

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-22, SUB 544

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application of Virginia Electric and Power)
Dominion, d/b/a Dominion, for Approval of) ORDER APPROVING REPS
Renewable Energy and Energy Efficiency) AND REPS EMF RIDERS
Portfolio Standard Cost Rider Pursuant to) AND 2016 REPS COMPLIANCE
G.S. 62-133.8 and Commission Rule R8-67)

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

HEARD: Monday, November 6, 2017, in Commission Hearing Room 2115, Dobbs
Building, 430 North Salisbury Street, Raleigh, North Carolina

APPEARANCES:

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

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For the Using and Consuming Public:

Tim R. Dodge and Robert B. Josey, Staff Attorneys, Public Staff – North
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BY THE COMMISSION: On August 23, 2017, Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina (Dominion), filed its annual Renewable Energy and Energy Efficiency Portfolio Standard (REPS) compliance report and application seeking an adjustment to its North Carolina retail (NC retail) rates and charges pursuant to G.S. 62-133.8(h) and Commission Rule R8-67. The Commission is required to conduct an annual proceeding for the purpose of determining whether a rider should be established to permit the recovery of the incremental costs incurred to comply with the requirements of G.S. 62-133.8(b), (d), (e), and (f), and to true-up any under-recovery or over-recovery of compliance costs. Thus, Dominion's annual REPS Rider has two components: (1) a forward-looking component to recover DEP's projected REPS

compliance costs for calendar year 2018 (proposed by Dominion as Rider RP), and (2) a REPS Experience Modification Factor (EMF) to true-up any over- or under-recovery of REPS compliance costs under the previous REPS Rider from July 1, 2016 to June 30, 2017 (proposed by Dominion as Rider RPE). Dominion's application was accompanied by the testimony and exhibits of George E. Hitch, Senior Market Originator; Alan J. Moore, Regulatory Analyst III; and James D. Merritt, Regulatory Analyst II. In its application and pre-filed testimony, Dominion sought approval of the proposed REPS rider and REPS EMF rider, which incorporated the Dominion's proposed adjustments in its NC retail rates. In addition, Dominion requests that the Commission approve its 2017 REPS Compliance Report for calendar year 2016 REPS compliance, which was sponsored as an exhibit by Dominion witness George E. Hitch.

On August 30, 2017, the Commission issued an Order Scheduling Hearing, Requiring Filing of Testimony, Establishing Discovery Guidelines, and Requiring Public Notice, setting this matter for hearing; establishing deadlines for the submission of intervention petitions, intervenor testimony, and DEP's rebuttal testimony; requiring the provision of appropriate public notice; and mandating compliance with certain discovery guidelines. Dominion subsequently published notice in newspapers of general circulation, as required by that Order, and filed proof of publication on October 25, 2017.

The intervention and participation of the Public Staff in this docket are recognized pursuant to G.S. 62-15(d) and Commission Rule R1-19(e). No persons sought to intervene in this proceeding.

On October 23, 2017, the Public Staff filed the affidavits of Sonja R. Johnson, an accountant in the Public Staff Accounting Division, and Evan D. Lawrence, an engineer in the Public Staff Electric Division.

On October 30, 2017, Dominion filed a letter in lieu of filing rebuttal testimony indicating that, based on the Public Staff's affidavits recommending that the Commission approve Dominion's proposed riders and there being no further recommendations, Dominion will not be filing rebuttal testimony in this proceeding.

On November 1, 2017, Dominion and the Public Staff filed a joint motion in which they notified the Commission that they were not in disagreement on any issue and had agreed to waive cross-examination of each other's witnesses. In addition, Dominion and the Public Staff requested that all witnesses be excused from attending the hearing. The Commission granted this request by Order issued on November 3, 2017.

This matter came on for hearing on November 6, 2017. No public witnesses appeared at the hearing. Dominion presented the testimony and exhibits of witnesses Hitch, Moore, and Merritt, and the Public Staff presented the affidavits of witnesses Johnson and Lawrence. The testimony, exhibits, and affidavits were accepted into evidence.

