PLACE: Dobbs Building, Raleigh, North Carolina

DATE: Tuesday, October 3, 2017

TIME: 10:00 a.m. - 10:07 a.m.

DOCKET NO: G-9, Sub 710

BEFORE: Commissioner ToNola D. Brown-Bland, Presiding

Commissioner Jerry C. Dockham

Commissioner James G. Patterson

IN THE MATTER OF:

Application of Piedmont Natural Gas Company, 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 H I B I T S

P R O C E E D I N G S

COMMISSIONER BROWN-BLAND: Good morning.

MR. PAGE: Good morning.

COMMISSIONER BROWN-BLAND: Let's come to order and go on the record. I am Commissioner ToNola D. Brown-Bland, Presiding Commissioner for this hearing, and with me this morning are Commissioners Jerry C. Dockham and James G. Patterson.

I now call for hearing Docket Number G-9, Sub 710, In the Matter of an Application of Piedmont Natural Gas Company, Inc., for Annual Review of Gas Costs Pursuant to G.S. 62-133.4(c) and Commission Rule R1-17(k)(6). G.S. 62-133.4 authorizes gas cost adjustment proceedings for natural gas local distribution companies, and provides that the Utilities Commission shall conduct an annual review proceeding to compare each natural gas utility's prudently-incurred costs with costs recovered from all of the utility's customers served during the test period. Commission Rule R1-17(k)(6) prescribes the procedures for such annual reviews of natural gas costs.

On August 1, 2017, Piedmont Natural Gas Company, Inc., Piedmont, filed testimony and exhibits of Michelle R. Mendoza, Sarah E. Stabley and MaryBeth Tomlinson relating to an annual review proceeding.

On August 4, 2017, the Commission issued an Order Scheduling Hearing, Requiring Filing of Testimony, Establishing Discovery Guidelines and Requiring Public Notice, which scheduled a hearing for today, Tuesday, October 3, 2017.

On August 9, 2017, Carolina Utility Customers Association, Inc., CUCA, filed a Petition to Intervene, and the Commission granted the Petition on August 14, 2017.

On September 14, 2017, Piedmont filed the supplemental testimony and revised exhibit of MaryBeth Tomlinson.

On September 18, 2017, the Public Staff filed the joint testimony of Poornima Jayasheela, Jan A. Larsen, and Julie G. Perry.

On September 19, 2017, the Public Staff filed a revised page 9 of their joint testimony to include the footnote to a chart.

And on September 21, 2017, Piedmont and the Public Staff filed a Joint Motion to Excuse Appearance of Witnesses and Accept Testimony. The Commission granted this motion on September 25, 2017.

Piedmont filed the required Affidavits of Publication of public notice on September 29, 2017.

In compliance with the requirements of Chapter 138A of the State Government Ethics Act, I remind all members of the Commission of our responsibility to avoid conflicts of interest, and I inquire whether any member of the Commission has a known conflict of interest with respect to the matter before us this morning?

(No response.)

Let the record reflect that no conflicts were identified.

I now call for appearances, beginning with Piedmont.

MR. JEFFRIES: Thank you, Madam Chairman. My name is Jim Jeffries with the Firm of Moore & Van Allen, and I'm here on behalf of Piedmont Natural Gas Company.

COMMISSIONER BROWN-BLAND: Thank you. Good morning, Mr. Jeffries.

MR. PAGE: Good morning. Robert F. Page representing Carolina Utility Customers Association, Intervenor.

COMMISSIONER BROWN-BLAND: Good morning.

MS. CULPEPPER: Elizabeth Culpepper with the Public Staff appearing on behalf of the Using and Consuming Public.

COMMISSIONER BROWN-BLAND: Are there any preliminary matters before we begin?

MR. JEFFRIES: Not that I'm aware of, Madam Chairman.

MS. CULPEPPER: No.

COMMISSIONER BROWN-BLAND: Ms. Culpepper, have you identified any public witnesses who wish to be heard on this matter today?

MS. CULPEPPER: There are none that I'm aware of.

COMMISSIONER BROWN-BLAND: I don't see anybody that I don't recognize sitting out in the audience. But, for the record, is there anyone here who wishes to give testimony as a public witness today?

(No response.)

COMMISSIONER BROWN-BLAND: Let the record reflect that no one came forward.

Then the matter is with you, Mr. Jeffries.

MR. JEFFRIES: Thank you, Madam Chairman. In our Joint Motion asking for the recusal of witnesses today we indicated that the Public Staff, and the Company, and CUCA had agreed to waive cross examination of each others' witnesses and stipulated to the admission of all prefiled testimony and exhibits into the record. And the Commission had indicated in their Order Excusing Witnesses that they would follow that pattern. So at this point in time, I would move that Piedmont's witnesses and their prefiled -- the prefiled testimony and exhibits of Piedmont's witnesses be admitted into the record.

COMMISSIONER BROWN-BLAND: That will be allowed and the prefiled testimony of witnesses Michelle Mendoza, Sarah Stabley, and MaryBeth Tomlinson will be received into the record as if given orally from the witness stand, and the exhibits attached to those testimonies will be identified as they were marked when prefiled and also received into evidence. And let the record note that the testimony, that Ms. Tomlinson's testimony includes a supplemental -- the supplemental testimony which was filed on September 14th with a revised exhibit.

MR. JEFFRIES: That's correct, Madam Chair. Thank you.

Exhibits MRM-1A through MRM-9

(Identified and Admitted)

(WHEREUPON, the prefiled direct testimony of MICHELLE R. MENDOZA is copied into the record as if given orally from the stand.)

Q. Please state your name and your business address.

A. My name is Michelle R. Mendoza. My business address is 4720 Piedmont Row Drive, Charlotte, North Carolina.

Q. By whom and in what capacity are you employed?

A. I am employed by Piedmont Natural Gas Company, Inc., ("Piedmont" or the "Company") as the Director, Pipeline Services.

Q. Please describe your educational and professional background.

A. I graduated from Lorain Community College in 1981 with an Associate Degree in Mechanical Engineering Technology and I graduated from High Point University in 2002 with a Bachelor of Science Degree in Business Administration. I joined Piedmont as a Major Account Services Representative in March 1997 and I was promoted to Manager of Major Account Services in 2005. In 2008 I became the Manager of Pipeline Services and was promoted to my current position of Director of Pipeline Services in 2013.

Q. Please describe the scope of your present responsibilities for Piedmont.

A. My current major responsibilities include the supervision of pipeline capacity planning and relations, annual design day forecasting, daily forecasting, and oversight of Piedmont's activities at the Federal Energy Regulatory Commission ("FERC") regarding interstate pipelines that the Company utilizes for transportation and storage services and Midwest Citygate Operations.

Q. Have you previously testified before this Commission or any other regulatory authority?

A. Yes. I presented written testimony before the North Carolina Utilities Commission in Docket No. G-9, Sub 653 in August 2014, in Docket No. G-9, Sub 673 in August 2015 and Docket No. G-9, Sub 690 in August 2016. I testified before the Public Service Commission of South Carolina in Docket No. 2015-4-G in July 2015, in Docket No. 2016-4-G in July 2016, and in Docket No. 2017-4-G in July 2017.

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

A. My testimony is filed in response to the requirements of Commission Rule R1-17(k)(6), which provides for an annual review of Piedmont's gas costs. In my testimony, I discuss the market requirements of Piedmont's North Carolina customers, including the projected growth in those markets, the capacity acquisition policies and practices we employ to serve those markets, the calculation of our design day requirements, and the efforts undertaken by Piedmont at the FERC on behalf of its customers to ensure that interstate transportation and storage services are reasonably priced.

Q. What is the period of review in this docket?

A. The review period is June 1, 2016 through May 31, 2017.

Q. Please give a general description of Piedmont and its market in North Carolina.

A. Piedmont is a local distribution company principally engaged in the purchase, distribution and sale of natural gas to more than 1 million customers in North Carolina, South Carolina, and the metropolitan area of Nashville, Tennessee. Piedmont served approximately 731,280 customers in the State of North Carolina at May 31, 2017. During the twelve month period ending May 31, 2017, Piedmont delivered approximately 407,036,850 dekatherms ("dts") of natural gas to its North Carolina customers.

Piedmont provides sales service to two distinct markets – the firm market (principally those that have no alternate source of fuel) and the interruptible market (principally those that either have access to an alternate fuel or who are prepared to cease operating in the event of interruption until service can be resumed). Although Piedmont competes with electricity for the attachment of firm customers, once attached these customers generally have no readily available alternative source of energy and depend on natural gas for their basic space heating or utility needs. During the twelve month period ending May 31, 2017, approximately 376,645,450 dts, or 93%, of Piedmont's North Carolina deliveries were to the firm market.

In the interruptible sales market, Piedmont often competes on a month-to-month and day-to-day basis with alternative sources of energy, primarily fuel oil or propane and, to a lesser extent, coal or wood. These larger commercial and industrial customers may buy alternate fuels when they are less expensive than gas or when their service is interrupted by Piedmont. During the twelve month period ending May 31, 2017, approximately 30,391,400 dts, or 7% of Piedmont's North Carolina deliveries were to the interruptible market.

