

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
DOCKET NO. G-5, SUB 635

In the Matter of:)
)
Application of Public Service) POST-HEARING BRIEF OF HAW
Company of North Carolina, Inc.) RIVER ASSEMBLY
for Annual Review of Gas Costs)
Pursuant to N.C.G.S. § 62-)
133.4(c) and Commission Rule)
R1-17(k)(6))

Consistent with the Commission’s scheduling orders, Haw River Assembly submits this Post-Hearing Brief.

I. Introduction

Haw River Assembly (HRA) presented evidence at the August 10, 2021, hearing that Public Service Company of North Carolina (PSNC or the Company), doing business as Dominion Energy, is imprudently and unreasonably planning to meet its projected design-day requirements with expensive, year-round pipeline capacity on the proposed Mountain Valley Pipeline (MVP) and MVP Southgate projects. HRA takes no position on annual gas costs proposed for recovery in this proceeding, but instead urges the Commission to require PSNC to conduct a comparative study of alternative means for meeting its projected winter peaks.

PSNC contracted for daily, firm transportation capacity from the MVP and MVP Southgate pipelines for the stated purpose of meeting its projected design-day demand¹, in other words, the potential need for gas supply on the coldest

¹ *In the Matter of Application of PSNC, Inc. for Approval of Payment of Compensation Under a Service Agreement with Mountain Valley Pipeline, LLC*, NCUC Docket No. G-5, Sub 635, Order Accepting Affiliated Agreements at 1 (Oct. 9, 2018) (PSNC solicited interest from existing and

conceivable winter day. (Tr. pp. 31, 45.) But this year-round MVP and MVP Southgate capacity, in combination with the Company's other available assets, far exceeds PSNC's projected design-day demand requirements in both duration and total capacity for the majority of the twenty-year term of the capacity agreement entered into by PSNC. HRA Witness Gregory M. Lander identified available, less costly, non-pipeline alternatives that PSNC could employ to respond to a short-duration winter demand peak. The Company did not rebut many key aspects of Witness Lander's evaluation of these alternatives.

Drawing on the Commission's supervisory authority under N.C. Gen. Stat. § 62-36.01 and Order Requiring Reporting, Docket No. G-100, Sub 91 (June 28, 2013) (Sub 91 Order), HRA asks the Commission to:

(1) Require PSNC to evaluate the costs and feasibility of non-pipeline alternatives for meeting its design-day demand requirements;

(2) Require PSNC to conduct a cost-comparison analysis of all viable alternatives that appropriately considers both the scale of PSNC's projected demand shortfall and its duration and allows a fair comparison of costs between options. The All-In Cost analysis as presented by Witness Lander is one such analysis. It allows the comparison of the costs between non-pipeline alternatives and the Company's firm, year-round capacity on the MVP and MVP Southgate pipelines; and

(3) Inform PSNC that it risks non-recovery of potentially imprudent costs arising from the MVP and MVP Southgate contracts when less expensive and

proposed intrastate pipeline projects "to meet forecasted incremental demand on PSNC's local distribution system").

equally reliable options are available, or, at a minimum, non-recovery of the costs that exceed the costs of such alternative options.

Though no costs resulting from PSNC's contracts for MVP/MVP Southgate capacity have yet been passed along to PSNC's ratepayers, this may be the last remaining opportunity for the Commission and PSNC to consider the risks to customers before such costs are incurred and proposed to be recovered. By scrutinizing PSNC's plans to use new interstate pipeline capacity to meet design-day requirements now, the Commission can both help avoid risk to PSNC's ratepayers, who will otherwise be asked to pay more than would be reasonable or prudent, and to PSNC itself, which will ultimately be at risk if the Commission later agrees that MVP/MVP Southgate is ill-suited to solving the design-day demand needs identified by the Company.

When the Commission ordered LDCs like PSNC to provide evidence regarding its contracts for interstate gas supply contracts in annual gas cost proceedings, it noted that one of the reasons for doing so was so that the Commission can "exercise an appropriate level of oversight" regarding efforts by gas utilities to, among other things, "balance risks and costs in obtaining interstate capacity." Sub 91 Order at 18. We ask the Commission to scrutinize whether PSNC has adequately considered less costly alternatives to its expensive plans to procure firm capacity from MVP/MVP Southgate as a strategy for addressing intermittent and limited duration winter peaking issues.

