

November 8, 2022

VIA Electronic Filing

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
Dobbs Building
430 North Salisbury Street
Raleigh, North Carolina 27603

*Re: Dominion Energy North Carolina's Agreement and Stipulation of
Settlement
Docket No. E-22, Sub 644*

Dear Ms. Dunston:

Enclosed for filing in the above-referenced proceeding on behalf of Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina (the "Company") is the Company's Agreement and Stipulation of Settlement.

Thank you for your assistance with this matter. Please call me if additional information is required.

Very truly yours,

/s/Mary Lynne Grigg

MLG/tll

Enclosures

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-22, SUB 644

In the Matter of:)	
)	
Application of Virginia Electric and Power)	
Company, d/b/a Dominion Energy North)	
Carolina, for Authority to Adjust its Electric)	AGREEMENT AND
Rates and Charges and Revise its Fuel Factor)	STIPULATION OF
Pursuant to N.C. Gen. Stat. 62-133.2 and)	SETTLEMENT
NCUC Rule R8-55)	

Virginia Electric and Power Company d/b/a Dominion Energy North Carolina (“DENC” or the “Company”); the Public Staff - North Carolina Utilities Commission (the “Public Staff”); the Carolina Industrial Group for Fair Utility Rates I (“CIGFUR I”); and Nucor Steel-Hertford (“Nucor”),¹ through counsel and pursuant to N.C. Gen. Stat. § 62-69, respectfully submit the following Agreement and Stipulation of Settlement (“Stipulation”) for consideration by the North Carolina Utilities Commission (“Commission”) in the above-captioned docket.

I. BACKGROUND

A. On August 9, 2022, DENC filed its application for a fuel charge adjustment, along with accompanying testimony and exhibits, pursuant to N.C. Gen. Stat. § 62-133.2 and 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, Christopher D. Clemens, and Timothy P. Stuller.

¹ The Company, the Public Staff, Nucor and CIGFUR I are collectively referred to herein as the “Stipulating Parties” and any one of which, a “Party.”

B. On September 16, 2022, the Commission issued its Order Scheduling Hearing, Requiring Filing of Testimony, Establishing Discovery Guidelines, and Requiring Public Notice (“Procedural Order”). Pursuant to the Procedural Order, the Commission established deadlines for the filing of petitions to intervene, intervenor testimony and exhibits, and Company rebuttal testimony and exhibits.

C. The intervention and participation of the Public Staff in this docket is recognized pursuant to N.C. Gen. Stat. § 62-15(d) and Commission Rule R1-19(e).

D. On August 30, 2022, CIGFUR I filed a Petition to Intervene in this docket. The Petition was granted on September 1, 2022.

E. On September 16, Nucor Steel-Hertford filed a Petition to Intervene in this docket. The Petition was granted on September 19, 2022.

F. On October 17, 2022, the Company filed in this docket a Petition to Modify Test Period, requesting that the Commission grant the Company authority to include in its request for recovery the deferral balance for the months of July, August, and September, 2022; schedule an additional public hearing following the evidentiary hearing in this matter in order for the Company to comply with the Rule R8-55(g) notice requirements; and approve the Company’s revised Public Notice.

G. On October 18, 2022, the Company filed the supplemental testimonies and exhibits of Ronnie T. Campbell, Dale E. Hinson, Jeffrey D. Matzen, and Timothy P. Stuller.

H. Also on October 18, 2022, the Public Staff filed a Motion to Extend Certain Deadlines for the Public Staff and other intervenors to have until October 24, 2022 to file testimony and exhibits, and for the Company to have until November 1, 2022 to file rebuttal

testimony. The motion was granted on October 19, 2022.

I. On October 24, 2022, the Public Staff filed the testimony of Evan D. Lawrence and Fenge Zhang.

J. Also on October 24, 2022, CIGFUR I filed the testimony and exhibits of Brian C. Collins.

K. On November 1, 2022, the Company filed the rebuttal testimony and exhibits of Ronnie T. Campbell and Timothy P. Stuller.

L. There have been numerous settlement communications, including a series of settlement discussions to see if an agreement could be reached as to strategies to mitigate the rate impact to the Company's customers resulting from an unusually large under-recovery for the test period and the requested annual fuel revenue increase in this proceeding, as well as the appropriate fuel and fuel-related cost factors.

