

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. E-34, SUB 46

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application of Appalachian State	)	JOINT PROPOSED ORDER
University, d/b/a New River Light and	)	OF NEW RIVER LIGHT AND
Power Company, for an Adjustment of	)	POWER COMPANY AND
Rates and Charges for Electric Service in	)	THE PUBLIC STAFF
North Carolina	)	

HEARD: Tuesday, October 24, 2017, at 7:00 p.m., in Watauga County Courthouse, Boone, North Carolina

BEFORE: Commissioner Bryan E. Beatty, Presiding,<sup>1</sup> and Commissioners ToNola D. Brown-Bland, Jerry C. Dockham, James G. Patterson, Lyons Gray, and Daniel G. Clodfelter

APPEARANCES:

For New River Light and Power Company:

Michael S. Colo, Poyner Spruill LLP, Post Office Box 353, Rocky Mount, North Carolina 27802-0353

For the Using and Consuming Public:

Elizabeth D. Culpepper, Staff Attorney, Public Staff-North Carolina Utilities Commission, 4326 Mail Service Center, Raleigh, North Carolina 27699-4300

BY THE COMMISSION: On June 30, 2017, Appalachian State University, d/b/a New River Light and Power Company (NRLP or Company), filed with the Commission a notice of its intent to file a general rate application.

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<sup>1</sup> Commissioner Bryan E. Beatty's term ended before the Commission issued its decision in this proceeding.

On July 28, 2017, NRLP filed an application with the Commission pursuant to G.S. 62-133 and 62-134, and Commission Rules R1-5, R1-17, and R8-27, seeking authority to increase its rates for electric service in its service area in Watauga County, North Carolina. The application was accompanied by the testimony and exhibits of Edmond C. Miller, General Manager of NRLP, Sheree L. Brown, Managing Principal with Summit Utility Advisors, Inc. (Summit), and Randall E. Halley, Managing Principal with Summit, and the Form E-1 information required by Commission Rule R1-17(b)(12).

On August 7, 2017, NRLP filed an amendment to its application, which replaced Schedules GLH, I and LEDL contained in Exhibit B. On August 14, 2017, NRLP filed a second amendment to its application, which replaced Exhibit B in its entirety.

By Order Establishing a General Rate Case, Suspending Rates, Scheduling Hearings, and Requiring Public Notice issued August 28, 2017 (August 28, 2017 Order), the Commission declared the Company's application to be a general rate case pursuant to G.S. 62-137 and suspended the proposed rates for a period of up to 270 days. In that Order, the Commission also set the matter for hearing, required the Company to give notice of the hearing, established discovery guidelines, and established dates for interventions and for the prefiling of direct testimony by intervenors and for the prefiling of rebuttal testimony by the Company.

On October 18, 2017, NRLP filed amendments to Schedules LEDL, OL, R, and G of Exhibit B.

On October 24, 2017, NRLP filed an Affidavit of Publication of Notice.

The public hearing was held as scheduled on October 24, 2017. No public witnesses appeared.

On October 31, 2017, NRLP filed supplemental testimony of Company witnesses Brown and Halley and amended Schedules A, G, GL, GLH, and R.

On November 2, 2017, NRLP filed an Affidavit of Insertion certifying the insertion of the Notice to Customers in the Company's billing statements.

On November 27, 2017, NRLP filed a letter withdrawing amended Schedules A, G, GL, GLH, and R, which had been filed on October 31, 2017. In its filing, the Company requested that the Commission approve the rates filed on October 18, 2017.

On December 13, 2017, the Public Staff filed a motion for extension of time in which it sought extension in the dates for filing intervenor and rebuttal testimony. The Public Staff's motion was granted by Commission order dated December 13, 2017.

On December 13, 2017, NRLP filed the current Service Regulations it recently adopted. In addition, in order to consolidate the proposed rate schedules in one filing, NRLP also filed proposed rate Schedules R, G, GL, GLH, A, OL, CACR, MS, and LEDL. NRLP indicated in the filing that the proposed rate Schedules supersede its previous filings.

