



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

October 15, 2021

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Docket No. G-5, Sub 632 – Application of Public Service Company of North Carolina, Inc., for a General Increase in Rates and Charges; and G-5, Sub 634 - Application for Approval to Modify Existing Conservation Programs and Implement New Conservation Programs

Dear Ms. Dunston:

Attached for filing in the above-referenced dockets is the settlement testimony and exhibit of Sonja R. Johnson, Staff Accountant, Accounting Division.

By copy of this letter, I am forwarding a copy to all parties of record by electronic delivery.

Sincerely,

Electronically submitted
s/ Gina C. Holt
Staff Attorney
gina.holt@psncuc.nc.gov

Attachment

Executive Director
(919) 733-2435

Accounting
(919) 733-4279

Consumer Services
(919) 733-9277

Economic Research
(919) 733-2267

Energy
(919) 733-2267

Legal
(919) 733-6110

Transportation
(919) 733-7766

Water/Telephone
(919) 733-5610

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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

DOCKET NO. G-5, SUB 632)	
)	
In the Matter of)	
Application of Public Service Company)	
of North Carolina, Inc., for a General)	SETTLEMENT
Increase in Rates and Charges)	TESTIMONY OF
)	SONJA R. JOHNSON
DOCKET NO. G-5, SUB 634)	PUBLIC STAFF – NORTH
)	CAROLINA UTILITIES
In the Matter of)	COMMISSION
Application for Approval to Modify)	
Existing Conservation Programs and)	
Implement New Conservation)	
Programs)	

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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

**SETTLEMENT TESTIMONY OF SONJA R. JOHNSON SUPPORTING
STIPULATION**

**ON BEHALF OF THE PUBLIC STAFF –
NORTH CAROLINA UTILITIES COMMISSION**

October 15, 2021

1 **Q. MS. JOHNSON, WHAT IS THE PURPOSE OF YOUR TESTIMONY**
2 **IN SUPPORT OF STIPULATION IN THIS PROCEEDING?**

3 A. The purpose of my Settlement Testimony is to support the Stipulation
4 filed on October 15, 2021 between Public Service Company of North
5 Carolina, Inc. (PSNC or the Company), the Public Staff, Carolina
6 Utility Customers Association, Inc., and Evergreen Packaging, LLC
7 (Stipulating Parties) regarding PSNC’s filed updates as of June 30,
8 2021, and certain issues related to the Company’s pending
9 application for a general rate increase.

10 **Q. PLEASE BRIEFLY DESCRIBE CHANGES ADDRESSED IN THE**
11 **STIPULATION.**

12 A. The Stipulation sets forth agreement between the Stipulating Parties
13 regarding the following revenue requirement and rate issues. A
14 reconciliation of the June updates and settlement adjustments to
15 PSNC’s filed rate increase is shown on Settlement Exhibit I:

- 1 (1) Return on Equity, Capital Structure, and Debt Cost.
- 2 (2) Update of revenues, cost of gas, rate base, and expenses to
- 3 June 30, 2021.
- 4 (3) Amortization of Deferred Assets.
- 5 (4) Non-Utility Adjustment.
- 6 (5) Board of Directors Expenses.
- 7 (6) Compensation Adjustments.
- 8 (7) Miscellaneous Expense Adjustments.
- 9 (8) Uncollectibles Adjustment.
- 10 (9) Regulatory Fee Adjustment.
- 11 (10) Rate Case Expense.
- 12 (11) Depreciation Study.
- 13 (12) Hydrogen Research Program Development.
- 14 (13) CNG Tax Credit Adjustment.

15 The details of the agreements between the Stipulating Parties in
16 these areas are set forth in the Stipulation.

17 **Q. WHAT BENEFITS DOES THE STIPULATION PROVIDE FOR**
18 **RATEPAYERS?**

19 A. From the perspective of the Public Staff, the most important benefits
20 provided by the Stipulation are as follows:

- 21 (a) A reduction in the Company's proposed revenue increase in
22 this proceeding.
- 23 (b) The avoidance of protracted litigation between the Stipulating
24 Parties before the Commission and possibly the appellate
25 courts.

1 Based on these ratepayer benefits, as well as the other provisions of
2 the Stipulation, the Public Staff believes the Stipulation is in the
3 public interest and should be approved.

