

STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH

DOCKET NO. E-22, SUB 546

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of  
Application of Virginia Electric and Power )  
Company, d/b/a Dominion Energy North Carolina, )  
for Authority to Adjust its Electric Rates and )  
Charges and Revise its Fuel Factor Pursuant to )  
N.C.G.S. 62-133.2 and NCUC Rule R8-55 )

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.

The purpose of this affidavit is to present the Public Staff's investigation of the Experience Modification Factor (EMF) rider proposed by Dominion Energy North Carolina (DENC or Company) in this proceeding. The EMF rider is utilized to "true-up" the recovery of fuel costs experienced during the test year (fuel revenues) to the actual amount of fuel and fuel-related costs (fuel costs) incurred during the test year. DENC's test year in this fuel proceeding is the twelve months ended June 30, 2017.

In its application filed on August 23, 2017, DENC proposed an EMF decrement rider (Rider B) of 0.00127 cents per kilowatt-hour (kWh), both

including and excluding the North Carolina regulatory fee for all North Carolina retail customer classes. To calculate this EMF decrement rider, DENC took its fuel cost over-recovery of \$4,739,956 and added interest of \$710,993 for a total net over-recovery of \$5,450,950. This amount was then divided by the Company's pro-forma North Carolina retail sales of 4,299,466,351 kWh to produce the proposed decrement rider.

DENC also proposed an EMF increment rider (Rider B2) pursuant to the Commission's order in Docket No. E-22, Sub 515. In this docket, the Commission approved a mitigation proposal that would recover a prior period deferral balance of \$16,602,670 over the 2015 and 2016 fuel rate years, without interest, subject to a final true-up to be determined in the 2017 fuel case and recovered over the 2018 fuel year. The total under-recovery balance for the 24-months ended December 31, 2016, is \$381,535.

To calculate Rider B2, DENC took its mitigation fuel expense under-recovery of \$381,535, divided by the Company's pro forma North Carolina retail sales of 4,299,466,351 kWh. This will produce an EMF increment (Rider B2) of 0.00009 cents per kWh including and excluding the regulatory fee for all North Carolina retail customer classes.

The Public Staff's investigation included procedures to evaluate whether the Company properly determined its per books fuel costs and fuel revenues during the test period. These procedures included review of the Company's filing, prior Commission orders, the Monthly Fuel Reports filed by the Company

with the Commission, and other Company data provided to the Public Staff. Additionally, the procedures included review of certain specific types of expenditures impacting the Company's test year fuel costs, payments to non-utility generators (NUGs), and payments for purchases of power from the markets administered by PJM Interconnection, LLC (PJM). The Public Staff's procedures also included a review of source documentation of fuel costs for certain selected Company generation resources. Finally, the Public Staff's investigation included the review of numerous responses to written and verbal data requests.

During the test year for this proceeding, DENC purchased power through markets administered by PJM and from a dispatchable NUG that did not provide DENC with the actual fuel costs associated with the purchases. Because the Company does not have actual fuel costs for these purchases, a proxy Marketer Percentage was applied to the total energy costs of these purchases to arrive at a fuel cost component. The use of a "proxy" for this purpose has been accepted by this Commission as reasonable in every fuel proceeding for which a proxy was necessary since 1997, when the Public Staff, Duke Energy Carolinas, LLC (DEC), Duke Energy Progress, Inc. (DEP), and DENC agreed on a methodology to determine an appropriate Marketer Percentage to be used to apply to the total energy costs for suppliers that would not provide actual fuel costs.

Up through and including December 31, 2016, the Company included 85% of the reasonable and prudent energy costs in the EMF calculation. Additionally, to the extent a dispatchable NUG provides market-based energy rather than

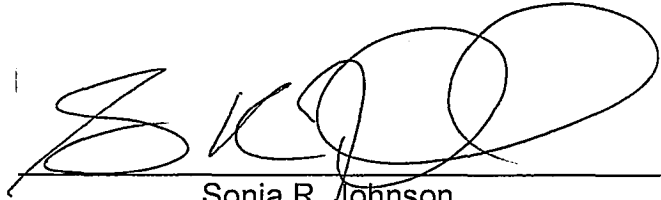
dispatching its facility, the Company included 85% of the reasonable and prudent energy costs for such market based energy in the EMF calculation up through December 31, 2016. Continued use of the 85% "marketer's percentage" was agreed to between the Company and the Public Staff and approved by the Commission in the Company's 2012 fuel factor proceeding, Docket No. E-22, Sub 485, and was maintained up through the 2015 fuel factor proceeding, Docket No. E-22, Sub 526. Beginning in 2017, the Company used the 78% marketer's percentage as approved by the Commission in the Company's 2016 general rate case in Docket No. E-22, Sub 532. This change was implemented January 1, 2017. The 78% Marketer Percentage is to remain in effect until the sooner of DENC's next general rate case or the 2018 fuel charge adjustment proceeding (with rates effective January 1, 2019).

