NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION

September 18, 2017

Ms. M. Lynn Jarvis, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Docket No. G-9, Sub 710

Dear Ms. Jarvis:

In connection with the above-captioned docket, I transmit herewith for filing on behalf of the Public Staff the Joint Testimony of Poornima Jayasheela, Staff Accountant, Natural Gas Section, Accounting Division; Jan A. Larsen, Director, Natural Gas Division; and Julie G. Perry, Manager, Natural Gas & Transportation Section, Accounting Division.

By copy of this letter, I am forwarding a copy of the above to all parties of record.

Sincerely,

Electronically submitted
/s/ Elizabeth D. Culpepper
Staff Attorney
elizabeth.culpepper@psncuc.nc.gov

EDC/blm

c: Parties of Record

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PIEDMONT NATURAL GAS COMPANY, INC.

DOCKET NO. G-9, SUB 710

JOINT TESTIMONY OF

POORNIMA JAYASHEELA, JAN A. LARSEN, AND JULIE G. PERRY

ON BEHALF OF

THE PUBLIC STAFF – NORTH CAROLINA UTILITIES COMMISSION

SEPTEMBER 18, 2017

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND PRESENT POSITION.

A. My name is Poornima Jayasheela, and my business address is 430 North Salisbury Street, Raleigh, North Carolina. I am an Accountant in the Accounting Division of the Public Staff. My qualifications and experience are provided in Appendix A.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is (1) to present the results of my review of the gas cost information filed by Piedmont Natural Gas Company, Inc. (Piedmont or Company), in accordance with G.S. 62-133.4(c) and Commission Rule R1-17(k)(6), (2) to provide my conclusions regarding whether the gas costs incurred by Piedmont during the 12-month review period ended May 31, 2017, were properly accounted for, and (3) to report on any changes in the deferred gas cost reporting during the review period.

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND PRESENT POSITION.

A. My name is Jan A. Larsen, and my business address is 430 North Salisbury Street, Raleigh, North Carolina. I am the Director of the Natural Gas Division of the Public Staff. My qualifications and experience are provided in Appendix B.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is (1) to evaluate the prudence of the natural gas purchases made by Piedmont, and (2) to discuss my recommendation regarding any temporary rate increments or decrements.

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND PRESENT POSITION.

A. My name is Julie G. Perry, and my business address is 430 North Salisbury Street, Raleigh, North Carolina. I am the Accounting Manager of the Natural Gas & Transportation Section in the Accounting Division of the Public Staff. My qualifications and experience are provided in Appendix C.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to discuss my investigation and conclusions regarding the prudence of Piedmont's hedging activities during the review period.

Q. PLEASE EXPLAIN HOW THE PUBLIC STAFF CONDUCTED ITS REVIEW.

A. We reviewed the testimony and exhibits of the Company's witnesses, the Company's monthly Deferred Gas Cost Account reports, monthly financial and operating reports, the gas supply, pipeline transportation and storage contracts, the reports filed with the Commission in Docket No. G-100, Sub 24A, and the Company's responses to Public Staff data requests. The responses to the Public Staff data requests contained information related to Piedmont's gas purchasing philosophies, customer requirements, and gas portfolio mixes.

Q. MR. LARSEN, WHAT IS THE RESULT OF YOUR EVALUATION OF PIEDMONT'S GAS COSTS?

A. Based on my investigation and review of the data in this docket, I believe that Piedmont's gas costs were prudently incurred.

Q. MS. JAYASHEELA, HAS THE COMPANY PROPERLY ACCOUNTED FOR ITS GAS COSTS DURING THE REVIEW PERIOD?

A. Yes.

Q. WHAT OTHER ITEMS DID THE NATURAL GAS DIVISION REVIEW?

A. Even though the scope of Commission Rule R1-17(k) is limited to a historical review period, the Public Staff's Natural Gas Division also considers other information received pursuant to the data requests in order to anticipate the Company's requirements for future needs, including design day estimates, forecasted gas supply needs, projection of capacity additions and supply changes, and customer load profile changes.

ACCOUNTING FOR AND ANALYSIS OF GAS COSTS

Q. MS. JAYASHEELA, HOW DOES THE ACCOUNTING DIVISION GO ABOUT CONDUCTING ITS REVIEW OF THE COMPANY'S ACCOUNTING FOR GAS COSTS?