Based upon the foregoing, including the testimony, exhibits, and affidavits received into evidence, the records in the North Carolina Renewable Energy Tracking System (NC-RETS), and the entire record in this proceeding, the Commission makes the following:

FINDINGS OF FACT

1. Dominion is duly organized as a public utility company under the laws of the State of North Carolina and is subject to the jurisdiction of the Commission. Dominion is engaged in the business of generating, transmitting, distributing, and selling electric power and energy to the public for compensation in North Carolina. Dominion is also an electric power supplier as defined in G.S. 62-133.8(a)(3). Dominion is lawfully before the Commission based upon its Application filed pursuant to G.S. 62-133.8 and Commission Rule R8-67.

2. The test period and billing period for this proceeding are, respectively, the period from July 1, 2016 through June 30, 2017 (Test Period), and January 1, 2018 through December 31, 2018 (Billing Period).

3. Pursuant to G.S. 62-133.8(h), an electric power supplier is authorized to recover the “incremental costs” of compliance with the REPS requirements through an annual REPS rider. The “incremental costs,” as defined in G.S. 62-133.8(h)(1), include the reasonable and prudent costs incurred by an electric power supplier to comply with REPS “that are in excess of the electric supplier’s avoided costs.” The term “avoided costs” includes both avoided energy costs and avoided capacity costs. Pursuant to Commission Rule R8-67(e)(2), the total costs reasonably and prudently incurred during the Test Period to purchase unbundled renewable energy certificates (RECs) constitute incremental costs. The projected costs to purchase such RECs during the Billing Period constitute forecasted incremental costs.

4. For calendar year 2016, Dominion is required to meet at least 6% of its previous year’s NC retail electric sales by a combination of renewable energy and energy consumption reductions due to the implementation of energy efficiency (EE) measures (General REPS Requirement). Dominion may meet the General REPS Requirement by any one or more of the compliance options listed in G.S. 62-133.8(b)(2). Pursuant to G.S. 62-133.8(b)(2)(e), Dominion may use 100% out-of-state RECs to achieve REPS compliance.

5. Also in 2016, Dominion is required to acquire solar energy, or RECs for solar energy, by the end of 2016 in an amount equal to at least 0.14% of the previous year’s NC retail sales (Solar Set-Aside Requirement). These solar energy sources can be a combination of new solar electric facilities and new metered solar thermal energy facilities.

6. Beginning in 2012, G.S. 62-133.8(e) and (f) require Dominion and the electric power suppliers of North Carolina, in the aggregate, to procure a certain portion

of their renewable energy requirements from electricity generated from swine and poultry waste, based on each electric power supplier's respective pro-rata share derived from the ratio of its North Carolina retail sales as compared to total North Carolina retail sales (respectively, the Swine Waste Set-Aside Requirement and the Poultry Waste Set-Aside Requirement). In its Order Modifying the Swine and Poultry Waste Set-Aside Requirements and Providing Other Relief, issued on October 17, 2016, in Docket No. E-100, Sub 113 (2016 Delay Order), the Commission delayed for one year the Swine Waste Set-Aside Requirement, directing that these requirements will commence in 2017. The 2016 Delay Order also modified the Poultry Waste Set-Aside Requirement by maintaining the same level as the 2015 requirement (170,000 MWh) and delaying by one year the scheduled increases in these requirements.

7. Dominion has agreed to provide REPS compliance services, including the procurement of RECs, to the Town of Windsor pursuant to G.S. 62-133.8(c)(2)(e). The Town of Windsor's 2016 REPS compliance status is included in Dominion's 2017 compliance report.

8. Dominion's approach of managing its retail REPS compliance costs separately from the REPS compliance costs for its wholesale customer, the Town of Windsor, is reasonable.

9. Dominion has complied with the 2016 General REPS Requirement and the Solar Set-Aside Requirement for itself and the Town of Windsor. As modified by the 2016 Delay Order, Dominion has complied with the Poultry Waste Set-Aside Requirement for itself and the Town of Windsor, and the Swine Waste Set-Aside Requirements were delayed by one year.

10. Dominion's 2017 REPS compliance report, filed pursuant to Commission Rule R8-67(c), contains all the information required by Rule R8-67(c) and demonstrates that Dominion is in compliance with G.S. 62-133.8(b) for 2016.

11. The costs incurred by Dominion to fund research activities during the Test Period, including the micro-grid research project costs, are "incremental costs" recoverable pursuant to G.S. 62-133.8(h)(1)(b). These research costs are within the \$1,000,000 annual limit. Dominion appropriately included in its 2017 REPS compliance report a final status report on the micro-grid research project, whose three-year demonstration period (2015-2017) ended this year.