On December 20, 2017, the Public Staff filed the testimony and exhibits of John R. Hinton, Director, Economic Research Division; Poornima Jayasheela, Staff Accountant, Accounting Division; Evan D. Lawrence, Utilities Engineer, Electric Division; and Scott J. Saillor, Utilities Engineer, Electric Division. The

Public Staff made an oral motion with the consent of NRLP to file the testimony of Michael C. Maness, Director, Accounting Division, on December 21, 2017. The Commission granted the motion on December 21, 2017, and the Public Staff filed the testimony of its witness Maness on that date.

On December 29, 2017, NRLP filed errata to the direct testimony of Company witness Brown.

On January 5, 2018, NRLP filed a letter advising the Commission that the Company and the Public Staff were engaged in ongoing settlement negotiations which the parties anticipated would result in a comprehensive settlement of all issues, and, as a part of such a comprehensive settlement the parties would agree to waive cross-examination of all witnesses. Accordingly, the parties deferred filing a list of witnesses to be called at the hearing, the order of witnesses, and the estimated time for cross-examination, as required by the August 28, 2017 Order.

On January 5, 2018, NRLP and the Public Staff filed a joint motion to amend the procedural schedule.

On January 5, 2018, the Public Staff provided electronic versions of its exhibits and workpapers pursuant to the request of Commission Staff.

On January 8, 2018, the Commission issued an order postponing the hearing scheduled for January 9, 2018 pending further order of the Commission, and allowing NRLP to file rebuttal testimony, if any, on or before January 19, 2018.

On January 19, 2018, NRLP and the Public Staff (collectively, the Parties) filed a comprehensive Stipulation, settling all issues between them in this proceeding.

In support of the Stipulation, on January 26, 2018, the Public Staff filed the supplemental testimony and exhibits of its witness Hinton, the joint supplemental testimony and exhibit of its witnesses Jayasheela and Maness, and the joint supplemental testimony and exhibits of its witnesses Lawrence and Saillor, and NRLP filed the supplemental testimony of its witness Miller.

No other party intervened in this docket.

On January 26, 2018, NRLP and the Public Staff filed a joint motion for their witnesses to be excused from appearance at the expert witness hearing and requested that the prefiled testimony and exhibits of all witnesses be received into the record without requiring the appearance of the witnesses.

On February 19, 2018, the Public Staff filed a correction to the joint supplemental testimony of its witnesses Lawrence and Saillor.

On February 19, 2018, the Commission issued an Order Cancelling Hearing, Accepting Evidence, and Requiring Filing of Joint Proposed Order.

On March 19, 2018, NRLP and the Public Staff filed a joint proposed order.

Based upon the verified application, the Commission's records, the Parties' Stipulation, the testimony, and exhibits received into evidence in this proceeding, and the record as a whole, the Commission makes the following

#### FINDINGS OF FACT

1. NRLP is an operating unit of Appalachian State University (ASU); it serves the electric power needs of ASU and retail customers in the Town of Boone and its surrounding areas. Although not a public utility, NRLP is properly subject to the jurisdiction of the Commission pursuant to G.S. 116-35 with respect to the justness

and reasonableness of its rates charged and services rendered to its retail electric customers in the Boone area, Watauga County, North Carolina.

2. NRLP has a total of 8,500 metered customers and had a peak load in 2015 of 50.2 MW and total revenues (not including pro forma adjustments) of \$16,073,666 in 2016. Approximately 28% of NRLP's load is represented by ASU, with the balance being represented by residential and commercial customers. NRLP no longer has any industrial customers.

3. NRLP has no generating facilities of its own and purchases 100% of its power supply requirements and its transmission pursuant to an agreement with Blue Ridge Electric Membership Corporation (BREMCO) pursuant to which BREMCO passes through its power supply costs from its wholesale power supply arrangement with Duke Energy Carolinas, LLC (DEC), to NRLP. This arrangement with BREMCO will continue through 2021, at which time NRLP will begin purchasing its generation requirements from a different wholesale power supplier; however, BREMCO will continue to provide NRLP's transmission requirements.

