

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-7, SUB 1181
DOCKET NO. SP-12478, SUB 0
DOCKET NO. SP-12479, SUB 0

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)
Transfer of Certificates of Public Convenience) ORDER REQUIRING FILING
and Necessity and Ownership Interests in) OF TESTIMONY AND
Generating Facilities from Duke Energy) SCHEDULING HEARING
Carolinas, LLC, to Northbrook Carolina Hydro)
II, LLC, and Northbrook Tuxedo, LLC)

BY THE COMMISSION: On July 5, 2018, Duke Energy Carolinas, LLC (DEC), Northbrook Carolina Hydro II, LLC, and Northbrook Tuxedo, LLC (Northbrook, collectively Applicants) filed a Joint Notice of Transfer, Request for Approval of Certificates of Public Convenience and Necessity, Request for Accounting Order and Request for Declaratory Ruling (Petition) in the above-captioned dockets.

In summary, Applicants state that on May 15, 2018, DEC and Northbrook entered into an agreement whereby DEC will sell five hydroelectric generating facilities having a combined capacity of 18.7 megawatts to Northbrook. Four of the facilities are located in North Carolina, and the fifth is located in South Carolina. Applicants state that DEC's cost of maintaining these older facilities makes it more economical for DEC to sell the facilities than to continue using them to serve DEC's ratepayers, and that divestiture of the facilities will not affect DEC's ability to provide reliable service to its customers at just and reasonable rates. Applicants further state that DEC will transfer ownership of the facilities to Northbrook for \$4,750,000, and that the facilities have a current net book value of \$42 million.

DEC requested that the Commission enter an order allowing DEC to establish a regulatory asset to defer the North Carolina retail allocable portion of the loss on sale, approximately \$27 million, to be amortized over a period of years, and with a return, to be set in DEC's next general rate case. In addition, Applicants requested a declaratory ruling that the facilities will be considered new renewable energy facilities, and that DEC can use renewable energy certificates (RECs) from the facilities to comply with its obligations under the Renewable Energy and Energy Efficiency Portfolio Standard.

On July 25, 2018, the Commission issued an order allowing interested parties to file petitions to intervene and comments, and allowing Applicants to file reply comments.

On September 4, 2018, the Public Staff filed comments, and on September 18, 2018, DEC filed reply comments.

Based on the foregoing and the record, the Commission finds good cause to require the parties to file testimony, and to schedule this docket for a hearing. Further, the Commission finds good cause to request that the parties specifically address the following matters in their testimony, along with all other evidence that supports their position in this matter.

1. In its comments, the Public Staff discussed a present value of revenue requirements (PVRR) analysis conducted by DEC and reviewed by the Public Staff. In its testimony, DEC shall provide the details of its PVRR analysis, and shall provide the PVRR analysis as an exhibit to its testimony. In addition, it is requested that DEC provide the Commission Staff with an electronic version of the PVRR analysis, with formulas intact.
2. The parties shall provide their opinions of the strengths and weaknesses, if any, of DEC's PVRR analysis.
3. DEC shall provide the dates and other details of the capital expenditures made on the hydro plants from 2015-2018, and shall specifically address whether the expenditures were for maintenance of the plants to keep them operating safely, or were for upgrades to the plants.
4. DEC shall provide the date(s) that it solicited offers for the purchase of the hydro plants, and the number of offers and the date(s) of all offers received by DEC.
5. DEC shall provide the reason(s) why it chose Northbrook as the purchaser of the hydro plants rather than the other bidder(s).
6. With regard to DEC's request that the Commission establish a regulatory asset to defer the North Carolina retail allocable portion of the loss on sale, the parties shall address the standard the Commission should apply in assessing DEC's request. For example, should it apply a two-prong test sometimes applied with respect to deferred requests in other contexts: (1) whether the costs in question are unusual or extraordinary in nature, and (2) whether absent deferral, the costs would have a material impact on DEC's financial condition, or due to the facts pertinent to this particular deferral request, should another test apply?
7. DEC shall provide all evidence that it has to support a finding that deferral of the North Carolina retail allocable portion of the loss on sale meets the test requirements DEC maintains the Commission should apply.

8. With respect to the parties' contentions as to when the amortization of the loss should begin, should the Commission approve the deferral, the parties should provide support, precedential or otherwise, for their positions.
9. With respect to the Public Staff's request to further evaluate the expenditures to be deferred in DEC's next general rate case proceeding, the parties should address what amount of such expenditures were included in the rates established by the Commission in the Sub 1146 general rate case, and what amounts, if any, were not included in such rates. In order for the Commission to become adequately informed, the Commission wishes to have sufficient information on the magnitude of the loss on sale to be deferred.


IT IS, THEREFORE, ORDERED as follows:

1. That on or before December 21, 2018, DEC and Northbrook, jointly or severally, shall file testimony in support of their Petition.
2. That on or before January 18, 2019, the Public Staff shall file its testimony.
3. That a hearing in this matter shall be, and is hereby, scheduled on Tuesday, February 5, 2019, at 10:00 a.m., in Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina.

ISSUED BY ORDER OF THE COMMISSION.

This the 29th day of November, 2018.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in dark ink, appearing to read "Janice H. Fulmore", is written over a horizontal line.

Janice H. Fulmore, Deputy Clerk

Commissioner Lyons Gray did not participate in this decision.