Q. How does Piedmont calculate its customer growth?

A. Piedmont reviews historical gross customer additions, holds discussions with various business leaders/trade allies and field sales employees, and considers forecasts of local, regional and national business drivers (i.e., economic conditions, demographics, etc.) to derive its customer growth projections.

Q. Are there any changes in the Company's customer mix or customer market profiles that it forecasts for the next ten (10) years?

A. For the next ten (10) years, the Company expects the economy to continue to grow resulting in increasing residential and commercial demand as detailed in the Winter 2017 - 2018 Design Day Demand & Supply Schedule (see **Exhibit_(MRM-8A)**). The Company also expects industrial activity to grow modestly.

Q. How will these changes impact the Company's gas supply, transportation, and storage requirements?

A. The residential and commercial growth changes will result in greater firm temperature sensitive requirements that will require firm sales service from the Company.

Q. Please identify the rate schedules and special contracts that the Company uses to determine its design day demand requirements for planning purposes and explain the rationale and basis for each rate

schedule or special contract included in the determination of design day demand requirements.

A. The Company uses Rate 101 – Residential Service; Rate 102– Small General Service; Rate 152 – Medium General Service; Rate 143 – Experimental Motor Vehicle Fuel Service; Rate 103 – Firm Industrial Service; and Rate 12 – Military Installations in Onslow County (Camp Lejeune) to determine its design day demand requirements. Each of these rate schedules is included in the determination of the design day requirement as they are firm sales services. Only those special contracts with firm sales requirements are included.

Q. How did the Company calculate its Design Day requirements for Winter 2016-2017?

A. Piedmont's Design Day calculations for Winter 2016-2017 were performed using the same methodology described in my testimony last year. Specifically, all of the usage data was refreshed utilizing the actual firm customer send out data from November 2011 through March 2016 which included the most current winter weather experience for all firm customer classes. Second, a linear regression analysis was conducted to determine the base load and the usage per heating degree day based on all of the newly refreshed data. Finally, the historical weather data, which included the winter of 2015-2016, was reviewed to determine that the design day temperature should remain unchanged at 8.6 degrees Fahrenheit. The Company also constructed a load duration curve to forecast the Company's firm sales market requirements for design winter weather conditions. The supply requirements were plotted in descending order of magnitude, with existing pipeline capacity and storage resources overlaid to expose any supply shortfalls. The load duration curves for the 2016 – 2017 **forecasted** design winter, as well as the **actual** 2016 – 2017 winter season are shown in **Exhibits (MRM-1A)** and **(MRM-1B)**. The load duration curve for the 2017 – 2018 forecasted design winter season is shown in **Exhibit_(MRM-2)**.

Q. Please provide a walkthrough of the Winter 2016 - 2017 Design Day demand calculation.

A. Referencing the Winter 2016 - 2017 Design Day Demand and Supply Schedule **Exhibit_(MRM-6A)**: the "System Design Day Firm Send Out" (line 1) is calculated by 1) multiplying the number of heating degree days ("HDD") in the design day times the usage per HDD as calculated in the regression analysis. This result is then added to the base load number derived from the regression.[1] 2) Any mid-year special firm sales pick up are added (line 2) and any mid-year movements from firm sales to firm transportation are subtracted (line 3), which results in a subtotal for firm send out that includes the net mid-year changes (line 4). 3) Any special contract firm sales commitment (line 5) is added resulting in the "Total Firm Design Day Demand" (line 6). 4) A five (5) percent reserve margin is then calculated (line 7) and is added to the "Total Firm Design Day Demand"

[1] Formula: (Design Day HDDs x Usage per HDD)+Base Load = System Design Day Firm Sendout

(line 6) resulting in the "Subtotal Demand" (line 8). 5) The "Firm Transportation without Standby" (line 10) is represented as the total dekatherms consumed by all industrial firm transportation customers on the highest winter day usage for that customer class for the prior winter. This number is then subtracted from the "Subtotal Demand" resulting in the "Total Firm Sales Demand" (line 11) for that year. Each subsequent yearly Design Day forecast is derived by multiplying the previous year's projected firm usage times each succeeding year's forecasted growth percentage. The Company then constructs the load duration curve previously described in this testimony.

Q. **Has the Company made any methodology changes to its calculation of Design Day requirements for the future?**

A. No.

Q. **Has Piedmont made any changes to the Design Day temperature from the 8.6 degrees Fahrenheit (56.4 HDDs)?**

A. No, the design day temperature is calculated using the daily weighted average[2] forty year low temperature of 8.6 degrees as explained in my testimony last year (See **Exhibit_(MRM-3)**).

Q. **Did the Company consider efficiency gains and customer conservation in its Design Day methodology?**

A. Because the Design Day methodology is based on refreshed data which represents the customer consumption over a recent period of time and

[2] A current weighted average of firm sales customers relative to the nine weather stations in the Carolinas.

eliminates old customer consumption data, the customer efficiency gains and conservation efforts are taken into consideration.

Q. Does Piedmont believe that conservation measures utilized by customers are applicable when formulating design day calculations?

A. No. Piedmont and the natural gas industry have not seen evidence that conservation/reduced usage occurs during design day conditions. The winter of 2013 – 2014 and 2014 – 2015 gave Piedmont an opportunity to refresh data and analyze our customer's behavior during extremely cold weather. We continued to observe that customers tend to conserve for the first few days of colder temperatures before turning up the thermostat. However, once adjusted to a warmer setting, customers appear to become less focused on conservation and more focused on comfort and leave the thermostat at the warmer level for a few days even as temperatures start to moderate. This pattern is illustrated in **Exhibits (MRM-4)** and **(MRM-5)**. Given what we experienced in those recent cold winters as a customer response to colder temperatures in this pattern, the Company is confident this conservative approach to design day forecasting is the most prudent approach. Our focus has been, and continues to be, to reliably serve our firm customers on a design day.

Q. What process does Piedmont undertake to acquire firm capacity to meet its growing sales market requirements?

A. Piedmont secures incremental capacity to meet the growth requirements of its firm sales customers consistent with its "best cost" policy, as described by Ms. Stabley in her testimony. To implement this policy, Piedmont attempts to contract for timely and cost-effective capacity that is tailored to the demand characteristics of its market. Piedmont evaluates interstate pipeline capacity and storage offerings expected to be available at the time that it is determined that additional future firm delivery service is required or existing firm delivery service contracts are expiring. The Company attempts to match the days of service of new incremental transportation capacity to the duration of its incremental demand on the most economical basis possible. Piedmont attempts to acquire peaking services to meet projected peak day demand, storage services to meet projected seasonal demand, and year round firm transportation services to meet base load demand and provide capacity to be available for storage inventory replenishment. However, service choices are limited to those offered during the period of evaluation.

Q. What were the Design Day demand requirements used by the Company for planning purposes for the review period, the baseload, the amount of heating degree days, dekatherms per heating degree day, customer growth rates and supporting calculations used to determine the design day requirement amounts?

A. Please see **Exhibits (MRM-6), (MRM-6A)** and **(MRM-7).**

Q. What are the Design Day demand requirements used by the Company for planning purposes for the for the next five winter seasons, the baseload, the amount of heating degree days, dekatherms per heating

degree day, customer growth rates and supporting calculations used to determine the Design Day requirement amounts?

A. Please see **Exhibits (MRM-8)** and **(MRM-8A)**.

Q. Please describe how the Company plans to supply its estimated future growth requirements during the next five-year period beginning with the 2017-2018 winter season.

A. Based on current forecasted projections, Piedmont believes that it has sufficient supply and capacity rights to meet its near term customer needs until the Atlantic Coast Pipeline ("ACP") comes on-line in 2019. The most recent projects of Transco's Leidy Southeast expansion for 100,000 dt per day of year round capacity and Transco's Virginia Southside expansion for 20,000 dt per day went into service in late 2015 and 2016, with projections that it would became necessary to begin adding additional capacity beginning in 2018 - 2019. In 2014, the Company entered into a Precedent Agreement with ACP to add 160,000 dekatherms of additional capacity utilizing its "best cost" purchasing philosophy. The ACP capacity is scheduled to go in service in November 2019. Current growth projections begin to show a capacity deficit in the 2019 – 2020 timeframe if the ACP capacity does not go into service as detailed in **Exhibit_(MRM-8A)**. Piedmont will continue to review short term interstate pipeline and storage capacity offerings and bridging services to cover any potential capacity shortfall.

Q. Has the Company made any changes to capacity during the review

period?

A. The Company did not make any changes to its capacity rights during the review period.

Q. Does the Company plan for a reserve margin to accommodate statistical anomalies, unanticipated supply or capacity interruptions, force majeure, emergency gas usage or colder-than-design weather?

A. Yes, the Company computes a five percent reserve margin and arranges for supply and capacity to provide delivery of the reserve margin for events such as those listed above. This reserve margin is reflected in **Exhibits (MRM-6A)** and **(MRM-8A).**

Q. Is it possible to maintain capacity rights that exactly match Piedmont's calculated design day demand plus reserve margin at all times?