M. As a result of the settlement discussions, the Stipulating Parties reached a settlement with respect to the mitigation strategies to be utilized in this proceeding and with respect to the methodology for allocating the Company's fuel and fuel-related costs ("Resolved Issues"). The Stipulating Parties agree and stipulate as follows:

II. RESOLVED ISSUES

A. The Stipulating Parties agree that recent natural gas and coal commodity prices have been elevated, contributing to significantly greater expenses in the test year in this case than in previous years. The Stipulating Parties also agree that such unexpected high fuel prices resulted in an under-recovery of fuel and fuel-related costs, leaving a substantial monetary balance to recover. The Stipulating Parties further agree that, as proposed, the projected rate increases to the 6VP, LGS and NS classes would be

significantly more than the increase to other customer classes as a percentage of the total bill. In particular, CIGFUR I's members acknowledge that the Company is statutorily entitled to recover its fuel expense in this proceeding, but note the extraordinary impact on its members. The fuel expense in this case is elevated to the extent that the Stipulating Parties agree and believe it is reasonable to utilize alternative cost recovery mechanisms to help mitigate the increase for all classes of customers.

B. On October 17, 2022, the Company filed its Request to Modify Test Period to add to its recovery request the deferral balance for the months of July, August, and September of 2022 pursuant to N.C. Gen. Stat. § 62-133.2(d) to help mitigate a projected significant under-recovery for the 2023 fuel factor adjustment proceeding due to the continued rise in commodity fuel prices as described in its Supplemental Testimony filed October 18, 2022. The inclusion of these months would increase the requested annual fuel revenue increase from approximately \$57.5 million to \$80.5 million.

C. Based on the negotiations in this case, the Stipulating Parties agree that it is reasonable and appropriate to revise the Company's Request to Modify the Test Period to exclude September from the Test Period deferral balance from the Company's cost recovery request for purposes of this proceeding. This defers the Company's recovery of approximately \$9.2 million until the next fuel proceeding.

D. The Stipulating Parties agree that the Company's request to include its deferral balance for the months of July and August 2022 in its cost recovery request for purposes of this proceeding is reasonable and appropriate and should be granted.

E. The adjusted test period system fuel expense for use in this proceeding is \$2,748,663,416. The appropriate test period for purposes of the deferral balance in this

proceeding is the 14 months ended August 31, 2022. The Stipulating Parties further agree that before any mitigation of recovery, the appropriate North Carolina retail test period jurisdictional fuel expense under-collection is \$66,729,993 and that the allocated customer class responsibility for such under-collection (excluding regulatory fee) is as follows:

<u>CUSTOMER CLASS</u>	<u>KWH SALES</u> (1)	<u>NC JURISDICTIONAL EMF EXCLUDING REGULATORY FEE</u> (2)	<u>FUEL REVENUE UNIFORM EMF EXCLUDING REGULATORY FEE</u> (1) x (2)
RESIDENTIAL	1,649,056,331	\$0.015954	\$26,308,288
SGS & PA	772,733,741	\$0.015954	\$12,327,840
LGS	659,493,302	\$0.015954	\$10,521,254
SCHEDULE NS	790,913,336	\$0.015954	\$12,617,868
6VP	287,772,567	\$0.015954	\$4,590,991
OUTDOOR LIGHTING	22,402,069	\$0.015954	\$357,392
TRAFFIC	398,626	\$0.015954	\$6,359
TOTAL	4,182,769,972		\$66,729,993

The allocated customer class responsibility for such under-collection (including the regulatory fee) is as follows:

<u>CUSTOMER CLASS</u>	<u>KWH SALES</u> (1)	<u>NC JURISDICTIONAL EMF INCLUDING REGULATORY FEE</u> (2)	<u>FUEL REVENUE UNIFORM EMF INCLUDING REGULATORY FEE</u> (1) x (2)
RESIDENTIAL	1,649,056,331	\$0.015976	\$26,345,324
SGS & PA	772,733,741	\$0.015976	\$12,345,194
LGS	659,493,302	\$0.015976	\$10,536,065
SCHEDULE NS	790,913,336	\$0.015976	\$12,635,631
6VP	287,772,567	\$0.015976	\$4,597,455
OUTDOOR LIGHTING	22,402,069	\$0.015976	\$357,895
TRAFFIC	398,626	\$0.015976	\$6,368
TOTAL	4,182,769,972		\$66,823,933

The adjusted North Carolina retail jurisdictional test period system sales are 4,182,769,972

kWh and such sales by class are as follows:

<u>CUSTOMER CLASS</u>	<u>SALES(KWH)</u>
RESIDENTIAL	1,649,056,331
SGS & PA	772,733,741
LGS	659,493,302
SCHEDULE NS	790,913,336
6VP	287,772,567
OUTDOOR LIGHTING	22,402,069
TRAFFIC	398,626
TOTAL	4,182,769,972

Based on full recovery of the adjusted test period system fuel expense and the North Carolina retail test period jurisdictional fuel expense under-collection, the appropriate Base Fuel Rates, Rider A, Rider B EMF, and Total Fuel Rates for the North Carolina jurisdiction and the retail customer classes before any mitigation are:

