



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

January 19, 2018

VIA ELECTRONIC FILING

Ms. M. Lynn Jarvis, Chief Clerk
North Carolina Utilities Commission
Mail Service Center 4325
Raleigh, North Carolina 27699-4300

Re: Docket No. E-34, Sub 46

Dear Ms. Jarvis:

In connection with the above-referenced docket, I transmit herewith for filing the Stipulation of Appalachian State University, d/b/a New River Light and Power Company, and the Public Staff – North Carolina Utilities Commission (Public Staff). The Public Staff plans to file supplemental testimony in support of the Stipulation next week.

By copy of this letter, I am forwarding a copy of the above to all parties of record.

Sincerely,

/s/ Elizabeth D. Culpepper
Staff Attorney
elizabeth.culpepper@psncuc.nc.gov

Attachment

c: Parties of Record

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Legal
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DOCKET NO. E-34, SUB 46

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application of Appalachian State University,)
d/b/a New River Light and Power Company,)
for an Adjustment of Rates and Charges for)
Electric Service in North Carolina)

STIPULATION

Appalachian State University, d/b/a New River Light and Power Company (NRLP), and the Public Staff – North Carolina Utilities Commission (Public Staff) (jointly, the Parties), through counsel and pursuant to Section 62-69 of the North Carolina General Statutes and Rule R1-24(c) of the Rules and Regulations of the North Carolina Utilities Commission (Commission), respectfully submit the following Stipulation for consideration by the Commission in this proceeding. The Parties hereby stipulate and agree as follows:

1. On July 28, 2017, NRLP filed an application with the Commission seeking authority to increase its rates for electric service.
2. New River subsequently amended the application.
3. On August 28, 2017, the Commission issued its Order Establishing a General Rate Case, Suspending Rates, Scheduling Hearings, and Requiring Customer Notice.
4. No other party has intervened in this case.
5. The public hearing was held as scheduled on October 24, 2017.
No public witnesses testified.
6. The test year for purposes of establishing rates in this docket is the 12-month period ended December 31, 2016.

7. As reflected in its supplemental filing, NRLP requested an increase in its electric rates that would produce \$1,931,296 in additional annual revenues.

8. NRLP had electric plant in service of \$30,691,443 at the end of the test year, as adjusted to reflect certain post-test year additions.

9. The reasonable balance of accumulated depreciation as of the end of the test year, as adjusted to reflect certain post-test year additions, was \$(12,331,971).

10. The Parties have agreed to remove the construction work in progress amount of \$62,292 from rate base.

11. The reasonable balance of investment in capital credits is \$7,381,343.

12. The reasonable balance of regulatory assets and liabilities is \$158,283.

13. The reasonable balance of supplies and material inventory is \$446,426.

14. The reasonable balance of prepaid expenses is \$36,319.

15. The reasonable balance of customer deposits is \$(212,192).

16. The reasonable balance of working capital is \$715,463.

17. NRLP's reasonable original cost rate base for purposes of this proceeding, consisting of electric plant in service, accumulated depreciation, investment in capital credits, regulatory assets and liabilities, materials and supplies inventory, prepaid expenses, working capital, and customer deposits, is \$26,885,114.

18. The pro forma test year amount of operation and maintenance expenses reasonable and appropriate for purposes of this proceeding is \$16,014,971.

19. The pro forma test year amount of depreciation expense reasonable and appropriate for purposes of this proceeding is \$1,040,115.

20. The pro forma test year amount of amortization of regulatory assets and liabilities reasonable and appropriate for purposes of this proceeding is \$41,339. This amount includes \$15,000 for the amortization of NRLP's \$60,000 commitment to pay for preliminary design expenses associated with the expected forthcoming removal of the Payne Branch Dam along with certain river bed restoration work.

21. The pro forma test year amount of regulatory fee expense reasonable and appropriate for purposes of this proceeding is \$23,848.

22. The pro forma test year amount of loss on sale of utility property reasonable and appropriate for purposes of this proceeding is \$2,526.