A. No. Capacity additions are acquired in "blocks" of additional transportation, storage, or LNG capacity, as they become needed, to ensure Piedmont's ability to serve its customers based on the options available at that time. As a practical matter, this means that at any given moment in time, Piedmont's actual capacity assets will vary somewhat from its forecasted demand capacity requirements. This aspect of capacity planning is unavoidable but Piedmont attempts to mitigate the impact of any mismatch through its use of bridging services, capacity release and off-system sales activities.

Q. Please describe the Company's interest and position on any issues before the FERC that may have a significant impact on the Company's operations and a description of the status of each proceeding described.

A. The Company routinely intervenes and participates in interstate natural gas pipeline proceedings before the FERC. A current summary of such proceedings in which Piedmont is a party is attached hereto as **Exhibit_(MRM-9)**.

Q. Did Piedmont have any changes to its capacity planning or annual design day and daily forecasting as a result of the merger with Duke Energy?

A. The merger with Duke Energy has had no impact on Piedmont's capacity planning or annual design day and daily forecasting.

Q. Does this conclude your testimony?

A. Yes it does.

(WHEREUPON, the prefiled direct testimony of SARAH E. STABLEY is copied into the record as if given orally from the stand.)

Q. Please state your name and your business address.

A. My name is Sarah E. Stabley. My business address is 4720 Piedmont Row Drive, Charlotte, North Carolina.

Q. By whom and in what capacity are you employed?

A. I am employed by Piedmont Natural Gas Company, Inc., ("Piedmont" or the "Company") as the Director of Gas Supply, Scheduling & Optimization.

Q. Please describe your educational and professional background.

A. I graduated from Queens University of Charlotte in May of 2004 with a Bachelor of Arts Degree in Business Administration. I joined Piedmont as a Collector/Meter Reader in our field operations in December of 1998. In March 2001 I took a position in Gas Control as a Schedule Confirmation Analyst. In November 2004 I was hired as a Gas Supply Representative in the Gas Supply department. In 2008 I was promoted to Manager of Gas Supply & Wholesale Marketing. In 2013 I was promoted to Director of Gas Supply, Scheduling & Optimization.

Q. Please describe the scope of your present responsibilities for the Company.

A. My current major responsibilities are supervision of long and short-term purchasing of gas supply, scheduling of gas purchased and sold, the optimization of our interstate pipeline transportation, storage, and gas supply assets, and the administration of the Company's Hedging Plan.

Q. Have you previously testified before this Commission or any other regulatory authority?

A. Yes. I have testified in Public Service Commission of South Carolina Prudence Hearings in Docket Nos. 2012-4-G, 2013-4-G, 2014-4-G, 2015-4-G, 2016-4-G, and 2017-4-G and in North Carolina Utilities Commission Annual Review of Gas Cost Hearings in Docket Nos. G-9, Sub 633 in 2013, G-9, Sub 653 in 2014, G-9, Sub 673 in 2015, and G-9, Sub 690 in 2016.

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

A. This testimony is in response to Commission Rule R1-17(k)(6), which provides for an annual review of Piedmont's gas costs recovered from all its customers that it served during the review period. I will also discuss the Company's hedging activity during the review period.

Q. What is the period of review in this docket?

A. The review period is June 1, 2016 through May 31, 2017.

Q. Please explain the Company's gas purchasing policies.

A. The Company has previously utilized and continues to maintain a "best cost" gas purchasing policy. This policy consists of five main components: 1) the price of the gas, 2) the security of the gas supply, 3) the flexibility of the gas supply, 4) gas deliverability, and 5) supplier relations. As all of these components are interrelated, we continue to weigh the relative importance of each of these factors when developing the overall gas supply portfolio to meet the needs of our customers.

Q. Please describe each of the five components.

A. 1) The "price of the gas" refers to the final cost of gas delivered to the Company's city gates. The majority of the Company's supply purchases take place at "pooling points" or at interconnects into the pipeline on which the Company holds firm transportation capacity rights. In the case of "bundled" city gate supply purchases, the Company may pay the gas supplier an all-inclusive price that covers the cost of gas, fuel and transportation charges. The use of storage services may add additional injection, withdrawal, and related fuel charges to the city gate cost of gas. In order to accurately assess prices at a comparable transaction point, the Company evaluates purchase prices at the receipt point and adds the applicable fuel and transportation costs associated with delivery to our pipeline city gate points.

2) "Security of gas supply" refers to the assurances that the supply of gas will be available when required. It is imperative to maintain a high level of supply security for the Company's firm customers. Security of gas supply is less important for our interruptible customers whose service is subject to interruption in order to provide service to Piedmont's firm customers. Fixed supply reservation fees are generally required, in addition to the commodity cost of gas, in order to contract for and reserve firm gas supplies. In addition, the geographic source of supply, the nature of the supplier's portfolio of gas supplies, and negotiated contract terms must be considered when evaluating the level of supply security. Thus, the security of gas supply is interrelated

with the price of gas as well as other components of the Company's "best cost" purchasing policy.

3) "Flexibility of gas supply" refers to our ability to adjust the volume of a particular supply contract as operating and market conditions change. For example, the demand of firm heat-sensitive customers will vary depending on the weather conditions. Interruptible customers will vary their level of purchases depending on the price of alternate fuels and the demand for product in their own industry. Thus, the Company must arrange a portfolio of gas supplies and storage services flexible enough to meet the daily and monthly "swings" in demand. Contractual "swing rights" are implemented through monthly and daily elections with gas suppliers and through injections into and withdrawals out of storage.

4) "Gas deliverability" refers to the ability to deliver the Company's gas supplies at the city gate through reliable transportation and storage capacity arrangements. The interstate pipeline industry has created a complex system of multiple pipeline and storage service combinations. Transportation arrangements can involve *intra*state pipeline transportation, interstate pipeline transportation, interstate pipeline storage arrangements, interstate pipeline lateral lines, interstate pipeline pooling services, and interstate pipeline balancing and peaking services. The marketplace for pipeline capacity service is limited, with little to no unused capacity available during periods of high demand conditions such as extreme cold or hot weather

conditions. Consequently, it is important that we secure and maintain firm transportation and storage capacity rights to ensure the deliverability of our gas supplies to meet the design day, seasonal, and annual needs of our customers. Pipeline transportation and storage capacity contracts require the payment of fixed demand charges to reserve firm transportation and/or storage entitlements. The Company is active in proceedings at the Federal Energy Regulatory Commission ("FERC") not only with respect to the level of pipeline charges under these contracts, but also the tariff terms and conditions that apply to these pipeline services.

5) "Supplier relations" refers to the dependability, integrity and flexibility of a particular gas supplier. We contract with gas suppliers who have a reputation of honoring their contractual commitments and have proven themselves as reliable suppliers. Conversely, we avoid suppliers which have a reputation of defaulting on contract obligations or who unilaterally interpret contracts to their advantage. We prefer to deal with suppliers who are constantly looking for ways to improve service and offer "win-win" solutions for meeting customer needs.

Q. Please describe the arrangements under which the Company purchases gas.

A. The Company purchases gas supplies under a diverse portfolio of contractual arrangements with a number of gas producers and marketers. In general, under the Company's firm gas supply contracts, the Company may pay negotiated reservation fees for the right to reserve and call upon firm supply service up to the maximum daily contract quantity (elected either on a monthly or daily basis), with market-based commodity prices. These market-based commodity prices, to which the Company's gas supply contracts refer, are published daily and monthly in industry trade publications. These firm contracts typically range in term from one month to four years. Some of these contracts are for winter only (peaking or seasonal) service, summer only (peaking or seasonal) service, or 365-day (annual) service. Firm gas supplies are purchased for reliability and security of service. The reservation fees associated with firm gas supplies may vary according to the amount of flexibility built into the contract, with daily swing service usually being more expensive than monthly baseload service. Generally, prior to or when existing supply contracts expire, requests for proposals ("RFPs") may be sent to potential suppliers, their responses evaluated, and firm gas supplies are then contracted with suppliers whose proposals best fulfill the Company's "best cost" purchasing policy.

The Company also purchases gas supplies in the spot market under contract terms of one month or less. These contracts provide less supply security and, as a result, the Company relies on these contracts primarily for interruptible or spot markets during off-peak periods when secondary supplies are more abundant and for supplemental system balancing requirements. Because of the nature of spot contracts, these supplies do not command reservation fees and are priced at a market rate, generally by reference to an industry index or at negotiated fixed prices.

Q. How does the combination of the five factors described above determine the nature of the supply and capacity contracts under your "best cost" policy?

A. Under our "best cost" policy, we secure and maintain a supply portfolio that is in balance with the requirements of our sales customers. Because our firm sales customers must have secure and reliable gas supply, we meet the need of our firm sales customers' demand primarily with long-term firm supply, transportation, storage, and peaking service contracts. The temperature sensitivity of our firm customers necessitates that flexibility of supply and storage also be provided. As mentioned earlier, firm gas supply contracts demand a premium, typically in the form of fixed reservation fees. Firm supply contracts with flexible swing service entitlements will command a higher reservation fee than baseload arrangements. Because our interruptible customers are more price sensitive and require less supply security, we supply these customers with off-peak firm gas supply and transportation services when the firm customers' demand declines and through the purchase of gas supplies in the spot market.

