's forecasted DSM/EE program costs, common costs, NLR, and PPI, as well as a true-up of DENC's test period DSM/EE program costs, common costs, NLR, and PPI, is subject to the terms of the 2017 Mechanism. DENC

[1] This program was approved by the Commission's Order in Docket No. E-22, Sub 543 on October 16, 2017.

should be allowed to recover its projected rate period and actual test period costs and utility incentives associated with offering each of its approved programs as requested in its Application, as revised in its October 31, 2017, rebuttal filing. The requested cost recovery of program costs, common costs, NLR, and PPI is reasonable and consistent with the 2017 Mechanism previously approved by the Commission.

8. DENC is not seeking recovery of projected period NLR in Rider C, and its request to true up NLR in Rider CE in future proceedings is reasonable.

9. DENC's proposed North Carolina retail DSM/EE Rider C rate period revenue requirement of $3,542,469, consisting of DSM/EE program costs, common costs, and a PPI, is reasonable.

10. For purposes of determining its DSM/EE EMF, Rider CE, DENC's reasonable and prudent North Carolina retail total revenue requirement for the DSM/EE EMF test period, consisting of DSM/EE program costs, common costs, and utility incentives, is $201,456, as set forth in its October 31, 2017, rebuttal filing.

11. Rider C as proposed in the Application is reasonable and appropriate, and consists of the following customer class billing factors: Residential – 0.113 ¢/kWh; Small General Service and Public Authority – 0.146 ¢/kWh; Large General Service – 0.112 ¢/kWh; and no charge for 6VP, NS, Outdoor Lighting, or Traffic Lighting. It is reasonable and appropriate for Rider C to become effective for usage on and after January 1, 2018. The impact of the Regulatory Fee is too small to change these billing factors.

12. Rider CE as proposed in the Application and in the October 31, 2017, rebuttal filing is reasonable and appropriate, and consists of the following increments to customer class billing factors: Residential – 0.007 ¢/kWh; Small General Service and Public Authority – 0.008 ¢/kWh; Large General Service – 0.006 ¢/kWh; and no charge for 6VP, NS, Outdoor Lighting, and Traffic Lighting. It is reasonable and appropriate for Rider CE to become effective for usage on and after January 1, 2018. The impact of the Regulatory Fee is too small to change these billing factors.

13. DENC requested the recovery of NLR in the amount of $500,942 and PPI in the amount of $270,150 for the test period, and a projected PPI of $313,603, but no NLR, for the rate period. DENC's calculation and proposed recovery of NLR and PPI is consistent with the 2017 Mechanism, and is appropriate for recovery in this proceeding.

14. The jurisdictional and customer class cost allocations for Rider C and Rider CE included in the testimony and exhibits of Company witness Lyons are acceptable for purposes of this proceeding and are consistent with the 2017 Mechanism.

15. DENC satisfactorily explained its Company sponsorship and consumer education and awareness activities and the volume of activity associated with such initiatives during the test period, as directed by the Commission in the 2016 Order. It is

appropriate for DENC to continue to provide such information to the Commission in future rider proceedings.

16. The evaluation, measurement, and verification (EM&V) analyses and reports prepared by DENC are reasonable for purposes of this proceeding. The EM&V data provided by DENC and reviewed by the Public Staff for vintage year 2016 and earlier vintages are sufficient to consider those vintage years complete for all programs operating in those years.

17. The Public Staff's suggested corrections to input data into the algorithms used to calculate the vintage year savings for the Residential Home Energy Check Up, Non-Residential Energy Audit Program, Non-Residential Duct Testing and Sealing Program, Non-Residential Heating and Cooling Efficiency Program, and the Non-Residential Lighting Systems and Controls Program are reasonable and should be made by the Company.

18. It is reasonable for the Company to continue its current practice regarding changes or corrections to EM&V data by recalculating the savings with the corrected data and adjusting the savings in future years to account for the changes or corrections in the input data. Therefore, it is appropriate for DENC's future EM&V reports to clearly identify any corrections to previous vintage year savings separate from the savings associated with the test year that is the subject of the EM&V report.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-4

These findings of fact are essentially informational, procedural, and jurisdictional in nature and are uncontroverted. The rate period and test period used by DENC are consistent with the 2017 Mechanism approved by the Commission in Docket No. E-22, Sub 464, and with Commission Rule R8-69.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 5-8

The evidence for these findings of fact is contained in DENC's Application, the direct testimony and exhibits of Company witnesses Hubbard, Kesler, Bates, and Moore, the rebuttal testimony and exhibits of witness Moore, and the affidavit of Public Staff witness Maness and testimony of Public Staff witness Floyd.

