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Dec 07 2018

December 7, 2018

**VIA ELECTRONIC FILING**

Ms. M. Lynn Jarvis, Chief Clerk  
North Carolina Utilities Commission  
Dobbs Building  
430 North Salisbury Street  
Raleigh, North Carolina 27603

Re: Docket No. E-22, Sub 556

Dear Ms. Jarvis:

Enclosed on behalf of Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina, and the Public Staff—North Carolina Utilities Commission is the Joint Proposed Order Approving DSM/EE Rider and Requiring Filing of Proposed Customer Notice for filing in the above-referenced docket.

Thank you for your assistance with this matter. Feel free to contact me should you have any questions.

Very truly yours,

/s/Andrea R. Kells

ARK:kjg

Enclosures

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. E-22, SUB 556

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of

|  |   |  |
|--|---|--|
| Application by Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina, for Approval of Demand Side Management and Energy Efficiency Cost Recovery Rider Pursuant to N.C.G.S. § 62-133.9 and Commission Rule R8-69 | ) | JOINT PROPOSED ORDER APPROVING DSM/EE RIDER AND REQUIRING FILING OF PROPOSED CUSTOMER NOTICE |
|--|---|--|

HEARD: Monday, November 8, 2018, in Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

BEFORE: Commissioner ToNola D. Brown-Bland, Presiding; Chairman Edward S. Finley, Jr.; Commissioners Jerry C. Dockham, James G. Patterson, Lyons Gray, Daniel G. Clodfelter, and Charlotte A. Mitchell

APPEARANCES:

For Dominion Energy North Carolina:

Andrea R. Kells, McGuireWoods LLP, 434 Fayetteville Street, Suite 2600, Raleigh, North Carolina 27601

E. Brett Breitschwerdt, McGuireWoods, LLP, 434 Fayetteville Street, Suite 2600, Raleigh, North Carolina 27601

Carolina Industrial Group for Fair Utility Rates I:

Ralph McDonald, Bailey & Dixon, LLP, Post Office Box 1351, Raleigh, North Carolina 27602

For the Public Staff:

Heather D. Fennell, Staff Attorney, Public Staff – North Carolina Utilities Commission, 4326 Mail Service Center, Raleigh, North Carolina 27699-4300

BY THE COMMISSION: General Statute 62-133.9(d) authorizes the North Carolina Utilities Commission (Commission) to approve an annual rider to the rates of electric utilities to recover all reasonable and prudent costs incurred for the

adoption and implementation of new demand-side management and energy efficiency (DSM/EE) programs. In accordance with Commission Rule R8-69(b), such rider consists of the utility's reasonable and appropriate estimate of expenses expected to be incurred during the rate period and a DSM/EE experience modification factor (DSM/EE EMF) rider to collect or refund the difference between the utility's actual reasonable and prudent costs incurred during the test period and actual revenues realized during the test period under the DSM/EE rider then in effect. The Commission is also authorized to award incentives to electric utilities for adopting and implementing new DSM/EE programs, including appropriate rewards based on the sharing of savings achieved by the programs. These utility incentives are included in the utility's reasonable and appropriate estimate of expenses expected to be incurred during the rate period and DSM/EE EMF riders described above.

Further, Commission Rule R8-69(b) provides that the Commission will each year conduct a proceeding for each electric utility to establish an annual DSM/EE rider to recover DSM/EE related costs and utility incentives. Commission Rule R8-69(e) provides that the annual DSM/EE cost recovery rider hearing for each public utility will be scheduled as soon as practicable after the annual fuel and fuel-related charge adjustment proceeding held by the Commission for the electric public utility under Commission Rule R8-55.

On August 21, 2018, Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina (DENC or the Company), filed in this docket its Application for Approval of Cost Recovery for Demand-Side Management and Energy Efficiency Measures (Application), seeking approval of new DSM/EE rider rates to recover the Company's reasonable and prudent DSM/EE costs, common costs, taxes, net lost revenues (NLR), and a DSM/EE Portfolio Performance Incentive (PPI).

### Pertinent Proceedings in Prior Dockets

The Commission most recently approved DENC's recovery of its reasonable and prudent DSM/EE costs and utility incentives by Order issued on December 21, 2017, in Docket No. E-22, Sub 545 (2017 Order).

