PLACE: Dobbs Building, Raleigh, North Carolina

DATE: Tuesday, August 9, 2022

TIME: 10:00 a.m. - 11:08 a.m.

DOCKET NO: G-5, Sub 642

BEFORE: Commissioner Floyd B. McKissick Jr., Presiding

Commissioner ToNola D. Brown-Bland

Commissioner Karen M. Kemerait

IN THE MATTER OF:

Application of Public Service Company of North Carolina, Inc., for Annual Review of Gas Costs Pursuant to G.S. § 62-133.4(c) and Commission Rule R1-17(k)(6).

A P P E A R A N C E S:

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T A B L E   O F   C O N T E N T S:

E X A M I N A T I O N S:

E X H I B I T S

	IDENTIFIED / ADMITTED
Jackson Direct Exhibit 1, Jackson Direct Exhibit 2, including confidential attachment, and Jackson Direct Exhibit 3	15 / 93
Haw River Assembly Jackson Cross Exhibit 1	53 / 57
Creel Direct Exhibit 1	39 / 93
Creel Supplemental Direct Exhibit 1 .	39 / 93

P R O C E E D I N G S

COMMISSIONER McKISSICK: Well, good morning. Let me thank all of you for being here this morning. Since the clock officially in this hearing room states 10 o'clock, we're going to get started at this time. Let us come to order and go on the record. I'm Commissioner Floyd B. McKissick, Jr. with the North Carolina Utilities Commission, and I've been assigned to preside over this hearing. With me this morning are Commissioners ToNola D. Brown-Bland and Karen Kemerait.

I now call for hearing Docket G-5, Sub 642 which is the Matter of Application of Public Service Company of North Carolina, here and after referred to at times as Public Service for Annual Review of Gas Costs Pursuant to North Carolina General Statute § 62-133.4 Subsection C, and Commission Rule R1-17(k)(6) Subsection K. General Statute § 62-133.4 authorizes Gas Cost Adjustment Proceedings for Natural Gas Local Distribution Companies. General Statute § 62-133.4 Subsection C provides that the Utilities Commission shall conduct annual review proceedings to compare each natural gas utility's prudently incurred costs with costs recovered from all of the utilities customers served during the Test Period. Commission Rule R1-17 subsection (k)(6) prescribes the procedures for such annual reviews of natural gas costs.

On March 22nd, 2022, the Commission issued an Order directing Public Service and the Public Service staff to include in their testimony, specific testimony about Public Service's design, date, demand, methodology, and its design winter load duration curve.

On June 1st, 2022, Public Service filed direct testimony of Rose M. Jackson and Glory J. Creel of Public Service in this annual review proceeding.

On June 17th, 2022, Public Service filed supplemental direct testimony in exhibit of Glory J. Creel.

On June 8th, 2022, the Commission issued an Order scheduling hearing, requiring filing of testimony, establishing discovery guidelines, and requiring public notice, which I will refer to as the schedule in the Order. The Order scheduled the hearing for this date, Tuesday, August 9th, 2022, at 10:00 a.m.

On July 8th, 2022, Haw River Assembly filed a petition to intervene which was granted by Order issued on July 15th, 2022.

On July 25th, 2022, the Public Staff filed testimony appendices of Dustin R. Metz, Shawn L. Dorgan, Sonja R. Johnson, and Jordan A. Nader.

On July 29th, 2022, Public Service filed affidavits of publication, of public notice in compliance with the scheduling order.

On August 3rd, 2022, Public Service and the Public Staff filed a joint motion stating that there are no contested issues between them in this docket. They requested that their witnesses be excused from testifying today, and that the witnesses' prefiled testimony be received into evidence.

On August 5th, 2022, the Commission issued an Order excusing the Public Staff's witnesses but requiring Public Service's witnesses to attend the hearing and testify.

In compliance with the requirements of Chapter 163A of the State Government Ethics Act, I remind the Members of the Commission of their responsibility to avoid conflicts of interest, and I inquire whether any member has a conflict of interest with respect to the matter before us this morning.

(No response)

COMMISSIONER McKISSICK: Let the record reflect that I have no such conflict and that my fellow Commissioners have not identified any such conflicts. I now call for appearances of counsel beginning with Public Service.

MS. GRIGG: Good morning, Commissioners. I'm Mary Lynne Grigg with the law firm of McGuireWoods, appearing on behalf of Public Service Company North Carolina.

MR. NEAL: Good morning, presiding Commissioner McKissick. This is David Neal of the Southern Environmental Law Center, appearing on behalf of Haw River Assembly.

MS. HOLT: Good morning. I'm Gina Holt with the Public Staff, here on behalf of the Using and Consuming Public. And with me, appearing with me today, is Public Staff Attorney David Little.

COMMISSIONER McKISSICK: All right. Are there any preliminary matters which need to be addressed prior to the beginning of the hearing?

MS. GRIGG: No, sir.

COMMISSIONER McKISSICK: If not, let us proceed. Has the Public Staff -- excuse me. At this point in time, I'd like to know if the Public Staff has identified any public witnesses who need to testify today.

MS. HOLT: I have not.

COMMISSIONER McKISSICK: Okay. Let the record reflect that no witnesses have been identified by the Public Staff. And are there any members of the public in the hearing room this morning who wish to testify in this proceeding? If so, if you would come forward at this time.

(No response)

COMMISSIONER McKISSICK: Let the record reflect that no public witnesses were present at the hearing room at the commencement of this hearing. Ms. Grigg, you may proceed with the presentation of Public Service's witnesses.

MS. GRIGG: Thank you, Commissioner McKissick. PSNC calls as a panel Ms. Rose Jackson and Ms. Glory Creel to the stand. Good morning. We'll start with Ms. Jackson today. Ms. Jackson, would you please state your name and business address for the record.

MS. JACKSON: My name is Rose M. Jackson and my business address is 220 Operation Way, Cayce, South Carolina.

MS. GRIGG: By whom are you employed and in what capacity?

MS. JACKSON: I'm employed by Dominion Energy Services Incorporated as the Director of Gas Supply Services.

MS. GRIGG: Did you cause to be prefiled in this docket on June 1st, 2022, direct testimony in question and answer form consisting of 19 pages and three exhibits, of which the attachment to Exhibit 2 was confidential?

MS. JACKSON: Yes, I have.

COMMISSIONER McKISSICK: Let me do one thing before you proceed with your formal testimony. If we could go ahead and get you sworn in.

MS. JACKSON: I was wondering about that. I didn't know if something had changed.

COMMISSIONER McKISSICK: No, no.

MS. GRIGG: That would be appropriate.

COMMISSIONER McKISSICK: Left hand on the bible and raise your right hand.

ROSE M. JACKSON;

being duly sworn,

testified as follows:

COMMISSIONER McKISSICK: Thank you. Now you can proceed.

MS. GRIGG: Thank you, sir.

COMMISSIONER McKISSICK: All right. And we'll do the same when she gets ready to testify.

MS. GRIGG: Yes, sir.

COMMISSIONER McKISSICK: Go right ahead.

DIRECT EXAMINATION BY MS. GRIGG:

Q If I ask you the questions in your direct testimony today, would your answers be the same?

A Yes, ma'am.

Q Do you have a summary of your testimony?

A Yes, ma'am, I do.

Q Would you please read it now.

A Good morning, Commissioners. I discuss in my testimony the gas supply policies and procedures, PSNC doing business as Dominion Energy North Carolina. The purpose of my testimony is to demonstrate that all PSNC gas costs were prudently incurred during the review period ended March 31, 2022, and therefore meet the requirement for recovery.

PSNC's system and its gas supply procurement policy are designed to serve firm customers reliably on a design day. In providing sales service, the Company must acquire supplies of natural gas and arrange for their delivery to PSNC's system. The most appropriate description of PSNC's procurement policy has been, and continues to be, a best-cost supply strategy. This strategy is based upon three primary criteria: supply security, operational flexibility, and the cost of gas. PSNC is committed to acquiring cost-effective supplies of natural gas while maintaining the necessary security and flexibility to serve our customers.

PSNC acquires capacity to meet its customers' demand. PSNC's design-day demand forecast projects firm customer load and is used to determine total asset needs. This forecast is updated annually, and capacity alternatives are evaluated on an on-going basis. If needed, PSNC secures incremental transportation and/or storage capacity to meet the growth requirements of its firm sales customers consistent with its best-cost strategy. To acquire long-term expansion capacity precisely in balance with customer needs is impossible due to the many external factors beyond the Company's control.

In assessing the type of resources needed to meet its design-day demand, PSNC attempts to minimize the per unit delivered gas cost. This analysis incorporates any transportation charges, storage costs, and supplier reservation fees required to deliver gas to PSNC's system, as well as the reliability and timing of new services.

PSNC also utilizes a hedging program to help mitigate natural gas price volatility at a reasonable cost. The hedging program meets this objective by using financial instruments such as call options or futures.

In conclusion, it is my opinion that all of PSNC's gas costs were prudently incurred under its gas supply acquisition policy and I respectfully request those costs be approved. Thank you.

MS. GRIGG: Commissioner McKissick, I move that Ms. Jackson's direct testimony be copied into the record as if given orally from the stand and that her three exhibits be marked for identification as prefiled.

COMMISSIONER McKISSICK: Without objection, your motion's allowed.

(WHEREUPON, Jackson Direct Exhibit 1, Jackson Direct Exhibit 2, including confidential attachment, and Jackson Direct Exhibit 3, is marked for identification as prefiled.)

(WHEREUPON, the prefiled direct testimony of ROSE M. JACKSON is copied into the record as if given orally from the stand.)

BEFORE THE

NORTH CAROLINA UTILITIES COMMISSION

PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INCORPORATED

DOCKET NO. G-5, SUB 642

DIRECT TESTIMONY

OF

ROSE M. JACKSON

JUNE 1, 2022

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Rose M. Jackson. My business address is 220 Operation Way, Cayce, South Carolina.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Dominion Energy Services, Inc. ("DES") as Director – Gas Supply Services.

Q. WHAT ARE YOUR RESPONSIBILITIES?

A. I am responsible for managing the group that supports the gas supply and capacity management functions for Public Service Company of North Carolina, Incorporated, d/b/a Dominion Energy North Carolina ("PSNC" or the "Company"), and its affiliate Dominion Energy South Carolina, Inc. Our group's specific responsibilities for PSNC include planning and procurement of gas supply and pipeline capacity, nominations and scheduling related to natural gas transportation and storage services on interstate pipelines and the Company's system, gas cost accounting, state and federal regulatory issues concerning supply and capacity, asset and risk management, and gas transportation administration.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I graduated from the University of South Carolina in 1988 with a Bachelor of Science degree in Accounting. Following graduation, I worked as an accountant for a national security services firm. In 1992, I began my employment with SCANA Corporation ("SCANA") as an accountant. Over the years, I have held various positions of increasing responsibility related to gas procurement, interstate pipeline and local distribution company scheduling, and preparation of gas accounting information. In May 2002, I became Manager of Operations and Gas Accounting at SCANA and was responsible for gas scheduling on interstate pipelines and gas accounting for all SCANA subsidiaries. In November 2003, I was made Fuels Planning Manager and assisted all SCANA subsidiaries with strategic planning and special projects associated with natural gas. I held this position until promoted to General Manager – Supply and Asset Management in December 2005. Following SCANA's merger with Dominion Energy, Inc. ("Dominion Energy") in 2019, I assumed my current position with DES on January 1, 2021.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A. Yes. I have presented testimony on behalf of the Company many times, including its last nine gas cost reviews.

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

A. North Carolina General Statute Section 62-133.4 allows the Company to track and recover from its customers the cost of natural gas supply and transportation and to adjust customer charges to reflect changes in those costs. This is done through Rider D to the Company's tariff. Under subsection (c) of the statute, the Commission must conduct an annual review of the Company's gas costs, comparing the Company's prudently incurred costs with the costs recovered from customers during a 12-month test period. To facilitate this review, Commission Rule R1-17(k)(6) requires the Company to submit to the Commission, on or before June 1 of each year, certain information for the 12-month test period ended the previous March 31.

The purpose of my testimony is to demonstrate that all gas costs were prudently incurred by the Company during the 12-month review period ended March 31, 2022, and therefore meet the requirement for recovery. My testimony also provides the Commission with information pursuant to the Order Requiring Reporting issued in Docket No. G-100, Sub 91, and describes the Federal Energy Regulatory Commission ("FERC") proceedings in which the Company became a party during the review period, as required by the Commission's Order on Annual Review of Gas Costs issued in Docket No. G-5, Sub 533. Finally, I will describe the status of the Company's discussions with the Public Staff regarding design-day demand methodology, as required by the Commission's Order Requiring Filing of Additional Testimony and Electronic Versions of Excel Exhibits issued in this docket on March 22, 2022.

In addition to my testimony, the Company is submitting the direct testimony and schedules of Glory J. Creel for the purpose of providing the Commission with data necessary to true-up the Company's gas costs during the review period.

Q. PLEASE BRIEFLY DESCRIBE PSNC AND THE COMPOSITION OF ITS MARKET.

A. PSNC is a local distribution company primarily engaged in the purchase, transportation, distribution, and sale of natural gas to more than 625,000 customers in North Carolina. About half of the Company's throughput during the review period consisted of deliveries to industrial or large commercial customers, including electric generation, many of whom either purchased or transported gas under interruptible rate schedules. The remainder of the Company's throughput consisted of firm sales service to residential and small and medium-sized commercial customers.

Q. PLEASE DESCRIBE PSNC'S GAS SUPPLY PROCUREMENT POLICY.

A. PSNC's system and its gas supply procurement policy are designed to serve firm customers reliably on a peak day. In providing sales services, the Company must acquire supplies of natural gas and arrange for their delivery to the Company's system. The most appropriate description of PSNC's gas supply procurement policy is a best-cost supply strategy, which is based on three primary criteria: supply security, operational flexibility, and cost of gas.

The first and foremost criterion is security of gas supply, which refers to the assurance that gas will be available when needed for firm sales customers. Supply security is obtained through a diverse portfolio of suppliers, receipt points, purchase quantity commitments, and terms. Potential suppliers are evaluated on a variety of factors, including past performance, creditworthiness, available terms, gas deliverability options, and supply location.

The second criterion is maintaining the necessary operational flexibility that will enable the Company to react to the effects of unpredictable weather on firm sales customer usage. The Company's gas supply portfolio must be capable of handling the monthly, daily, and hourly changes in these customers' demand needs. Operational flexibility largely results from gas supply agreements having different purchase commitments and swing capabilities (for example, the ability to adjust purchased gas within the contract volume on either a monthly or daily basis) and from injections into and withdrawals out of storage.

The third criterion is the cost of gas. In evaluating costs, it is important to consider not only the actual commodity cost, but also any transportation-related charges such as reservation, usage, and fuel charges. Typically, the greater the flexibility the Company has with a supply contract, the higher the premium assessed. The Company routinely requests gas supply bids from suppliers to help ensure cost-effective proposals. In requests for proposal, suppliers are asked to submit alternative pricing options they believe may be of interest or value to the Company and its customers. In furtherance of its natural gas sustainability initiative, the Company recently began asking that bids include responsibly sourced gas (geologic natural gas that has been certified to meet certain environmental criteria) and renewable natural gas (methane produced from biomass or other renewable sources).

