

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-22, SUB 588

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 Approval of Renewable) Energy and Energy Efficiency Portfolio) Standard (REPS) Compliance Report and) Cost Recovery Rider Pursuant to North) Carolina General Statute § 62-133.8 and) Commission Rule R8-67)	ORDER APPROVING REPS AND REPS EMF RIDERS AND 2019 REPS COMPLIANCE REPORT
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HEARD: Tuesday, November 17, 2020, at 10:00 a.m. via Webex

BEFORE: Commissioner Daniel G. Clodfelter, Presiding; Chair Charlotte A. Mitchell;
Commissioners ToNola D. Brown-Bland; Lyons Gray; Kimberly W. Duffley;
Jeffrey Hughes; and Floyd B. McKissick, Jr.

APPEARANCES:

For Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina:

Mary Lynne Grigg, McGuireWoods LLP, 501 Fayetteville Street, Suite 500,
Raleigh, North Carolina 27601

For the Using and Consuming Public:

John D. Little, Public Staff – North Carolina Utilities Commission, 4326 Mail
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BY THE COMMISSION: On August 11, 2020, Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina Power (DENC or the Company), filed its annual Renewable Energy and Energy Efficiency Portfolio Standard (REPS) Compliance Report and application seeking an adjustment to its North Carolina retail (NC Retail) rates and charges pursuant to N.C. Gen. Stat. § 62-133.8(h) and Commission Rule R8-67. The Commission is required to conduct an annual proceeding for the purpose of determining whether a rider should be established to permit the recovery of the incremental costs incurred to comply with the requirements of N.C.G.S. § 62-133.8(b), (d), (e), and (f), and to true-up any underrecovery or overrecovery of compliance costs. Thus, DENC’s annual REPS Rider has two components: (1) a forward-looking component

to recover DENC's projected REPS compliance costs for the rate period of February 1, 2021 through January 31, 2022 (proposed by DENC as Rider RP); and (2) a REPS Experience Modification Factor (EMF) to true-up any over- or underrecovery of the REPS compliance costs under the previous REPS Riders from July 1, 2019 to June 30, 2020 (proposed by DENC as Rider RPE). DENC's application was accompanied by the testimony and exhibits of George E. Hitch, Senior Market Originator; Elizabeth B. Lecky, Regulatory Specialist; and Emilia L. Catron, Regulatory Analyst II for DENC. In its application and prefiled testimony, DENC sought approval of the proposed REPS Rider RP and REPS EMF rider, which incorporated DENC's proposed adjustments in its NC Retail rates. In addition, DENC requested Commission approval of its 2020 REPS Compliance Report for calendar year 2019 REPS compliance, filed as Company Exhibit GEH-1 attached to the prefiled direct testimony of Company witness Hitch. DENC's Application requested an annual revenue requirement of \$614,851 for the rate period (billing period) of February 1, 2021 through January 31, 2022, to be recovered through updated Rider RP, as well as a REPS EMF revenue requirement of (\$255,874) to be recovered through Rider RPE.

On September 14, 2020, the Commission issued an Order Scheduling Hearing, Establishing Testimony and Discovery Guidelines, and Requiring Public Notice. Pursuant to that Order, the Commission established deadlines for the filing of petitions to intervene, intervenor testimony and exhibits, and Company rebuttal testimony and exhibits, and scheduled the hearing to be held remotely via Webex in this proceeding on November 17, 2020.

The intervention and participation of the Public Staff in this docket are recognized pursuant to N.C.G.S. § 62-15(d) and Commission Rule R1-19(e).

On September 28, 2020, DENC filed the errata testimony of Company witnesses Lecky and Catron to include the interest component in Rider RPE, which resulted in an updated Rider RPE of (\$296,387).

On October 22, 2020, the Carolina Industrial Group for Fair Utility Rates I (CIGFUR) filed a petition to intervene. The Commission granted this petition on October 26, 2020.

On October 26, 2020, the Public Staff filed the testimony of witness Jeff T. Thomas and the affidavit of Iris Morgan.

On November 4, 2020, DENC filed a letter in lieu of rebuttal testimony indicating there were no issues in dispute between the Company and the Public Staff based upon the Public Staff's testimony and affidavit.