12. Dominion appropriately calculated its avoided costs for the Test Period and Billing Period. For purposes of establishing the REPS EMF rider charge in this proceeding, Dominion's incremental costs for REPS compliance during the Test Period were \$839,144, and these costs were reasonably and prudently incurred. During the Test Period, Dominion collected revenue totaling \$369,848 through REPS rider charges, resulting in an under-recovery of \$469,296, which is appropriately recovered through REPS EMF rider charges during the Billing Period. Dominion's projected incremental

costs for REPS compliance for the Billing Period are \$716,429, and these costs were reasonably and prudently calculated.

13. Dominion's total adjusted number of customer accounts is 120,449, including 102,840 in the residential class, 17,548 in the commercial class, and 61 in the industrial class.

14. The appropriate NC retail Billing Period expenses for use in this proceeding are \$363,784 for the residential class, \$344,644 for the commercial class, and \$8,002 for the industrial class.

15. The appropriate NC retail Test Period expenses for use in this proceeding are \$239,162 for the residential class, \$224,893 for the commercial class, and \$5,241 for the industrial class.

16. The appropriate monthly, per-account, amount of the forecasted REPS rider charges to be collected during the Billing Period through Dominion's Rider RP, including the regulatory fee, are \$0.30 for residential accounts, \$1.64 for commercial accounts, and \$10.95 for industrial accounts. The appropriate monthly, per-account, amount of the REPS EMF rider charges to be collected during the Billing Period through Dominion's Rider RPE, including the regulatory fee, are \$0.19 for residential, \$1.07 for commercial, and \$7.17 for industrial. The combined monthly, per-account, REPS and REPS EMF charges to be collected during the Billing Period, including the regulatory fee, are \$0.49 for residential accounts, \$2.71 for commercial accounts, and \$18.12 for industrial accounts. These combined REPS rider charges, on an annual basis, are within the annual cost caps established in G.S. 62-133.8(h)(4).

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 1

This finding of fact is essentially informational, jurisdictional, and procedural in nature and is uncontested.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 2-6

The evidence for these findings of fact can be found in the testimony and exhibits of the testimony and exhibits of Dominion witness Hitch and the affidavit of Public Staff witness Lawrence. These findings of fact are essentially informational, jurisdictional, and procedural in nature and are uncontested.

Pursuant to G.S. 62-133.8(h)(4), the Commission is required to allow an electric power supplier to recover all of its incremental costs incurred to comply with G.S. 62-133.8 through an annual rider. "Incremental costs," as defined in G.S. 62-133.8(h)(1), means all reasonable and prudent costs incurred by an electric power supplier to comply with the REPS requirement that are in excess of the electric power supplier's avoided costs, other than those costs recovered pursuant to G.S. 62-133.9. The term "avoided costs" includes both avoided energy and avoided

capacity costs. Commission Rule R8-67(e)(2) provides that “the cost of an unbundled renewable energy certificate, to the extent that it is reasonable and prudently incurred, is an incremental cost and has no avoided cost component.”

Commission Rule R8-67(e)(1) provides that the Commission shall schedule an annual public hearing to review an electric utility’s REPS compliance costs. Subdivision (e)(3) of Rule R8-67 further provides that the test period for each utility shall be the same as the test period for purposes of Commission Rule R8-55. Pursuant to Rule R8-55, Dominion’s test period is the twelve months ending June 30 of each year. Therefore, Dominion proposed a test period for its REPS cost recovery proceeding of the twelve months ending June 30, 2017.

Commission Rule R8-67(e)(4) further provides that the REPS and REPS EMF riders shall be in effect for a fixed period, which “shall coincide, to the extent practical, with the recovery period for the cost of fuel and fuel-related cost rider established pursuant to Rule R8-55.” Commission Rule R8-67(e)(5) provides that “[t]he REPS EMF rider will reflect the difference between reasonable and prudently incurred incremental costs and the revenues that were actually realized during the Test Period under the REPS rider then in effect.” In its current fuel charge adjustment proceeding, in Docket No. E-22, Sub 546, and in this proceeding, DEP proposed that its rate adjustments take effect on January 1, 2018, and remain in effect for a twelve month period.