II. **Daily Firm Transportation Capacity on MVP and MVP Southgate are not well targeted for Meeting PSNC's Incremental Needs for Additional Winter-Peaking Capacity on the Coldest Winter Day**

As set forth in more detail below, PSNC's decision to enter into agreements for firm transportation capacity for 250,000 incremental additional dekatherms per day on the MVP and MVP Southgate pipelines every day of the year is an expensive and ill-suited method for meeting the Company's requirements for additional capacity to meet firm customer needs on the coldest winter day. The Company's decision is akin to the matriarch of a large family who builds a massive addition to her home to accommodate a family reunion that takes place only on one day out of the year. She certainly has more reasonable options, like renting a party tent, that could be tailored to the scale and duration of her specific problem. Even if the tent rental is expensive, it would cost less than a permanent addition on her home that would otherwise sit unused throughout the rest of the year.

PSNC faces a choice not entirely unlike that faced by the host of this family reunion. On the one hand, it can continue to take advantage of a diversity of assets, such as existing contracts for daily firm transportation, seasonal storage, and peaking services to meet its design-day requirements, maintaining capacity "at a level to meet PSNC's firm demand on the coldest day to ensure reliable service to firm sales customers." (Ex. GML-3.) On the other hand, it could proceed with its plans to secure daily firm transportation capacity for an additional 250,000 dekatherms, giving it excess daily capacity—at a price premium—over existing firm transportation contracts, which would exceed its actual needs for almost every day of the year for many years to come.

A. The MVP and MVP Southgate Firm Transportation contracts Are Not Targeted to Address the Need Identified by PSNC.

Before the Commission can evaluate PSNC's decision to secure firm daily capacity on MVP/MVP Southgate, it is important to know what problem the Company seeks to solve with those contracts. Without characterizing the need PSNC is trying to meet, it would be impossible for the Commission to evaluate the reasonableness or prudence of the Company's decision. Here, the stated need that PSNC has identified is undisputed: PSNC has identified a need for meeting its projected design-day demand requirements in the coming years. (Tr. pp. 30-32; 53; 140-42; Jackson Direct Ex. 1.) The design-day demand is the projected need to serve firm customers on the coldest conceivable day of the year. Also, not in dispute is PSNC's more than adequate capacity for reliably meeting the needs of its firm customers the rest of the year. (Confidential Jackson Cross Ex. 1.) In addition, it is undisputed that a key component of design-day needs is duration; PSNC's actual design-day demand requirements are needed to cover the coldest few hours on the coldest conceivable day and that the gas needs to be available at those particular times.

PSNC's decision to meet this worst-case-scenario, intermittent, and rare needle peak with firm, daily capacity all year round on MVP/MVP Southgate was not reasonable. For the test year in this docket, PSNC planned for meeting its projected design-day demand of 840,638 Dths with a combination of contracted firm transportation capacity (including over 390,000 Dths of daily capacity on the Transcontinental Gas Pipeline, or Transco), seasonal storage capacity (including the nearly 50,000 Dths from Saltville storage that PSNC seeks to have delivered

on MVP Southgate in the future, but which it can now access through Transco), and peaking capacity (including liquified natural gas and firm short-term peaking contracts from merchants). (Jackson Direct Ex. 1; Tr. pp. 54-55.) Adding another 250,000 Dths of firm daily transportation capacity on top of its existing available capacity for meeting design-day demand would provide PSNC with nearly 1,100,000 Dth of available assets for meeting its projected winter peak requirement. (Tr. pp. 49-50.) But those design-day requirements—for one peak day in a year—are not expected to reach or exceed 1,000,000 Dths for more than a decade. (Jackson Direct Ex. 1; Tr. p. 140.) It would take at least 12 of the 20 years of PSNC's contracts with MVP/MVP Southgate to make use of that excess capacity for meeting projected design-day demand. Id. PSNC has no current plans to turn back any of its existing capacity listed for years 2022 and thereafter following MVP/MVP Southgate coming on-line. (Tr. p. 56; Jackson Direct Ex. 1.) The daily capacity from MVP/MVP Southgate, when added to the existing stack of resources at PSNC's disposal, would result in a design-day surplus of over 160,000 dekatherms in the winter of 2023-24, nearly twenty times greater than the surplus of 8,198 dekatherms PSNC experienced in this test year. (Tr. p. 48; Jackson Direct Ex. 1.)

