



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

October 26, 2018

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 558

Dear Ms. Jarvis:

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

1. Testimony of Dustin R. Metz, Utilities Engineer, Electric Division;
2. Testimony of Darlene P. Peedin, Accounting Division; and
3. Testimony of Michelle M. Boswell, Accounting Division.

By copy of this letter, we are providing a copies of the public version to all other parties of record.

Sincerely,

/s/ Heather D. Fennell
Staff Attorney
heather.fennell@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

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-22, SUB 558

In the Matter of)	
Application by Virginia Electric	)	TESTIMONY OF
and Power Company, d/b/a Dominion	)	DUSTIN R. METZ
Energy North Carolina Pursuant to	)	PUBLIC STAFF – NORTH
N.C.G.S. § 62-133.2 and Commission	)	CAROLINA UTILITIES
Rule R8-55 Regarding Fuel and Fuel-	)	COMMISSION
Related Costs Adjustments for)	
Electric Utilities)	



1 **Q. PLEASE STATE YOUR NAME AND ADDRESS FOR THE**
2 **RECORD.**

3 A. My name is Dustin R. Metz. My business address is 430 North
4 Salisbury Street, Raleigh, North Carolina.

5 **Q. WHAT IS YOUR POSITION WITH THE PUBLIC STAFF?**

6 A. I am an engineer with the Electric Division of the Public Staff
7 representing the using and consuming public.

8 **Q. WOULD YOU BRIEFLY DISCUSS YOUR EDUCATION AND**
9 **EXPERIENCE?**

10 A. A summary of my education and experience is outlined in detail in
11 Appendix A of my testimony.

12 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
13 **PROCEEDING?**

14 A. The purpose of my testimony is to present the Public Staff's
15 recommendations regarding the proposed fuel and fuel-related cost
16 factors for the Residential, Small General Service and Public
17 Authority, Large General Service, Schedule NS, Schedule 6VP,
18 Outdoor Lighting, and Traffic retail customer classes of Virginia
19 Electric and Power Company, d/b/a Dominion Energy North
20 Carolina (DENC or the Company) as set forth in the Company's
21 August 30, 2018, application.

1 **Q. WHAT DID YOU REVIEW IN CONDUCTING YOUR**
2 **INVESTIGATION OF THE COMPANY'S APPLICATION?**

3 A. I reviewed the Company's application, prefiled testimony and
4 exhibits, fuel and fuel-related costs, and test period baseload power
5 plant performance reports, as well as the current coal, natural gas,
6 and nuclear fuel markets, various documents related to test year
7 power plant outages, and the costs authorized to be recovered by
8 Session Law 2017-192 (HB 589). I also reviewed the testimony of
9 Public Staff witnesses Michelle Boswell and Darlene Peedin.

10 **Q. WHAT ARE THE TEST AND BILLING PERIODS FOR THIS**
11 **PROCEEDING?**

12 A. For this proceeding, the test period is July 1, 2017, through June 30,
13 2018, and the billing period is proposed to be February 1, 2019,
14 through January 31, 2020.

15 **Q. DID THE COMPANY MEET THE STANDARDS OF COMMISSION**
16 **RULE R8-55(K) FOR THE TEST YEAR?**

17 A. For the test year, the Company met the standards of Commission
18 Rule R8-55(k) with an actual system-wide nuclear capacity factor
19 that exceeded the NERC (North American Electric Reliability
20 Corporation) weighted average nuclear capacity factor.
21 Additionally, the Company's two-year simple average of its system-
22 wide nuclear capacity factor exceeded the NERC weighted average

1 nuclear capacity factor. Had the utility not meet at least one of these
2 standards, a rebuttable presumption would have been created that
3 the utility imprudently incurred the increased fuel costs during the
4 test year.

5 **Q. WERE THERE ANY ITEMS OF PARTICULAR CONCERN TO THE**
6 **PUBLIC STAFF IN ITS INVESTIGATION OF THE TEST YEAR**
7 **FUEL COSTS?**

8 A. Yes. Of particular concern to the Public Staff in its investigation of
9 the test year fuel costs was the significant underrecovery that took
10 place due to the Company's greater than expected fuel costs in
11 January 2018. After reviewing discovery responses and discussing
12 the issue with the Company, the Public Staff is satisfied that the
13 January 2018 fuel costs were reasonably and prudently incurred.

