

BEFORE THE
NORTH CAROLINA UTILITIES COMMISSION
PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INC.

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

SETTLEMENT TESTIMONY
OF
BYRON W. HINSON

OCTOBER 15, 2021

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

3 A. My name is Byron W. Hinson. My business address is 400 Otarre Parkway,
4 Cayce, South Carolina 29033. I am employed by Dominion Energy Services,
5 Inc., as Director – Regulation for Public Service Company of North Carolina,
6 Inc., d/b/a Dominion Energy North Carolina (“PSNC” or the “Company”).

7 Q. ARE YOU THE SAME BYRON HINSON WHO PREFILED DIRECT,
8 SUPPLEMENTAL, AND REBUTTAL TESTIMONY IN THIS
9 PROCEEDING?

10 A. Yes, I am.

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

13 A. My Settlement Testimony explains the customer impact of PSNC’s rate case as
14 reflected in the Stipulation of Settlement (“Stipulation”) between PSNC, the
15 Public Staff - North Carolina Utilities Commission (“Public Staff”), the
16 Carolina Utility Customers Association, Inc. (“CUCA”), and Evergreen
17 Packaging, LLC (“Evergreen”) (together, the “Stipulating Parties”). My
18 Settlement Testimony also addresses certain other components of the
19 Stipulation.

20 Q. HOW DID THE PUBLIC STAFF CONDUCT ITS INVESTIGATION IN
21 THIS MATTER?

22 A. Following the filing of our application and supporting testimony, the Public
23 Staff engaged in substantial discovery regarding our filing. This investigation

1 spanned 28 weeks, entailed 124 sets of data requests directed to the Company
2 containing approximately 840 discrete questions (not including parts and
3 subparts), and included numerous informal follow-up questions and calls.

4 Q. HAS PSNC REACHED A SETTLEMENT WITH OTHER PARTIES TO
5 THIS CASE?

6 A. Yes. PSNC and the Public Staff also negotiated with CUCA and Evergreen,
7 who joined in the settlement after a proposed rate design was developed that
8 was acceptable to all the Stipulating Parties. We contacted the Attorney
9 General's Office although they did not file testimony in this proceeding.

10 Q. WHAT IS THE SETTLEMENT REVENUE REQUIREMENT IN THIS
11 PROCEEDING?

12 A. The settlement results in a revenue requirement increase of approximately
13 \$29.5 million in the Company's annual operating revenues. The per-books
14 adjustments, after the update to recognize known and measurable plant
15 investment in the Company's revenue and expense levels as of June 30, 2021,
16 net of settlement adjustments, result in an overall return of 5.74% under current
17 rates. The proposed rates result in an overall rate of return of 7.07%.

18 The settlement revenue requirement represents an overall 5.12%
19 increase from current effective revenues. This increase is partially offset by a
20 4.64% reduction in revenues due to the flow-through of excess deferred income
21 taxes ("EDIT") resulting from reduction in the federal corporate income tax rate
22 from 35% to 21% established under the Tax Cuts and Jobs Act ("TCJA") as
23 well as state income tax reductions.

1 Q. WHAT IS THE IMPACT OF THE SETTLEMENT ON PSNC'S
2 CUSTOMERS?

3 A. The revenue requirement the Company filed with its application was reduced
4 through the discovery and settlement process with the Public Staff. The
5 settlement results in an overall customer increase of approximately 5.12%,
6 before the TCJA and state tax reductions, which is slightly more than half the
7 rate of inflation of 8.97% since the Company's last general rate case proceeding
8 in 2016. If the Stipulation is approved, after the EDIT flow through, the average
9 residential customer's bill would increase by less than \$1 per month. Table A
10 summarizes the settlement revenue requirement and the effect of the impact of
11 the EDIT flow through.

12 **Table A**

	Proposed Amounts	Increase from Current Revenues
PSNC Filed Revenue Requirement as Updated on June 30, 2021	\$49,664,720	8.65%
Settlement Reduction to Revenue Requirement	(\$20,200,367)	(3.53%)
Net Settlement Revenue Requirement	\$29,464,353	5.12%
EDIT Flow Through (Year 1)	(\$25,022,095)	(4.64%)
Net Impact (Year 1)	\$4,442,258	0.48%

13 Q. DO YOU BELIEVE THAT THE OVERALL SETTLEMENT REACHED BY
14 THE PARTIES AND PRESENTED TO THE COMMISSION IS JUST AND
15 REASONABLE?

16 A. Yes, I do.

1 Q. DOES THE STIPULATION RESOLVE ANY OTHER ISSUES THAT YOU
2 WOULD LIKE TO ADDRESS?

3 A. Yes. The Stipulation provides for:

- 4 (1) Continuation of the Integrity Management Rider (“IMT”)
5 mechanism.
- 6 (2) Moving the current cumulative IMT revenue requirement, as of
7 September 1, 2021, into base rates.
- 8 (3) Approval of PSNC’s proposed modifications to its Tariff, including
9 modifications to its rate schedules and service regulations.
- 10 (4) Approval of and recovery of deferred transmission integrity
11 management program (“TIMP”) expenses and distribution integrity
12 management program (“DIMP”) expenses and continuation of the
13 TIMP and DIMP deferrals through the Company’s next rate case.
- 14 (5) Approval of new and modified Energy Efficiency (“EE”) programs
15 for a three-year pilot and a rider (Rider F to PSNC’s Tariff), to be
16 finalized and filed within 15 business days. The rider will facilitate
17 the recovery of all approved EE program expenses on a going-
18 forward basis.
- 19 (6) Inclusion of PSNC’s current discount rate program cost in base
20 rates.
- 21 (7) Participation in an affordability stakeholder collaborative.
- 22 (8) Revisions to PSNC’s model used to calculate the feasibility of
23 extending natural gas service to its customers.