Q. PLEASE DISCUSS THE NATURAL GAS SUSTAINABILITY INITIATIVE.

A. Dominion Energy recently expanded its "Net Zero" commitment to include Scope 3 emissions by 2050. Scope 3 emissions include upstream natural gas purchases. Dominion Energy plans to reduce Scope 3 emissions by doing the following:

(1) Supporting federal methane regulations.

(2) Encouraging suppliers to adopt net-zero commitments.

(3) Requesting supplier emissions disclosures on an annual basis.

(4) Incorporating a sustainability focus into fuel procurement practices.

Q. WHAT TYPES OF SUPPLY CONTRACTS DOES PSNC HAVE IN ITS PORTFOLIO?

A. PSNC has developed a gas supply portfolio made up of long-term agreements and supplemental short-term agreements with a variety of suppliers, including both producers and independent marketers. The portfolio includes:

- Baseload contracts, which provide fixed volumes of gas each day of the contract term.
- Physical option contracts, which provide flexibility to modify the volumes delivered on a monthly or daily basis to address changing demands and weather patterns.
- No-notice contracts, which provide flexibility to increase or decrease delivered volumes daily to respond to changing operational demands and weather.
- Spot (daily) market contracts, which are primarily used for price mitigation, system balancing, and peak shaving.

The Company's gas supply portfolio had approximately 203,000 dekatherms per day (dts/day) under term contracts with five different suppliers as of November 1, 2021, the beginning of the winter heating season for the period under review. These contracts all included provisions to ensure the prices paid were market based. The remaining contracts were for purchases in the spot market. Spot purchase contracts do not include reservation fees but reflect only commodity cost, generally by reference to standard indices or negotiated prices.

Q. HOW DOES PSNC DETERMINE ITS FIRM CUSTOMERS' DEMAND REQUIREMENTS?

A. PSNC estimates firm customer demand on an extremely cold weather day, or design day, using a statistical modeling program that is developed by applying regression analysis to historical firm throughput. Design-day demand is estimated using historical weather and a 50 heating degree-day ("HDD) on a 60-degree Fahrenheit base.

Q. WHAT DESIGN-DAY REQUIREMENTS DID PSNC USE DURING THE REVIEW PERIOD AND HOW DID THE COMPANY PLAN TO MEET THOSE REQUIREMENTS?

A. Column (1) of the table in Jackson Direct Exhibit 1 shows the results of the review period's firm peak-day demand forecast, which was performed prior to the winter heating season, and the assets that were available to meet those firm peak-day requirements going into the winter heating season. The assets included year-round, seasonal, and peaking capabilities and consisted of firm transportation and storage capacity on interstate pipelines as well as the peaking capability of PSNC's on-system liquefied natural gas ("LNG") facility at the Cary Energy Center. They also included short-term peaking services the Company acquired to cover a temporary shortfall of assets.

Columns (2) through (6) on Jackson Direct Exhibit 1 show the current forecast for the next five winter seasons and the assets currently available to meet the projected peak-day demand requirements. Later in my testimony I will discuss the Company's plans for obtaining additional assets to meet those growing demands.

Q. DID PSNC MAKE ANY CHANGES TO THE METHODOLOGY USED TO DEVELOP ITS PEAK-DAY FORECAST?

A. PSNC recently made a minor downward adjustment to the forecast to remove Rate Schedule 150 interruptible sales volumes. These volumes make up a very small percentage of total throughput. The reduction in estimated design-day peak demand was only about 0.5%, or just over 4,000 dekatherms.

Q. WERE ANY OTHER CHANGES TO THE METHODOLOGY CONSIDERED?

A. In its order of March 22, 2022, the Commission directed the Company to work with the Public Staff in this docket to address whether it should consider making any of the design-day demand methodology refinements that were recommended by the Public Staff in Docket No. G-9, Sub 791, for consideration by Piedmont Natural Gas Company. The proposed refinements were:

(1) Firm sales customers should only be assigned their percentage of lost and unaccounted for ("LAUF") gas.

(2) Temperature data for system usage, weighted HDDs, and design-day temperature should be on or near the same time interval and weighted by the same methodologies.

(3) Historical system usage data should be normalized for each respective year's actual customer growth.

(4) Linear versus non-linear regression should be evaluated.

(5) Weekend usage should be evaluated to determine whether to include typically low usage days for system planning purposes.

Q. DID THE COMPANY WORK WITH THE PUBLIC STAFF TO ADDRESS THESE ITEMS?

A. Yes. Company representatives held virtual meetings with members of the Public Staff on April 26 and May 12, 2022.

Q. WHAT WAS THE RESULT OF THOSE MEETINGS?

A. After the proposed refinements were discussed in detail, it was determined that no additional changes to the Company's design-day demand methodology were necessary.

Q. PLEASE PROVIDE THE REASONS FOR NOT ADOPTING THE PROPOSED REFINEMENTS.

A. The reasons were as follows:

(1) The Company uses measurement data of volumes at the city gate to determine throughput of firm sales customers for the demand forecast. The forecast therefore estimates the necessary volumes, including LAUF, to serve firm sales customers on a design day. While customer metered data is used to remove Rate Schedule 150 interruptible sales volumes from throughput for modeling, the effect of LAUF on these volumes is statistically

insignificant (0.002% of 2022-23 design-day demand). Accordingly, the Company's methodology effectively assigns LAUF to only firm customers.

(2) The Company's model uses gas-day temperature data and weights it for HDDs by the same methodology.

(3) The Company's model normalizes historical system usage data.

(4) The Company has developed an adder percentage to reflect the extra amount of throughput used on a historically cold day when all gas heating appliances in a home may be operating at maximum capacity. This provides a non-linear aspect to the Company's forecast methodology.

(5) The Company evaluated weekend usage by accounting for it in the model with a qualitative, or "dummy," variable and determined that it was statistically insignificant.

Q. WHAT PROCESS DOES PSNC UNDERTAKE TO ACQUIRE CAPACITY TO MEET ITS CUSTOMER DEMAND?

A. PSNC's design-day demand forecast projects firm customer load growth and is used to determine total asset needs. This forecast is updated annually, and capacity alternatives are evaluated on an on-going basis. If needed, PSNC secures incremental storage or transportation capacity to meet the growth requirements of its firm sales customers consistent with its best-cost strategy. In assessing the types of resources needed to meet design-day demand, the Company attempts to minimize the per unit delivered gas cost. This analysis incorporates any transportation charges, storage costs, and supplier reservation fees required to deliver gas to the city gate, as well as the reliability and timing of new services.

As I have noted on other occasions, to acquire long-term expansion capacity precisely in balance with customer needs is impossible due to many external factors beyond the Company's control. A significant concern continues to be the long lead time and uncertainty involved in acquiring capacity from new interstate pipeline projects to meet growing customer demand.

Q. PLEASE DESCRIBE PSNC'S INTERSTATE CAPACITY.

A. PSNC subscribes to interstate capacity so that natural gas can be delivered from supply areas or gas storage facilities to PSNC's local distribution system. The interstate transportation and storage providers with whom PSNC has contracted for service include Transcontinental Gas Pipe Line Company, LLC ("Transco"); Columbia Gas Transmission, LLC ("Columbia Gas"); Cove Point LNG, LP ("Cove Point"); Eastern Gas Transmission and Storage, Inc. ("Eastern Gas"); East Tennessee Natural Gas, LLC ("East Tennessee"); Pine Needle LNG Company, LLC ("Pine Needle"); Saltville Gas Storage Company, L.L.C. ("Saltville"); and Texas Gas Transmission, LLC ("Texas Gas").

Most of PSNC's firm transportation and storage capacity is obtained from Transco, which currently is the only interstate pipeline having a direct interconnection with the Company's system. Because Transco is the sole direct interstate pipeline interconnection, the Company needs to use the Transco firm transportation capacity, including segmentation of that capacity, to receive natural gas from the other interstate providers.

Q. WHAT IS SEGMENTATION?

A. Segmentation allows a shipper on an interstate pipeline to double the amount of its contracted-for capacity by scheduling deliveries of natural gas from both directions. Thus, for example, PSNC can use one segment of contracted firm transportation capacity on Transco to schedule deliveries on a primary firm basis from supply points in the Gulf production area northward to the Company's city gate. At the same time, PSNC may be able to use a different, non-overlapping segment of Transco capacity to schedule deliveries on a secondary firm basis from Columbia Gas, Cove Point, Eastern Gas, East Tennessee/Saltville, Pine Needle, and Texas Gas southward to the Company's city gate. In addition, when a segment is not needed to serve customers, PSNC can release it to other shippers, which generates revenue that mitigates the Company's capacity costs.

Q. WHAT ASSETS DID PSNC ACQUIRE TO MEET EXPECTED PEAK-DAY REQUIREMENTS DURING THIS REVIEW PERIOD?

A. To meet an expected capacity shortfall during the 2021-22 winter season, PSNC contracted for a total of 55,000 dts/day of firm peaking services from two different suppliers for a specified number of days during the winter.

Q. WHAT WAS THE REASON FOR THIS SHORTFALL?

A. For the past three winter seasons PSNC has needed short-term peaking assets because its plans since 2015 to acquire incremental interstate pipeline capacity, first on Atlantic Coast Pipeline ("ACP") and later on Mountain Valley Pipeline ("MVP"), have not been realized. ACP originally was expected to be in service by November 2018; after years of delay, the project was cancelled in July 2020. When the Company entered into precedent agreements in December 2017 for the MVP capacity, it expected that the two projects necessary to transport gas to the PSNC system would be in service by sometime in 2020; neither project has been completed.

Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF THE MVP PROJECTS AND THE ARRANGEMENTS THE COMPANY MADE TO OBTAIN SERVICE.

A. If completed, MVP's mainline project will consist of approximately 303 miles of transmission pipeline, with compression facilities, extending from northwestern West Virginia to southern Virginia. Its 75-mile Southgate lateral project, also with compression facilities, is to connect the mainline with the Company's system at delivery points in Rockingham and Alamance Counties, North Carolina.

PSNC has entered into precedent agreements for 250,000 dts/day of mainline capacity and 300,000 dts/day of Southgate lateral capacity. This capacity provides the benefits of a second direct interstate pipeline interconnection, with access to natural gas produced in the Marcellus and Utica shale regions of West Virginia, Pennsylvania, and Ohio. In addition, the Southgate lateral is designed to connect directly with East Tennessee's pipeline, which will enable PSNC to make primary firm deliveries from Saltville storage to the Company's system and replace less reliable secondary firm deliveries using Transco segmented capacity. That is why PSNC contracted for 50,000 dts/day more of capacity on Southgate than on the MVP mainline.

Q. WHAT IS THE CURRENT STATUS OF THE TWO MVP PIPELINE PROJECTS?

A. As of May 2021, the mainline project was more than 92% complete and the estimated in-service date was the summer of 2022. Since then, construction on the project has ceased because of two decisions issued by a three-judge panel of the United States Court of Appeals for the Fourth Circuit earlier this year. On January 25, 2022, the panel issued an opinion invalidating environmental permits granted by the U.S. Forest Service and the Bureau of Land Management for a three-mile segment of the project that crosses the Jefferson Natural Forest. Nine days later, the same panel of judges vacated a determination by the U.S. Fish and Wildlife Service under the Endangered Species Act that the project was unlikely to jeopardize the continued existence of two listed fish species whose habitat the project crosses. Recently, MVP announced that it would pursue new federal permits and that, due to the resulting delay, it had revised the target in-service date for the mainline project to the second half of 2023.

In June 2020, FERC issued an order granting MVP a certificate of public convenience and necessity for Southgate in which it conditioned commencement of construction on receipt by MVP of the appropriate federal permits for the mainline. Construction of Southgate was targeted to start in 2022 and to be completed in the spring of 2023. This schedule will undoubtedly be pushed back because of the delays MVP has experienced in obtaining federal permits for the mainline project.

Q. WHAT DOES THE COMPANY INTEND TO DO AS A RESULT OF THE DELAYS IN ACQUIRING MVP CAPACITY?

A. Until both the mainline and Southgate projects are placed into service the Company will continue taking steps in the near term to address the shortfall in available assets. For the upcoming winter season, PSNC has contracted to obtain 61,000 dts/day of short-term peaking supply and intends to pursue obtaining additional amounts of similar supply.

Beyond that, the Company is developing plans for constructing a new on-system LNG facility with up to 200,000 dts/day of withdrawal capacity for approximately ten days. The timing for completing such a project would depend upon when the MVP capacity becomes available but would be 2026 at the earliest.

Q. PLEASE EXPLAIN.

A. Due to the uncertainty associated with interstate pipeline projects because of litigation, the Company began to review its design-day demand needs over a ten-year period and forecasted a need for assets in 2030 even if MVP is placed into service. The Company began to develop a plan for a new LNG facility to meet that incremental need in 2030. With the extended delays in the MVP projects, the Company decided to accelerate its LNG plan with the ability to adjust the construction schedule to accommodate the in-service date of MVP.

Q. HAVE YOU PROVIDED THE INFORMATION CONCERNING CAPACITY ACQUISITION AS REQUIRED BY THE COMMISSION'S ORDER IN DOCKET NO. G-100, SUB 91?

A. Yes. PSNC's responses to the ten questions set forth in that order are attached as Jackson Direct Exhibit 2.

Q. WHAT ADDITIONAL ACTIONS HAS PSNC TAKEN TO ACCOMPLISH ITS BEST-COST POLICY?

A. PSNC continues to take the following steps to keep its gas costs as low as possible while accomplishing its stated policy goals of maintaining security of supply and delivery flexibility:

- Optimize the flexibility available within its supply and capacity contracts to realize their value.
- Monitor and intervene in matters before the FERC whose actions could impact the rates the Company pays and the services it receives from interstate pipelines and storage facilities.
- Work with industrial customers to facilitate transportation of customer-acquired natural gas.
- Communicate directly with customers, suppliers, and other industry participants and actively monitor developments in the industry.
- Conduct frequent internal discussions concerning gas supply policy and major purchasing decisions.

- Utilize deferred gas cost accounting to calculate the Company's benchmark cost of gas to provide a smoothing effect on gas price volatility.
- Conduct a hedging program to mitigate price volatility.

Q. PLEASE DESCRIBE THE FERC PROCEEDINGS THAT PSNC BECAME A PARTY TO DURING THE REVIEW PERIOD.

A. Jackson Exhibit 3 is a complete listing of the new FERC matters that PSNC intervened in during the review period. PSNC may not have stated a position in a proceeding but filed an intervention without protest or comment. Such interventions typically are made in proceedings where the Company has an interest and the issues or dollar impact appears to be relatively minor but might escalate and become significant later or where the Company would like to receive more information from the participants on an issue in order to monitor future developments. Unless specifically indicated in the last column of Jackson Direct Exhibit 3, PSNC did not express a position during its participation in a matter listed.