A. Each month the Public Staff's Accounting Division reviews the Deferred Gas Cost Account reports filed by the Company for accuracy and reasonableness, and performs many audit procedures on the calculations, including the following:

(1) Commodity Gas Cost True-Up – The actual commodity gas costs incurred are verified, the calculations and data supporting the commodity gas costs collected from customers are checked, and the overall calculation is reviewed for mathematical accuracy.

(2) Fixed Gas Cost True-Up – The actual fixed gas costs incurred are compared with pipeline tariffs and gas contracts, the rates and volumes supporting the calculation of collections from customers are verified, and the overall calculation is reviewed for mathematical accuracy.

(3) Negotiated Losses – Negotiated prices for each customer are reviewed to ensure that the Company does not sell gas to the customer below the cost of gas to the Company or below the price of the customer's alternative fuel.

(4) Temporary Increments and/or Decrements – Calculations and supporting data are verified regarding the collections and/or refunds from customers that have occurred through the Deferred Gas Cost Accounts.

(5) Interest Accrual – Calculations of the interest accrued on the various deferred account balances during the month are verified in accordance with G.S. 62-130(e) and the Commission's Order Approving Merger Subject to Regulatory Conditions and Code of

Conduct issued September 29, 2016, in Docket Nos. G-9, Sub 682, E-2, Sub 1095, and E-7, Sub 1100 (Merger Order).

(6) Secondary Market Transactions – The secondary market transactions conducted by the Company are reviewed and verified to the financial books and records, asset management arrangements, and other deferred account journal entries.

(7) Uncollectibles – The Company records a journal entry each month in the Sales Customers' Only Deferred Account for the gas cost portion of its uncollectibles write-offs. The calculations supporting those journal entries are reviewed to ensure that the proper amounts are recorded.

(8) Supplier Refunds – Unless ordered otherwise, supplier refunds received by Piedmont should be flowed through to ratepayers in the All Customers' Deferred Account or in certain circumstances applied to the NCUC Legal Fund Reserve Account. Documentation is reviewed to ensure that the proper amount is credited to the correct account in a timely fashion.

Q. HOW DO THE COMPANY'S FILED GAS COSTS FOR THE CURRENT REVIEW PERIOD COMPARE WITH THOSE FOR THE PRIOR REVIEW PERIOD?

A. The Company filed total gas costs of $283,047,611 per Tomlinson Revised Exhibit_(MBT-1), Revised Schedule 1, for the current period as compared with $249,929,687 for the prior twelve-month period. The components of the filed gas costs for the two periods are as follows:

	12 Months Ended		Increase	%
	May 31, 2017	May 31, 2016	(Decrease)	Change
Demand & Storage	$132,821,781	$133,227,638	($405,857)	(0.3%)
Commodity	173,683,773	164,506,303	9,177,470	5.6%
Other Costs	($22,470,726)	(47,804,254)	25,333,528	(53.0%)
Total	$284,034,828	$249,929,687	$34,105,141	13.6%

Q. PLEASE EXPLAIN ANY SIGNIFICANT INCREASES OR DECREASES IN DEMAND AND STORAGE CHARGES.

A. The Demand and Storage Charges for the current review period and the prior twelve-month review period are as follows:

		Actual Amounts for the 12 Month Periods Ended			
		April 30, 2017	April 30, 2016	Increase (Decrease)	% Change
Transco	FT	$94,479,301	$93,605,804	$873,497	0.9%
Transco	GSS	3,679,747	3,691,547	(11,800)	-0.3%
Transco	ESS	2,318,429	2,324,781	(6,352)	-0.3%
Transco	WSS	1,796,037	1,549,639	246,398	15.9%
Transco	LNG Service	219,197	219,798	(601)	-0.3%
Columbia	Firm Storage Service	3,331,131	3,331,131	(0)	0.0%
Columbia	SST	4,718,079	4,689,091	28,988	0.6%
Columbia	FTS	2,455,311	2,438,820	16,491	0.7%
Columbia	No Notice FT	929,740	924,720	5,020	0.5%
Col Gulf	FTS	726,150	739,678	(13,528)	-1.8%
Dominion	GSS	574,680	574,216	464	0.1%
Dominion	FT - GSS	972,850	980,893	(8,043)	-0.8%
ETN	FT	3,631,614	3,631,614	0	0.0%
Midwestern	FT	2,710,800	2,710,800	0	0.0%
Hardy Storage		14,442,394	14,407,839	34,555	0.2%
Pine Needle LNG		9,373,299	11,269,674	(1,896,375)	-16.8%
Cardinal	FT Demand	8,706,922	8,766,125	(59,203)	-0.7%
LNG Processing		921,994	611,382	310,612	50.8%
Property Taxes		126,312	123,465	2,847	2.3%
NC/SC Costs Expensed		156,113,988	156,591,018	(477,030)	-0.3%
NC Demand Allocator		85.08%	85.08%		
NC Costs Expensed		$132,821,781	$133,227,638	($405,857)	-0.3%

