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October 8, 2021

VIA ELECTRONIC FILING

Ms. Antonia Dunston
Interim Chief Clerk
North Carolina Utilities Commission
430 N. Salisbury Street, Dobbs Building
Raleigh, North Carolina 27603

**Re: Docket No. G-9, Sub 781
Docket No. G-9, Sub 786
Docket No. G-9, Sub 722**

Dear Ms. Dunston:

Pursuant to Paragraph No. III.AA.2.a of the Stipulation of Partial Settlement filed on September 7, 2021 (“Stipulation”), and in accordance with Paragraph No. 41 of Piedmont Natural Gas Company, Inc.’s (“Piedmont”) compliance filing filed on September 27, 2021 in the above-referenced dockets, Piedmont submits the attached proposed Energy Efficiency (“EE”) Rider (“Appendix H”) and its associated rates and charges.

Thank you for your assistance with this matter. If you have any questions regarding this filing, you may reach me at the number shown above.

Sincerely,

/s/ James H. Jeffries IV
James H. Jeffries IV

JHJ/rkg

Enclosures

cc: Lucy Edmondson
Elizabeth Culpepper
Megan Jost
Bruce Barkley
Pia Powers
Parties of Record

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the attached is being served this date upon all of the parties to this docket electronically or by depositing a copy of the same in the United States Mail, First Class Postage Prepaid, at the addresses contained in the official service list in this proceeding.

This the 8th day of October, 2021.

/s/ Richard K. Goley
Richard K. Goley

**Proposed
APPENDIX H**

APPENDIX H

Energy Efficiency Pilot Program and Cost Recovery Rider

1. Background and Purpose

The purpose of this Energy Efficiency Pilot Program (“EE Program”) and cost recovery rider mechanism (“EE Program Rider”) is to (1) allow Piedmont Natural Gas Company, Inc. (“Piedmont” or “Company”), to recover all reasonable and prudent costs incurred for adopting, implementing, and operating energy efficiency (“EE”) measures and programs and (2) establish certain requirements for requests by Piedmont for approval and continued operation of EE measures and programs.

The Company shall collect operational data, perform evaluation, measurement, and verification (“EM&V”), and assess cost-effectiveness for its EE Program, as delineated in Section 3 of this Appendix H. Piedmont shall work with the Public Staff and other interested parties to cost effectively increase EE Program participation, particularly for low-income customers and those customers who rent their homes or businesses.

In the event that any terms and conditions of this Appendix H be in conflict with terms and conditions contained in the Stipulation of Partial Settlement between the Piedmont, the Public Staff, Carolina Utility Customers Association, Inc., and Carolina Industrial Group for Fair Utility Rates IV, filed on September 7, 2021 in Docket No. G-9, Sub 781 and Sub 786 (“Stipulation”) or the Company’s September 27, 2021 compliance filing (“Compliance Filing”) in Docket No. G-9, Sub 781 and Sub 786, as approved by the North Carolina Utilities Commission in their Final Order in Docket No. G-9 Sub 781 and Sub 786, the terms and conditions of the Stipulation and Compliance Filing shall control unless otherwise ordered by the Commission.

2. Program and Rider Modifications

The Company shall seek Commission approval of any proposed EE Program modifications or any modification to this Appendix H at least 30 days prior to its proposed implementation date. Any changes to the EE Program or this Appendix H shall be applied prospectively upon Commission approval.

3. Definitions

As used in this Appendix H and for the purposes of the EE Program and EE Program Rider, the following definitions shall apply:

“Applicable Rate Schedules” refers to the Company’s rate schedules encompassing the class(es) of customers who are eligible to participate in the EE Program and/or who receive benefit from the EE Program, which is Rate Schedules 101, 102, and 152.

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“Commission” means the North Carolina Utilities Commission.

“Common Costs” means costs that are not attributable or reasonably assignable or allocable to specific EE programs or measures but are necessary to design, implement, and operate the programs or measures collectively. Common costs may include appropriately assigned or allocated marketing, education, or general outreach costs.

“Costs” include program or measure costs (including those of pilot programs approved by the Commission for inclusion in this Appendix H), common costs, and, subject to Commission Rule R6-95, any other costs approved by the Commission for recovery through the EE Program Rider. Costs include only those expenditures appropriately allocable to the Company’s North Carolina jurisdiction.

