



**NORTH CAROLINA  
PUBLIC STAFF  
UTILITIES COMMISSION**

July 25, 2023

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 661 – Application of Public Service Company of North Carolina, Inc. for Annual Review of Gas Costs Pursuant to N.C. Gen. Stat. § 62-133.4(c) and Commission Rule R1-17(k)(6).

Dear Ms. Dunston:

Attached for filing on behalf of the Public Staff in the above-referenced docket is the testimony of Blaise C. Michna, Engineer, Energy Division of the North Carolina Utilities Commission.

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

Sincerely,

Electronically submitted  
/s/ Elizabeth D. Culpepper  
Staff Attorney  
[elizabeth.culpepper@psncuc.nc.gov](mailto:elizabeth.culpepper@psncuc.nc.gov)

/s/ James Bernier, Jr.  
Staff Attorney  
[james.bernier@psncuc.nc.gov](mailto:james.bernier@psncuc.nc.gov)

**Attachments**

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### CERTIFICATE OF SERVICE

I certify that a copy of this Testimony has been served on all parties of record or their attorneys, or both, in accordance with Commission Rule R1-39, by United States mail, first class or better; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 25th day of July, 2023.

Electronically submitted  
/s/Elizabeth D. Culpepper  
Staff Attorney

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BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. G-5, SUB 661

In the Matter of  
Application of Public Service Company )  
of North Carolina, Inc. for Annual )  
Review of Gas Costs Pursuant to )  
N.C. Gen. Stat. § 62-133.4(c) and )  
Commission Rule R1-17(k)(6) )

**TESTIMONY OF  
BLAISE C. MICHNA  
PUBLIC STAFF –  
NORTH CAROLINA  
UTILITIES COMMISSION**

**July 25, 2023**

1 **Q. Please state your name, business address, and current**  
2 **position.**

3 A. My name is Blaise C. Michna, and my business address is 430 North  
4 Salisbury Street, Raleigh, North Carolina. I am a Public Utilities  
5 Engineer in the Natural Gas Section of the Energy Division of the  
6 Public Staff – North Carolina Utilities Commission (Public Staff).

7 **Q. Briefly state your qualifications and duties.**

8 A. My qualifications and experience are provided in Appendix A.

9 **Q. What is the mission of the Public Staff?**

10 A. The Public Staff represents the concerns of the using and consuming  
11 public in all public utility matters that come before the North Carolina  
12 Utilities Commission (Commission). Pursuant to N.C. Gen. Stat. §  
13 62-15(d), it is the Public Staff's duty and responsibility to review,  
14 investigate, and make appropriate recommendations to the  
15 Commission with respect to the following utility matters: (1) retail  
16 rates charged, service furnished, and complaints filed, regardless of  
17 retail customer class; (2) applications for certificates of public  
18 convenience and necessity; (3) franchise transfers, mergers,  
19 consolidations, and combinations of public utilities; and (4) contracts  
20 of public utilities with affiliates or subsidiaries. The Public Staff is also  
21 responsible for appearing before State and federal courts and  
22 agencies in matters affecting public utility service.

1 **Q. What is the purpose of your testimony in this proceeding?**

2 A. The purpose of my testimony is to: (1) present the results of my  
3 review of the gas cost information filed by Public Service Company  
4 of North Carolina, Inc. (PSNC or Company), in accordance with N.C.  
5 Gen. Stat. § 62-133.4(c) and Commission Rule R1-17(k)(6); (2)  
6 provide my conclusions regarding whether the costs associated with  
7 the natural gas purchases made by PSNC during the 12-month  
8 review period ended March 31, 2023, were prudently incurred; (3)  
9 present the results of my review of PSNC's design day demand  
10 requirements and methodology; (4) provide my conclusions  
11 regarding PSNC's short-term capacity and load forecast  
12 requirements; and (5) provide my recommendations regarding  
13 temporary rate increments and/or decrements.

14 **Q. Please explain how you conducted your review.**

15 A. I reviewed the testimony and exhibits of the Company's witnesses,  
16 the Company's monthly deferred account reports, monthly financial  
17 and operating reports, gas supply, pipeline transportation and  
18 storage contracts, monthly reports filed with the Commission in  
19 Docket No. G-100, Sub 24A, and the Company's responses to Public  
20 Staff data requests. The data request responses contained  
21 information related to PSNC's approach to gas purchasing, customer

1 requirements, and gas portfolio mixes. The Public Staff and the  
2 Company have also participated in several virtual meetings.