Note: Actual amounts lag one-month behind the accounting period. The May 31 review periods reflect actual amounts for the 12-month periods ended April 30.

The increase in the Transcontinental Gas Pipe Line Company, LLC (Transco) **Washington Storage Service (WSS)** charges are due to an increase in Transco's WSS Injection Fuel rate pursuant to FERC Docket No. RP17-451-000, effective April 1, 2017.

The reduction in the **Pine Needle LNG Company, LLC** charges is due to a decrease in its rates pursuant to FERC Docket No. RP17-204-000, effective January 1, 2017.

The **LNG Processing** charges are the electric bills associated with the liquefaction expense for Piedmont's two on-system LNG facilities. These charges increased due to a higher LNG processing rate that resulted from a lower level of LNG injection volumes over which to spread the costs.

Q. PLEASE EXPLAIN THE CHANGE IN COMMODITY GAS COSTS.

A. Commodity gas costs for the current review period and the prior twelve-month period are as follows:

	Actual Amounts for the 12 Month Periods Ended			
	April 30, 2017	April 30, 2016 1/	Increase (Decrease)	% Change
Gas Supply Purchases	$198,124,517	$161,659,536	$36,464,981	22.6%
Reservation Charges	2,108,516	6,113,047	(4,004,531)	(65.5%)
Storage Injections	(41,629,300)	(37,366,087)	(4,263,213)	11.4%
Storage Withdrawals	48,397,674	64,133,002	(15,735,328)	(24.5%)
Electric Compressor Costs	812,550	946,377	(133,827)	(14.1%)
Banked Gas Usage	13,304	(4,199)	17,503	(416.8%)
Cash Out Brokers (Long)	1,860,501	2,380,727	(520,226)	(21.9%)
Sales to Transport Customers/Cashout Shorts	(513,518)	(586,099)	72,581	(12.4%)
NC/SC Commodity Costs	$209,174,244	$197,276,303	$11,897,942	6.0%
NC Commodity Costs	$173,683,773	$164,021,630	$9,662,143	5.9%
NC Dekatherms Delivered	61,255,701	64,070,733	(2,815,032)	(4.4%)
NC Cost per Dekatherm	$2.8354	$2.5600	$0.2754	10.8%

Gas Supply Purchases increased by $36,464,981 primarily due to a greater level of wellhead gas prices in the current review period compared with the prior twelve-month review period.

Reservation Charges are fixed or minimum monthly charges a local distribution company (LDC) may pay a supplier in connection with the supplier providing the LDC an agreed-upon quantity of gas, regardless of whether the LDC takes it or not. The decrease in reservation charges reflects the market-driven decrease in prices in the current review period as compared to the prior review period.

The increase in **Storage Injections** was due to both higher cost of gas supply injected into storage and increased volumes injected into storage. The average cost of gas into storage during the current review period was $2.5405 per dt as compared with $2.4702 per dt for the prior period. Piedmont injected 16,386,099 dts into storage in the current review period as compared to 15,126,471 dts for the prior period.

The decrease in **Storage Withdrawal** volumes was primarily due to a lower average cost of supply withdrawn from storage. Piedmont's average cost of gas withdrawn was $2.7522 per dt this review period as compared to $3.3674 per dt in the prior period.

The **Electric Compressor Costs** are associated with electric compressors related to power generation contracts. There is no impact on the deferred account since these costs are recovered through the contract payments.

