

BEFORE THE  
NORTH CAROLINA UTILITIES COMMISSION  
PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INC.

DOCKET NO. G-5, SUB 632  
DOCKET NO. G-5, SUB 634

REBUTTAL TESTIMONY  
OF  
BYRON W. HINSON

OCTOBER 7, 2021

1 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND CURRENT  
2 POSITION.

3 A. My name is Byron W. Hinson. My business address is 400 Otarre Parkway,  
4 Cayce, South Carolina 29033. I am employed by Dominion Energy Services,  
5 Inc., as Director – Regulation for Public Service Company of North Carolina,  
6 Inc., d/b/a Dominion Energy North Carolina (“PSNC” or the “Company”).

7 Q. ARE YOU THE SAME BYRON W. HINSON WHO PROVIDED DIRECT  
8 TESTIMONY IN THIS PROCEEDING?

9 A. Yes.

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

12 A. The purpose of my rebuttal testimony is to:

- 13 • Agree with Public Staff witness John R. Hinton’s proposed 2% inflation  
14 rate and 40-year evaluation period for purposes of PSNC’s gas  
15 extension feasibility model, but rebut Mr. Hinton’s proposal for the  
16 Company to file for an exception to Commission Rule R7-16(b)(1)  
17 when extending gas service to new customers in new subdivisions  
18 where costs are substantial.
- 19 • Rebut Public Staff witnesses James M. Singer and David M.  
20 Williamson’s proposal to remove the High Efficiency Discount Rate  
21 from proposed Rider F and place a level of program costs in the  
22 Company’s cost of service.

- 1                   • Provide support for PSNC’s participation in stakeholder meetings to  
2 discuss issues regarding affordability, as proposed by Public Staff  
3 witness Jack L. Floyd.
- 4                   • Agree with Public Staff witness Julie G. Perry’s testimony regarding the  
5 integrity management tracker (“IMT”) mechanism.
- 6                   • Provide support for the Company’s research and development initiative.
- 7                   • Provide support for the Company’s voluntary GreenTherm™ program  
8 and Rider.

9                   **GAS EXTENSION FEASIBILITY MODEL**

10       Q.     DO YOU OPPOSE PUBLIC STAFF WITNESS HINTON’S  
11 RECOMMENDATIONS REGARDING THE NPV GUIDELINES AND HIS  
12 RESULTING 2.0% LONG-TERM INFLATION RATE.

13       A.     No. The Company accepts Mr. Hinton’s recommendations related to term and  
14 inflation rate in the model. PSNC will work with the Public Staff to implement  
15 the necessary changes to the model.

16       Q.     IS IT REASONABLE TO ACCEPT PUBLIC STAFF WITNESS HINTON’S  
17 SUGGESTION THAT THE COMPANY FILE FOR AN EXCEPTION TO  
18 RULE R7-16 WHEN NEW RESIDENTIAL GAS EXTENSION PROJECTS  
19 REQUIRE SUBSTANTIAL CAPITAL?

20       A.     No. It is unreasonable to accept Public Staff witness Hinton’s suggestion that  
21 the Company file for an exception to the Rule R7-16(b)(1) PSNC extends gas  
22 service to new customers in new subdivisions where costs are substantial.

1 First, Rule R7-16(b)(1), cited by Mr. Hinton, is applicable to the  
2 extension of water mains, not natural gas lines, which are governed by Rule R6-  
3 11. Additionally, even if Rule R7-16 were applicable to natural gas mains,  
4 Section (b)(1) expressly excludes subdivisions.

5 Second, Section 23(d) of the Company's Rules and Regulations  
6 provides an allowance for mains and service lines for distances totaling up to  
7 200 feet, which considers only existing structures for extensions to new  
8 subdivisions.<sup>1</sup> This limitation on the 200-foot allowance has been in the  
9 Company's approved Rules and Regulations for at least 25 years as an  
10 appropriate exception to the extension allowance.