On October 14, 2011, in Docket No. E-22, Sub 464, the Commission issued its Order Approving Agreement and Stipulation of Settlement, Approving DSM/EE Rider, and Requiring Compliance Filing (2010 Cost Recovery Order). In the 2010 Cost Recovery Order, the Commission approved the Agreement and Stipulation of Settlement between the Public Staff and the Company (Stipulation), filed on March 2, 2011, as well as the Cost Recovery and Incentive Mechanism (Mechanism), attached as Stipulation Exhibit 1 to the Stipulation (collectively, Stipulation and Mechanism).

On December 13, 2011, in Docket No. E-22, Sub 473, the Commission issued its Order Approving DSM/EE Rider and Requiring Customer Notice in DENC's 2011 DSM/EE cost recovery proceeding (2011 Cost Recovery Order). The 2011 Cost Recovery Order also approved a first Addendum to the Stipulation and Mechanism (Addendum I) related to jurisdictional allocation of DSM/EE costs. Addendum I was then incorporated as part of the Stipulation and Mechanism.

On April 29, 2013, in Docket No. E-22, Sub 486, the Commission issued its Order Granting Conditional Approval of Cost Assignment Proposal that approved a cost assignment methodology for allocating 100% of the incremental costs of DENC's prospective North Carolina-only Commercial Lighting Program and HVAC Upgrade Program to the North Carolina retail jurisdiction. On December 18, 2013, in Docket No. E-22, Sub 494, the Commission approved this cost assignment methodology for programs offered only in North Carolina as the second Addendum to

the Stipulation and Mechanism (Addendum II). Addendum II was then incorporated as part of the Stipulation and Mechanism.

On May 7, 2015, in Docket No. E-22, Sub 464, the Commission also issued its Order Approving Revised Cost Recovery and Incentive Mechanism and Granting Waiver (Order on Revised Mechanism). The Order on Revised Mechanism approved an updated Cost Recovery and Incentive Mechanism for Demand Side Management and Energy Efficiency Programs (Revised Mechanism). The Revised Mechanism is effective for projected DSM/EE costs and utility incentives on and after January 1, 2016, and for true-up of DSM/EE costs and utility incentives for the period beginning July 1, 2014, through December 31, 2014, and on a lagging calendar year basis thereafter. The Revised Mechanism replaced the similar Mechanism that had been in effect since 2011. However, it also contained a provision stating that beginning with 2017, DENC would switch the calculation of the bonus utility incentive approved for inclusion in its DSM/EE and DSM/EE EMF riders from a Program Performance Incentive to a Portfolio Performance Incentive.

On May 22, 2017, in Docket No. E-22, Sub 464, the Commission issued its Order Approving Revised Cost Recovery and Incentive Mechanism (2017 Mechanism). The 2017 Mechanism became effective as of May 22, 2017, for projected costs and utility incentives beginning January 1, 2018, and for true-ups of costs and utility incentives beginning January 1, 2017, and is used in this proceeding to calculate the Rider C billing rates related to DSM and EE measures projected to be installed or implemented for Vintage Year 2019 as well as the EMF true-up for DSM and EE measures installed or implemented during Vintage Year 2017.

### Proceedings in the Present Docket

On August 21, 2018, DENC filed its Application for Approval of Cost Recovery for Demand-Side Management Programs and Energy Efficiency Measures consisting of the direct testimony of Michael T. Hubbard, and the direct testimonies and exhibits of Deanna R. Kesler, Jarvis E. Bates, Alan J. Moore, J. Clayton Crouch, and Debra A. Stephens. In summary, DENC's Application seeks recovery of DENC's reasonable and appropriate estimate of expenses and utility incentives expected to be incurred during the rate period, Rider C, and a DSM/EE EMF rider, Rider CE, to collect or refund the difference between DENC's actual reasonable and prudent costs and utility incentives incurred during the test period and actual revenues realized during the test period under the DSM/EE rider presently in effect.

On September 7, 2018, the Commission issued an Order Scheduling Hearing, Requiring Filing of Testimony, Establishing Discovery Guidelines, and Requiring Public Notice. Pursuant to this Order, the Commission established deadlines for the filing of petitions to intervene, intervenor testimony and exhibits, Company rebuttal testimony and exhibits, and required DENC to publish a customer notice. The Commission scheduled a hearing to be held on Monday, November 5, 2018.

The intervention and participation in this docket by the Public Staff is recognized pursuant to N.C. Gen. Stat. § 62-15(d) and Commission Rule R1-19(e).

On September 28, 2018, the Public Staff filed a Motion to Amend Procedural Schedule to provide the Public Staff additional time to investigate, conduct discovery, and prepare testimony.