Based on the recommendation of Public Staff witness Dustin R. Metz, I have included adjustments to disallow \$1,807,896 in replacement power costs associated with outages during the prior and current test periods. As a result of the proposed adjustments, I recommend that DENC's EMF decrement rider (Rider B) for each customer class be based on net over-recovery of fuel and fuel-related costs of \$6,547,853 and interest of \$982,178, for a total over-recovery of \$7,530,031. I am not proposing any change to the Company's pro-forma North Carolina retail sales of 4,299,466,351 kWh as set in DENC's testimony. My revised over-recovery produces an EMF decrement rider (Rider B) of 0.00175 cents per kWh.

I also recommend that the Company's EMF increment rider (Rider B2) in the amount of 0.00009 cents per kWh, both including and excluding the regulatory fee be approved. The computation of the Public Staff's recommended fuel factor is provided in Johnson Exhibit 1. I have provided these amounts to Public Staff witness Metz for incorporation into his recommended final fuel factor.

I note that in 2010, DENC entered into an agreement with Bransen Energy, Inc. (Bransen), for coal product for its Virginia City Hybrid Energy Center that would satisfy specific environmental regulations, at a cost of approximately \$27 million. Bransen failed to perform as required by the contract, and DENC sued Bransen to recoup its damages. In all, DENC was awarded \$22,894,013, an award that was affirmed by the Fourth Circuit Court of Appeals in *Va. Elec. & Power Co. v. Bransen Energy, Inc.*, 850 F.3d 645 (4<sup>th</sup> Cir. 2017). No appeal was taken from the decision. DENC has indicated to the Public Staff that it is seeking to collect the judgment and any amounts will be credited to the Company's fuel expenses for ratemaking purposes.

This completes my affidavit.

  
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Sonja R. Johnson

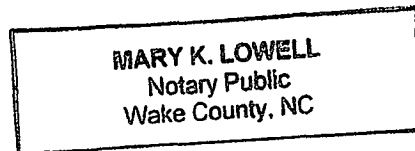
Sworn to and subscribed before me

this the 23<sup>rd</sup> day of October, 2017.

Mary K. Lowell  
\_\_\_\_\_  
Notary Public

Mary K. Lowell  
\_\_\_\_\_  
Notary Public Printed Name

My Commission Expires: 3/18/2021



**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 Energy North Carolina.

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.



Johnson Exhibit 1  
Schedule 1

DOMINION NORTH CAROLINA POWER  
Docket E-22 Sub 546  
North Carolina Annual Fuel Expenses  
PUBLIC STAFF CALCULATION OF EXPERIENCE MODIFICATION FACTOR - COMPOSITE NC RETAIL  
Test Period Ended June 30, 2017

