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OFFICIAL COPY

AUG 05 2020

August 5, 2020

Ms. Kimberley A. Campbell, Chief Clerk
North Carolina Utilities Commission
Dobbs Building
430 North Salisbury Street
Raleigh, North Carolina 27603

Re: *Docket No. G-5, Sub 585*

Dear Ms. Campbell:

Enclosed for filing in the above-referenced docket on behalf of Public Service Company of North Carolina, Inc. is its *Petition for Waiver of Code of Conduct Guideline.*

Please do not hesitate to contact me should you have any questions regarding this submittal. Thank you for your assistance with this matter.

Very truly yours,

/s/Mary Lynne Grigg

MLG:kjg

Enclosure

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. G-5, SUB 585

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Joint Application of Dominion Energy, Inc.)	PETITION FOR WAIVER OF
and SCANA Corporation to Engage in a)	CODE OF CONDUCT
Business Combination Transaction)	GUIDELINE

Public Service Company of North Carolina, Inc. (“PSNC” or the “Company”), through counsel and pursuant to Rule R1-5 of the Rules and Regulations of the North Carolina Utilities Commission (“Commission”), respectfully requests that the Commission enter an order waiving the transfer pricing guideline in Section III.D.3(a) of the Code of Conduct Governing the Relationship Among Dominion Energy North Carolina, Public Service Company of North Carolina, Inc., Their Affiliates, and Their Nonpublic Utility Operations (“Code of Conduct”)¹ in connection with leases to be entered into by the Company with Affiliates Dominion Energy Southeast Services, Inc. (“DESS”) and Dominion Energy Services, Inc. (“DES”) to use space in the Company’s Gastonia facility for the purpose of providing services to Utility Affiliates. The waiver would allow the Company to lease the space to DESS and DES at Fully Distributed Cost instead of at the higher of Market Value or Fully Distributed Cost. In support thereof, the Company respectfully shows the following:

¹ Capitalized terms not defined herein are defined in Section I of the Code of Conduct.

1. PSNC is a corporation organized and existing under the laws of the State of South Carolina, having its principal office and place of business at 800 Gaston Road, Gastonia, North Carolina 28056. PSNC is a wholly owned subsidiary of SCANA Corporation (“SCANA”), which is a wholly owned subsidiary of Dominion Energy, Inc. (“Dominion Energy”). PSNC is a public utility engaged in the transportation, distribution, and sale of natural gas within its franchised service area in North Carolina.

2. The attorneys for PSNC to whom all notices or other communications should be sent are:

Mary Lynne Grigg
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PO Box 27507
Raleigh, North Carolina 27611
(919) 755-6573
mgrigg@mcguirewoods.com

B. Craig Collins
MC-C222
220 Operation Way
Cayce, South Carolina 29033-3701
(803) 217-7513
b.collins@dominionenergy.com

3. In the docket referenced above, the Commission approved Regulatory Conditions and the Code of Conduct as part of its approval of the merger of SCANA with Dominion Energy. Section III.D.3 of the Code of Conduct contains general guidelines regarding the prices charged for goods and services exchanged between PSNC and its Affiliates. Subpart (a) requires that, for goods and services provided by PSNC to a Non-Utility Affiliate, the transfer price be the higher of Market Value or PSNC’s Fully Distributed Cost. Subpart (d) states that, except for gas supply transactions and transportation transactions, un-tariffed goods and services between PSNC and a Utility Affiliate are to be transferred at the supplier’s Fully Distributed Cost.

4. DESS² is a Service Company providing gas dispatch services and gas measurement services for PSNC and Dominion Energy South Carolina, Inc. (“DESC”)³ from the Company’s Gastonia facility. DESC is a Utility Affiliate under the Code of Conduct. PSNC and DESS intend to enter into a lease in order for DESS to use the Company’s Gastonia facility in providing these services (Attachment A). DESS’s provision of these services for both PSNC and DESC is a cost-effective means of serving their respective utility customers.