On October 2, 2018, the Public Staff's Motion to Amend Procedural Schedule was granted by the Commission. Pursuant to this Order, the Commission established a deadline of October 25, 2018, for the filing of petitions to intervene as well as direct

testimony and exhibits of expert witnesses. The Commission scheduled a public witness hearing for November 5, 2018, and expert witness hearing for November 8, 2018.

On October 8, 2018, DENC filed corrected Schedules 1, 2, 4, and 7 to the Testimony of Witness Kesler.

On October 15, 2018, Carolina Industrial Group for Fair Utility Rates I (CIGFUR) filed a Petition to Intervene.

On October 24, 2018, DENC filed corrected Schedules for Company Witness Alan J. Moore.

On October 25, 2018, the Commission granted CIGFUR's Petition to Intervene.

On October 25, 2018, the Public Staff filed the Testimony of David M. Williamson and Michael C. Maness.

On November 2, 2018, DENC filed a letter in lieu of rebuttal testimony accepting the recommendation of the Public Staff.

On November 5, 2018, the Public Staff filed a Joint Motion to Excuse Witnesses from appearing at the November 8, 2018, 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. Also on November 5, 2018, the matter came for public hearing as scheduled. No public witnesses appeared at the hearing.

On November 6, 2018, the Public Staff's Joint Motion to Excuse Witnesses was granted.

On November 8, 2018, the Commission held the evidentiary hearing as scheduled. No public witnesses appeared at the hearing.

On December 7, 2018, DENC and the Public Staff filed a Joint Proposed Order.

Based upon DENC's application, the testimony and exhibits received into evidence at the hearing, and the record as a whole, the Commission makes the following:

#### FINDINGS OF FACT

1. Virginia Electric and Power Company (VEPCO) operates in the State of North Carolina as DENC. DENC is engaged in the business of generating, transmitting, distributing, and selling electric power and energy to the public for compensation in North Carolina, and is subject to the jurisdiction of the North Carolina Utilities Commission as a public utility.
2. DENC is lawfully before the Commission based upon its Application filed pursuant to N.C. Gen. Stat. § 62-133.9 and Commission Rule R8-69.
3. Pursuant to the 2017 Mechanism, the test period for purposes of this proceeding is the 12-month period of January 1, 2017, through December 31, 2017.
4. The rate period for purposes of this proceeding is the 12-month period of February 1, 2019, through January 31, 2020.
5. It is appropriate to maintain the Rider C charges set by the Commission in Docket No. E-22, Sub 545 and to reduce the Rider CE charges to \$0.00 for the entire month of January, 2019.
6. DENC has requested rate period recovery of costs and utility incentives (NLR and PPI) related to the following approved DSM/EE Programs: (a) the Phase I Air Conditioner Cycling Program; (b) the Phase III DSM/EE programs: Non-residential Lighting Systems and Controls Program, Non-residential Heating & Cooling Efficiency Program, and Non-residential Window Film Program; (c) the



Phase IV Income and Age Qualifying Home Improvement Program; (d) the Phase V Small Business Improvement Program, (e) the North Carolina-only Residential Retail LED Lighting program; and (f) the Phase VI Non-Residential Prescriptive Program.

7. In addition, DENC has requested test period recovery of costs and utility incentives related to the following approved DSM/EE Programs: Residential Air Conditioner Cycling Program, Residential Heat Pump Tune Up Program, Residential Heat Pump Upgrade Program, Residential Home Energy Check Up Program, Residential Duct Sealing Program, Non-residential Duct Testing and Sealing Program, Non-residential Energy Audit Program, Non-residential Heating and Cooling Efficiency Program, Non-residential Lighting Systems and Controls Program, Residential Lighting Program, Non-residential Window Film Program, Small Business Improvement Program, North Carolina-only Residential LED Lighting Program, and the Residential Income and Age Qualifying Home Improvement Program.

8. Recovery of DENC's forecasted DSM/EE program costs, common costs, NLR, and PPI, as well as a true-up of DENC's test period DSM/EE program costs, common costs, NLR, and PPI, is subject to the terms of the 2017 Mechanism. DENC should be allowed to recover its projected rate period and actual test period costs and utility incentives associated with offering each of its approved programs as requested in its Application. The requested cost recovery of program costs, common costs, NLR, and PPI is reasonable and consistent with the 2017 Mechanism previously approved by the Commission.

9. DENC is not seeking recovery of projected period NLR in Rider C, and its request to true up NLR in Rider CE in future proceedings is reasonable.

10. DENC's proposed North Carolina retail DSM/EE Rider C rate period revenue requirement of \$2,510,301, consisting of DSM/EE program costs, common costs, and a PPI, is reasonable.