In short, before entering into any agreement to purchase gas supply, pipeline transportation capacity, or storage capacity, we carefully consider the requirement for the supply and weigh the five "best cost" factors (price, security, deliverability, flexibility, and supplier relations). A great deal of judgment is required when weighing these factors and to help us exercise this judgment, we keep informed about all aspects of the natural gas industry. We intervene in all major FERC proceedings involving our pipeline transporters, stay in constant contact with our existing and potential suppliers, monitor gas prices on a real-time basis, subscribe to industry literature, follow supply and demand developments, and attend industry seminars.

Q. What is your greatest challenge in applying your "best cost" gas purchasing policy?

A. Since most major gas supply decisions require a considerable degree of planning and must be made a year or more in advance of service, our greatest challenge is dealing with future uncertainties in a dynamic global, national, and regional energy market. Future demand for gas is affected by economic conditions, customer conservation efforts, weather patterns, and regulatory policies. In addition, the future availability and pricing of gas supplies will be affected by overall end-user demand, oil and gas exploration and development, pipeline expansion and storage projects, and regulatory policies and approvals.

Q. Please explain the Company's position regarding the current U.S. supply situation.

A. For much of the first decade of this Century, futures pricing of natural gas reflected by the NYMEX was extremely volatile. Peak pricing for futures contracts occurred in July 2008 when contracts for gas to be delivered during January 2009 sold for $14.516 per dekatherm. Due to the significant quantities of shale gas that have become available to the market, the cost of gas in the production areas has declined dramatically. It is the Company's expectation that some volatility will remain in the physical markets, particularly related to force majeure type events, interstate pipeline capacity markets, and/or significant changes in demand, but that the dramatic swings previously seen in the futures market are not likely to recur with the same regularity or intensity so long as shale gas supplies remain abundant and regulatory policies remain favorable for gas and oil exploration. Another factor to consider in the U.S. supply situation is the exportation of LNG. Approvals of LNG export terminals, applications for trade with Free Trade Agreement and non-Free Trade Agreement countries, and to what extent exportation may impact gas prices are being evaluated. Nevertheless, market experts believe that future LNG exports would be adequately served by shale supplies and that while there is a reasonable expectation of an increase in gas costs, the anticipated effect is marginal.

Q. Please explain the factors that the Company evaluates in determining the pricing basis for its gas supply contracts. Please discuss the various pricing alternatives available, such as fixed prices, monthly market indexing and daily spot market pricing and describe how supplier

reservation charges and discounts or premiums from market prices enter into the evaluation.

A. The Company has various pricing options available to it when developing its gas supply portfolio. These options include monthly market indexing, daily spot pricing, and fixed pricing. Pricing for gas contracted for a term of one month or longer typically refer to a monthly or daily index as published by industry trade publications. Prices for daily spot deals may refer to a daily index or a negotiated fixed price.

The reservation fee the Company pays for each contract in its firm supply portfolio is dependent upon the pricing options chosen and the supply flexibility requirements associated with each contract. Reservation fees are generally lower for baseload supplies (purchased at a constant volume for the entire month, season or year) and higher if swing service is required. Reservation fees also vary depending on the type of swing service being provided. Examples of factors which affect the cost of swing service are: 1) the number of days of swing required; 2) the volume of swing allowed; 3) commodity pricing at first of the month indices versus daily spot pricing; 4) first of the month keep whole pricing; 5) next day versus intraday swing capabilities; and 6) location of the supply being purchased.

The Company considers its anticipated load and swing requirements under various demand scenarios, contemplates the factors listed above and makes a "best cost" purchasing decision.

Q. Please describe how the Company determines the daily contract quantity of gas supplies that should be acquired through long-term contracts for the whole year, the full winter season and periods less than a full winter season.

A. The Company purchases gas supplies on a year-round basis to fulfill its firm requirements including storage injections and to minimize supply costs utilized to serve firm customers. Some of these contracts will escalate in volume during shoulder months (April and October) and the winter period (November through March) as the Company's firm requirements increase due to higher demand, thus sculpting year-round contracts to fit seasonal needs. The Company also purchases volumes for the winter period to meet its forecasted customer demand within the limits of the Company's firm transportation capacity entitlements, which increase during the winter period. Lastly, the Company may purchase short-term city gate peaking supply to fulfill additional firm obligations that exceed the Company's firm transportation capacity entitlements. In addition, the Company reviews low demand scenarios to measure its ability to fulfill its contractual purchase commitments with suppliers.

Q. What process does the Company employ in selecting its firm gas suppliers?

A. The Company identifies the volume and type of supply that it needs to fulfill its customer demand requirements, and in general, solicits RFPs from a list of suppliers that the Company continuously updates as potential suppliers enter and leave the market place. The RFPs may be for firm baseload or swing supply. RFPs for swing supply may be further categorized into pricing based on first of the month indices, keep whole, or daily market indices. Swing supplies priced at first of the month indices command the highest reservation fees because the supplier incurs all the risk associated with market volatility during the delivery period. Keep whole contracts require the Company to reimburse the supplier for the difference between first of the month index prices and lower daily market prices if the Company does not take its full contractual volume. Because the Company assumes the volatility risk associated with falling prices, a lower reservation fee is warranted. Lower reservation fees are also associated with swing contracts referencing a daily market index because both buyer and seller assume the risk of daily market volatility. After forecasting the ultimate cost delivered to the city gate for each point of supply, and evaluating the cost of reservation fees associated with each type of supply and its corresponding bid, the Company makes a "best cost" decision on which type of supply and supplier is best suited to fulfill its needs.

Q. Did the Company enter into any new supply arrangements during the review period?

A. Yes. During the review period the Company added new supply arrangements utilizing its normal RFP process described earlier. The Company also pursued and negotiated an Asset Management Arrangement to facilitate the firm call on gas at our Transco citygate for supply and storage from the TCO and Hardy systems for the periods of November 1, 2016-March 31, 2017, November 1, 2017-March 31, 2018, and November 1, 2018-March 31, 2019.

Q. **Please describe the process that the Company utilized and the market intelligence evaluated during the review period to determine the prices charged for secondary market sales.**

A. The process and information used by the Company in pricing secondary market sales depends upon the location of the sale, term of the sale, the type of sale, and prevailing market conditions at the time of the sale. For long-term delivered sales (longer than one month), in general, the Company solicits bids from potential buyers, and if acceptable, evaluates and awards available volumes. For short-term transactions (daily or monthly), the Company 1) monitors prices and volumes on the Intercontinental Exchange (Intercontinental Exchange or "ICE" is an electronic trading platform where potential buyers post bids and potential sellers post offers at various locations/areas along the pipelines), 2) talks to various market participants, and 3) for less liquid trading points, estimates prices based on price relationships with more liquid points. The Company will also evaluate the amount of supply available for sale and weigh that against current market conditions in formulating its sales strategy (i.e., if the Company has a large amount of supply to sell on a particular day and determines that market demand is low, the Company will be more aggressive in its sales strategy). The Company incorporates all these factors and then initiates its sales strategy.

Q. Did the Company make any changes in its gas purchasing policies or practices during the review period?

A. The Company did not implement any changes in its "best cost" gas purchasing policies or practices during the review period.

Q. Did the Company take any other action to reduce price volatility for its customers?

A. The Company continues to utilize the Company's Hedging Plan as well as storage which acts as a physical hedge to stabilize cost. The Company's Equal Payment Plan, in addition to the adjustment of the PGA benchmark price and deferred gas cost accounting, also provide a smoothing effect on gas prices charged to customers.

Q. What were the net economic results of the Hedging Plan during the review period?

A. Piedmont's North Carolina sales customers incurred a net economic cost of $764,597 (see **Exhibit_(MBT-2)**) as a result of the Company's Hedging Plan during the review period which was an 80% decrease compared to last year. This net economic impact includes the cost of commissions and amounts to an average cost per sales customer of roughly $0.09 per month.

Q. Did the Company's Hedging Plan work properly during the review period?

A. Yes. The Hedging Plan accomplished its goal of providing an insurance policy to reduce gas cost volatility for customers in the event of a gas price fly up.

Q. Has the Company made any changes to its Hedging Plan during the review period?

A. There were no changes made to the Hedging Plan during the review period. The Company has and will continue to closely monitor the gas supply – demand picture and make changes it deems necessary to its Hedging Plan.

Q. Please describe how compliance with the Hedging Plan is monitored.

A. Currently, the Gas Accounting, Finance, and Corporate Compliance areas perform ongoing activities to monitor compliance with the Hedging Plan. In addition, the Company's Energy Price Risk Management Committee monitors compliance with the Hedging Plan, as well as considers and approves any change to the Hedging Plan. Periodic internal audits have and will be performed to ensure that controls continue to be adequate and function as management intends.