Banked Gas is the cost of gas associated with the month-end volume imbalances that are not cashed out with customers. Piedmont currently has four banked gas customers, all former NCNG customers, who may exercise the right per contract to carry forward their monthly volume imbalances instead of cashing out monthly. The change in the banked gas represents the difference in the cost of gas supply of the volume imbalances carried forward from month to month.

Cash Out Brokers (Long) represents the purchases made by Piedmont from brokers that brought too much gas to the city gate. The reduction in Cashout Longs was due to the decrease in purchases during the current review period as compared to the prior review period. During the current period, the Company recorded purchases of 1,681,682 dts while the prior period's purchase was 2,203,138 dts.

Q. PLEASE EXPLAIN THE CHANGE IN OTHER GAS COSTS.

A. Other gas costs for the current review period and the prior twelve-month period are as follows:

	Actual Amounts for the 12 Month Periods Ended		
	April 30, 2017	April 30, 2016	Increase (Decrease)
Total Deferred Acct Activity COG Items	($49,941)	($13,240,840)	$13,190,899
Actual vs. Estimate Reporting Month Adj.	3,636,860	(1,298,411)	4,935,271
Total Other Costs	(26,057,644)	(33,265,003)	7,207,359
Total NC Other Cost of Gas Expense	($22,470,726)	($47,804,254)	$25,333,528

The **Total Deferred Acct Activity COG Items** reflect offsetting journal entries for the cost of gas recorded in the Company's Deferred Gas Cost Accounts during the review periods. This amount includes offsetting journal entries for the commodity true-up, fixed gas cost true-up, negotiated losses, and increments/decrements.

The **Actual vs. Estimate Reporting Month Adj.** amounts result from the Company's monthly accounting closing process. Each month, the Company estimates its current month's gas costs for financial reporting purposes and adjusts the prior month's estimate to reflect the actual cost incurred for that month.

Total Other Costs are primarily the North Carolina ratepayers' portion of capacity release margins and the allocation factor differential for bundled sales. The allocation factor differential is due to the utilization of the NC/SC sales allocation factor in the commodity gas cost calculation and the demand allocation factor utilized in the secondary market calculation.

SECONDARY MARKET ACTIVITIES

Q. MS. JAYASHEELA, PLEASE SUMMARIZE THE COMPANY'S SECONDARY MARKET ACTIVITIES DURING THE REVIEW PERIOD.

A. During the review period, the Company earned actual margins of $49,527,548 on secondary market transactions, and credited the All Customers' Deferred Account in the amount of $31,603,528 ($49,527,448 x NC demand allocator x 75% ratepayer sharing percent) for the benefit of ratepayers, in accordance with the Commission's Order Approving Stipulation issued on December 22, 1995, in Docket No. G-100, Sub 67. This dollar amount is slightly different than the amount recorded on Tomlinson Revised Exhibit_(MBT-1), Schedule 9, since the Company's deferred account includes estimates for the May 2017 secondary market transactions. Presented below is a chart that compares the total actual company margins earned by Piedmont on the various types of secondary market transactions in which it was engaged during the review period and the prior review period.

	Actual Amounts for the 12 Month Periods Ended			
	April 30, 2017	April 30, 2016	Increase (Decrease)	% Change
Asset Management Arrangements	$18,439,307	$16,226,920	$2,212,387	13.6%
Capacity Releases	24,078,870	35,904,411	(11,825,541)	(32.9%)
Off System Sales	7,009,371	8,048,529	(1,039,158)	(12.9%)
Total Company Margins on Secondary Market Transactions	$49,527,548	$60,179,860	($10,652,312)	(17.7%)

Note: Actual amounts lag one-month behind the accounting period. The May 31 review periods reflect actual amounts for the 12-months ended April 30.

Asset Management Arrangements (AMAs), according to the FERC,

> are contractual relationships where a party agrees to manage gas supply and delivery arrangements, including transportation and storage capacity, for another party. Typically a shipper holding firm transportation and/or storage capacity on a pipeline or multiple pipelines temporarily releases all or a portion of that capacity along with associated gas production and gas purchase agreements to an asset manager. The asset manager uses that capacity to serve the gas supply requirements of the releasing shipper, and, when the capacity is not needed for that purpose, uses the capacity to make releases or bundled sales to third parties.

Promotion of a More Efficient Capacity Release Market, Order No. 712, 123 FERC ¶ 61,286, Paragraph 110 (June 19, 2008).