“EE Program” shall consist of the Company’s School Conservation Education Program, Low-Income Program, Residential HVAC and Water Heating Program, Commercial HVAC & Water Heating Program, Commercial Food Services Program, and Residential New Construction Program.

“EE Program Costs” encompass the Costs and Common Costs the Company incurs and defers for operating the EE Program approved by the Commission pursuant to Commission Rule R6-95, and include only those expenditures appropriately assigned or allocated to the Company’s North Carolina jurisdiction.

“EE Program Rider Rates” means the rates per therm established under this Appendix H to the Applicable Rate Schedules in order to enable the Company to recover its EE Program Costs, and shall be computed to the nearest one-thousandth cent per therm.

“Effective Date” means the date in which Piedmont’s base rates (including those billed on an interim basis, subject to refund) no longer recover any EE Program costs, which may begin November 1, 2021.

“Low-Income Programs or Low-Income Measures” are EE programs or EE measures approved by the Commission as components of programs provided specifically to low-income customers.

“Measure” means an energy efficiency measure, as defined in N.C. Gen. Stat. § 62-133.8(a)(4).

“Measurement unit's life” means the estimated number of years that equipment or customer treatment associated with a measurement unit will operate if properly maintained or activities associated with the measurement unit will continue to be cost-effective, and produce energy savings as measured in therms, unless the Commission determines otherwise.

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“Net-to-gross (NTG) ratio” means an adjustment factor used to compute the net savings by accounting for but not limited to such behavioral effects as free ridership and spillover.

“Pilot Period” is the period commencing on November 1, 2021 and ending on June 30, 2025.

“Program” means a collection of EE measures with similar objectives that have been consolidated for purposes of delivery, administration, and cost recovery.

“Program and Measure Costs” means costs that are attributable, reasonably assignable, or allocable to specific EE programs or measures and include all appropriate capital costs (including cost of capital and depreciation expense), general costs, implementation costs, incentive payments to program or measure participants, operating costs, and evaluation, measurement, and verification (EM&V) costs, net of any grants, tax credits, or other reductions in cost received by the utility from outside parties. Program or measures costs may include appropriately assigned or allocated marketing, education, or outreach costs.

“Rate Period” means January 1st through December 31st, unless otherwise indicated.

“Relevant Rate Order” means the final order of the Commission in the most recent litigated rate case of the Company fixing the rates of the Company or the most recent final order of the Commission specifically prescribing or fixing the factors and procedures to be used in the application of this Appendix H.

“Total Resource Cost Test (TRC)” means a cost-effectiveness test that measures the net costs of a EE program or measure as a resource option based on the total costs of the program or measure, including both the participants' costs and the utility's costs (excluding incentives paid by the utility to or on behalf of participants). The costs for the TRC test are the net program or portfolio costs incurred by the utility and participants, and the increased supply costs for any periods in which consumption is increased. All costs of equipment, installation, operation and maintenance (O&M), removal (less salvage value), and administration, no matter who pays for them, are included in this test. The benefits for the TRC test are avoided supply costs, which shall be calculated using net program or measure savings, i.e., savings net of changes in energy use that would have happened in the absence of the program or measure. Any tax credits are considered a reduction to costs in this test. Use of state and federal funds to operate the EE Program may offset the participant's project costs and be supplemental to the Company's incentives to participants.

“Utility Cost Test (UCT)” means a cost-effectiveness test that measures the net costs of an EE program or measure as a resource option based on the costs incurred by the utility (including incentive costs paid by the utility to or on behalf of participants) and excluding any net costs incurred by the participant. The costs for the UCT are the net program or portfolio costs incurred by the utility and the increased supply costs for any periods in which consumption is

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increased. Utility costs include initial and annual costs, such as the cost of utility equipment, O&M, installation, program administration, incentives paid to participants and participant dropout and removal of equipment (less salvage value). The benefits for the UCT are avoided supply costs caused by a consumption reduction. The avoided supply costs shall be calculated using net program or measure savings, i.e., savings net of changes in energy use that would have happened in the absence of the program or measure.