Q. WHAT IS THE PURPOSE OF PSNC'S HEDGING PROGRAM?

A. The primary objective of PSNC's hedging program has always been to help mitigate the price volatility of natural gas for firm sales customers at a reasonable cost. The hedging program meets this objective by having financial instruments such as call options or futures in place to mitigate in a cost-effective manner the impact of unexpected or adverse price fluctuations to customers.

Q. PLEASE DESCRIBE PSNC'S HEDGING PROGRAM.

A. PSNC's hedging program provides protection from higher prices through the purchase of call options for up to 25% of estimated firm sales volume. To help control costs, the call options are purchased at a price no higher than 10% of the underlying commodity price. Hedges also are limited to a 12-month future period, which allows the Company to obtain favorable option pricing terms and better react to changing market conditions. The hedging program continues to utilize two proprietary models developed by Kase and Company that assist in determining the appropriate timing and volume of hedging transactions. The total amount available to hedge is divided equally between the two models.

Q. HAS PSNC MADE ANY CHANGES TO ITS HEDGING PROGRAM?

A. No changes were made to PSNC's hedging program during the review period. However, the Company continues to analyze and evaluate the program and will implement changes as warranted.

Q WHAT WAS THE NET ECONOMIC RESULT OF THE HEDGING PROGRAM DURING THE REVIEW PERIOD?

A. During this period, New York Mercantile Exchange prices at the Henry Hub in Louisiana ranged from a low of $2.453 per dt for the May 2021 contract set on April 6, 2021, to a high of $7.346 per dt for the February contract set on January 27, 2022. Overall, the hedging program decreased gas costs by $9,818,653 during the review period.

Q. IN YOUR OPINION, WERE ALL OF THE REVIEW PERIOD GAS COSTS PRUDENTLY INCURRED?

A. Yes. All gas costs were incurred under PSNC's best-cost supply strategy, which this Commission has consistently upheld. In my opinion, they are the result of reasonable business judgments considering the conditions under which the gas purchasing decisions were made.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

MS. GRIGG: Thank you, sir. Now we'll call Ms. Creel.

COMMISSIONER McKISSICK: Ms. Creel, could you place your left hand on the bible and raise your right hand.

GLORY J. CREEL;
being duly sworn,
testified as follows:

DIRECT EXAMINATION BY MS. GRIGG:

Q Good morning.

A Good morning.

Q Please state your name and business address for the record.

A It's Glory Creel, 800 Gaston Road, Gastonia, North Carolina.

Q By whom are you employed and in what capacity?

A Dominion Energy Services, and I am a Senior Analyst in the Rates and Regulatory Department.

Q Did you cause to be prefiled in this docket on June 1st, 2022, direct testimony in question and answer form consisting of six pages and one exhibit?

A Yes, ma'am.

Q Did you also cause to be prefiled in this docket on June 17th, 2022, supplemental testimony in question and answer form consisting of two pages and one exhibit?

A Yes, ma'am.

Q Are there any corrections you'd like to make to your testimony at this time?

A No, ma'am.

Q If I asked you the questions, the same questions in your direct and supplemental testimony today, would your answers be the same?

A Yes, ma'am.

Q Do you have a summary of your testimony?

A Yes, ma'am.

Q Would you please read that now.

A The Purpose of my direct testimony is to present the information and the data required pursuant to Commission Rule R1-17(k)(6). The information and data contained in Creel's Exhibit 1 and 2 attached to my testimony are based on review period ending March 31st, 2022, as prescribed by the Rule. All gas cost accounting during the review period was prepared in accordance with Section 4 and 5 of Rule R1-17(k).

At the end of the review period,

the balance in the Sales Customers Only Deferred Account was under-collected by $10,922,343. The balance in the Hedging Deferred Account $9,818,653 due to the sales customers. When these balances are combined, the total balance due from sales customers is $1,103,690.

At the end of the review period, the balance in the All Customers Deferred Account was an under-collection of $26,676,209. (sic) The Company is not proposing new temporary rate increments or decrements in this proceeding. The Company will continue to take into consideration the balance in the deferred accounts when evaluating whether to file for a change in the benchmark.

In my supplemental testimony, I testified in response to the Commission's June 8th Order establishing this proceeding and explain that the Company's last general rate case, the Commission approved the Company's use of a net of tax interest rate of 6.57 for all deferred accounts adjusted as appropriate for income taxes. I further explain that the Company reviewed the deferred account interest rate as part of the proceeding and determined that no adjustment is necessary at the time. This concludes my summary.

Q Thank you.

MS. GRIGG: Commissioner McKissick, I move that Ms. Creel's direct testimony and exhibit, and supplemental testimony and exhibit, be copied into the record as if given orally from the stand, and that her exhibits be marked for identification as prefiled.

COMMISSIONER McKISSICK: Without objection, motion is allowed.

(WHEREUPON, Creel Direct Exhibit 1, and Creel Supplemental Direct Exhibit 1, is marked for identification as prefiled.)

(WHEREUPON, the prefiled direct and supplemental testimony of GLORY J. CREEL, is copied into the record as if given orally from the stand.)

BEFORE THE

NORTH CAROLINA UTILITIES COMMISSION

PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INCORPORATED

DOCKET NO. G-5, SUB 642

DIRECT TESTIMONY

OF

GLORY J. CREEL

JUNE 1, 2022

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, BY WHOM YOU ARE EMPLOYED AND IN WHAT CAPACITY.

A. My name is Glory J. Creel. My business address is 800 Gaston Road, Gastonia, North Carolina. I am employed by Dominion Energy Services, Inc. as Rates and Regulatory Affairs Analyst III for Public Service Company of North Carolina, Incorporated, d/b/a Dominion Energy North Carolina ("the Company").

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND, WORK EXPERIENCE, AND OTHER QUALIFICATIONS.

A. I graduated from Winthrop University in 2003 with a Bachelor of Science degree in Accounting and in 2004 with a Master of Business Administration with emphasis in Accounting. Following graduation, I worked as an accountant with SCANA Corporation in the Cost of Gas department and as an analyst in the Rates and Regulatory group. Over the years, I have held various positions of increasing responsibility including corporate accounting and budgeting and forecasting. In May 2019, I assumed my current position with the Company.

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

A. The purpose of my testimony is to provide the data necessary to true-up the Company's actual gas costs with the gas costs billed to our customers during the 12-month review period ended March 31, 2022. Commission Rule R1-17(k)(6) sets forth the filing requirements for the annual review of gas costs. Subsection (c) requires the Company to file certain data showing actual gas costs, volumes of gas purchased, and such other information as may be directed by the Commission.

Q. HAVE YOU CAUSED TO BE PREPARED AND FILED THE DATA REQUIRED BY COMMISSION RULE R1-17(k)(6)(c)?

A. Yes. The required information provided in Schedules 1 through 10 of Creel Direct Exhibit 1 attached to my testimony was prepared under my supervision. The following schedules were prepared in the prescribed format:

Schedule 1: Summary of Cost of Gas Expense

Schedule 2: Summary of Demand and Storage Charges

Schedule 3: Summary of Commodity Gas Cost

Schedule 4: Summary of Other Cost of Gas Charges (Credits)

Schedule 5: Summary of Demand and Storage Rate Changes

Schedule 6: Summary of Demand and Storage Capacity Level Changes

Schedule 7: Summary of Demand and Storage Costs Incurred Versus Collected

Schedule 8: Summary of Deferred Account Activity - Sales Customers Only Account

Schedule 9: Summary of Deferred Account Activity - All Customers Account

Schedule 10: Summary of Gas Supply

In addition, Creel Direct Exhibit 2 sets forth the review period Hedging Deferred Account Activity.

Q. DID THE COMPANY FOLLOW THE GAS COST ACCOUNTING PROCEDURES PRESCRIBED BY RULE R1-17(k) FOR THE TWELVE MONTHS ENDED MARCH 31, 2022?

A. Yes. The Company followed the gas cost accounting procedures in accordance with Sections (4) and (5) of Rule R1-17(k).

Q. HAS THE COMPANY FILED MONTHLY AN ACCOUNTING OF GAS COSTS AND DEFERRED ACCOUNT ACTIVITY WITH THE COMMISSION AND THE PUBLIC STAFF?

A. Yes, the required filings were made.

Q. HAVE THERE BEEN ANY CHANGES DURING THE REVIEW PERIOD THAT WOULD NECESSITATE ADJUSTMENTS TO THE INTEREST RATE CALCULATION?

A. The Company has reviewed its interest rate calculations and does not recommend an adjustment to the interest rate at this time.

Q. WHAT ACTIVITY OCCURRED IN THE SALES CUSTOMERS ONLY DEFERRED ACCOUNT DURING THE TWELVE MONTHS ENDED MARCH 31, 2022?

A. The activity in the Sales Customers Only deferred account is set forth below:

Under-Collection as of March 31, 2021	$4,501,726
Commodity Cost Under-Collections	$5,790,990
Hedging Deferred Account Balance as of March 31, 2021	($436,502)
Uncollectible Gas Cost	$491,746
Miscellaneous Adjustments	($187,155)

Accrued Interest	$761,538
Under-Collection as of March 31, 2022	$10,922,343

Q. WHAT ACTIVITY OCCURRED IN THE ALL CUSTOMERS DEFERRED ACCOUNT DURING THE TWELVE MONTHS ENDED MARCH 31, 2022?

A. The activity in the All Customers deferred account is set forth below:

Under-Collection as of March 31, 2021	$8,065,604
Demand Cost Under-Collections	$42,799,423
Commodity Cost Under-Collections	$6,436,109
All Customers Increment	($9,254,551)
Miscellaneous Adjustments	($453,917)
Secondary Market Transaction Credits	($21,812,797)
Supplier Refunds	($1,144,170)
Accrued Interest	$2,131,508
Under-Collection as of March 31, 2022	$26,767,209

Q. DID THE COMPANY ACCOUNT FOR CAPACITY RELEASE AND OTHER SECONDARY MARKET TRANSACTIONS DURING THE REVIEW PERIOD IN ACCORDANCE WITH THE COMMISSION'S ORDER IN DOCKET NO. G-100, SUB 67?

A. Yes, seventy-five percent of the net compensation received from secondary market transactions was recorded in the All Customers deferred account.

Q. PLEASE DISCUSS CREEL DIRECT EXHIBIT 2.

A. Creel Direct Exhibit 2 reflects the cash transactions associated with the Company's hedging program during the 12-month review period ended

March 31, 2022. As of the end of the review period, there was a credit (over-collection) balance of ($9,818,653) due to the sales customers in the Hedging deferred account. When netted with the $10,922,343 debit (under-collection) balance in the Sales Customers Only deferred account, the total is $1,103,690 due from sales customers.

Q. DOES THE COMPANY CURRENTLY HAVE ANY TEMPORARY RATE INCREMENTS OR DECREMENTS RELATED TO ITS SALES CUSTOMERS ONLY AND ALL CUSTOMERS DEFERRED ACCOUNTS?

A. Yes. Temporary increments applicable to the All Customers deferred account took effect December 1, 2021.

Q. DOES THE COMPANY PROPOSE NEW TEMPORARY RATE INCREMENTS OR DECREMENTS?

A. The Company is not proposing new temporary rate increments or decrements at this time. The Company proposes to leave the current temporary increments applicable to the All Customers deferred account in place and monitor the balance in the account to determine when or if changes are required.

Q. IN DOCKET NO. G-5, SUB 442, THE COMMISSION STATED THAT IN FUTURE GAS COST PRUDENCE REVIEWS THE COMPANY SHOULD DISCUSS ANY SIGNIFICANT ACCOUNTING CHANGES THAT OCCURRED DURING THE REVIEW PERIOD. WERE THERE ANY SUCH CHANGES DURING THIS REVIEW PERIOD?

A. The Company did not make any significant accounting changes during the review period.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

BEFORE THE

NORTH CAROLINA UTILITIES COMMISSION

PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INCORPORATED

DOCKET NO. G-5, SUB 642

SUPPLEMENTAL DIRECT TESTIMONY

OF

GLORY J. CREEL

June 17, 2022

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, BY WHOM YOU ARE EMPLOYED AND IN WHAT CAPACITY.

A. My name is Glory J. Creel. My business address is 800 Gaston Road, Gastonia, North Carolina. I am employed by Dominion Energy Services, Inc. as Rates and Regulatory Affairs Analyst III for Public Service Company of North Carolina, Incorporated, d/b/a Dominion Energy North Carolina ("the Company").

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

A. Yes, I pre-filed direct testimony in this proceeding on June 1, 2022.

Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT TESTIMONY?

A. The purpose of my supplemental direct testimony is to provide additional information that will enable the Commission and Public Staff to review the interest rate presently being applied to the Company's deferred accounts and to determine whether a change is warranted, as required by the Commission's Order Scheduling Hearing, Requiring Filing of Testimony, Establishing Discovery Guidelines and Requiring Public Notice issued in this docket on June 8, 2022.

Q. WHAT IS THE INTEREST RATE PRESENTLY BEING APPLIED TO THE COMPANY'S DEFERRED ACCOUNTS?

A. In the Company's last general rate case, Docket No. G-5, Sub 632, the Commission approved in Finding of Fact No. 33 of its Order dated January 21, 2022, the Company's use of "a net of tax interest rate of 6.57% for all deferred accounts, adjusted as appropriate for income taxes."

Q. DID THE COMPANY REVIEW THE DEFERRED ACCOUNT INTEREST RATE AS PART OF THIS PROCEEDING?

A. Yes. The Company reviewed the 6.57% annual interest rate approved in Docket No. G-5, Sub 632, and determined that no adjustment is necessary at this time. Creel Supplemental Direct Exhibit 1 attached hereto sets forth the calculation of the 6.57% annual interest rate at Schedule 1. This rate was applicable to deferred account interest starting in January 2022 when approved by the Commission in the Company's general rate case. As provided in the applicable riders of the Company's tariff, the Company will continue to review the interest rate calculation annually and make adjustments as necessary.

Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?

A. Yes, it does.

MS. GRIGG: Thank you, sir. The witnesses are available for questions.

COMMISSIONER McKISSICK: Thank you.

MR. NEAL: Presiding Commissioner McKissick, may I have a few cross questions before Commission's questions?

COMMISSIONER McKISSICK: Sure. Go right ahead.

MR. NEAL: Thank you.

CROSS EXAMINATION BY MR. NEAL:

Q Ms. Jackson --

A Yes, sir.

Q -- good morning.

A Good morning.

Q Just to set the stage, PSNC entered into a precedent agreement with MVP and MVP Southgate to meet expected peak-day requirements. Isn't that right?

A Yes, sir.

Q And that was incremental capacity of 250,000 dekatherms a day. Is that right?

A That's correct.

Q And you also testified that as a result of delays in acquiring MVP capacity, that PSNC continues to contract for short-term peaking capacity. Isn't that right?

A Yes, sir.

Q And is developing plans for constructing a new LNG facility with capacity for 200,000 dekatherms a day for approximately 10 days?

A Yes, sir, but we have been considering an LNG plant because the next traunch of capacity that the Company would need would occur approximately that 20/30 time frame, so we had been working on an LNG plant. And now that MVP has been delayed due to ongoing litigation, we're evaluating whether we need to pull up the date of that LNG plant.

