

**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 University,)
d/b/a New River Light and Power Company,)
for an Adjustment of Rates and Charges for)
Electric Service in North Carolina)
	ORDER ACCEPTING
	STIPULATION AND GRANTING
	INCREASE IN RATES

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

BEFORE: Chairman Edward S. Finley, Jr., Presiding, and Commissioners Bryan E.
Beatty, 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, pursuant to Commission Rule R1-17(a), Appalachian State University, d/b/a New River Light and Power Company (NRLP or Company), filed notice of its intent to file a general rate application. On July 28, 2017, pursuant to G.S. 62-133 and 62-134, and Commission Rules R1-5, R1-17, and R8-27, NRLP filed its Application to Adjust Retail Rates, seeking authority to increase its rates and charges for electric service to retail customers 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). In addition, NRLP attached to the Application as Exhibit B proposed rate schedules, which NRLP subsequently amended by filings in this proceeding.

On August 28, 2017, the Commission issued an Order Establishing a General Rate Case, Suspending Rates, Scheduling Hearings, and Requiring Public Notice, declaring the Company's application to be a general rate case pursuant to G.S. 62-137 and suspending the proposed rates for a period of up to 270 days. That Order also set this matter for hearing, required the Company to publish notice of the hearing, established discovery guidelines, and established dates for the filing of petitions to intervene, prefiled direct testimony by intervenors, and rebuttal testimony by the Company.

On October 24, 2017, NRLP filed an Affidavit of Publication prepared by a representative of The Watauga Democrat (Boone, North Carolina), stating that NRLP had caused publication of the notice of its application on September 10 and 17, 2017, as required by the Commission's August 28, 2017 Order.

This matter came on for hearing as ordered on October 24, 2017, at 7:00 p.m., at the Watauga County Courthouse in Boone, North Carolina, for the purpose of receiving testimony from public witnesses. No public witnesses appeared at the hearing.

On October 31, 2017, NRLP filed supplemental testimony of Company witnesses Brown and Halley, revising exhibits sponsored by these witnesses.

On November 2, 2017, NRLP filed an Affidavit of Insertion prepared by a representative of Custom Business Systems, certifying that the Notice to Customers or Rate Case Filing Letter was inserted in NRLP's billing statements in production between September 5, 2017 and September 29, 2017, as required by the Commission's August 28, 2017 Order.

On December 13, 2017, NRLP filed its current service regulations and proposed rate Schedules R, G, GL, GLH, A, OL, CACR, MS, and LEDL. NRLP indicated in the filing that the proposed rate schedules supersede all rate schedules previously filed in this proceeding.

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.

On December 21, 2017, the Commission issued an Order granting the Public Staff's oral motion for an extension of time to file the testimony of Michael C. Maness, Director, Accounting Division. The Public Staff filed the testimony of witness Maness on the same date.

On January 5, 2018, NRLP filed a letter advising the Commission that the Company and the Public Staff (together, the Parties) 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 informed the

Commission of their intent to defer the filing of a list of witnesses to be called at the hearing, the order of witnesses, and the estimated time for cross-examination, which were required by the Commission's August 28, 2017 Order, pending the finalization of the Parties' negotiations.

Also on January 5, 2018, the Parties filed a joint motion to amend the procedural schedule, requesting that the Commission amend the procedural schedule in this proceeding to allow the Parties time to properly and adequately address the remaining issues being discussed in the settlement negotiations between the Company and the Public 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, the Parties filed a Stipulation. The Parties state that the Stipulation reflects a settlement as to all issues between them in this proceeding.

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.

Also on January 26, 2018, NRLP and the Public Staff filed a joint motion requesting that the witnesses be excused from appearance at the expert witness hearing and 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 Commission issued an Order cancelling the expert witness hearing, excusing the appearance of all witnesses, accepting into evidence NRLP's application and the prefiled testimony and exhibits of witnesses filed. In addition, that Order required the Parties to file a joint proposed order on or before March 19, 2018.

No persons have sought to intervene in this proceeding, and no complaints or consumer statements of position were filed in this proceeding.

Based upon the verified application, the testimony, and exhibits received into evidence in this proceeding, and the entire record in this proceeding, the Commission makes the following:

FINDINGS OF FACT

1. NRLP is organized as an operating unit of Appalachian State University (ASU), serving the retail 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 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.

3. 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.