14 **Q. WHAT ARE THE RESULTS OF YOUR INVESTIGATION OF**
15 **PROJECTED FUEL PRICES AND THE CALCULATION OF THE**
16 **TOTAL FUEL FACTOR?**

17 A. Based upon my investigation, I have determined that the projected
18 fuel prices set forth in the testimony of Company witnesses Petrie,
19 Campbell, Workman, and Brookmire are reasonable as used in the
20 calculation of the total fuel factor. I have also concluded that the
21 total fuel factor has been calculated in accordance with the
22 requirements of N.C. Gen. Stat. § 62-133.2, with one caveat

1 regarding the Greenville County natural gas-fired combined cycle
2 station (Greenville) that I will discuss later.

3 **Q. PLEASE DISCUSS THE PUBLIC STAFF'S INVESTIGATION OF**
4 **THE CATEGORIES OF DENC'S FUEL COSTS AUTHORIZED**
5 **FOR RECOVERY IN ITS FUEL ADJUSTMENT PROCEEDINGS**
6 **BY HB 589.**

7 A. The Public Staff's investigation of the categories of DENC's fuel
8 costs authorized for recovery in its fuel adjustment proceedings by
9 HB 589 included the review of various spreadsheets provided by the
10 Company detailing Qualifying Facilities' costs for the test year.
11 Based upon this investigation, I have determined that the costs
12 authorized by HB 589 that the Company seeks to recover for the
13 test year are reasonable and are not currently being recovered
14 through base rates.

15 **Q. PLEASE DISCUSS THE PUBLIC STAFF'S INVESTIGATION OF**
16 **THE TEST PERIOD EXPERIENCE MODIFICATION FACTOR**
17 **(EMF).**

18 A. Public Staff witness Boswell describes the Public Staff's review of
19 the test period EMF in her testimony, and I have incorporated her
20 recommendations in Table 1 below.

1 **Q. PLEASE DISCUSS THE ISSUE WITH GREENSVILLE TO WHICH**
2 **YOU ALLUDED EARLIER IN YOUR TESTIMONY.**

3 A. The Greenville County natural gas-fired combined cycle station
4 (Greenville) will begin commercial operation during or just prior to
5 the upcoming billing period. The Company included a level of “cost
6 savings” in its calculation of proposed rates due to Greenville
7 displacing less efficient and more expensive generation. As part of
8 the Public Staff’s investigation, it was discovered that (1) a marketer
9 percentage had not been applied to the anticipated Greenville fuel
10 savings, and (2) the capacity factor used for Greenville is likely
11 higher than should be reasonably expected for the February – June
12 2019 portion of the test period that will be included in the next fuel
13 proceeding.

14 Per NCUC Rule R8-55, prospective test periods and billing periods
15 are not the same. In other words, only some of the costs realized
16 during a particular billing period will be reflected in the immediately
17 upcoming EMF test period. The remaining billing period costs will
18 be accounted for in the subsequent EMF test period. The Company
19 anticipates Greenville being commercially operational by end of
20 calendar year 2018. However, it is not unusual, and it is even
21 expected, that when a new generation plant becomes commercially
22 available it would undergo certain tests and inspections over the first
23 six months or so to ensure proper operation. In other words, for

1 approximately the first six months of commercial operation of a new
2 generating plant, its average capacity factor will be lower than for
3 the next six months. In calculating the prospective component in
4 this fuel case, the Company did not take into account the likelihood
5 that the first six months of commercial operation would result in a
6 lower capacity factor than would be expected after that period.
7 Because the prospective factor set in this proceeding (effective
8 February 1, 2019) will affect the EMF component of the Company's
9 2019 fuel case, and because DENC's EMF test period for the 2019
10 fuel case will be July 1, 2018, through June 30, 2019, the achieved
11 capacity factor for Greenville from commercial operation through
12 June 30, 2019 will have a significant impact on any over- or
13 undercollection in the 2019 fuel proceeding.

14 Had the marketer percentage been applied to Greenville, along
15 with a lower capacity factor for the first six months of operation, the
16 expected overall fuel cost savings from Greenville generation for
17 the billing period beginning February 1, 2019, would be diminished,
18 resulting in higher billing period fuel costs than included in the
19 Company's application.

