



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

September 23, 2021

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

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

Dear Ms. Dunston:

Attached for filing in the above-referenced docket is the testimony and exhibit of Lynn L. Feasel, Staff Accountant, Accounting Division.

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

Sincerely,

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

s/ John Little
Staff Attorney
john.little@psncuc.nc.gov

Attachment

Executive Director
(919) 733-2435

Accounting
(919) 733-4279

Consumer Services
(919) 733-9277

Economic Research
(919) 733-2267

Energy
(919) 733-2267

Legal
(919) 733-6110

Transportation
(919) 733-7766

Water/Telephone
(919) 733-5610

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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

DOCKET NO. G-5, SUB 632)
)
In the Matter of)
Application of Public Service Company)
of North Carolina, Inc., for an)
Adjustment of Natural Gas Rates and)
Charges in North Carolina)
DOCKET NO. G-5, SUB 634)
)
In the Matter of)
Application for Approval to Modify)
Existing Conservation Programs and)
Implement New Conservation)
Programs)
)

TESTIMONY OF
LYNN FEASEL
PUBLIC STAFF – NORTH
CAROLINA UTILITIES
COMMISSION

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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

TESTIMONY OF LYNN FEASEL

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

SEPTEMBER 23, 2021

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

3 A. My name is Lynn Feasel. My business address is 430 North
4 Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am a
5 Staff Accountant with the Accounting Division of the Public Staff –
6 North Carolina Utilities Commission (Public Staff).

7 **Q. BRIEFLY STATE YOUR QUALIFICATIONS AND DUTIES.**

8 A. My qualifications and duties are set forth in Appendix A.

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

10 A. The purpose of my testimony is to present the results of my
11 investigation into the application of Public Service Company of North
12 Carolina, Inc. (PSNC or the Company), for a general rate increase in
13 this proceeding.

1 **Q. BRIEFLY EXPLAIN THE SCOPE OF YOUR INVESTIGATION**
2 **REGARDING THIS RATE INCREASE APPLICATION.**

3 A. My investigation included a review of the application, testimony,
4 exhibits, and other data filed by the Company, an examination of the
5 books and records for the test year, a review of the Company's
6 accounting end-of-period and after-period adjustments to test year
7 expenses and rate base, a review of responses provided by the
8 Company to numerous Public Staff data requests, and participation
9 in conference calls with the Company.

10 **Q. PLEASE DESCRIBE THE ADJUSTMENTS YOU RECOMMEND.**

11 A. I have recommended the following adjustments, which impact rate
12 base and operating expenses, to Public Staff witness Johnson to
13 incorporate into her exhibits:

- 14 (1) Other Working Capital Updates;
15 (2) Deferred Transmission Pipeline Integrity Costs;
16 (3) Deferred Distribution Pipeline Integrity Costs; and
17 (4) Lead Lag Study.

18 **OTHER WORKING CAPITAL UPDATES**

19 **Q. PLEASE EXPLAIN YOUR ADJUSTMENTS FOR OTHER**
20 **WORKING CAPITAL UPDATES.**

1 A. Except for the postretirement benefits and pension accrual, I have
2 updated the other working capital items, using a 13-month average
3 as of June 30, 2021, the Public Staff's cutoff date for post-test year
4 plant additions in this filing. For postretirement benefits and pension
5 accrual, I updated the Company's filed balance as of December 31,
6 2020 to the balance as of June 30, 2021.

7 **DEFERRED TRANSMISSION PIPELINE INTEGRITY COSTS**

8 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO DEFERRED**
9 **TRANSMISSION PIPELINE INTEGRITY COSTS.**

10 A. The Company's adjustment for deferred Transmission Integrity
11 Management Program (TIMP) costs is composed of the amounts
12 paid to outside vendors in connection with the TIMP program
13 between July 1, 2016, and December 31, 2020, as revised through
14 June 30, 2021 in the Company's filed June update. The Public Staff
15 has reviewed these charges, as well as the updated deferred TIMP
16 charges through June 30, 2021, and made adjustments to remove
17 expenses without invoice support and other non-eligible expenses.
18 The Public Staff has also reflected the existing amortization from the
19 Sub 565 rate case through December 31, 2021, the estimated
20 effective date of rates in the current rate case. The Public Staff
21 recommends that the balance of the deferred TIMP costs, net of prior
22 amortizations, be amortized over a five-year period consistent with

1 the Company's proposed amortization period in the Company's
2 original filing. My adjustment for the TIMP amortization is shown on
3 Feasel Exhibit I, Schedule 1.

