



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

October 23, 2017

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

Re: Docket No. E-22, Sub 544 – Application by Virginia Electric and Power Company d/b/a Dominion Energy North Carolina for Approval of Renewable Energy and Energy Efficiency Portfolio Standard Cost Recovery Rider Pursuant to G.S. 62-133.8 and Commission Rule R8-67

Dear Ms. Jarvis:

In connection with the above-referenced docket, I transmit herewith for filing on behalf of the Public Staff the following:

1. Affidavit of Sonja R. Johnson, Staff Accountant, Electric Section, Accounting Division; and
2. Affidavit of Evan D. Lawrence, Utilities Engineer, Electric Division.

By copy of this letter, we are forwarding copies to all parties of record.

Sincerely,

/s/ Robert B. Josey, Jr.
Staff Attorney
robert.josey@psncuc.nc.gov

Executive Director
(919) 733-2435

Communications
(919) 733-2810

Economic Research
(919) 733-2902

Legal
(919) 733-6110

Transportation
(919) 733-7766

Accounting
(919) 733-4279

Consumer Services
(919) 733-9277

Electric
(919) 733-2267

Natural Gas
(919) 733-4326

Water
(919) 733-5610

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-22, SUB 544

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Virginia Electric and Power)
Company, d/b/a Dominion Energy North)
Carolina, for Approval of Renewable Energy)
and Energy Efficiency Portfolio Standard Cost)
Recovery Rider Pursuant to G.S. 62-133.8 and)
Commission Rule R8-67)

AFFIDAVIT OF
SONJA R. JOHNSON

STATE OF NORTH CAROLINA

COUNTY OF WAKE

I, Sonja R. Johnson, first being duly sworn, do depose and say:

I am a Staff Accountant with the Accounting Division of the Public Staff - North Carolina Utilities Commission. A summary of my education and experience is attached to this affidavit as Appendix A.

G.S. 62-133.8(h) provides that the State's electric power suppliers may recover their reasonable and prudently incurred incremental costs of compliance with the Renewable Energy and Energy Efficiency Portfolio Standard (REPS) through an annual rider charge. Pursuant to Commission Rule R8-67, the REPS rider will be recovered over the same period as the utility's fuel cost rider. Rule R8-67 also provides for a REPS experience modification factor (REPS EMF) rider, which is utilized to "true-up" the recovery of reasonable and prudently

incurred incremental REPS compliance costs incurred during the test period established for each annual rider proceeding.

The purpose of my affidavit is to present the results of the Public Staff's investigation of the REPS EMF rider proposed by Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina (DENC or the Company), in this proceeding, based on incremental REPS compliance costs incurred and revenues recorded from July 1, 2016 through June 30, 2017 (REPS EMF period or test period).

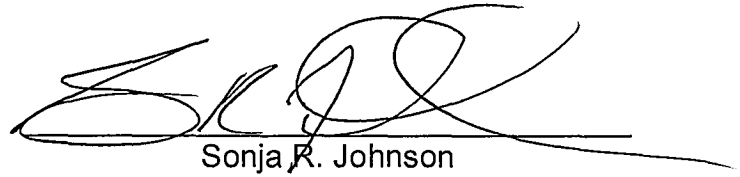
On August 23, 2017, DENC filed its application, testimony and exhibits related to the incremental costs incurred for compliance with the REPS. On Company Exhibit No. JDM-1, Schedule 3, DENC witness Merritt presents the Company's proposed annual and monthly REPS EMF Rider (Rider RPE) increments for each of the North Carolina retail customer classes, based on (1) incremental REPS compliance costs of \$239,162 for the residential class, \$224,893 for the commercial class, and \$5,241 for the industrial class, and (2) customer counts totaling 102,840 for the residential class, 17,548 for the commercial class, and 61 for the industrial class. The proposed annual EMF increment riders are \$2.33, \$12.82, and \$85.92 per retail customer account, excluding the regulatory fee, for the residential, commercial, and industrial classes, respectively. These rates are calculated by dividing the REPS EMF Rider RPE under-recovery amount by the customer count for that class. The proposed monthly EMF increment riders are \$0.19, \$1.07, and \$7.16 per retail customer account, excluding the regulatory fee, and \$0.19, \$1.07, and \$7.17 per

retail customer account, including the regulatory fee for the residential, commercial, and industrial classes, respectively.

The Public Staff's investigation included procedures intended to evaluate whether the Company properly determined its per books incremental compliance costs and revenues, and complied with the annual REPS revenue cap during the test period. These procedures included a review of the Company's filing and other Company data provided to the Public Staff. Additionally, the procedures included a review of certain specific types of expenditures impacting the Company's costs, including research and development costs. Performing the Public Staff's investigation required the review of responses to written data requests.

