

McGuireWoods LLP
434 Fayetteville Street
Suite 2600
PO Box 27507 (27611)
Raleigh, NC 27601
Phone: 919.755.6600
Fax: 919.755.6699
www.mcguirewoods.com

Mary Lynne Grigg
Direct: 919.755.6573

McGUIREWOODS

mgrigg@mcguirewoods.com

OFFICIAL COPY

Nov 05 2018

November 5, 2018

VIA ELECTRONIC FILING

Ms. M. Lynn Jarvis, Chief Clerk
North Carolina Utilities Commission
Dobbs Building
430 North Salisbury Street
Raleigh, North Carolina 27603

Re: *Dominion Energy North Carolina 2018 Fuel Charge Adjustment*
Docket No. E-22, Sub 558

Dear Ms. Jarvis:

Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina (“DENC”), submits for filing in the above-referenced docket its Rebuttal Testimony of Bruce E. Petrie and Rebuttal Testimony of George G. Beasley.

Please do not hesitate to contact me should you have any questions. Thank you for your assistance with this matter.

Very truly yours,

/s/Mary Lynne Grigg

MLG:kjg

Enclosures

**REBUTTAL TESTIMONY
OF
BRUCE E. PETRIE
ON BEHALF OF
DOMINION ENERGY NORTH CAROLINA
BEFORE THE
NORTH CAROLINA UTILITIES COMMISSION
DOCKET NO. E-22 SUB 558**

1 **Q. Please state your name, business address, and position of employment.**

2 A. My name is Bruce E. Petrie, and my business address is 5000 Dominion
3 Boulevard, Glen Allen, Virginia 23060. I am the Manager of Generation
4 System Planning for Dominion Energy North Carolina (“DENC” or the
5 “Company”). My responsibilities include forecasting total system fuel and
6 purchased power expenses. A statement of my background and qualifications
7 is attached as Appendix A in my Direct Testimony.

8 **Q. Have you previously filed testimony in this proceeding?**

9 A. Yes. I prepared direct testimony in this case, and have also participated in
10 responding to data requests in this proceeding.

11 **Q. What is the purpose of your testimony in this proceeding?**

12 A. First, I will address Public Staff Witness Metz’s testimony regarding the
13 calculation of the adjustment in system fuel and purchased energy costs for the
14 addition of the Greensville Power Station. Second, I will address the change in
15 the marketers’ percentage as proposed by Public Staff Witnesses Peedin and
16 Boswell.

1 **Q. What is the Company’s position regarding Public Staff Witness Metz’s**
2 **contention that the capacity factor used for the Greenville Power Station is**
3 **likely higher than should be reasonably expected and that the marketer**
4 **percentage should be applied to the Greenville Power Station if the**
5 **Commission adopts the mitigation alternative?**

6 A. The Company believes it reasonably estimated the expected fuel and purchased
7 energy savings from the addition of the Greenville Power Station to the fleet.
8 The adjustment as-filed assumed a high level of availability and performance
9 during the future rate period, and includes two planned outages.

10 However, in the event that the Commission decides the Company should
11 implement the rate mitigation alternative, the Company agrees to work with the
12 Public Staff in the required timeframe to revise the Greenville Power Station
13 adjustment to account for a lower initial capacity factor, and to apply the
14 marketer percentage to the Greenville Power Station savings estimate.

15 **Q. Do you agree with Public Staff Witness Peedin’s general recommendation**
16 **that a marketer percentage of 75% should be used effective February 1,**
17 **2019?**

18 A. No. The Company believes that this adjustment is improper because it will
19 deny the Company the opportunity to recover the full dollar amount of
20 prudently incurred PJM purchased energy costs. Any change in the marketer
21 percentage should be made in coordination with the Company’s next base rate
22 case to keep the recovery of purchased power costs consistent across both
23 aspects of purchased energy expense recovery. The 78% marketer percentage

1 endorsed by the Company is a better representation of the fuel-related costs,
2 and is consistent with the Company's method that was used in the 2016 base
3 rate case. The Company believes the proper level of the marketer percentage
4 should be further reviewed in the Company's next general base rate case.