On November 6, 2020, DENC filed its Affidavit of Publication.

On November 10, 2020, the Public Staff and the Company filed a Joint Motion to Excuse Witnesses from appearing at the November 17, 2020 remote evidentiary hearing,

stating that they had reached agreement on all issues in this docket and had agreed to waive cross-examination of each other's witnesses.

On November 13, 2020, the Commission granted the Joint Motion to Excuse Witnesses with its Order Excusing Expert Witnesses, Accepting Testimony, Canceling Hearing, and Requiring Filing of Proposed Orders. With the Order, the Commission received the witnesses' prefiled testimony, exhibits, and affidavit into evidence and canceled the expert witness hearing in this proceeding.

This matter came on for public witness hearing as scheduled on November 17, 2020, via Webex, before Hearing Examiner Heather Fennell. No public witnesses appeared at the hearing.

The Company and the Public Staff filed a joint proposed order in this proceeding on December 17, 2020.

Based upon the foregoing, including the testimony, exhibits, and affidavit received into evidence, the records in the North Carolina Renewable Energy Tracking System (NC-RETS), and the entire record in this proceeding, the Commission makes the following

FINDINGS OF FACT

1. DENC is duly organized as a public utility company under the laws of the State of North Carolina and is subject to the jurisdiction of the Commission. DENC is engaged in the business of generating, transmitting, distributing, and selling electric power and energy to the public for compensation in North Carolina. DENC is also an electric power supplier as defined in N.C.G.S. § 62-133.8(a)(3). DENC is lawfully before this Commission based upon its Application filed pursuant to N.C.G.S. § 62-133.8 and Commission Rule R8-67.

2. Under the State's REPS statute, N.C.G.S. § 62-133.8, in 2019 electric power suppliers were required to meet 10% of their previous year's NC Retail electric sales by a combination of renewable energy and energy reductions due to the implementation of energy efficiency (EE) measures. In addition, electric power suppliers were required to acquire solar energy, or renewable energy certificates (RECs) for solar energy, by the end of 2019 in an amount equal to at least 0.2% of the previous year's NC Retail sales. The 0.2% solar energy requirement is part of the 10% total REPS requirement. The solar energy sources can be a combination of new solar electric facilities and new metered solar thermal energy facilities. The electric power suppliers of North Carolina were initially required by N.C.G.S. § 62-133.8 to procure a certain portion of their renewable energy requirements beginning in 2012 from electricity generated by poultry and swine waste. However, by orders issued November 29, 2012, and March 26, 2014, in Docket No. E-100, Sub 113 (collectively, together with the orders of November 13, 2014, December 1, 2015, October 17, 2016, October 16, 2017, October 8, 2018, and December 16, 2019, the "Delay Orders"), the Commission delayed the initial swine and poultry waste resource requirements until 2014; in an order issued

November 13, 2014, in the same docket, the Commission granted an additional delay of the initial swine waste requirement until 2015 and established an initial aggregate poultry waste resource requirement of 170,000 megawatt-hours (MWh) for 2014; in an order issued December 1, 2015, the Commission again granted a further delay of the initial swine waste requirement until 2016 and maintained the aggregate poultry waste resource requirement at 170,000 MWh for 2015; in an order issued October 17, 2016, the Commission further delayed the initial swine waste requirement for one additional year and maintained the 2016 aggregate poultry waste requirement at 170,000 MWh for 2016; in an order issued October 16, 2017, the Commission delayed the initial swine waste requirement for one additional year and maintained the aggregate poultry waste requirement at 170,000 MWh for 2017; in an order issued October 8, 2018, the Commission delayed the initial swine waste requirement for one additional year for electric membership corporations and municipal electric systems but required the electric public utilities (including DENC) to meet 0.02% of their sales using swine waste resources and decreased the aggregate poultry waste requirement to 300,000 MWh; and in an order issued December 16, 2019, the Commission delayed the initial swine waste requirement for one additional year for electric membership corporations and municipal electric systems but required the electric public utilities (including DENC) to meet 0.04% of their sales using swine waste resources and decreased the aggregate poultry waste requirement to 500,000 MWh.

3. Section 62-133.8(h)(4) provides that an electric power supplier shall be allowed to recover through an annual rider the incremental costs incurred to comply with the REPS.