Company witness Moore testified that he included in the Rider C (rate period) revenue requirement certain projected costs associated with: (a) Phase I Air Conditioner Cycling Program; (b) Phase II DSM/EE programs: Non-residential Energy Audit Program, Non-residential Duct Testing & Sealing Program, Residential Home Energy Check-Up Program, Residential Duct Sealing Program, Residential Heat Pump Tune-Up Program, and Residential Heat Pump Upgrade Program; (c) Phase III DSM/EE programs: Non-residential Lighting Systems and Controls Program, Non-residential Heating and Cooling Efficiency Program, and Non-residential Window Film Program; (d) the Phase IV Income and Age Qualifying Home Improvement Program; (e) the Phase V Small Business

Improvement Program, the Residential North Carolina-only Retail LED Lighting program; and the proposed Phase VI Non-Residential Prescriptive Program.[2] Witness Moore also testified that he incorporated the projected PPI amounts provided by Company witness Bates in his development of the Rider C revenue requirement.

Company witness Moore also testified that the Rider CE revenue requirement in the present case includes true-up for the Phase I, Phase II, Phase III, Phase IV, Phase V, and proposed Phase VI programs during the January 1, 2016, to December 31, 2016, test period, incorporating actual costs, NLR, and PPI. As mentioned in the testimony of Company witness Hubbard, the Phase I programs included Residential Low Income, Residential Lighting, Commercial HVAC Upgrade, and Commercial Lighting (all now closed) as well as the ongoing Residential Air Conditioner Cycling program.

Company witness Bates identified and explained the nature of common costs that are incurred to support DSM/EE programs generally, but are not tied to specific programs.

Public Staff witness Floyd concurred with the programs listed by DENC for cost and incentive recovery in this proceeding.

Company witness Kesler presented testimony and exhibits setting forth the Company's estimated Utility Cost Test (UCT) and Total Resource Cost (TRC) test results for vintage year 2018 for (1) the active DSM and EE programs that are not subject to closure or suspension, and (2) the Air Conditioner Cycling Program. As shown on her exhibits, all programs have TRC results above 1.0, indicating cost effectiveness, with the exception of the Residential Income and Age Qualifying Home Improvement Program and the Small Business Improvement Program. All programs have UCT results above 1.0, with the exception of the Residential Income and Age Qualifying Home Improvement Program, Small Business Improvement Program, and the AC Cycling Program.

Company witness Hubbard also testified that DENC has not projected NLR for the rate period, consistent with its approach in the 2014, 2015, and 2016 DSM/EE cost recovery riders. He proposed to true-up NLR in future proceedings. Witness Hubbard also stated that the Company had not identified any found revenues. The Commission finds the DENC approach to recovery of NLR, and the lack of found revenues, to be reasonable in this proceeding. Public Staff witness Maness testified that in his opinion, the Company had generally calculated its proposed Rider C DSM/EE billing rates, which include these simplified approaches, in a manner consistent with G.S. 62-133.9, Commission Rule R8-69, and the 2015 and 2017 Mechanisms.

Consistent with the Commission's previous orders approving DENC's DSM/EE programs and the evidence in the record, the Commission finds and concludes that DENC should be allowed to recover its projected rate period and actual test period costs and utility incentives (NLR and PPI) associated with offering each of its approved Programs as requested in its Application and its direct and rebuttal testimony and exhibits. The

[2] This program was approved by the Commission's Order in Docket No. E-22, Sub 543 on October 16, 2017.

Commission also finds and concludes that the requested cost recovery of program costs, common costs, NLR, and PPI is consistent with the 2017 Mechanism previously approved by the Commission. Further, the Commission finds and concludes that DENC's request to true-up NLR in Rider CE in future proceedings is reasonable.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 9-14

The evidence for these findings of fact is contained in the Company's Application; the direct testimony and exhibits of Company witnesses Hubbard, Kesler, Moore, Bates, Lyons, and Stephens; the rebuttal testimony and exhibit of witness Moore; and the affidavit and exhibit of Public Staff witness Maness.

Company witness Bates determined the system-wide program and common costs for the DSM/EE programs in the rate period and in the test period. He also calculated the PPI for each program.