Dominion’s proposed test period and billing period were not challenged by the Public Staff. Based upon the foregoing, and the entire record in this proceeding, the Commission finds that the test period appropriate for use in this proceeding is the twelve months ending June 30, 2017, and the appropriate billing period is the twelve months ending December 31, 2018.

Pursuant to G.S. 62-133.8(b)(1) each electric public utility in the state is required to produce a certain percentage of its NC retail electric sales from various renewable energy or EE resources. An electric public utility may meet these requirements from any one or more of the following compliance options listed in G.S. 62-133.8(b)(2): (a) generating electric power at a new renewable energy facility; (b) using a renewable energy resource to generate electric power at a generating facility other than the generation of electric power from waste heat derived from the combustion of fossil fuel; (c) reducing energy consumption through the implementation of energy efficiency measures; (d) purchasing electric power from a new renewable energy facility; (e) purchasing RECs produced from in-State or out-of-state new renewable energy facilities; (f) using electric power that is supplied by a new renewable energy facility or saved due to the implementation of an EE measure that exceeds the requirements of the REPS in any calendar year as a credit toward the requirements of the REPS in the following calendar year; or (g) electricity demand reduction. Each of these measures is subject to additional limitations and conditions. For 2015, an electric public utility in the state of North Carolina must meet a total REPS requirement equal to at least six percent of its previous year’s NC retail electric sales by a combination of these measures.

Pursuant to G.S. 62-133.8(d) a certain percentage of the total electric power sold to retail electric customers in the State, or an equivalent amount of energy, shall be supplied by a combination of new solar electric facilities and new metered solar thermal energy facilities. The minimum percentage requirement for solar resources in 2016 is 0.14%.

Pursuant to G.S. 62-133.8(e) and (f) Dominion and other electric suppliers of North Carolina, in the aggregate, shall procure a certain portion of their renewable energy requirements from electricity generated from swine and poultry waste. The General Assembly established an initial aggregate 0.07% swine waste resources requirement in 2012, increasing thereafter. Subsection G.S. 62-133.8(f) requires a specific amount of electric power sold to retail electric customers in the State, or an equivalent amount of energy, to be supplied, or contracted for supply in each year, by poultry waste resources. The General Assembly established an initial aggregate poultry waste resources requirement of 170,000 megawatt-hours (MWh) in 2012, increasing thereafter. Pursuant to the Commission's Order on Pro-Rata Allocation of Aggregate Swine and Poultry Waste Set Aside Requirements issued on March 31, 2010, in Docket No. E-100, Sub 113, Dominion's share of the statewide aggregate Swine and Poultry Waste Set-Aside requirements is to be based upon the ratio of its NC retail kilowatt-hour (kWh) sales for the previous year divided by the previous year's total North Carolina retail kWh sales. Pursuant to the Commission's Order Establishing Method of Allocating the Aggregate Poultry Waste Resources Set-Aside Requirement issued April 18, 2016, in Docket No. E-100, Sub 113, starting with compliance year 2016, the aggregate Poultry Waste Set-Aside obligation shall be allocated among the electric power suppliers by averaging three years of historical retail sales, with the resulting allocation being held constant for three years.

Pursuant to G.S. 62-133.8(i)(2), the Commission shall include in its rules implementing the REPS statute a procedure to modify or delay the provisions of G.S. 62-133.8(b), (c), (d), (e), and (f), if the Commission determines it is in the public interest to do so, upon a showing that the electric power supplier made a reasonable effort to meet the REPS requirements. The Commission adopted Commission Rule R8-67(c)(5) to implement this procedure. On October 17, 2016, in Docket No. E-100, Sub 113, the Commission issued an Order Modifying the Swine and Poultry Waste Set-Aside Requirements and Providing Other Relief, further delaying for one year the commencement of the Swine Waste Set-Aside Requirements, modifying the Poultry Waste Set-Aside Requirements to remain at the same level as the 2015 requirement (an aggregate of 170,000 megawatt-hours (MWh) of electricity generated via poultry waste divided amongst the electric power suppliers), and delaying by one year the scheduled increases in these requirements. On October 17, 2016, the Commission issued the 2016 Delay Order, again delaying the Swine Waste Set-Aside Requirements by one year and modifying the Poultry Waste Set-Aside Requirements to remain at the same 170,000 MWh level and delaying by one year the scheduled increases in these requirements. Most recently, on October 16, 2017, the Commission issued an Order Modifying the swine Waste Set-Aside Requirement and Providing Other Relief, which delayed for one additional year the initial compliance requirement under the swine waste