3 **Q. What other items did you review?**

4 A. Even though the scope of Commission Rule R1-17(k) is limited to a  
5 historical review period, I reviewed other information received in  
6 response to data requests in order to anticipate the Company's  
7 requirements for future needs, including design-day estimates,  
8 forecasted gas supply needs, projected capacity additions and  
9 supply changes, and customer load profile changes.

10 **Q. What is the result of your evaluation of PSNC's gas costs?**

11 A. Based on my investigation and review of the data in this docket,  
12 including information provided by the Company through data  
13 requests and virtual meetings, I believe PSNC's gas costs were  
14 prudently incurred for the 12-month review period ending March 31,  
15 2023.

16 **DESIGN-DAY AND LOAD FORECAST REQUIREMENTS**

17 **Q. Do you have any comments regarding Company witness**  
18 **Jackson's Direct Exhibit 1 and discussion of design-day**  
19 **demand and available asset projections?**

20 A. Yes. To discern how well the Company's projected firm demand  
21 aligns with the projected capacity over the next five years, I reviewed

1 the Company's testimony and other information submitted by the  
2 Company in response to Public Staff data requests and met with the  
3 Company on several occasions to review the assumptions and  
4 calculations utilized in Jackson Direct Exhibit 1.

5 The Company provided review period data of customer usage and  
6 heating degree days (HDDs), which are calculated by taking the  
7 average of the minimum and maximum daily temperatures and  
8 subtracting that quotient from a 65 degrees base (for example, a low  
9 of 10 degrees and a high of 30 would yield 45 HDDs). From this, I  
10 was able to extrapolate the baseload demand and evaluate the  
11 Company's calculations through extrapolation of review period and  
12 past review period data. Examining the customer growth rate, I was  
13 able to evaluate the Company's assumptions around customer  
14 growth for the coming five years. For PSNC's 2022-2023 design day  
15 planning, I accept the Company's design day requirements.

16 For the current review period, the Company contracted for a total of  
17 61,000 dekatherms (dts) per day of firm peaking services from two  
18 different suppliers for a specified number of days during the winter to  
19 meet its expected capacity shortfall during the 2022-23 winter  
20 season. In the short term, Public Staff notes that the Company has  
21 contracted for 40,000 dts/day of short-term peaking supply for the  
22 upcoming winter period and is in the process of acquiring additional

1 peaking services to meet its peak day demand requirements. PSNC  
2 has acquired another 35,000 dts/day of short term peaking supply  
3 for the upcoming winter season as stated by Company witness  
4 Jackson in her Second Supplemental Direct Testimony and Exhibits  
5 filed on July 24, 2023 (Jackson Second Supplemental Testimony).

6 In the long term, Company witness Jackson notes the Company's  
7 precedent agreements with Mountain Valley Pipeline (MVP) for firm  
8 transportation on two projects that, if completed, provide the  
9 Company with a second direct interstate pipeline interconnection.<sup>1</sup>

10 As stated by Company witness Jackson, commencement of the  
11 construction of the 75-mile Southgate lateral project (connecting the  
12 MVP mainline with the Company's system) is contingent upon receipt  
13 by MVP of appropriate federal permits. Construction of Southgate is  
14 estimated to take at least two years after the mainline project is  
15 placed into service as noted by witness Jackson. PSNC has entered  
16 into precedent agreements for 250,000 dts/day of firm transportation  
17 on the mainline, and 300,000 dts/day on firm transportation on  
18 Southgate.<sup>2</sup> Company witness Jackson further states that should the

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<sup>1</sup> After the Fiscal Responsibility Act of 2023 (Act) was enacted, Company witness Jackson filed supplemental testimony regarding provisions of the Act devoted to expediting completion of the MVP mainline project.

<sup>2</sup> Southgate will connect directly with East Tennessee's pipeline, and the additional 50,000 dts/day on Southgate will enable PSNC to make firm deliveries from Saltville storage to its system, replacing less reliable secondary firm deliveries from Transco.