Company witness Lyons allocated the common costs among the DSM/EE programs. She then allocated a share of the system-wide program costs (including common costs as allocated to the individual programs) to the North Carolina retail jurisdiction. Pursuant to the 2017 Mechanism, DSM costs were allocated on the basis of the Company's coincident peak, and EE costs were allocated on the basis of energy. Finally, witness Lyons allocated the North Carolina retail jurisdictional costs among the North Carolina retail customer classes pursuant to the methodology set out in the 2017 Mechanism.

Company witness Moore used the operating expenses, capital costs, and PPI as provided by witness Bates, and as allocated jurisdictionally by witness Lyons, to develop a rate period revenue requirement for Rider C. He indicated the Company was not requesting any projected NLR amount be included in Rider C for recovery during the rate period. For capital costs, he used a 7.15% depreciation rate from the Company's updated depreciation study, and used the 9.90% rate of return on common equity approved in the Company's most recent general rate case (Docket E-22, Sub 532).

Likewise, witness Moore developed the test period true-up revenue requirement for Rider CE by comparing the test period actual revenues, received from the Company's accounting department, with the test period costs, NLR, and PPI, as provided by witness Bates and as allocated jurisdictionally by witness Lyons. For Rider CE, he determined the amount of NLR by taking the applicable non-fuel base rates provided by witness Stephens, and the jurisdictional energy savings as provided by witness Kesler, and then excluding lost revenues (1) outside the 36-month window established in the 2017 Mechanism, and (2) already recognized through non-fuel base rates. Further, he determined the carrying costs on deferrals and the financing costs on any over-recoveries.

Public Staff witness Maness testified that his investigation of DENC's filing in this proceeding focused on determining whether the proposed DSM/EE and DSM/EE EMF billing rates were calculated in accordance with the Revised and 2017 Mechanisms, and otherwise adhered to sound ratemaking concepts and principles. He stated that among the other procedures performed by the Public Staff, the investigation included a review of the actual DSM/EE program costs incurred by DENC during the 12-month period ended December 31, 2016, through the selection and review of a sample of source documentation for test year costs for which the Company seeks recovery. This process was intended to test whether the actual costs included by the Company in the DSM/EE billing rates are either valid costs of approved DSM and EE programs or administrative (common) costs supporting those programs.

In rebuttal testimony filed on October 31, 2017, DENC witness Moore stated that through discovery, the Company had discovered that the months of February and March 2016 included erroneous charges for the Air Conditioning Cycling program's Plant in Service balance that were subsequently adjusted out in May 2016. However, the February and March 2016 monthly balances used in the originally submitted Rider CE revenue requirement had not been adjusted to reflect this correction. Making these final adjustments reduced the Company's proposed Rider CE revenue requirement by $974, to $201,456. Witness Moore further testified that the Company had determined that the Rider CE billing rates calculated based upon the rebuttal Rider CE revenue requirement did not change from the Rider CE rates included in the Company's direct filing.

On November 3, 2017, the Public Staff filed a letter with the Commission stating that based on its detailed review of the costs of the portfolio of DSM/EE programs of DENC incurred during the 12-month test period ended December 31, 2016, the Public Staff did not recommend any further adjustments to those costs, and recommended that the revised DSM/EE EMF revenue requirement of $201,456 set forth in Company Exhibit No. AJM-1, Rebuttal Schedule 2, and the Company-proposed Rider C and Rider CE billing rates set forth in the Company's August 15, 2017 filing, be approved.

On Exhibit AJM-1, Schedule 1, page 1, as filed on August 15, 2017, witness Moore calculated DENC's requested North Carolina retail rate period (January 1, 2018, through December 31, 2018) revenue requirement (for Rider C) as follows:

1.	Operating Expense	$3,091,006
2.	Capital Cost	$ 137,860
3.	NLR	$ 0
4.	PPI	$ 313,603
5.	Total	$3,542,469

On Company Exhibit AJM-1, Rebuttal Schedule 2, as filed on October 31, 2017, witness Moore calculated DENC's requested North Carolina retail test period DSM/EE EMF (January 1, 2016, through December 31, 2016) revenue requirement (for Rider CE) as follows:

Operating expenses	$ 2,569,642
Capital costs (depr, rate base, prop. taxes)	$ 123,665
NLR	$ 500,943
PPI	$ 270,149
Test period Rider C revenues	($ 3,222,514)
Net revenue requirement subtotal	$ 241,885
Carrying costs	($ 40,429)
Interest on EMF refund	($ 0)
Total Rider CE revenue requirement	$ 201,456