4. Evaluation of Measures and Programs

In evaluating potential EE Measures and Programs for selection and implementation, Piedmont will first perform a qualitative Measure screening to ensure Measures are:

- Commercially available and sufficiently mature.
- Applicable to the Piedmont service area demographics and climate.
- Feasible for a utility EE Program.

For purposes of calculating prospective and/or actual cost-effectiveness of EE Programs or Measures when measured by Piedmont or the Public Staff to be used to determine whether a Program or Measure should remain in the portfolio, the Company shall assess each Program or Measure by:

- Using projected benefits specifically calculated for each Program or Measure, as to be determined by continuing discussions between Piedmont and the Public Staff, and as ultimately approved by the Commission, and,
- Evaluating each cost-effectiveness test using actual and/or projections of participation, savings, Program or Measure costs, and benefits for the previous and/or upcoming vintage year.

EM&V of programs, conducted by an independent third-party using a nationally recognized protocol agreed upon with the Public Staff, will be performed to ensure that Programs remain cost-effective. If cost of a specific EM&V is too great, the Company may utilize an approved EM&V report from a similar region to that of North Carolina. This protocol may be modified with approval of the Commission to reflect the evolution of best practices.

Initial EM&V results shall be applied retroactively to the beginning of the Program offering to replace initial estimates of impacts. For the purposes of the vintage true-ups, these initial EM&V results will be considered actual results for a Program until the next EM&V results are received. The new EM&V results will then be considered actual results going forward and applied prospectively for the purposes of truing up vintages from the first day of the month immediately following the month in which the study participation sample for the EM&V was completed. This EM&V will then continue to apply and be considered actual results until it is superseded by new EM&V results, if any. During the Pilot Period and with reference to each program, Piedmont should structure and perform EM&V to ensure accuracy of the NTG ratio, avoided costs, Measure life, and Measure savings used in the cost-effectiveness calculations.

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The Company will seek to leverage available state and federal funds to operate effective efficiency Programs. Its application for such funds will be transparent with respect to the cost, operation, and profitability of Programs operated with those funds in a manner consistent with its authorized revenue recovery mechanism. Use of such funds may help offset the participant's project costs and be supplemental to Piedmont's incentives to participants. If so, these funds will not change the impacts or cost-effectiveness of Piedmont's Programs as calculated using the UCT. Further, the amount of avoided costs recognized by the Company will not be reduced if participants also use state or federal funds to offset any portion of their project costs.

The parties acknowledge that prospective cost-effectiveness evaluations are snapshots of the Program or Measure's performance, and that ongoing cost-effectiveness is impacted by many factors outside the Company's control, including but not limited to market and economic conditions, avoided costs, and government mandates. The parties shall continue to work to maintain the cost-effectiveness of its portfolio and individual Programs and Measures.

Net-To-Gross (NTG) Ratio

EM&V will include updates of any net-to-gross (NTG) ratios related to previous NTG estimates for Programs and Measures. All of the updated information will be used in evaluating the continued cost-effectiveness of existing Programs, but updates to NTG estimates will not be applied retrospectively to Measures that have already been installed or Programs that have already been completed. If it becomes apparent during the implementation of a Program that NTG ratios are substantially different than anticipated, the Company will file appropriate Program adjustments with the Commission.

Utility Cost Test (UCT)

The criteria for a successful EE Measure is a UCT result greater than 1.0. With the exception of the Measures included in Low-Income Programs or other non-cost-effective Programs with similar societal benefits as approved by the Commission, any Measure that results in a $UCT < 0.9$ should be removed from the portfolio, unless the Measure can be bundled into a Program to enhance the overall cost-effectiveness of that Program or otherwise ordered by the Commission.

Measures under consideration for bundling, whether as part of a new Program or into an existing Program, should, unless otherwise approved by the Commission, be consistent with and related to the Measure technologies, and/or delivery channels currently offered in the existing Program or to be otherwise offered in the new Program.

For any Program that demonstrates a UCT of less than 1.0, the Company shall include a discussion in its annual proceeding of the actions being taken to improve cost-effectiveness, or alternatively, its plans to terminate the Program. Programs with fluctuations of UCT above and below 1.0 should be addressed on a case by case basis.