20 **Q. DOES THE PUBLIC STAFF SUPPORT THE COMPANY'S**
21 **REQUEST FOR FULL RECOVERY OF THE FUEL**

1 **COMPONENTS AND FUEL FACTORS PROPOSED BY THE**
2 **COMPANY?**

3 A. Yes. The Company requested that the Commission approve and
4 implement the full recovery rates. However, the Company
5 requested that if the Commission did not approve full recovery, the
6 Commission approve a mitigation alternative with the June 30,
7 2018, deferral balance being collected over two years with no
8 incremental cost associated with financing over the extended
9 period. Public Staff witness Boswell discusses the Public Staff's
10 rationale for supporting full recovery of the deferral balance over one
11 year as opposed to two years.

12 **Q. SHOULD THE COMMISSION APPROVE THE MITIGATION**
13 **ALTERNATIVE, WHAT IS THE PUBLIC STAFF'S**
14 **RECOMMENDATION AS TO WHAT SHOULD BE INCLUDED IN**
15 **THE COMPANY'S PROPOSED RATES?**

16 A. Should the Commission adopt the Company's proposed mitigation
17 alternative, the Public Staff recommends that DENC include in this
18 year's rider: (1) the cost savings from Greenville with the marketer
19 percentage recommended by Public Staff witness Peedin applied,
20 and (2) a modification to the proposed capacity factor for the first six
21 months of commercial operation of Greenville to better align with
22 the 2019 fuel case test period. Therefore, if the mitigation
23 alternative is approved, the Public Staff requests that the

1 Commission order the Company to: (1) recalculate the proposed
2 rates by: applying (a) the marketer percentage to the fuel savings
3 calculation for the Greenville station, and (b) a more appropriate
4 capacity factor for the Greenville station; (2) consult with the Public
5 Staff and provide the respective workpapers; and (3) after
6 consulting with the Public Staff, make a filing of the alternative rates
7 within 10 days of the Commission order.

8 **Q. WHAT ARE THE FUEL COMPONENTS AND TOTAL FUEL**
9 **FACTORS THAT THE PUBLIC STAFF RECOMMENDS THAT**
10 **THE COMMISSION APPROVE?**

11 A. The Public Staff recommends approval of the fuel components and
12 total fuel factors (excluding the regulatory fee) shown in Table 1,
13 effective for the twelve months beginning February 1, 2019:

TABLE 1 – Total Proposed Fuel and Fuel-Related Cost Factors (\$ per kWh) with Full Recovery

(includes regulatory fee, which currently has a multiplier of 1.0014)

Rate Class	Base	Rider A	Rider B	Total¹
Residential	\$0.02095	\$0.00071	\$0.00392	\$0.02558
Small General Service & Public Authority	\$0.02093	\$0.00071	\$0.00392	\$0.02556
Large General Service	\$0.02079	\$0.00068	\$0.00389	\$0.02536
Schedule NS (Nucor Steel)	\$0.02014	\$0.00068	\$0.00377	\$0.02459
Schedule 6VP (Variable Pricing)	\$0.02043	\$0.00069	\$0.00383	\$0.02495
Outdoor Lighting	\$0.02095	\$0.00071	\$0.00392	\$0.02558
Traffic	\$0.02095	\$0.00071	\$0.00392	\$0.02558

1 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

2 **A.** Yes, this concludes my testimony.

¹ Calculations reflect the application of the voltage differentiation factors used by the Company in its Application, which the Public Staff accepts.

Dustin R. Metz

Through the Commonwealth of Virginia Board of Contractors, I hold a current Tradesman License certification of Journeyman and Master within the electrical trade, awarded in 2008 and 2009 respectively. I graduated from Central Virginia Community College, receiving Associates of Applied Science degrees in Electronics and Electrical Technology (Magna Cum Laude) in 2011 and 2012 respectively, and an Associates of Arts in Science in General Studies (Cum Laude) in 2013. I graduated from Old Dominion University in 2014, earning a Bachelor of Science degree in Engineering Technology with a major in Electrical Engineering and a minor in Engineering Management.

I have over 12 years of combined experience in engineering, electromechanical system design, troubleshooting, repair, installation, commissioning of electrical and electronic control systems in industrial and commercial nuclear facilities, project planning and management, and general construction experience, including six years with AREVA NP, where I provided onsite technical support and participated in root cause analysis teams at commercial nuclear power plants, including plants owned by both Duke and Dominion.

I joined the Public Staff in the fall of 2015. Since that time, I have worked on general rate cases, fuel cases, applications for certificates of public convenience and necessity, customer complaints, nuclear decommissioning, and power plant performance evaluations; I have also participated in multiple technical working groups and been involved in other aspects of utility regulation.