In addition to providing excess capacity for meeting design-day requirements, the MVP/MVP Southgate capacity, when combined with PSNC's existing—and less expensive—Transco firm transportation capacity, would result in daily capacity of about 650,000 Dth per day, which is far above the actual loads for all but a few of the coldest days during the year. (Tr. pp. 51-54. Jackson

Confidential Cross Ex. 2.) Indeed, 650,000 Dths of firm daily capacity would itself have significantly exceeded the actual winter peak-day demand that PSNC experienced in the test year, which was just over 500,000 dekatherms. (Tr. p. 51.)

Witness Lander provided an estimate of the costs for gas on MVP/MVP Southgate based on publicly available information and informed by his many years of industry experience. Witness Lander determined that the “total fixed cost of this capacity is over \$115 million per year.” (Tr. pp. 135, 151-52.) This estimate was based on data supplied to the Federal Energy Regulatory Commission (FERC) in PSNC’s application for certificates of public convenience and necessity for MVP and MVP Southgate. (Id. at 151.) That information, along with an estimated negotiated discount rate, resulted in an estimate of \$1.27 per Dth per day for PSNC’s contracted capacity from MVP/MVP Southgate. These prices are themselves significantly higher than PSNC’s contracts for firm transportation on the existing Transco pipeline. (Tr. pp. 59-62; Creel Ex. 1, Schedule 5.) For example, as of June of the test year in this docket, PSNC paid \$0.469 per Dth per day to reserve capacity for gas volumes transported from Transco Zone 2 to Zone 5. (Tr. p. 61.) Similarly, PSNC paid \$0.38 per Dth per day to reserve capacity for volumes of gas transported from Transco Zone 4 to Zone 5. (Tr. pp. 61-62; Creel Ex. 1, Schedule 5.) The firm transportation contracts that PSNC has for daily supply from MVP/MVP Southgate, reflecting the fixed costs per day per Dth for that gas capacity, is anywhere from 2 to 3 times more expensive than this existing Transco capacity when considered from the point of view of daily fixed costs throughout the year.

But when comparing the unit costs of the gas that would actually be used to meet the projected incremental design-day demand—the express justification for the MVP/MVP Southgate contracts—this comes out to an “estimated 2022-23 All-In Cost of \$311.92... for each Dth of gas estimated to be actually used by PSNC’s customers.” Id. That price is far in excess of the worst-case market gas prices PSNC Witness Jackson described having encountered during the 2014 Polar Vortex of \$150/Dth, which only occurred for short amount of time. (Tr. p. 64.) In other words, because PSNC has more than sufficient existing daily capacity to meet demand throughout the year except for its projected design-day (or worst-case winter peaking scenario), Witness Lander compared the costs associated with the MVP/MVP Southgate firm transportation contracts with the volume of gas that would be used to meet the incremental additional design-day demand plus any other winter-period demand exceeding existing daily capacity. This comparison puts into stark relief the mismatch between what MVP/MVP Southgate would deliver (firm capacity every day of the year) versus what PSNC has identified as its need (incremental capacity to meet potential demands on the coldest conceivable winter day).

Though Witness Lander’s testimony was an estimate of PSNC’s costs for firm transportation from MVP/MVP Southgate, PSNC did not rebut this estimate or provide an alternative projection of costs for MVP/MVP Southgate in its direct or rebuttal testimony. Nor did PSNC indicate that Witness Lander’s estimate was too high.

It is also important to remember that PSNC's ratepayers and customers could not reasonably hope to recoup the dollars that they would be charged for firm transportation on MVP/MVP Southgate from resale of the resulting surplus gas capacity at market prices. (Tr. pp. 177-78.) Witness Jackson testified that any costs from MVP/MVP Southgate would be "mitigated" by the Company's ability to sell excess capacity on the secondary market and share those proceeds with customers. (Tr. pp. 66-67.) Proceeds from any gas released for sale by PSNC are shared with its customers, who receive 75% of those sales, while the Company retains 25%. (Tr. p. 67.) But for much of the year, when PSNC would have massive amounts of excess capacity, particularly on days with "lower than normal demand," PSNC provided no evidence that the price for that gas capacity on the secondary market would make up for the high fixed costs imposed on customers from MVP/MVP Southgate. Id. Assuming that the ratepayers start out on the hook for 100% of the \$1.27/Dth, the Company would likely only be able to sell that in the secondary market between \$0.10 or \$0.30. (Tr. p. 177.) If customers recoup 75% of the high end of that estimate, or about \$0.23, that does not go very far towards making up for the \$1.27 that they would have already been charged by the Company. Id. As Witness Lander testified, that arrangement does not make economic sense for PSNC's customers. (Id. at 177-78.)