23. The pro forma test year amount of interest on customer deposits reasonable and appropriate for purposes of this proceeding is \$12,933

24. NRLP's total pro forma test year operating revenue deductions under present rates for purposes of this proceeding are \$17,135,732.

25. NRLP's total pro forma test year operating revenues under present rates for purposes of this proceeding are \$17,116,975, consisting of \$17,053,787 in electric sales revenues and \$63,188 in other operating revenues.

26. The Parties agree on a 6.525% overall rate of return. The stipulated overall rate of return reflects a hypothetical capital structure for NRLP consisting of 50% debt and 50% equity. The reasonable and appropriate cost of debt for purposes of this proceeding is 3.80%, and the reasonable and appropriate cost of equity for purposes of this proceeding is 9.25%.

27. The Parties agree that NRLP is entitled to charges that will produce \$1,777,506 in additional annual revenues, consisting of an increase of \$1,743,202 in increased electric sales revenues and an increase of \$34,304 in miscellaneous fees and charges. A reconciliation of the increase requested by NRLP and the \$1,777,506 is attached to this Stipulation as Stipulation Exhibit 1.

28. The Parties agree that NRLP's revenues from its retail operations for the twelve months ended December 31, 2016, 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 Base Revenues	Proposed Base Revenue Increase	Proposed Base Revenues
Residential	\$ 5,210,262	\$ 636,787	\$ 5,847,049
G Commercial	\$ 2,149,570	\$ 262,716	\$ 2,412,286
GL Commercial	\$ 4,314,813	\$ 527,347	\$ 4,842,160
GLH Commercial	\$ 1,238,609	\$ 151,380	\$ 1,389,989
ASU Campus	\$ 3,796,865	\$ 153,000	\$ 3,949,865
Security Lighting	\$ 343,668	\$ 11,972	\$ 355,640
Rate Schedule Total	\$ 17,053,787	\$ 1,743,202	\$ 18,796,989

29. In addition to the \$60,000 commitment addressed in Paragraph 20 of this Stipulation, the Parties agree that as the removal of the Payne Branch Dam (along with certain associated river bed restoration work) is completed, NRLP may record its cost contribution toward such work, which is set at ten percent (10%) of the total cost, in a regulatory asset account, up to a cap of \$200,000. No amount greater than the balance recorded in the regulatory asset account will be requested to be recovered from NRLP's ratepayers at any time in the future. NRLP may maintain the regulatory asset on its books until its next general rate case; provided, however, that if NRLP has not filed its next general rate case by June 1, 2022, it shall begin amortizing the regulatory asset as of January 1, 2023, using an amortization period no shorter than ten years. Notwithstanding the above, prior to recovery of any portion of the regulatory asset as part of a general rate case, such recovery will be subject to further review by the Public Staff and the Commission as to the appropriateness of the costs proposed to be recovered from NRLP's ratepayers, as well as the prudence and reasonableness of the specific costs as expended. Additionally, until the project is completed, NRLP will provide to the Public Staff, by July 31 and January 31 of each year, a report describing the work completed and costs incurred by NRLP as of the immediately preceding June 30 and December 31.

30. With regard to 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-34, Sub 38, to continue. Furthermore, the Parties agree that if such is approved in this general rate case, the annual PPA rider can be determined without the requirement that NRLP's ongoing earnings be considered as part of each annual rider determination. The base purchased power cost factor reflected in the agreed-to proposed base revenues and established in this proceeding for use in future PPA Rider proceedings is \$0.062846 per kWh (excluding the North Carolina regulatory fee).