4. The Commission has jurisdiction over the rates and charges, rate schedules, classifications, and practices of institutions of higher education operating electric power plants and distribution systems selling excess current to the people of the surrounding community in North Carolina, including NRLP, under Chapter 116 of the General Statutes of North Carolina.

5. NRLP is lawfully before the Commission based upon its application for a general increase in its retail rates pursuant to G.S. 62-133 and 62-134 and Commission Rule R1-17.

6. The appropriate test period for use in this proceeding is the 12-month period ended December 31, 2016, adjusted for certain known changes in expenses, and rate base subsequent to the test period.

7. NRLP's present base rates have been in effect since 1996, with annual purchased power adjustments.

8. NRLP requested an increase in its electric rates that would produce \$1,931,296 in additional annual revenues.

9. NRLP is providing adequate electric service to its customers in its service area.

10. NRLP gave sufficient and proper notice to its customers of the proposed increase in rates.

11. The Parties filed a Stipulation on January 19, 2018, resolving all issues in this case between them.

12. NRLP had electric plant in service of \$30,691,443 at the end of the test year, as adjusted to reflect certain post-test year additions.

13. The reasonable balance of accumulated depreciation as of the end of the test year, as adjusted to reflect certain post-test year additions, was \$(12,331,971).

14. The Parties have agreed to remove the construction work in progress amount of \$62,292 from rate base.

15. The reasonable balance of investment in capital credits is \$7,381,343.

16. The reasonable balance of regulatory assets and liabilities is \$158,283.

17. The reasonable balance of supplies and material inventory is \$446,426.

18. The reasonable balance of prepaid expenses is \$36,319.

19. The reasonable balance of customer deposits is \$(212,192).

20. The reasonable balance of working capital is \$715,463.

21. NRLP's reasonable original cost rate base for purposes of this proceeding, consisting of electric plant in service, accumulated depreciation, investment in capital credits, regulatory assets and liabilities, materials and supplies inventory, prepaid expenses, working capital, and customer deposits, is \$26,885,114.

22. The pro forma test year amount of operation and maintenance expenses reasonable and appropriate for purposes of this proceeding is \$16,014,971.

23. The pro forma test year amount of depreciation expense reasonable and appropriate for purposes of this proceeding is \$1,040,115.

24. The pro forma test year amount of amortization of regulatory assets and liabilities reasonable and appropriate for purposes of this proceeding is \$41,339. This amount includes \$15,000 for the amortization of NRLP's \$60,000 commitment to pay for preliminary design expenses associated with the expected forthcoming removal of the Payne Branch Dam along with certain river bed restoration work.



25. The pro forma test year amount of regulatory fee expense reasonable and appropriate for purposes of this proceeding is \$23,848.

26. The pro forma test year amount of loss on sale of utility property reasonable and appropriate for purposes of this proceeding is \$2,526.

27. The pro forma test year amount of interest on customer deposits reasonable and appropriate for purposes of this proceeding is \$12,933.

28. NRLP's total pro forma test year operating revenue deductions under present rates for purposes of this proceeding are \$17,135,732.

29. NRLP's total pro forma test year operating revenues under present rates for purposes of this proceeding are \$17,116,975, consisting of \$17,053,787 in electric sales revenues and \$63,188 in other operating revenues.

30. The Parties agreed on a 6.525% overall rate of return. The stipulated overall rate of return reflects a hypothetical capital structure for NRLP consisting of 50% debt and 50% equity. The reasonable and appropriate cost of debt for purposes of this proceeding is 3.80%, and the reasonable and appropriate cost of equity for purposes of this proceeding is 9.25%.