4 **DEFERRED DISTRIBUTION PIPELINE INTEGRITY COSTS**

5 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO DEFERRED**
6 **DISTRIBUTION PIPELINE INTEGRITY COSTS.**

7 A. The Company's adjustment for Distribution Integrity Management
8 Program (DIMP) costs is composed of the amounts paid to outside
9 vendors in connection with the DIMP program between July 1, 2016,
10 and December 31, 2020, as revised through June 30, 2021 in the
11 Company's filed June update. The Public Staff has reviewed these
12 charges, as well as the updated deferred DIMP costs from January
13 1, 2021 through June 30, 2021, and made adjustments to remove
14 expenses without invoice support and other non-eligible expenses.
15 The Public Staff has also reflected the existing amortizations from
16 the Sub 565 rate case through December 31, 2021, the estimated
17 effective date of rates in the current rate case. The Public Staff
18 recommends that the balance of the deferred DIMP costs be
19 amortized over a five-year period consistent with the Company's
20 proposed amortization period in the Company's original filing. My
21 adjustment to the DIMP amortization is shown on Feasel Exhibit I,
22 Schedule 2.

1

LEAD LAG STUDY

2 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO THE LEAD LAG**
3 **STUDY.**

4 A. The Lead Lag study reflects the lag days between when the
5 Company bills customers for payment for service rendered and when
6 those payments are actually collected by the Company. The
7 Company needs funds during this time period to maintain routine
8 daily operations. The purpose of a lead lag study is to calculate the
9 amount of funding that the Company requires for this period of time.
10 PSNC's G-1, Item 26 - Lead Lag Study – 2021 shows the supporting
11 details for the Company's calculation of the test period and the
12 proforma lead lag cash working capital for this proceeding.

13 The Company's approach to calculating the lead lag cash working
14 capital is as follows: First, the Company calculated total revenue lag
15 days by adding the service period lag, billing lag, and collection lag
16 together. Second, the Company calculated expense lag days by
17 selecting a sufficient amount of samples, calculating the dollar days
18 for each expense, adding up the total dollar days and total amounts,
19 and calculating the overall expense lag days. Third, the Company
20 calculated net (lead) lag days by deducting expense (lead) lag days
21 from revenue lag days. Fourth, the Company divided net (lead) lag
22 days by 365 days to calculate the net interval percentage. Lastly, the

1 Company multiplied each cost of service, interest on long-term and
2 short-term debts, and income available for common equity by a net
3 interval percentage to calculate the total cash working capital
4 required.

5 The Public Staff agrees with the methodology the Company used to
6 calculate net cash working capital in the lead lag study using lead lag
7 days calculated from the Company's 2019 revenue and expense
8 data. The Public Staff applied the same methodology to calculate net
9 cash working capital in its lead lag study, as adjusted for the revenue
10 and expense adjustments proposed by the Public Staff in this case.

11 The Public Staff discovered a formula error in the Company's
12 calculation of other O&M expense lag days. The Public Staff has
13 corrected the formula, which resulted in a change of other O&M
14 expense lag days from 6.18 lag days to 6.36 lag days; therefore, the
15 overall O&M expense lag days was changed from 16.26 to 16.33.

16 The Public Staff discovered another formula error when calculating
17 income available for common equity. The Company did not deduct
18 interest on short-term debt from total operating income for return.

19 The Public Staff corrected this error which reduced the income
20 available for common equity.

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

22 A. Yes, it does.

QUALIFICATIONS AND EXPERIENCE

LYNN FEASEL

I am a graduate of Baldwin Wallace University with a Master of Business Administration degree in Accounting. I am a Certified Public Accountant licensed in the State of North Carolina. Prior to joining the Public Staff, I was employed by Franklin International in Columbus, Ohio, from June 2011 through June 2013. Additionally, I worked for ABB Inc. from September 2013 through October 2016.