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-22, SUB 558

In the Matter of

Application by Virginia Electric and	)	TESTIMONY OF
Power Company, d/b/a Dominion	)	DARLENE P. PEEDIN
Energy North Carolina Pursuant to	)	PUBLIC STAFF – NORTH
N.C.G.S. § 62-133.2 and Commission	)	CAROLINA UTILITIES
Rule R8-55 Regarding Fuel and Fuel-	)	COMMISSION
Related Costs Adjustments for Electric)	
Utilities)	
)	

1 **Q. PLEASE STATE FOR THE RECORD YOUR NAME, ADDRESS,**
2 **AND PRESENT POSITION.**

3 **A.** My name is Darlene P. Peedin. My business address is 430 North
4 Salisbury Street, Raleigh, North Carolina. I am the Accounting
5 Manager – Electric Section of the Public Staff Accounting Division.

6 **Q. WHAT ARE YOUR DUTIES?**

7 **A.** I am responsible for (1) the examination and analysis of testimony,
8 exhibits, books and records, and other data presented by electric
9 utilities and other parties involved in Commission proceedings; and
10 (2) the preparation and presentation of testimony, exhibits, and other
11 documents in proceedings that come before the Commission. I have
12 the further responsibility of supervising the examination and analysis
13 of testimony, exhibits, books and records, and other data presented
14 by electric utilities in Commission proceedings.

15 **Q. PLEASE DISCUSS YOUR EDUCATION AND EXPERIENCE.**

16 **A.** A summary of my education and experience is attached as Appendix
17 A.

18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
19 **PROCEEDING?**

20 **A.** The purpose of my testimony is:
21 (1) to present the Public Staff's analysis and recommendations
22 concerning the appropriate Marketer Percentage to be

1 applied to power purchases for which Dominion Energy North
2 Carolina (DENC) does not have fuel cost information to reflect
3 the fuel costs to be recovered through the fuel factor; and
4 (2) to recommend that the prospective factor proposed by DENC
5 that sets forth certain components to which the Marketer
6 Percentage should be applied, (i.e. purchases from PJM
7 Interconnection, Inc. (PJM), certain non-utility generators
8 (NUGS), and the Greensville Plant Credit Adjustment as
9 discussed in the testimony of Public Staff witness Dustin
10 Metz), be trued up in next year's EMF (test year July 2018 –
11 June 2019), with rates effective February 1, 2019, reflecting
12 the Public Staff's recommended Marketer Percentage.

13 **Q. WHAT IS THE MARKETER PERCENTAGE AND HOW DOES IT**
14 **RELATE TO DENC?**

15 A. The Marketer Percentage is a proxy for the percentage of fuel costs
16 included in overall energy costs associated with certain purchases
17 from suppliers and power marketers who sell power to DENC. Use
18 of the Marketer Percentage began in 1997 to enable the three North
19 Carolina investor-owned electric utilities – DENC, Duke Energy
20 Carolinas, LLC (DEC), and Duke Energy Progress, LLC (DEP), to
21 recover in annual fuel cost proceedings under N.C. Gen. Stat. § 62-
22 133.2, fuel costs associated with power purchased from marketers
23 when the actual fuel cost of the underlying generator could not be

1 determined. At that time, the statute permitted annual fuel charge
2 adjustments only for “actual changes in the cost of fuel and the fuel
3 cost component of purchased power.” The theory behind the
4 determination of the Marketer Percentage at that time was that fuel
5 costs as a percentage of total energy costs associated with power
6 generated and **sold** off system by the electric utilities was a
7 reasonable proxy for fuel costs as a percentage of total energy costs
8 associated with power generated off system and **purchased** by the
9 utilities through power marketers.

10 Amendments to N.C. Gen. Stat. § 62-133.2 enacted by the General
11 Assembly in Senate Bill 3 (Session Law 2007-397) expanded the
12 definition of costs recoverable in annual fuel cost proceedings to
13 include “fuel and fuel-related costs.” Under the amended statute,
14 utilities other than DENC (i.e., DEC and DEP) are allowed to recover
15 all of the fuel and fuel-related costs identified in N.C. Gen. Stat. § 62-
16 133.2(a1), including “total delivered non-capacity related costs,
17 including all related transmission charges, of all purchases of electric
18 power . . . that are subject to economic dispatch or economic
19 curtailment” as provided in N.C. Gen. Stat. § 133.2 (a1)(4). Thus, it
20 is no longer necessary to determine a ratio of fuel to energy costs for
21 such purchases by DEP and DEC, and a Marketer Percentage is no
22 longer calculated for them. In contrast, costs recoverable by DENC
23 in an annual fuel proceeding are set forth in N.C. Gen. Stat. § 62-

1 133.2(a3), which provides that the utility may recover in annual fuel
2 clause proceedings the costs identified in N.C. Gen. Stat. § 62-
3 133.2(a3)(1), (2), (6), and (7), and (10) and “the fuel cost component,
4 as may be modified by the Commission, of electric power purchases
5 identified in subdivision (4) of that subsection.”