Q. Have there been any deviations from the Hedging Plan during the review period?

A. There were no deviations from the Hedging Plan during the review period.

Q. Given the current low price forecast and low gas cost volatility environment, do you think continuing to hedge under the current Hedging Plan is prudent?

A. Because the goal of the Hedging Plan is to provide insurance against gas cost volatility if prices fly up, the Company feels it is prudent to incur what it deems to be a low-cost insurance policy and continue with the current Hedging Plan. As stated previously, the cost per sales customer during the review period was approximately $0.09 per month. Because the current Hedging Plan only contemplates the purchase of options, the cost of the Hedging Plan is relatively low. As stated above, the Company has and will continue to closely monitor the gas supply – demand picture and make changes it deems necessary to its Hedging Plan.

Q. What are some of the other steps the Company has taken to manage its gas costs consistent with its "best cost" policy during the review period?

A. During the past year, the Company has taken the following additional steps to manage its gas costs, consistent with its "best cost" policy:

(1) The Company has, as more fully described in Ms. Mendoza's testimony, actively participated in proceedings before the FERC and other regulatory agencies that could reasonably be expected to affect the Company's rates and services;

(2) The Company has utilized the flexibility available within its supply and capacity contracts to purchase and dispatch gas, release capacity

and initiate secondary marketing sales in the most cost effective manner, resulting in secondary market credits of $30,266,334 a 23% decrease, compared to last year's secondary market credits of $39,270,418;

(3) The Company has actively promoted more efficient peak day use of natural gas and load growth from "year-round" markets in order to improve the Company's load factor and reduce average unit costs.

Q. Did the Company make any changes to its gas purchasing policies and hedging activity as a result of the merger with Duke Energy?

A. The Company continued purchasing and securing reasonably priced supply for our customers consistent with the 5 factors in our "best cost policy". Furthermore, the merger did not cause a change to Piedmont's hedging activity. We will continue to do what is best for our customers.

Q. Please summarize your testimony.

A. The Company's "best cost" purchasing policy provides ratepayers with secure and reasonably priced gas supplies to meet the requirements of its customers. This policy and the Company's practice under this policy have been reviewed and found prudent on all occasions in North Carolina and in the other state jurisdictions in which we operate. Although we believe our policies and procedures are reasonable, we are cognizant of the fact that the natural gas industry is rapidly changing, and we are continuously monitoring our policies and procedures to keep up with, and anticipate, these changing conditions. We have and will continue to work with the Commission and Public Staff to review current regulations and tariffs and explore possible changes that will better serve our natural gas customers in the future. We are satisfied that our existing policies and procedures are prudent and that they have produced and will continue to produce adequate amounts of secure and reasonably priced gas for our customers.

Q. Does this conclude your testimony?

A. Yes.

Exhibits MBT-1 through MBT-4

(Identified and Admitted)

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

Q. Please state your name and your business address.

A. My name is MaryBeth Tomlinson. My business address is 4720 Piedmont Row Drive, Charlotte, North Carolina.

Q. What is your position and what are your responsibilities with Piedmont Natural Gas Company ("Piedmont")?

A. I am employed as the Manager of Gas Accounting.

Q. Please describe your educational and professional background.

A. I received a B.A. degree in Accounting from Belmont Abbey College in Belmont, NC in 1985. In 1985, I was employed by Hobbs, Crossley and Blacka P.A. as a staff accountant. In 1987, I was employed by ALLTEL Corporation as Manager of General Accounting. In 1995, I was employed by SeaLand Service Corporation as Manager of Vessel Accounting. In 1999, I was employed by United States Ship Management, LLC (USSM) as Manager of General Accounting. In 2005, I was employed by HSBC Mortgage Corp. as Manager of Accounting. In 2007, I was employed by Piedmont Natural Gas Company, Inc. ("Piedmont") as Manager of Special Projects. In February 2008, I became the Manager of Corporate Accounting. In August 2012, this department was divided between two managers and I became the Manager of Plant Accounting and Accounts Payable. I accepted the position as the Manager of Gas Accounting in January 2015.

Q. Have you previously testified before this Commission or any other regulatory authority?

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A. Yes. I have previously testified before this Commission as well as the Public Service Commission of South Carolina.

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

A. The purpose of my testimony in this docket is to provide the information required by Commission Rule R1-17(k)(6)(c) for the period June 1, 2016 through May 31, 2017. This information is reflected in the following schedules attached to my testimony, which are collectively designated as Exhibit_(MBT-1):

(1) Summary of cost of gas expense.
(2) Summary of demand and storage gas costs.
(3) Summary of commodity gas costs ($).
(4) Summary of other cost of gas charges/(credits).
(5) Summary of demand and storage rate changes.
(6) Summary of demand and storage capacity level changes.
(7) Summary of demand and storage costs incurred versus collected.
(8) Summary of deferred account activity - sales.
(9) Summary of deferred account activity – all customers.
(10) Summary of gas supply (Dts).

All of these schedules were prepared by me or under my supervision.

Q. Has Piedmont accounted for its cost of gas in compliance with Rule R1-17(k) and the Commission's prior order in Docket G-100, Sub 67?

A. Yes. Piedmont has complied with the Rule and has filed with the Commission (with a copy to the Public Staff) a complete monthly accounting of its computations under the approved procedures. As ordered by the Commission in Docket G-100, Sub 67, Piedmont has recorded the net compensation from secondary market transactions in the All Customers' Deferred Account.

Q. Has Piedmont accounted for its secondary market sales and capacity release to Duke Energy Carolinas, LLC (DEC) and Duke Energy Progress, LLC (DEP)I in compliance with the North Carolina Utilities Commission's September 29, 2016 *Order Approving Merger Subject to Regulatory Conditions and Code of Conduct* regarding the Duke Energy – Piedmont merger ?

A. Yes. As of October 2016, the month in which the merger was consummated, Piedmont has recorded in Piedmont's Deferred Gas Cost accounts all of the margins (also referred to as net compensation) received by Piedmont on secondary market sales and capacity release transactions with DEC and DEP for the benefit of the rate payers without any benefit to or sharing by Piedmont.

Q. How do the gas costs incurred by Piedmont during the period June 1, 2016 through May 31, 2017 compare with the gas costs recovered from Piedmont's customers during the same period?

A. During the period June 1, 2016 through May 31, 2017, Piedmont incurred gas costs of $307,585,351, received $284,034,828 through rates and allocated the difference of ($23,550,523) to Piedmont's gas cost deferred accounts. At May 31, 2017, Piedmont had the following deferred account balances:

All Customers Account	$ 10,741,279
Sales Customers Account	$ (2,607,558)
Total	$ 8,133,721

Piedmont also has a debit balance in its Hedging Program Deferred Accounts of $764,597 at May 31, 2017, which is included in the Sales Customers Account balance above.

Q. Has the Commission been kept advised of changes in Piedmont's deferred account during the test period?

A. Yes, Piedmont has filed information with the Commission on a monthly basis regarding the status of its deferred accounts and has provided copies of this information to the Public Staff.

Q. How does Piedmont propose to address recovery of the Hedging Account Balances?

A. Piedmont proposes to combine the Hedging Deferred Accounts and the Sales Customer Only Deferred Account balances to determine the net increment/decrement for sales customers resulting from this proceeding.

Q. What are the results of Piedmont's Hedging Program for the review period?

A. As indicated above, the balance in the Hedging Program Deferred Accounts at May 31, 2017 was $764,597. I have attached an analysis of the Hedging Program Deferred Account for the review period as Exhibit_(MBT-2).

Q. Are you proposing that any rate increments or decrements be implemented in this proceeding on the basis of the balances in the deferred accounts?

A. Yes. Based on the end-of-period balances in the Company's deferred accounts, I recommend that the increments/decrements to Piedmont's rates reflected on Exhibit_(MBT-3) and Exhibit_(MBT-4), attached hereto, be placed into effect for a period of twelve months after the effective date of the final order in this proceeding.

Q. Does this conclude your testimony?

A. Yes.

Revised Exhibit MBT-1

(Identified and Admitted)

(WHEREUPON, the prefiled supplemental testimony of MARYBETH TOMLINSON is copied into the record as if given orally from the stand.)

Q. Please state your name and your business address.

A. My name is MaryBeth Tomlinson. My business address is 4720 Piedmont Row Drive, Charlotte, North Carolina.

Q. What is your position and what are your responsibilities with Piedmont Natural Gas Company ("Piedmont")?

A. I am employed as the Manager of Gas Accounting.

Q. Are you the same MaryBeth Tomlinson who prefiled testimony in this docket on August 1, 2017?

A. Yes, I am.

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

A. The purpose of my Supplemental Testimony is to provide and explain certain changes to Schedules 1, 3, 4 and 10 in Exhibit_(MBT-1) of my direct prefiled testimony in this proceeding. The changes are reflected in Revised Schedules 1, 3, 4 and 10 of Exhibit_(MBT-1) included herein.