set-aside. The Commission also modified the 2017 Poultry Waste Set-Aside requirement to remain at the same level as the 2014 and 2015 aggregate requirement of 170,000 MWh, and delayed by one additional year the scheduled increases in the requirement (increasing to 700,000 MWh for 2018, and 900,000 MWh for 2019 and each year thereafter). Through its Delay Orders, the Commission has established that the aggregate statewide poultry waste resource requirement for the State's electric power suppliers, including Dominion, is 170,000 MWh for 2016 and 2017, and delayed the initial swine waste requirement until 2018.

Pursuant to G.S. 62-133.8(c), the Town of Windsor, and other municipal electric service providers, are required to meet similar obligations under the REPS.

Pursuant to G.S. 62-133.8(b)(2)(e), an electric power supplier shall achieve no more than 25% of its annual REPS compliance obligations using RECs from out-of-state new renewable energy facilities. However, G.S. 62-133.8(b)(2)(e) exempts any electric public utility with less than 150,000 North Carolina retail jurisdictional customers as of December 31, 2006. The Commission held in its Order on Dominion's Motion for Further Clarification, issued September 22, 2009, in Docket No. E-100, Sub 113, that this exemption applies to Dominion for purposes of both its general REPS obligation and individual set-aside requirements pursuant to G.S. 62-133.8(d)-(f). Dominion may, therefore, achieve 100% of its REPS compliance using RECs generated by out-of-state new renewable energy facilities.

Pursuant to G.S. 62-133.8(b)(2)(c), an electric power supplier may use energy efficiency certificates (EECs) to meet no more than 25% of its total requirement. However, this limitation on the use of EECs to meet the total requirement does not apply to municipal electric power suppliers such as the Town of Windsor.

Dominion witness Hitch sponsored Dominion's 2017 REPS compliance report for compliance year 2016 as an exhibit to his testimony. In its 2017 REPS compliance report Dominions states that the report contains the information required by Commission Rule R8-67(c) for itself and the Town of Windsor.

Public Staff witness Lawrence presented the Public Staff's analysis and recommendations with respect to Dominion's 2017 REPS compliance report. Based upon his review, witness Lawrence recommends that the Commission approve Dominion's 2017 REPS compliance report.

Based upon the foregoing and the entire record in this proceeding, the Commission finds that Dominion's proposed Test Period and Billing Period are appropriate, and that Dominion appropriately described its REPS requirements and those of the Town of Windsor as part of the information required to be included in Dominion's 2017 REPS compliance report, as is more particularly described in these findings of fact.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 7

The evidence supporting this finding of fact is found in the testimony and exhibits of Dominion witness Hitch, and is uncontroverted. Dominion witness Hitch testified that Dominion purchases RECs for use by the Town of Windsor, its wholesale customer, to meet its REPS obligations. However, 75% of the Town of Windsor's RECs must be obtained from in-state sources, whereas Dominion, pursuant to G.S. 62-133.8(b)(2)(e), is exempt from this requirement and may obtain all of its RECs from outside North Carolina. Because of this difference in requirements, Dominion has directly assigned to the Town of Windsor the costs of RECs used for its REPS compliance, and has excluded them from the REPS costs Dominion is seeking to recover in this proceeding. Similarly, Dominion witness Hitch testified that other incremental REPS compliance costs reasonably attributable to the Town of Windsor are excluded from the costs that Dominion is seeking to recover. The Public Staff made no objection to the manner in which Dominion separates its own REPS compliance costs from those incurred on behalf of the Town of Windsor. The Commission finds that Dominion's approach of managing its retail REPS costs separately from the REPS costs for the Town of Windsor is reasonable.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 8-10

The evidence supporting this finding of fact is found in the testimony and exhibits of Dominion witness Hitch, including Dominion's 2017 REPS compliance report, and in the affidavit of Public Staff witness Lawrence, and is uncontroverted.