Q But just to clarify, that they're both meeting the same goal. Isn't that right, of meeting peak day demand or --

A Or meeting the firm customer demand growth that we project on our system.

Q And Ms. Jackson, did you review the testimony of Public Staff witness Dustin Metz?

A Yes, sir.

Q And do you recall his testimony on page 5, line 16 to page 6, line 8 regarding the lack of a cost benefit analysis for the LNG facility?

A Can you refer to those pages again? I'm sorry.

Q Yes, Ms. Jackson. It starts on the page 5, line 16, as I recall, and goes on to page 6. And on page 6, line 1, testifies, "Given the absence of an economic or cost benefit analysis and potential supply constraints, at this time, the Public Staff cannot determine the optimal resource to meet the Company's firm supply needs." Do you remember that testimony?

A Yes, sir. I have it.

Q Great. Do you know when PSNC will propose the detailed economic analysis requested by the Public Staff in Mr. Metz' testimony?

A As Mr. Metz referred to G-100, Sub 91, the Company has ongoing discussions with Public Staff and with the Commission to update them, and to apprise them of any changes. Not only in our asset mix, but if there's any key changes in the industry overall, so we have agreed and we will continue to do so. We have updated on a continual basis.

But I will tell you that right now, as far as an evaluation of assets, to compare assets that are in the market place, it's not necessarily just an economic assessment of a cost per delivered dekatherm to a customer. Right now, my major concern, and the concern of the customer, is being able to reliably serve firm customers, so availability has become a key concern. It goes back to reliability. We have an obligation to serve. And right now, it's get getting more and more difficult to find assets to serve those firm customers.

MR. NEAL: At this time, if I could mark one exhibit.

COMMISSIONER McKISSICK: Go right ahead.

MR. NEAL: Presiding Commissioner McKissick, if I could mark this as Haw River Assembly Jackson Cross Exhibit 1. It's an excerpt from the data request responses from the Company to Haw River Assembly.

(Haw River Assembly Jackson Cross Exhibit 1 was marked for identification.)

COMMISSIONER McKISSICK: Okay. You may proceed.

Q Ms. Jackson, you've been handed what's been marked as Haw River Assembly Jackson Cross

Exhibit 1 which is an excerpt of non-confidential portions of data request responses to us. If I could direct you to what is page 7. It's the third page, but it's marked as page 7, request 1-20 which asks with regard to Jackson Direct, page 15, lines 10 to 14, and PSNC's plans to construct a new LNG facility with up to 200,000 dekatherms a day of withdrawal capacity for approximately 10 days, skipping down, can you read the request under Part D of 1-20?

A "Has PSNC modeled the cost for meeting design-day requirements with the new proposed LNG facility compared to gas on MVP Southgate considering an apples-to-apples comparison that considers the cost of gas on MVP Southgate for meeting design-day requirements? If so, please provide that cost comparison. If not, how does PSNC evaluate the cost of different strategies for meeting design-day requirements?"

Q And if you skip ahead to page 8, your Company's response to D is the very last item. Can you read the response of the Company?

A Yes, sir. "PSNC has not performed an apples-to-apples comparison of the new proposed

LNG facility and flowing gas on MVP Southgate. Such a comparison cannot be done because the options provide two different levels of service. The new proposed LNG facility will provide a 10-day peaking option while the MVP Southgate capacity will provide year-round service. Additionally, the commodity cost of gas supply obtained through MVP Southgate is projected to be lower than Gulf Coast gas supply."

Q So Ms. Jackson, it's PSNC's position that it's not possible to compare the cost of MVP Southgate for meeting expected design-day requirements with the cost of a new LNG facility to meet those same design-day requirements?

A No, sir. The question -- if you go back to page 7, 1-20D, it states, "the new proposed LNG compared to gas on MVP Southgate considering an apples-to-apples comparison." And our response is that an apples-to-apples comparison cannot be done because you're looking at an LNG facility that provides 10 days of service versus the MVP Southgate project that will provide 365 days a year of service. And in the event that we are not able to bring in Marcellus Shale gas, then we're looking at Transco Gulf coast gas. So those commodity costs are going to be different, but they're just different assets. It's comparing an apple to an orange.

Q And in this case, the apple is -- the purpose of the apple is to meet design-day requirements. Isn't that right?

A Yes, sir, it is.

Q And the purpose of the orange is to meet design-day requirements. Isn't that right?

A Yes, sir.

Q And do you recall in last year's annual gas cost docket, the testimony of Gregory Lander in Docket G-5, Sub 635?

A I don't recall the specifics, but yes, I remember his testimony.

Q And do you recall -- recognizing that PSNC didn't agree with his testimony, but do you recall a significant portion of his testimony related to an all-in cost analysis method that would enable an apples-to-apples comparison of respective costs of alternative means for achieving a defined goal?

A I recall some of the statements that he made, and

I also recall that I disagreed with his evaluation and his comparison of the different types of assets.

Q Right. Recognizing that you didn't agree with the conclusions, he did provide a methodology for how one might go about making such a comparison. Isn't that right?

A And I found flaws in that suggested methodology.

MR. NEAL: And at this time, Presiding Commissioner McKissick, we would just take judicial notice of the testimony offered in last year's annual gas cost docket, G-5, Sub 635 of Gregory M. Lander.

COMMISSIONER McKISSICK: Appropriate. Duly noted. Allowed.

MR. NEAL: Thank you. No further questions.

THE WITNESS: Thank you.

COMMISSIONER McKISSICK: Does Public Staff have any cross-examination?

MR. NEAL: I'm sorry. At the appropriate time, I would move admission of the exhibit, but I'm --

COMMISSIONER McKISSICK: Allowed. No objections.

(Haw River Assembly Jackson Cross

Exhibit 1 was received into evidence.)

MR. NEAL: Thank you.

MS. HOLT: I have no questions.

COMMISSIONER McKISSICK: No questions? Any redirect?

MS. GRIGG: No, sir.

COMMISSIONER McKISSICK: All right. There being no redirect, we will now proceed with Commission questions, and some of these you are familiar with. Others you may not be as acquainted with. There was an Attachment A to the Order entered on August 5th which identified three subject matters of inquiry. So initially, we're going to direct those questions to Ms. Creel. However, if there are other comments you'd like to join in and make, feel free to do so.

EXAMINATION BY COMMISSIONER McKISSICK:

Q The first one, and I'll just kind of restate it for the record. Number one, comparing the schedules in this proceeding with those filed in last year's annual review of gas, Docket G-5, Sub 635, the Commission notes that gas loss facility damage set forth on Schedule 4 of Creel Exhibit 1 in sub 635, is not shown on this year's schedule.

Explain this change and why it was not noted in testimony regarding accounting changes occurring during the review period in either 635 or in the present docket. So if you could go ahead and state for the record, you know, first what the item represented and why it wasn't in this year's particular filing.

A (Ms. Creel) That was for the facility damages line item, and I'll read kind of the answer to that, and then we can go back if we need to on the damage definition. But just to clarify, this is not an accounting change. PSNC had a general ledger system change from PeopleSoft to SAP effective January, 2021.

In our discussions with the Public Staff, we identified that those costs are now included in the commodity cost, and therefore, no longer needed to be included in the miscellaneous charge line on Schedule 4. The charges moved from the miscellaneous charge line and they're now included on the Schedule 3 summary of commodity gas cost.

Q So essentially, it was just a change in the way it was being reported?

A Yes. It's just a change from one schedule to another.
Q Okay. And what precisely did it represent?
A So the --
Q So that we can have that in the record as well.
A So the facility damages are just third-party damages to the loss of -- like a damage to an actual facility. Any of those losses are charged to that third-party.
Q Okay.
A (Ms. Jackson) For example, it would be a dig-in on one of our pipeline facilities that was caused by a third party contractor, a third-party entity. It wouldn't be a contract, but a third party that didn't have the lines marked, per say, and then they dug into our line, so we lose gas as a part of that process.
Q Okay. And what we'll do is move into the next subject matter of inquiry. It appears to the Commission that for the month of -- that for most months of Sub 635 and the present review bearing that the dollar amount of facility damages shown on Schedule 3 were determined by applying the applicable benchmark cost of gas to the facility

damaged volumes shown on Schedule 10. however, the Commission noted some amounts that require explanation.

Could you explain why the amount shown on Schedule 3 in the present docket for the months of June through September, 2021 are the same as the amount shown on Schedule 3 in Sub 635 for the months of June through September of 2020, and also explain why the calculated cost of gas for March of 2020, October, 2021, and November of 2021 do not agree with the benchmark cost of gas for these months? And going back to the earlier component of this question, it looks as if there were different volumes, but the costs were the same in your report.

A (Ms. Creel) So with the general ledger system change that I previously mentioned in the last question, due to the timing of that change, accounting recorded 2020 actual facility damages to estimate their 2021 facility damages. And then those estimates were replaced with actuals during the month of November, 2021. And then for the March, 2020 and October, 2021, the volumes were priced at the applicable benchmark in place at the time where the damages occurred. And as we previously stated, when we replaced the actuals in November, 2021, we took those gas loss credits and dollars billed and applied those to the applicable benchmark for those months. So if you look at Schedule 3, for example, if you looked at the column for March, that is going to be the February billed dollars with the February benchmark.

Q Okay. And you said in the first part of your answer that originally, there were estimates used and that you came back and plugged in costs, actual costs?

A Right. So they had to use those estimates until November. And then in November, they did a true-up from January to October.

Q Okay. Thank you. And the other subject of inquiry was with respect to information provided on other cost of gas charges or the credits shown on Schedule 4. The Commission notes that in both the current docket and in Sub 635, Public Staff witness Dorgan discussed various components but did not address the amounts shown for the integrity management tracker deferral. Please explain why this and other gas -- excuse me, other non-gas items such as customers' utilization tracker are reflected in other cost of gas.

A The IMT, the cut deferral, and the cut increment and decrement represent the amounts associated with the deferrals and the Riders that are recorded to the gas cost each month. So you can either book those Rider deferrals to either the revenues or the cost of gas, and it has the same effect on the overall margins.

So in this case, we show those costs of gas deferrals on a separate line on the other gas costs. And we kind of show it separate because it just makes it easier for us to reconcile the schedules to the Rider balances. But this was started when we had the cut deferral in 2009, and we handled the IMT Rider in the same way when it was established.

Q Okay. Thank you. Now, Ms. Jackson, there were some questions we'd also like to ask of you, and then we want to make sure with the Commissioners to see if there are any follow-up you-all might have of either of these witnesses.

In your testimony regarding segmentation, you used an example which reference primary firm basis and secondary firm basis, that specific terminology. Could you explain the difference between primary firm basis and secondary firm basis?

A Yes, sir. Primary firm would be the delivery points or the receipt points on our contracts that are identified as firm, but then you have secondary firm if it's in the path. So let's say that I have a Transco contract that flows from the Gulf to PSNC City Gate. Technically, secondary firm are in the path firm points, are all along that path. So if the pipeline can accommodate those deliveries, they will on a secondary basis.

You can also have secondary backhaul rights. So when you look at our contract path that goes all the way up, let's say to Station 165 on Transco, technically, that flow is from the Gulf forward to Station 165, but you can request that gas be delivered backwards from Station 165 to PSNC. That is considered secondary. And the path -- in the past, that gas has flowed, but as I've stated in my testimony of the last few years, with changes on Transco's system, it's been more and more difficult to rely on that type of secondary firm.

Q Thank you for that distinction and clarification. Now, is it possible to schedule deliveries on a primary firm basis from Columbia or Eastern or Texas gas in the southward direction of the Company's City Gate?

A It is with our southeastern trail capacity, yes, sir.

Q Okay. Very good. And does segmentation help PSNC deal with congestion issues on Transco's pipeline?

A It does from time to time. However, as I've stated, that over the last few years, since Transco's pipeline has become more bi-directional, which means flowing south to north and north to south, it's been difficult for them to determine how much they can deliver on a secondary basis, so they have limited more and more of those volumes, particularly on shoulder days or peak days. So we're all relearning the system, but it has become less and less -- we can't depend on it as much as we have in the past.

Q Okay. Now, referencing Jackson Direct Exhibit 1, there is an increasing deficit in the reserve margin starting with the upcoming winter season of '22/'23. The deficit is increasing from .48 of 1 percent in 2022, '23 to 14.61 percent in '26 through '27.

Even if PSNC's plan for building a new LNG facility is successful, the plant won't be online until 2026, and you discussed some of this a bit earlier. How does PNC (sic) plan to deal with this dilemma, you know, particularly in terms of if PNC's (sic) plans for building a new LNG system is successful, but the plant won't be online until 2026.

A Yes, sir. Commissioner McKissick, it is a concern of ours. We have been going out to the market with an annual RFP for winter peaking services, and that's what we have been filling the deficit with for the last couple of years. However, you see that we have 5,000 outstanding, and that's why it's a negative .48 percent.

After the Russian invasion of

Ukraine, the natural gas market turned upside down, and so we saw prices that we have seen at very stable levels, let's say around the $3 mark. They are now trading at 6, 7, $8. And particularly in the Transco zone that PSNC sits in, which is zone 5, we have very little supply. We have absolutely no supply that's actually sourced in zone 5, but we are constrained as far as how much supply can get into zone 5.

We thought with ACP and with MVP, we were going to be getting four and a half to five BCF of new gas supply. That hasn't happened. Because of litigation, these pipeline projects, ACP has been canceled, MVP has been severely delayed, and so you see that now we, here in North Carolina, are paying prices on a zone 5 delivered basis, higher than what New York is paying, and it's because we are constrained due to litigation. So it's going to be more and more difficult to find those assets, so we have been negotiating with our existing peaking suppliers to see if they're willing to roll over those contracts or extend the terms of those contracts.

We have been looking at capacity that may be available in small amounts on the interstate pipelines or try to pick up what we can. And we're in ongoing discussions with all of our existing pipeline providers and anybody else that may have some type of supply option, whether it be a supply from an LNG facility that they can resource or source to us in the winter or if we could contract for a short-term winter peaking option, but there's a lot of competition in the market right now because everybody is waiting on new assets to be able to serve this zone 5 market.

Q And that's a great lead-in to this next question. Given your experience and knowledge of interstate pipelines, are you aware of any congestion issues on Transco's pipeline in zones 4 and 5, and what are your thoughts about operational issues involving gas transportation on Transco's system to any new gas-fired electric generating plants in North Carolina. Kind of answer the first part first and move into the second, if you could.

A I have had numerous discussions with Transco over the last eight years regarding operational flexibility and how it has diminished their system. In my opinion, the bi-directional flow on Transco's system should provide more flexibility to its shippers, but we have seen less flexibility.

And I think a lot of that goes back to you can't look at a bi-directional system in terms of how the engineers designed the actual infrastructure. You have to look at how gas flows on a daily basis. And we call the knoll point of where that -- the two flows south to north and north to south meet each other. That moves all along the borders of South Carolina and North Carolina. So in my opinion, the companies here in North Carolina should give Transco the opportunity to source gas to us multiple different ways, but we have not seen that. And we have seen greater constraints on Transco's system than ever before, and I do think that has to do with these new projects that came on as bi-directional. And no new storage was added to their system, so Transco's having a difficult time balancing all the imbalances on their system.