1 MVP mainline be completed, PSNC will benefit from additional  
2 needed natural gas supply into Transco Zone 5, which would help  
3 mitigate price spikes and the recently experienced lower pressures  
4 on Transco.

5 In reviewing the Company's design-day demand over a ten-year  
6 period, the Company forecasted a need for assets in 2030 even if  
7 MVP is placed into service. Witness Jackson states that the  
8 Company developed a plan for a new LNG facility to meet that  
9 incremental need, has selected a site to build an LNG facility with up  
10 to 200 million cubic feet per day of withdrawal capacity for  
11 approximately ten days, and the in-service date of that facility is  
12 estimated to be late 2026 or early 2027. PSNC witness Jackson  
13 further states that the Company is in the process of acquiring the site  
14 and selecting the engineering, procurement, and construction  
15 contractor in order to begin site work in late 2023 or early 2024.

16 **ECONOMIC ANALYSIS OF ANY NEW OR INCREMENTAL SUPPLY**

17 **Q. What did the Commission order in PSNC's previous annual**  
18 **review of gas costs proceeding regarding an economic analysis**  
19 **of new or incremental supply?**

20 A. In Ordering Paragraph 3 of its Order on Annual Review of Gas Costs  
21 issued November 15, 2022, in Docket No. G-5, Sub 642, the  
22 Commission ordered "in its 2023 annual review PSNC shall provide

1 a detailed economic analysis for the Commission's information of  
2 any new or incremental supply proposed to be constructed or  
3 procured, pursuant to the Sub 91 Order."<sup>3</sup>

4 **Q, Did the Company perform a traditional economic analysis to**  
5 **compare the proposed 2 BCF LNG facility to other capacity**  
6 **alternatives?**

7 A. No. Company witness Jackson states that a traditional economic  
8 analysis could not be completed because long-term viable  
9 alternatives to the proposed 2 BCF LNG facility are not available in  
10 a similar timeframe as the LNG project. Witness Jackson further  
11 states that the Company evaluated whether there were alternatives  
12 to the proposed facility that would provide security of supply to serve  
13 firm customers (PSNC's first and foremost criterion in its gas  
14 procurement policy) and determined that there are no viable  
15 alternatives to meet security of supply in the same timeframe as the  
16 new LNG facility.

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<sup>3</sup> The "Sub 91 Order" is referencing the Commission's Order Requiring Reporting issued June 28, 2013, in Docket No. G-100, Sub 91.

1 **Q. How did the Public Staff investigate the Company's decision to**  
2 **build a 2 BCF LNG facility?**

3 A. In order to evaluate the Company's decision to build a 2 BCF LNG  
4 facility, the Public Staff sent discovery requests to the Company  
5 regarding issues such as alternatives to the LNG facility analyzed by  
6 the Company to address peak day, seasonal, and/or year-round  
7 supply and capacity system requirements; operational advantages  
8 and disadvantages of an LNG facility as compared with other  
9 alternatives analyzed by the Company; and the cost comparison for  
10 LNG facilities of different capacity sizes.

11 **Q, Do you have any comments regarding the economic analysis as**  
12 **filed by the Company?**

13 A. No, not at this time. After discussion with the Public Staff, the  
14 Company filed Jackson Second Supplemental Testimony providing  
15 the estimated project costs comparison between a 1.5 BCF and a  
16 2BCF LNG facility.

17 The Public Staff has reviewed this analysis and agrees that it  
18 indicates support for the Company's current position. The Public  
19 Staff recognizes that the Company's proposal to construct a 2 BCF  
20 LNG facility will help meet its forecasted demand projections, but we  
21 emphasize the need for further review of this matter as an LNG  
22 facility is a significant plant addition and will ultimately be passed

1 through to customers in the form of rate base. The Public Staff notes  
2 that the Company has committed to keeping the Commission and  
3 the Public Staff informed of the status as the project progresses.

4 Due to the timing of the filing of Jackson Second Supplemental  
5 Testimony, the Public Staff has not had the opportunity to conduct  
6 discovery on the analysis but intends to do so in the Company's next  
7 annual review of gas costs proceeding in order to gain a better and  
8 fuller understanding of the data supporting the analysis and the  
9 customer billing impacts from the construction of this capital-  
10 intensive facility. The Public Staff reserves the right to address this  
11 matter at a future date, including any costs to be recovered in a future  
12 general rate case.