Company witness Lyons, in Exhibit MLL-1, Schedule 3, pages 2 and 4, allocated the Rider C and initial Rider CE revenue requirement among the North Carolina retail customer classes. The results of her allocation for Rider C are shown below and set forth on Company Exhibit DAS-1, Schedule 1, page 9 of 10. Using the same methodology as used by witness Lyons, the Company allocated the initial Rider CE revenue requirement of $202,430 as also shown below and set forth on Company Exhibit DAS-1, Schedule 4, page 1 of 2:

Rate Class	Rider C Amount	Rider CE Amount
Residential	$ 1,791,897	$ 104,662
SGS Co & Muni	$ 1,203,229	$ 67,200
LGS	$ 547,343	$ 30,569
6VP	$ 0	$ 0
NS	$ 0	$ 0
ST & Outdoor Lighting	$ 0	$ 0
Traffic Lighting	$ 0	$ 0

Company witness Stephens discussed how she calculated the Rider C and Rider CE rates proposed for the rate period. She determined the North Carolina retail forecasted net kWh sales for the rate period by revenue class, and further allocated those forecasted sales down to customer (rate) classes, less the kWh sales for customers who have opted out of the DSM/EE rider. Witness Stephens testified that she then divided the customer class revenue requirements by customer class forecasted kWh sales to calculate Rider C. She used the same methodology to calculate Rider CE for the test period. However, witness Moore testified that the Rider CE rates supported by his rebuttal testimony did not change from those initially filed. Thus, the Company did not file updated Rider CE calculations or tariff sheets.

Company witness Stephens also testified that she provided witness Moore with the monthly non-fuel average base rates for his use in determining lost revenues.

The Application, witness Stephens' Company Exhibit DAS-1, Schedule 1, page 10 and Schedule 4, page 2, and the rebuttal testimony and exhibits filed by witness Moore support the following customer class Rider C and Rider CE billing factors to be put into effect on January 1, 2018:

CUSTOMER CLASS	RIDER C RATE (cents/kWh)	RIDER CE RATE (cents/kWh)
Residential	0.113	0.007
Small General Service & Public Authority	0.146	0.008
Large General Service	0.112	0.006
6VP	0.000	0.000
NS	0.000	0.000
Outdoor Lighting	0.000	0.000
Traffic Lighting	0.000	0.000

The billing factors are unchanged by the Regulatory Fee.

Based upon the evidence presented above and the entire record in this proceeding, the Commission finds and concludes that the DSM/EE EMF revenue requirement and proposed Rider CE billing factors to be charged during the rate period, as proposed in DENC's direct and rebuttal filings, are appropriate. The Commission also finds and concludes that the projected DSM/EE rate period revenue requirement and Rider C billing factors to be charged during the rate period, as proposed in DENC's direct filing, are appropriate. With regard to the requested recovery of NLR and PPI, the Commission finds and concludes that the amounts are appropriate for recovery in this proceeding and are calculated in a manner consistent with the 2017 Mechanism.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 15

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

In response to Ordering Paragraph No. 5 of the Commission's 2016 Order, Company witness Bates provided information on consumer education and awareness initiatives conducted by VEPCO's Energy Conservation (EC) department during the test period. He explained that most of the Company's communication and outreach activities are tied directly to specific DSM/EE programs, so actual costs for general education and awareness are limited. The EC department relies heavily on online tools for general education; their web pages received around 300,000 visits in the test period, and the web pages for the implementation contractor, Honeywell, also received over 116,000 visits. Other general education and awareness tools included use of social media and airing of stories on local television stations.

The Public Staff did not oppose DENC's consumer education and awareness activities or costs.

Based on the evidence presented above and all the information in the record, the Commission finds and concludes that DENC's consumer education and awareness activities and costs are reasonable for purposes of this proceeding. Further, the Commission finds and concludes that the Company shall continue to include a list of consumer education and awareness activities and the volume of activity associated with each during the test period in its annual DSM/EE cost recovery filing.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NOS. 16-18

The evidence for these findings of fact is contained in the direct and rebuttal testimony of Company witnesses Kesler, the EM&V report filed by DENC on May 1, 2017, in Docket No. E-22, Sub 536, and the testimony of Public Staff witness Floyd.

DENC witness Kesler testified that the Company had included a chronology of changes to program attributes in its 2017 EM&V report for calendar year 2016, as recommended by the Public Staff. Witness Kesler noted that DENC plans to file its next EM&V report on May 1, 2018, to match filing requirements in Virginia.