And we have seen what we call bracketed Operational Flow Orders where we're having to stay within a certain tolerance. You can't be more than this percentage short and you can't be more than this percentage long, so it makes it very difficult for the shippers to stay in those bounds, but that's what Transco's having to do that saved to balance their system.

Q And I guess the second part was dealing with the potential that's been discussed about new gas-fired electric generating facilities. What are your thoughts about if that were to occur, more or less as a hypothetical, but you have great deal of experience, what that operationally might do to a gas transportation system or Transco's system?

A It will be even more constrained, and Transco's system is not designed -- well, it has not been designed and it does not have the tariff provisions to allow for generation facilities to balance very easily. So as I talked about those bracketed OFOs where you have to stay in that one lane, and you can't go too short and you can't go too long, that is difficult for a power plant because of mechanical issues that may occur, so we are in desperate need, I believe, of additional natural gas capacity.

And natural gas capacity will help us retire coal fire generation plants. That is what's needed. Not only will it retire those coal plants, but it will also support new renewable power production. And the wind's not blowing and the sun's not shining. Natural gas works very well. We can come on very quickly to supplement the production that was anticipated from renewables. So until battery technology advances, natural gas is going to be needed to supplement renewable processes or in production. And I do think that we need that natural gas supply from that Marcellus region because there is a definite discount that you see in the marketplace today from gas that flows in that Marcellus region compared to gas that flows from the Gulf coast.

Q Let me ask you this. You're projecting right now, as I recall, two percent growth rate?

A Yes, sir.

Q In demand. In light of the challenges that you have -- yes, very articulately identified, what impact do you think that might have on that projected two percent growth and demand as to how it might impact your cost and likewise, the availability issues dealing with natural gas?

A I've always said that there is gas supply available, but at what cost? And what we're seeing, that particularly in our region what we pay for zone 5 delivered gas has gone up dramatically. So when you look at that $3 that we enjoyed for so many years, we're now looking at 8, 9, $10 a dekatherm. And my fear is that in the wintertime, it can go even higher, because then you're going to see a dual peak. You're going to see a need for natural gas to support power generation, and you're going to see the traditional peak of local distribution companies that serve its gas customers, so we need new gas infrastructure. The LNG facilities provide for 10 days of supply, but for business development, how are we going to serve new economic development customers that will need gas year-round?

Q Do you think that projected two percent increase in growth and demand will diminish because of price considerations?

A It could. We saw a slight decline in that 2008 to '10 time period, but we'll just have to see the impact of this, and see how long it lasts. We're all sitting trying to figure out what's going to happen in these uncertain times, and we have never faced more outside influences from a global perspective. I think in the past, we've had situations that impacted us from a domestic situation.

I think of Hurricane Katrina and Rita that impacted the Gulf coast region. That was a domestic issue that impacted our pipelines. But now when you see that Europe has such a great demand for natural gas and for coal, and how that's impacting prices worldwide, it's a new era that we're having to deal with, and it's very much impacted by the geopolitical problems we have worldwide.

Q Thank you for your responses to those questions. Let me see if fellow Commissioners have additional questions. Commissioner Brown-Bland.

THE WITNESS: Good morning.

COMMISSIONER BROWN-BLAND: Good morning. Good to see you, and in person too.

EXAMINATION BY COMMISSIONER BROWN-BLAND:

Q So a little bit of a follow-up. So the zone 4 and zone 5 congestion issues and resulting higher costs, how are we comparing to the other zones? Is this area being disadvantaged in pricing?

A Yes, ma'am, we are. We've talked about that with Transco's tariff changes associated with their priority of service and how we're having to cash out now in zone 5 for imbalances. We do not have supply available in zone 5, so we have to bring in supply from zone 4 or zone 6 into zone 5. So because of that, and because of the constraints and the growth, we're very blessed to have growth, you know.

If you look across the nation, some of the other LDCs have no growth or negative growth, so we're in a region that continues to grow. We have very favorable economic development, so we have growing demand and no new supply, so it's simply an economic equation. You have more demand on one side and no new supply on the other, and that's why we talk about the apples to oranges comparison.

Yes, a 10-day supply from an LNG facility does serve to meet the needs of our firm design-day. However, you also have to look at what type of growth you have from commercial and industrials. And since the Polar Vortex event of 2014, we have seen more and more industrial customers convert from interruptible sales to firm sales. So how do we handle that dilemma going forward is the real challenge.

Q But as I understand it, the gas supply is available, but we have the transmission issue?

A Yes, ma'am.

Q And that puts this area at a distinct disadvantage compared to its neighbors?

A Yes, ma'am. It doesn't do you any good. We have this tremendous natural resource that's such -- quite frankly, pretty close to us, but we don't have the means to get it here. I mean I think of that -- you think of a -- seeing a gorgeous chocolate shake, in my opinion, but I don't have a straw to get to it. And that's really what we're faced with; is we see the supply availability and we know that that supply will be discounted from what we see today in the Gulf coast, but we have the litigation surrounding new pipeline projects has delayed canceled projects that were severely needed in this region.

Q And so our customers, business, industrial, as well as residential, are paying a higher price based on this lack of a straw?

A Yes, ma'am.

Q And that also applies -- except to the extent people are locked in with some long-term arrangements, but that would also apply to our electric utilities as customers for gas?

A Yes, ma'am. And I think it would still impact them on the days -- we can't lock into 100 percent on a long-term basis, whether you're a power plant or an LDC. It's really not prudent to lock into 100 percent of your forecasted needs because of weather changes, mechanical changes, customer demands changes, so you might lock into a percentage of your forecasted load on a long-term basis, which you're going to be out there buying daily or monthly. What that additional need is going to be that you may have forecasted due to growth, due to weather fluctuations, and so there will be an increase in cost.

Q Are you familiar with -- just in the world today, and if you're not, say so, but are you familiar with any -- with this affecting business decisions about putting plants in operations here in the zone 5 area?

A I don't know that I know any specifically, but I think that there is a concern because especially with power generation, how are we going to support the conversion of coal fire generation to something that emits less carbon? Right now, the answer is natural gas and renewables, and they work in tandem together. Natural gas will support new renewable generation. Until battery technology moves further along, you're going to have to have something to back up those renewables in order to ensure reliable power generation, and the answer is natural gas today.

Q All right. Thank you. And then in terms of the delay with MVP, are you following the inflation reduction bill that we now think is going to pass, and do you know, if you know, whether there's impact there that might be of assistance with MVP?

A I have been following the bill very closely. I am cautiously optimistic because we haven't seen the final form until it passes the House. So once we see the details associated with the bill, the final bill that's passed, then we can evaluate what kind of positives that will impact -- hopefully not just MVP but other pipeline projects in the future. So as I said, we're cautiously optimistic.

Q If it were to pass close to what you see today or what you think you see today, would it change the projections that you now see for MVB or we would still be looking at beyond -- I think it's 2026?

A Well, let me clarify on that. MVP made a filing at FERC to extend their in-service date to 2026, their construction timeline. Typically, when a new pipeline project is approved by FERC, they are given four years to complete construction. This is unprecedented, because not only were they given the four-years, they were given a two-year extension. And it's still not finished, so they have gone back and asked for an extension of that typical four-year period. However, MVP has not updated their projected in-service date of the second half of 2023. They just didn't want to have to go back and continue to file these two-year extensions.

So I hope that we see the in-service to be that second half of 2023, and we're hopeful, well, cautiously optimistic, that this new bill will encourage that and help support. And I do think what it could do, based on its final form, is it could help Southgate, which is that second piece that can begin construction after the MVP main line is constructed.

Q And if I'm understanding correctly, none of MVP is in operation today, right?

A No, ma'am. It's about 94 percent complete.

Q Complete. And does that -- and you've been following the FERC proceedings when they pop up. Is that completion rate -- if you know, if you don't, but has it been stated anywhere that the completion rate had anything to do with the willingness to grant the extensions?

A I think FERC had approved the project in litigation of that, of different permits, has held up construction. So in the eyes of FERC's approval, they've met their requirements, and FERC really has no -- they have no -- they can't change the litigation timeline. There is no known length or timeline associated with litigation, and so that's why I think that they went in and asked -- MVP went in and asked for a four-year, which is that normal time for a certificate to be completed.

So we're in unprecedented times. I've been in this business for 30 years, and I used to say that a FERC -- an interstate pipeline project under FERC's jurisdiction would take roughly three years, from the time we file or the time they filed an application to the in-service date. Then we moved to five years. Then I moved to seven years. And now, I'm going on eight years with MVP, so it's just -- we haven't seen anything like this litigation, and its just continual.

Q And I'm understanding MVP, as a result of the Court of Appeals decisions, is planning to make amendments in an attempt to go back and get the -- okay.

A We're just so close.
Q Going back to Mr. Metz' testimony regarding an economic analysis, that section of his testimony. And you explained about cost benefit and difficulties there, but in terms of his recommendation that there be a detailed economic analysis, and this Commission direct you, the Company, to file such, et cetera, is the Company in agreement?
A Yes, ma'am. As we stated in G-100, Sub 91, the Order in that docket, it requires us to come back before the Commission and Public Staff to make you aware of any capacity decisions that we may be working on, and we have done so. We see this as a collaborative effort, so we want to make sure you're abreast of any changes in the industry. And as our plans become a little bit more definitive, we'll be glad to come back and update, both the Commission and Public Staff.
Q And -- go ahead.
A I was going to say, but as I stated before, the economic analysis where you compare multiple options, it's not there today. We are looking at whatever we can get that will be available in a

known time period to meet our design-day requirements. I've never seen anything like this where I couldn't bring before you two, three, four options to say this is what we looked at. I mean we looked at advancing our LNG strategy because what else is there?

A lot of pipelines are very reluctant now to look at any type of project that's going to go back to that Marcellus region because of what we've seen between ACP and MVP. It's very costly and the timeline is unknown.

Q So -- and then just as a follow-up to witness Metz' testimony, is there anything from his testimony that you'd like to respond to or shed any light on, any further insight for us?

A No, ma'am. We agree. We had several -- well, a few conversations. I was on two of those, and myself related to the design-day methodology. And as he stated in his testimony, Piedmont and PSNC have slight differences with the way they calculate their design-day. Our methodology is different.

The systems that we use for the regression analysis is different, but that doesn't mean that they're not prudent. It's just two ways of getting to a design-day calculation. So we went through all the details, we had our resource planning folks on the phone, and went through in great detail how PSNC calculates its design-day. So in the end, we agree that no changes should be made at this time.

Q All right. We appreciate those efforts on the basis of our Order when we saw that, and we, you know, wanted some comparisons so that we have better understanding. And then finally, witness Dorgan, and this might -- whoever can answer, but he discussed about the secondary market transactions. And if I'm reading correctly, and I may not be, so feel free to correct me, but he had a table on page 11 of his testimony. If I'm looking at that correctly, the secondary market transactions are increasing. Is that correct?

A Yes, ma'am.

Q And can you shed light, from the Company's point of view, on the drivers of that increase and --

A Yes, ma'am.

Q -- why it's up?

A When you look at capacity release, asset management, those are based on volatility in the marketplace. So if you look at what we've seen this year, we have not seen volatility like this in nearly a decade. So as the price of natural gas fluctuates, and I mean I have -- it's been a long time since I saw natural gas fluctuate the way it has on a daily basis. That's when the value for capacity release and the asset management agreements increase, so that's why you're seeing that.

I hope long-term if we can get additional capacity to flow and we get some more of that Shale gas supply, it'll come back down. But I think what you see in the world today is that something is needed to supplement or to back up renewable energy production, and the answer is natural gas if you want something that reduces carbon emissions. So we've been talking about this for several years. That without new infrastructure, costs could go up because you have to be able to deliver the supply to the demand regions. And without pipeline capacity, you can't do that.

Q And back to the fluctuation I meant to ask, but that fluctuation you still see?

A Yes, ma'am. I got the latest prices, the closing prices on NYMEX yesterday, and the -- September's trading at 761. The winter strip is at 739, and the 12-month strip is at 633.

Q So even the increased level, it's not stabilizing?

A No, ma'am. And we see fluctuations on a daily basis. When you see dramatic changes in weather, you'll see fluctuations. And part of that is when you look at our national storage level for inventory of natural gas supplies, we're below the five-year average. So that coupled with weather changes can create short-term spikes in the daily cost of gas.

COMMISSIONER BROWN-BLAND: All right. Thank you.

COMMISSIONER McKISSICK: Commissioner Kemerait.

EXAMINATION BY COMMISSIONER KEMERAIT:

Q Yes. Good morning, Ms. Jackson. Thank you for your testimony and all the information that you've provided to the Commission. I agree with what you have said about it being -- that we are in uncertain and unprecedented times, and I appreciate yours and PSNC's efforts to try to find solutions for the constraints that we have for supply and capacity.

So my question is going to be really kind of at a higher level and really looking for clarification. You talked about meeting the -- in these kind of uncertain and unprecedented times, meeting the demand that we have in North Carolina will require an increase in cost, and I think we all understand that. But for clarification, is there any concern about actually being able to meet the demand, setting aside the costs, but is there concern that that demand requirement cannot -- will not or cannot be met?

A As I stated earlier, there has never been a time in my career where we could not get natural gas delivered, and I have faced the devastation of Hurricane Katrina and Rita. We have had problems with compressor stations along the Transco line where we had -- they had to send men and women out to make sure that those compressors were not frozen. They had to manually man those sites because of the Polar Vortex event of 2014.

So I've seen a lot over the 30 years, and I've always said -- and I'm going to count it by trade. So I've always said there will always be natural gas available, but what will you pay for it, because I believe in economics, and it's purely an economic decision. Now, how high can that price get?

In 2014, we saw prices above $100 a dekatherm. That's a lot. But today, when you look at the requirements for gas -- for power generation to reduce its carbon emissions, the requirements for the entire natural gas industry to reduce our emissions, our carbon emissions, the demand is going to continue to grow in the power sector. So how do you balance continual growth from the LDC prospective with continual growth on the power sector?

And as I stated, renewables are needed, but natural gas backs up those renewables. So I believe to serve our customers reliably on both an electric and a gas system, we're going to need additional natural gas infrastructure. Whether that be interstate pipeline infrastructure, LNG facilities that are on system, I believe it's going to be a combination of both. And we have -- we -- PSNC as a company, we have utilized both in the past.

We have our existing carry facility that's on LNG facility that enters into our distribution system while we also have a number of contracts on the interstate pipelines. Well currently, we're only served by Transco, so it would be nice to have a second interstate pipeline that feeds into North Carolina.

Q So I guess to kind of summarize what I think you're saying is that unprecedented times, that you can't make guarantees that you probably -- you would have been able to make throughout your career, and that there are solutions that you believe are available, but they're not here today. So there's just tremendous uncertainty about whether -- frankly whether demand can be met, although PSNC is making every effort to do so. Is that a correct summary of your thoughts?

A I think it's easier on the LDC side to find options to meet growing demand. And we're looking at all those options, whether it be a mobile facility, some type of bridge to get us to our LNG facility, or to new interstate pipeline capacity. It's harder in the power sector because you're looking at a much larger number.