11. For purposes of determining its DSM/EE EMF, Rider CE, DENC's reasonable and prudent North Carolina retail total revenue requirement for the DSM/EE EMF test period, consisting of DSM/EE program costs, common costs, and utility incentives, is \$1,839,922.

12. Rider C as proposed in the Application is reasonable and appropriate, and consists of the following increment customer class billing factors: Residential – 0.062 ¢/kWh; Small General Service and Public Authority – 0.140 ¢/kWh; Large General Service – 0.147 ¢/kWh; and no charge for 6VP, NS, Outdoor Lighting, and Traffic Lighting. It is reasonable and appropriate for Rider C to become effective for usage on and after February 1, 2019.

13. Rider CE as proposed in the Application and corrected schedules is reasonable and appropriate, and consists of the following increment customer class billing factors: Residential – 0.059 ¢/kWh; Small General Service and Public Authority – 0.082 ¢/kWh; Large General Service – 0.086 ¢/kWh; and no charge for 6VP, NS, Outdoor Lighting, and Traffic Lighting. It is reasonable and appropriate for Rider CE to become effective for usage on and after February 1, 2019.

14. DENC requested the recovery of NLR in the amount of \$375,822 and PPI in the amount of \$257,971 for the test period, and a projected PPI of \$302,935, but no NLR, for the rate period. DENC's calculation and proposed recovery of NLR and a PPI is consistent with the 2017 Mechanism, and is appropriate for recovery in this proceeding.

15. The jurisdictional and customer class cost allocations for Rider C and Rider CE included in the testimony and exhibits of Company witness Crouch are acceptable for purposes of this proceeding and are consistent with the 2017 Mechanism.

16. DENC satisfactorily explained its Company sponsorship and consumer education and awareness activities and the volume of activity associated with such initiatives during the test period, as directed by the Commission in its final order issued in the Company's 2016 DSM/EE cost recovery proceeding (2016 Order). It is appropriate for DENC to continue to provide such information to the Commission in future rider proceedings.

17. The evaluation, measurement, and verification (EM&V) analyses and reports prepared by DENC are reasonable for purposes of this proceeding. The EM&V data provided by DENC and reviewed by the Public Staff for vintage year 2017 and earlier vintages are sufficient to consider those vintage years complete for all programs operating in those years.

#### EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-3

These findings of fact are essentially informational, procedural, and jurisdictional in nature and are uncontroverted. The test period used by DENC is consistent with the 2017 Mechanism approved by the Commission in Docket No. E-22, Sub 464, and with Commission Rule R8-69.

#### EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 4-5

The evidence for this finding of fact is contained in the Company's Application and the testimony of Company witnesses Moore, Hubbard, and Stephens. Witnesses Moore and Hubbard testified that, because Commission Rule R8-69(a) provides that the rate period for DSM/EE cost recovery is the same as the period

during which the rider established under Rule R8-55, the fuel factor, is in effect, in previous years the Company has proposed Rider C rates to be effective for a calendar year rate period. This was consistent with the rate period previously used for fuel factor riders under Rule R8-55. Based on discussions with the Public Staff following the conclusion of the Company's 2017 rider proceedings, DENC is proposing for updated Riders C and CE to be effective for a February 1, 2019 through January 31, 2020 rate period, and is proposing the same adjustment in its cost recovery rider applications filed pursuant to Rules R8-55 and R8-67. The witnesses explained that the Company is requesting this adjustment in order to extend the time for the Commission to issue orders in the Company's three annual rider proceedings and to allow the Company additional time to finalize rates and customer notices, and allow reasonable time for Public Staff review, prior to the updated annual riders' effective date. The witnesses stated that the Company intends to continue to use a February 1 through January 31 rate period in future rider cases.

Company witness Stephens testified that in order to effectuate the transition to a February 1 through January 31 rate period, the Company is proposing to maintain Rider C as approved by the Commission in the Company's previous DSM/EE cost recovery proceeding, and to reduce Rider CE for all classes to zero during the January 1 through January 31, 2019 period.

The Public Staff's witnesses did not object to the Company's proposal to adjust the rate period for its DSM/EE cost recovery rider.<sup>1</sup>

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<sup>1</sup> The Company's proposal is consistent with the Petition filed by the Public Staff in Docket No. E-100, Sub 160 on September 6, 2018, which suggested that moving the effective date of DENC's new cost recovery riders to February 1 would alleviate the burden on the Commission, the Public Staff, and the Company to file and issue proposed and final orders and implement revised rates by January 1 each year. On October 11, 2018, the Commission issued an order adopting the Public Staff's recommendation.