SUMMARY OF PROPOSED "FULL RECOVERY" RATES

<u>CUSTOMER CLASS</u>	<u>BASE FUEL COMPONENT \$/KWH</u>	<u>RIDER A FUEL CHARGE \$/KWH</u>	<u>RIDER B EMF \$/KWH</u>	<u>TOTAL FUEL RATE \$/KWH</u>
JURISDICTIONAL	\$0.020920	\$0.009791	\$0.015976	\$0.046687
RESIDENTIAL	\$0.021180	\$0.009861	\$0.016147	\$0.047188
SGS & PA	\$0.021150	\$0.009849	\$0.016126	\$0.047125
LGS	\$0.020980	\$0.009792	\$0.016008	\$0.046780
SCHEDULE NS	\$0.020360	\$0.009482	\$0.015524	\$0.045366
6VP	\$0.020650	\$0.009621	\$0.015747	\$0.046018
OUTDOOR LIGHTING	\$0.021180	\$0.009861	\$0.016147	\$0.047188
TRAFFIC	\$0.021180	\$0.009861	\$0.016147	\$0.047188

F. The Stipulating Parties agree that for all retail customer classes, the “stepped” rate structure and the requested multi-year cost recovery as proposed by the Company—and as modified pursuant to the recommendations of the Public Staff—should

be approved. More specifically, the “stepped” approach proposed by the Company would apply for Rider B only without interest, with Rider A set at the projected full recovery amount for the full billing period for all retail customer classes.

G. With respect to the base fuel factor and the Rider A and Rider B billing factors, the Stipulating Parties agree that in its next general rate case, the Company shall include the uniform percentage allocation methodology as an alternative for the Commission’s consideration, in addition to the allocation methodology employed in this proceeding.

H. The Stipulating Parties agree that the reasonable and appropriate North Carolina retail class-specific base fuel factors, including the regulatory fee, are as follows:

<u>Customer Class</u>	<u>Base Fuel Factor</u>
Residential	2.1180 ¢/kWh
SGS & PA	2.1150 ¢/kWh
LGS	2.0980 ¢/kWh
Schedule NS	2.0360 ¢/kWh
6VP	2.0650 ¢/kWh
Outdoor Lighting	2.1180 ¢/kWh
Traffic	2.1180 ¢/kWh

I. The Stipulating Parties agree that the reasonable and appropriate prospective North Carolina retail class-specific Rider A fuel factors, including the regulatory fee, are as follows:

<u>Factor</u>	<u>Customer Class</u>	<u>Prospective Fuel</u>
	Residential	0.9861 ¢/kWh
	SGS & PA	0.9849 ¢/kWh
	LGS	0.9792 ¢/kWh
	Schedule NS	0.9482 ¢/kWh
	6VP	0.9621 ¢/kWh
	Outdoor Lighting	0.9861 ¢/kWh
	Traffic	0.9861 ¢/kWh

J. The Stipulating Parties agree that the appropriate Experience Modification Factors (“EMF” or “Rider B”) for this proceeding, including the regulatory fee, are as follows:

	<u>Customer Class</u>	<u>EMF Billing Factor</u>	
		<u>Step 1</u> <u>February 1, 2023-</u>	<u>Step 2</u> <u>August 1,</u>
<u>2023-</u>		<u>July 31, 2023</u>	<u>January 31,</u>
<u>2024</u>			
	Residential	0.4816 ¢/kWh	1.6147 ¢/kWh
	SGS & PA	0.4810 ¢/kWh	1.6126 ¢/kWh
	LGS	0.4773 ¢/kWh	1.6008 ¢/kWh
	Schedule NS	0.4630 ¢/kWh	1.5524 ¢/kWh
	6VP	0.4697 ¢/kWh	1.5747 ¢/kWh
	Outdoor Lighting	0.4816 ¢/kWh	1.6147 ¢/kWh
	Traffic	0.4816 ¢/kWh	1.6147 ¢/kWh

K. The Stipulating Parties agree that the total fuel factors to be billed to the Company’s North Carolina retail customers during the February 1, 2023 through January 31, 2024 fuel charge billing period, including the regulatory fee, are as follows:

	<u>Customer Class</u>	<u>Total Fuel Factor</u>	
		<u>Step 1</u> <u>February 1, 2023-</u>	<u>Step 2</u> <u>August 1,</u>
<u>2023-</u>		<u>July 31, 2023</u>	<u>January 31,</u>
<u>2024</u>			
	Residential	3.5857 ¢/kWh	4.7188 ¢/kWh
	SGS & PA	3.5809 ¢/kWh	4.7125 ¢/kWh
	LGS	3.5545 ¢/kWh	4.6780 ¢/kWh
	Schedule NS	3.4472 ¢/kWh	4.5366 ¢/kWh
	6VP	3.4968 ¢/kWh	4.6018 ¢/kWh
	Outdoor Lighting	3.5857 ¢/kWh	4.7188 ¢/kWh
	Traffic	3.5857 ¢/kWh	4.7188 ¢/kWh

L. Pursuant to Commission Rule R8-55(d)(3), the deferral balance for the

months of July and August 2022 shall be subject to Commission review in the Company's 2023 annual fuel and fuel-related costs adjustment proceeding.

