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July 10, 2023

Ms. A. Shonta Dunston
Chief Clerk
N.C. Utilities Commission
430 N. Salisbury Street, Room 5063
Raleigh, NC 27603

**Re: *New River Light and Power Company
Summary of Rebuttal Testimony of David Jamison
Docket No. E-34, Subs 54 and 55***

Dear Ms. Dunston:

Attached hereto, on behalf of New River Light and Power Company, is the Summary of Rebuttal Testimony of David Jamison to be filed in the above-referenced dockets.

Twelve paper copies of same will be delivered to the Clerk's Office this afternoon.

If you have any questions concerning this filing, or exhibits thereto, please do not hesitate to contact me.

Sincerely,

/s/ M. Gray Styers, Jr.

M. Gray Styers, Jr.

pbb

Attachments

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JUL 10 2023



Fox Rothschild ^{LLP}
ATTORNEYS AT LAW

Ms. Shonta A. Dunston
Page Two
July 10, 2023

cc: Parties and Counsel of Record
NC Commission Staff
NC Public Staff

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Jul 10 2023

**SUMMARY OF REBUTTAL TESTIMONY OF DAVID JAMISON
ON BEHALF OF NEW RIVER LIGHT & POWER
DOCKET NO. E-34, SUBS 54 & 55**

I am the Interim Associate Vice Chancellor for Finance and Administration and University Controller for Appalachian State University (“ASU”).

This summary does not address my rebuttal to the Public Staff’s testimony regarding the requested deferral account recovery of Unrelated Business Income Tax (UBIT), as that matter has been settled.

ASU has a very carefully considered financing plan and capital structure. In making financing decisions, we look not only at current projects, but also work with our financial advisors to consider long-term capital needs, long-term yield curves and trends in financial markets, and a variety of financing options, including their respective risks and costs in the context of our debt capacity as required by our Debt Management policy. We then use our collective best judgment, working with our financial advisors and bond counsel, to develop a financing strategy that optimizes capital structure to meet capital needs, considering relative long-term risks and costs.

Issuing debt for the University can be a lengthy and detailed process involving the UNC System and other State agencies for approval. Internally, the University is limited in the amount of debt that it can issue without exceeding target metrics defined in our Debt Management Policy. The University must consider its overall debt affordability, for which considerations are more complex and include more than just debt capacity.

Regarding debt related to utility operations, the University Board of Trustees may issue debt for equipment and infrastructure, *provided* that the utility supports the debt service solely from revenues generated by the utility. NRLP must maintain an appropriate level of cash and equity to be able to support its debt service obligations and maintain its

fixed operating costs in instances when those costs increase and/or when revenue streams unexpectedly decline.

From NRLP's perspective -- where most of the financing is from retained earnings because additional debt is not easily and quickly available for these reasons I have explained -- available capital is essential for contingency and emergency purposes. As a small utility with only five substations, NRLP does not have a lot of redundancy, and funds for contingencies and emergency repairs/replacements need to be available. Also, operating cash reserves must be sufficient to manage cost volatility, especially in the cost of purchased power. Natural gas price spikes, coupled with the regulatory lag time of cost recovery, can create serious cash flow problems for NRLP.

For these reasons, NRLP capital needs cannot simply be met with more debt and less dependence on retained earnings. Although NRLP is a component of ASU, its debt must be serviced exclusively from utility revenues. This means NRLP needs to maintain the appropriate levels of cash reserves to meet operating, capital, and debt service obligations and to maintain the required ratios as outlined in the General Trust Indenture.

Because rates have been kept low and not increased on a frequent basis, NRLP reserves have been depleted to the point where there is increased risk that it would not be able to recover from a disruption in operations or be able to adjust to changes in the economic environment and cannot rely on the University to cover shortfalls. NRLP, through the ratemaking process, needs to be able to re-establish and strengthen those reserves.

For these reasons, setting an overall rate of return considerably lower than what other distribution-only utilities can earn is not a fiscally responsible position. Moreover, assuming NRLP would encounter no issues if it were limited to returns much lower than

that of other regulated utilities ignores basic economic realities of how capital is deployed on a risk/return-adjusted basis. I believe that that the agreed upon 6.165% cost of capital, with a 9.10% ROE, is an acceptable compromise in the overall context of the settlement with the Public Staff.