31. With regard to NRLP's request for a Coal Ash Cost Recovery (CACR) rider, the Parties agree that beginning in 2018, NRLP may begin recovering reasonable and appropriate coal ash costs charged to it by its current wholesale supplier (Blue Ridge Electric Membership Corporation or BREMCO) through a separate rider or separate component of NRLP's PPA rider, structured and calculated in a manner equivalent to that used for the PPA rider, except as otherwise set forth in this paragraph. The CACR rider shall be implemented concurrent with the PPA rider proceeding established in current Commission Docket No. E-34, Sub 47. To eliminate significant differences in annual coal ash charges to ratepayers over the 2018 through 2021 time period, NRLP may defer a portion of the coal ash charges incurred in one or more of such years. Any deferred charges will accrue interest at the FERC interest rate as set forth in Section 35.19a of the FERC Regulations and published quarterly, but in no event at a rate greater than the weighted overall rate of return approved in NRLP's most recent general rate case at that time. Subsequent CACR riders shall be designed to recover such deferred coal ash charges and associated interest.

The Parties shall consult with each other regarding the calculation and determination of the 2018 CACR rider, and will also subsequently work together to take reasonable and appropriate steps to attempt to minimize the costs charged to NRLP by BREMCO, as they could be affected by the Commission's Order in Duke Energy Carolinas, LLC's currently ongoing general rate case (Docket No. E-7, Sub 1146). The base coal ash cost recovery cost factor reflected in the agreed-to proposed base revenues and established in this proceeding for use in future CACR rider proceedings is \$0.000000 per kWh (excluding the North Carolina regulatory fee).

32. With regard to the PPA rider, the parties agree to move the effective date for the adoption of 2018 rates from an anticipated effective date of February 1, 2018 to an effective date of April 1, 2018. The true-up of PPA costs will be determined in a manner that ensures that NRLP does not inappropriately under- or overrecover its purchased power expenses, including consideration of the experience modification factor (EMF) left in effect for February and March 2018. The test year for the 2018 PPA rider shall remain the most recently concluded calendar year. The intent of the above-stated process is to adequately capture any undercollection or overcollection as they relate to the timing of billing and collecting NRLP's actual wholesale costs of power as opposed to its projected wholesale costs of power that were billed and collected.

33. The Parties agree to work together to develop language related to the resale of electric service by landlords pursuant to G.S. 62-110(h) and Commission Rule R22 to be included in the Resale Service section of the

Service Regulations and the Availability section of Rate Schedule R. Such language will be incorporated in the compliance tariffs filed by NRLP in this case.

34. The Parties agree to work together to develop language describing the criteria NRLP will use to determine when a customer will transition to Rate Schedule GLH. The criteria will be based on a twelve-month period where the customer has a demand of 30 kW or more for two months and a monthly load factor greater than 65% for six months. Such language will be incorporated in the compliance tariffs filed by NRLP in this case.

35. The Parties agree that NRLP shall update all load data in its cost of service study filed in this case using a full calendar years' worth of data based on data collected from its advanced metering infrastructure (AMI) metering system. The updated study shall be completed and filed with the Commission as soon as possible, but no later than June 30, 2019.

36. The Parties agree that NRLP shall develop an internal AMI opt-out policy and proposed rates and file for approval from the Commission within 30 days of the Commission's final order in this case.

37. The Parties agree that NRLP and the Public Staff shall work together to reevaluate NRLP's decision to not utilize the automatic reconnect feature of its AMI metering system. The Parties agree to initiate discussions within 30 days of the Commission's final order in this case.

38. The Parties agree that NRLP will work to develop rate schedules and energy efficiency and demand side management programs that take advantage of the detailed usage data and other capabilities of its AMI metering

system, recognizing that NRLP may not implement energy efficiency or demand side management programs so long as it is a party to the Electric Service Agreement with BREMCO. The Parties agree that NRLP shall report its progress to the Public Staff within 180 days of the Commission's final order in this case.

39. Within 30 days after the Commission's issuance of an order accepting this Stipulation, but no later than ten business days prior to the effective date of the new rates, NRLP will file for Commission approval five copies of all rate schedules designed to comply with the paragraphs above, accompanied by calculations (in Excel spreadsheet format) showing the revenues that will be produced by the rates for each schedule, which shall include a schedule comparing the revenue produced by the rate schedules in effect during the test period (Exhibit A to NRLP's application) with the revenue that will be produced under the proposed settlement schedules, and a schedule illustrating the rates of return by class based on the revenues produced by the rates for each schedule (in the format of Saillor Exhibit SJS-4).