4. 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.

5. 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.

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

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

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

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

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

11. The Parties have agreed that 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.

12. The Parties have agreed that 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).

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

14. The Parties have agreed that the reasonable balance of investment in capital credits is \$7,381,343.

15. The Parties have agreed that the reasonable balance of regulatory assets and liabilities is \$158,283.

16. The Parties have agreed that the reasonable balance of supplies and material inventory is \$446,426.

17. The Parties have agreed that the reasonable balance of prepaid expenses in rate base is \$36,319.

18. The Parties have agreed that the reasonable balance of customer deposits is \$(212,192).

19. The Parties have agreed that the reasonable balance of working capital is \$715,463.

20. The Parties have agreed that 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.

21. The Parties have agreed that the pro forma test year amount of operation and maintenance expenses reasonable and appropriate for purposes of this proceeding is \$16,014,971.

22. The Parties have agreed that the pro forma test year amount of depreciation expense reasonable and appropriate for purposes of this proceeding is \$1,040,115.

23. The Parties have agreed that 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.

24. The Parties have agreed that the pro forma test year amount of regulatory fee expense reasonable and appropriate for purposes of this proceeding is \$23,848.

25. The Parties have agreed that the pro forma test year amount of loss on sale of utility property reasonable and appropriate for purposes of this proceeding is \$2,526.

26. The Parties have agreed that the pro forma test year amount of interest on customer deposits reasonable and appropriate for purposes of this proceeding is \$12,933.

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

28. Parties have agreed that 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.

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

30. 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 electric sales revenues and an increase of \$34,304 in miscellaneous fees and charges.

31. 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:

Customer Class	Present Base Revenues	Proposed Base Revenue Increase	Proposed Base Revenues
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
Total	\$ 17,053,787	\$ 1,743,202	\$ 18,796,989

32. The Parties have agreed on treatment of costs related to the removal of the Payne Branch Dam on the Middle Fork River as a part of restoration work on the Middle Fork River. In addition to 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 associated river bed restoration work), addressed in Finding of Fact No. 24, the Parties have agreed that as the removal is completed, NRLP should be allowed to 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. The Parties further agreed that NRLP will not request to recover an amount greater than the balance recorded in the regulatory asset account at any time in the future, and that 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 should begin amortizing the regulatory asset as of January 1, 2023, using an amortization period no shorter than ten years. Notwithstanding the above, the Parties further agreed that 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 incurred. Finally, the Parties have agreed that, 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.

33. With regard to the Purchased Power Adjustment (PPA) rider, the Parties have agreed that it is appropriate and reasonable to continue the current procedure and method used to determine the annual PPA rider, which was first approved in Docket No. E-34, Sub 38. The Parties have further agreed that if the Commission approves the continuance of this procedure and method in this general rate case proceeding, 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 parties have further agreed that the base purchased power cost factor reflected in the 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).

34. With regard to NRLP's request for a Coal Ash Cost Recovery (CACR) rider, the Parties have agreed that, beginning in 2018, NRLP should be allowed to 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 agreed to by the Parties, which agreement is set forth in this paragraph. The Parties have agreed that the CACR rider should be implemented concurrent with the PPA rider proceeding established in 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, the Parties have agreed that NRLP should be allowed to defer a portion of the coal ash charges incurred in one or more of such years, and that 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. The Parties further agreed that subsequent CACR riders should be designed to recover such deferred coal ash charges and associated interest. The Parties further agreed that NRLP and the Public Staff should consult with each other regarding the calculation and determination of the 2018 CACR rider, and 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 final order issued in Duke Energy Carolinas, LLC's general rate case (Docket No. E-7, Sub 1146), which is currently pending before the Commission. Finally, the Parties have agreed that the appropriate base coal ash cost recovery cost factor to be reflected in 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).

35. With regard to the PPA rider, the Parties have 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 Parties have further agreed that the true-up of PPA costs should be determined in a manner that ensures that NRLP does not inappropriately under- or over-recover its purchased power expenses, including consideration of the experience modification factor (EMF) left in effect for February and March 2018. The Parties further agreed that the test year for the 2018 PPA rider should be the most recently concluded calendar year. Finally, the Parties have agreed that the intent of this process is to adequately capture any under-collection or over-collection 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.