Q. What are the changes reflected in Revised Schedules 1, 3, 4 and 10 of Exhibit_(MBT-1)?

A. The schedules were amended to add row visibility to the accounting of the Gas Sales to Transportation Customers and the Cashout of Shorts, both of which are undertaken pursuant to Rate Schedule 107. Due to these presentation changes on Schedules 3, 4 and 10, Schedule 1 was updated to reflect the proper categorization of gas costs between "Commodity Costs Expensed" and "Other Charges/(Credits)".

Q. Do the changes reflected in Revised Schedules 1, 3, 4 and 10 of Exhibit_(MBT-1) impact the Total Cost of Gas Expensed or the Gas Cost Deferred Account Balance?

A. No. The schedule changes do not impact the cost of gas during the review period or the monthly deferred account balances as represented in my direct filed testimony and exhibits.

Q. Why are you making these changes to your exhibit schedules?

A. These changes are being made simply for clarification, as an improvement to the way the gas cost information has historically been presented. The Public Staff recently requested that we make these changes to the schedules now and on a going forward basis. We agreed that this presentation change would be helpful. We have provided these revised schedules to Public Staff for their review, and they have authorized us to say that they are in agreement with the revisions.

Q. Does this conclude your supplemental testimony?

A. Yes.

MS. CULPEPPER: The Public Staff would make a similar motion with our testimony and exhibits and the testimony as revised be admitted into evidence.

COMMISSIONER BROWN-BLAND: That motion will also be allowed and the joint testimony of the Public Staff witnesses Poornima Jayasheela, Jan A. Larsen and Julie G. Perry will be received into the record as if given orally from the witness stand, along with their three Appendices. And the revised filing modifying, I believe, it was page 9 of that joint testimony will also by received.

MS. CULPEPPER: Thank you.

(WHEREUPON, the prefiled joint direct testimony of POORNIMA JAYASHEELA, JAN A. LARSEN and JULIE G. PERRY, including revised page 9 and Appendices A, B, and C is copied into the record as if given orally from the stand.)

PIEDMONT NATURAL GAS COMPANY, INC.

DOCKET NO. G-9, SUB 710

JOINT TESTIMONY OF

POORNIMA JAYASHEELA, JAN A. LARSEN, AND JULIE G. PERRY

ON BEHALF OF

THE PUBLIC STAFF – NORTH CAROLINA UTILITIES COMMISSION

SEPTEMBER 18, 2017

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

A. My name is Poornima Jayasheela, and my business address is 430 North Salisbury Street, Raleigh, North Carolina. I am an Accountant 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 (1) to present the results of my review of the gas cost information filed by Piedmont Natural Gas Company, Inc. (Piedmont or Company), in accordance with G.S. 62-133.4(c) and Commission Rule R1-17(k)(6), (2) to provide my conclusions regarding whether the gas costs incurred by Piedmont during the 12-month review period ended May 31, 2017, were properly accounted for, and (3) to report on any changes in the deferred gas cost reporting during the review period.

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

A. My name is Jan A. Larsen, and my business address is 430 North Salisbury Street, Raleigh, North Carolina. I am the Director of the Natural Gas Division of the Public Staff. My qualifications and experience are provided in Appendix B.

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

A. The purpose of my testimony is (1) to evaluate the prudence of the natural gas purchases made by Piedmont, and (2) to discuss my recommendation regarding any temporary rate increments or decrements.

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

A. My name is Julie G. Perry, and my business address is 430 North Salisbury Street, Raleigh, North Carolina. I am the Accounting Manager of the Natural Gas & Transportation Section in the Accounting Division of the Public Staff. My qualifications and experience are provided in Appendix C.

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

A. The purpose of my testimony is to discuss my investigation and conclusions regarding the prudence of Piedmont's hedging activities during the review period.

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

A. We reviewed the testimony and exhibits of the Company's witnesses, the Company's monthly Deferred Gas Cost Account reports, monthly financial and operating reports, the gas supply, pipeline transportation and storage contracts, the reports filed with the Commission in Docket No. G-100, Sub 24A, and the Company's responses to Public Staff data requests. The responses to the Public Staff data requests contained information related to Piedmont's gas purchasing philosophies, customer requirements, and gas portfolio mixes.

Q. MR. LARSEN, WHAT IS THE RESULT OF YOUR EVALUATION OF PIEDMONT'S GAS COSTS?

A. Based on my investigation and review of the data in this docket, I believe that Piedmont's gas costs were prudently incurred.

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

A. Yes.

Q. WHAT OTHER ITEMS DID THE NATURAL GAS DIVISION REVIEW?

A. Even though the scope of Commission Rule R1-17(k) is limited to a historical review period, the Public Staff's Natural Gas Division also considers other information received pursuant to the data requests in order to anticipate the Company's requirements for future needs, including design day estimates, forecasted gas supply needs, projection of capacity additions and supply changes, and customer load profile changes.

ACCOUNTING FOR AND ANALYSIS OF GAS COSTS

Q. MS. JAYASHEELA, HOW DOES THE ACCOUNTING DIVISION GO ABOUT CONDUCTING ITS REVIEW OF THE COMPANY'S ACCOUNTING FOR GAS COSTS?

A. Each month the Public Staff's Accounting Division reviews the Deferred Gas Cost Account reports filed by the Company for accuracy and reasonableness, and performs many audit procedures on the calculations, 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 supporting the calculation of 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 the customer below the cost of gas to the Company or below the price of the customer's alternative fuel.

(4) Temporary Increments and/or Decrements – Calculations and supporting data are verified regarding the collections and/or refunds from customers that have occurred through the Deferred Gas Cost Accounts.

(5) Interest Accrual – Calculations of the interest accrued on the various deferred account balances during the month are verified in accordance with G.S. 62-130(e) and the Commission's Order Approving Merger Subject to Regulatory Conditions and Code of

Conduct issued September 29, 2016, in Docket Nos. G-9, Sub 682, E-2, Sub 1095, and E-7, Sub 1100 (Merger Order).

(6) <u>Secondary Market Transactions</u> – The secondary market transactions conducted by the Company are reviewed and verified to the financial books and records, asset management arrangements, and other deferred account journal entries.

(7) <u>Uncollectibles</u> – 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 calculations supporting those journal entries are reviewed to ensure that the proper amounts are recorded.

(8) <u>Supplier Refunds</u> – Unless ordered otherwise, supplier refunds received by Piedmont should be flowed through to ratepayers in the All Customers' Deferred Account or in certain circumstances applied to the NCUC Legal Fund Reserve Account. Documentation is reviewed to ensure that the proper amount is credited to the correct account in a timely fashion.

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

A. The Company filed total gas costs of $283,047,611 per Tomlinson Revised Exhibit_(MBT-1), Revised Schedule 1, for the current period as compared with $249,929,687 for the prior twelve-month period. The components of the filed gas costs for the two periods are as follows:

	12 Months Ended		Increase	%
	May 31, 2017	May 31, 2016	(Decrease)	Change
Demand & Storage	$132,821,781	$133,227,638	($405,857)	(0.3%)
Commodity	173,683,773	164,506,303	9,177,470	5.6%
Other Costs	($22,470,726)	(47,804,254)	25,333,528	(53.0%)
Total	$284,034,828	$249,929,687	$34,105,141	13.6%

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:

		Actual Amounts for the 12 Month Periods Ended			
		April 30, 2017	April 30, 2016	Increase (Decrease)	% Change
Transco	FT	$94,479,301	$93,605,804	$873,497	0.9%
Transco	GSS	3,679,747	3,691,547	(11,800)	-0.3%
Transco	ESS	2,318,429	2,324,781	(6,352)	-0.3%
Transco	WSS	1,796,037	1,549,639	246,398	15.9%
Transco	LNG Service	219,197	219,798	(601)	-0.3%
Columbia	Firm Storage Service	3,331,131	3,331,131	(0)	0.0%
Columbia	SST	4,718,079	4,689,091	28,988	0.6%
Columbia	FTS	2,455,311	2,438,820	16,491	0.7%
Columbia	No Notice FT	929,740	924,720	5,020	0.5%
Col Gulf	FTS	726,150	739,678	(13,528)	-1.8%
Dominion	GSS	574,680	574,216	464	0.1%
Dominion	FT - GSS	972,850	980,893	(8,043)	-0.8%
ETN	FT	3,631,614	3,631,614	0	0.0%
Midwestern	FT	2,710,800	2,710,800	0	0.0%
Hardy Storage		14,442,394	14,407,839	34,555	0.2%
Pine Needle LNG		9,373,299	11,269,674	(1,896,375)	-16.8%
Cardinal	FT Demand	8,706,922	8,766,125	(59,203)	-0.7%
LNG Processing		921,994	611,382	310,612	50.8%
Property Taxes		126,312	123,465	2,847	2.3%
NC/SC Costs Expensed		156,113,988	156,591,018	(477,030)	-0.3%
NC Demand Allocator		85.08%	85.08%		
NC Costs Expensed		$132,821,781	$133,227,638	($405,857)	-0.3%

Note: Actual amounts lag one-month behind the accounting period. The May 31 review periods reflect actual amounts for the 12-month periods ended April 30.