The increase in net compensation from AMAs resulted from an increase in the interstate pipeline and storage capacity that Piedmont has subject to AMAs.

Capacity Releases are the short-term posting of unutilized firm capacity on the electronic bulletin board that is released to third parties at a biddable price. The overall net compensation from capacity release transactions decreased primarily due to a lower level of released volumes for the current review period as compared to the prior period, as well as lower market prices paid by shippers.

Off System Sales on Piedmont's system are also referred to as bundled sales. Bundled sales are gas supplies delivered to a third party at a specified receipt point in the Transco market area. Because bundled sales move gas from the production area to the market area, these sales utilize pipeline capacity, and thus involve both gas supply and capacity. The net compensation from off system sales decreased by approximately 13% as compared to the prior review period due to lower market prices that were paid by shippers during the current review period as compared to the prior review period.

Q. PLEASE PROVIDE A FURTHER DESCRIPTION OF PIEDMONT'S OFF SYSTEM SALES TRANSACTIONS.

A. During the current review period, Piedmont entered into multi-month, monthly, and daily off system sales transactions with approximately twenty shippers. Approximately 93% of these off system sales transaction volumes consisted of daily transactions that extend from one to several days. The one multi-month transaction that Piedmont entered into during the current review period spanned the five-month summer period and none occurred during the winter season.

HEDGING ACTIVITIES

Q. MS. PERRY, PLEASE EXPLAIN HOW THE PUBLIC STAFF CONDUCTED ITS REVIEW OF THE COMPANY'S HEDGING ACTIVITIES.

A. The Public Staff's review of the Company's hedging activities is performed on an ongoing basis, and includes the analysis and evaluation of the following information:

1. The Company's monthly hedging deferred account reports;
2. Detailed source documentation, such as broker statements, that provide support for the amounts spent and received by the Company for financial instruments;
3. Workpapers supporting the derivation of the maximum hedge volumes targeted for each month;
4. Periodic reports on the status of hedge coverage for each month (Hedging Position Report);
5. Periodic reports on the market values of the various financial instruments used by the Company to hedge (Mark-to-Market Report);
6. The monthly Hedging Program Status Report;

7. The monthly report reconciling the Hedging Program Status Report and the hedging deferred account report;

8. Minutes from meetings of Piedmont's Energy Price Risk Management Committee (EPRMC);

9. Minutes from the Board of Directors and its committees that pertain to hedging activities;

10. Reports and correspondence from the Company's external and internal auditors that pertain to hedging activities;

11. Hedging plan documents that set forth the Company's gas price risk management policy, hedge strategy, and gas price risk management operations;

12. Communications with Company personnel regarding key hedging events and plan modifications under consideration by Piedmont's EPRMC; and

13. Testimony and exhibits of the Company's witnesses in the annual review proceeding.

Q. WHAT IS THE STANDARD SET FORTH BY THE COMMISSION FOR EVALUATING THE PRUDENCE OF A COMPANY'S HEDGING DECISIONS?

A. In its February 26, 2002, Order on Hedging in Docket No. G-100, Sub 84 (Hedging Order), the Commission stated that the standard for reviewing the prudence of hedging decisions is that the decision "must have been made in a reasonable manner and at an appropriate time on the basis of what was reasonably known or should have been known at that time." Hedging Order, 92 NCUC 4, 11-12 (2002).

Q. PLEASE DESCRIBE THE ACTIVITY REPORTED IN THE COMPANY'S HEDGING DEFERRED ACCOUNT DURING THE REVIEW PERIOD.

A. The Company experienced net costs of $764,597 in its Hedging Deferred Account during the review period. This net cost amount in the account at May 31, 2017, is composed of the following items:

Economic (Gain)/Loss - Closed Positions	($1,689,560)
Premiums Paid	2,234,893
Brokerage Fees & Commissions	38,859
Interest on Hedging Deferred Account	180,405
Hedging Deferred Account Balance	$764,597

The Company proposed that the $764,597 debit balance in the Hedging Deferred Account as of the end of the review period be transferred to its Sales Customers' Only Deferred Account.