4. Pursuant to N.C.G.S. § 62-133.8(b)(2)(e), DENC may use 100% of out-of-state RECs to achieve REPS compliance. Under Commission Rule R8-67(e)(2), the total costs reasonably and prudently incurred during the test period to purchase unbundled RECs constitute incremental costs. The projected costs to purchase such RECs during the billing period constitute forecasted incremental costs.

5. DENC has agreed to provide REPS compliance services, including the procurement of RECs, to the Town of Windsor pursuant to N.C.G.S. § 62-133.8(c)(2)(e). The Town of Windsor's 2020 REPS compliance status is included in DENC's 2020 Compliance Report for compliance year 2019.

6. In light of the Commission's Delay Orders, DENC, on its own behalf and on behalf of the Town of Windsor, has complied with its 2019 REPS obligations. DENC's 2020 REPS Compliance Report for compliance year 2019 should be approved.

7. For purposes of DENC's annual rider pursuant to N.C.G.S. § 62-133.8(h), the rate period is the 12-month period from February 1, 2021 through January 31, 2022. The test period is the 12-month period from July 1, 2019 through June 30, 2020.

8. DENC has met the Commission's directive issued in the Company's 2019 REPS Order to analyze the source of electrical issues associated with its Kitty Hawk micro-grid research project.

9. DENC's approach of managing its retail REPS costs separately from the REPS costs for its wholesale customer, the Town of Windsor, is reasonable.

10. For purposes of establishing the REPS EMF charge (Rider RPE) in this proceeding, DENC's actual incurred incremental costs of REPS compliance during the REPS test period were \$738,594. DENC's Rider RP revenues were \$994,469. DENC's overrecovery of test-period compliance costs, including interest, was (\$296,387).

11. For purposes of establishing the forecasted REPS charge (Rider RP) in this proceeding, DENC's incremental costs of REPS compliance and Kitty Hawk micro-grid costs projected to be incurred during the rate period are \$614,851.

12. DENC's projected total adjusted number of customer accounts for the Rate Year ending January 31, 2022 is 120,988, including 103,353 in the residential class, 17,579 in the commercial class, and 56 in the industrial class.

13. The appropriate monthly amount of the REPS EMF charge (Rider RPE) to be collected during the billing period, per customer account, including the regulatory fee, is (\$0.12) for residential accounts, (\$0.69) for commercial accounts, and (\$4.64) for industrial accounts.

14. The appropriate monthly amount of the forecasted REPS charge (Rider RP) to be collected during the billing period, per customer account, including the regulatory fee, is \$0.25 for residential accounts, \$1.40 for commercial accounts, and \$9.36 for industrial accounts. The combined monthly Rider RP and Rider RPE charges to be collected during the billing period, per customer account, including the regulatory fee, are \$0.13 for residential accounts, \$0.71 for commercial accounts, and \$4.72 for industrial accounts.

15. DENC's combined REPS riders to be charged to each customer account for the billing period are within the annual cost caps established in N.C.G.S. § 62-133.8(h)(4).

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-5

These findings of fact are essentially informational, jurisdictional, and procedural in nature and are not contested.

Section 62-133.8(b)(1) and (c)(1) establish a REPS requirement for all electric power suppliers in the State. These provisions require each electric power supplier to provide a certain percentage of its North Carolina sales from various renewable energy or EE resources. Authorized methods of compliance with the REPS requirement for

electric public utilities are listed in N.C.G.S. § 62-133.8(b)(2) as follows: (a) generate electric power at a new renewable energy facility; (b) use a renewable energy resource to generate electric power at a generating facility other than the generation of electric power from waste heat derived from the combustion of fossil fuel; (c) reduce energy consumption through the implementation of an EE measure; (d) purchase electric power from a new renewable energy facility; (e) purchase RECs derived from in-State or out-of-state new renewable energy facilities; (f) use electric power that is supplied by a new renewable energy facility or energy saved due to the implementation of an EE measure that exceeds the requirements of this section for any calendar year as a credit towards the requirements of this section in the following calendar year; or (g) electricity demand reduction. In 2019, the electric public utilities were required to meet 10% of their previous year's North Carolina retail electric sales by a combination of the measures authorized by N.C.G.S. § 62-133.8(b). Each of these compliance methods is subject to certain additional limitations and conditions.