For this reason, Witness Lander recommended that an alternative pathway for protecting PSNC's customers from unreasonable costs from MVP/MVP Southgate would be to put PSNC on notice that ratepayers would not have to pay for firm capacity that exceeds projected design-day demand or that exceeds an

available, less costly alternative for meeting that peak demand. In this scenario, PSNC would bear the risk of excess capacity and in exchange, could retain any proceeds that they earn in the secondary market for excess and unneeded MVP/MVP Southgate capacity. (Tr. pp. 167-68; 178.)

HRA recognizes that the Commission retains its ultimate authority to deny recovery of imprudently and unreasonably incurred costs in a future annual gas cost proceeding regardless of whether the Commission provides explicit warning of these risks in this docket.² But requiring a more thorough vetting of alternative and less-costly means of reliably meeting future design-day demands now; and, comparing those costs per dekatherm to MVP/MVP Southgate's costs per dekatherm projected to actually be used to meet design-day demand on an apples-to-apples basis—would alert PSNC to the need to significantly reduce the risk for the Company and its customers.

B. PSNC Has Reliable Alternatives for Meeting Design-Day Demand Which It Has Not Considered

In securing year-round firm capacity through MVP and MVP Southgate, PSNC has failed to consider any of several other reliable and less costly alternatives for meeting design-day demands. Witness Lander testified that the total fixed cost of PSNC's year-round firm capacity on the MVP and MVP Southgate pipelines is over \$115 million per year, or about \$311.92 per dekatherm of gas estimated to be used by customers in 2022-2023 through the MVP and MVP

² Docket No. G-5, Sub 593, Order Accepting Affiliated Agreements at 6 (ordering “[t]hat for ratemaking purposes, the authority granted herein neither constitutes approval of any amount of compensation paid pursuant to any of the agreements, and the authority granted by this order is without prejudice to the right of any party to take issue with any provision in the agreements in a future proceeding”).

Southgate’s incremental capacity. (Tr. at 135, 150–51.) This evidence of PSNC’s “extremely expensive” purchase of year-round firm capacity—to meet demand for the coldest hours on the coldest day of the year—was not rebutted. Id. Witness Lander then offered evidence of less costly alternatives. That evidence also remains largely unrebutted. PSNC cannot show that purchasing year-round firm capacity is a prudent and reasonable cost without comparing that extremely expensive plan with readily available alternatives for meeting design-day demand. The Commission has previously recognized the importance of considering an LDC’s plans for securing capacity on interstate gas pipelines in part “so that alternative projects can be considered.” Sub 91 Order at 9 (quoting Order Denying Motion for Clarification and/or Rehearing, Piedmont Natural Gas, Annual Review of Gas Cost, Docket No. G-9, Sub 595 (Mar. 14, 2012)).

PSNC did not rebut Witness Lander’s testimony describing several reliable alternatives PSNC should have considered for meeting design-day demand. **First**, Witness Lander pointed out that nothing in PSNC’s Application indicates PSNC considered energy efficiency and electrification options that could reduce peak demand. (Tr. at 139.) For example, Witness Lander testified that PSNC could have “asked for energy efficiency (EE) proposals that would reduce peak demand by 2%, 4%,” or some other amount, as well as determined how much each such proposal would cost. Id. PSNC has not offered rebuttal evidence to show it did consider energy efficiency or electrification options as alternatives to purchasing pipeline capacity. As Witness Lander testified, PSNC “will likely need to take significant steps to reduce demand over the coming decades” to meet national,

state, and Company net-zero greenhouse gas emissions targets. (Id. at 154–55.) At a common-sense level, those carbon reduction commitments should also call into question the reasonableness of the Company’s assumptions about ever-rising design-day demand requirements, but Witness Lander’s analysis took the Company’s projected needs for increases in demand-day requirements as a given for purposes of considering less-costly, but equally reliable alternatives. Nevertheless, given those carbon-reduction goals, it is unreasonable for PSNC not to consider alternatives to reduce peak demand before investing in additional pipeline capacity.