13 **DEFERRED ACCOUNT BALANCES**

14 **Q. Do you have any recommendations regarding PSNC's deferred**  
15 **account balances and any proposed temporary adjustments?**

16 A. Yes, I do. Public Staff witness Sun states in her testimony that the  
17 Sales Customers' Only Deferred Account reflects a credit of  
18 (\$18,999,083), due to the customers by the Company as of March  
19 31, 2023. As stated in Public Staff witness Sun's testimony, the  
20 Public Staff recommends that the credit balance of (\$3,485,031) in  
21 the Hedging Deferred Account as of the end of the review period be  
22 transferred into the Sales Customers' Only Deferred Account

1 reflecting an Ending Balance of (\$22,484,114), owed by the  
2 Company to the customers.

3 As stated by Company witness Creel, the Company is not proposing  
4 any change in the temporary rate increments applicable to the All  
5 Customers' Deferred Account in this proceeding. The Public Staff  
6 agrees with PSNC and recommends no change.

7 Deferred account balances naturally vary between winter and  
8 summer months because fixed gas costs are typically over-collected  
9 during the winter period when throughput is higher due to heating  
10 load and under-collected during the summer when throughput is  
11 lower.

12 The Public Staff notes that the Company received Commission  
13 approval in Docket No. G-5, Sub 662 for an adjustment to its Fixed  
14 Gas Cost rates and charges applicable to its All Customers' Deferred  
15 Account under Rider D to its tariff, for rates effective July 1, 2023.  
16 The All Customers' Deferred Account reflects a debit balance of  
17 \$28,963,641, owed by customers to the Company as of March 31,  
18 2023.

19 Pursuant to the Stipulation and Agreement filed in FERC Docket No.  
20 RP21-1187, PSNC received a refund in the amount of \$1,106,241.02  
21 from Eastern Gas Transmission and Storage, Inc., on February 28,

1 2023, which the Company recorded in the All Customers' Deferred  
2 Account. The Company filed notice of the refund in Docket No. G-  
3 100, Sub 57.

4 During the review period, PSNC made temporary decrements to its  
5 All Customers' Deferred Account, and pursuant to N.C.G.S. § 62-  
6 133.4, used the Purchased Gas Adjustment (PGA) mechanism to  
7 address the deferred account balances that needed to be collected  
8 or refunded. Using the PGA mechanism allows for a quicker  
9 implementation of temporaries to address balances.

10 Due to current market prices, recent volatility in the markets, and the  
11 Company's current deferred account balances, the Public Staff  
12 recommends that PSNC continue to monitor the balances in both the  
13 All Customers' and Sales Customers' Only Deferred Accounts, and,  
14 if needed, file an application for authority to change the benchmark  
15 commodity cost of gas or implement new temporary increments or  
16 decrements through the PGA mechanism in order to keep the  
17 deferred account balances at reasonable levels.

18 **Q. Does this conclude your testimony?**

19 **A.** Yes.



**QUALIFICATIONS AND EXPERIENCE**

BLAISE C. MICHNA

I graduated from Wayne State University with a Bachelor of Science degree in Electrical Engineering in 2016 and The Pennsylvania State University with a Master of Engineering degree in Electrical Engineering in 2021. I currently hold the title of Natural Gas Committee Chair for NASUCA and Consumer Advocate Representative for the Gas Technology Institute.

Prior to joining the Public Staff, I worked in Michigan in several roles for DTE Electric from 2015-2022. During that time, I worked in the company's Fossil Generation group in various capacities of fuel supply operations, coal inventory forecasting, generation studies, fuel procurement, and environmental and regulatory compliance. My final position at the company was as a Fuel Resource Specialist, executing daily natural gas planning and purchasing, long-term natural gas resource planning and procurement, and compilation and preparation of Energy Supply filings with the Michigan Public Service Commission.

I joined the Public Staff in October 2022 as a member of the Natural Gas Section of the Energy Division. My work to date includes Integrity Management Review, Annual Reviews of Gas Costs, Design Day Demand and Capacity Calculations, Purchase Gas Cost Adjustment Procedures, Review of Utility Asset Transfers, Weather Event Investigations, and General and Multi-Year Rate Case Proceedings.