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5. Approval or Termination of a Program

Piedmont may end the pilot for a particular program before the end of the Pilot Period if substantial evidence suggests the UCT will result in a value less than or greater than 1.0, in which case Piedmont will remove the Program or apply for it to be granted full approval, respectively. If the program is not approved or terminated prior to the end of the Pilot Period, the Company should seek either full approval or termination of each Program. Any petition for full approval or termination should include supporting testimony on the updated inputs for participation, savings, NTG ratio, avoided costs, Program costs, and cost-effectiveness test results.

Nothing in the EE Program or EE Program Rider relieves Piedmont from its obligation to comply with Commission Rule R6-95 when filing for approval of EE Programs. Piedmont shall, in its filings for approval of Programs, describe in detail the industry-accepted methods to be used to collect and analyze data; measure and analyze Program participation; and evaluate, measure, verify, and validate estimated energy and peak demand savings. Piedmont shall provide a schedule for reporting the results of this EM&V process to the Commission. The EM&V process description should describe not only the methodologies used to produce the impact estimates utilized, but also any methodologies the Company considered and rejected. Additionally, if Piedmont plans to use an independent third party for purposes of EM&V, it shall identify the third party and include all third-party costs in its filing.

6. Cost Recovery of EE Program

Through the EE Program Rider Rates, Piedmont shall recover all reasonable and prudent EE Program Costs incurred during the Pilot Period. The EE Program Rider Rates shall be updated for each Rate Period.

Modification, discontinuation, and/or termination of the pilot or any previously-approved EE Measure or Program shall not preclude Piedmont's ability to otherwise recover through rates the Program or related portfolio Costs incurred in expenses for operation and EM&V of such EE Program or Measure.

7. EE Program Deferred Account and Interest

Piedmont shall implement deferral accounting for its EE Program Costs. Specifically, the Company shall maintain an EE Program Deferred Account for the purpose of recording and reporting each month: (a) the EE Program Costs; (b) the amount of collections from customers pursuant to the EE Program Rider Rates; and (c) interest on the EE Program Deferred Account.

The balance in the EE Program Deferred Account, gross of deferred income taxes, shall accrue interest at a rate equivalent to the annual overall net-of-tax rate of return approved in the Relevant Rate Order, using a mid-month convention. Such interest shall not be eligible for

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further gross-up for income taxes. Such interest shall be eligible for compounding only at December 31st of each calendar year to avoid an annual accrual of interest greater than the annual interest rate.

Any remaining deferral account balance at the end of the Pilot Period that is found appropriate and reasonable by the Commission for recovery (after true-up to reflect reasonable and prudently incurred charges and credits), shall be eligible for subsequent rate recovery as determined appropriate by the Commission.

8. Computation of the EE Program Rider Rates

The EE Program Rider Rates shall be calculated as an increment or decrement to base rates and shall be applied to Applicable Rate Schedules commencing at the start of the Pilot Period. The EE Program Rider Rates shall initially be set to a rate of zero (\$0) per therm. At the start of the month following the date of the Commission's Final Order in Docket G-9, Sub 781, updated EE Program Rider Rates shall take effect. Such updated EE Program Rider Rates shall be designed to collect (or refund) the EE Program Deferred Account balance as of December 31, 2021 and the projected EE Program Costs to be incurred between January 1, 2022 and December 31, 2022. Thereafter, the EE Program Rider Rates shall be updated for each subsequent Rate Period based on the EE Program Deferred Account balance as of December 31 (as estimated for the Company's annual filing pursuant to Section 10 of this Appendix H) and EE Program Costs appropriately estimated to be incurred and deferred during the upcoming Rate Period.

For EE Programs whose eligible participants are exclusively residential customers, all the costs of these programs will be assigned to the residential class. For EE programs whose eligible participants are exclusively small and medium general service customers, all the costs of these programs will be assigned to the small and medium general rate classes. The Company's School Conservation Education program shall be entirely assigned to the residential class for cost recovery purposes. Common Costs shall be allocated between customer classes using the ratio of annual projected Costs as shown in the Company's annual filing pursuant to Section 10 of this Appendix H.