31. The Parties agreed that NRLP is entitled to charges that will produce \$1,777,506 in additional annual revenues, consisting of an increase of \$1,743,202 in increased electric sales revenues and an increase of \$34,304 in miscellaneous fees and charges.

32. The Parties agreed that NRLP's revenues from its retail operations for the twelve months ended December 31, 2016, by customer class under present

base rates and as increased to meet the agreed-upon revenue increase requirement will be as follows:

<b>Customer Class</b>	<b>Present Base Revenues</b>	<b>Proposed Base Revenue Increase</b>	<b>Proposed Base Revenues</b>
Residential	\$ 5,210,262	\$ 636,787	\$ 5,847,049
G Commercial	\$ 2,149,570	\$ 262,716	\$ 2,412,286
GL Commercial	\$ 4,314,813	\$ 527,347	\$ 4,842,160
GLH Commercial	\$ 1,238,609	\$ 151,380	\$ 1,389,989
ASU Campus	\$ 3,796,865	\$ 153,000	\$ 3,949,865
Security Lighting	\$ 343,668	\$ 11,972	\$ 355,640
Rate Schedule Total	\$ 17,053,787	\$ 1,743,202	\$ 18,796,989

33. In addition to the \$60,000 commitment addressed in Paragraph 20 of the Stipulation, the Parties agreed that as the removal of the Payne Branch Dam (along with certain associated river bed restoration work) is completed, NRLP may record its cost contribution toward such work, which is set at ten percent (10%) of the total cost, in a regulatory asset account, up to a cap of \$200,000. No amount greater than the balance recorded in the regulatory asset account will be requested to be recovered from NRLP's ratepayers at any time in the future. NRLP may maintain the regulatory asset on its books until its next general rate case; provided, however, that if NRLP has not filed its next general rate case by June 1, 2022, it shall begin amortizing the regulatory asset as of January 1, 2023, using an amortization period no shorter than ten years. Notwithstanding the above, prior to

recovery of any portion of the regulatory asset as part of a general rate case, such recovery will be subject to further review by the Public Staff and the Commission as to the appropriateness of the costs proposed to be recovered from NRLP's ratepayers, as well as the prudence and reasonableness of the specific costs as expended. Additionally, until the project is completed, NRLP will provide to the Public Staff, by July 31 and January 31 of each year, a report describing the work completed and costs incurred by NRLP as of the immediately preceding June 30 and December 31.

34. With regard to the Purchased Power Adjustment (PPA) rider, the Parties agreed that it is appropriate and reasonable for the current procedure and method used to determine the annual PPA rider, which was first approved in Docket No. E-34, Sub 38, to continue. Furthermore, the Parties agreed that if such is approved in this general rate case, the annual PPA rider can be determined without the requirement that NRLP's ongoing earnings be considered as part of each annual rider determination. The base purchased power cost factor reflected in the agreed-to proposed base revenues and established in this proceeding for use in future PPA Rider proceedings is \$0.062846 per kWh (excluding the North Carolina regulatory fee).

35. With regard to NRLP's request for a Coal Ash Cost Recovery (CACR) rider, the Parties agreed that beginning in 2018, NRLP may begin recovering reasonable and appropriate coal ash costs charged to it by BREMCO through a separate rider or separate component of NRLP's PPA rider, structured and calculated in a manner equivalent to that used for the PPA rider, except as

otherwise set forth in this paragraph. The CACR rider shall be implemented concurrent with the PPA rider proceeding established in current Commission Docket No. E-34, Sub 47. To eliminate significant differences in annual coal ash charges to ratepayers over the 2018 through 2021 time period, NRLP may defer a portion of the coal ash charges incurred in one or more of such years. Any deferred charges will accrue interest at the FERC interest rate as set forth in Section 35.19a of the FERC Regulations and published quarterly, but in no event at a rate greater than the weighted overall rate of return approved in NRLP's most recent general rate case at that time. Subsequent CACR riders shall be designed to recover such deferred coal ash charges and associated interest. The Parties shall consult with each other regarding the calculation and determination of the 2018 CACR rider, and will also subsequently work together to take reasonable and appropriate steps to attempt to minimize the costs charged to NRLP by BREMCO, as they could be affected by the Commission's Order in Duke Energy Carolinas, LLC's currently ongoing general rate case (Docket No. E-7, Sub 1146). The base coal ash cost recovery cost factor reflected in the agreed-to proposed base revenues and established in this proceeding for use in future CACR rider proceedings is \$0.000000 per kWh (excluding the North Carolina regulatory fee).

