PLACE: Dobbs Building, Raleigh, North Carolina

DATE: Tuesday, October 3, 2023

TIME: 9:00 a.m. - 9:06 a.m.

DOCKET: G-9, Sub 831

BEFORE: Commissioner Floyd B. McKissick, Jr., Presiding
Commissioner Kimberly W. Duffley
Commissioner Karen M. Kemerait

IN THE MATTER OF:

Application of Piedmont Natural Gas Company, Inc., for Annual Review of Gas Costs Pursuant to N.C.G.S § 62-133.4(c) and Commission Rule R1-17(k)(6)

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

FOR PIEDMONT NATURAL GAS COMPANY, INC.:
James H. Jeffries, IV, Esq.
McGuireWoods, LLP
501 Fayetteville Suite 500
Raleigh, North Carolina 27601

FOR THE USING AND CONSUMING PUBLIC:
Elizabeth Culpepper, Esq.
James Bernier, Jr., Esq.
Davia Newell, Esq.
Public Staff - North Carolina Utilities Commission
4326 Mail Service Center
Raleigh, North Carolina 27699-4300

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

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

E X H I B I T S

COMMISSIONER MCKISSICK: Good morning. Let us come to order and go on the record. I'm Commissioner Floyd B. McKissick Jr. with the North Carolina Utilities Commission, Presiding Commissioner for this hearing. With me this morning are Commissioners Kimberly W. Duffley and Karen M. Kemerait.

I now call for hearing Docket G-9, Sub 831, In The Matter of an Application of Piedmont Natural Gas Company, Incorporated, for Annual Review of Gas Costs Pursuant to North Carolina General Statute § 62-133 and Commission Rule R1-17.

General Statute § 62-133.4 authorizes gas cost adjustment proceedings for natural gas local distribution companies.

G.S. § 62-133 provides -- Subsection 4(c) provides the Utilities Commission shall have annual review proceedings to compare each natural gas utility's prudently incurred costs with costs recovered from all the utility's customers served during the test period. Commission Rule R1-17 prescribes the procedures for such annual reviews of natural gas costs. On August 1, 2023, Piedmont Natural Gas Company Inc., which I'll hereafter refer to it at times as Piedmont, filed testimony and exhibits of Todd Breece, 20 pages of direct testimony. Jeff Patton, 20 pages of direct testimony and 11 exhibits. Linda Miller, 8 pages of direct testimony and 3 exhibits relating to an annual review.

On August 10, 2023, the Commission issued an Order Scheduling Hearings, Requiring Filing of Testimony, Establishing Discovery Guidelines, and Requiring Public Notice, which scheduled a hearing for today, Tuesday, October 3rd, 2023.

On September 18, 2023, the Public Staff filed testimony and exhibits of witnesses Sonja R. Johnson and Blaise Michna. And on September 25, 2023, the Public Staff filed corrected testimony of Blaise Michna.

On September 29th 2023, Piedmont and the Public Staff filed a joint motion to excuse witnesses.

On October 2, the Commission issued an Order allowing the motion in part and excusing witnesses Breece and Miller, and Public Staff witness Michna. Upon further consideration, the Commission informed the parties late yesterday afternoon that Piedmont witnesses Patton and Public Staff witness Johnson were also excused.

The Public Staff, whose intervention and participation on behalf of the using and consuming public is recognized pursuant to North Carolina General Statute §62D-- 62-15 Subsection D and Commission Rule R1, Subsection R1-19(e), is a party in this proceeding. There are no other interveners.

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

(No response.)

COMMISSIONER MCKISSICK: Let the record reflect that I have no such conflict and that my fellow Commissioners have not identified any such conflict.

I now call for appearances, beginning

with Piedmont.

MR. JEFFRIES: Good morning, Commissioner McKissick, Commissioners Duffley, and Kemerait. My name is Jim Jeffries. I'm with the law firm of McGuireWoods, and I'm here on behalf of the Applicant, Piedmont Natural Gas Company.

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

COMMISSIONER MCKISSICK: All right. Now, are there -- we have one other person. Go ahead.

MR. BERNIER: Good morning. Attorney James Bernier with the Public Staff.

MS. NEWELL: Good morning, Commissioners. Attorney Davia Newell with the Public Staff.

COMMISSIONER MCKISSICK: Thank you. I'll now ask, are there any public witnesses here today?

MS. CULPEPPER: Excuse me. I'm not aware of any.

COMMISSIONER MCKISSICK: All right. Let the record reflect that there are no public witnesses that have been identified by the Public Staff.

I will now look to our audience here in the hearing room and ask if there are any public witnesses that have come before us today to provide testimony in connection with this proceeding?

(No response.)

COMMISSIONER MCKISSICK: Let the record reflect that none were identified and none are present in the hearing room.

Are there any preliminary matters which need to be addressed before the beginning of the hearing today.

MR. JEFFRIES: Commissioner McKissick, it's my assumption that our collective intention is to move the prefiled testimony, exhibits of the Piedmont and Public Staff witnesses into the record, and as much as the witnesses have been excused, and with the Commission's indulgence, I would so move.

COMMISSIONER MCKISSICK: Are there any objections?

MS. CULPEPPER: No.

COMMISSIONER MCKISSICK: Motion allowed.

(Whereupon, the prefiled testimony of TODD BREECE was copied into the record as if given orally from the stand.)

**Q. Please state your name and your business address.**

A. My name is Todd Breece. My business address is 4720 Piedmont Row Drive, Charlotte, North Carolina 28210.

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

A. I am employed by Duke Energy Corporation ("Duke") and work on behalf of Piedmont Natural Gas Company, Inc. ("Piedmont" or the "Company"), a wholly owned subsidiary of Duke, as the Manager of Natural Gas Trading & Optimization.