The amount of grossed-up balance apportioned to each customer class shall then be divided by the annual therms as set forth in the Relevant Rate Order for each customer class to determine the EE Program Adjustment to the nearest one-thousandth cent per therm. The annual therms of throughput used in the computation of the EE Program Adjustment for each customer class are as follows:

Residential	Rate Schedule 101	392,644,495
Small General	Rate Schedules 102	249,714,827
Medium General	Rate Schedules 152	<u>50,360,806</u>
Total		692,720,128

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The amount collected from customers from the EE Program Rider Rates each month shall be applied as a credit to the EE Program Deferred Account, and shall be computed by multiplying the EE Program Rider Rate in effect for each Applicable Rate Schedule by the corresponding actual terms of usage billed customers for the month.

9. Monthly Filing Requirements

The Company shall file by the 15th day of each month a deferral account report for the second preceding calendar month, setting forth the details of the changes to the EE Program Deferred Account for that month and since inception. The monthly report shall include (a) the current month's EE Program Costs by program; and (b) activity recorded for the month in the EE Program Deferred Account. The cost information filed by Piedmont shall be categorized at a Measure, Program, and portfolio level.

10. Annual Filing Requirements

The Company shall file by September 15th of each year for Commission approval the EE Program rider application and supporting documents. The supporting documents filed with the application shall include, but not necessarily be limited to, the following

- a. The calculation of and supporting workpapers and other documentation for the proposed EE Program Rider Rates to go into effect for the updating Rate Period.
- b. A schedule updating estimated and actual charges and credits to the EE deferral account, and calculating the monthly beginning and ending balances, for each month from its inception through December 31st of the filing year. This schedule shall incorporate updates to reflect actual charges and credits to the extent possible. Actual and estimated charges and credits shall be clearly identified as such.
- c. If not previously completed, filed, and incorporated, EM&V reports completed as of September 15th and incorporated as appropriate into the calculation of the proposed rider.
- d. The EM&V plan for the current calendar year and through the remainder of the Pilot Period.
- e. Cost-effectiveness results by Measure, Program, and portfolio for the twelve months ended March 31st of the year of filing (updated as appropriate for EM&V). For purposes of the Rate Period (January 1st through December 31st of the upcoming year), the Company will utilize the data collected during the previous twelve months (ending March 31st) and update its forecasted participation so that a proxy cost-effectiveness for each program can be calculated.
- f. Any information not otherwise listed above that was previously provided in Piedmont's annual EE report.
- g. Requested program modifications, if any.

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Energy Efficiency Pilot Program and Cost Recovery Rider

11. Review and Approval of Annual Filing and EE Rider Rates

The Public Staff will place its recommendation regarding the proposed EE Program Rider Rates on the Agenda for the Regular Staff Conference scheduled for no later than December 15th of each year with the planned effective date for the EE Program Rider rates to be January 1st of each year. The parties may file comments addressing the proposed EE Program Rider no later than December 1st.

The terms and conditions of the Compliance Filing and this Appendix H shall first be reviewed by the Commission beginning two years after the effective date of rates in Docket No. G-9, Sub 781, to be completed no later than June 30, 2025. The Company and other parties shall submit any proposed changes to the Commission for approval at the time of the filing of the Company's 2025 EE Program Rider proposal. During the time of review, the EE Program Rider shall remain in effect until further order of the Commission revising the terms of the EE Program Rider or taking such other action as the Commission may deem appropriate.

Proposed EE Rider Rates

Piedmont Natural Gas Company, Inc.
Docket Nos. G-9, Sub 781 and Sub 786

Computation of Proposed EE Rider Rates to Become Effective Concurrent with the Effective Date of Base Rates Approved by the Commission in Docket No. G-9, Sub 781 (which is presumed to be January 1, 2022 or February 1, 2022)

Line No.	Item	Reference	[A]	[B]
			Residential Service	Small/Medium General Service
1	Applicable Rate Schedule(s)		RS 101	RS 102 & 152
2	Normalized Annual Dekatherms by Applicable Rate Schedule(s)	<i>Docket No. G-9 Sub 781, Stipulation Exhibit C, Sch 3</i>	39,264,449.5	30,007,563.3
3	Normalized Annual Therms by Applicable Rate Schedule(s)	<i>Line 2 * 10</i>	392,644,495	300,075,633
4	Annual Projected EE Program Expenditures by Customer Class for CY 2022	<i>Line 14</i>	\$ 2,746,311	\$ 103,285
5	Projected EE Rider Deferred Account Balance, including accrued interest, as of Dec 31, 2021	<i>Lines 21 & 22</i>	\$ 457,966	\$ 17,223
6	Total Target Amount to be Collected (Refunded) through proposed EE Rider Rates, before Gross Up for Uncollectibles & Reg Fee	<i>Line 4 + Line 5</i>	\$ 3,204,277	\$ 120,508
7	Gross Up Factor For Uncollectibles & Reg Fee	<i>Line 27</i>	1.0057910	1.0057910
8	Total Target Amount to be Collected (Refunded) through proposed EE Rider Rates, after Gross Up for Uncollectibles & Reg Fee	<i>Line 6 * Line 7</i>	\$ 3,222,833	\$ 121,206
9	Proposed EE Rider Rates per Therm	<i>Line 8 / Line 3</i>	\$ 0.00821	\$ 0.00040