36. The Parties have agreed to work together to develop language related to the resale of electric service by landlords pursuant to G.S. 62-110(h) and Chapter 22 of the Commission rules, and that this language should be included in the Resale Service section of the Service Regulations and the Availability section of NRLP's Rate Schedule R. The Parties have further agreed that this language should be incorporated into the compliance tariffs filed by NRLP in this case.

37. The Parties have 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 Parties have further agreed that this criteria should 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. Additionally, the Parties have agreed that this language should be incorporated into the compliance tariffs filed by NRLP in this case.

38. The Parties have agreed that NRLP should 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 Parties have further agreed that the updated study shall be completed and filed with the Commission as soon as possible, but no later than June 30, 2019.

39. The Parties have agreed that NRLP should develop an internal AMI opt-out policy and proposed rates and seek the Commission's approval of the policy and proposed rates by making a filing with the Commission within 30 days of this order.

40. The Parties have agreed that NRLP and the Public Staff should work together to reevaluate NRLP's decision to not utilize the automatic reconnect feature of its AMI metering system. The Parties have further agreed to initiate these discussions within 30 days of the date of this order.

41. The Parties have agreed that NRLP should 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 have further agreed that NRLP should report its progress on this effort to the Public Staff within 180 days of the date of this order.

42. The Parties have agreed that NRLP should be required to make a compliance filing to be approved by the Commission, 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, consisting of five copies of all rate schedules designed to comply with the paragraphs above and 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).

43. The Parties have agreed that the Stipulation is the product of "give-and-take" negotiations, and, thus, the agreements reached do not necessarily reflect any position asserted by either of the Parties. The Parties have further agreed that the settlement of any issue pursuant to the Stipulation shall not be cited as precedent by either of the Parties in any other proceeding or docket before this Commission, and that neither of the Parties waives the right to assert any position in any future docket before the Commission.

44. The Stipulation represents a unanimous settlement of all issues in this proceeding.

45. The Stipulation is just and reasonable and serves the public interest, and should be approved in its entirety. It is appropriate that the Parties be authorized and, as applicable, required to implement the actions, practices, principles, and methods agreed upon in the Stipulation.

46. It is appropriate to require NRLP, in addition to the updated cost of service required as a result of the Commission's approval of the Stipulation, to justify the continuation of the rates and charges approved herein by demonstrating that these rates and charges continue to be just and reasonable in light of the results of the updated cost of service study. In its justification for the continuation of the rates and charges approved herein, NRLP shall specifically address the results of the updated cost of service study, and the implication for the continuation of the cost allocation and rate design approved herein by the Commission's approval of the Stipulation.

47. It is appropriate to require NRLP, in addition to the reports NRLP is to deliver to the Public Staff related to the Payne Branch Dam removal (Finding of Fact No. 32) and the further discussions to take place between the Parties related to NRLP's utilization of its AMI metering system (Finding of Fact No. 40), as agreed upon in Stipulation, to file with the Commission the reports on the Payne Branch Dam removal and to update the Commission on the results of the Parties' discussions within 30 days of the conclusion of those discussions.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-7

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 uncontroversial in nature.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 8

The evidence supporting this Finding of Fact is contained in the Commission's records. No customers or other non-expert public witnesses appeared at the public hearing in Boone, and no customers submitted letters or emails to the Commission or to the Public Staff expressing dissatisfaction with NRLP's service. In addition, the Public Staff inspected NRLP's electric system and did not raise any contentions relating to the quality of service.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 9

The evidence supporting this Finding of Fact is contained in the affidavits filed by NRLP on October 24, 2017, and November 2, 2017, indicating that customer notice had been published and inserted into NRLP's billing statements, respectively, as required by the Commission's August 28, 2017 Order. No party took issue with these affidavits, 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. 10-45

The evidence supporting these Findings of Fact is contained in the verified application; the testimony and exhibits of the Parties' witnesses; 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, witness Jayasheela and witness 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's witnesses testified that the Stipulation is in the public interest and should be approved.

NRLP and the Public Staff are the only parties to this proceeding, and the Stipulation resolves all issues between the Parties in this proceeding. The Commission further finds that the Stipulation represents a unanimous settlement of all issues in this proceeding, and that the provisions agreed to by the Parties are reasonable and appropriate for the purposes of this proceeding.

Therefore, based upon the foregoing and the entire record in this proceeding, the Commission concludes that the Stipulation is just and reasonable and serves the public interest for the purposes of this proceeding, and that the Stipulation should be approved in its entirety.