**Q. Please describe your educational and professional background.**

A. I graduated from North Carolina State University in May of 2002 with a Bachelor of Science degree in Civil Engineering. I joined the Company as an Engineer in June of 2002. In June 2003, I was promoted to Design Engineer and in June 2007 I was promoted to Senior Engineer. In November 2007 I took a position in the Company as a Gas Supply Representative. In May 2011 I was promoted to Senior Gas Supply Representative, and I was subsequently promoted to Senior Gas Trader in January 2018. In October 2018, I assumed my current position as Manager of Natural Gas Trading & Optimization.

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

A. My primary responsibilities include supervision of the long and short-term purchasing of supply, optimization of pipeline transportation, storage, and supply assets, and administration of the Company's Hedging Plan.

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

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

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

A. My testimony describes the Company's gas purchasing policies and hedging activity between June 1, 2022 and May 31, 2023 ("Review Period"). This testimony is in response to Commission Rule R1-17(k)(6), which provides for an annual review of the Company's gas costs.

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

A. The Company 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. Because all of these components are interrelated, the Company continues to weigh the relative importance of each of these factors when developing the overall gas supply portfolio to meet the needs of its customers.

**Q. Did the Company make any changes to its gas purchasing policies or practices during the Review Period.**

A. The Company did not make any changes to its "best cost" gas purchasing policies or practices during the Review Period.

**Q. Please describe each of the five components that comprise the "best cost" gas purchasing policy.**

A. 1) The "price of the gas" refers to the final cost of gas delivered to the Company's city gates. Most of the Company's supply purchases take place at pooling points or at pipeline interconnects 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. To accurately assess prices at a comparable transaction point, the Company evaluates gas purchase prices at the receipt point and adds the applicable fuel and transportation costs associated with delivery to its city gates.

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 the Company's interruptible customers who may have access to alternate fuels and whose service is subject to interruption in order to provide service to the Company'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 Company considers the geographic source of supply, the nature of the supplier's portfolio of gas supplies, and negotiated contract terms 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 the Company's 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, whereas interruptible customers will adjust their purchases depending on factors such as the price of alternate fuels and the demand for their products. Thus, the Company must arrange a portfolio of gas supplies and storage services that are 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 services and storage service combinations. Transportation arrangements can involve intrastate 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 the Company secure and maintain firm transportation and storage capacity rights to ensure the deliverability of its gas supplies to meet the design day, seasonal, and annual needs of the Company's 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. The Company contracts with gas suppliers who have a reputation of honoring their contractual commitments and have proven themselves as reliable suppliers. Conversely, the Company avoids suppliers that have a reputation of defaulting on contract obligations or who unilaterally interpret contracts to their advantage. The Company prefers to deal with suppliers who are constantly looking for ways to improve service and offer "win-win" solutions for meeting customer needs. The Company also prefers to deal with suppliers providing natural gas produced with low levels of methane emissions.

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

A. The Company purchases gas supplies under a diverse portfolio of contractual arrangements with several 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, which are referenced in the Company's gas supply contracts, are published daily and monthly in industry trade publications. These firm gas supply contracts typically range in term from one month to two years and some of these contracts are for winter only (peaking or seasonal) service, while others provide for 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 generally being more expensive than monthly baseload service. Generally, as existing supply contracts near their expiration, Piedmont solicits requests for proposals ("RFPs") to potential suppliers, evaluates their responses, and contracts for firm gas supplies 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. Since these contracts provide less supply security, 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 the Company's "best cost" policy?**

A. Under the Company's "best cost" policy, Piedmont secures and maintains a supply portfolio that is in balance with the requirements of Piedmont's sales customers. Because the Company's firm sales customers require secure and reliable gas supply, Piedmont meets their demand needs primarily with long-term firm supply, transportation, storage, and peaking service contracts. The temperature sensitivity of the Company's 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. Also, firm supply contracts with flexible swing service entitlements will command a higher reservation fee than baseload arrangements. Because the Company's interruptible customers are more price sensitive and require less supply security, Piedmont supplies 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, the Company carefully considers the requirement for the supply and weighs 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 the Company exercise this judgment, Piedmont stays informed of all aspects of the natural gas industry. For instance, Piedmont intervenes in all major FERC proceedings involving the Company's pipeline transporters, stays in constant contact with its existing and potential suppliers, monitors gas prices on a real-time basis, subscribes to industry literature, follows supply and demand developments, and attends industry seminars.

**Q. What is the greatest challenge in applying the Company's "best cost" gas purchasing policy?**

A. Because most major gas supply decisions require a considerable degree of planning and must be made a year or more in advance of service, the 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, regulatory policies, public health crises, such as the COVID-19 pandemic, and political conflicts, such as the ongoing Russia – Ukraine war. 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 New York Mercantile Exchange 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. However, 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. More recently, natural gas prices increased significantly in 2022 due to an increase in liquified natural gas ("LNG") exports, a substantial storage deficit, an extremely limited inventory of usable coal, and natural gas production being relatively flat despite strong domestic demand. However, in 2023, natural gas prices have decreased significantly due to increased production, relatively high natural gas storage inventories due to a mild winter, and decreased pricing for LNG exports. 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 supply and/or 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 and development. Another factor to consider in the U.S. supply situation is the exportation of LNG. Piedmont continues to evaluate approvals of LNG export terminals and to what extent LNG exportation may impact gas prices. Nevertheless, market experts believe that future LNG exports will be adequately served by shale supplies and that there is a reasonable expectation of an increase in gas costs.