Annual Projected EE Program Expenditures for CY 2022

Line No.	Item	Reference	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
			NC School Conservation Education Program	NC Low-Income Program	NC Residential New Construction Program	NC Residential HVAC and Water Heating Program	NC Commercial HVAC & Water Heating Program	NC Commercial Food Services Program	Total	Subtotal for Residential Class	Subtotal for Commercial Class
10	Annual Projected Cost by Program, not including Common Costs	<i>Per Revised Exhibit A of the Company's Application in Docket No. G-9, Sub 786</i>	\$ 150,000	\$ 225,000	\$ 926,750	\$ 1,110,595	\$ 36,850	\$ 53,875	\$ 2,503,070	\$ 2,412,345	\$ 90,725
11	Percent of Annual Projected Cost by Program, not including Common Costs	<i>% of Line 10, Col G</i>	5.99%	8.99%	37.02%	44.37%	1.47%	2.15%	100.00%	96.38%	3.62%
12	Annual Projected Common Costs	<i>Per Revised Exhibit A of the Company's Application in Docket No. G-9, Sub 786</i>							\$ 346,526		
13	Annual Projected Common Costs, as Allocated by Customer Class	<i>Line 11 * Line 12</i>							\$ 346,526	\$ 333,966	\$ 12,560
14	Total Annual Projected EE Program Expenditures by Customer Class, including Common Costs	<i>Line 10 + Line 13</i>							\$ 2,849,596	\$ 2,746,311	\$ 103,285

Piedmont Natural Gas Company, Inc.
Docket Nos. G-9, Sub 781 and Sub 786

Projected EE Rider Deferred Account Balance as of Dec 31, 2021

Amount Due to Company (Amount Due to Customers)			[A]	[B]
Line No.	Item	Reference	Nov 2021	Dec 2021
15	Beginning Balance		\$ -	\$ 237,530.45
16	Projected Monthly Expenses to be Incurred	<i>one-twelfth of Line 14</i>	\$ 237,466.33	\$ 237,466.33
17	Projected EE Rider Revenue Collections		\$ -	\$ -
18	Projected EOM Deferred Account Balance, before interest	<i>Sum of Lines 15 thru 17</i>	\$ 237,466.33	\$ 474,996.78
		<i>Per methodology described in para 45 of the Company's 9/27/2021 Compliance Filing in Docket No. G-9, Sub 786</i>		
19	Interest Expense		\$ 64.12	\$ 192.37
20	Projected EOM Deferred Balance, including interest		\$ 237,530.45	\$ 475,189.15
21	Residential Class Apportionment of Projected Balance	<i>Line 11, Col H * Line 20</i>		\$ 457,965.68
22	Commercial Class Apportionment of Projected Balance	<i>Line 11, Col I * Line 20</i>		\$ 17,223.46
		<i>Docket No. G-9 Sub 781, Stipulation Exhibit B,</i>		
23	Applicable Annual Interest Rate	<i>Net of Tax Overall Rate of Return</i>	0.00645	0.00645
24	Applicable Monthly Interest Rate	<i>Line 23 / 12</i>	0.00054	0.00054

Gross Up Factor for Uncollectibles & Reg Fee

			[A]
25	Uncollectibles Rate	<i>Docket No. G-9 Sub 781, Stipulation Exhibit B</i>	0.0044635
26	Reg Fee Rate	<i>Current NCUC Reg Fee Rate</i>	0.0013000
27	Gross Up Factor	<i>1 / ((1-Line 25)*(1-Line 26))</i>	1.0057910