Section 62-133.8(c) has similar requirements for electric membership corporations and municipal electric systems.

Section 62-133.8(d) requires a certain percentage of the total electric power sold to retail electric customers in the State, or an equivalent amount of energy, to be supplied by a combination of new solar electric facilities and new metered solar thermal energy facilities. The percentage requirement for solar resources is 0.2% for 2018 and subsequent years.

Section 62-133.8(e) requires a certain percentage of the total electric power sold to retail electric customers in the State to be supplied by swine waste resources. The General Assembly established an initial aggregate 0.07% swine waste resources requirement in 2012, increasing thereafter. Section § 62-133.8(f) requires a specific amount of electric power sold to retail electric customers in the State, or an equivalent amount of energy, to be supplied, or contracted for supply in each year, by poultry waste resources. The General Assembly established an initial aggregate poultry waste resources requirement of 170,000 MWh in 2012, increasing thereafter. Pursuant to the Commission's Order on Pro-Rata Allocation of Aggregate Swine and Poultry Waste Set-Aside Requirements and Motion for Clarification issued on March 31, 2010, in Docket No. E-100, Sub 113, DENC's share of the aggregate State set-aside requirements for energy from poultry waste resources is based on the ratio of its North Carolina retail kilowatt-hour (kWh) sales from the previous year divided by the previous year's total North Carolina retail kWh sales for all electric power suppliers. Pursuant to the Commission's Order Establishing Method of Allocating the Aggregate Poultry Waste Resources Set-Aside Requirement issued April 18, 2016, in Docket No. E-100, Sub 113, starting with compliance year 2016, the aggregate poultry waste set-aside obligation shall be allocated among the electric power suppliers by averaging three years of historical retail sales, with the resulting allocation being held constant for three years.

At the joint request of the State's electric power suppliers, including DENC, the Commission issued the Delay Orders in Docket No. E-100, Sub 113, pursuant to specific

authority provided to the Commission by the General Assembly to modify the REPS requirements under N.C.G.S. § 62-133.8(i)(2).

Specifically, the Commission's November 29, 2012 Order Modifying the Poultry and Swine Waste Set-Aside Requirements and Granting Other Relief directed that the swine waste resource set-aside requirement for 2012 be eliminated and that the poultry waste resource requirements for 2012 and subsequent years be delayed for a year. On March 26, 2014, the Commission issued a Final Order Modifying the Poultry and Swine Waste Set-Aside Requirements and Providing Other Relief, approving another one-year delay for both the swine waste resource and poultry waste resource requirements and requiring certain additional reporting by all electric power suppliers, including DENC. On November 13, 2014, the Commission issued an Order Delaying Swine Set-Aside and Providing Other Relief, delaying DENC's and other electric power suppliers' swine waste resource requirement for one year and establishing an initial aggregate poultry waste resource requirement of 170,000 MWh for 2014, to be divided amongst the electric power suppliers. On December 1, 2015, the Commission issued an Order Delaying Swine Set-Aside and Providing Other Relief, granting a further delay of the initial swine waste requirement until 2016, modifying the 2015 poultry waste set-aside requirement to remain at the same level as the 2014 aggregate requirement of 170,000 MWh, and delaying by one year the scheduled increases in the requirement (the requirement was scheduled to increase to 700,000 MWh in the aggregate for all electric power suppliers). On October 16, 2016, the Commission issued an Order Modifying the Swine Waste Set-Aside Requirement and Providing Other Relief, which delayed for one additional year the commencement of the swine waste set-aside requirement. The Commission also modified the 2016 poultry waste set-aside requirement to remain at the same level as the 2014 and 2015 aggregate requirement of 170,000 MWh, and delayed by one additional year the scheduled increases in the requirement (increasing to 700,000 MWh for 2017, and 900,000 MWh for 2018 and each year thereafter). On October 16, 2017, the Commission issued an Order Modifying the Swine Waste Set-Aside Requirement and Providing Other Relief, which delayed for one additional year the initial compliance requirement under the swine waste set-aside. The Commission also modified the 2017 poultry waste set-aside requirement to remain at the same level as the 2014 and 2015 aggregate requirement of 170,000 MWh, and delayed by one additional year the scheduled increases in the requirement (increasing to 700,000 MWh for 2018, and 900,000 MWh for 2019 and each year thereafter). Through its Delay Orders, the Commission established that the aggregate statewide poultry waste resource requirement for the State's electric power suppliers, including DENC, is 170,000 MWh for 2016 and 2017, and delayed the initial swine waste requirement until 2018. In its October 8, 2018 Order, the Commission required the electric public utilities, including DENC, to meet 0.02% of their sales using swine waste resources and decreased the aggregate poultry waste requirement to 300,000 MWh. In its December 16, 2019 Order, the Commission required the electric public utilities, including DENC, to meet 0.04% of their sales using swine waste resources and decreased the aggregate poultry waste requirement to 500,000 MWh.