6 Because DENC buys substantial amounts of purchased power in
7 transactions where the fuel cost component of the purchased power
8 costs is not disclosed, a Marketer Percentage has continued to be
9 used as a proxy to determine the cost to be recovered by the
10 Company through the fuel factor.

11 **Q. WHAT IS THE CURRENT MARKETER PERCENTAGE?**

12 **A.** The Commission approved a Stipulation between the Public Staff
13 and DENC¹ in DENC’s last general rate proceeding (Docket No. E-
14 22, Sub 532) that provided in Section IV.A.:

15 The Stipulating Parties agree to adjust the Company’s
16 base fuel and non-fuel expenses to reflect 78% as a
17 proxy for the fuel cost component of energy purchases
18 for which the actual fuel cost is unknown (Marketer
19 Percentage). This represents a reduction from the
20 Company’s current Marketer Percentage of 85%. The
21 78% Marketer Percentage shall remain in effect until
22 the Company’s next base rate application or the
23 Company’s 2018 application to adjust its annual fuel
24 factor, whichever occurs first.

¹ See p. 18, Finding of Fact No. 51 of Order Approving Rate Increase and Cost Deferrals and Revising PJM Regulatory Conditions, issued December 22, 2016, Docket No. E-22, Sub 532.

1 The Commission also found in the Company's last fuel adjustment
2 proceeding (Docket No. E-22, Sub 546) "that the percentage should
3 be reviewed in the context of DENC's next general rate case, or its
4 2018 fuel charge adjustment proceeding, whichever occurs first."² In
5 simple terms, 78% of the Company's test period purchased power
6 costs subject to the Marketer Percentage are being recovered
7 through DENC's fuel factor.

8 **Q. WHAT IS DENC PROPOSING AS A MARKETER PERCENTAGE**
9 **IN THIS PROCEEDING?**

10 **A.** The Company is proposing that the Marketer Percentage remain at
11 78%. DENC believes that the Marketer Percentage is reasonable
12 and does not propose a change at this time.

13 **Q. DID DENC APPLY THE MARKETER PERCENTAGE CORRECTLY**
14 **TO THE EMF?**

15 **A.** Yes. DENC correctly applied 78% as the Marketer Percentage for
16 the test year EMF.

17 **Q. DOES THE PUBLIC STAFF AGREE WITH DENC'S PROPOSAL**
18 **TO LEAVE THE MARKETER PERCENTAGE AT 78%?**

19 **A.** No.

² Order Deciding Contested Issues and Requiring Compliance Filing, p. 23, issued January 25, 2018, Docket No. E-22, Sub 546.

1 Q. WHAT DOES THE PUBLIC STAFF RECOMMEND AS AN
2 APPROPRIATE MARKETER PERCENTAGE IN THIS
3 PROCEEDING?

4 A. The Public Staff recommends that the Commission adopt a Marketer
5 Percentage of 75% to be used as a proxy for the fuel cost component
6 of purchases for which the actual fuel cost is unknown, effective
7 February 1, 2019.

8 Q. PLEASE EXPLAIN HOW THE PUBLIC STAFF ARRIVED AT THIS
9 PERCENTAGE.

10 A. The Public Staff used two methods to determine an appropriate
11 Marketer Percentage; these methods were first proposed by DENC
12 in its 2008 fuel proceeding, Docket No. E-22, Sub 451, as an
13 alternative to the methodology using the off-system sales
14 traditionally applied for DEC and DEP.³ The Company's justification
15 for the different methodologies for calculating the Marketer
16 Percentage related to the fact that DENC was in a regional
17 transmission organization (RTO), unlike DEC and DEP.

18 The first methodology involved reviewing data from the 2016 and
19 2017 State of the Market reports for PJM. These reports identified
20 each fuel component of the cost of energy that is used to set the

³ In Sub 451, DENC also used a third methodology, which was based on reviewing actual contracts signed with counterparties. However, as in Sub 451, there were so few of these contracts in this case (i.e., two), that the Public Staff does not believe that this methodology would provide a reasonable result.