4 **Q. WILL THE PUBLIC STAFF BE PRESENTING ITS CALCULATION**
5 **OF THE FINAL REVENUE REQUIREMENT?**

6 A. Yes. The Public Staff will file schedules supporting the Stipulation's
7 recommended revenue requirement.

8 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

9 A. Yes.

Public Service Company of North Carolina
Docket No. G-5, Sub 632
SUMMARY OF SETTLEMENT ADJUSTMENTS
For The Test Year Ended December 31, 2020

Line No.	Item	Settlement Amount
1	Increase in revenue requirement requested by the Company due to June Update	\$53,145,455
2	Company Filed June Update	<u>(3,480,735)</u>
3	Increase in revenue requirement requested by the Company due to June Update	<u>\$49,664,720</u>
	Settlement Adjustments:	
4	Change in equity ratio from 54.86% to 51.60%	(4,918,525)
5	Change in cost of long-term debt from 4.48% to 4.48%	0
6	Change in cost of short-term debt from 0.25% to 0.25%	0
7	Change in return on equity from 10.25% to 9.60%	(7,442,474)
8	Change in retention factor - uncollectibles	(19,901)
9	Plant in Service Updates and Related Items at June 30, 2021 - Including Depreciation Study	30,530
10	Working Capital Updates at June 30, 2021	(38,489)
11	Update gas in storage through June 2021	(213,251)
12	Update materials and supplies through June 2021	162,880
13	Adjust working capital for lead lag to reflect Public Staff adjustments	(40,466)
14	Adjustment to end of period revenue - weather and growth	(240,302)
15	Adjustment to other operating revenues - 4 year average	(744,252)
16	Special Contract - remove PIS associated with Asheville facilities	(498,090)
17	Payroll and Related Expenses updated to June 30, 2021	(491,312)
18	Bonus accruals - removed earnings portion for executives - Additional information provided	(1,653,408)
19	Employee Benefits Percentage - Company percentage and applied to payroll adjustment	(66,473)
20	Board Expenses - removed 50%	(94,671)
21	Executive Compensation Adjustment - removed 50% of test year	(437,871)
22	Removed Severance associated with retirements - Reversed adjustment - below the line	0
23	Nonutility Adjustment - adjusted O&M expenses using PSNC factors	(106,278)
24	Adjustment to Pension and OPEB - updated as of June 30, 2021	(1,055,624)
25	Inflation Adjustment - removed PS adjusted expenses and updated inflation factor	147,390
26	Rate Case Expenses - 3 year amortization	11,959
27	Adjustment to Sponsorships and Dues - Additional information provided	(20,691)
28	Uncollectibles - 4 year average	(126,397)
29	Regulatory Fee @ 0.13%	(1,505)
30	Adjustment to remove transmission O&M expense - Additional information provided	(119,774)
31	TIMP Costs - updated through June 30, 2021 w/ 4 year amortization	(13,021)
32	DIMP Costs - updated through June 30, 2021 w/ 4 year amortization	(5,677)
33	R&D O&M Expenses - Additional information provided	(159,281)
34	Advertising - remove promotional, image, & competitive - Additional information provided	(385,799)
35	Update Interest on Customer Deposits through June 2021	30,657
36	Service Company Charges - 12 months ended June 30, 2021 - Additional information provided	(1,116,309)
37	Customer Accounts Expense - removed postage exp	(43,377)
38	Adjustment for Durham Incident - removed & regulatory asset treatment	(800,921)
39	Adjustment to remove lobbying expenses - Additional information provided	0
40	Adjustment to remove CNG Tax Credit - Reversed adjustment	0
41	Energy Efficiency Rate Discount Program Costs - 5 year average	424,223
42	Adjust cash working capital for revenue impact of Public Staff adjustments	(147,619)
43	Rounding	(6,248)
44	Settlement Adjustments	<u>(20,200,367)</u>
45	Recommended Change in Margin	\$29,464,353
46	Fixed Gas Cost Adjustment	(433,223)
47	LAUF Rate Change	433,223
48	Total Gas Cost-Related Change in Revenue Requirement	<u>0</u>
49	Recommended Change in Revenue Requirement per Settlement	\$29,464,353
	EDIT Rider impacts on Revenue Requirement:	
50	Annual Federal Unprotected EDIT Rider, 5 year flow back	(\$3,768,004)
51	Annual State EDIT Rider, 2 year flow back	(2,563,093)
52	Deferred Over-Collected Revenues, 1 year flow back	<u>(18,690,999)</u>
53	Annual EDIT Rider Impact (Sum of Lines 49 - 51)	<u>(\$25,022,095)</u>
54	Change in Revenue Requirement for Year 1, including EDIT Rider Impact [1]	\$4,442,258
55	Change in Revenue Requirement for Year 2, including EDIT Rider Impact [1]	\$23,133,256
56	Change in Revenue Requirement for Years 3-5, including EDIT Rider Impact [1]	\$25,696,349
57	Change in Revenue Requirement for Year 6, including EDIT Rider Impact [1]	\$29,464,353

[1] Year 1 = Nov 1, 2021 thru Oct 31, 2022
Year 2 = Nov 1, 2022 thru Oct 31, 2023
Year 3 = Nov 1, 2023 thru Oct 31, 2024
Year 4 = Nov 1, 2024 thru Oct 31, 2025
Year 5 = Nov 1, 2025 thru Oct 31, 2026
Year 4 = Nov 1, 2026 thru Oct 31, 2027