The increase in the Transcontinental Gas Pipe Line Company, LLC (Transco) **Washington Storage Service (WSS)** charges are due to an increase in Transco's WSS Injection Fuel rate pursuant to FERC Docket No. RP17-451-000, effective April 1, 2017.

The reduction in the **Pine Needle LNG Company, LLC** charges is due to a decrease in its rates pursuant to FERC Docket No. RP17-204-000, effective January 1, 2017.

The **LNG Processing** charges are the electric bills associated with the liquefaction expense for Piedmont's two on-system LNG facilities. These charges increased due to a higher LNG processing rate that resulted from a lower level of LNG injection volumes over which to spread the costs.

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:

	Actual Amounts for the 12 Month Periods Ended			
	April 30, 2017	April 30, 2016 1/	Increase (Decrease)	% Change
Gas Supply Purchases	$198,124,517	$161,659,536	$36,464,981	22.6%
Reservation Charges	2,108,516	6,113,047	(4,004,531)	(65.5%)
Storage Injections	(41,629,300)	(37,366,087)	(4,263,213)	11.4%
Storage Withdrawals	48,397,674	64,133,002	(15,735,328)	(24.5%)
Electric Compressor Costs	812,550	946,377	(133,827)	(14.1%)
Banked Gas Usage	13,304	(4,199)	17,503	(416.8%)
Cash Out Brokers (Long)	1,860,501	2,380,727	(520,226)	(21.9%)
Sales to Transport Customers/Cashout Shorts	(513,518)	(586,099)	72,581	(12.4%)
NC/SC Commodity Costs	$209,174,244	$197,276,303	$11,897,942	6.0%
NC Commodity Costs	$173,683,773	$164,021,630	$9,662,143	5.9%
NC Dekatherms Delivered	61,255,701	64,070,733	(2,815,032)	(4.4%)
NC Cost per Dekatherm	$2.8354	$2.5600	$0.2754	10.8%

1/ Reflects the format changes for the 2017 revised annual review schedules.

Note: Actual amounts lag one-month behind the accounting period. The May 31 review periods reflect actual amounts for the 12-months ended April 30.

Gas Supply Purchases increased by $36,464,981 primarily due to a greater level of wellhead gas prices in the current review period compared with the prior twelve-month review period.

Reservation Charges are fixed or minimum monthly charges a local distribution company (LDC) may pay a supplier in connection with the supplier providing the LDC an agreed-upon quantity of gas, regardless of whether the LDC takes it or not. The decrease in reservation charges reflects the market-driven decrease in prices in the current review period as compared to the prior review period.

The increase in **Storage Injections** was due to both higher cost of gas supply injected into storage and increased volumes injected into storage. The average cost of gas into storage during the current review period was $2.5405 per dt as compared with $2.4702 per dt for the prior period. Piedmont injected 16,386,099 dts into storage in the current review period as compared to 15,126,471 dts for the prior period.

The decrease in **Storage Withdrawal** volumes was primarily due to a lower average cost of supply withdrawn from storage. Piedmont's average cost of gas withdrawn was $2.7522 per dt this review period as compared to $3.3674 per dt in the prior period.

The **Electric Compressor Costs** are associated with electric compressors related to power generation contracts. There is no impact on the deferred account since these costs are recovered through the contract payments.

Banked Gas is the cost of gas associated with the month-end volume imbalances that are not cashed out with customers. Piedmont currently has four banked gas customers, all former NCNG customers, who may exercise the right per contract to carry forward their monthly volume imbalances instead of cashing out monthly. The change in the banked gas represents the difference in the cost of gas supply of the volume imbalances carried forward from month to month.

Cash Out Brokers (Long) represents the purchases made by Piedmont from brokers that brought too much gas to the city gate. The reduction in Cashout Longs was due to the decrease in purchases during the current review period as compared to the prior review period. During the current period, the Company recorded purchases of 1,681,682 dts while the prior period's purchase was 2,203,138 dts.

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:

	Actual Amounts for the 12 Month Periods Ended		
	April 30, 2017	April 30, 2016	Increase (Decrease)
Total Deferred Acct Activity COG Items	($49,941)	($13,240,840)	$13,190,899
Actual vs. Estimate Reporting Month Adj.	3,636,860	(1,298,411)	4,935,271
Total Other Costs	(26,057,644)	(33,265,003)	7,207,359
Total NC Other Cost of Gas Expense	($22,470,726)	($47,804,254)	$25,333,528

The **Total Deferred Acct Activity COG Items** reflect offsetting journal entries for the cost of gas recorded in the Company's Deferred Gas Cost Accounts during the review periods. This amount includes offsetting journal entries for the commodity true-up, fixed gas cost true-up, negotiated losses, and increments/decrements.

The **Actual vs. Estimate Reporting Month Adj.** amounts result from the Company's monthly accounting closing process. Each month, the Company estimates its current month's gas costs for financial reporting purposes and adjusts the prior month's estimate to reflect the actual cost incurred for that month.

Total Other Costs are primarily the North Carolina ratepayers' portion of capacity release margins and the allocation factor differential for bundled sales. The allocation factor differential is due to the utilization of the NC/SC sales allocation factor in the commodity gas cost calculation and the demand allocation factor utilized in the secondary market calculation.

SECONDARY MARKET ACTIVITIES

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

A. During the review period, the Company earned actual margins of $49,527,548 on secondary market transactions, and credited the All Customers' Deferred Account in the amount of $31,603,528 ($49,527,448 x NC demand allocator x 75% ratepayer sharing percent) for the benefit of ratepayers, in accordance with the Commission's Order Approving Stipulation issued on December 22, 1995, in Docket No. G-100, Sub 67. This dollar amount is slightly different than the amount recorded on Tomlinson Revised Exhibit_(MBT-1), Schedule 9, since the Company's deferred account includes estimates for the May 2017 secondary market transactions. Presented below is a chart that compares the total actual company margins earned by Piedmont on the various types of secondary market transactions in which it was engaged during the review period and the prior review period.

	Actual Amounts for the 12 Month Periods Ended			
	April 30, 2017	April 30, 2016	Increase (Decrease)	% Change
Asset Management Arrangements	$18,439,307	$16,226,920	$2,212,387	13.6%
Capacity Releases	24,078,870	35,904,411	(11,825,541)	(32.9%)
Off System Sales	7,009,371	8,048,529	(1,039,158)	(12.9%)
Total Company Margins on Secondary Market Transactions	$49,527,548	$60,179,860	($10,652,312)	(17.7%)

Note: Actual amounts lag one-month behind the accounting period. The May 31 review periods reflect actual amounts for the 12-months ended April 30.

Asset Management Arrangements (AMAs), according to the FERC,

> 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.

Promotion of a More Efficient Capacity Release Market, Order No. 712, 123 FERC ¶ 61,286, Paragraph 110 (June 19, 2008).

The increase in net compensation from AMAs resulted from an increase in the interstate pipeline and storage capacity that Piedmont has subject to AMAs.

Capacity Releases are the 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 decreased primarily due to a lower level of released volumes for the current review period as compared to the prior period, as well as lower market prices paid by shippers.

Off System Sales on Piedmont's system are also referred to as bundled sales. Bundled sales are gas supplies delivered to a third party at a specified receipt point in the Transco market area. Because bundled sales move gas from the production area to the market area, these sales utilize pipeline capacity, and thus involve both gas supply and capacity. The net compensation from off system sales decreased by approximately 13% as compared to the prior review period due to lower market prices that were paid by shippers during the current review period as compared to the prior review period.

Q. PLEASE PROVIDE A FURTHER DESCRIPTION OF PIEDMONT'S OFF SYSTEM SALES TRANSACTIONS.

A. During the current review period, Piedmont entered into multi-month, monthly, and daily off system sales transactions with approximately twenty shippers. Approximately 93% of these off system sales transaction volumes consisted of daily transactions that extend from one to several days. The one multi-month transaction that Piedmont entered into during the current review period spanned the five-month summer period and none occurred during the winter season.

HEDGING ACTIVITIES

Q. MS. PERRY, 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, that 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 (Hedging Position Report);
5. Periodic reports on the market values of the various financial instruments used by the Company to hedge (Mark-to-Market Report);
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 Piedmont's Energy Price Risk Management Committee (EPRMC);

9. Minutes from the Board of Directors 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 Piedmont's EPRMC; 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 net costs of $764,597 in its Hedging Deferred Account during the review period. This net cost amount in the account at May 31, 2017, is composed of the following items:

Economic (Gain)/Loss - Closed Positions	($1,689,560)
Premiums Paid	2,234,893
Brokerage Fees & Commissions	38,859
Interest on Hedging Deferred Account	180,405
Hedging Deferred Account Balance	$764,597

The Company proposed that the $764,597 debit balance in the Hedging Deferred Account as of the end of the review period be transferred to its Sales Customers' Only Deferred Account.