1 market price of energy. According to these reports, the fuel
2 components of energy cost for calendar years 2016 and 2017 were
3 73.3% and 69.5%, respectively. The second methodology involved
4 reviewing data provided by the Company that blended DENC's
5 internal data with PJM State of the Market report data for the
6 Dominion Zone⁴ to determine an appropriate fuel to energy cost ratio
7 for the Dominion Zone. The values provided by the Company for
8 calendar years 2016 and 2017 are [BEGIN CONFIDENTIAL]
9 [REDACTED] [END CONFIDENTIAL] respectively. The data
10 used for the Dominion Zone reflect the generating units specific to
11 the zone or geographical area. The [BEGIN CONFIDENTIAL]
12 [REDACTED]
13 [END CONFIDENTIAL] yields a 75% Marketer Percentage. This
14 calculation is set forth in Confidential Peedin Exhibit 1.

15 **Q. DID THE PUBLIC STAFF COMPARE ITS RECOMMENDED**
16 **MARKETER PERCENTAGE TO THE MARKETER PERCENTAGE**
17 **CALCULATED USING DEC AND DEP'S OFF-SYSTEM SALES?**

18 **A.** Yes. While DEC and DEP are not part of an RTO, the Public Staff
19 performed this calculation to serve as a test of reasonableness for
20 its proposed Marketer Percentage. The Public Staff used the off-
21 system sales of DEC and DEP during the twelve months ended

⁴ The Dominion Zone (DomZone) is the load zone for DENC.

1 December 31, 2016 and 2017, to determine what the Marketer
2 Percentage would have been utilizing that methodology. Under this
3 methodology, the fuel to energy cost ratio was calculated to be
4 66.19% and 55.75%, respectively.

5 **Q. WHAT DID DENC PROPOSE IN ITS PROSPECTIVE RATE**
6 **AS IT APPLIES TO PJM PURCHASES, NUGS, AND THE**
7 **GREENSVILLE CREDIT ADJUSTMENT?**

8 **A.** As set forth on Company Exhibit BEP-1, Schedule 4, the Company
9 proposed that the 78% Marketer Percentage be applied to the PJM
10 purchases and NUGS that do not provide actual fuel costs.
11 However, the Company did not reflect the Marketer Percentage in
12 the Greenville Plant Credit Adjustment, as discussed by Public Staff
13 witness Metz. Instead, DENC reflected the Greenville Plant Credit
14 Adjustment at a 100% fuel level.

15 **Q. WHAT IS THE PUBLIC STAFF'S RECOMMENDATION**
16 **REGARDING DENC'S PROPOSAL REGARDING THE**
17 **PROSPECTIVE RATE?**

18 **A.** The prospective rate in this case will be collected over the Rate
19 Period (February 1, 2019 – January 31, 2020). The Public Staff does
20 not recommend that the Company change its prospective rate in this
21 case, as it will reflect higher customer rates than what the Company
22 has recommended in this case. The Public Staff does recommend,

1 however, that the Company true up PJM purchases, certain NUGS,
2 and the effect of the fuel savings due to the addition of the
3 Greensville Plant in next year's EMF (test year July 2018 – June
4 2019) to reflect the Public Staff's recommended Marketer
5 Percentage of 75%, effective February 1, 2019.

6 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

7 A. Yes.

Darlene P. Peedin

I am a 1989 graduate of Campbell University with a Bachelor of Business Administration degree in Accounting. I am a Certified Public Accountant and a member of the North Carolina Association of Certified Public Accountants.

Since joining the Public Staff in September 1990, I have filed testimony or affidavits in several general and fuel clause rate cases of utilities currently organized as Duke Energy Carolinas, LLC, Duke Energy Progress, LLC, Virginia Electric and Power Company (Dominion Energy North Carolina), Nantahala Power & Light Company, Western Carolina University, and Shipyard Power and Light Company, as well as in several water and sewer general rate cases. I have also filed testimony or affidavits in other proceedings, including applications for certificates of public convenience and necessity for the construction of generating facilities and applications for the approval of cost recovery for Renewable Energy and Energy Efficiency Portfolio Standard (REPS) cases.

I was promoted to Accounting Manager with responsibility for electric matters in January 2017. I have had supervisory responsibility over the Electric Section of the Accounting Division since 2009.