Having found that the Parties' agreement with regard to the PPA rider and the CACR rider is reasonable and should be approved, the Commission notes that NRLP's request for adjustments in those charges is pending in Docket No. E-34, Sub 47. The Commission addresses this requested adjustment by separate order issued in that docket contemporaneous with this order.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NOS. 46 and 47

The evidence supporting these Finding of Facts is contained in the verified application; the testimony and exhibits of the NRLP witnesses Miller and Halley; the testimony and exhibits of the Public Staff's witnesses Jayasheela, Lawrence, and Sailor; the Stipulation between the Parties; and the entire record in this proceeding.

NRLP witness Miller testified that NRLP is in the process of transitioning its meters to AMI, and that this process was expected to be complete in August 2017.

NRLP witness Halley testified that he developed an allocated cost of service analysis to determine the costs of providing service to each rate class. He further testified that the costs of service analysis is used to determine the level of rates required for each rate class to recover the costs of providing service, and that the resulting rates should provide a fair and reasonable return. He further testified that an allocated cost of service analysis is based on allocation of costs using allocation factors which are determined to be "cost causative" and, thus, based on the reasonable judgment of the analyst in developing the study. In addition, he testified that factors other than cost causation should be considered before changing rates, including, a comparison of rates to other utilities in the area, impact of rate changes on customers, sending price signals to change customers' habits, and determining the complexity of the rate design.

Witness Halley then testified to the methodology he used in developing the allocated cost of service study, and to the results of his cost of service analysis. He next testified that the proposed rate design model, which is included as his Exhibit REH-4, included modifications within each customer class. These modifications include proposed increases in NRLP's Basic Facilities Charge for each customer class, except ASU.

Public Staff witness Jayasheela testified that the AMI meters were functional in August 2017.

Public Staff witness Lawrence responded to NRLP's cost of service study, describing in detail the methodology used by NRLP to develop its cost of service study filed in this proceeding. Witness Lawrence testified that his concern with NRLP's cost of service study is that the comparison of billed energy for individual customers to the total energy consumption measured at a substation level is a very imprecise way of determining class demand factors because no substation serves only an individual class of customers. He further testified that while higher energy consumption often implies higher demands, this is not a universal truism, and can lead to skewed results. In support of this testimony he cited NRLP's use of data from the Oak Grove Substation in 2016 as

a proxy for the Residential class, noting that this substation's customer makeup was, on average, 81% Residential customers, 17% General Commercial customers, and 2% Commercial Demand customers. However, he further testified that the billed energy for the customers served from this substation was only 52% from Residential customers, 16% from General Commercial customers, and 32% from Commercial Demand customers. Despite this deviation, which witness Lawrence described as "significant," and despite his acknowledging that it is impossible to determine the accuracy of demands estimated by NRLP under this methodology, witness Lawrence concluded that "given the information that NRLP had available to it at the time of the study," he would not make changes to the study methods used in this case. After discussing other changes that are not relevant to this discussion, he further recommended that NRLP be required to file an updated cost of service analysis on an annual basis, beginning with making a filing as soon as possible in 2019 (based on 2018 data), but no later than June 30, 2019.

In their joint supplemental testimony, Public Staff witnesses Lawrence and Sailor testified that the Parties have agreed that NRLP will update the cost of service study filed in this case with a full calendar years' worth of data collected from its AMI system and file this updated study with the Commission no later than June 31, 2019. This agreement is reflected in paragraph No. 35 of the Stipulation, and is approved in this order.