Based on the evidence, the Commission finds and concludes that DENC's proposal to adjust the rate period for its DSM/EE cost recovery rider to February 1 through January 31 is reasonable and should be approved. Rates approved in this order will take effect February 1, 2019. For January 2019, the Company shall continue to charge Rider C as approved in the 2017 proceeding, and shall reduce the rate charged under Rider CE to zero as proposed.

#### EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 6-9

The evidence for these findings of fact is contained in DENC's Application, the direct testimony and exhibits of Company witnesses Hubbard, Kesler, Bates, and Moore, and the testimony of Public Staff witnesses Maness and Williamson.

Company witness Moore testified that he included in the Rider C (rate period) revenue requirement certain projected costs associated with: (a) the Phase I Air Conditioner Cycling Program; (b) the Phase III DSM/EE programs: Non-residential Lighting Systems and Controls Program, Non-residential Heating and Cooling Efficiency Program, and Non-residential Window Film Program; (c) the Phase IV Income and Age Qualifying Home Improvement Program; (d) the Phase V Small Business Improvement Program, (e) the Residential North Carolina-only Retail LED Lighting program; and (f) the Phase VI Non-Residential Prescriptive Program.

Witness Moore also testified that he incorporated the projected PPI amounts provided by Company witness Bates in his development of the Rider C revenue requirement.

Company witness Moore also testified that the Rider CE revenue requirement in the present case includes true-ups for the Phase I, Phase II, Phase III, Phase IV, Phase V, and Phase VI programs during the January 1, 2017 to December 31, 2017 test period, incorporating actual costs, NLR, and PPI.

Company witness Bates identified and explained the nature of common costs that are incurred to support DSM/EE programs generally, but are not tied to specific programs.

Public Staff witness Williamson concurred with the programs listed by DENC for cost and incentive recovery in this proceeding.

Company witness Kesler presented testimony and exhibits setting forth the Company's estimated Utility Cost Test (UCT) and Total Resource Cost (TRC) test results for vintage year 2019 for the active DSM and EE programs that are not subject to closure or suspension. She explained that because the Company's system for modeling projected costs and benefits is based on the calendar year, she applied the projected costs for calendar year 2019 to the proposed February 1, 2019 through January 31, 2020 rate period. As shown on her exhibits, all programs have TRC results above 1.0, indicating cost effectiveness, with the exception of the Residential Income and Age Qualifying Home Improvement Program, which is a program in the public interest for which the Company is not seeking a PPI. All programs have UCT results above 1.0, again with the exception of the Residential Income and Age Qualifying Home Improvement Program.

Company witness Hubbard also testified that DENC has not projected NLR for the rate period, consistent with its approach in the 2014, 2015, 2016, and 2017 DSM/EE cost recovery riders. He proposed to true-up NLR in future proceedings. Witness Hubbard also stated that the Company had not identified any found revenues. The Commission finds the DENC approach to recovery of NLR, and the lack of found revenues, to be reasonable in this proceeding.

Consistent with the Commission's previous orders approving DENC's DSM/EE programs and the evidence in the record, the Commission finds and concludes that DENC should be allowed to recover its projected rate period and actual test period costs and utility incentives (NLR and PPI) associated with offering each of its approved Programs as requested in its Application and its direct testimony and exhibits. The Commission also finds and concludes that the requested cost recovery of program costs, common costs, NLR, and PPI is consistent with the 2017 Mechanism previously approved by the Commission. Further, the Commission finds and concludes that DENC's request to true-up NLR in Rider CE in future proceedings is reasonable.

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

The evidence for these findings of fact is contained in the Company's Application; the direct testimony and exhibits of Company witnesses Hubbard, Kesler, Moore, Bates, Crouch, and Stephens; and the testimony of Public Staff witness Maness.

Company witness Bates determined the system-wide program and common costs for the DSM/EE programs in the rate period and in the test period. He also calculated the PPI for each program.

Company witness Crouch allocated the common costs among the DSM/EE programs. He then allocated a share of the system-wide program costs (including common costs as allocated to the individual programs) to the North Carolina retail jurisdiction. Pursuant to the 2017 Mechanism, DSM costs were allocated on the basis of the Company's coincident peak, and EE costs were allocated on the basis of energy. Finally, witness Crouch allocated the North Carolina retail jurisdictional

costs among the North Carolina retail customer classes pursuant to the methodology set out in the 2017 Mechanism.