Just for instance, we grow at 20,000 dekatherms a year. One of those power plants would need 400,000 dekatherms a day, so it's 20,000 a day versus 400,000 a day. So there's a big disparity in the volumes, so that's what I'm saying. And so when you see that type of demand that is in the marketplace, in the power sector, that's competing with what I need on the LDC side.

Q Right.

A So it's easier to fulfill my volumes, but my costs are going to go up because of competition.

Q Well, I think we can say that we appreciate PSNC's efforts to work through these problems and try to procure the capacity and the supply at the least cost that's available.

A Thank you.

Q Concerning the circumstances.

A Thank you.

COMMISSIONER McKISSICK: All right. Just

one last follow-up.

EXAMINATION BY COMMISSIONER McKISSICK:

Q I know the Public Staff had indicated that they support the idea that the Company considered filing this fall for approval to implement an adjustment to the benchmark commodity cost of gas price and an adjustment to its own customers' deferred account. What are your thoughts about that request?

A (Ms. Creel) We agreed with that. We are looking at those balances on a monthly basis, and we do agree that we are probably going to increase the benchmark in the fall.

Q Okay. Thank you.

COMMISSIONER McKISSICK: Now, we'll see if there's any questions of Commissioners' questions. Mr. Neal.

MR. NEAL: Thank you, presiding Commissioner McKissick.

EXAMINATION BY MR. NEAL:

Q Ms. Jackson, in response to a number of questions, you stated to back up renewables, that the answer is natural gas. It's the answer you gave a number of times?

A Yes, sir.
Q And you've mentioned you're an accountant by training. Is that right?
A Yes, sir.
Q And you work for a gas company. Is that right?
A Yes, sir.
Q Have you ever performed any kind of resource planning analysis for an electric public utility?
A I provide inputs to the resource planning for Dominion Energy South Carolina --
Q So you provide --
A -- which I buy my gas for. Sorry.
Q Pardon my interruption. But you have not, yourself, done a complete resource planning exercise for an electric public utility that would evaluate gas versus something like battery storage or pumped hydro at various costs assumptions, have you?
A I have seen some of those cost assumptions, and I'm basing it on also the ability for natural gas units to ramp up and down very quickly without the type of mechanical issues that a coal fire plant may have. Coal fire plants are designed to be base load plants, so it's very difficult for

them to go up and down.

Q And to be clear, I'm not asking about coal-fired power plants today. I just wanted to clarify that your opinion was not based on having done something like, you know, what's -- before the Commission in E-100, Sub 179, you're not a party in the E-100, Sub 179 docket, are you?

A Which docket is that?

Q That's the Carbon Plan docket.

A I believe we're an intervenor in that docket, no? No. I'm sorry.

MR. NEAL: Okay. Thank you. I have no further questions.

COMMISSIONER McKISSICK: Does public Staff have any questions?

MR. LITTLE: Yes, your Honor. Just one question.

EXAMINATION BY MR. LITTLE:

Q Would you agree that an economic analysis also evaluates the cost of loss of firm supply to customers?

A Are you talking about line loss?

Q Yes, ma'am.

A Yes, but our design date calculation occurs at the interconnection between Transco and PSNC City Gate, so the losses are already grossed up to that point.

Q Thank you.

A Um-um.

COMMISSIONER McKISSICK: Thank you. Is there any redirect?

MS. GRIGG: No redirect.

COMMISSIONER McKISSICK: All right. Do you have any motion related to exhibits or anything?

MS. GRIGG: Yes, sir. I'd like to make two, if I may.

COMMISSIONER McKISSICK: Go right ahead.

MS. GRIGG: The first is that I'd like to move Ms. Jackson's three exhibits and Ms. Creel's two exhibits to her direct and supplemental testimony into evidence.

COMMISSIONER McKISSICK: Without objection, so allowed.

(WHEREUPON, Jackson Direct Exhibit 1, Jackson Direct Exhibit 2, including Confidential Attachment, Jackson Direct Exhibit 3, Creel Direct Exhibit 1

and Creel Supplemental Direct
Exhibit 1 are received in
evidence.)

MS. GRIGG: And the second is Mr. Neal asked that the Commission take judicial notice of Mr. Lander's testimony in PSNC's last annual review of gas costs which was G-5, Sub 635. We'd also request that the Commission take judicial notice of all the testimony filed in that proceeding.

COMMISSIONER McKISSICK: Without objection, so allowed.

MS. GRIGG: Thank you, sir.

COMMISSIONER McKISSICK: Does Public Staff have any testimony to put on or motions? Yes.

MS. HOLT: Yes, Commissioner McKissick. I'd like to first correct the record to correct my co-counsel's name. I am appearing today with John Little, not David Little. I don't know who David Little is.

COMMISSIONER McKISSICK: Appropriately duly noted, for the record.

MS. HOLT: Thank you. And at this time, Chair McKissick, I move the admission -- I request that Dustin -- the testimony of Dustin Metz, consisting of eight pages, be copied into the record as if given orally from the stand, and that his Appendix A be admitted into evidence. I move that the testimony of Shawn Dorgan, consisting of 14 pages, be copied into the record as if given orally from the stand, and that his Appendix A be admitted into evidence. I move that the testimony of Sonja R. Johnson, consisting of six pages, be copied into the record as if given orally from the stand. and that her Appendix A be admitted into evidence. And finally, I move that the testimony of Jordan A. Nader, consisting of seven pages, be copied into the record as if given orally from the stand, and his Appendix A be admitted into evidence.

COMMISSIONER McKISSICK: Without objection, your motion's allowed.

(WHEREUPON, the prefiled direct testimony and Appendix A of DUSTIN R. METZ is copied into the record as if given orally from the stand.)

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. G-5, SUB 642

In the Matter of		
Application of Public Service Company	)	TESTIMONY OF
of North Carolina, Inc. for Annual	)	DUSTIN R. METZ
Review of Gas Costs Pursuant to	)	PUBLIC STAFF –
N.C. Gen. Stat. § 62-133.4(c) and	)	NORTH CAROLINA
Commission Rule R1-17(k)(6)	)	UTILITIES COMMISSION

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
DOCKET NO. G-5, SUB 642

TESTIMONY OF DUSTIN R. METZ
ON BEHALF OF THE PUBLIC STAFF
NORTH CAROLINA UTILITIES COMMISSION

JULY 25, 2022

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

A. My name is Dustin R. Metz, and my business address is 430 North Salisbury Street, Raleigh, North Carolina. I am a Public Utilities Engineer in the Public Staff's Energy Division. My qualifications and experience are provided in Appendix A.

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

A. The purpose of my testimony is to present the results of my review of Public Service Company of North Carolina, Inc.'s (PSNC) design day demand requirements and methodology. I also address the need for future capacity requirements in the next five years and recommend that PSNC take additional actions pursuant to the Commission's Order in Docket No. G-100, Sub 91[1].

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[1] Plans for the Company's future on-system Liquefied Natural Gas (LNG) storage facility.

Q. MR. METZ, IN PIEDMONT NATURAL GAS COMPANY'S (PIEDMONT) 2021 ANNUAL REVIEW, DOCKET NO. G-9, SUB 791 (SUB 791), YOU IDENTIFIED SOME AREAS OF CONCERN IN THE DESIGN DAY DEMAND REQUIREMENTS, DID YOU NOT?

A. Yes, I did.

Q. FOLLOWING THE PUBLIC STAFF'S RECOMMENDATIONS IN SUB 791, THE COMMISSION ISSUED AN ORDER[2] DIRECTING PSNC TO ADDRESS THE SAME PUBLIC STAFF RECOMMENDATIONS IN THE CURRENT DOCKET, CORRECT?

A. Yes. The Commission also directed PSNC to work with the Public Staff in this current proceeding to address similar concerns and required the Public Staff to file testimony on its assessment of PSNC's Design Day Demand methodology.

Q. MR. METZ, HAVE YOU ANALYZED PSNC'S DESIGN DAY DEMAND REQUIREMENTS PRIOR TO THIS FILING?

A. No, I have not.

Q. MR. METZ, DO YOU AGREE THAT PSNC ADEQUATELY ADDRESSED THE COMMISSION'S CONCERNS FROM THE SUB 791 ORDER AND INCORPORATED THE RESPECTIVE PUBLIC STAFF RECOMMENDATIONS?

[2] Docket No. G-5, Sub 642, Commmission Order dated March 22, 2022.

A. Yes. The Public Staff met with the Company on several occasions to discuss the Public Staff's recommendations referenced in the Commission's March 22, 2022 Order in Sub 642 (Sub 642 Order). Those discussions enabled further understanding of the discrete differences between PSNC's and Piedmont's methodology, and clarified which recommendations were directly applicable to PSNC. Discussions with the Company, and the resulting analysis, revealed discrete methodology differences between the two utilities. These differences include, but are not limited to, differences in customer-based usage profiles when aggregated on a system level. Based on those discussions, review of the Company's initial filing, supporting testimony, discovery responses, and further meetings with the Company, I agree that PSNC has addressed and incorporated the applicable recommendations from the Sub 642 Order.

Q. MR. METZ, HOW DO YOU QUALIFY THE SPECIFIC CHANGES MADE BY PSNC GIVEN THE COMMISSION'S RECOMMENDATIONS?

A. Upon review, PSNC's methodology and approach are slightly different than Piedmont's, thus making some of the recommendations inapplicable. In my opinion, that does not make one utility's approach to design day planning incorrect or mean that one is superior to the other. The methodologies utilized by Piedmont and PSNC are simply two different ways of resolving a similar issue.

Q. FOR PURPOSES OF PSNC'S 2022 DESIGN DAY PLANNING, DOES THE PUBLIC STAFF ACCEPT PSNC'S DESIGN DAY REQUIREMENTS?

A. Yes.

Q. MR. METZ, ARE THERE ANY OTHER TOPICS OR CONCERNS THAT YOU WOULD LIKE TO BRING TO THE COMMISSION'S ATTENTION AT THIS TIME?

A. Yes. I would like to highlight and bring to the Commission's attention the available asset capacity shortfall that PSNC is actively managing and planning for, and identify the risks associated with insufficient firm capacity during cold weather events.

The Public Staff is not taking issue with PSNC's management on this matter at this time; however, as the consumer advocate for North Carolina natural gas customers, the Public Staff seeks to ensure that adequate capacity is available, noting the time requirements for ensuring firm capacity increases.

Q. MR. METZ, BASED ON THE PUBLIC STAFF'S REVIEW, DO YOU AGREE THAT PSNC HAS CLEARLY IDENTIFIED A NEED FOR SOME TYPE OF INCREMENTAL FIRM CAPACITY NEED OVER THE NEXT FIVE YEARS?

A. While growth rate assumptions may change, I agree that PSNC has demonstrated a need for incremental capacity to serve its firm sales customers reliably on a peak day. A Load Duration Curve analysis identifies the type of supply resource required, which must be vetted in a cost-benefit analysis before a final decision is made. Public Staff witness Nader discusses the elements of a load duration curve in the current Annual Review of Gas Costs.

Q. GIVEN THE IDENTIFICATION OF NEED, WHAT DOES THE PUBLIC STAFF RECOMMEND AT THIS TIME?

A. The Public Staff recommends that PSNC, pursuant to the Commission's order in Docket No. G-100, Sub 91 (Sub 91 Order), provide the results of an evaluation, including a cost-benefit analysis, regarding optimal supply resources to resolve the currently identified capacity shortfall. I believe that it would be valuable for the Public Staff and the Commission to understand the possible needs of the Company in providing for security of gas supply for its firm sales customers over the planning horizon.

Q. COMPANY WITNESS JACKSON DISCUSSES AN ON-SYSTEM LNG FACILITY AS A POSSIBLE SOLUTION TO ADDRESSING THE COMPANY'S SHORT-TERM PEAKING SUPPLY SHORTFALL. PLEASE DISCUSS THE PUBLIC STAFF'S POSITION REGARDING A NEW LNG FACILITY FOR PSNC.

A. A review of PSNC's current load duration curve supports the need for a firm peaking source of gas, which could be met by an LNG supply resource. However, given the absence of an economic or cost-benefit analysis, and potential supply constraints at this time, the Public Staff cannot determine the optimal resource to meet the Company's firm supply needs. The Public Staff, therefore, recommends that PSNC provide a detailed economic analysis for the Commission's information, pursuant to the Sub 91 Order. The analysis should clearly demonstrate that such a facility aligns with the Company's best cost supply strategy.

A typical LNG facility could take from three to five years to build and become commercially available, pending permitting and other construction issues. Because of the expected lead time for securing an alternate supply resource, the current expected capacity shortfall, and PSNC's growth of firm sales customers and respective gas volumes, the Public Staff requests that the Commission direct the Company to provide this analysis.

Q. MR. METZ, IS THE COMPANY ALREADY PLANNING FOR THE CAPACITY CHALLENGES?

A. To my knowledge PSNC is actively managing this challenge, as stated in Company witness Jackson's testimony. My intent in making this recommendation is to ensure that the Public Staff and the Commission are aware of how the Company plans to address the supply shortfall concern given the amount of time it will take to implement a solution. Also, I want to further inform the Commission about other challenges considered by the Company in ensuring reliable service to firm customers on a peak day, particularly given the impact a capacity shortfall would cause.

Witness Jackson addresses ongoing delays and uncertainty around the in-service date of the Mountain Valley Pipeline (MVP) project and its impact on the Company's available assets, and how the situation resulted in PSNC's decision to accelerate an evaluation of a possible LNG construction schedule.

Q. MR. METZ, PLEASE DISCUSS PUBLIC STAFF'S CONCERN RELATING TO DELAYS IN THE MVP PROJECT AND ITS IMPACT ON THE COMPANY'S CAPACITY ACQUISITION.

A. The Public Staff notes that since the Company filed direct testimony, MVP has filed a request for extension of time for its mainline construction permit until October 13, 2026[3], which would in turn delay construction and potential operation of the Southgate project. These inter-dependent delays with the MVP projects have created additional complexities to PSNC's efforts to determine the most optimal solution, which is why the Public Staff requests PSNC

[3] MVP-FERC Notice of request for Extension of Time

provide an analysis to the Commission pursuant to the Commission's Order in Docket No. G-100, Sub 91.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

APPENDIX A

QUALIFICATIONS AND EXPERIENCE

DUSTIN R. METZ

Through the Commonwealth of Virginia Board of Contractors, I hold a current Tradesman License certification of Journeyman and Master within the electrical trade, awarded in 2008 and 2009, respectively. I graduated from Central Virginia Community College, receiving Associates of Applied Science degrees in Electronics and Electrical Technology (Magna Cum Laude) in 2011 and 2012 respectively, and an Associates of Arts in Science in General Studies (Cum Laude) in 2013. I graduated from Old Dominion University in 2014, earning a Bachelor of Science degree in Engineering Technology with a major in Electrical Engineering and a minor in Engineering Management. I completed engineering graduate course work in 2019 and 2020 at North Carolina State University.