5 **Q. Does this conclude your pre-filed rebuttal testimony?**

6 **A. Yes.**

**REBUTTAL TESTIMONY
OF
GEORGE G. BEASLEY
ON BEHALF OF
DOMINION ENERGY NORTH CAROLINA
BEFORE THE
NORTH CAROLINA UTILITIES COMMISSION
DOCKET NO. E-22, SUB 558**

1 **Q. Please state your name, business address, and position of employment.**

2 A. My name is George G. Beasley. My business address is 701 East Cary Street,
3 Richmond, Virginia 23219. My title is Regulatory Specialist for Virginia
4 Electric and Power Company, which operates in North Carolina as Dominion
5 Energy North Carolina (“the Company”).

6 **Q. Have you previously filed testimony in this proceeding?**

7 A. Yes. I am the same George G. Beasley who filed direct testimony in this case
8 on August 30, 2018.

9 **Q. What is the purpose of your rebuttal testimony?**

10 A. The purpose of my rebuttal testimony is to comment on and further clarify the
11 Company’s position regarding the proposed full recovery and mitigation
12 alternative scenarios.

13 **Q. Have there been any developments since you filed your direct testimony
14 that will affect the rate impact to customers’ bills?**

15 A. Yes. Rider EDIT (credit rider) expired on October 31, 2018. In my Exhibit
16 GGB-1, Rebuttal Schedule 1, I show an updated impact for typical bills for
17 the full recovery and mitigation alternative. Also, in Docket No. M-100, Sub

1 148, in its October 5, 2018 order, the Commission ordered the Company “to
2 adjust their base rates to reflect the reduction in the federal corporate income
3 tax rate to 21% for taxable years beginning after December 31, 2017, as
4 outlined in the Tax Act.” On October 25, 2018, the Company made a filing in
5 Docket No. E-22, Sub 560 to reduce the non-fuel base rates as directed by the
6 Commission. Note, this is a proposed reduction in non-fuel base rates that has
7 not been approved by the Commission.

8 **Q. Have you prepared a schedule showing the impact on typical customer**
9 **bills of both 1) the full recovery of fuel combined with the proposed Tax**
10 **Act reduction; and 2) the mitigation alternative combined with the**
11 **proposed Tax Act reduction?**

12 A. Yes. This is presented in my Rebuttal Schedule 1 at the bottom of the page.
13 The impact of the proposed reduction in rates due to the Tax Act serves to
14 offset in part the bill impact of the increases for both the full recovery of fuel
15 expense and the mitigation alternative.

16 As shown in Rebuttal Schedule 1 for a typical residential customer using
17 1,000 kWh, the impact on the bill of the full recovery of fuel expenses is an
18 increase of 5.24% while the impact of the mitigation alternative is an increase
19 of 3.50%. When combined with the Tax Act reduction, the full recovery
20 impact is an increase of 1.09% and the mitigation alternative impact is a
21 decrease of 0.65%.

1 As shown in Rebuttal Schedule 1 for a typical 6P customer, the impact of the
2 bill of the full recovery expense is an increase of 8.80% while the impact of
3 the mitigation alternative is an increase of 5.88%. When combined with the
4 Tax Act reduction, the full recovery impact is an increase of 5.27% and the
5 mitigation alternative is an increase of 2.35%.

6 Similar typical bill impacts are provided in Rebuttal Schedule 1 for
7 Schedule 5 and Schedule 6L customers.

8 **Q. Have you reviewed the testimony from CIGFUR and Nucor?**

9 A. Yes. The Company recognizes and is sensitive to the concerns of large
10 industrial customers expressed by CIGUR Witness Nicholas Phillips, Jr. and
11 Nucor Witness Paul J. Wiegus who both characterized the full recovery
12 impact using the term, “rate shock.”

13 **Q. Have you prepared information to show the impact of the full recovery
14 and mitigation alternative for the Schedule 6VP and Schedule NS classes?**

15 A. Yes. In my Rebuttal Schedule 2, Page 1, I present the bill impact for the 6VP
16 class of both the full recovery and mitigation alternatives. I present the same
17 information for the NS class in my Rebuttal Schedule 2, page 2.