Company witness Moore used the operating expenses, capital costs, and PPI as provided by witness Bates, and as allocated jurisdictionally by witness Crouch, to develop a rate period revenue requirement for Rider C. He indicated the Company was not requesting any projected NLR amount be included in Rider C for recovery during the rate period. For capital costs, he used a 7.15% depreciation rate from the Company's updated depreciation study, and used the 9.90% rate of return based on the rate of return on common equity that was approved in the Company's most recent general rate case, Docket No. E-22, Sub 532.

Likewise, witness Moore developed the test period true-up revenue requirement for Rider CE by comparing the test period actual revenues, received from the Company's accounting department, with the test period costs, NLR, and PPI, as provided by witness Bates and as allocated jurisdictionally by witness Crouch. For Rider CE, he determined the amount of NLR by taking the applicable non-fuel base rates provided by witness Stephens, and the jurisdictional energy savings as provided by witness Kesler, and then excluding lost revenues (1) outside the 36-month window established in the 2017 Mechanism, and (2) already recognized through non-fuel base rates. Further, he determined the carrying costs on deferrals and the financing costs on any over-recoveries.

Public Staff witness Maness testified that his investigation of DENC's filing in this proceeding focused on determining whether the proposed DSM/EE and DSM/EE EMF billing rates were calculated in accordance with the 2017 Mechanism, and otherwise adhered to sound ratemaking concepts and principles. He stated that among the other procedures performed by the Public Staff, the investigation included a



review of the actual DSM/EE program costs incurred by DENC during the 12-month period ended December 31, 2017, through the selection and review of a sample of source documentation for test year costs for which the Company seeks recovery. This process was intended to test whether the actual costs included by the Company in the DSM/EE billing rates are either valid costs of approved DSM and EE programs or administrative (common) costs supporting those programs. Witness Maness concluded that the Company has generally calculated its proposed DSM/EE billing rates (included in Rider C) and DSM/EE EMF billing rates (included in Rider CE) in a manner consistent with N.C. Gen. Stat. § 62-133.9, Commission Rule R8-69, and the 2017 Mechanism, and stated that the Public Staff found no errors or other issues necessitating an adjustment to DENC's proposed billing rates in this proceeding.

Witness Maness also stated that the adjustment to the Vintage 2018 PPI related to the Vintage 2018 kWh savings adjustments recommended by witness Williamson and discussed further below under Finding of Fact No. 16 will be reflected in the Company's 2019 DSM/EE Rider proceeding. He also stated that with regard to witness Williamson's recommended adjustment to the Vintage 2017 PPI, also discussed further below, given the relative immateriality of the annual impact on the DSM/EE rider of the PPI associated with the LED Program and the fact that it would result in a rate increase, the Public Staff does not object to the initial true-up of the Vintage 2017 PPI for the LED program being included in the Company's 2019 DSM/EE proceeding (with the Public Staff's recommended adjustments). In its November 2, 2018, Letter in Lieu of Rebuttal Testimony, the Company stated that it accepts this recommendation. Witness Maness also noted that the Public Staff plans to monitor future biennial audits of the Company's DSM/EE rebate and incentive activities as ordered by the Virginia State Corporation Commission.

On Company Exhibit AJM-1, Schedule 1, page 1, as corrected on October 24, 2018, Company witness Moore calculated DENC's requested North Carolina retail rate period (February 1, 2019, through January 31, 2020) revenue requirement (for Rider C) as follows:

|                      |             |
|----------------------|-------------|
| 1. Operating Expense | \$2,071,198 |
| 2. Capital Cost      | \$136,168   |
| 3. NLR               | \$0         |
| 4. PPI               | \$302,935   |
| 5. Total             | \$2,510,301 |

On Company Exhibit AJM-1, Schedule 2 (and as also reflected in the testimony of Public Staff witness Maness, with a rounding difference of one dollar), witness Moore calculated DENC's requested North Carolina retail test period DSM/EE EMF (January 1, 2017, through December 31, 2017) revenue requirement (for Rider CE) as follows:

|   |                      |
|---|----------------------|
| Operating expenses                            | \$2,561,786          |
| Capital costs (depr., rate base, prop. taxes) | \$145,302            |
| NLR   | \$375,822            |
| PPI   | \$257,971            |
| Test period Rider C revenues                  | <u>(\$1,611,659)</u> |
| Net revenue requirement subtotal              | \$1,729,222          |
| Carrying costs                                | \$110,700            |
| Total Rider CE revenue requirement            | \$1,839,922          |