Section 62-133.8(b)(2)(e) provides that an electric power supplier shall achieve no more than 25% of its annual REPS compliance obligations using RECs from out-of-state new renewable energy facilities. However, paragraph (b)(2)(e) specifically exempts any electric public utility with less than 150,000 North Carolina retail jurisdictional customers as of December 31, 2006. The Commission held in its Order on Dominion's Motion for Further Clarification, issued September 22, 2009, in Docket No. E-100, Sub 113, that this exemption applies to DENC for purposes of both its general REPS obligation and individual set-aside requirements pursuant to N.C.G.S. § 62133.8(d)-(f). DENC may, therefore, achieve 100% of its REPS compliance using RECs generated by out of state new renewable energy facilities.

Section 62-133.8(b)(2)(c) provides that an electric power supplier may use energy efficiency certificates (EECs) to meet no more than 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 the Town of Windsor.

Section 62-133.8(h)(4) requires the Commission to allow an electric power supplier to recover all of its incremental costs incurred to comply with N.C.G.S. § 62-133.8 through an annual rider. Section § 62-133.8(h)(1) provides that "incremental costs" means all reasonable and prudent costs incurred by an electric power supplier to comply with the REPS requirements that are in excess of the electric power supplier's avoided costs, other than those costs recovered pursuant to N.C.G.S. § 62-133.9. The term "avoided costs" includes both avoided energy costs and avoided capacity costs. Commission Rule R8-67(e)(2) provides that the reasonable and prudently incurred costs of unbundled RECs are incremental costs and have no avoided cost component.

Commission Rule R8-67(e)(5) provides that "[t]he REPS EMF will reflect the difference between reasonable and prudently incurred incremental costs and the revenues that were actually realized during the test period under the REPS rider then in effect."

DENC's 2020 REPS Compliance Report for compliance year 2019 stated that pursuant to N.C.G.S. § 62-133.8(c)(2)(e) the Company provided renewable energy resources and compliance reporting services for the Town of Windsor.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 6

The evidence supporting this finding of fact appears in DENC's 2020 REPS Compliance Report for compliance year 2019, the testimony and exhibits of DENC witness Hitch, and the testimony of Public Staff witness Thomas. In addition, the Commission takes judicial notice of information contained in NC-RETS.

DENC's 2020 REPS Compliance Report was admitted into evidence as Company Exhibit GEH-1. This report provided the information required by Commission Rule R8-67(c) for DENC and the Town of Windsor. Public Staff witness Thomas stated in

his testimony that he reviewed DENC's 2020 REPS Compliance Report for compliance year 2019 and recommended that it be approved.