1 **Q. Have you prepared information showing the impact on the 6VP and NS**
2 **classes of both 1) the full recovery of fuel expenses combined with the Tax**
3 **Act reduction; and 2) the mitigation alternative combined with the Tax**
4 **Act reduction?**

5 A. Yes. For the 6VP class, I show these impacts in my Rebuttal Schedule 2, page
6 1 at the bottom half of the page. For the NS class, I show these impacts in my
7 Rebuttal Schedule 2, page 2 at the bottom half of the page.

8 I note that even when the proposed Tax Act Reduction is considered, the
9 impact of the full recovery of fuel expense on these customer classes results in
10 a substantial increase.

11 **Q. Please clarify the Company's position on the full recovery and mitigation**
12 **alternative scenarios.**

13 A. The Company's original request to the Commission was to approve and
14 implement the full recovery rates recovering 100% of the June 30, 2018 fuel
15 deferral account balance of \$16,162,154 over the 2019 fuel year. Recognizing
16 the significant amount of under-recovery in the fuel deferral account balance
17 and considering the impact of recovering 100% of that amount over the 2019
18 fuel year led the Company to proposing the alternative mitigation plan in its
19 August 30, 2018 filing. At that point in time, the Company had not been
20 directed to make the filing in Docket E-22, Sub 560 to reduce the non-fuel
21 base rates due to the provisions of the Tax Act. This proposed reduction will
22 help offset, in part, the impact of the fuel increase on customers. In addition,
23 in its filing in Docket No. E-22, Sub 560, the Company has proposed a re-

1 billing back to January 1, 2018, of the final approved rates in that proceeding.
2 If approved, this will provide a one-time credit to customers. Assuming a
3 Commission Order in Docket No. E-22, Sub 560 in December 2018 and based
4 on the anticipated time to implement the re-billing of approximately 60 days,
5 the Company believes that customers may be receiving this one-time credit
6 soon after the new fuel recovery rates are scheduled to take effect on February
7 1, 2019.

8 However, while the proposed reduction due to the Tax Act now serves to help
9 offset, in part, the fuel increase based upon full recovery of the deferral
10 balance, the Company still recognizes that such an increase is still high for
11 large high load factor customers served under rate schedules such as Schedule
12 6P and 6L and in the 6VP and NS classes. The estimates of the net impact for
13 typical customers presented in my Rebuttal Schedule 1 and for the 6VP and
14 NS classes presented in my Rebuttal Schedule 2 do not include the impact of
15 the re-billing credit that I discussed earlier.

16 In conclusion, the Company recognizes that the impact of the increase in fuel
17 rates based on full recovery of the deferral will be offset, in part, if the
18 Commission approves the proposed reduction in non-fuel base rates filed in
19 the Tax Act proceeding.

20 However, given that substantial increases will remain for large high load
21 factor customers if full recovery of fuel expenses is approved, the Company
22 continues to offer the mitigation alternative.

- 1 Q. Does this conclude your rebuttal testimony?
- 2 A. Yes.

Docket E-22 Sub 558
Dominion Energy North Carolina
Comparison of Present Rates to Proposed Rates Effective February 1, 2019

Impact of Full Fuel Recovery and Mitigation Alternative
 Reflects Percentage Change from Rates in Effect on Nov. 1, 2018 ⁽¹⁾

Typical Bill	Bill Impact of Full Fuel Recovery	Bill Impact of Fuel Mitigation Alternative
Schedule 1 (1,000 kWh)	5.24%	3.50%
Schedule 5 (50 kW 12,500 kWh)	6.70%	4.47%
Schedule 6P - Primary (1,000 KW 576,000 kWh)	8.80%	5.88%
Schedule 6L - Primary (10,000 KW 6,000,000 kWh)	9.85%	6.57%

Impact of Full Fuel Recovery Combined with Proposed Tax Act Reduction
 and Impact of Mitigation Alternative and Proposed Tax Act Reduction ⁽²⁾
 Reflects Percentage Change from Rates in Effect on Nov. 1, 2018 ⁽¹⁾

Typical Bill	Bill Impact of Full Fuel Recovery and Tax Act Reduction	Bill Impact of Fuel Mitigation Alternative and Tax Act Reduction
Schedule 1 (1,000 kWh)	1.09%	-0.65%
Schedule 5 (50 kW 12,500 kWh)	2.81%	0.59%
Schedule 6P - Primary (1,000 KW 576,000 kWh)	5.27%	2.35%
Schedule 6L - Primary (10,000 KW 6,000,000 kWh)	6.40%	3.13%

Notes:

1. Rider EDIT credit rider was no longer in effect beginning November 1, 2018.
2. Tax Act Reduction filed in Docket E-22 Sub 560.