Company witness Crouch, in Exhibit JCC-1, Schedule 3, pages 2 and 4, allocated the Rider C and Rider CE revenue requirements among the North Carolina retail customer classes. The results of his allocations are shown below:

| <u>Rate Class</u>     | <u>Rider C Amount</u> | <u>Rider CE Amount</u> |
|-----------------------|-----------------------|------------------------|
| Residential           | \$1,009,233           | \$962,357              |
| SGS Co & Muni         | \$1,094,104           | \$639,643              |
| LGS                   | \$406,964             | \$237,922              |
| 6VP                   | \$0                   | \$0                    |
| NS                    | \$0                   | \$0                    |
| ST & Outdoor Lighting | \$0                   | \$0                    |
| Traffic Lighting      | \$0                   | \$0                    |

Company witness Stephens discussed how she calculated the Rider C and Rider CE rates proposed for the rate period. She determined the North Carolina retail forecasted net kWh sales for the rate period by revenue class, and further allocated those forecasted sales down to customer (rate) classes, less the kWh sales for customers who have opted out of the DSM/EE rider. Witness Stephens testified that she then divided the customer class revenue requirements by customer class forecasted kWh sales to calculate Rider C. She used the same methodology to calculate Rider CE for the test period.

Company witness Stephens also testified that she provided witness Moore with the monthly non-fuel average base rates for his use in determining lost revenues.

The Application, witness Stephens' Company Exhibit DAS-1, Schedule 1, page 10, and Company Exhibit DAS-1, Schedule 4, page 2 support the following customer class Rider C and Rider CE billing factors to be put into effect on February 1, 2019:

| <u>CUSTOMER CLASS</u>                    | <u>RIDER C RATE</u><br><u>(cents/kWh)</u> | <u>RIDER CE RATE</u><br><u>(cents/kWh)</u> |
|--|---|--|
| Residential                              | 0.062                                     | 0.059                                      |
| Small General Service & Public Authority | 0.140                                     | 0.082                                      |
| Large General Service                    | 0.147                                     | 0.086                                      |
| 6VP                                      | 0   | 0  |
| NS                                       | 0   | 0  |
| Outdoor Lighting                         | 0   | 0  |
| Traffic Lighting                         | 0   | 0  |

The billing factors include the Regulatory Fee.

Based upon the evidence presented above and the entire record in this proceeding, the Commission finds and concludes that the DSM/EE EMF revenue requirement and proposed Rider CE billing factors to be charged during the rate period, as proposed in DENC's Application, direct testimony, and corrected schedules, are appropriate. The Commission also finds and concludes that the projected DSM/EE rate period revenue requirement and Rider C billing factors to be charged during the rate period, as proposed in DENC's direct filing, are appropriate. With regard to the requested recovery of NLR and PPI, the Commission finds and concludes that the amounts are appropriate for recovery in this proceeding and are calculated in a manner consistent with the 2017 Mechanism.

#### EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 16

The evidence for this finding of fact is contained in the direct testimony of Company witness Bates.

In response to Ordering Paragraph No. 5 of the Commission's 2016 Order, Company witness Bates provided information on consumer education and awareness initiatives conducted by the Company's Energy Conservation (EC) department during the test period. He explained that most of the Company's communication and outreach activities are tied directly to specific DSM/EE programs, so actual costs for general education and awareness are limited. The EC department relies heavily on online tools for general education; their web pages received around 89,000 visits in the test period, and the web pages for the implementation contractor, Honeywell, also received over 99,000 visits. Witness Bates stated that the Company is continually growing social media presence, gaining over 74,000 and 58,000 followers on Facebook and Twitter, respectively.

The Public Staff did not oppose DENC's consumer education and awareness activities or costs.

Based on the evidence presented above and all the information in the record, the Commission finds and concludes that DENC's consumer education and awareness activities and costs are reasonable for purposes of this proceeding. Further, the Commission finds and concludes that the Company shall continue to include a list of consumer education and awareness activities and the volume of activity associated with each during the test period in its annual DSM/EE cost recovery filing.

#### EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 17

The evidence for this finding of fact is contained in the direct testimony of Company witness Kesler, the EM&V report filed by DENC on May 1, 2018, in Docket No. E-22, Sub 545, the corrections to the 2018 EM&V report filed on October 25, 2018, in Docket No. E-22, Sub 545, the corrected schedules of Company witness Kesler, and the testimony of Public Staff witness Williamson.

Company Witness Kesler provided and testified to the Company's projected EM&V costs during Calendar Year 2019 and actual EM&V costs during the 2017 test period. Witness Kesler noted that DENC plans to continue to file its annual EM&V report with the Commission on May 1 each year.