**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 factor into the evaluation.**

A. There are various pricing options available to the Company 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 generally refers to a monthly or daily index as published by industry trade publications. Prices for daily spot deals may refer to a daily index or be 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. For example, reservation fees are generally lower for baseload supplies (purchased at a constant volume for the entire month, season, or year) and are normally higher if swing service is required. Reservation fees also vary depending on the type of swing service being provided. Examples of factors that 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) next day versus intraday swing capabilities; and 5) 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 escalate in volume during 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 sales customers' demand within the limits of the Company's firm transportation capacity entitlements, which increase during the winter period. In addition, the Company reviews low demand scenarios to measure its ability to fulfill its contractual purchase commitments with suppliers. 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.

**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 marketplace. 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 or daily market indices. Swing supplies priced at first of the month indices command the highest reservation fees because the supplier assumes the risk associated with market volatility during the delivery period. Lower reservation fees are 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 (incorporating the forecasted cost at the supply point plus pipeline fuel plus pipeline transportation fees) 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.

**Q. Please describe the new supply arrangements the Company entered into during the Review Period.**

A. The Company entered into various new supply arrangements consisting of daily swing supply priced at the daily market index during November through March.

**Q. Please describe the process 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 or "ICE", an electronic trading platform where potential buyers post bids and potential sellers post offers at various locations/hubs along interstate 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 also evaluates the amount of supply available for sale and weighs 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 of these factors and then initiates its sales strategy.

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

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

**Q. What were the net economic results of the Hedging Plan during the Review Period?**

A. The Company's North Carolina sales customers incurred a net economic cost of $4,662,806.88 (see **Exhibit_(LLM-2)**) as a result of the Company's Hedging Plan during the Review Period. This net economic impact includes the cost of commissions, software, subscriptions, and a data feed and amounts to an average cost per sales customer of roughly $0.48 per month.

**Q. Did the Company's Hedging Plan work as designed 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 spike in gas prices.

**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 continues to closely monitor the gas supply demand picture and, when appropriate, will propose changes to its Hedging Plan.

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

A. Currently, the Company's Gas Accounting, Finance, Risk, and Corporate Compliance departments perform ongoing activities to monitor compliance with the Hedging Plan. In addition, the Company's Gas Market Risk Committee monitors compliance with the Hedging Plan and considers and approves any changes to the Hedging Plan. Periodic internal audits will continue to be performed to ensure that controls are 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 price forecast and recent volatility, do you think continuing to hedge under the current Hedging Plan is prudent?**

A. Yes. Because the goal of the Hedging Plan is to provide insurance against gas cost volatility if prices increase, the Company feels it is prudent to incur what it deems a low-cost insurance policy and continue with the current Hedging Plan. As stated previously, the average cost per sales customer during the Review Period was approximately $0.48 per month. Because the current Hedging Plan only contemplates the purchase of options, the cost of the Hedging Plan is relatively low. Furthermore, the Company continues to closely monitor the gas supply-demand picture and when appropriate will propose changes to the 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 Review Period, the Company has taken the following additional steps to manage its gas costs, consistent with its "best cost" policy:

(1) As more fully described in Piedmont witness Jeffrey Patton's testimony, the Company has 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 to customers of $137,567,859.68, compared to last year's secondary market credits of $54,546,979.09. This substantial increase in secondary marketing credits is due to supply basis pricing increasing dramatically over the last year causing the Company's pipeline capacity to become much more valuable; and

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

**Q. With recent U.S. gas supply conditions and increased Transco constraints, please discuss any/all changes/strategies for Piedmont's gas planning activities to protect its customers against gas price volatility and availability.**

A. Piedmont utilizes its firm transportation capacity to procure the lowest cost available daily supply for its customers. Piedmont takes advantage of location basis differentials to purchase its natural gas supplies on a best cost Citygate delivered basis. This means that we explore all available options to obtain gas at Piedmont's Citygate delivery points at the lowest cost possible consistent with its best cost gas purchasing policy. Piedmont also continues to utilize its RFP bid process to secure supplies from competitive bidders on a best cost basis. Piedmont also continues to utilize its Hedging Plan as well as storage, which acts as a physical hedge, to stabilize the cost of gas, particularly in periods of peak demand. Piedmont manages its storage effectively by typically injecting when prices are low and withdrawing when prices are high. Piedmont also effectively optimizes unused assets through capacity releases, off system sales, and Asset Management Arrangements to help reduce its customers' costs. In this case, the combined impact of the Company's hedging plan and its secondary market activities alone resulted in a credit of $132.9MM to its customers.

**Q. Are you familiar with any additional mechanisms that could mitigate the impact of volatile natural gas markets on Piedmont's customers?**

A. No. The commodity market for natural gas is unregulated. We utilize competitive bidding processes to ensure we are purchasing gas at market prices and we also structure our contracts to meet the demands of our customers year-round, seasonally, and during peak day conditions so we are not "over purchasing" supply or capacity. We also engage in financial hedging transactions to protect against price spikes and use seasonal and peak day physical storage for the same purpose. Finally, we actively engage in secondary market transactions to recover value for customers by allowing for the optimization of customer paid for capacity and supply when not necessary to serve Piedmont's customers. I am unaware of any additional methods by which we could reasonably hope to mitigate the risks of volatile natural gas markets.

**Q. Has Piedmont taken any steps as part of its gas procurement process to help minimize methane emissions?**

A. Yes. The Company has included in its gas supply RFPs to gas suppliers a process for tie breakers, where Piedmont will award a gas supply contract to the supplier that offers lower methane emissions, or to the supplier that has methane emission reduction goals. The Company will continue to monitor industry and supplier communications concerning emissions reduction efforts and provide relevant updates to the Commission.