Second, Witness Lander noted that PSNC’s Application contains no mention of consideration of non-pipeline capacity alternatives and their costs, including “increasing liquefied natural gas (LNG) vaporization at its existing Cary LNG facility, [or] adding a satellite LNG or satellite compressed natural gas (CNG) station(s)” Id.

PSNC did not rebut Witness Lander’s cost estimates for a satellite LNG facility as a temporary solution, which were “about half of the cost of” PSNC’s preferred pipeline solution, (id. at 147–48), instead, PSNC Witness Jackson responded to this alternative option by raising general concerns devoid of facts that would allow the Commission to evaluate this option:

So, number one, is the LNG going to be available? I would say probably not. The second one is even more problematic. Are the LNG tankers going to be available to deliver the LNG if we can find it? And the third thing is will the road conditions, even if we could find the LNG supply, the trucks that could haul it, could it get to these remote areas . . . [?]”

(Id. at 78; *see also id.* at 207.) Thus, PSNC's witness responded to Witness Lander's detailed, quantitative analysis with unsupported suppositions and conjectures, which mischaracterized Witness Lander's description of acquiring firm contracts for satellite LNG as instead relying on the Company waiting to attempt to purchase such capacity on the open market for meeting design-day requirements. (Tr. pp. 77-78; 206-07; 146-48.) While the concerns raised by Witness Jackson may well be important, they are likely not insurmountable. For instance, the concern about having LNG available and able to be delivered could be solved by a firm contract for supply and delivery when needed. It is not reasonable and prudent for PSNC to merely speculate about potential challenges with using satellite LNG before concluding that the Company's much more expensive pipeline option is the best option.

PSNC's disregard of available options is especially unreasonable given that, as Witness Lander pointed out, PSNC could embrace a combination of these alternative solutions to meet its design-day demand:

[A]ssuming that even after energy efficiency measures are applied, the annual load from the addition of new customers grows, it would be prudent to then find a solution that would reduce gas demand (such as electrification) or a small expansion of Transco These more permanent solutions could both meet accumulated increase in peak demand plus the peak demand expected to occur over the next few years. Then, to the extent a [non-pipeline alternative] might be needed again in the more distant future, alternatives would again be evaluated.

(Id. at 149.)

Third, Witness Lander testified that PSNC could continue to avail itself of the options it is already, and currently, using to meet its design-day demand:

namely contracts with wholesale gas merchants for delivered gas on existing pipelines. (Id. at 152–53; 176.) When asked what PSNC will do to meet demand before MVP and MVP Southgate become operational, Witness Jackson testified that, “[u]ntil the MVP mainline and MVP Southgate projects are both placed into service, [PSNC] will continue take steps to address the shortfall in available assets. We will continue to monitor the situation closely and, using our best-cost strategy, take steps to address any developments at the appropriate time.” (Id. at 32.) This statement, albeit vague, suggests that PSNC is not in dire need of the additional capacity offered by the pipeline, and that it currently has enough available and reliable options for meeting design-day demand, as it has consistently been able to do. Furthermore, the Company plans to stop contracting for these short-term peaking services once the pipeline becomes operational. (Id. at 48–49.) In other words, PSNC does not need both options to meet design-day demand. It is also telling that the Company has no plans to abandon the current suite of solutions for meeting its winter peak demand, other than short-term peaking services contracts from merchant suppliers, even after the MVP/MVP Southgate goes into service. (Tr. pp. 55-56.)

Given that PSNC currently contracts for and relies on this type of peak capacity service to meet design-day demand, it appears to find this a reliable option. (See, e.g., id.; 157-58; 160-61; 190-93; Creel Ex. 1, Schedule 2.) Just last year, the Company expressed confidence that it could contract for winter-only peaking service to meet any potential design-day shortfall. Docket No. G-5, Sub 622, PSNC Response to Commission Questions at 2 (Sept. 15, 2020). In response

to a question regarding the Company's plans for meeting design-day requirements in the event that MVP/MVP Southgate was delayed, PSNC replied that it "will solicit bids from suppliers for a winter only delivered supply service..." and that it "is confident that a winter peaking service will be available if needed." Id. The Company's confidence was well placed, as it was able to surpass its design-day requirements in the test year even as the MVP/MVP Southgate projects faced additional delays and were not available for the winter of 2020-21. (Jackson Direct Ex. 1.)