I joined the Public Staff as a Staff Accountant in November 2016. Since joining the Public Staff, I have worked on rate cases involving water and sewer utilities and natural gas utilities, filed testimony and affidavits in various general rate cases, calculated quarterly earnings for Carolina Water Service, Inc. of North Carolina and Aqua North Carolina, Inc., calculated quarterly earnings for various natural gas utilities, calculated refunds to consumers from AH4R and Progress Residential, and reviewed franchise and contiguous filings for multiple water and sewer utilities.

Public Service Company of North Carolina
Docket No. G-5, Sub 632
AMORTIZATION OF TRANSMISSION INTEGRITY MANAGEMENT COSTS
For The Test Year Ended December 31, 2020

Line No.	Item	Amount
	<u>Income Statement Effect:</u>	
1	Balance of Deferred TIMP Costs @ June 30, 2016	\$16,247,828 [1]
2	Add: Incremental deferred TIMP expenses 7/1/2016 - 12/31/2020	65,580,145 [2]
3	Add: Updated deferred TIMP expenses 1/1/2021 - 3/31/2021	590,688 [2]
4	Add: Updated deferred TIMP expenses 4/1/2021 - 6/30/2021	1,746,687 [2]
5	Less: Missing invoices	(10,123) [3]
6	Less: Non-eligible expenses	(4,335) [3]
7	Total Deferred TIMP Costs through June 30, 2021 (Sum L1 thr L6)	<u>84,150,889</u>
8	Less: Sub 565 Amortization expense 10/28/2016 to 12/31/2021	<u>16,789,422</u>
9	Deferred TIMP Cost Balance per Public Staff (L7 - L8)	67,361,467
10	Amortization period in years	<u>5</u> [4]
11	Amortization of TIMP Costs per Public Staff (L9 / L10)	13,472,293
12	Amortization of TIMP Costs per Company	<u>16,988,742</u> [5]
13	Public Staff Adjustment to O&M Expenses (L11 - L12)	<u>(\$3,516,449)</u>

- [1] PSNC Exhibits G-5 Sub-565 Partial Settlement.
- [2] PS DR 32 Company updates.
- [3] PS DR 73-01 Attachment 1.
- [4] Recommended by the Public Staff.
- [5] Company filed June updates.

Public Service Company of North Carolina
Docket No. G-5, Sub 632
AMORTIZATION OF DISTRIBUTION INTEGRITY MANAGEMENT COST
For The Test Year Ended December 31, 2020

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1	Balance of Deferred DIMP Costs @ June 30, 2016	\$1,200,874 [1]
2	Add: Incremental deferred DIMP expenses 7/1/2016 - 12/31/2020	33,637,800 [2]
3	Add: Updated deferred DIMP expenses 1/1/2021 - 3/31/2021	1,710,990 [2]
4	Add: Updated deferred DIMP expenses 4/1/2021 - 6/30/2021	2,790,090 [2]
5	Less: missing invoices	(19,833) [3]
6	Less: none eligible expenses	(486,221) [3]
7	Total Deferred DIMP Costs through June 30, 2021 (Sum L1 thr L6)	<u>38,833,700</u>
8	Less: Sub 565 Amortization expense 10/28/2016 to 12/31/2021	<u>1,240,903</u>
9	Deferred Deferred DIMP Cost per Public Staff (L7 -L8)	37,592,797
10	Amortization period	<u>5 [4]</u>
11	Annual amortization (L9 / L10)	7,518,559
12	Adjustment per Company	<u>9,534,720 [5]</u>
13	Public Staff adjustment (L11 - L12)	<u><u>(\$2,016,161)</u></u>

- [1] PSNC Exhibits G-5 Sub-565 Partial Settlement.
- [2] PS DR 31 Company updates.
- [3] PS DR 60-01 Attachment and Response 89-01_Attachment.
- [4] Recommended by the Public Staff.
- [5] Company filed June updates.