Prior to joining the Public Staff, I was employed by the North Carolina Office of the State Auditor. My duties included the performance of financial, compliance, and operational audits of state agencies, community colleges, and Clerks of Court.

PUBLIC

Dominion Energy North Carolina
Docket No. E-22, Sub 558
Test Year Ended June 30, 2018
Calculation of Marketer Percentage

Peedin Exhibit 1
Confidential

OFFICIAL COPY
Oct 26 2018

Line No.	Description	Amount
1	2016 PJM State of the Market Report	73.30% ^{1/}
2	2017 PJM State of the Market Report	69.50% ^{1/}
3	[REDACTED]	[REDACTED] ^{2/}
4	[REDACTED]	[REDACTED] ^{2/}
5	[REDACTED]	<u>74.50%</u>
6	Rounded	<u>75%</u>

1/ 2016 and 2017 amounts are from the 2017 State of the Market Report for PJM - Table 3-85.

2/ Provided by the Company, Attorney Work Product.

Note: Amounts in italics are confidential.

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-22, SUB 558

In the Matter of	)	TESTIMONY OF
Application by Virginia Electric and	)	MICHELLE M. BOSWELL
Power Company, d/b/a Dominion	)	PUBLIC STAFF – NORTH
Energy North Carolina Pursuant to	)	CAROLINA UTILITIES
N.C.G.S. § 62-133.2 and Commission	)	COMMISSION
Rule R8-55 Regarding Fuel and Fuel-)	
Related Costs Adjustments for Electric)	
Utilities)	

1 Q. PLEASE STATE FOR THE RECORD YOUR NAME, ADDRESS,
2 AND PRESENT POSITION.

3 My name is Michelle M. Boswell. My business address is 430 North
4 Salisbury Street, Raleigh, North Carolina. I am a Staff Accountant
5 with the Public Staff Accounting Division.

6 Q. PLEASE DISCUSS YOUR EDUCATION AND EXPERIENCE.

7 A. A summary of my education and experience is attached as Appendix
8 A.

9 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
10 PROCEEDING?

11 A. The purpose of my testimony is to present the Public Staff's
12 investigation of the Experience Modification Factor (EMF) rider
13 proposed by Dominion Energy North Carolina (DENC or Company)
14 in this proceeding.

15 **EXPERIENCE MODIFICATION FACTOR**

16 Q. PLEASE DESCRIBE THE EXPERIENCE MODIFICATION
17 FACTOR.

18 A. The EMF rider is utilized to "true-up" the over- or underrecovery of
19 fuel and fuel-related costs (fuel costs) experienced during the test
20 year, which is determined by comparing the revenues collected
21 during the test year to recover previously estimated fuel costs (fuel

1 revenues) to the actual amount of fuel costs incurred during the test
2 year. DENC's test year in this fuel proceeding is the twelve months
3 ended June 30, 2018.

4 **Q. PLEASE DESCRIBE THE PUBLIC STAFF'S INVESTIGATION OF**
5 **THE EXPERIENCE MODIFICATION FACTOR.**

6 A. The Public Staff's investigation included procedures to evaluate
7 whether the Company properly determined its per books fuel costs
8 and fuel revenues during the test period. These procedures included
9 review of the Company's filing, prior Commission orders, the Monthly
10 Fuel Reports filed by the Company with the Commission, and other
11 Company data provided to the Public Staff. Additionally, the
12 procedures included review of certain specific types of expenditures
13 affecting the Company's test year fuel costs, payments to non-utility
14 generators (NUGs), and payments for purchases of power from the
15 markets administered by PJM Interconnection, LLC (PJM). The
16 Public Staff's procedures also included a review of source
17 documentation of fuel costs for certain selected Company generation
18 resources. Finally, the Public Staff's investigation included the
19 review of numerous responses to written and verbal data requests.

20 **Q. WHAT ARE THE RESULTS OF YOUR INVESTIGATION?**

21 A. I have reviewed the calculations of the EMF provided by DENC and
22 set forth in the direct testimony and exhibits of the Company's
23 witnesses. The Public Staff has three recommendations in this fuel

1 proceeding. First, the Public Staff recommends that DENC's EMF
2 increment rider (Rider B) for each customer class be based on a net
3 underrecovery of fuel and fuel related costs of \$16,162,154 and the
4 Company's pro-forma North Carolina retail sales of 4,175,472,287
5 kWh. This produces an aggregate EMF increment rider (Rider B),
6 before class-specific voltage differentiation, of \$0.00388 per kilowatt-
7 hour (kWh), including the North Carolina regulatory fee (\$0.00387
8 per kWh, excluding the regulatory fee) for all North Carolina retail
9 customer classes.