Public Staff witness Floyd testified that he had reviewed DENC's 2017 EM&V report for calendar year 2016 with the assistance of GDS Associates. He was of the opinion that the 2017 EM&V report for calendar year 2016 complied with previous Commission orders pertaining to EM&V, although during his review he concluded that several of the algorithms used to calculate vintage year savings contained input data that were either misapplied or input incorrectly in the calculation itself. Those inputs were related to the temperature differences related to low flow showerhead, waste heat factors for non-residential lighting applications, and full load heating hours of heat pumps. He further testified that by correcting these inputs, the savings associated with vintage year 2016 would likely need to be adjusted in the next rider proceeding. Witness Floyd also testified, however, that DENC's third party EM&V evaluator had acknowledged that corrections needed to be made, and that the Company proposed to make them in the next EM&V filing in the spring of 2018.

Further, Public Staff witness Floyd recommended that, although there were no issues with the Company's current practice regarding changes to its EM&V algorithms, it would be appropriate for DENC's future EM&V reports to clearly identify any corrections to previous vintage year savings separate from the savings associated with the test year that is the subject of the EM&V report. Specifically, witness Floyd recommended that the evaluator may report the total savings for the test year in the EM&V report, but should also separately identify any changes or corrections.

In response to witness Floyd's recommendations, DENC witness Kesler noted that the Company agreed with witness Floyd's recommended EM&V calculation corrections, and would file such corrections to the 2017 EM&V Report as soon as possible but no later than December 31, 2017. Additionally, witness Kesler stated that the corrected values and associated updates to the EM&V process would also be reflected in the Company's next annual EM&V report, to be filed on or before May 1, 2018, with the Commission, as well as in future DENC DSM cost recovery and program application filings. Company witness Kesler also testified that the Company generally agreed with witness Floyd's recommendations on presentation of future EM&V corrections and changes, and that the Company and its third party evaluator would work with the Public Staff to develop a process going forward for implementing corrections and changes to the EM&V process and a reporting function to be implemented starting with the Company's 2018 EM&V Report.

The Public Staff also filed a letter on November 3, 2017, stating that DENC is appropriately incorporating the results of its EM&V efforts into the DSM/EE rider calculations, and that the EM&V for vintage year 2016 and earlier vintages could be considered complete.

Based on the foregoing, the Commission finds and concludes that the EM&V analyses and reports prepared by DENC are reasonable for purposes of this proceeding.

The Commission also accepts the recommendations of Public Staff witness Floyd on future reporting processes used by the Company for implementing corrections and changes to the EM&V reporting process. The Commission concludes that DENC should file any outstanding corrections to its 2017 EM&V Report with the EM&V report the Company plans to file in the spring of 2018 for Year 2017, and work with the Public Staff to develop a process going forward for implementing corrections and changes to the EM&V process and a reporting function to be implemented starting with the Company's 2018 EM&V Report.

IT IS, THEREFORE, ORDERED as follows:

1. That the appropriate annual DSM/EE rider, Rider C, to become effective on and after January 1, 2018, consists of the following customer class billing factor increments (including Regulatory Fee): Residential – 0.113 ¢/kWh; Small General Service and Public Authority – 0.146 ¢/kWh; Large General Service – 0.112 ¢/kWh; and no charge for 6VP, NS, Outdoor Lighting and Traffic Lighting.

2. That the appropriate annual DSM/EE EMF rider, Rider CE, to become effective on and after January 1, 2018, consists of the following customer class increment billing factors (including Regulatory Fee): Residential – 0.007 ¢/kWh; Small General Service and Public Authority – 0.008 ¢/kWh; Large General Service – 0.006 ¢/kWh; and no increment or decrement for 6VP, NS, Outdoor Lighting and Traffic Lighting.

3. That DENC 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, Sub 544, and the Company shall file such notice for Commission

approval as soon as practicable, but not later than three working days after the date of this Order.

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

5. That DENC shall continue to provide a listing of the Company's event sponsorship and consumer education and awareness initiatives during the test period in future DSM/EE rider proceedings.

6. That DENC shall file any outstanding corrections to its 2017 EM&V Report with its EM&V report to be filed in the spring of 2018 for Year 2017, and shall work with the Public Staff to develop a process going forward for implementing corrections and changes to the EM&V process and a reporting function to be implemented starting with the Company's 2018 EM&V Report.

ISSUED BY ORDER OF THE COMMISSION.

This the 21st day of December, 2017.

NORTH CAROLINA UTILITIES COMMISSION

Linnetta Threatt

Linnetta Threatt, Deputy Clerk