Dominion witness Hitch testified that his job responsibilities include developing Dominion's annual REPS compliance report required by Commission Rule R-867(c). Dominion's 2017 REPS compliance report, which was sponsored as an exhibit by witness Hitch, states that the report includes the information required by Commission Rule R8-67(c) for Dominion and the Town of Windsor and demonstrates Dominion's compliance with the REPS requirements for compliance year 2016. In his affidavit, Public Staff witness Lawrence states that he reviewed Dominion's 2017 REPS compliance report and that, based upon his review, he recommends that it be approved.

Dominion's 2017 REPS compliance report states that Dominion's 2015 retail electric sales were 4,377,561 MWh and the Town of Windsor's were 50,704 MWh. Dominion's 6% 2016 total REPS obligation amounted to 262,654 RECs, including 250,897 general obligation RECs, 6,129 solar RECs (0.14% of 4,377,561), 5,628 poultry waste RECs, and 15,105 EECs from its portfolio of in-state EE programs approved pursuant to G.S. 62-133.9. The Town of Windsor's 6% 2016 total REPS obligation amounted to 3,043 RECs, including 2,908 general RECs, 71 solar RECs (0.14% of 50,704) and 65 poultry waste RECs. The Town of Windsor did not use any EECs for compliance. Public Staff witness Lawrence states that these numbers of RECs met the REPS requirements that 6% of 2015 retail sales must be matched with an equivalent number of RECs in 2016, including 0.14% of 2015 retail sales that must be matched with an equivalent number of RECs derived from solar energy. Witness Lawrence confirmed that Dominion had placed the requisite numbers of RECs in its own and in the Town of

Windsor's NC-RETS compliance sub-accounts. The records of NC-RETS confirm that Dominion complied with the provisions of G.S. 62-133.8(b)(2)(e) and (c)(2)(d) by placing the requisite number of RECs in the appropriate sub-account for the 2016 compliance year.

Public Staff witness Lawrence states that Dominion indicated in response to Public Staff data requests in previous years, that it determines the service life of an energy efficiency measure for REPS compliance purposes based on the measure lives Dominion uses when filing for approval of a DSM program. As an example, Dominion noted its most recent Application for Approval of the Small Business Improvement Program, as filed on July 29, 2016, in Docket No. E-22, Sub 538, which presents measure lives of 14 years.

The Public Staff does not dispute that Dominion and the Town of Windsor complied with their 2016 REPS requirements.

Based on the foregoing and the entire record in this proceeding, the Commission finds that Dominion and its wholesale customer, the Town of Windsor, for which Dominion is providing REPS compliance services, have complied with the General REPS Requirement, the Solar Set-Aside Requirement, and the Poultry Waste Set-Aside Requirement, as modified by the 2016 Delay Order. Dominion and the Town of Windsor, like other electric power suppliers have been relieved of the requirement to comply with the Swine Waste Set-Aside Requirement pursuant to the 2016 Delay Order. The Commission further finds that Dominion's 2017 REPS compliance report contains all the information required by Commission Rule R8-67(c) for Dominion and the Town of Windsor, sufficient to demonstrate Dominion and Windsor's compliance with the REPS requirements. Therefore, the Commission concludes that Dominion's 2017 REPS compliance report for compliance year 2016 should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 11

The evidence supporting this finding of fact is found in the testimony and exhibits of Dominion witnesses Hitch and Moore and the affidavits of Public Staff witnesses Lawrence and Johnson, and is uncontroverted.

Pursuant to G.S. 62-133.8(h)(1), "incremental costs" include, among other things, "all reasonable and prudent costs incurred by an electric power supplier to . . . (b) fund research that encourages the development of renewable energy, energy efficiency, or improved air quality, provided those costs do not exceed one million dollars (\$1,000,000) per year." Whether specific test period or forecasted rate period expenditures to fund research are eligible for cost recovery through an annual rider pursuant to this provision is determined by the Commission on a case- by-case basis.

Dominion witnesses Hitch and Moore described the status of Dominion's micro-grid project, which the Commission approved in Dominion's 2013 REPS rider proceeding, Docket No. E-22, Sub 503, as a research project qualifying for REPS rider cost recovery pursuant to G.S. 62-133.8(h)(1). Dominion's micro-grid project was

constructed at Dominion's Kitty Hawk district office beginning in February 2014, and was commissioned and placed in service for operation as a micro-grid on July 22, 2014.