10 Second, the Public Staff recommends that the Commission approve
11 and implement full recovery rates as opposed to the mitigation
12 alternative suggested by DENC in this proceeding. According to
13 DENC witness Beasley's calculations presented on Company Exhibit
14 GGB-1, Schedules 3 and 4, the impact of the EMF under full recovery
15 is \$3.88 on a 1,000 kWh bill, in effect for a one-year period, and the
16 mitigation alternative would defer recovery of half of that amount
17 (\$1.94 per each 1,000 kWh bill) until the annual billing period
18 beginning February 1, 2020, so that the underrecovery is recovered
19 over a two-year period. The Company states in its application and
20 throughout witness testimony that the underrecovery was primarily
21 driven by cold weather and higher commodity prices. The increased
22 fuel expenses due to periods of cold weather are not new to the
23 region or DENC, and are likely to occur again, impacting future fuel

1 cases. If similar weather occurs again, resulting in another
2 underrecovery, that underrecovery would presumably need to be
3 recovered along with the underrecovery related to the mitigation
4 alternative. Thus, if full EMF recovery was ordered on in that case
5 as normally expected, the mitigation alternative would compound
6 any underrecovery in future fuel cases, and further increase the rates
7 to be collected in those future years. Should a party in that future
8 case propose additional mitigation, a “snowball” effect could be
9 created as past costs continued to be deferred for future recovery
10 beyond the time periods contemplated by statutes, Commission
11 Rules, and normal Commission practices. Furthermore, as detailed
12 in the testimony of Public Staff witness Metz, the Company has
13 overstated its fuel credit related to the Greenville plant, which will
14 already result in a known underrecovery for the item in the 2019 EMF
15 period. Additionally, should there be a base rate increase next year,
16 ratepayers would likely be paying higher base rates and fuel costs
17 that are higher than they would be without the mitigation alternative.
18 Therefore, the Public Staff believes that in the long-term, it is in
19 ratepayers’ interest for the Company to recover the underrecovery in
20 full over the upcoming Rate Period. However, should the
21 Commission decide that the mitigation alternative is in the
22 ratepayers’ interest, the Public Staff recommends that the
23 Commission accept its proposal concerning the Greenville Plant

1 credit adjustment and include the adjustment in the Rate Period
2 increment calculations, as detailed in the testimony of Public Staff
3 witness Dustin R. Metz.

4 Third, the Public Staff recommends the Marketer Percentage
5 decrease from 78% to 75% effective February 1, 2019, as detailed
6 in the testimony on Public Staff witness Darlene P. Peedin.

7 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

8 A. Yes.

MICHELLE M. BOSWELL**Qualifications and Experience**

I graduated from North Carolina State University in 2000 with a Bachelor of Science degree in Accounting. I am a Certified Public Accountant.

I am responsible for analyzing testimony, exhibits, and other data presented by parties before this Commission. I have the further responsibility of performing 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.

I joined the Public Staff in September 2000. I have performed numerous audits and/or presented testimony and exhibits before the Commission addressing a wide range of electric, natural gas, and water topics. I have performed audits and/or presented testimony in Duke Energy Carolina, LLC's (DEC's) 2010 REPS Cost Recovery Rider; the 2008 REPS Compliance Reports for North Carolina Municipal Power Agency 1, North Carolina Eastern Municipal Power Agency, GreenCo Solutions, Inc., and EnergyUnited Electric Membership; DEC's 2017 rate case, four recent Piedmont Natural Gas, Inc. (Piedmont), rate cases; the 2016 rate case of Public Service Company of North Carolina, Inc., the 2012 rate case for Dominion Energy North Carolina (formerly Dominion North Carolina Power), Duke Energy Progress, LLC's 2013 and 2017 rate case, the 2018

rate case of Aqua North Carolina, Inc., several Piedmont, NUI Utilities Inc., and Toccoa annual gas cost reviews; the merger of Piedmont and NUI; the merger of Piedmont and North Carolina Natural Gas; and the merger of Dominion Energy, Inc. and SCANA Corporation.

Additionally, I have filed testimony and exhibits in numerous water rate cases and performed investigations addressing a wide range of topics and issues related to the water, electric, and telephone industries.