DENC's 2020 REPS Compliance Report stated that DENC's 2018 retail electric sales were 4,400,784 MWh and the Town of Windsor's were 50,462 MWh. DENC's 10% 2019 total REPS obligation amounted to 408,693 RECs, including 413,579 general obligation RECs, 8,802 solar RECs (0.2% of 4,400,784), 15,937 poultry waste RECs, 1,761 swine waste RECs, and 31,386 EECs from its portfolio of in-state EE programs approved pursuant to N.C.G.S. § 62-133.9. The Town of Windsor's 10% 2019 total REPS obligation amounted to 5,047 RECs, including 4,764 general obligation RECs, 101 solar RECs (0.2% of 50,462) and 182 poultry waste RECs. The 2019 REPS Delay Order delayed the initial swine waste set-aside requirement for municipalities until 2020. The Town of Windsor did not use any EECs for compliance. Public Staff witness Thomas testified that these numbers of RECs met the REPS requirements that 10% of 2018 retail sales must be matched with an equivalent number of RECs in 2019, including 0.2% of 2018 retail sales that must be matched with an equivalent number of RECs derived from solar energy. Witness Thomas confirmed that DENC had placed these numbers of RECs in its own and the Town of Windsor's NC-RETS compliance sub-accounts. Witness Hitch testified that out-of-state RECs may be used for 100% of DENC's REPS compliance but may not be used to meet more than 25% of the Town of Windsor's REPS requirements. DENC complied with these limitations. NC-RETS further indicates that DENC complied with the provisions of N.C.G.S. § 62-133.8(b)(2)(e) and (c)(2)(d).

No party disputed that DENC and the Town of Windsor complied with their 2019 REPS requirements, and witnesses Hitch and Thomas both stated that DENC and the Town of Windsor met the 2019 REPS requirements.

Based on the foregoing and all the evidence of record, the Commission finds that DENC and its wholesale customer, the Town of Windsor, for which DENC is providing REPS compliance services, have fully complied with the requirements of the REPS for 2019, and that DENC's 2020 REPS Compliance Report for compliance year 2019 should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 7

The evidence supporting this finding of fact appears in DENC's Application; the testimony of DENC witnesses Hitch, Lecky, and Catron; the testimony of Public Staff witness Thomas; and the affidavit of Public Staff affiant Morgan.

Commission Rule R8-67(e)(3) provides that the test period for REPS rider proceedings shall be the same as that used by the utility in its annual fuel charge adjustment proceedings, which is specified in Rule R8-55(c) for DENC to be the 12-month period ending each June 30. Therefore, the test period to be used for purposes of this proceeding is the period July 1, 2019 through June 30, 2020.

Regarding the rate period, Rule R8-67(e)(4) provides that the REPS and REPS EMF riders shall be in effect for a fixed period that “shall coincide, to the extent practical, with the recovery period for the cost of fuel and fuel-related cost rider established pursuant to Rule R8-55.” For DENC, this is February 1, and the subsequent 12-month period. In its current fuel proceeding, Docket No. E-22, Sub 590, and in this proceeding, DENC has proposed that its rate adjustments take effect on February 1, 2021, and remain in effect for a 12-month period.

DENC’s test period and rate period were not challenged by any party. Therefore, the Commission finds that the test period and rate period proposed by DENC are appropriate for use in this proceeding.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 8

The evidence supporting this finding of fact appears in the testimony and exhibits of DENC witnesses Hitch and Lecky, the testimony of Public Staff witness Thomas, and the affidavit of Public Staff affiant Morgan.

Pursuant to N.C.G.S. § 62-133.8(h)(1), “incremental costs” include, among other things, “all reasonable and prudent costs incurred by an electric power supplier to . . . (b) [f]und research that encourages the development of renewable energy, energy efficiency, or improved air quality, provided those costs do not exceed one million dollars (\$1,000,000) per year.” Whether specific test period or forecasted rate period expenditures to fund research are eligible for cost recovery through an annual rider pursuant to this provision is determined by the Commission on a case-by-case basis.

The Commission approved DENC’s micro-grid project in the Company’s 2013 REPS rider proceeding, Docket No. E-22, Sub 503, as a research project qualifying for REPS rider cost recovery pursuant to N.C.G.S. § 62-133.8(h)(1). DENC’s micro-grid project was constructed at the Company’s Kitty Hawk district office beginning in February 2014 and was commissioned and placed in service for operation as a micro-grid on July 22, 2014. Two fuel cells were added to the project in 2015. In DENC’s 2019 REPS cost recovery proceeding, Docket No. E-22, Sub 578, the Public Staff testified that the Company indicated through discovery in that case that the micro-grid system was disconnected in August 2016 due to voltage issues at the Company’s Kitty Hawk office that the system served. DENC indicated that it was working with an external contractor to evaluate recommissioning and decommissioning options and anticipated finalizing its plan by the end of 2019. In its Order Approving REPS and REPS EMF Riders and 2018 REPS Compliance in DENC’s 2019 REPS cost recovery proceeding (2019 REPS Order), the Commission adopted the Public Staff’s recommendation and directed the Company to include with its 2020 REPS cost recovery proceeding testimony summarizing its analysis of the issues experienced with the micro-grid project and any actions taken regarding whether to recommission or decommission the project.

