



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

September 9, 2020

Ms. Kimberley A. Campbell, Chief Clerk
North Carolina Utilities Commission
4326 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Stipulation of Settlement
Docket No. E-35, Sub 51

Dear Ms. Campbell:

Attached is the Stipulation of Western Carolina University (WCU) and the Public Staff. As set forth in the Stipulation of Settlement, WCU will accept the \$612,749 revenue requirement increase recommended by the Public Staff. However, the Public Staff and WCU have agreed that the methodology used by the Public Staff to set the embedded cost of debt will not be cited as precedence in future proceedings.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Electronically submitted
/s/ John D. Little
Staff Attorney
john.little@psncuc.nc.gov

c: Parties of Record

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DOCKET NO. E-35, SUB 51

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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

NOW COME Western Carolina University (WCU) and the Public Staff - North Carolina Utilities Commission (jointly the "Parties") and respectfully submit the following stipulation for the Commission's consideration in the above-captioned docket. The Parties agree as follows:

1. On March 9, 2020, WCU filed an application with the Commission seeking authority to increase its rates for electric service in its service area in Jackson County, North Carolina.
2. In an order issued on April 6, 2020, the Commission declared the above-captioned docket to be a general rate case and suspended the proposed rates for up to 270 days.
3. WCU filed an Amendment to its Application on June 24, 2020.
4. The Commission issued an Order on July 17, 2020 scheduling a public hearing to be held remotely via WebEx on Thursday, September 10, 2020 at 7:00 p.m. This Order also scheduled an evidentiary hearing on Monday, September 14, 2020 at 2:00 p.m. The July 17, 2020 Order states that the Commission would enter another Order setting forth the procedures for the remote evidentiary hearing or scheduling an in-person hearing in Raleigh, North

Carolina. The Commission also directed each party to file a letter indicating whether they consent to holding the remote public hearing remotely.

5. WCU filed its consent to a remote evidentiary hearing on August 6, 2020. The Public Staff filed its consent to a remote evidentiary hearing on August 10, 2020.
6. The Commission issued a further Order on August 14, 2020 directing that the evidentiary hearing be held remotely via WebEx.
7. The public hearing scheduled for September 14, 2020 was cancelled because no protests to the proposed rate increase were received.
8. The test year for purposes of establishing rates in this docket is the 12-month period ending June 30, 2019.
9. WCU requested an increase in its electric rates that would produce \$625,500 in additional annual revenues.
10. WCU had plant in service, net of cost-free capital, of \$6,937,255 as of the end of the test year.
11. The reasonable balance of accumulated depreciation as of the end of the test year was \$(3,842,817).
12. The reasonable balance of supplies and material inventory as of the end of the test year was \$313,580.

13. The reasonable balance of working capital as of the end of the test year was \$364,903.
14. The reasonable balance of customer deposits as of the end of the test year was \$(224,671).
15. WCU's reasonable original cost rate base for purposes of this proceeding, consisting of plant in service (net of cost-free capital), supplies and material inventory, and working capital, net of accumulated depreciation and customer deposits, is \$3,548,251.
16. The pro forma test year amount of operation and maintenance expenses under present rates reasonable and appropriate for purposes of this proceeding is \$4,714,589.
17. The pro forma test year amount of depreciation expense reasonable and appropriate for purposes of this proceeding is \$196,026.
18. WCU's pro forma test year amount of Unrelated Business Income Tax expense reasonable and appropriate for purposes of this proceeding is \$(93,153).
19. WCU's total pro forma test year operating revenue deductions under present rates for purposes of this proceeding are \$4,817,462.
20. WCU's total pro forma test year operating revenues under present rates for purposes of this proceeding are \$4,569,742.

21. The Parties agree on a 6.32% overall rate of return. The stipulated overall rate of return reflects a hypothetical capital structure for WCU consisting of 50.00% debt and 50.00% equity. The reasonable and appropriate cost of debt for purposes of this proceeding is 3.64% and the reasonable and appropriate cost of equity for purposes of this proceeding is 9.00%.
22. The Parties agree that WCU is entitled to rates and charges that will produce \$612,749 in additional annual revenues.
23. A reconciliation of WCU's revenue requirement increase of \$625,500 proposed in the Amendment to its Application and the stipulated revenue requirement of \$612,749, based on the testimony and exhibits of Public Staff witness Sonja R. Johnson filed in this proceeding on August 21, 2020, is attached hereto as Stipulation Exhibit I.
24. The Parties agree that WCU's revenues from its retail operations for the twelve months ended June 30, 2019, by customer class under present base rates and as increased to meet the agreed-upon revenue increase requirement will be as follows:

Customer Class	Present Operating Revenues	Proposed Revenue Increase	Proposed Operating Revenues
Residential	\$ 3,461,647	\$ 469,836	\$ 3,931,483
Commercial	\$ 1,070,065	\$ 120,095	\$ 1,190,159
Lighting	\$ 38,031	\$ 22,818	\$ 60,849
Rate Schedule Total	\$ 4,569,742	\$ 612,749	\$ 5,182,491

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

- a. The base purchased power cost factor reflected in the agreed-to proposed base revenues in this proceeding and established for use in future PPA Rider proceedings, coincident with the effective date of rates approved in this proceeding, is \$0.07759 per kilowatt-hour (kWh);
- b. Coincident with the effective date of rates approved in this proceeding, the current "Factor for estimated purchased power costs for the period February 2020 through January 2021" of \$0.00074 per kWh, approved as a component of the Schedule "CP" Purchased

Power Cost Rider in Docket No. E-35, Sub 50, will be reset to \$0.00000 per kWh.

26. All prefiled Public Staff and WCU testimony and exhibits may be introduced into evidence without objection, and the Parties waive their respective rights to cross-examine all witnesses with respect to all such prefiled testimony and exhibits.
27. The Parties agree that any Recommended Order approving the rates and charges agreed to in this stipulation may become the Final Order of the Commission upon issuance and waive the right to file exceptions to the Recommended Order.
28. The Parties agree to waive appeal of a Final Order of the Commission incorporating the matters stipulated to herein.
29. The Parties acknowledge that this Stipulation resulted from extensive negotiations and compromise. Thus, the agreements reached do not necessarily reflect the respective Parties' beliefs as to the proper treatment or level of the matters cited. Except as needed to carry out the terms of the Commission's Order based on this Stipulation, the Parties have agreed that none of the positions, treatments, figures or other matters reflected in this stipulation shall have any precedential value, nor shall they otherwise be used in any subsequent proceedings before this Commission or any other regulatory body as proof of the matter in issue.

30. The Parties agree that the debt calculation methodology used in the present case will not be used as precedence in future proceedings.

The foregoing is agreed and stipulated to this the 9th day of September, 2020.

WESTERN CAROLINA UNIVERSITY

/s/ Gabriel Du Sablon
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PUBLIC STAFF
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/s/ John Little
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CERTIFICATE OF SERVICE

I certify that I have served a copy of the foregoing Stipulation of Western Carolina and the Public Staff on all parties of record in accordance with Commission Rule R1-39, by United States mail, postage prepaid, first class; by hand delivery; or by electronic delivery upon agreement of the receiving party.

This the 9th day of September, 2020.

Electronically submitted

/s/ John D. Little