Based upon the Public Staff's investigation, I am recommending that DENC's proposed annual and monthly REPS EMF increment riders for each customer class, as set forth in Company Exhibit No. JDM-1, Schedule 3, be approved. These amounts produce annual increment REPS EMF riders of \$2.33, \$12.82, and \$85.92 per customer account, excluding the regulatory fee, and proposed monthly riders of \$0.19, \$1.07, and \$7.16 per customer account, excluding the regulatory fee, and \$0.19, \$1.07, and \$7.17 per customer account, including the regulatory fee for the residential, commercial, and industrial classes, respectively.

This completes my affidavit.

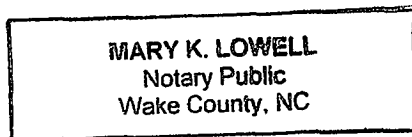

Sonja R. Johnson

Sworn to and subscribed before me
On this the 23rd day of October, 2017.

Mary K. Lowell
(Printed Name)

Mary K. Lowell
Notary Public

My Commission Expires: 3/18/2021



APPENDIX A**SONJA R. JOHNSON**

I am a graduate of North Carolina State University with a Bachelor of Science and Master of Science degree in Accounting. I was initially an employee of the Public Staff from December 2002 until May 2004, and rejoined the Public Staff in January 2006.

I am responsible for analyzing testimony, exhibits, and other data presented by parties before this Commission. I have the further responsibility of performing and supervising the examinations of books and records of utilities involved in proceedings before the Commission, and summarizing the results into testimony and exhibits for presentation to the Commission.

Since initially joining the Public Staff in December 2002, I have filed testimony or affidavits in several water and sewer general rate cases. I have also filed testimony in applications for certificates of public convenience and necessity to construct water and sewer systems and noncontiguous extension of existing systems. My experience also includes filing affidavits in several fuel clause rate cases and Renewable Energy and Energy Efficiency Portfolio Standard (REPS) cost recovery cases for the utilities currently organized as Duke Energy Carolinas, LLC, Duke Energy Progress, LLC, and Virginia Electric and Power Company d/b/a Dominion North Carolina Power.

While away from the Public Staff, I was employed by Clifton Gunderson, LLP. My duties included the performance of cost report audits of nursing homes, hospitals, federally qualified health centers, intermediate care

facilities for the mentally retarded, residential treatment centers and home health agencies.

**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)	
Company, d/b/a Dominion North Carolina)	<u>AFFIDAVIT OF</u>
Power for Approval of Renewable Energy and)	<u>EVAN D. LAWRENCE</u>
Energy Efficiency Portfolio Standard Cost)	
Recovery Rider Pursuant to G.S. 62-133.8)	
and Commission Rule R8-67)	

STATE OF NORTH CAROLINA

COUNTY OF WAKE

I, Evan D. Lawrence, being first duly sworn, do depose and say:

I am a Utilities Engineer in the Electric Division of the Public Staff – North Carolina Utilities Commission. I have attached, as Appendix A, a summary of my education and experience.

The purpose of my affidavit is to present the Public Staff's analysis and recommendations with respect to the Application for Approval of Renewable Energy and Energy Efficiency Portfolio Standard (REPS) Cost Recovery Rider and 2017 REPS Compliance Report filed by Virginia Electric and Power Company d/b/a Dominion Energy North Carolina (DENC or Company) on August 23, 2017.

G.S. 62-133.8(h) provides that electric power suppliers may recover their reasonable and prudently incurred incremental costs of compliance with the REPS through an annual rider charge. Pursuant to Commission Rule R8-67(e)(4), the

REPS rider will be collected, to the extent practical, over the same period as the utility's fuel cost rider. Rule R8-67 also provides for a REPS experience modification factor (REPS EMF) rider, which is utilized to true up the recovery of the revenues realized under the REPS rider to the reasonable and prudently incurred incremental REPS compliance costs actually experienced during the test period established for each annual rider proceeding.

To achieve REPS compliance during calendar year 2016, DENC acquired renewable energy certificates (RECs), but not RECs and energy bundled together. DENC provides REPS compliance and reporting services for the Town of Windsor (Windsor) and maintains separate accounts for itself and Windsor in the North Carolina Renewable Energy Tracking System (NC-RETS). None of the costs of RECs assigned to Windsor were included in DENC's requested REPS cost recovery riders.

2017 REPS Compliance Report

The 2017 REPS Compliance Report was filed as Company Exhibit No. GEH-1 in DENC's application and includes REPS compliance activities for the calendar year 2016. For 2016, each electric power supplier needed to retire enough RECs to equal six percent (6%) of jurisdictional retail megawatt-hour (MWh) sales for 2015.¹ To reach compliance DENC and Windsor were required to retire 262,654 and 3,043 RECs, respectively.

¹ 2015 North Carolina jurisdictional retail sales for DENC were 4,377,561 MWh. 2015 retail sales for Windsor were 50,704 MWh.