The Commission recognizes that the timing of this case and NRLP's implementation of an AMI system poses practical challenges in developing a cost of service study. The Commission also recognizes, as NRLP witness Halley testified, that any cost of service study involves some judgment by the analyst conducting the study. Further, the Commission agrees with Public Staff witness Lawrence that based on the information available to NRLP, the cost of service study filed in this proceeding is the best information available to NRLP in conducting cost allocation and rate design for the purposes of this case. Nonetheless, it is apparent from the record that more and better information on NRLP's customers' usage and on cost causation is now, or soon will be, available to NRLP's management. Further, in light of the drastic changes in cost allocation and rate design approved in this order, and the possibility that it may be another 20 years or more before NRLP applies for a general rate increase, the Commission concludes that the requirement to file an updated cost of service study, without more, is insufficient to provide fair regulation of public utilities in the interest of the public. See G.S. 62-2(a)(1). Therefore, based upon the foregoing and the entire record in this proceeding, the Commission finds it is appropriate to require NRLP, in addition to the updated cost of service study required as a result of the Commission's approval of the Stipulation, to justify the continuation of the rates and charges approved herein by demonstrating that these rates and charges continue to be just and reasonable in light of the results of the updated cost of service study. The Commission will require NRLP to include this justification in its filing of the updated cost of service study, which shall be filed in this proceeding on or before June 30, 2019. NRLP shall specifically address the results of the updated cost of service study, and its implication for the continuation of the cost allocation and rate design approved herein by the Commission's approval of the Stipulation. Upon

receipt of this filing, the Commission will proceed appropriately in requesting or requiring comments from the Parties.

For similar reasons, the Commission further finds it appropriate to require NRLP to file the reports on the Payne Branch Dam removal with the Commission, and to update the Commission on the results of the Parties' discussions related to NRLP's utilization of its AMI metering system, including the use of the remote connection and disconnection, among other functionalities that were testified to by Public Staff witness Lawrence, within 30 days of the conclusion of those discussions. The Commission encourages the Parties to reach agreement on the issues related to NRLP's utilization of its AMI metering system. Upon receipt of these filings, the Commission will proceed appropriately in requesting or requiring comments from the Parties.

IT IS, THEREFORE, ORDERED as follows:

1. That the Stipulation filed by NRLP and the Public Staff should be, and 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 April 1, 2018;

3. That as soon as reasonably practical, but not later than ten (10) days from the date of this order, NRLP shall file for Commission approval revised rate schedules and service regulations reflecting the rates and charges and fees designed to produce the increase in revenues as approved herein. The rate schedules shall be accompanied by calculations showing the revenues that will be produced by the rates and charges and fees for each schedule. These calculations shall include a table comparing the revenue produced by the present schedules with the revenue that will be produced under the proposed schedules, and a table showing the rates of return for each customer class as a result of the revenues produced by the proposed rates;

4. That as soon as reasonably practical, but not later than five (5) days from the date of this order, NRLP and the Public Staff shall jointly prepare and file for Commission review and approval a proposed customer notice, and upon approval of the customer notice by the Commission, shall give appropriate notice of the approved rate increase by mailing the notice to each of its North Carolina retail customers during the billing cycle following the effective date of the new rates;

5. 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);

6. 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);

7. That NRLP and the Public Staff are authorized and, as applicable, required to implement the other actions, practices, principles, and methods agreed upon in the Stipulation; and

8. That, on or before June 30, 2019, NRLP shall file with the Commission, along with its updated cost of service study as agreed upon in the Stipulation, a justification for the continuation of the rates and charges approved in this order by demonstrating that these rates and charges continue to be just and reasonable in light of the results of the updated cost of service study, shall file with the Commission the reports on the Payne Branch Dam removal with the Commission by July 31 and January 31 of each year, and shall update the Commission on the results of the Parties' discussions related to NRLP's utilization of its AMI metering system, including the use of the remote connection and disconnection, among other functionalities, within 30 days of the conclusion of those discussions. Upon receipt of these required filings, the Commission will proceed appropriately in requesting or requiring comments from the Parties.

ISSUED BY ORDER OF THE COMMISSION.

This the 29th day of March, 2018.

NORTH CAROLINA UTILITIES COMMISSION



Linnetta Threatt, Deputy Clerk

Commissioner Bryan E. Beatty, whose term expired on January 10, 2018, and Commissioner Jerry C. Dockham did not participate in this decision.

DOCKET NO. E-34, SUB 46

Commissioner Clodfelter, dissenting in part:

In its filing New River proposes to increase its fixed monthly charges for the residential and commercial non-demand customer classes by 100%. These increases amount to 52.3% of the total new revenue requirement for the residential class and 81.2% of the total new revenue requirement for the commercial non-demand class. Doubling the fixed monthly charges in a single step cannot be said to embody the principle of "gradualism," and the steep increases are not consistent with encouraging energy conservation and reducing demand. Because I find insufficient explanation in the record for this doubling of the fixed monthly charges, I dissent.

/s/ Daniel G. Clodfelter

Commissioner Daniel G. Clodfelter