40. The Parties will support this Stipulation in any proposed order or brief and in any hearing before the Commission in this docket; provided, however, that the settlement of any issue pursuant to this Stipulation shall not be cited as precedent by any of the Parties in any other proceeding or docket before this Commission. The provisions of this Stipulation do not necessarily reflect any position asserted by any of the Parties. Rather, they reflect a settlement among the Parties as to all issues, and no Party waives the right to assert any position in any future docket before the Commission.

41. The Parties agree that all pre-filed testimony and exhibits, including any supplemental testimony filed by the Public Staff in support of this Stipulation, may be introduced into evidence without objection, and the Parties hereto waive their respective right to cross-examine all witnesses with respect to all such pre-filed testimony and exhibits. If questions should be asked by any person, including a Commissioner, who is not a Party, the Parties may present testimony and/or exhibits to respond to such questions and may cross-examine any witnesses with respect to such testimony and/or exhibits; provided, however, that such testimony, exhibits, and/or cross-examination shall not be inconsistent with this Stipulation. The Parties further agree that the Public Staff will file supplemental testimony in support of the Stipulation provided that such testimony shall not be inconsistent with this Stipulation.

42. This Stipulation is the product of give-and-take negotiations, and no portion of this Stipulation shall be binding on the Parties unless the entire Stipulation is accepted by the Commission. The terms and conditions set forth above represent, in full, the agreement of the Parties.

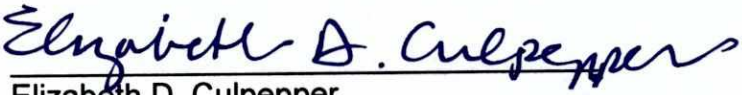
The foregoing is agreed and stipulated to this the 19th day of January, 2018.

NEW RIVER LIGHT AND POWER COMPANY



Michael S. Colo

PUBLIC STAFF – NORTH CAROLINA UTILITIES
COMMISSION


Elizabeth D. Culpepper

NEW RIVER LIGHT AND POWER COMPANY
Docket No. E-34, Sub 46
RECONCILIATION OF INITIAL COMPANY &
STIPULATED GROSS REVENUE INCREASE
For the Test Year Ended December 31, 2016

Stipulation Exhibit 1

Line No.	Item	Revenue Effect
1.	Company proposed increase per supplemental filing	\$ 1,931,296 [1]
2.	<u>Stipulated adjustments:</u> [2]	
3.	Gross up Company proposed increase to revenue requirement level	4,895
4.	Impact of reducing rate of return	(119,363)
5.	Removal of CWIP	(4,075)
6.	Adjust Payne Branch Dam unamortized balance	(491)
7.	Removal of non-utility items	10,675
8.	Include materials and supplies inventory	29,205
9.	Adjust prepaid expenses	114
10.	Adjustment to customer deposits	(13,882)
11.	Adjustment to reduce AFUDC	(3,587)
12.	Adjustment to working capital	(11,809)
13.	Adjustment to correct billing determinants	(26,487)
14.	Customer growth, usage, and weather normalization	(183,464)
15.	Test year inflation	5,721
16.	Adjustment to set base purchased power expense	148,214
17.	Adjustment to amortization of gain on truck disposal	(3,229)
18.	Adjustment to unamortized regulatory assets and liabilities	(2,604)
19.	Adjustment to regulatory fee	(4,970)
20.	Adjustment to depreciation expense	21,341
21.	Rounding	6
22.	Total stipulated adjustments (Sum of Lines 3-21)	(153,790)
23.	Recommended increase per Stipulation (L1 + L22)	\$ 1,777,506

[1] Per Company Exhibit SLB-7R.

[2] Adjustments to reach gross revenue increase as reflected in Stipulation (details to be provided in Jayasheela Settlement Testimony and Exhibits).