11 **HIGH EFFICIENCY DISCOUNT RATE PROGRAM COSTS**

12 Q. DO YOU AGREE WITH PUBLIC STAFF WITNESSES JAMES M. SINGER  
13 AND DAVID M. WILLIAMSON'S RECOMMENDATION TO KEEP HIGH  
14 EFFICIENCY DISCOUNT RATE PROGRAM COSTS IN BASE RATES?

15 A. No, I do not agree with the recommendation to keep the High Efficiency  
16 Discount Rate program costs in the Company's base rates rather than being  
17 included in the proposed Rider F with the other energy efficiency ("EE")  
18 programs. The Public Staff's recommendation is based on their perception that  
19 it "may be difficult" for the High Efficiency Discount Rate program to generate  
20 savings apart from savings resulting from the Residential New Construction  
21 program or other EE programs.

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<sup>1</sup> As background, Section 23(d) of the Company's Rules and Regulations states in part, "For proposed new sub-divisions, the allowance for extensions of Mains and Service Lines will be considered only for existing structures that plan to use Gas at the time the Main is to be extended."

1 PSNC witness Jim Herndon's testimony clearly delineates the  
2 anticipated savings of each of the programs, including the High Efficiency  
3 Discount Rate program. The Company can alleviate the Public Staff's concern  
4 by tracking the savings associated with each program that its customers are  
5 qualifying under. The Commission should reject the Public Staff's  
6 recommendation to remove the High Efficiency Discount Program from the  
7 Company's proposed EE portfolio, which would remove it from the Rider F  
8 tracking mechanism.

9 **AFFORDABILITY**

10 Q. HOW DO YOU RESPOND TO PUBLIC STAFF WITNESS FLOYD'S  
11 RECOMMENDATIONS REGARDING AN AFFORDABILITY  
12 STAKEHOLDER PROCESS?

13 A. The Public Staff recommends that the Commission consider issues of  
14 affordability for low-income natural gas residential customers that were  
15 recently raised in several electric rate case dockets for low-income electric  
16 residential customers. Public Staff witness Floyd recommends that the  
17 Commission issue an order either convening a stakeholder process separate  
18 from Duke Energy Carolinas, LLC's ("DEC") and Duke Energy Progress,  
19 LLC's ("DEP") current, ongoing affordability stakeholder process, or,  
20 alternatively, require PSNC to join the existing DEC and DEP affordability  
21 stakeholder process.

22 PSNC agrees with Public Staff witness Floyd that affordability for low-  
23 income natural gas residential customers is an important issue, and PSNC

1 supports a coordinated approach among the utilities to hold stakeholder  
2 meetings to discuss affordability.

3 **IMT MECHANISM**

4 Q. PLEASE DESCRIBE PUBLIC STAFF WITNESS PERRY'S  
5 RECOMMENDATIONS WITH REGARD TO PSNC'S INTEGRITY  
6 MANAGEMENT REVENUE REQUIREMENT ("IMRR") MODEL.

7 A. As discussed in the Public Staff's 2020 Annual IMT Report in Docket No. G-  
8 5, Subs 565C and 628, the Public Staff determined during its review of PSNC's  
9 IMRR model that additional modifications to the model may be needed to  
10 address some of the Public Staff's concerns. Public Staff witness Perry states  
11 that the Public Staff plans to send PSNC a template of its proposed  
12 modifications to the mechanism prior to the Company's annual IMT filing on  
13 January 31, 2022 and will work with the Company to implement the  
14 recommended changes. She also states that the Public Staff will work with the  
15 Company to update the tariff inputs for the margin percentages by month and  
16 by rate class, as well as the special contract credits once this proceeding is  
17 complete and a final order issued.

18 Q. DOES PSNC AGREE WITH THE PROCESS PROPOSED BY PUBLIC  
19 STAFF WITNESS PERRY TO MODIFY THE IMT MECHANISM AND  
20 UPDATE THE TARIFF?

21 A. Yes. PSNC looks forward to reviewing the Public Staff's template of proposed  
22 modifications to the mechanism prior to the Company's Annual IMT filing on  
23 January 31, 2022 and agrees to work with the Public Staff to implement any

1 necessary changes. PSNC also agrees to work with the Public Staff to update  
2 the tariff inputs for the margin percentages.