**Q. Has Piedmont paid a premium for natural gas because of suppliers' emissions reductions or stated goals to reduce emissions?**

A. No. Piedmont has not paid a premium for low methane emitting gas or based on suppliers' stated goals to reduce emissions.

**Q. Please summarize your testimony.**

A. The Company's "best cost" purchasing policy provides Piedmont's customers with secure and reasonably priced gas supplies to meet their energy requirements. This "best cost" policy and the Company's practices under this policy have been reviewed and found prudent on all occasions in North Carolina and in the other state jurisdictions in which Piedmont operates. Although the Company believes its policies and procedures are reasonable, Piedmont is cognizant of the fact that the natural gas industry is constantly changing and, as such, is continuously evaluating its policies and procedures to keep up with these changing conditions. The Company continues to review current regulations and tariffs and explore possible changes that will better serve Piedmont's customers in the future. The Company is satisfied that its 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 Piedmont's customers.

**Q. Does this conclude your testimony?**

A. Yes.

(Exhibits JCP-1A, 1B, 2, 3, 4A, 4B, 4C, 5A, 5B, 5C, and 6, were admitted into evidence.)

(Whereupon, the prefiled testimony of JEFFREY PATTON was copied into the record as if given orally from the stand.)

**Q. Please state your name and your business address.**

A. My name is Jeffrey Patton. My business address is 4720 Piedmont Row Drive, Charlotte, North Carolina 28210.

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

A. I am employed by Duke Energy Corporation ("Duke Energy") and work on behalf of Piedmont Natural Gas Company, Inc. ("Piedmont" or the "Company"), a wholly owned subsidiary of Duke Energy, as the Manager of Gas Origination.

**Q. Please describe your educational and professional background.**

A. I graduated from Mississippi State University with a Bachelor of Science degree in Mechanical Engineering in 1996. In 1998, I graduated from Auburn University with a Master of Business Administration, Finance concentration. I was employed by Southern Company from 1998 to 2003 in various roles in Generation Planning and Development and Energy Marketing. From 2004 to 2005, I was employed by Consolidated Edison as a Senior Rate Analyst. I served as a Senior Business Financial Analyst at Progress Energy from 2005 to mid-2008 and was responsible for wholesale electric revenue forecasting. From mid-2008 to early 2019, I was an Originator in the Fuels & Systems Optimization Department for Progress Energy (and later Duke Energy after Duke Energy's merger with Progress Energy in 2012) and I was responsible for the procurement of natural gas supply, transportation, and storage services for Duke Energy's natural gas-fired power generation facilities. In February 2019, I accepted the position of Manager of Pipeline Services for Piedmont, and most recently my title was changed to Manager of Gas Origination.

**Q. Please describe the scope of your present responsibilities.**

A. My current responsibilities include the supervision of Piedmont's pipeline capacity planning and relations, annual "Design Day" determinations, and daily forecasting. In addition, I am responsible for oversight of activities at the Federal Energy Regulatory Commission ("FERC") regarding interstate pipelines and storage facilities that the Company utilizes for transportation and storage services.

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

A. Yes. I have previously testified before this Commission in Piedmont's Annual Review of Gas Costs (Docket No. G-9, Subs 771, 791, and 811) and before the Public Service Commission of South Carolina in their similar annual reviews for Piedmont (Docket Nos. 2020-4-G, 2021-4-G, 2022-4-G and 2023-4-G).

**Q. What is the Review Period in this docket?**

A. The Review Period is June 1, 2022, through May 31, 2023.

**Q. What is the purpose of your prefiled direct 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. My testimony discusses the market requirements of Piedmont's North Carolina customers for the Review Period, including such market requirements on "Design Day" Calculations. My testimony is also forward-looking, discussing how Piedmont plans to satisfy the evolving market requirements of its North Carolina customers in the future. Specifically, my testimony discusses how Piedmont projects changes in customer demand as part of its planning process, the capacity acquisition policies and practices the Company employs to serve its North Carolina customers, 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. Do you have any exhibits attached to your testimony?**

A. Yes, I have the following exhibits attached to my testimony:

<u>Exhibit Number: Description</u>

JCP-1A: Winter 2022 - 2023 Forecast Load Duration Curve

JCP-1B: Winter 2022 - 2023 Actual Load Duration Curve

JCP-2: Winter 2023 - 2024 Forecast Load Duration Curve

JCP-3: Design Day Temperature

JCP-4A: Winter 2022 - 2023 Design Day Start Point

JCP-4B: Customer Growth - Actual and Projection for 2022-2023 Planning

JCP-4C: Winter 2022 - 2023 Design Day Demand & Supply Schedule

JCP-5A: Winter 2023 - 2024 Design Day Start Point

JCP-5B: Customer Growth - Actual and Projection for 2023-2024 Planning

JCP-5C: Winter 2023-2024 Design Day Demand & Supply Schedule

JCP-6: FERC Filings June 2022 - May 2023

**Q. Were those exhibits prepared by you or under your direction?**

A. Yes.

**Q. As background, 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 approximately 1.2 million customers in North Carolina, South Carolina, and the metropolitan area of Nashville, Tennessee. Piedmont currently serves approximately 802,000 customers in the State of North Carolina. During the Review Period, Piedmont delivered approximately 521 million dekatherms ("dts") of natural gas to its North Carolina customers. Most of Piedmont's customers are residential customers who use natural gas in their homes primarily for space heating and water heating needs. Piedmont also serves non-residential customers, mainly commercial and industrial entities, and power generators.

For purposes of the market requirements planning that I discuss later in my testimony, it is important to conceptualize Piedmont's provision of regulated natural gas service to its customers into two distinct markets: the firm market (principally serving residential, small commercial, and small industrial customers as well as power generators), and the interruptible market (principally serving large commercial and industrial customers). 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 Review Period, approximately 94%, of Piedmont's North Carolina deliveries were to the firm market.

