



434 Fayetteville Street  
Suite 2800  
Raleigh, NC 27601  
Tel (919) 755-8700 Fax (919) 755-8800  
www.foxrothschild.com

DAVID T. DROOZ  
Direct No: 919.719-1258  
Email: DDrooz@FoxRothschild.com

July 7, 2023

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

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

Dear Ms. Dunston:

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

Twelve paper copies of same will be delivered to the Clerk's Office within 24 business hours of the electronic filing.

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

Sincerely,

*/s/ David T. Drooz*  
David T. Drooz

pbb

Attachments

OFFICIAL COPY

JUL 07 2023



Fox Rothschild <sup>LLP</sup>  
ATTORNEYS AT LAW

Ms. Shonta A. Dunston  
Page Two  
July 7, 2023

cc: Parties and Counsel of Record  
NC Commission Staff  
NC Public Staff  
Mr. Randall E. Halley  
Mr. Edmond C. Miller  
Mr. M. Gray Styers, Jr.

OFFICIAL COPY

Jul 07 2023

**SUMMARY OF REBUTTAL AND SETTLEMENT TESTIMONY  
OF RANDALL HALLEY**

**ON BEHALF OF NEW RIVER LIGHT & POWER**

**DOCKET NO. E-34, SUBS 54 & 55  
JULY 10, 2023**

My rebuttal testimony first lists revisions that I made to my direct testimony and exhibits based on recommendations of the Public Staff (prior to settlement):

- Removal of non-utility revenues and expenses.
- Adjusted materials and supplies included in rate base.
- Adjusted prepaid expenses included in rate base.
- Adjusted working capital included in rate base.
- Adjusted regulatory fee from reduction of revenue requirement.
- Removed the initial recommended two-year phase in of base rates.
- Added Schedule NBR for the Commercial General Service class and the Commercial Demand Service class.
- Modified the Schedule PPR to reflect the total system avoided costs.
- Maintained the existing SPP Schedules from the November 22, 2022, order in Docket No. E-100, Sub 175, to address any potential renewable generation not eligible for the NBR or PPR rates.
- Decreased NRLP' s Reconnection Charge due to the remote capability of NRLP's AMI system.

In addition, New River was willing to agree to Appalachian Voices' request to remove the annual reset of energy credits for solar customers on the NBR rate; however, the Public Staff prefers a reset so New River is not taking a position on the reset issue.

My rebuttal testimony also updated exhibits for the Purchased Power Adjustment change that was approved after the filing of my direct testimony, and updated the amount of deferred UBIT.

This summary does not address my rebuttal to the Public Staff cost of capital testimony and previously contested Public Staff accounting adjustments, as those matters have been settled.

On cost of capital, my rebuttal notes how Appalachian Voices recommends a 6.25% rate of return on equity on the basis of debt cost rates. That is an extraordinary approach different from anything I have seen filed with this Commission. The New River position is that an equity rate of return comparable to other distribution utilities is appropriate. Because it does not raise capital by

issuing stock, New River uses and needs an equity level of earnings to provide enough retained earnings to help finance capital improvements, rather than rely excessively on debt financing.

My rebuttal also takes issue with the Appalachian Voices position that the standby charge for customers on the Net Billing Rider should be eliminated. The approach used to develop the standby charge for New River is based on fixed costs incurred by the utility, recovered in part through volumetric rates, and thus would be under-recovered for customers who reduce usage of New River power through solar self-generation. I calculated a standby charge that allows participating customers to pay their fair share of New River's fixed costs as identified in the New River cost of service study. Appalachian Voices asserts that under its methodology the "value of solar" from customer-generated solar energy is worth more than the New River retail rate and therefore no standby charge is justified. I maintain that fixed distribution costs of New River, as well as the fixed costs that New River incurs to purchase and deliver wholesale power to its system, cannot be avoided and therefore a standby charge to recover those costs is proper to avoid cross-subsidies.

Appalachian Voices also recommends that the Basic Facilities Charge of New River should be decreased rather than increased. This too is based on a difference in methodology between the parties. I rely on a version of the minimum system approach to cost of service; Appalachian Voices relies on a basic customer method. The minimum system method that I rely on is more in line with the approach typically used in North Carolina electric utility regulation. New River's recommendation for a Basic Facilities Charge is meant to move more of the fixed cost recovery into the fixed monthly charge, without making an unduly large change all at once.

Regarding the settlement with the Public Staff, New River has agreed to a reduction in the requested increase of its requested annual revenue requirement as a part of the give and take process in negotiation. Both parties made compromises that do not reflect their respective positions on the merits of specific issues, but achieve a mutually acceptable overall result. The stipulated increase in annual revenue requirement to be recovered in base rates is \$4,2888,000. Because part of that

increase reflects a reallocation of purchased power costs from the PPA to base rates, the net increase in annual revenue requirement resulting from the stipulation would be \$2,207,074. I believe this is a fair and reasonable settlement.