Pursuant to G.S. 62-133.8(b)(2)(c), DENC may use energy efficiency certificates (EECs) to meet no more than twenty five percent (25%) of its total requirement. This limitation on the use of EECs to meet the total requirement does not apply to municipal suppliers such as Windsor. In addition, DENC is allowed to obtain all of its RECs from out-of-state sources,² whereas Windsor must obtain at least 75% of its RECs from in-state sources.³ In response to Public Staff data requests in previous years, DENC stated that it determines the service life of an energy efficiency measure for REPS compliance purposes based on the measure lives the Company uses when filing for approval of a DSM program. As an example, the Company has previously noted its 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.

DENC and Windsor pursued retirement of a total of 253,805 general requirement⁴ RECs and EECs during 2016. For itself, DENC included 235,792 RECS and 15,105 EECs from its portfolio of in-state energy efficiency (EE) programs approved pursuant to G.S. 62-133.9, for a total of 250,897. For Windsor, DENC requested retirement of 2,908 general requirement RECs, with greater than 75% of Windsor's total RECs coming from in-state sources. Windsor did not use any EECs for compliance.

² G.S.-62-133.8(b)(2)(e).

³ G.S.-62-133.8(b)(2)(d).

⁴ The RECs or EECs that an electric power supplier is required to provide under G.S. 62-133.8(b) or (c), exclusive of those required by the set-asides in G.S. 62-133.8(d), (e), and (f), are customarily referred to as the "general requirement."

With respect to the solar requirements established by G.S. 62-133.8(d), both DENC and Windsor were required to pursue retirement of solar RECs amounting to 0.14% of the 2015 North Carolina retail sales. DENC retired a total of 6,200 solar RECs, 6,129 for itself and 71 for Windsor, in compliance with the statutory requirements.

DENC and Windsor were required to pursue retirement of their pro-rata share of the 170,000 poultry waste RECs required by G.S. 62-133.8(f).⁵ DENC retired a total of 5,693 poultry RECs, 5,628 for itself and 65 for Windsor, in compliance with the statutory requirements.

The requirement to obtain RECs derived from swine waste was delayed for a year by Commission order dated October 17, 2016, in Docket No. E-100, Sub 113.

Based on my review, I recommend that the Commission approve the 2016 REPS Compliance Report for DENC and Windsor.

REPS Cost Recovery

I reviewed the estimated incremental costs associated with DENC's proposed REPS Rider (RP) in this case. Those costs are estimated to be \$716,429 and include costs to be incurred during the billing period related to: (1) the cost of RECs to be purchased, (2) research costs, and (3) other incremental costs (i.e.,

⁵ By Order dated October 17, 2016, in Docket No. E-100, Sub 113, the Commission, exercising the authority granted to it under G.S. 62-133.8(i)(2), reduced the statewide poultry waste requirement for 2016 from 700,000 to 170,000.

administrative costs, broker fees, EMA costs). DENC did not include costs associated with RECs or with its management of REPS compliance for Windsor. The Company either assigned or allocated those costs to Windsor. For any Other Incremental Costs not directly assignable to Windsor, the Company allocated costs based on Windsor's portion of the DENC's total load-ratio share so those costs would not be recovered from North Carolina retail customers.⁶ Consistent with its allocation methodology used in the last REPS cost recovery proceeding, DENC allocated 5.1786% of the costs related to the Environmental Management Account (EMA) system to its North Carolina retail jurisdiction. This allocation is based on the level of energy sales assigned to the jurisdictions.

All of the estimated research costs to be incurred during the billing period are associated with DENC's Microgrid demonstration project at the Company's Kitty Hawk District Office.

Public Staff Accountant Sonja Johnson has reviewed DENC's compliance costs for the test period and its proposed EMF charge, Rider RPE, and finds them to be reasonable.

⁶ The Town of Windsor is approximately 1.2 percent of DENC's total load-ratio share.

The estimated costs of RECs to be purchased, research costs, and other incremental costs appear to be reasonable.

DENC requested approval of the following monthly charges for the forecast rate and EMF rate, including the regulatory fee:

Customer Class	Forecast Rate (Rider RP)	EMF Rate (Rider RPE)	Total REPS Rate
Residential	\$0.30	\$0.19	\$0.49
General	\$1.64	\$1.07	\$2.71
Industrial	\$10.95	\$7.17	\$18.12

Based on my review and the review of Public Staff witness Johnson, I recommend approval of DENC's proposed rates.

This completes my affidavit.

Evan Lawrence
Evan Lawrence

Sworn to and subscribed before me
On this the 23 day of October, 2017.

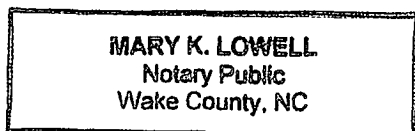
Mary K. Lowell

(Printed Name)

Mary K. Lowell

(Notary Public)

My Commission Expires: 3/18/2021



APPENDIX A

Evan D. Lawrence

I graduated from East Carolina University in Greenville, North Carolina in May of 2016 earning a Bachelor of Science degree in Engineering and a concentration in Electrical Engineering. I started my current position with the Public Staff in September of 2016. Since that time my duties and responsibilities have focused around the review of renewable energy projects, interconnection standards, and renewable energy portfolio standards compliance.