In the interruptible market, Piedmont 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 will buy alternate fuels when they are less expensive than natural gas. During the Review Period, approximately 6%, of Piedmont's North Carolina deliveries were to the interruptible market.

Both the firm market and the interruptible market can be further bifurcated into two categories of service: sales service and transportation service. The regulated natural gas service provided by Piedmont to its North Carolina customers under each of its Commission-approved rate schedules is delineated as either firm service or interruptible service and is further characterized as either sales service or transportation service. Therefore, there are four major categories of the market requirements for Piedmont's customers: firm sales service, firm transportation service, interruptible sales service, and interruptible transportation service.

**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 the following rate schedules, each of which is for firm sales service, to determine its Design Day demand requirements:

- 101 – Residential Service;
- 102 – Small General Service;
- 152 – Medium General Service;
- 143 – Experimental Motor Vehicle Fuel Service;
- 103 – Large General Sales Service;
- 12 – Service to Military Installations in Onslow County (Camp Lejeune).

Piedmont also includes any special contracts for which Piedmont is providing firm sales service in the determination of its Design Day requirements.

**Q. Do the market requirements of Piedmont's North Carolina customers change from year-to-year?**

A. Yes. The market requirements of Piedmont's North Carolina customers continue to increase year-to-year because Piedmont's customer base in North Carolina continues to grow. Growth is most robust in the residential sector. As I previously mentioned, Piedmont currently serves approximately 802,000 customers in North Carolina whereas Piedmont had about 793,000 customers in North Carolina in 2022. Therefore, understanding and projecting customer growth is an important component of the planning Piedmont undertakes to ensure that it will be able to satisfy the market requirements of its North Carolina customers. Absent the incorporation of customer growth in its planning process, Piedmont would be unable to ensure the reliable provision of firm natural gas service to its firm sales customers, most critically in the winter season.

**Q. How does Piedmont develop customer growth projections?**

A. To develop its customer growth projections, Piedmont reviews historical 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 projections of the change in its customer count over time. Presently, Piedmont anticipates that its overall customer base in North Carolina will continue to steadily increase largely due to the positive regional and local economic outlook that continues to support the pace of new residential building.

**Q. What is "Design Day" and did Piedmont experience a "Design Day" during the Review Period?**

A. "Design Day" is the highest projected 24-hour demand that Piedmont utilizes for planning purposes to reliably serve its firm customers. The Company did not experience a Design Day during the Review Period.

**Q. Did Winter Storm Elliott impact Piedmont's operations?**

A. Piedmont's operations performed as expected during Winter Storm Elliott, when the Company's service territory across the Carolinas experienced high winds and temperatures plunging rapidly to below normal levels, albeit weather not as severe as the weather conditions that the Company utilizes for Design Day planning purposes. Customer demand served by Piedmont across the Carolinas during Winter Storm Elliott, specifically at its height on December

24, 2022, was the Company's seventh highest peak day in its history for the region.

**Q. Did the Company need to interrupt or curtail gas service to any of its customers in North Carolina during Winter Storm Elliott or at any other time during the Review Period?**

A. No. The Company provided reliable natural gas service to all of its customers in North Carolina during the Review Period, including during Winter Storm Elliott.

**Design Day and Winter Season Planning for the Review Period:**

**Q. In its planning to satisfy firm customer requirements during the Review Period, how did the Company calculate Design Day demand for Winter 2022–2023?**

A. The Company reviewed a third-party Design Day demand and Design Winter load duration curve "LDC" study ("Design Day Study") performed by Marquette Energy Analytics ("MEA"). After reviewing the MEA Design Day Study, the Company elected to use the methodology and results from the MEA Design Day Study for the Company's forecast of Design Day demand and Design Winter LDC for Winter 2022–2023.

**Q. Why did the Company decide to utilize MEA's Design Day Study for forecasting Piedmont's Design Day requirements for Winter 2022–2023?**

A. MEA's Design Day methodology is based on an ensemble of multiple linear regression models and incorporates several modeling enhancements including, but not limited to, the inclusion of wind as a factor for forecasting demand, the normalization of historical system usage to account for each respective year's actual growth, and the consideration of day-of-week impacts on demand usage. Additionally, utilizing MEA's calculation for the Company's Design Day requirements for Winter 2022 – 2023 provided a reasonable forecast that addressed the five refinements requested by the Public Staff in the Company's 2021 Annual Review in Docket No. G-9 Sub 791.[1]

**Q. Please provide an overview of how MEA calculated the Design Day peak demand for Winter 2022–2023.**

A. MEA's Design Day forecast is a multi-step analytical process. The analysis and resulting forecast are based on relationships between natural gas demand and factors including temperature, wind, prior day temperature and wind, day-of-week and day-of-year variables, as well as persistent trends in these variables. A critical factor in MEA's analysis is the inclusion of wind in addition to temperature as a factor in modeling demand, recognizing that wind plays a significant role in the demand for natural gas, especially during cold temperatures. MEA calculated wind-adjusted temperature and wind-adjusted Heating-Degree Days ("HDDW") and Design Day conditions as wind-adjusted temperature and HDDW for use in the analysis.

At the inception of a Design Day study, MEA first acquires and validates all data necessary for the analysis. This includes historical demand data for each service territory, and weather data relevant to the service territory

[1] *Order on Annual Review of Gas Costs,* Docket No. G-9, Sub 791, at p. 12 (Dec. 22, 2021).

or territories. The weather data, potentially from multiple weather stations, is then optimally weighted to best represent the service territories' demand, and then used to develop Design Day conditions.