DENC witness Hitch described the status of the Company’s micro-grid project and consistent with the 2019 REPS Order presented a summary in his testimony and exhibits

of DENC's analysis of the issues experienced with the project and the actions taken by the Company. Witness Hitch testified that the micro-grid project experienced numerous power quality issues, including voltage and harmonics issues, since it was installed. He noted that resolving these issues had been challenging because many of the start-up companies that provided the emerging technologies used in the project could no longer support those project components, so it is difficult for DENC to source parts for equipment and locate vendors to perform necessary testing and maintenance on the equipment. Witness Hitch stated that because the Company does not have the support needed to continue safely operating the equipment, it intends to decommission most components of the project. He noted that because it is still operational and safely providing electricity to the local office at virtually no cost, DENC plans to continue operating the solar array and to maintain the battery portion of the project. He stated that any costs associated with these components will not be sought for recovery in future REPS cost recovery proceedings.

In his testimony, Public Staff witness Thomas described his review of the Kitty Hawk micro-grid project. Witness Thomas provided a timeline of the project and discussed the efforts taken by the Company and its maintenance provider, PowerSecure, to bring the project back online after shutting it down following electrical problems at the site. Witness Thomas also discussed the Public Staff's concerns regarding the project. He stated that the Public Staff recognizes that research projects often utilize cutting-edge equipment and novel technologies and will experience both foreseen and unforeseen challenges and therefore the Public Staff's concerns are not with the issues experienced at the Kitty Hawk micro-grid that led to it shutting down two years into its three-year demonstration period. He stated that the Public Staff is not recommending disallowance of any micro-grid costs in this proceeding and noted that the Company does not anticipate any costs associated with the project during the Rate Period. However, he contended that DENC made other unforced errors that may have led to the project not providing the benefit to ratepayers that the Company initially promised. He noted the length of time DENC took to locate the cause of the harmonics issues causing project equipment to malfunction and then to evaluate which project components might be salvaged and reenergized. Based on the condition of the project system found by PowerSecure during its audit, he posited that this length of time resulted in higher costs to re-energize the micro-grid. Witness Thomas also testified that the Company could have learned more from the islanding events that occurred at the project. He concluded that the Kitty Hawk micro-grid project did provide valuable knowledge and experience to DENC, as the Company personnel that developed and worked on the project are now working on other micro-grid projects in Virginia and acknowledged that DENC likely benefited from having worked on this project at a time when micro-grids were very early in their development. However, he stated that going forward, a higher level of scrutiny may be necessary for proposed research projects, including such factors as arranging for robust preventative maintenance and the need to strike a balance between utilizing new technologies and working with established or proven companies.

Based on the testimony and exhibits of witnesses Hitch and Thomas, the Commission finds and concludes that DENC has met the directive from the 2019 REPS

Order to summarize its analysis of the issues experienced with the micro-grid project and any actions taken regarding whether to recommission or decommission the project. The Commission also appreciates the Public Staff's detailed investigation of the project. Based on the Public Staff's investigation of these outages as testified to by witness Thomas and the fact that DENC does not anticipate incurring any additional costs for this project to be recovered through the REPS rider, the Commission accepts as reasonable the Public Staff's conclusion not to recommend any disallowance of the costs associated with the project. To the extent that new research projects are proposed in future REPS cost recovery proceedings, the Commission will take into consideration the Public Staff's recommendation to more closely scrutinize such proposals, as appropriate.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 9