As Witness Lander testified, there is sufficient merchant-held capacity flowing past PSNC on Transco for the Company to continue making short-term peaking service contracts a viable and reliable option even with increased future design-day demand. (Id. at 153-54) ("there is a total of 860,002 Dth per day of Transco capacity...flowing past PSNC that is held by merchants"). Indeed, Witness Lander testified that the available merchant capacity on Transco "will be sufficient to meet PSNC's demand projections until at least 2035." (Id. at 135; see *also id.* at 154.) Additionally, Witness Lander explained how PSNC could use staggered, short-term contracts to ensure coverage for five-year forward periods or longer, rather than being limited to yearly contracts that could result in an expiration cliff. (Id. at 156.) Thus, this option also meets, and will continue to meet, PSNC's two non-cost criteria of supply security and operational flexibility, as has been true for the Company in the recent past.

Witness Lander added that PSNC could potentially contract with these merchants for set quantities daily and/or over a season at market prices during

high demand periods. Even if these peaking services are more expensive per dekatherm, PSNC would only need to contract for a small number of days rather than year-round. Although Witness Jackson emphasized the very high prices during these high-demand periods, neither her testimony nor anything in PSNC's Application actually compared the cost of this option to the MVP/MVP Southgate option. Witness Lander's testimony did. He found that

PSNC would have to buy delivered gas at very inflated prices greater than \$311.92 per Dth on average across an entire winter period to justify the MVP/MVP Southgate alternative. In my experience, market prices fluctuate but only very rarely get that high—and have never persisted for an entire winter period.

(Id. at 153; see *also id.* at 135.) Accordingly, merchant-held capacity contracted by PSNC on a delivered basis—even when gas prices skyrocket during high demand—is cheaper than MVP/MVP Southgate would be.

In sum, there are several reliable and less costly alternatives available to PSNC, and there is no evidence that PSNC considered them before contracting with MVP/MVP Southgate for daily firm transportation capacity.

C. Commission Should Require PSNC to Perform an Analysis that Fully Considers Costs Based on Both the Scale and Duration of Options for Meeting Design-Day Demand

Because PSNC's "best-cost supply strategy" does not quantify costs in terms of their scale and duration, the Commission should require PSNC to perform an All-In Cost analysis, or some similar apples-to-apples comparison of costs for non-pipeline alternatives to meet its design-day requirements. Otherwise, the Commission cannot effectively carry out its supervisory authority to consider

alternatives to PSNC's plans to secure firm daily transportation capacity on a new interstate gas pipeline.

PSNC's analysis does not, by itself, allow for reasonable decision-making or cost comparisons. Its strategy considers three criteria. One—the cost of gas—is quantifiable. The other two—“supply security” and “operational flexibility”—are vague, unquantifiable criteria that obscure the full costs of its plans. HRA is not arguing that PSNC should not ever consider a “best-cost supply strategy,” but rather that such a strategy is incomplete and fails to provide a method for comparing costs. An analysis that evaluates and quantifies both the scale and duration of PSNC's preferred solution to its design-day needs is also necessary in order to provide a clearer and more objective comparison of alternatives.

For example, PSNC defined the problem as meeting its firm demand on the coldest day (“design-day demand”). (Tr. pp. 140-41; Ex. GML-3; Ex. GML-6). Witness Lander noted that PSNC's articulation of the problem to be solved did not take into account the forecasted duration of demand requirements that might exceed existing or projected PSNC resources. (Tr. p. 141.) Considering the forecasted duration of demand matters because there are solutions for achieving one or two intermittent hours of peak demand that may be very different than possible solutions for supplying peak demand that occurs over 12 consecutive hours or for several days. Id. For PSNC to reliably meet its design day requirements, it has to be able to deliver gas to its firm customers at the time it is needed. (Tr. pp. 143, 189-90.)

“All-In Cost” analysis is one method PSNC could use. An All-In Cost analysis, as described by Witness Lander in his testimony, “enables the apples-to-apples comparison of respective costs of alternative means for achieving a defined goal.” (Tr. p. 140.) The All-In Cost method first defines the problem, then considers how to achieve the goal of eliminating that problem. Id. Witness Lander’s testimony points out that the All-in Cost method—unlike PSNC’s “best cost supply strategy”—can clearly define the problem in terms of both the maximum demand and duration that a proposed solution has to address. PSNC is not required to use any particular method of analysis, but if it expects to recover its costs from customers, it must use a method that allows it to make prudent decisions after objectively comparing the total costs of available and reliable alternatives. The Commission should therefore order PSNC to perform an All-In Cost Analysis or an equally effective method to analyze on the available alternatives for reliably meeting design-day demand.