The first item shown in the chart above, Economic (Gain)/Loss - Closed Positions, is the gain on hedging positions that the Company realized during the review period. Premiums Paid is the amount spent by the Company on futures and options positions during the current review period for contract periods that closed during the review period or that will close after May 31, 2017. As of May 31, 2017, this amount includes call options purchased by

Piedmont for the May 2017 contract period, a contract period that is 13 months beyond the end of the current review period and 12 months beyond the May 2016 prompt month. Brokerage Fees and Commissions are the amounts paid to brokers to complete the transactions. The Interest on Hedging Deferred Account is the amount accrued by the Company on its Hedging Deferred Account in accordance with G.S. 62-130(e) and the Merger Order, effective October 1, 2017.

The hedging costs incurred by the Company during the review period represent approximately 0.27% of total gas costs or $0.01 per dt. The average monthly cost per residential customer for hedging is approximately $0.06. Piedmont's weighted average hedged cost of gas for the review period was $3.59 per dt.

Q. DID THE COMPANY MODIFY ITS HEDGING PLAN DURING THE REVIEW PERIOD?

A. No. The Company did not modify its hedging plan during the current review period.

Q. MS PERRY, WHAT IS YOUR CONCLUSION REGARDING THE PRUDENCE OF THE COMPANY'S HEDGING ACTIVITIES?

A. Based on what was reasonably known or should have been known at the time the Company made its hedging decisions affecting the review period, as opposed to the outcome of those decisions, my analysis leads me to the conclusion that the Company's decisions were prudent. I recommend that the $764,597 debit balance in the Hedging Deferred Account as of the end of the review period be transferred to Piedmont's Sales Customers' Only Deferred Account.

DESIGN DAY REQUIREMENTS

Q. MR. LARSEN, HAVE YOU DRAWN ANY CONCLUSION FROM YOUR REVIEW AS TO THE COMPANY'S FUTURE CAPACITY REQUIREMENTS?

A. I reviewed the Company's testimony and information submitted by the Company in response to data requests that dealt with how well the projected firm demand requirements aligned with the available capacity in the future. I also performed independent calculations which projected demand versus capacity requirements.

From those calculations, it appears that the Company has adequate capacity to meet firm demand until the Atlantic Coast Pipeline (ACP) comes on line in 2019. If ACP does not come on line as scheduled, it is projected that Piedmont may have a capacity shortfall starting in the 2019-2020 winter period. I recommend that the Company continue to carefully review its demand projections as it considers capacity additions in the future.

DEFERRED ACCOUNT BALANCES

Q. MS. JAYASHEELA, BASED ON YOUR REVIEW OF GAS COSTS IN THIS PROCEEDING AND MR. LARSEN'S OPINION THAT THE COMPANY'S GAS COSTS WERE PRUDENTLY INCURRED, WHAT ARE THE APPROPRIATE DEFERRED ACCOUNT BALANCES AS OF MAY 31, 2017?

A. The appropriate All Customers' Deferred Account balance is a debit of $10,741,279, owed to the Company, as filed by the Company.

The Public Staff recommends transferring the debit balance of $764,597 in the Hedging Deferred Account as of the end of the review period to the Sales Customers' Only Deferred Account. The recommended balance for the Sales Customers' Only Deferred Account as of May 31, 2017, is a credit balance, owed by the Company, of $2,607,558, determined as follows:

Balance per Exhibit MBT-1 Sch 8	($3,372,155)
Transfer of Hedging Balance	764,597
Balance per Public Staff	($2,607,558)

Q. MR. LARSEN, WHAT IS YOUR RECOMMENDATION REGARDING ANY PROPOSED INCREMENTS/DECREMENTS?

A. I have determined that the temporary increments applicable to the All Customers' Deferred Account balance at May 31, 2017, as proposed by the Company in Tomlinson Revised Exhibit_(MBT-3), are properly and accurately calculated.

I also agree with the temporary decrement as proposed by the Company in Tomlinson Revised Exhibit_(MBT-4) for the Sales Customers' Only Deferred Account as of May 31, 2017.

I recommend that Piedmont monitor the balances in both the All Customers' and Sales Customers' Only Deferred Accounts, and, if needed, Piedmont file an application for authority to implement new temporary increments or decrements through the Purchased Gas Adjustment mechanism in order to keep the deferred account balances at reasonable levels.

I further recommend that Piedmont remove the existing temporary decrements and increment approved in the Company's prior Annual Review of Gas Costs proceeding (Docket No. G-9, Sub 690) and implement the temporaries in the instant docket.