The evidence supporting this finding of fact is found in the testimony and exhibits of DENC witness Hitch. DENC witness Hitch testified that the Company purchases RECs for use by the Town of Windsor, its wholesale customer, to meet its REPS obligations. However, 75% of the Town of Windsor's RECs must be obtained from in-state sources, whereas DENC, pursuant to N.C.G.S. § 62-133.8(b)(2)(e), is exempt from this requirement and may obtain all of its RECs from outside North Carolina. Because of this difference in requirements, DENC has directly assigned to the Town of Windsor the costs of RECs used for its REPS compliance and has excluded them from the REPS costs the Company is seeking to recover in this proceeding. Similarly, witness Hitch testified that other incremental REPS compliance costs reasonably attributable to the Town of Windsor are excluded from the costs that DENC is seeking to recover. The Public Staff made no objection to the manner in which the Company separates its own REPS compliance costs from those incurred on behalf of the Town of Windsor. Accordingly, the Commission finds that DENC's approach of managing its retail REPS costs separately from the REPS costs for the Town of Windsor is reasonable.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 10-15

The evidence supporting these findings of fact appears in the testimony and exhibits of DENC witnesses Lecky and Catron, the testimony of Public Staff witness Thomas, and the affidavit of Public Staff affiant Morgan.

As shown in witness Lecky's Errata Exhibit EBL-1, Schedule 2, DENC's incremental REPS compliance costs for the test period amounted to \$738,594, while its test-period Rider RP revenues totaled \$994,469, resulting in an overrecovery, including interest, of (\$296,387), to be recovered through Rider RPE. The overrecovery for each customer class is set forth on witness Catron's Errata Exhibit ELC-1, Schedule 3, as follows: (\$148,828) for the residential class, (\$145,554) for the commercial class, and (\$3,118) for the industrial class. These overrecoveries are divided by the total adjusted number of accounts, which are 103,353, 17,579, and 56 for the residential, commercial, and industrial classes, respectively and further divided by 12 months to determine the monthly per-account charge. The projected incremental costs for the billing period, which are recovered through Rider RP, amount to \$614,851. These costs are set forth on Errata

Exhibit ELC-1, Schedule 5 and are broken down by customer class as follows: \$310,059 for the residential class, \$295,327 for the commercial class, and \$6,290 for the industrial class. The Company acknowledges that the costs presented by customer class on Errata Exhibit ELC-1, Schedule 5 do not equal the projected incremental costs for the billing period due to rounding in the calculations utilized to determine the costs per customer class. These incremental costs are divided by the projected total adjusted number of accounts for each class and further divided by 12 months to determine the monthly per-account charge.

In her errata testimony, witness Catron determined that the appropriate monthly rates for Riders RP and RPE, including the regulatory fee, are as follows:

Customer Class	Forecast Rate (Rider RP)	EMF Rate (Rider RPE)	Total REPS Rate
Residential	\$0.25	(\$0.12)	\$0.13
Commercial	\$1.40	(\$0.69)	\$0.71
Industrial	\$9.36	(\$4.64)	\$4.72

Public Staff witness Thomas and affiant Morgan described the Public Staff's audit of DENC's REPS costs and recommended approval of DENC's proposed Rider RP and RPE rates. The Commission therefore finds the Company's proposed rates to be reasonable.

IT IS, THEREFORE, ORDERED as follows:

1. That DENC shall establish a REPS Rider RP as described herein, in the amounts approved herein, and that this rider shall remain in effect for a 12-month period beginning February 1, 2021, and expiring January 31, 2022;
2. That DENC shall establish a REPS EMF Rider RPE as described herein and that this rider shall remain in effect for a 12-month period beginning February 1, 2021, and expiring January 31, 2022;
3. That DENC shall work with the Public Staff to prepare a joint notice to customers of the rate changes ordered by the Commission in this docket, as well as in Docket No. E-22, Subs 589 and 590, and the Company shall file such notice for Commission approval as soon as practicable, but not later than three working days after the Commission issues orders in all of the above-referenced dockets;
4. That DENC shall file appropriate rate schedules and riders with the Commission to implement the provisions of this Order as soon as practicable;

5. That DENC's 2020 REPS Compliance Report for compliance year 2019 is hereby approved, and the RECs and EECs in DENC's and the Town of Windsor's 2019 compliance sub-accounts in NC-RETS shall be retired.

ISSUED BY ORDER OF THE COMMISSION.

This the 21st day of January, 2021.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "Kimberley A. Campbell". The signature is written in a cursive style with a large initial 'K'.

Kimberley A. Campbell, Chief Clerk