Dominion agreed to file annual reports on the micro-grid during its three-year demonstration period (2015-2017), and the last of these reports was included in Dominion's 2017 REPS compliance report as Appendix C. As originally constructed, the micro-grid integrated a behind-the-meter on-site diesel generator; a utility feed; one five-kilowatt (kW) horizontal-axis and three vertical-axis wind turbines (3-kW, 4-kW and 1.2-kW); a lithium ion battery with a 75-kWh storage capacity and 25-kW discharge rate; a 6-kW ground-mounted solar array; protective relays, inverters, proprietary control software, metering, and circuit breakers; and round-the-clock system monitoring. Dominion reported that the original 5-kW turbine failed to perform in a satisfactory manner, and it has been replaced by the vendor, at no cost to Dominion, with a 6-kW turbine from a different manufacturer. On July 27, 2015, Dominion integrated into the micro-grid two 1.5-kW fuel cells sized for residential and small commercial customer applications. The confidential exhibits of Dominion witness Moore set forth the costs of the micro-grid project incurred during the Test Period and projected for the Billing Period.

In his affidavit, Public Staff witness Lawrence states that the Public Staff reviewed Dominion's micro-grid research costs as part of its investigation into Dominion's Application. He further states that the Public Staff does not take issue with Dominion's testimony concerning the nature and costs of its micro-grid research activity, or with the reasonableness of the micro-grid costs included for recovery.

Based upon the foregoing and the entire record in this proceeding, the Commission finds that the research activities proposed by Dominion to be funded during the rate period are eligible research costs recoverable under G.S. 62-133.8(h)(1)(b), and that such research costs are within the annual \$1,000,000 limit. The Commission further finds that Dominion has fulfilled its commitment to provide the Commission status reports on the micro-grid research project. Therefore, the Commission concludes that Dominion should not be required to make additional reports regarding its micro-grid project.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 12-16

The evidence supporting these findings of fact is found in the testimony and exhibits of Dominion witnesses Hitch, Moore, and Merritt and the affidavits of Public Staff witnesses Lawrence and Johnson.

Dominion witness Hitch testified that Dominion has not made any purchases of renewable energy as part of its REPS compliance, electing to meet its REPS obligations entirely through the purchase of RECs. For that reason, he testified, 100% of Dominion's REC costs are "incremental costs" recoverable through the REPS rider. He further testified that, although Dominion includes its avoided cost rates in its 2017 REPS compliance report, these rates were not required to determine the incremental costs of Dominion's 2016 REPS compliance. In addition, he testified that while Dominion has identified certain direct and non-labor costs associated with REPS compliance, Dominion

is not seeking to recover these costs in this proceeding as it evaluates how to appropriately track and allocate these costs. Witness Hitch also noted that Dominion is seeking recovery of costs of the micro-grid project, as discussed in the previous section. Witness Hitch concluded his testimony by stating that Dominion's costs incurred to meet its REPS compliance obligations were reasonably and prudently incurred. In its 2017 compliance report, which witness Hitch sponsored as an exhibit to his testimony, Dominion states that its total customer accounts for each customer class were as follows: 102,258 residential customers, 17,911 commercial customers, and 52 industrial customers.

Dominion witness Moore testified to the details of Dominion's requested cost-recovery included in its application. Witness Moore sponsored exhibits which set out in detail Dominion's incremental REPS compliance costs for the Test Period and projected costs for the Billing Period. Witness Moore testified that Dominion's total Test Period revenues were \$369,848, resulting in an under-recovery of \$469,296. Dominion seeks to recover this amount through the REPS EMF Rider (Rider RPE). As reflected in witness Moore's exhibit No. JDM-1, Schedule 2, the under-recovery attributed to each customer class is as follows: \$239,162 for residential, \$224,893 for commercial, and \$5,241 for industrial. Witness Moore further testified that Dominion seeks to recover \$716,429 in incremental costs for REPS compliance costs projected to be incurred during the Billing Period through the REPS rider charges (Rider RP). These costs are detailed in witness Moore's exhibit No. JDM-1, Schedule 4, and are allocated by customer class as follows: \$363,784 for the residential class, \$344,644 for the commercial class, and \$8,002 for the industrial class.