As summarized above, Witness Landers’ All-In Cost analysis for PSNC’s fixed costs for MVP/MVP Southgate is an extremely expensive and ill-suited solution for meeting design-day demands. The estimated 2022-23 All-In Cost of \$311.92 for each Dth of gas estimated to be actually used by PSNC’s customers for MVP/MVP Southgate is an extremely expensive way to meet projected design-day demand. (Tr. pp. 150-51.) The Commission should require PSNC to compare this estimated cost with other non-pipeline alternatives that could just as reliably meet the Company’s incremental design-day demands for the next several years

without leaving PSNC with excessive amounts of surplus capacity for the vast majority of the year.

The results from a Commission-supervised apples-to-apples vetting of alternatives might also focus PSNC on taking steps now to mitigate:

- a) its risks of future under-recovery;
- b) risks to residential and commercial sales customers of PSNC of very significant rate increases;
- c) risks to North Carolina's industrial customers of gas transportation rate increases impacting the North Carolina business environment; and
- d) risks to North Carolina electric generators and all of their customers of electricity cost increases due to higher costs (from PSNC) to transport gas to fuel gas-fired electric facilities.

These steps are in accordance with the Commission's authority under the Sub 91 Order, N.C.G.S. § 62-36.01 and consistent with the Commission's role to protect the Company's ratepayers and customers from unreasonable costs.

III. Conclusion

HRA respectfully requests that the Commission: (1) notify PSNC that is at risk of non-recovery for MVP and MVP Southgate costs as an imprudent and unreasonable way to meet projected design-day peak demand requirements; (2) require PSNC to evaluate and non-pipeline alternatives for reliably meeting its projected design-day requirements and compare the estimated costs of those options against the costs of the incremental gas actually used from MVP and MVP Southgate for meeting that same demand; (3) put PSNC on notice that if it

continues with its plans to secure MVP and MVP Southgate firm transportation capacity, its recovery of reservation costs of capacity would be limited by a Commission evaluation of incremental associated with capacity actually needed to meet forecasted design-day demand requirements, and in this event, the Company would be allowed to mitigate its exposure by retaining the proceeds from secondary market revenues associated with releasing excess MVP and MVP Southgate capacity into the secondary market and/or earned from its making “bundled sales” to non-firm customers of PSNC.

HRA would recommend that the Commission adopt the following proposed findings of fact in its Order:

1. PSNC is at risk of not recovering MVP/MVP Southgate costs—fixed costs for providing year-round firm transportation—as an imprudent and unreasonable way of meeting projected design-day demand requirements.

2. The Company is ordered to consider and evaluate non-pipeline alternatives for reliably meeting its projected design-day requirements and provide cost estimates for those alternatives, considering the maximum demand and duration of demand required to meet demand-day requirements.

3. When comparing costs for various alternative solutions to meeting its design-day demand requirements, PSNC is not required to use any particular method of analysis, but it must use a method that allows the Commission to evaluate the total costs of available and reliable alternatives and compare those costs to costs expected from the proposed MVP/MVP Southgate on an apples-to-

apples basis (comparing the all-in costs of actual incremental gas capacity actually needed to meet design day requirements).

In addition, HRA would ask the Commission to include the following in its ordering paragraphs in its Order:

1. PSNC shall consider and evaluate non-pipeline alternatives for reliably meeting its projected design-day requirements and provide cost estimates for those alternatives that incorporate consideration of the maximum demand and duration of demand required to meet demand-day requirements. PSNC must use a method that allows the Commission to examine the total costs of alternatives and to compare those costs to costs expected for capacity contracts on the proposed MVP and MVP Southgate pipelines on an apples-to-apples basis (i.e., comparing the all-in costs of incremental gas capacity and gas commodity on the MVP and MVP Southgate pipelines actually used to meet design day requirements).

2. PSNC shall provide the results of this analysis to the Commission in this Docket within 90 days of this Order, and the Public Staff and any other intervening parties will have 30 days thereafter to provide comments.

Respectfully submitted this 11th day of October, 2021.

s/ David Neal
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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Post-Hearing Brief of Haw River Assembly as filed today in Docket No. G-5, Sub 635 has been served on all parties of record by electronic mail or by deposit in the U.S. Mail, first-class, postage prepaid.

This the 11th day of October, 2021.

s/ David L. Neal