Public Staff witness Williamson testified that he had reviewed DENC's 2018 EM&V report for calendar year 2017 with the assistance of GDS Associates. He stated that DENC and its EM&V consultant implemented certain changes and corrections to the Vintage 2016 savings for several programs as recommended by the Public Staff and accepted by the Commission in the previous cost recovery proceeding. His review of the savings for Vintage Year 2017 in this proceeding confirms that the changes and corrections identified by the Public Staff in the Sub 545

proceeding have been incorporated into the Vintage 2017 savings as identified in the 2018 EM&V Report.

In addition, based on his review of the 2018 EM&V Report, witness Williamson recommended two adjustments to the Company's Residential Retail LED Lighting Program. First, with respect to the Hours of Use (HOU) used to calculate Gross Deemed Savings, he testified that the Company and the Public Staff have agreed that since various other data assumptions for this program were applied from the Mid-Atlantic Technical Reference Manual (TRM), then the HOU should also be from the Mid-Atlantic TRM. Second, with respect to the Net to Gross (NTG) percentage used in the report, the Company and the Public Staff agreed that the NTG used to calculate impacts on underlying data should be adjusted to 85% to be consistent with the EM&V Report. Witness Williamson recommended that the impacts from these changes be applied to the EMF for Vintages 2017 and 2018. He noted that the impacts of these changes will reduce the Net Adjusted Savings for the Residential Retail LED Lighting program for Vintages 2017 and 2018. He stated that to the extent the changes impact the Vintage 2017 and 2018 savings for this program, the Company should address those changes in its next DSM/EE rider proceeding in a manner consistent with the Company's practice of adjusting EM&V Vintage savings. Mr. Williamson further testified that on October 25, 2018, the Company filed corrections to its May 1, 2018 EM&V report to incorporate these recommendations. He also stated that the Public Staff believes that with these corrections the Company adequately applied the Public Staff's recommendations to the 2018 EM&V Report. Finally, he concluded that DENC is appropriately incorporating the results of its EM&V efforts into the DSM/EE rider calculations, and that for purposes of this and previous DSM/EE cost recovery proceedings for DENC, the 2018 EM&V Report data

used to true up program savings and participation for Vintage Year 2017 and earlier Vintages are sufficient to consider those Vintage years to be complete for all programs operating in those years.

Based on the foregoing, the Commission finds and concludes that the EM&V analyses and reports prepared by DENC are reasonable for purposes of this proceeding.

IT IS, THEREFORE, ORDERED as follows:

1. That the appropriate annual DSM/EE rider, Rider C, to become effective on and after February 1, 2019, consists of the following customer class billing factor increments (including Regulatory Fee): Residential – 0.062 ¢/kWh; Small General Service and Public Authority – 0.140 ¢/kWh; Large General Service – 0.147 ¢/kWh; and no charge for 6VP, NS, Outdoor Lighting and Traffic Lighting.
2. That the appropriate annual DSM/EE EMF rider, Rider CE, to become effective on and after February 1, 2019, consists of the following customer class increment billing factors (including Regulatory Fee): Residential – 0.059 ¢/kWh; Small General Service and Public Authority – 0.082 ¢/kWh; Large General Service – 0.086 ¢/kWh; and no charge for 6VP, NS, Outdoor Lighting and Traffic Lighting.
3. That DENC shall continue to charge the DSM/EE Rider C approved in Docket No. E-22, Sub 545 through January 31, 2019, and shall reduce to zero the rate charged under DSM/EE EMF Rider CE for the period January 1-31, 2019.
4. 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 557 and 558, 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 the last of its orders in the above-referenced dockets.

5. That DENC shall file appropriate rate schedules and riders with the Commission to implement the provisions of this Order as soon as practicable.

6. That DENC shall continue to provide a listing of the Company's event sponsorship and consumer education and awareness initiatives during the test period in future DSM/EE rider proceedings.

ISSUED BY ORDER OF THE COMMISSION.

This the \_\_\_ day of December, 2018.

NORTH CAROLINA UTILITIES COMMISSION

M. Lynn Jarvis, Chief Clerk



**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing Joint Proposed Order Approving DSM/EE Rider and Requiring Filing of Proposed Customer Notice, as filed in Docket No. E-22, Sub 556, was served via electronic delivery or mailed, first-class, postage prepaid, upon all parties of record.

This, the 7<sup>th</sup> day of December, 2018.

/s/Andrea R. Kells

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