MEA then adjusts, or "detrends," historical load data to make past data "look like" current data to ensure that forecasts are based on data that reflects the current customer levels and characteristics. This detrending process adjusts or "normalizes" past data to account for an increase or decrease to customer growth and changes in baseload and heat load (use per HDDW) demand. MEA first calculates historical per-customer load from past load and number of customers, then detrends the resulting per-customer load to account for historical changes in per-customer baseload and heat load demand.

In developing the Design Day demand forecast, MEA uses an ensemble of eight regression models, each considering different factors that affect demand. MEA first calculates an estimate of Design Day demand for the past winter. Then, using historical trends in demand uncovered by the regression models, MEA forecasts Design Day demand for the next winter. The final forecast is a weighted average of the eight individual models. Assumptions about customer growth as well as additional techniques incorporating economic variables are employed to forecast Design Day demand for the next five winters.

**Q. How did MEA calculate the Design Day condition that was utilized to project the Company's Design Day peak demand forecast for the 2022–2023 Winter?**

A. MEA calculated a 1-in-30-year Design Day condition for three geographical areas (North Carolina East, North Carolina West, and South Carolina) in Piedmont's service territory that are based on a weather event (measured in HDDW) that is expected to occur only once every 30 years. For a 1-in-30-year event, there is a 3.3% chance of it occurring each year. MEA's calculation of the Design Day condition is based on statistical methods applied to the 121 days of the year with the coldest, wind-adjusted, normal daily average temperature, approximately late-November through late-March, back to 1950. The 1-in-30-year temperature conditions are calculated using wind-adjusted temperatures and converted into HDDW. MEA's weighted average 1-in-30-year Design Day condition for the total Carolinas is 58.3 HDDW and is based on a wind-adjusted Design Day temperature of 6.7 degrees Fahrenheit as shown in **Exhibit_(JCP-3)**.

**Q. Based on the results of the MEA Design Day Study, what are the Design Day demand requirements used by the Company for planning purposes during the Review Period, the number of HDDW, dekatherms per HDDW, customer growth rates, and supporting calculations used to determine the Design Day demand?**

A. Please see **Exhibits_ (JCP-4A, 4B and 4C)**.

**Q. What was the estimated base load demand requirement of the firm markets for the Review Period?**

A. Please see **Exhibit_(JCP-4A)**.

**Q. Did the Company include a reserve margin to the Design Day peak demand calculated by MEA for the 2022–2023 Winter to account for statistical anomalies, unanticipated supply or capacity interruptions, *force majeure*, emergency gas usage or colder-than-Design Day weather?**

A. Yes. The Company applied a 5% reserve margin (as it has historically) to the MEA Design Day Study and arranged for supply and capacity to provide delivery of the reserve margin for events such as those listed above. The Company believes that a 5% reserve margin is a prudent measure to address the possibility of disruptions to supply or capacity or extreme variations in weather or customer usage, all of which are reasonably possible in the context of weather approaching Design Day conditions. This reserve margin is reflected in **Exhibit_(JCP-4C)** and **Exhibit_(JCP-5C)**.

**Q. In its planning to satisfy customer demand during the Review Period, how did the Company calculate its demand for days other than Design Day during Winter 2022–2023?**

A. The Company also retained MEA to develop a Design Winter LDC for Winter 2022–2023 based on 1-in-30-year conditions to align with the MEA Design Day Study. MEA used models of Piedmont's demand developed in modeling Design Day demand, along with 72 years of daily data back to 1950 to calculate hypothetical winter LDCs. The average or "normal" winter LDC is the average of these 72 hypothetical LDCs. From the 72 hypothetical LDCs, a probability distribution is calculated, and from that, a 1-in-30-year total winter load is calculated. From the 1-in-30-year winter load, a 1-in-30-year LDC is calculated using the 15 highest hypothetical winters as a model (1-in-30 Archetypes). The 1-in-30-year LDC is constructed to contain a 1-in-30-year Design Day. 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 curve for Winter 2022 – 2023, as forecasted in the immediate planning for Winter 2022 – 2023, is shown in **Exhibit_(JCP-1A).** For ease of comparison, I plotted the actual Winter 2022 – 2023 experience in **Exhibit_(JCP-1B**).

**Q. Did the Company appropriately plan for satisfying its customer requirements for the Review Period, including Winter 2022–2023?**

A. Yes. I note that Piedmont fully and reliably satisfied the firm sales requirements of its North Carolina customers during the Review Period.

**<u>Design Day and Winter Season Planning for Future Periods: Winter 2023–2024 through Winter 2027–2028</u>**

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

A. No. The Company retained MEA to forecast Piedmont's Design Day demand for Winter 2023–2024.

**Q. How did MEA calculate the Design Day demand for Winter 2023–2024?**

A. MEA calculated Piedmont's Winter 2023–2024 Design Day demand using the same methodology as described above for the MEA Design Day Study, updated to include actual data through March 31, 2023 ("Updated MEA Design Day Study"). The Updated MEA Design Day Study also included data from Winter 2022–2023, which includes Winter Storm Elliott. The weighted average Design Day condition in the Updated MEA Design Day Study did not change from what was used in the MEA Design Day Study. The Design Day condition for Winter 2023–2024 is a wind-adjusted temperature of 6.7 degrees Fahrenheit (HDDW of 58.3), meaning that a wind-adjusted temperature of 6.7 degrees Fahrenheit is expected to occur once every 30 years.