I have over 12 years of combined experience in engineering, electromechanical system design, troubleshooting, repair, installation, commissioning of electrical and electronic control systems in industrial and commercial nuclear facilities, predictive statistical analysis, calibration, project planning and management, and general construction experience, including six years with direct employment with Framatome, where I provided onsite technical support, craft oversight, and engineer change packages and participated in root cause analysis teams at commercial nuclear power plants, including plants owned by both Duke Energy and Dominion.

I joined the Public Staff in the fall of 2015. Since that time, I have worked on electric and natural gas general rate cases, fuel cases, natural gas annual reviews, applications for certificates of public convenience and necessity, service and power quality, customer complaints, North American Electric Reliability Corporation (NERC) Reliability Standards, nuclear decommissioning, National Electric Safety Code (NESC) Subcommittee 3 (Electric Supply Stations) member, avoided costs and PURPA, interconnection procedures, and power plant performance evaluations. I have also participated in multiple technical working groups and been involved in other aspects of utility regulation.

(WHEREUPON, the prefiled direct testimony and Appendix A of SHAWN L. DORGAN is copied into the record as if given orally from the stand.)

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. G-5, SUB 642

In the Matter of		
Application of Public Service Company	)	TESTIMONY OF
of North Carolina, Inc. for Annual	)	SHAWN L. DORGAN
Review of Gas Costs Pursuant to	)	PUBLIC STAFF –
N.C. Gen. Stat. § 62-133.4(c) and	)	NORTH CAROLINA
Commission Rule R1-17(k)(6)	)	UTILITIES COMMISSION

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
DOCKET NO. G-5, SUB 642

TESTIMONY OF SHAWN L. DORGAN
ON BEHALF OF THE PUBLIC STAFF
NORTH CAROLINA UTILITIES COMMISSION

JULY 25, 2022

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

A. My name is Shawn L. Dorgan. My business address is 430 North Salisbury Street, Raleigh, North Carolina. I am a Financial Analyst III with the Public Staff's Accounting Division. 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 provide recommendations regarding whether the gas costs incurred by Public Service Company of North Carolina, Inc. (PSNC or Company) during the twelve-month review period ended March 31, 2022, were properly accounted for; (2) to present the results of my review of gas costs as filed by the Company in accordance with N. C. Gen. Stat. § 62-133.4(c), and Commission Rule R1-17(k)(6); and

(3) discuss the Company's deferred account reporting during the review period.

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

A. I reviewed the testimony and exhibits of the Company's witnesses, the Company's monthly deferred account reports, monthly financial and operating reports, gas supply, pipeline transportation and storage contracts, and the Company's responses to Public Staff data requests. Each month, the Public Staff reviews all deferred account reports filed by the Company for accuracy and reasonableness and performs various analytical procedures on the underlying calculations.

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

A. Yes. In my opinion PSNC properly accounted for its gas costs during the review period April 1, 2021, through March 31, 2022.

ACCOUNTING FOR AND ANALYSIS OF GAS COSTS

Q. HOW DOES THE PUBLIC STAFF ACCOUNTING DIVISION CONDUCT ITS REVIEW OF THE COMPANY'S FILED GAS COSTS?

A. Each month the Accounting Division reviews all Deferred Account reports filed by the Company for accuracy and reasonableness, and performs various analytical procedures, 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 underpinning the Company's reported 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 any customer below cost, or the price of the customer's alternative fuel.

(4) **Temporary Increments and/or Decrements** – Regarding all collections and/or refunds from customers that impact deferred account balances, supporting data and calculations are verified.

(5) **Interest Accrual** – All calculations of accrued interest are verified, in conformity with N.C.G.S. § 62-130(e), and the Commission's Orders in Docket No. G-5, Subs 565, 595, 607, and 608.

(6) **Secondary Market Transactions** - The secondary market transactions conducted by the utility are reviewed and verified to the financial books and records, asset manager agreements, and the monthly Deferred Gas Cost Accounts.

(7) **Uncollectibles** – In Docket No. G-5, Sub 473, the Commission approved a mechanism to recover the gas cost portion of the difference between the Company's cost of gas incurred and the amount collected from customers, effective for service rendered on and after December 1, 2005. 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 Public Staff reviews the calculations supporting those journal entries to ensure that the proper amounts are recorded.

(8) **Supplier Refunds** – In Docket No. G-100, Sub 57, the Commission held that, unless it orders refunds to be handled differently, supplier refunds shall be flowed through to ratepayers in the All Customers Deferred Account or applied to the NCUC Legal Fund Reserve Account. As such, the Public Staff reviews supplier refund documentation to verify that all amounts received by the Company are flowed through to ratepayers.

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

A. Per Creel Exhibit 1, Schedule 1, the Company has filed total gas costs of $302,423,025 for the current review period, as compared with $220,684,628 for the prior period. The components of filed gas costs for the two periods are shown in the table below:

	12 Months Ended		Increase	
	March 31, 2022	March 31, 2021	(Decrease)	% Change
Demand & Storage Charges	$116,099,905	$105,081,205	$11,018,700	10.49%
Commodity Costs	225,333,870	128,838,351	96,495,519	74.90%
Other Costs	(39,010,750)	(13,234,928)	(25,775,822)	194.76%
Totals	$302,423,025	$220,684,629	$81,738,396	37.04%

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:

	12 Months Ended March 31, 2022	12 Months Ended March 31, 2021	Increase (Decrease)	% Change
Transco:				
FT Reservation	$50,378,892	$52,234,211	($1,855,319)	(3.55%)
FT Momentum	1,986,733	2,073,564	(86,831)	(4.19%)
Southern Expansion	2,173,317	2,278,195	(104,878)	(4.60%)
Southeast Expansion	20,340,536	11,075,585	9,264,951	83.65%
GSS	1,700,706	1,800,118	(99,412)	(5.52%)
WSS	669,655	680,128	(10,473)	(1.54%)
LGA	382,611	351,483	31,128	8.86%
ESS	1,101,625	1,137,570	(35,945)	(3.16%)
Total Transco Charges	$78,734,075	$71,630 854	$7,103,221	9.92%
Other Charges:				
Pine Needle LNG	$2,904,884	$2,986,316	($81,432)	(2.73%)
Cardinal	5,579,002	5,577,982	1,020	0.02%
Dominion Demand and Capacity (DTI-GSS)	2,076,910	5,089,110	(3,757)	(0.07%)
Eastern Gas Transmission	3,008,443	-		
Texas Gas Transmission	546,880	546,880	-	0.00%
Texas Eastern	563,328	563,328	-	0.00%
Columbia FSS/SST	7,496,070	4,352,913	3,143,157	72.21%
Eminence Demand and Capacity	1,119,937	1,156,471	(36,534)	(3.16%)
East Tennessee Patriot Expansion (Enbridge)	5,648,250	5,735,300	(87,050)	(1.52%)
Saltville Gas Storage	3,440,304	3,440,304	-	0.00%
Peaking Contracts	3,631,375	1,873,250	1,758,125	93.85%
Cove Point LNG	1,157,460	1,165,508	(8,048)	(0.69%)
Piedmont Redelivery Agreement	9,120	9,120	-	0.00%
Firm Backhaul Capacity on Transco	148,800	910,800	(762,000)	(83.66%)
City of Monroe	35,067	43 072	(8,005)	(18.59%)
Total Other Charges	$37,365,830	$33,450,354	$3,915,476	11.71%
Total Demand & Storage Charges	$116,099,905	$105,081,205	$11,018,700	10.49%

The primary reason for the overall increase in Transcontinental Gas Pipeline Company, LLC (**Transco**) **Firm Transportation (FT) Reservation, Southern Expansion, Southeast Expansion, Transco General Storage Service (GSS), Washington Storage Service (WSS), LGA, and Eminence Storage Service (ESS)** of 9.92% is the result of an increase in firm transportation capacity due to the Transco Southeast Expansion Project.

The Company began receiving partial service of the firm transportation capacity on November 1, 2020, and began receiving the total contract amount on January 1, 2021. The current year's charges reflect a full year of service.

The increase in Columbia Gas Transmission LLC (**Columbia FSS/SST**) demand and storage charges is attributable to rate increases filed in the following FERC Dockets: RP21-00565-000, RP21-00687-000, and RP20-1060-000. In FERC Docket No. RP20-1060-000, Columbia, FERC Staff, and other intervening parties reached a settlement agreement, which increased Columbia's Storage Service Transportation (SST) demand rates from $6.900/dt to $12.603/dt.

The increase in **Peaking Contracts** charges is due to an expiring contract and settlement agreement reached between PSNC and one supplier, and the start of a peak-day supply contract with a new supplier.

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:

	12 Months Ended		Increase	
	March 31, 2022	March 31, 2021	(Decrease)	% Change
Gas Supply Purchases	$234,564,960	$119,272,275	$115,292,685	96.66%
Transportation Charges from Pipelines	1,810,488	1,751,831	58,657	3.35%
Storage Injections	(37,399,976)	(15,946,430)	(21,453,546)	(134 54%)
Storage Wi hdrawals	26,358,398	23,760,675	2,597,723	10 93%
Total Commodity Gas Costs Expensed	$225,333,870	$128,838,351	$96,495,519	74.90%
Gas Supply for Delivery (dt)	53,885,299	52,587,485	1,297,814	2.47%
Commodity Cost per dt	$4.1817	$2.4500	$1.7318	70.68%

Gas Supply Purchases increased by $115,292,685 during the current review period, as compared with the prior twelve-month review period. The primary driver for this change was an increase in the commodity cost of gas, though an increase in volumes purchased played a role as well. The average commodity cost of gas for the Company increased 70.68% during the review period.

The increase in **Storage Injections** was due to a higher average cost for gas supplies injected into storage. The average cost of gas placed in storage during the current review period was $3.7332 per dt, as compared with $1.9338 per dt for the prior period.

The increase in **Storage Withdrawals** was due to a higher average cost of supply withdrawn from storage. PSNC's average cost of gas withdrawn was $3.1692 per dt in this review period as compared with $2.2365 per dt in the prior review period.

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:

	12 Months Ended		Increase
	March 31, 2022	March 31, 2021	(Decrease)
Deferred Account Activity	($45,130,899)	($37,794,115)	($7,336,784)
Estimate to Actual Gas Cost True-Up	8,447,498	6,862,663	1,584,835
CUT Deferral	(14,793,134)	(11,478,607)	(3,314,527)
CUT Increment/Decrement	15,718,734	27,568,767	(11,850,033)
High Efficiency Discount Rate	(417,596)	(408,430)	(9,166)
IMT Deferral	(2,835,353)	2,033,724	(4,869,077)
Gas Loss - Facility Damages	-	(18,930)	18,930
Total O her Gas Costs	($39,010,750)	($13,234,928)	($25,775,822)

The **Deferred Account Activity** amounts reflect offsetting accounting journal entries for most of the information recorded in the Company's Deferred Gas Cost Accounts during the review periods.

The **Estimate to Actual Gas Cost True-Up** amount results from the Company's monthly account closing process. Each month, the Company estimates its current month's gas costs for financial reporting purposes and trues-up the prior month's estimate to reflect the actual cost incurred.

The **CUT Deferral** entries relate to the Order issued in Docket No. G-5, Sub 495 (Sub 495 Order), in which the Commission approved the use of a Customer Usage Tracker (CUT) by the Company beginning November 1, 2008. The Company charges or credits other cost of gas in its accounting journal entry that offsets the CUT deferral.

The **CUT Increment/Decrement** entries relate to the Sub 495 Order in which the Commission authorized the Company to collect or refund outstanding balances in the CUT Deferred Account by imposing either an increment or a decrement to customer rates, effective April and October of each year. The increase in the current review period is due to higher under-collections in the current review period as compared to the prior review period.

The **High Efficiency Discount Rate** and the **Conservation Program Accrual** entries represent nine months of accruals and expenses associated with $750,000 of annual conservation-related expenses, as allowed in the Sub 495 Order.

SECONDARY MARKET TRANSACTIONS

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

A. During the review period the Company recorded $29,083,730 of margin on secondary market transactions. These transactions included capacity releases, asset management arrangements, and other similar dealings. Of this amount, $21,812,797 ($29,083,730 x 75%) was credited to the All Customers' Deferred Account, for the benefit of ratepayers.

Below is a chart that compares the margins recorded by PSNC on the various types of secondary market transactions in which the Company engaged during both the current review period and the prior review period.

	12 Months Ended		Increase	
	March 31, 2022	March 31, 2021	(Decrease)	Change
Capacity Release	$2,890,741	$2,290,999	$599,742	26.18%
Asset Management	25,256,959	22,606,318	2,650,641	11.73%
Bundled Sales	25,280	33,402	(8,122)	(24.32%)
Straddles	918,400	740,850	177,550	23.97%
Spot Sales	(7,650)	-	(7,650)	
Total Secondary Market Margins	$29,083,730	$25,671,569	$3,412,161	13.29%

Capacity Release is a 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 increased by 26.18% in the current review period, due primarily to an increase in volumes released, as compared with the prior period.

Asset Management Agreements (AMAs) 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. The 11.73% increase in net compensation from AMAs results from an increase in the value of interstate pipeline and storage capacity released under these agreements.

Bundled Sales are sales of delivered gas supply to a third-party consisting of gas supply and pipeline capacity at a specified receipt point. For a third consecutive review period proceeds from bundled sales decreased, dropping by 24.32% over the prior review period. As was the case in the prior review period, the decline was attributable to lower sales volumes.

Straddle transactions are physical exchanges of gas allowing a third-party to either put gas to the LDC or call on gas from an LDC for a fee. For the review period, total net compensation from straddles increased, due to higher fee revenue from options written.

Spot Sales are the sales of gas supply on the daily market when the daily spot price is higher than the first of the month index price. The Company made one spot sale during the current review period.

DEFERRED ACCOUNTS AND ACCRUED INTEREST

Q. BASED ON YOUR REVIEW OF GAS COSTS IN THIS PROCEEDING, WHAT ARE THE APPROPRIATE DEFERRED ACCOUNT BALANCES AS OF MARCH 31, 2022?