5. DES is a Service Company that provides shared services to PSNC and its Affiliates, including Utility Affiliates. PSNC and DES intend to enter into a lease in order for DES to use the Company’s Gastonia facility in connection with the provision of gas dispatch services to The East Ohio Gas Company, doing business as Dominion Energy Ohio (“DEO”) (Attachment B). DEO is a Utility Affiliate under the Code of Conduct.

6. Because DESS and DES are Non-Utility Affiliates of PSNC, Section III.D.3(a) of the Code of Conduct would require that they pay PSNC the higher of Market Value or PSNC’s Fully Distributed Cost as rent under their respective leases. Under these leases, DESS and DES will use the Gastonia Facility only to provide services to PSNC and its Utility Affiliates. Accordingly, the Company requests that the Commission waive the application of the transfer pricing guideline in Code of Conduct Section III.D.3(a) and apply the guideline in Section III.D.3(d) applicable to transfers involving Utility Affiliates so that the rent can be set at PSNC’s Fully Distributed Cost.

² Following the merger of SCANA and Dominion Energy, SCANA Services, Inc. changed its name to Dominion Energy Southeast Services, Inc.

³ Following the merger of SCANA and Dominion Energy, South Carolina Electric & Gas Company changed its name to Dominion Energy South Carolina, Inc.

7. These leases will have no negative impact on PSNC customers' rates and service and are in the public interest. PSNC submits that this waiver is justified under the circumstances.

WHEREFORE, based on the foregoing, PSNC respectfully requests that the Commission issue an order waiving Code of Conduct Section III.D.3(a) to the extent requested herein.

Respectfully submitted this 5th day of August, 2020.

/s/Mary Lynne Grigg _____
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*Attorney for Public Service Company of
North Carolina, Inc., d/b/a Dominion
Energy North Carolina*

DRAFT
LEASE AGREEMENT

THIS LEASE AGREEMENT (this “Lease”) is made and entered into effective as of the _____ day of _____, 2020, by and between Public Service Company of North Carolina, Incorporated, d/b/a Dominion Energy North Carolina (“Landlord”), and Dominion Energy Southeast Services, Inc. (“Tenant”).

WITNESSETH:

WHEREAS, each of Landlord and Tenant is a direct or indirect wholly-owned subsidiary of Dominion Energy, Inc. (“Dominion”); and

WHEREAS, Tenant provides administrative, management, and other services to Dominion and its subsidiaries, including Utility Affiliates, as defined in the “Code of Conduct Governing the Relationships Among Dominion Energy North Carolina, Public Service Company of North Carolina, Inc., Their Affiliates, and Their Public Utility Operations,” approved by the North Carolina Utilities Commission in Docket No. E-22, Sub 551, and Docket No. G-5, Sub 585; and

WHEREAS, Landlord owns certain real property located at 800 Gaston Road, Gastonia, North Carolina (the “Facility”); and

WHEREAS, Tenant desires to occupy space in the Facility for the purpose of providing services to Utility Affiliates and/or Landlord and Landlord is willing to lease available space in the Facility for that purpose.

NOW, THEREFORE, in consideration of the rents and agreements contained herein, the parties hereby agree as follows:

1. **Leased Premises.** Subject to the terms of this Lease, Landlord hereby leases to Tenant that portion of the Facility to be used by Tenant in providing services to Utility Affiliates and/or Landlord, together with access, parking, and amenities (the “Leased Premises”). The building location and square footage of the Leased Premises are set forth on Exhibit A hereto, which the parties may update from time to time as Tenant’s use of available space in the Facility changes.

2. **Term.** The term of this Lease shall commence on _____ and shall continue until terminated by either party upon not less than thirty (30) days prior written notice to the other party.

3. **Rent.** Each month of the term of this Lease, Tenant shall pay to Landlord its share of the costs of the Facility and equipment used by Tenant, including cost of capital, depreciation, property taxes, and utilities (“Rent”). Tenant’s share of the Facility costs shall be based on the percentage of square footage of the Leased Premises to the total square footage of the building(s) in which the Leased Premises are located. In the event that costs are estimated for any month, Rent shall be trued up when actual costs are determined.