**Q. What are the newly forecasted Design Day demand requirements used by the Company for planning purposes for the upcoming Winter (Winter 2023–2024) and for the next four Winter seasons, the amount of HDDWs, dts per HDDW, customer growth rates and supporting calculations used to determine the Design Day demand amounts?**

A. Please see **Exhibits_(JCP-3, 5A, 5B, and 5C)**.

**Q. What is the newly forecasted base load demand requirement for the upcoming winter season?**

A. Please see **Exhibit_ (JCP-5A).**

**Q. How has the Company calculated its requirements for days other than Design Day for the coming Winter season (Winter 2023–2024)?**

A. Piedmont employed the same process used to develop its forecasted LDC for Winter 2023–2024, as described earlier in my testimony, with the inclusion of actual data through March 31, 2023. The current Design Winter load projection for this coming Winter (Winter 2023–2024) is shown in **Exhibit_(JCP-2)**.

**Q. Does the Company plan to continue to retain MEA to calculate its Design Day Demand and Design Winter LDC based on a 1-in-30-year conditions in future years?**

A. Yes. The Company's Design Day demand and Design Winter LDC forecasting process is dynamic, and the Company will continue to review its planning process and approach to determine if further changes are warranted.

## Supply & Capacity Planning to Satisfy Customer Demand

**Q. Is it possible to maintain capacity rights that exactly match Piedmont's calculated Design Day demand, plus a reserve margin?**

A. No. Capacity additions are acquired in "blocks" of additional transportation, storage, or liquified natural gas ("LNG") capacity as current and future needs are identified 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. What process does Piedmont undertake to acquire firm capacity to meet its growing firm 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 in the testimony of Company witness Todd Breece. 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 prior to the expiration of existing firm delivery service contracts. 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 also seeks 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 to provide available capacity for storage inventory replenishment. However, service choices are limited to those offered during the time period being evaluated.

**Q. Please describe how the Company plans to satisfy its firm sales requirements for the next five Winter seasons.**

A. Based on the current projections of its firm sales demand, Piedmont believes that it has sufficient supply and capacity rights to meet its customer needs for the upcoming Winter season and the four subsequent Winters. Piedmont owns and operates three on-system LNG peaking facilities in the Carolinas, with the newest LNG facility – the Robeson LNG facility – placed into service in late August 2021. Piedmont increased the Design Day output of its Bentonville LNG peaking facility from 90,000 dts per day to 110,000 dts per day beginning in the Winter 2021–2022 season, and the Robeson LNG facility currently provides 200,000 dts per day of peaking supply of natural gas.

**Q. Please provide an update on the status of the Southside Reliability Enhancement ("SRE") Project.**

A. In the summer of 2021, Piedmont entered into a confidential, binding precedent agreement with Transcontinental Gas Pipe Line Company, LLC ("Transco") to secure additional incremental firm pipeline service via Transco's SRE Project.

The SRE Project will provide Piedmont with 160,000 dts per day of incremental firm pipeline service via Transco's South Virginia Lateral ("SVL") path to delivery points in Piedmont's eastern North Carolina service territory. The SVL path provides redelivery of natural gas supply from the interconnect of Transco's mainline in Zone 5 and the SVL at Station 165. Piedmont anticipates utilizing existing upstream contractual transportation and storage arrangements to access upstream non-Transco Zone 5-priced supply to deliver into the SVL path, as reflected on **Exhibit_(JCP 5C)**.

Additionally, the SRE Project will provide a separate firm pipeline service path of 263,400 dts per day from Transco's interconnect with Pine Needle LNG Company, LLC ("Pine Needle") to Piedmont's Iredell meter ("Iredell path") located in Iredell County, North Carolina. Piedmont has an existing contract with Pine Needle for 263,400 dts per day and has been utilizing Piedmont's existing Transco transportation contracts on a secondary firm basis to deliver supply from Pine Needle to Iredell. Secondary deliveries may no longer be reliable to deliver Pine Needle volumes under some operating conditions due to changes on the Transco system. This has required Piedmont to seek primary firm capacity rights to deliver these Pine Needle volumes to its citygate.

The targeted in-service date for the SRE Project is December 1, 2024. FERC Staff issued a Final Environmental Impact Statement for the SRE Project on February 24, 2023. All other agencies issuing federal authorizations for the SRE Project were required to complete their necessary reviews and reach a final decision on the request for a federal authorization by May 25, 2023. The FERC issued a certificate order for the SRE Project on July 31, 2023, and Transco plans to start construction in January 2024 to meet the December 1, 2024 targeted in-service date.

**Q. Given the Company has contracted with Transco for the SRE Project to provide a firm pipeline service path from Pine Needle to Iredell, should Pine Needle be included in Piedmont's Design Day prior to the in-service of the SRE Project?**

A. Yes. Historically, Piedmont has not experienced any cuts or interruptions of gas supply from Pine Needle even while utilizing secondary or non-secondary reverse path ("NSRP") nominations. This timeframe includes Winter Storm Elliott during Winter 2022-2023, and Piedmont does not anticipate this to change for the 2023-2024 Winter Season prior to SRE's targeted completion, thus the inclusion of Pine Needle in the Company's Design Day is correct. Changing flow patterns and increasing constraints on Transco in Zone 5 have led Piedmont to proactively seek a cost-effective solution on a forward-looking basis to ensure the reliability of Pine Needle in the future by contracting for a primary firm transportation path on Transco (Pine Needle volumes are currently and have historically been delivered using secondary firm capacity rights provided pursuant to FERC's segmentation policy). Transco is currently fully subscribed for this transportation path and must install facilities through the FERC Section 7(c) process to provide Piedmont the contracted for primary firm transportation. Given the necessary permitting and construction process, the target date of December 1, 2024 is the anticipated SRE completion date, but it should not be interpreted as an indication that Pine Needle is considered unreliable by Piedmont prior to December 2024 or thereafter should SRE be delayed.