3 **RESEARCH AND DEVELOPMENT**

4 Q. PLEASE SUMMARIZE PSNC'S RESEARCH AND DEVELOPMENT  
5 PROPOSAL INCLUDED IN THE COMPANY'S APPLICATION.

6 A. PSNC has proposed a research and development initiative that focuses on  
7 studying the effects of blending hydrogen with natural gas and determining the  
8 safety and viability of such blended natural gas. To fund this initiative, the  
9 Company has proposed a \$285,000 adjustment. This specific cost adjustment  
10 is based on a PSNC affiliate's similar, successful hydrogen pilot project in Utah,  
11 which focuses on studying the feasibility of hydrogen blending, its availability,  
12 storage, and pricing. PSNC believes that the adjustment is reasonable, based  
13 on a similar pilot program, and supportive of environmental sustainability.

14 Q. DOES THE PUBLIC STAFF SUPPORT THIS RESEARCH AND  
15 DEVELOPMENT PROPOSAL?

16 A. No. Public Staff witness Neha R. Patel states that the Public Staff does not  
17 agree with the Company's proposal. Ms. Patel states that PSNC has not  
18 provided "any costs specific to this program for North Carolina," and that the  
19 Public Staff should be given the opportunity to examine such new projects and  
20 make recommendations to the Commission before its implementation.

1 Q. HAS PSNC PROVIDED THE PUBLIC STAFF ADDITIONAL  
2 INFORMATION ON ITS PROPOSED HYDROGEN RESEARCH AND  
3 DEVELOPMENT INITIATIVE?

4 A. The Company recently provided the Public Staff a more detailed cost  
5 breakdown of PSNC's proposed hydrogen research and development initiative.  
6 The Company believes that this provided the Public Staff with the information  
7 necessary to support the Company's proposal.

8 Q. DOES THE PUBLIC STAFF SUPPORT THE GREENTHERM™  
9 PROGRAM?

10 A. Yes. Public Staff witness Patel states that the Public Staff supports the  
11 development of a voluntary GreenTherm™ program and recommends that the  
12 Commission order PSNC to proceed with the development of the program.  
13 However, the Public Staff does not believe that the program should receive final  
14 approval until the Company has received the results of its request for proposals  
15 ("RFP"), determined the cost of a block of therms, and determined the sources  
16 for the renewable gas. The Public Staff also advocated for the Company to  
17 consider carbon offsets.

18 Q. PLEASE DESCRIBE THE PURPOSE AND THE STATUS OF THE  
19 PROGRAM.

20 A. The GreenTherm™ program will enable the Company's customers, who  
21 choose to be more environmentally sustainable, to purchase renewable natural  
22 gas ("RNG") attributes. The Company is developing the RFP for the RNG



1 attributes. PSNC anticipates that the results of the RFP and related pricing will  
2 be completed in the first quarter of 2022.

3 Q. WHAT IS THE COMPANY'S REQUEST REGARDING THE  
4 GREENTHERM™?

5 A. The Company requests that the Commission approve the GreenTherm™  
6 program and Rider G in this proceeding on the condition that the Company  
7 promptly file the RNG attribute costs and other supporting information for  
8 Commission approval after responses to the Company's RFP are received. The  
9 Company believes that this proposed conditional approval will yield more  
10 meaningful bids. The Company agrees with the Public Staff's recommendation  
11 to price the GreenTherm™ per-therm block attributes before the Commission  
12 considers final approval of the program, and the Company will provide the  
13 details to the Public Staff for review before filing with the Commission. The  
14 Company will evaluate the benefits of including carbon offsets in its RFP and  
15 provide the Public Staff an update in the first quarter of 2022.

16 Q. DOES THIS COMPLETE YOUR REBUTTAL TESTIMONY?

17 A. Yes, although I reserve the right to supplement or amend my testimony before  
18 or during the Commission's hearing in this proceeding.