Q. WHAT AFFECT DOES THIS CHANGE IN TEMPORARIES HAVE ON THE TYPICALY RESIDENTIAL BILL?

A. The typical residential customer will experience a decrease of \$2.09 per year.

Q. MS. JAYASHEELA, DID PIEDMONT HAVE ANY CHANGES TO ITS DEFERRED ACCOUNT REPORTING DURING THE REVIEW PERIOD?

A. Yes. Consistent with the Merger Order, effective October 1, 2017, Piedmont began using the net-of-tax overall rate of return approved in its most recent general rate case (Docket No. G-9, Sub 631), adjusted for any known corporate income tax rate changes, as the applicable interest rate on all amounts over-collected or under-collected from customers reflected in its Deferred Gas Cost Accounts. All other methods and procedures used by the Company for the accrual of interest on the Deferred Gas Cost Accounts remained unchanged.

Q. DOES THIS CONCLUDE THE PUBLIC STAFF'S TESTIMONY?

A. Yes.

APPENDIX A

POORNIMA JAYASHEELA

Qualifications and Experience

I received a Bachelor of Science degree and a Master of Business Administration degree from Osmania University, Hyderabad, India. I was employed by the Michigan Public Service Commission (MPSC) from July 2004 to August 2015. During my employment with the MPSC, I participated in contested rate cases, Times Interest Earned Ratio (TIER) case audits for regulated co-operatives, Power Supply Cost Recovery reconciliation audits, reconciliations of uncollectible expense tracking mechanism and revenue decoupling mechanism, and any special audits required by the MPSC.

I started employment with the Public Staff of North Carolina Utilities Commission in August 2015 as a staff accountant. I have presented testimony and exhibits or assisted with the following general rate case audits: Docket No. E-35, Sub 45, Western Carolina University; and Docket No. W-1058, Sub 7, Elk River Utilities, Inc. I have also presented testimony and exhibits in Piedmont Natural Gas Company's annual gas cost review for 2015-2016: Docket No. G-9, Sub 690.

APPENDIX B

QUALIFICATIONS AND EXPERIENCE
OF
JAN A. LARSEN
DIVISION DIRECTOR

PUBLIC STAFF - NATURAL GAS DIVISION
NORTH CAROLINA UTILITIES COMMISSION

I graduated from North Carolina State University in 1983 with a Bachelor of Science degree in Civil Engineering. I was employed with Law Engineering Testing Company as a Materials Engineer from 1983 to 1984. From 1984 until 1986, I was employed by the North Carolina Department of Transportation as a Highway Engineer. In 1986, I was employed by the Public Staff's Water Division as a Utilities Engineer I. In 1992, I was promoted to Utilities Engineer II with the Public Staff's Natural Gas Division and promoted to Utilities Engineer III in 2002. In May of 2016, I was promoted to the Director of the Public Staff's Natural Gas Division.

My most current work experience with the Public Staff includes the following topics:

1. Rate Design
2. Cost-of-Service Studies
3. Purchase Gas Cost Adjustment Procedures
4. Tariff Filings
5. Natural Gas Expansion Project Filings
6. Depreciation Rate Studies
7. Annual Review of Gas Costs
8. Weather Normalization Adjustments
9. Customer Utilization Trackers
10. Feasibility Studies / Line Extension Policies
11. Pipeline Integrity Management Riders

Appendix C

JULIE G. PERRY

Qualifications and Experience

I graduated from North Carolina State University in 1989 with a Bachelor of Arts degree in Accounting and I am a Certified Public Accountant.

Prior to joining the Public Staff, I was employed by the North Carolina State Auditor's Office. My duties there involved the performance of financial and operational audits of various state agencies, community colleges, and Clerks of Court.

I joined the Public Staff in September 1990, and was promoted to Supervisor of the Natural Gas Section in the Accounting Division in September 2000. I was promoted to Accounting Manager – Natural Gas & Transportation effective December 1, 2016. I have performed numerous audits and/or presented testimony and exhibits before the Commission addressing a wide range of natural gas topics.

Additionally, I have filed testimony and exhibits in numerous water rate cases and performed investigations and analyses addressing a wide range of topics and issues related to the water, electric, transportation, and telephone industries.