A. The appropriate All Customers' Deferred Account balance is a debit balance of $26,767,209, owed to the Company, as filed by PSNC. This balance consists of the following deferred account activity:

Beginning Balance as of April 1, 2021	**$8,065,604**
Commodity Cost (Over) Under Collections	6,436,109
Demand Costs (Over) Under Collections	42,799,423
(Increment) / Decrement Activity	(9,254,551)
Secondary Market Transactions	(21,812,797)
Supplier Refunds	(1,144,170)
Miscellaneous	(453,917)
Interest	2,131,508
Ending Balance as of March 31, 2022	**$26,767,209**

Regarding the Sales Customers' Only Deferred Account balance at March 31, 2022, Creel Exhibit 1, Schedule 8 reflects a debit balance of $10,922,343, owed to the Company. Public Staff witness Johnson recommends transferring the Company's Hedging Deferred Account credit balance as of March 31, 2022, of $9,818,653 to the Sales Customers' Only Deferred Account. Therefore, the recommended balance in the Sales Customers' Only Deferred Account is a net debit balance of $1,103,690, owed by the customers to the Company, as follows:

Ending Balance per Creel Exhibit I, Schedule 8	**$10,922,343**
Transfer of Ending Credit Balance in Hedging Activities Deferred Account	(9,818,653)
Ending Balance, as Recommended by the Public Staff	**$1,103,690**

Q. DID PSNC HAVE ANY CHANGES TO ITS DEFERRED ACCOUNT INTEREST RATE DURING THE REVIEW PERIOD?

A. Yes. In the Commission's *Order Approving Stipulation, Granting Rate Increase, and Requiring Customer Notice*, issued January 21, 2022, in Docket G-5, Sub 632, Finding of Fact Number 33 provides that "beginning in the month in which this Order is issued, PSNC will use a net of tax rate of 6.57% for all deferred accounts." The Supplemental Direct Testimony of Glory J. Creel, filed in this docket on June 17, 2022, addressed the issue and states that, "The Company reviewed the 6.57% annual interest rate approved in Docket No. G-5, Sub 632, and determined that no adjustment is necessary at this time." (P. 2, LL 5-6) The Public Staff has reviewed the Company's interest rate calculations and found that PSNC continues to use the 6.57% interest rate and has made the appropriate adjustments in its deferred accounts, consistent with the Commission's Sub 632 Order. The Public Staff will continue to review the interest rate each month to determine if an adjustment is needed.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

QUALIFICATIONS AND EXPERIENCE

SHAWN L. DORGAN

I am an accounting graduate of Appalachian State University, having earned a B.S.B.A. in Accountancy in 1988 and a Master of Science in Accountancy (concentration in taxation; functional equivalent of a Master of Science in Taxation) in 1997. After graduation, I entered the public accounting industry, working first at the Charlotte practice office of Deloitte & Touche LLP, and later for several local and regional accounting firms in the metro-Charlotte, metro-Raleigh, and metro-Atlanta areas. I am a Certified Public Accountant, licensed in the State of North Carolina.

Since joining the Public Staff in May 2016, I have provided accounting support in conjunction with rider rate proceedings, particularly in program cost reviews of demand-side management and energy efficiency programs authorized for the state's electric utilities under N. C. Gen. Stat. § 62-133.9. In addition, I have provided expert witness testimony in annual review of gas cost proceedings for Frontier Natural Gas Company, and Public Service Company of North Carolina.

I also have provided accounting and testimonial support in general rate cases involving investor-owned electric and natural gas utilities, serving as the lead technical accountant in the 2019 Duke Energy Progress general rate case (Docket No. E-2, Sub 1219).

(WHEREUPON, the prefiled direct testimony and Appendix A of SONJA R. JOHNSON is copied into the record as if given orally from the stand.)

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. G-5, SUB 642

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 SONJA R. JOHNSON PUBLIC STAFF – NORTH CAROLINA UTILITIES COMMISSION

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
DOCKET NO. G-5, SUB 642

TESTIMONY OF SONJA R. JOHNSON
ON BEHALF OF THE PUBLIC STAFF
NORTH CAROLINA UTILITIES COMMISSION

JULY 25, 2022

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

A. My name is Sonja R. Johnson, and my business address is 430 North Salisbury Street, Raleigh, North Carolina. I am the Financial Manager of the Natural Gas & Transportation Section 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 to provide my conclusions regarding the prudence of Public Service Company of North Carolina, Inc.'s (PSNC or the Company) hedging decisions during the review period.

Q. PLEASE EXPLAIN HOW YOU CONDUCTED YOUR REVIEW.

A. I reviewed the testimony and exhibits of the Company's witnesses, monthly Deferred Gas Cost Account reports, monthly financial and operating reports, the gas supply and pipeline transportation contracts, and responses to Public Staff data requests. The responses to the Public Staff data requests contained information related to PSNC's gas purchasing philosophies, customer requirements, and gas portfolio mixes.

HEDGING ACTIVITIES

Q. 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, which 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;

5. Periodic reports on the market values of the various financial instruments used by the Company to hedge;

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 the Company's risk management personnel;

9. Minutes from meetings of the Company's risk management personnel 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 the Company's risk management personnel; 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 a net credit of $9,818,653 in its Hedging Deferred Account during the review period. This net credit amount on March 31, 2022, is composed of the following items:

Economic (Gain)/Loss - Closed Positions	($13,552,663)
Premiums Paid	3,935,280
Brokerage Fees & Commissions	47,883
Interest on Hedging Deferred Account	(249,154)
Hedging Deferred Account Balance	($9,818,653)

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. As of March 31, 2022, this amount includes call options purchased by PSNC for the March 2023 contract period, a contract period which is 12 months beyond the end of the current review period and 11 months beyond the April 2022 prompt month.[1] Brokerage Fees and Commissions are the amounts paid to brokers to complete the transactions. The Interest on Brokerage Account amount is the interest earned by the Company on amounts deposited with its broker, and the Interest on Hedging Deferred Account is the amount accrued by the Company on its Hedging Deferred Account in accordance with N.C. Gen. Stat. § 62-130(e).

The Company proposed that the $9,818,653 credit balance in the Hedging Deferred Account as of the end of the review period be transferred to its Sales Customers' Only Deferred Account. The hedging charges result in an annual credit of $11.84 for the average residential customer, which equates to approximately $0.99 per month. PSNC's weighted average hedged cost of gas for the review period was $5.04 per dt.

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

[1] Prompt month refers to the futures contract that is closest to expiration and is usually for delivery in the next calendar month (e.g., prompt month contracts traded in February are typically for delivery in March).

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 therefore recommend that the $9,818,653 credit balance in the Hedging Deferred Account as of the end of the review period be transferred to the Company's Sales Customers' Only Deferred Account.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

APPENDIX A
Page 1 of 2

QUALIFICATIONS AND EXPERIENCE

SONJA R. JOHNSON

I am a graduate of North Carolina State University with a Bachelor of Science and Master of Science degree in Accounting. I was initially an employee of the Public Staff from December 2002 until May 2004 and rejoined the Public Staff in January 2006. I became the Accounting Division's Manager for Natural Gas and Transportation in May 2022.

As an Accounting Manager, I am responsible for the performance and supervision of the following activities: (1) the examination and analysis of testimony, exhibits, books and records, and other data presented by utilities and other parties under the jurisdiction of the Commission or involved in Commission proceedings; and (2) the preparation and presentation to the Commission of testimony, exhibits, and other documents in those proceedings.

Since initially joining the Public Staff in December 2002, I have filed testimony or affidavits in several water and sewer general rate cases. I have also filed testimony in applications for certificates of public convenience and necessity to construct water and sewer systems and noncontiguous extension of existing systems. My experience also includes filing affidavits in several fuel clause rate cases and Renewable Energy and Energy Efficiency Portfolio Standard (REPS) cost recovery cases for the utilities currently organized as Duke Energy Carolinas, LLC, Duke Energy Progress, LLC, and Virginia Electric and Power Company d/b/a Dominion North Carolina Power.

While away from the Public Staff, I was employed by Clifton Gunderson, LLP. My duties included the performance of cost report audits of nursing homes, hospitals, federally qualified health centers, intermediate care facilities for the mentally handicapped, residential treatment centers and health centers.

(WHEREUPON, the prefiled direct testimony and Appendix A of JORDAN A. NADER is copied into the record as if given orally from the stand.)

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. G-5, SUB 642

In the Matter of		
Application of Public Service Company	)	TESTIMONY OF
of North Carolina, Inc. for Annual	)	JUSTIN A. NADER
Review of Gas Costs Pursuant to	)	PUBLIC STAFF –
N.C. Gen. Stat. § 62-133.4(c) and	)	NORTH CAROLINA
Commission Rule R1-17(k)(6)	)	UTILITIES COMMISSION

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
DOCKET NO. G-5, SUB 642

TESTIMONY OF JORDAN A. NADER ON BEHALF OF THE PUBLIC STAFF NORTH CAROLINA UTILITIES COMMISSION

JULY 25, 2022

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

A. My name is Jordan A. Nader, and my business address is 430 North Salisbury Street, Raleigh, North Carolina. I am a Public Utilities Engineer in the Natural Gas Section of the Energy 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 provide recommendations based on my conclusions regarding whether the gas costs incurred by Public Service Company of North Carolina, Inc. (PSNC or Company); during the 12-month review period ended March 31, 2022, were prudently incurred; (2) to provide my conclusions regarding PSNC's short-term capacity and load forecast requirements; and (3) to discuss my recommendations regarding temporary rate increments and/or decrements.

Q. PLEASE EXPLAIN HOW YOU CONDUCTED YOUR REVIEW.

A. I reviewed the testimony and exhibits of the Company's witnesses, the Company's monthly deferred account reports, monthly financial and operating reports, gas supply, pipeline transportation and storage contracts, monthly reports filed with the Commission in Docket No. G-100, Sub 24A, discussions with the Company, and the Company's responses to Public Staff data requests.

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

Q. WHAT IS THE RESULT OF YOUR EVALUATION OF PSNC'S GAS COSTS?

A. Based on my investigation and review of the data in this docket, I believe that PSNC's gas costs were prudently incurred for the 12-month review period ending March 31, 2022.

LOAD FORECAST REQUIREMENTS

Q. MR. NADER, DO YOU HAVE ANY COMMENTS REGARDING COMPANY WITNESS JACKSON'S DIRECT EXHIBIT 1 AND DISCUSSION REGARDING DESIGN-DAY DEMAND?

A. Yes. I reviewed the Company's testimony and other information submitted by the Company in response to data requests. I also discussed with Company personnel the Company's projected firm design-day demand requirements, available capacity for the upcoming winter period and the available assets over the next five years. PSNC's design-day demand model shows that PSNC has a need for additional assets to meet projected design-day demand requirements beginning in the 2022-2023 winter period. This is discussed further in my testimony.

Q. DO YOU HAVE ANY COMMENTS REGARDING THE COMPANY'S SHORT-TERM AVAILABLE CAPACITY RESOURCES?

A. Yes. Public Staff has reviewed the Company's filed testimony and exhibits, as well as data request responses provided by PSNC regarding the Company's capacity resources. Included in Company witness Jackson's testimony, Jackson Direct Exhibit 1, shows that PSNC had a need for additional capacity to meet projected design-day demand requirements beginning in the 2021-2022 winter period.

The Company contracted for a total of 55,000 dekatherms (dts) per day of firm short-term peaking services from two different suppliers to cover the design-day condition for that winter period. To meet the expected capacity shortfall for the upcoming 2022-2023 winter season, the Company has contracted for a total of 61,000 dts/day of short-term firm peaking service[1]. In addition, the Company has indicated in a data request response its plans to issue an RFP for up to 10,000 dts/day of additional firm peaking service.

Public Staff Witness Metz addresses the long-term firm capacity resources in his testimony.

Q. DO YOU HAVE ANY RECOMMENDATIONS REGARDING PSNC'S DEFERRED ACCOUNT BALANCES AND ANY PROPOSED TEMPORARY INCREMENTS OR DECREMENTS?

A. Yes, I do. The Sales Customers' Only Deferred Account reflects a debit of $10,922,343, owed by customers to the Company as of March 31, 2022. Public Staff Witnesses Johnson and Dorgan discuss the March 31, 2022 Deferred Account balances for the review period. Witness Johnson recommends that the credit balance of $9,818,653 in the Hedging Deferred Account as of the end of the review period be transferred into the Sales Customers' Only Deferred Account reflecting an Ending Balance of $1,103,690 as presented by

[1] G-5, Sub 642-Direct testimony of Rose Jackson and Glory Creel-page 17

Witness Dorgan. The Public Staff notes that the Company has filed updates in Docket No. G-5 Sub 639 for May 2022, recording a debit balance of $21,597,975 in the Sales Customers' Only Deferred Account at the end of May 2022, which is $16,415,894 greater than the debit owed by customers to the Company as of May 31, 2021 (excluding any hedged deferred account balance).

The All Customers' Deferred Account reflects a debit balance of $26,767,209, owed by customers to the Company as of March 31, 2022. The Company has proposed to leave the current temporary increments applicable to the All Customers' Deferred Account that was placed in effect December 1, 2021. The Public Staff notes the Company has filed updates in Docket No. G-5 Sub 639 for May 2022, recording a debit balance in the All Customers' Deferred Account of $40,649,790 at the end of May 2022, which is $23,172,814 greater than the debit owed by customers to the Company as of May 31, 2021.

The Public Staff notes that deferred account balances naturally vary between winter and summer months, since fixed gas costs are typically over-collected during the winter period when throughput is higher due to heating load and under-collected during the summer when throughput is lower.

Pursuant to Article V of the Stipulation and Agreement filed on May 26, 2021, in FERC Docket No. RP20-614, PSNC received a refund of $192,902 on November 2021 from Transco and pursuant to Section 54 of the General Terms and Conditions of its FERC tariff, and a refund of $38,388.96 that the Company recorded in the All Customers' Deferred Account. Between December 2021 and March 2022, the Company received four separate refunds totaling $922,878 from East Tennessee Natural Gas, LLC pursuant to rate case refunds.

During the review period, PSNC made temporary increments to its All Customers' Deferred Account and pursuant to N. C. Gen. Stat. § 62-133.4, used the Purchased Gas Adjustment (PGA) mechanism to address the deferred account balances that needed to be collected or refunded. Using the PGA mechanism allows for a quicker implementation of temporaries that can address balances that are more current.

Due to the current market prices, volatility in the markets, and the Company's current deferred account balances, the Public Staff recommends, after consultation with the Company, that the Company consider filing this fall for approval to implement an adjustment to its benchmark commodity cost of gas price and an adjustment to its All Customers' Deferred Account. This recommendation is based on expectations of forecasted gas costs being elevated through the 2022-2023 winter heating season.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

APPENDIX A

QUALIFICATIONS AND EXPERIENCE

JORDAN A. NADER

I graduated from The Ohio State University with a Bachelor of Science in Mechanical Engineering in 2014 and the University of Dayton with a Master of Science degree in Mechanical Engineering in 2017.

Prior to joining the Public Staff, I worked in Ohio as an Energy Engineer with Go Sustainable Energy, LLC. During that time, I conducted industrial energy audits, provided third party measurement and verification of electric utility energy efficiency programs, and commissioning work for local library system. In addition, I worked as an Analyst for Runnerstone, LLC providing technical expertise and analysis to large energy users in Ohio. This included quantifying the potential costs of pending legislation and/or regulation and the impacts it could have on ratepayers.

I joined the Public Staff in November of 2021 as a member of the Natural Gas Section of the Energy Division. My work to date includes Integrity Management Review, Annual Review of Gas Costs, and Design Day Demand and Capacity Calculations.

COMMISSIONER McKISSICK: Are there any other matters that come before the Commission this morning?

(No response)

COMMISSIONER McKISSICK: Hearing none, as Commission's customary practice, briefs and proposed orders will be due in 30 days after the transcript is prepared. If there's nothing further, we hereby stand adjourned. Thank you.

(Whereupon, the hearing was adjourned.)

C E R T I F I C A T E

I, TONJA VINES, DO HEREBY CERTIFY that the proceedings in the above-captioned matter were taken before me, that I did report in stenographic shorthand the Proceedings set forth herein, and the foregoing pages are a true and correct transcription to the best of my ability.

____

Tonja Vines