Line No.	Month	Fuel Cost Incurred <sup>1/</sup> \$ (a)	Composite Fuel Cost Billed ¢/kwh <sup>2/</sup> (b)	kwh Sales <sup>1/</sup> (c)	Fuel Cost Collections \$ <sup>1/</sup> (d)	Reported Over (Under) Recovery <sup>3/</sup> (e)	Company Corrections & Adjustments (f)	Company Adjusted Over(Under) Recovery <sup>4/</sup> (g)	Public Staff Adjustments <sup>5/</sup> (h)	Public Staff Adjusted Over(Under) Recovery <sup>6/</sup> (i)
1	July-16	\$10,015,628	0.02276	474,717,000	10,804,860	\$ 789,232		\$ 789,232		\$ 789,232
2	August-16	\$8,328,957	0.02286	398,475,000	9,110,917	781,960		781,960	113,645	895,605
3	September-16	\$6,863,396	0.02280	369,396,000	8,420,540	1,557,144		1,557,144		1,557,144
4	October-16	\$5,876,954	0.02277	319,406,000	7,273,833	1,396,880		1,396,880	118,829	1,515,709
5	November-16	\$6,815,017	0.02054	354,666,000	7,284,589	469,573		469,573		469,573
6	December-16	\$7,913,616	0.02077	351,298,595	7,296,790	(616,826)		(616,826)		(616,826)
7	January-17	\$9,240,350	0.02073	366,934,000	7,606,257	(1,634,093)		(1,634,093)		(1,634,093)
8	February-17	\$5,435,081	0.02076	282,106,849	5,856,661	421,580		421,580		421,580
9	March-17	\$6,532,762	0.02067	334,240,033	6,908,387	375,625		375,625		375,625
10	April-17	\$5,487,005	0.02070	310,358,780	6,424,753	937,748		937,748		937,748
11	May-17	\$6,762,869	0.02068	332,014,449	6,865,193	102,324		102,324		102,324
12	June-17	\$7,740,391	0.02070	381,680,695	7,899,201	158,810		158,810		158,810
13	Prior period outage adjustment	\$0		-	-	-		-	1,575,422	1,575,422
14	Total Test Period	\$ 87,012,024		4,275,293,401	\$ 91,751,981	\$ 4,739,957	\$ -	\$ 4,739,957	1,807,896	\$ 6,547,853
15	Company Overcollection									\$ 6,547,853
16	Normalized Test Period KWH Sales									4,299,466,351
17	Experience Modification Increment (Decrement) cents/KWh									(0.00152)
18	Annual Interest Rate									10.00000%
19	Monthly Interest Rate									0.8333%
20	Number of Months; mid-point of collection period to mid-point of billing period									18
21	Interest									\$ 982,178
22	EMF Interest Increment (Decrement)									(0.00023)
23	Total over-recovery (L14+L20)									\$ 7,530,031
24	Total EMF Rate (Decrement) (L16+L21)									(0.00175)
25	NCUC Regulatory Fee Factor									1.00140
26	Total EMF Rate (Decrement), including Regulatory Fee									(0.00175)

1/ Monthly Fuel Report, Schedule 4.

2/ Column (d) / Column (c)

3/ Column (d) - Column (a)

4/ Column (e) - Column (f)

5/ Section 4 of Public Staff witness Metz's testimony

6/ Column (g) + Column (h)

**DOMINON NORTH CAROLINA POWER**  
**Docket No. E-22 Sub 546**  
**North Carolina Annual Fuel Expenses**  
**Proposed nuclear Capacity of 93.54%**  
**CALCULATION OF FUEL COST RIDER B BY CUSTOMER CLASS**  
**Test Period Ended June 30, 2017**  
**Billing Period January 1, 2018 - December 31, 2018**

$$\frac{\text{Jurisdictional Voltage Differentiated EMF Rate @ Sales Level (Rider B)}}{E}$$

<u>Line No.</u>	<u>Customer Class</u>	<u>Adjusted NC Retail kwh Sales</u>	<u>Total EMF Rate Including System Fuel Factor</u>	<u>Fuel Revenue Uniform Rate</u>	<u>Class Expansion Factor</u>	<u>Class kwh @ Generation Level</u>	<u>Rate @ Sales Level (Rider B)</u>
		A	B Johnson Ex 1, Sch 1	C C= A x B	D Ex JDM-1, Sch 4, p 2	E C= A x D	E Uniform rate X D
1	Residential	1,601,013,554	(0.00175)	(28,057)	1.05204180	1,684,333,181	(0.00177)
2	SGS & PA	817,305,119	(0.00175)	(14,323)	1.05087924	858,888,982	(0.00177)
3	LGS	710,913,646	(0.00175)	(12,458)	1.04236129	741,028,865	(0.00175)
4	Schedule NS	880,048,860	(0.00175)	(15,422)	1.01138685	890,069,844	(0.00170)
5	6VP	264,735,757	(0.00175)	(4,639)	1.02593554	271,601,822	(0.00172)
6	Outdoor Lighting	17,207,930	(0.00175)	(302)	1.05204180	18,103,462	(0.00177)
7	Traffic	8,241,485	(0.00175)	(144)	1.05204180	8,670,387	(0.00177)
8	NC Retail	<u>4,299,466,351</u>		<u>(75,346)</u>		<u>4,472,696,545</u>	
<b>Jurisdictional Uniform Rate @ Generation Level</b>						<b>(0.00168)</b>	