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 for contract periods that closed during the review period or that will close after May 31, 2017. As of May 31, 2017, this amount includes call options purchased by

Piedmont for the May 2017 contract period, a contract period that is 13 months beyond the end of the current review period and 12 months beyond the May 2016 prompt month. Brokerage Fees and Commissions are the amounts paid to brokers to complete the transactions. The Interest on Hedging Deferred Account is the amount accrued by the Company on its Hedging Deferred Account in accordance with G.S. 62-130(e) and the Merger Order, effective October 1, 2017.

The hedging costs incurred by the Company during the review period represent approximately 0.27% of total gas costs or $0.01 per dt. The average monthly cost per residential customer for hedging is approximately $0.06. Piedmont's weighted average hedged cost of gas for the review period was $3.59 per dt.

Q. DID THE COMPANY MODIFY ITS HEDGING PLAN DURING THE REVIEW PERIOD?

A. No. The Company did not modify its hedging plan during the current review period.

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

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 recommend that the $764,597 debit balance in the Hedging Deferred Account as of the end of the review period be transferred to Piedmont's Sales Customers' Only Deferred Account.

DESIGN DAY REQUIREMENTS

Q. MR. LARSEN, HAVE YOU DRAWN ANY CONCLUSION FROM YOUR REVIEW AS TO THE COMPANY'S FUTURE CAPACITY REQUIREMENTS?

A. I reviewed the Company's testimony and information submitted by the Company in response to data requests that dealt with how well the projected firm demand requirements aligned with the available capacity in the future. I also performed independent calculations which projected demand versus capacity requirements.

From those calculations, it appears that the Company has adequate capacity to meet firm demand until the Atlantic Coast Pipeline (ACP) comes on line in 2019. If ACP does not come on line as scheduled, it is projected that Piedmont may have a capacity shortfall starting in the 2019-2020 winter period. I recommend that the Company continue to carefully review its demand projections as it considers capacity additions in the future.

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DEFERRED ACCOUNT BALANCES

Q. MS. JAYASHEELA, BASED ON YOUR REVIEW OF GAS COSTS IN THIS PROCEEDING AND MR. LARSEN'S OPINION THAT THE COMPANY'S GAS COSTS WERE PRUDENTLY INCURRED, WHAT ARE THE APPROPRIATE DEFERRED ACCOUNT BALANCES AS OF MAY 31, 2017?

A. The appropriate All Customers' Deferred Account balance is a debit of $10,741,279, owed to the Company, as filed by the Company.

The Public Staff recommends transferring the debit balance of $764,597 in the Hedging Deferred Account as of the end of the review period to the Sales Customers' Only Deferred Account. The recommended balance for the Sales Customers' Only Deferred Account as of May 31, 2017, is a credit balance, owed by the Company, of $2,607,558, determined as follows:

Balance per Exhibit MBT-1 Sch 8	($3,372,155)
Transfer of Hedging Balance	764,597
Balance per Public Staff	($2,607,558)

Q. MR. LARSEN, WHAT IS YOUR RECOMMENDATION REGARDING ANY PROPOSED INCREMENTS/DECREMENTS?

A. I have determined that the temporary increments applicable to the All Customers' Deferred Account balance at May 31, 2017, as proposed by the Company in Tomlinson Revised Exhibit_(MBT-3), are properly and accurately calculated.

I also agree with the temporary decrement as proposed by the Company in Tomlinson Revised Exhibit_(MBT-4) for the Sales Customers' Only Deferred Account as of May 31, 2017.

I recommend that Piedmont monitor the balances in both the All Customers' and Sales Customers' Only Deferred Accounts, and, if needed, Piedmont file an application for authority to implement new temporary increments or decrements through the Purchased Gas Adjustment mechanism in order to keep the deferred account balances at reasonable levels.

I further recommend that Piedmont remove the existing temporary decrements and increment approved in the Company's prior Annual Review of Gas Costs proceeding (Docket No. G-9, Sub 690) and implement the temporaries in the instant docket.

Q. WHAT AFFECT DOES THIS CHANGE IN TEMPORARIES HAVE ON THE TYPICALY RESIDENTIAL BILL?

A. The typical residential customer will experience a decrease of $2.09 per year.

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Q. MS. JAYASHEELA, DID PIEDMONT HAVE ANY CHANGES TO ITS DEFERRED ACCOUNT REPORTING DURING THE REVIEW PERIOD?

A. Yes. Consistent with the Merger Order, effective October 1, 2017, Piedmont began using the net-of-tax overall rate of return approved in its most recent general rate case (Docket No. G-9, Sub 631), adjusted for any known corporate income tax rate changes, as the applicable interest rate on all amounts over-collected or under-collected from customers reflected in its Deferred Gas Cost Accounts. All other methods and procedures used by the Company for the accrual of interest on the Deferred Gas Cost Accounts remained unchanged.

Q. DOES THIS CONCLUDE THE PUBLIC STAFF'S TESTIMONY?

A. Yes.

APPENDIX A

POORNIMA JAYASHEELA

<u>Qualifications and Experience</u>

I received a Bachelor of Science degree and a Master of Business Administration degree from Osmania University, Hyderabad, India. I was employed by the Michigan Public Service Commission (MPSC) from July 2004 to August 2015. During my employment with the MPSC, I participated in contested rate cases, Times Interest Earned Ratio (TIER) case audits for regulated co-operatives, Power Supply Cost Recovery reconciliation audits, reconciliations of uncollectible expense tracking mechanism and revenue decoupling mechanism, and any special audits required by the MPSC.

I started employment with the Public Staff of North Carolina Utilities Commission in August 2015 as a staff accountant. I have presented testimony and exhibits or assisted with the following general rate case audits: Docket No. E-35, Sub 45, Western Carolina University; and Docket No. W-1058, Sub 7, Elk River Utilities, Inc. I have also presented testimony and exhibits in Piedmont Natural Gas Company's annual gas cost review for 2015-2016: Docket No. G-9, Sub 690.

APPENDIX B

QUALIFICATIONS AND EXPERIENCE
OF
JAN A. LARSEN
DIVISION DIRECTOR

PUBLIC STAFF - NATURAL GAS DIVISION
NORTH CAROLINA UTILITIES COMMISSION

I graduated from North Carolina State University in 1983 with a Bachelor of Science degree in Civil Engineering. I was employed with Law Engineering Testing Company as a Materials Engineer from 1983 to 1984. From 1984 until 1986, I was employed by the North Carolina Department of Transportation as a Highway Engineer. In 1986, I was employed by the Public Staff's Water Division as a Utilities Engineer I. In 1992, I was promoted to Utilities Engineer II with the Public Staff's Natural Gas Division and promoted to Utilities Engineer III in 2002. In May of 2016, I was promoted to the Director of the Public Staff's Natural Gas Division.

My most current work experience with the Public Staff includes the following topics:

1. Rate Design
2. Cost-of-Service Studies
3. Purchase Gas Cost Adjustment Procedures
4. Tariff Filings
5. Natural Gas Expansion Project Filings
6. Depreciation Rate Studies
7. Annual Review of Gas Costs
8. Weather Normalization Adjustments
9. Customer Utilization Trackers
10. Feasibility Studies / Line Extension Policies
11. Pipeline Integrity Management Riders

Appendix C

JULIE G. PERRY

Qualifications and Experience

I graduated from North Carolina State University in 1989 with a Bachelor of Arts degree in Accounting and I am a Certified Public Accountant.

Prior to joining the Public Staff, I was employed by the North Carolina State Auditor's Office. My duties there involved the performance of financial and operational audits of various state agencies, community colleges, and Clerks of Court.

I joined the Public Staff in September 1990, and was promoted to Supervisor of the Natural Gas Section in the Accounting Division in September 2000. I was promoted to Accounting Manager – Natural Gas & Transportation effective December 1, 2016. I have performed numerous audits and/or presented testimony and exhibits before the Commission addressing a wide range of natural gas topics.

Additionally, I have filed testimony and exhibits in numerous water rate cases and performed investigations and analyses addressing a wide range of topics and issues related to the water, electric, transportation, and telephone industries.

COMMISSIONER BROWN-BLAND: Is there anything else to come?

MR. JEFFRIES: (Shakes head no).

MS. CULPEPPER: (Shakes head no).

COMMISSIONER BROWN-BLAND: You're not wanting to get in on this, Mr. Page?

MR. PAGE: We felt that the Company and the Public Staff witnesses did such a fine job that with didn't offer testimony.

COMMISSIONER BROWN-BLAND: All right. Let the record reflect such.

MR. PAGE: And may not burden you with a brief either.

COMMISSIONER BROWN-BLAND: All right. And speaking of brief and any other post-hearing filings, would 30 days from to date be too -- from today be too soon? Is that agreeable?

MR. JEFFRIES: That will be fine.

MS. CULPEPPER: That will be fine.

COMMISSIONER BROWN-BLAND: Then those post-hearing filings will be due 30 days from today's date. If there's nothing else to come before the Commission this morning, have a great day, and we're adjourned.

(WHEREUPON, the proceedings were adjourned.)

C E R T I F I C A T E

I, KIM T. MITCHELL, 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.

Kim T. Mitchell

Kim T. Mitchell
Court Reporter II