Docket E-22 Sub 558
Dominion Energy North Carolina
Comparison of Class Revenue under Present Rates and Proposed Rates

Schedule 6VP

Impact of Full Fuel Recovery and Mitigation Alternative
 Reflects Percentage Change from Rates in Effect on Nov. 1, 2018

	<u>Present Revenue</u> <u>November 1, 2018</u>	<u>Proposed Revenue</u> <u>Full Fuel Recovery</u>	<u>Proposed Revenue</u> <u>Fuel Mitigation Alternative</u>
Basic Non-Fuel Revenue	\$ 10,420,290 ⁽²⁾	\$ 10,420,290 ⁽²⁾	\$ 10,420,290 ⁽²⁾
kWh	264,144,521 ⁽²⁾	264,144,521 ⁽²⁾	264,144,521 ⁽²⁾
Basic Non-Fuel per kWh	\$ 0.03945	\$ 0.03945	\$ 0.03945
Base Fuel per kWh	\$ 0.02043	\$ 0.02043	\$ 0.02043
Rider A per kWh	\$ 0.00006	\$ 0.00069	\$ 0.00069
Rider B EMF per kWh	\$ (0.00137)	\$ 0.00383	\$ 0.00192
Rider B2 EMF per kWh	\$ 0.00010	\$ -	\$ -
Total Fuel Recovery	\$ 0.01922	\$ 0.02495	\$ 0.02304
Annual Revenue ⁽¹⁾⁽⁴⁾	\$ 15,497,148	\$ 17,010,696	\$ 16,506,180
Percentage Change from November 1, 2018 Revenue		9.77%	6.51%

Schedule 6VP

Impact of Full Fuel Recovery Combined with Proposed Tax Act Reduction
 and Impact of Mitigation Alternative and Proposed Tax Act Reduction
 Reflects Percentage Change from Rates in Effect on Nov. 1, 2018

	<u>Present Revenue</u> <u>November 1, 2018</u>	<u>Proposed Revenue</u> <u>Fuel at Full Recovery</u> <u>and Tax Act Reduction</u>	<u>Proposed Revenue</u> <u>Fuel Mitigation Alternative</u> <u>and Tax Act Reduction</u>
Basic Non-Fuel Revenue	\$ 10,420,290 ⁽²⁾	\$ 9,885,460 ⁽³⁾	\$ 9,885,460 ⁽³⁾
kWh	264,144,521 ⁽²⁾	264,144,521 ⁽²⁾	264,144,521 ⁽²⁾
Basic Non-Fuel per kWh	\$ 0.03945	\$ 0.03742	\$ 0.03742
Base Fuel per kWh	\$ 0.02043	\$ 0.02043	\$ 0.02043
Rider A per kWh	\$ 0.00006	\$ 0.00069	\$ 0.00069
Rider B EMF per kWh	\$ (0.00137)	\$ 0.00383	\$ 0.00192
Rider B2 EMF per kWh	\$ 0.00010	\$ -	\$ -
Total Fuel Recovery	\$ 0.01922	\$ 0.02495	\$ 0.02304
Annual Revenue ⁽¹⁾⁽⁴⁾	\$ 15,497,148	\$ 16,475,866	\$ 15,971,350
Percentage Change from November 1, 2018 Revenue		6.32%	3.06%

Notes:

1. Rider EDIT credit rider was no longer in effect beginning November 1, 2018.
2. Docket E-22 Sub 560 Compliance Filing Attachment B filed October 25, 2018, Schedule 6VP Class Present Basic Revenue excluding fuel and kWh.
3. Docket E-22 Sub 560 Compliance Filing Attachment B filed October 25, 2018, Schedule 6VP Class Proposed Basic Revenue excluding fuel.
4. Excludes riders C, CE, RP and RPE.