Rent is payable monthly on the last day of each month during the term hereof. If this Lease commences or is terminated on a day other than the first of a month, the Rent shall be prorated during that month.

4. No Assignment; Subletting; Liens. Tenant shall not assign this Lease or any interest or right thereunder or sublet the Leased Premises or any portion thereof without the prior written consent of Landlord.

5. Right of Entry. Tenant agrees that Landlord shall have the right to enter and to grant licenses to others to enter the Leased Premises at any time (a) to examine the Leased Premises, (b) to make repairs to the Leased Premises or make alterations, additions, or repairs to the Facility (including the right, during the progress of such alterations, additions, or repairs, to keep and store within the Leased Premises all necessary materials, tools, and equipment), or (c) for any purpose which Landlord may deem necessary for the operation and maintenance of the Facility.

6. Notice/Miscellaneous.

(a) Any notice required or permitted to be given under this Lease shall be deemed to have been sufficiently given if personally delivered to and signed for by the person named below or mailed by registered or certified mail, postage prepaid, addressed to the party to be notified at the following address, such delivery to be complete upon the earlier of receipt or three days after mailing by registered or certified mail:

If to Landlord:

P.O. Box 1398
Gastonia, NC 28053
Attention: Shaun Randall

If to Tenant:

Attention: _____

or at such other address as may be furnished by notice pursuant to this subsection.

(b) This Lease shall be binding upon Landlord and Tenant, their successors and assigns and inure to the benefit of their successors and assigns.

(c) This Lease shall be governed by the laws of the State of North Carolina.

(d) If any term of this Lease is declared to be illegal or unenforceable, the unaffected terms shall remain in full force and effect.

(e) This Lease may be amended only by an instrument in writing signed by the parties hereto.

(f) This Lease may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

7. Entire Agreement. This Lease contains the entire agreement of the parties with respect to the subject matter hereof and no representation or agreement, oral or otherwise, between the parties not embodied herein shall be of any force or effect.

IN WITNESS WHEREOF, Landlord and Tenant have caused this Lease Agreement to be executed as of the date first written above.

LANDLORD

By: _____

Its: _____

TENANT

By: _____

Its: _____

DRAFT
EXHIBIT A

Leased Premises

Building Location	Building Area (SQ FT)	Leased Premises Area (SQ FT)
Building A	64,967.00	2,211.50
Building B	66,653.98	44,316.36

DRAFT
LEASE AGREEMENT

THIS LEASE AGREEMENT (this “Lease”) is made and entered into effective as of the _____ day of _____, 2020, by and between Public Service Company of North Carolina, Incorporated, d/b/a Dominion Energy North Carolina (“Landlord”), and Dominion Energy Services, Inc. (“Tenant”).

WITNESSETH:

WHEREAS, each of Landlord and Tenant is a direct or indirect wholly-owned subsidiary of Dominion Energy, Inc. (“Dominion”); and

WHEREAS, Tenant provides administrative, management, and other services to Dominion and its subsidiaries, including Utility Affiliates as defined in the “Code of Conduct Governing the Relationships Among Dominion Energy North Carolina, Public Service Company of North Carolina, Inc., Their Affiliates, and Their Public Utility Operations,” approved by the North Carolina Utilities Commission in Docket No. E-22, Sub 551, and Docket No. G-5, Sub 585; and

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Gastonia, NC 28053
Attention: Shaun Randall

If to Tenant:

Attention: _____

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LANDLORD

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Its: _____

TENANT

By: _____

Its: _____

DRAFT
EXHIBIT A

Leased Premises

Building Location	Building Area (SQ FT)	Leased Premises Area (SQ FT)
Building A	64,967.00	2,211.50

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Petition for Waiver of Code of Conduct Guideline, as filed in Docket No. G-5, Sub 585, was served via electronic delivery or mailed, first-class, postage prepaid, upon all parties of record.

This, the 5th day of August, 2020.

/s/Mary Lynne Grigg

Mary Lynne Grigg

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PO Box 27507 (27611)

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Energy North Carolina*