M. Aside from the Resolved Issues, the Stipulating Parties have not reached a compromise on any other issues or matters at this time. This Stipulation applies to the base fuel factor plus Rider A and Rider B billing factors for the 2022 fuel adjustment proceeding.

III. AGREEMENT IN SUPPORT OF SETTLEMENT; NON-WAIVER.

1. The Stipulating Parties agree to file testimony (and exhibits, if applicable) in support of the Resolved Issues.

2. The Stipulating Parties shall act in good faith and use their best efforts to recommend to the Commission that this Stipulation be accepted and approved. The Stipulating Parties further agree that this Stipulation is in the public interest because it reflects a give-and take with respect to the Resolved Issues that is just and reasonable. The Stipulating Parties agree that they will support the reasonableness of this Stipulation before the Commission, and in any appeal from the Commission's adoption and/or enforcement of this Stipulation.

3. Neither this Stipulation nor any of the terms shall be admissible in any court or Commission except insofar as such court or Commission is addressing litigation arising out of the implementation of the terms herein or the approval of this Stipulation. This Stipulation or the Commission's acceptance of this Stipulation shall not be cited as precedent by any of the Parties regarding any issue in any other proceeding or docket before this Commission or in any court.

4. The provisions of this Stipulation do not reflect any position asserted by any of the Stipulating Parties but reflect instead the compromise and settlement among the

Stipulating Parties as to all the issues covered hereby. No Party waives any right to assert any position in any future proceeding or docket before the Commission or in any court, except with respect to Paragraphs II.B-N *supra*.

5. This Stipulation is a product of negotiation among the Stipulating Parties, and no provision of this Stipulation shall be strictly construed in favor of or against any Party.

IV. RECEIPT OF TESTIMONY AND WAIVER OF CROSS-EXAMINATION

In this proceeding, the pre-filed testimony and exhibits of the Stipulating Parties on Resolved Issues may be received in evidence without objection, and each Party waives all right to cross examine any witness with respect to such pre-filed testimony and exhibits on Resolved Issues. If, however, questions are asked by any Commissioner, or if questions are asked or positions are taken by any party who is not a Stipulating Party, then any Stipulating Party may respond to such questions by presenting testimony or exhibits and/or cross-examining any witness with respect to such testimony and exhibits.

V. STIPULATION BINDING ONLY IF ACCEPTED IN ITS ENTIRETY.

This Stipulation is the product of negotiation and compromise of a complex set of issues, and no portion of this Stipulation is or will be binding on any of the Stipulating Parties unless the entire Agreement and Stipulation is accepted by the Commission. If the Commission rejects any part of this Stipulation or approves this Stipulation subject to any change or condition or if the Commission's approval of this Stipulation is rejected or conditioned by a reviewing court, the Stipulating Parties agree to meet and discuss the applicable Commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Stipulation consistent

with such order. No Stipulating Party shall withdraw from the Stipulation prior to complying with the foregoing sentence. If any Stipulating Party withdraws from the Stipulation, each Stipulating Party retains the right to seek additional procedures before the Commission, including cross-examination of witnesses, with respect to issues addressed by the Stipulation and shall be bound or prejudiced by the terms and conditions of the Stipulation.

VI. COUNTERPARTS

This Stipulation may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Execution by electronic or facsimile signature shall be deemed to be, and shall have the same effect as, execution by original signature.

VII. MERGER CLAUSE

This Stipulation supersedes all prior agreements and understandings between the Stipulating Parties and may not be changed or terminated orally, and no attempted change, termination or waiver of any of the provisions hereof shall be binding unless in writing and signed by the parties hereto.

The foregoing is agreed and stipulated this the 8th day of November, 2022.

Virginia Electric & Power Company d/b/a Dominion Energy North Carolina

By: /s/ Mary Lynne Grigg
Counsel for Virginia Electric & Power Company d/b/a Dominion Energy
North Carolina

Public Staff – North Carolina Utilities Commission

By: /s/ William E. H. Creech
William Creech, Public Staff Attorney

/s/ William S. F. Freeman
William S. F. Freeman, Public Staff Attorney

CIGFUR I

By: /s/ Christina D. Cress
Christina D. Cress, Counsel for CIGFUR I

Nucor Steel-Hertford

By: /s/ Damon E. Xenopoulos
Attorney for Nucor Steel-Hertford

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing Agreement and Stipulation of Settlement filed in Docket No. E-22, Sub 644 was served electronically or via U.S. Mail, first-class postage prepaid, upon all parties of record.

This, the 8th day of November, 2022.

/s/Mary Lynne Grigg

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