Dominion witness Merritt testified to the methodology Dominion used to develop its proposed per-account, monthly REPS charges. Witness Merritt testified that Dominion used the same approach that the Commission has approved in its previous REPS rider proceedings for determining the total number of customer accounts in each class and for allocating REPS compliance costs to each class. Witness Merritt acknowledged the recent amendment to G.S. 62-133.8(h)(4), that reduced the annual limit on the REPS charge applicable to residential customers from \$34 to \$27. Witness Merritt testified that, because of the July 1, 2017 effective date, this change does not impact Dominion's REPS EMF rider charges, but will be used in developing REPS rider charges. Witness Merritt then testified that, in calculating the REPS EMF charges the total under-recovery experienced during the Test Period of \$469,296 was divided by 12 to develop a per-month amount. That amount was then adjusted to account for the regulatory fee and to calculate the monthly, per-account REPS EMF charge for each customer class. This calculation is reflected in witness Merritt's schedule 3, which he sponsored as an exhibit to his testimony. Witness Merritt then testified that the calculation of monthly, per-account REPS charges was completed in a similar manner based on the incremental costs projected to be incurred during the Billing Period. This calculation is detailed in witness Merritt's schedule 4, which he sponsored as an exhibit to his testimony. Witness Merritt further testified that based on these calculations, Dominion has proposed combined, monthly, per-account REPS EMF rider and REPS rider charges are as follows: \$0.49 for residential customers, \$2.71 for commercial customers, and \$18.12 for industrial

customers. As compared to Dominion's current REPS rider charges this will result in decreases in these charges as follows: \$0.39 for residential customers, \$1.16 for commercial customers, and \$7.70 for industrial customers. These comparisons are included in witness Merritt's schedule 7, which he sponsored as an exhibit to his testimony. Finally, witness Merritt testified that these proposed REPS rider charges do not exceed the annual limits set out in G.S. 62-133.8(h)(4), as reflected in witness Merritt's schedule 6.

Public Staff witnesses Lawrence and Johnson described the Public Staff's review of Dominion's REPS costs and, based upon their review, recommended that the Commission approve Dominion's proposed Rider RP and RPE charges.

Based upon the foregoing and the entire record herein, the Commission finds that Dominion appropriately calculated its incremental costs for REPS compliance for the Test Period and that these costs were reasonably and prudently incurred. The Commission further finds that Dominion appropriately forecasted its incremental costs for REPS compliance Billing Period. The Commission further finds that, consistent with the methodology approved by the Commission in past REPS rider proceedings, Dominion has appropriately adjusted its number of customer accounts, allocated its incremental costs of REPS compliance to each customer class, and that the resulting proposed REPS and REPS EMF rider charges as detailed in Dominion's application are appropriate. Therefore, the Commission concludes that Dominion should be allowed to collect the following combined, monthly per-account REPS and REPS EMF charges, including the regulatory fee, for each of the following customer classes: \$0.49 for residential accounts, \$2.71 for commercial accounts, and \$18.12 for industrial accounts. These combined REPS rider charges, on an annual basis, are within the annual limits provided in G.S. 62-133.8(h)(4).

IT IS, THEREFORE, ORDERED as follows:

1. That Dominion shall establish REPS rider charges through its schedule Rider RP as described herein, in the amounts approved herein, and that these rider charges shall remain in effect for a 12-month period beginning January 1, 2018, and expiring December 31, 2018;
2. That Dominion shall establish REPS EMF rider charges through its schedule Rider RPE as described herein, in the amounts approved herein, and that these rider charges shall remain in effect for a 12-month period beginning January 1, 2018, and expiring December 31, 2018;
3. That Dominion 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, Subs 545 and 546, and Dominion shall file such notice for Commission approval as soon as practicable, but not later than three (3) working days after the Commission issues orders in all of the above-referenced dockets;

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

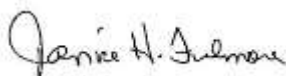
5. That Dominion's 2017 REPS compliance report, for calendar year 2016, is hereby approved, and the RECs and EECs in Dominion and the Town of Windsor's 2016 compliance sub-accounts in NC-RETS shall be retired; and

6. That Dominion has fulfilled its commitment to provide the Commission a final status report on the micro-grid research project and no additional reporting related to the micro-grid research project shall be required in Dominion's future annual REPS compliance reports.

ISSUED BY ORDER OF THE COMMISSION.

This the 13th day of December, 2017.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in dark ink, appearing to read "Janice H. Fulmore". The signature is written in a cursive, flowing style.

Janice H. Fulmore, Deputy Clerk