Docket E-22 Sub 558
Dominion Energy North Carolina
Comparison of Class Revenue under Present Rates and Proposed Rates

Schedule NS

Impact of Full Fuel Recovery and Mitigation Alternative
 Reflects Percentage Change from Rates in Effect on Nov. 1, 2018

	<u>Present Revenue</u> <u>November 1, 2018</u>	<u>Proposed Revenue</u> <u>Full Fuel Recovery</u>	<u>Proposed Revenue</u> <u>Fuel Mitigation Alternative</u>
Basic Non-Fuel Revenue	\$ 25,255,623 ⁽²⁾	\$ 25,255,623 ⁽²⁾	\$ 25,255,623 ⁽²⁾
kWh	851,412,000 ⁽²⁾	851,412,000 ⁽²⁾	851,412,000 ⁽²⁾
Basic Non-Fuel per kWh	\$ 0.02966	\$ 0.02966	\$ 0.02966
Base Fuel per kWh	\$ 0.02014	\$ 0.02014	\$ 0.02014
Rider A per kWh	\$ 0.00006	\$ 0.00068	\$ 0.00068
Rider B EMF per kWh	\$ (0.00136)	\$ 0.00377	\$ 0.00189
Rider B2 EMF per kWh	\$ 0.00010	\$ -	\$ -
Total Fuel Recovery	\$ 0.01894	\$ 0.02459	\$ 0.02271
Annual Revenue ⁽¹⁾⁽⁴⁾	\$ 41,381,366	\$ 46,191,844	\$ 44,591,190
Percentage Change from November 1, 2018 Revenue		11.62%	7.76%

Schedule NS

Impact of Full Fuel Recovery Combined with Proposed Tax Act Reduction
 and Impact of Mitigation Alternative and Proposed Tax Act Reduction
 Reflects Percentage Change from Rates in Effect on Nov. 1, 2018

	<u>Present Revenue</u> <u>November 1, 2018</u>	<u>Proposed Revenue</u> <u>Fuel at Full Recovery</u> <u>and Tax Act Reduction</u>	<u>Proposed Revenue</u> <u>Fuel Mitigation Alternative</u> <u>and Tax Act Reduction</u>
Basic Non-Fuel Revenue	\$ 25,255,623 ⁽²⁾	\$ 23,959,638 ⁽³⁾	\$ 23,959,638 ⁽³⁾
kWh	851,412,000 ⁽²⁾	851,412,000 ⁽²⁾	851,412,000 ⁽²⁾
Basic Non-Fuel per kWh	\$ 0.02966	\$ 0.02814	\$ 0.02814
Base Fuel per kWh	\$ 0.02014	\$ 0.02014	\$ 0.02014
Rider A per kWh	\$ 0.00006	\$ 0.00068	\$ 0.00068
Rider B EMF per kWh	\$ (0.00136)	\$ 0.00377	\$ 0.00189
Rider B2 EMF per kWh	\$ 0.00010	\$ -	\$ -
Total Fuel Recovery	\$ 0.01894	\$ 0.02459	\$ 0.02271
Annual Revenue ⁽¹⁾⁽⁴⁾	\$ 41,381,366	\$ 44,895,859	\$ 43,295,205
Percentage Change from November 1, 2018 Revenue		8.49%	4.62%

Notes:

- Rider EDIT credit rider was no longer in effect beginning November 1, 2018.
- Docket E-22 Sub 560 Compliance Filing Attachment B filed October 25, 2018, Schedule NS Class Present Basic Revenue excluding fuel and kWh.
- Docket E-22 Sub 560 Compliance Filing Attachment B filed October 25, 2018, Schedule NS Class Proposed Basic Revenue excluding fuel.
- Excludes riders C, CE, RP and RPE.

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing Rebuttal Testimony of Bruce E. Petrie and Rebuttal Testimony of George G. Beasley, as filed in Docket No. E-22, Sub 558, were served electronically or via U.S. mail, first-class, postage prepaid, upon all parties of record.

This, the 5th day of November, 2018.

/s/Mary Lynne Grigg

Mary Lynne Grigg
McGuireWoods LLP
434 Fayetteville Street, Suite 2600
PO Box 27507 (27611)
Raleigh, North Carolina 27601
Telephone: (919) 755-6573
mgrigg@mcguirewoods.com

*Attorney for Virginia Electric and Power
Company, d/b/a Dominion Energy North
Carolina*