36. With regard to the PPA rider, the Parties agreed to move the effective date for the adoption of 2018 rates from an anticipated effective date of February 1, 2018 to an effective date of April 1, 2018. The true-up of PPA costs will be determined in a manner that ensures that NRLP does not inappropriately under- or overrecover its purchased power expenses, including consideration of the

experience modification factor (EMF) left in effect for February and March 2018. The test year for the 2018 PPA rider shall remain the most recently concluded calendar year. The intent of the above-stated process is to adequately capture any undercollection or overcollection as they relate to the timing of billing and collecting NRLP's actual wholesale costs of power as opposed to its projected wholesale costs of power that were billed and collected.

37. The Parties agreed to work together to develop language related to the resale of electric service by landlords pursuant to G.S. 62-110(h) and Commission Rule R22 to be included in the Resale Service section of the Service Regulations and the Availability section of Rate Schedule R. Such language will be incorporated in the compliance tariffs filed by NRLP in this case.

38. The Parties agreed to work together to develop language describing the criteria NRLP will use to determine when a customer will transition to Rate Schedule GLH. The criteria will be based on a twelve-month period where the customer has a demand of 30 kW or more for two months and a monthly load factor greater than 65% for six months. Such language will be incorporated in the compliance tariffs filed by NRLP in this case.

39. The Parties agreed that NRLP shall update all load data in its cost of service study filed in this case using a full calendar year's worth of data based on data collected from its advanced metering infrastructure (AMI) metering system. The updated study shall be completed and filed with the Commission as soon as possible, but no later than June 30, 2019.

40. The Parties agreed that NRLP shall develop an internal AMI opt-out policy and proposed rates and file for approval from the Commission within 30 days of the Commission's final order in this case.

41. The Parties agreed that NRLP and the Public Staff shall work together to reevaluate NRLP's decision to not utilize the automatic reconnect feature of its AMI metering system. The Parties agreed to initiate discussions within 30 days of the Commission's final order in this case.

42. The Parties agreed that NRLP will work to develop rate schedules and energy efficiency and demand side management programs that take advantage of the detailed usage data and other capabilities of its AMI metering system, recognizing that NRLP may not implement energy efficiency or demand side management programs so long as it is a party to the Electric Service Agreement with BREMCO. The Parties agreed that NRLP shall report its progress to the Public Staff within 180 days of the Commission's final order in this case.

43. The Parties agreed in the Stipulation that within 30 days after the Commission's issuance of an order accepting the Stipulation, but no later than ten business days prior to the effective date of the new rates, NRLP will file for Commission approval five copies of all rate schedules designed to comply with the paragraphs above, accompanied by calculations (in Excel spreadsheet format) showing the revenues that will be produced by the rates for each schedule, which shall include a schedule comparing the revenue produced by the rate schedules in effect during the test period (Exhibit A to NRLP's application) with the revenue that will be produced under the proposed settlement schedules, and a schedule

illustrating the rates of return by class based on the revenues produced by the rates for each schedule (in the format of Saillor Exhibit SJS-4).

#### EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-8

The evidence supporting these Findings of Fact is contained in the verified application; the testimony and exhibits of the Parties; and the Commission's records. These Findings of Fact are essentially informational and uncontradicted.

#### EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 9

The evidence supporting this Finding of Fact is contained in the Commission's records. No customers or other non-expert public witnesses appeared at either the public hearing in Boone or the evidentiary hearing in Raleigh, and no customers submitted letters or emails to the Commission or Public Staff expressing dissatisfaction with NRLP's service. The Public Staff inspected NRLP's electric system and did not raise any contentions relating to the quality of service. In conclusion, there is nothing in the record to support a finding that the level of service provided by NRLP is less than adequate.

#### EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 10

The evidence supporting this Finding of Fact is contained in the affidavit filed by NRLP on October 24, 2017, indicating that customer notice had been given in accordance with the August 28, 2017 Order. No one took issue with the affidavit, and the Commission concludes that NRLP gave sufficient and proper notice to its customers of the proposed increase in rates.

## EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 11-43

The evidence supporting these Findings of Fact is contained in the verified application; the testimony and exhibits of the Parties; the Stipulation between the Parties; and the entire record in this proceeding.

On January 19, 2018, the Parties filed a Stipulation in which they agreed to and recommended an increase in revenues of \$1,777,506. On January 26, 2018, NRLP and the Public Staff filed testimony and exhibits in support of the Stipulation. In their Joint Supplemental Testimony, Ms. Jayasheela and Mr. Maness stated that the most important benefits provided by the Stipulation are (a) a reduction in the \$1,931,296 base non-fuel revenue increase requested in the Company's supplemental filing, resulting from the adjustments agreed to by the Parties; and (b) the avoidance of protracted litigation between the Parties before the Commission and possibly the appellate courts. Based on these ratepayer benefits, as well as the other provisions of the Stipulation, the Public Staff believes the Stipulation is in the public interest and should be approved.

The Commission concludes that the Stipulation between NRLP and the Public Staff is reasonable and appropriate for purposes of this proceeding.

The Commission notes that there is a pending request by NRLP for a purchased power adjustment and a CACR rider in Docket No. E-34, Sub 47. The Commission will rule on this request by separate order.

IT IS, THEREFORE, ORDERED as follows:

1. That the Stipulation filed by NRLP and the Public Staff is hereby approved in its entirety.



2. That NRLP is authorized to adjust its rates and charges and fees to increase its annual gross base revenues by \$1,777,506, consisting of an increase of \$1,743,202 in increased electric sales revenues and an increase of \$34,304 in miscellaneous fees and charges, effective for service rendered on and after the following day after the Commission issues an Order accepting the rate schedules required by Ordering Paragraph No. 3.

3. That NRLP shall file rate schedules designed to comply with this Order not later than ten (10) days from the date of this Order reflecting the rates and fees designed to produce the increase in revenues as approved herein.

4. That the Commission shall issue an Order approving the rate schedules once received from NRLP and verified by the Public Staff as soon as practicable.

5. That NRLP and the Public Staff shall jointly prepare and file a proposed customer notice addressing the rate increase approved herein.

6. That the current procedure and method used to determine the annual PPA rider shall continue. The annual PPA rider can be determined without the requirement that NRLP's ongoing earnings be considered as part of each annual rider determination. The base purchased power cost factor reflected in the agreed-to proposed base revenues and established in this proceeding for use in future PPA Rider proceedings is \$0.062846 per kWh (excluding the North Carolina regulatory fee).

7. That, beginning in 2018, NRLP may begin recovering reasonable and appropriate coal ash costs charged to it by BREMCO through a separate rider

or separate component of NRLP's PPA rider, as detailed in the testimony filed by the Parties, as well as the Stipulation and this Order. The base coal ash cost recovery cost factor reflected in the agreed-to proposed base revenues and established in this proceeding for use in future CACR rider proceedings is \$0.000000 per kWh (excluding the North Carolina regulatory fee).

8. That NRLP is authorized and, as applicable, required to implement the other actions, practices, principles, and methods agreed upon in the Stipulation.

ISSUED BY ORDER OF THE COMMISSION.

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

NORTH CAROLINA UTILITIES COMMISSION

M. Lynn Jarvis, Chief Clerk