**Q. Has the Company made any changes to its capacity rights during the Review Period?**

A. Yes. Effective November 1, 2022, the Company permanently released its storage and associated transportation service on Eastern Gas Transmission and Storage, Inc. ("EGTS"). Beginning with the Winter 2014-2015 season, Piedmont removed this capacity as being available on a Design Day due to it not being available on a firm basis but the Company maintained its EGTS capacity to utilize it for the Atlantic Coast Pipeline ("ACP") project. However, once ACP was cancelled, the Company sought to permanently release the service in lieu of continuing to release the capacity on an annual basis.

**Q. Please describe the Company's interest and position on any issues before the FERC that may have an impact on the Company's operations.**

A. The Company routinely intervenes and participates in interstate natural gas pipeline proceedings before the FERC. A current summary and description of the status of each proceeding in which Piedmont is a party is included in **Exhibit_(JCP-6)**.

**Q. Does this conclude your testimony?**

A. Yes, it does.

(Exhibits LLM-1, Schedules 1-10, LLM-2, and LLM-3, were admitted into evidence.)

(Whereupon, the prefiled testimony of LINDA MILLER was copied into the record as if given orally from the stand.)

**Q. Please state your name and business address.**

A. My name is Linda Miller. My business address is 525 South Tryon Street, Charlotte, North Carolina.

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

A. I am employed by Duke Energy Corporation ("Duke Energy") and work on behalf of Piedmont Natural Gas Company, Inc. ("Piedmont" or the "Company"), a wholly owned subsidiary of Duke Energy, as the Director of Gas and Other Accounting.

**Q. Please describe your educational and professional background**.

A. I received a Bachelor of Science degree in Accounting from Alliance University (formerly Nyack College) in Nyack, New York in 2001. From 2001 to 2004, I was employed by Deloitte as an auditor. After Deloitte, I worked at UBS as a Financial Analyst until joining Lennar Homes as the Assistant Controller of the Sarasota, FL division in 2005. In 2006, I received my CPA license (NY). In 2008, I joined Duke Energy (formerly Progress Energy, Inc.) Florida as Senior Rates and Regulatory Analyst, and in 2010 accepted a Senior Analyst role in Asset Accounting. I was promoted to Lead Accounting Analyst in 2011 and to Manager of Accounting in 2016. In 2021, I took a position as Investor Relations Manager before accepting my current position as Director, Gas and Other Accounting in May 2023.

**Q. Please describe the scope of your present responsibilities.**

A. My role includes overseeing the team responsible for recording the cost of gas on Piedmont's books, maintaining a proper match of revenues and cost of gas in Piedmont's income statements, recording Piedmont's margin in accordance with regulatory requirements in each of the three state jurisdictions in which Piedmont operates, verifying volumes and prices on all invoices relating to the purchase and transportation of natural gas, and recording gas inventory accounts and deferred accounts.

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

A. No.

**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, 2022, through May 31, 2023 (the "Review Period"). This information is reflected in the following schedules attached to my testimony, which are collectively designated as Exhibit_(LLM-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 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 No. 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") 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. 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 customers without any benefit to or sharing by Piedmont.

**Q. How do the gas costs incurred by Piedmont during the Review Period compare with the gas costs recovered from Piedmont's customers during the same period?**

A. During the Review Period, Piedmont incurred gas costs of $533,366,940, received $431,308,246 through rates and allocated the difference of $(102,058,694) to Piedmont's gas cost deferred accounts. As of May 31, 2023, Piedmont had the following deferred account balances:

| | |
|---|---|
| All Customers Account | $ (28,620,066) |
| Sales Customers Account | $ (33,088,339) |
| Total | $ (61,708,405) |

Piedmont also has a debit balance in its Hedging Program Deferred Account of $4,662,807 as of May 31, 2023, which is included in the Sales Customers Account balance above.

**Q. Did Piedmont have any prior period adjustments recorded during the Review Period?**

A. Yes. While performing month-end close validations earlier this year, we identified that the proration calculation for April 2023 for the demand decrement was calculated incorrectly. For background, accounting computes the demand and demand increments/decrements proration utilizing the prior month rate and the current month rate. However, on the shoulder months beginning in November 2019, accounting was also taking into account the change in season, and would compare a summer to winter rate, or vice versa. An example is that for the March 2023 to April 2023 proration, where the rates change from winter to summer, the March winter rates would be used as the "old rates" rather than the March summer rates.

Our review process earlier this year identified an out-of-balance amount that led to an investigation that the demand and demand increments/decrements prorations should *not* take into account the seasonal rate differences – only the rate difference and therefore March Summer rates and April Summer rates should have been used.

The error that occurred earlier this year was immediately corrected and nets out within the period under review, however through our error remediation process we identified that this same error occurred in prior periods. As a result, the deferred account was credited an amount due to customers of $2,039,119.23 related to these prior periods. Specifically, $1,733,457.73 was a correction of the demand and/or demand increments/decrements proration errors for years 2019, 2021, and 2022 and was run through the cost recovery worksheet and subsequently the cost of gas/deferred accounts. The associated interest was $305,661.50 and is shown on Schedule 9 included in the May reporting Other column (Journal ID NCDEFINT2).

**Q. Has Piedmont kept the Commission advised of changes in its deferred accounts during the Review Period?**

A. Yes, during the Review Period Piedmont 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. What are the results of Piedmont's Hedging Program for the Review Period?**

A. As indicated above, the balance in the Hedging Program Deferred Account at May 31, 2023, was $4,662,807. I have attached an analysis of the Hedging Program Deferred Account for the Review Period as Exhibit_(LLM-2).

**Q. How does Piedmont propose to address the Hedging Account Balance?**

A. Piedmont proposes to combine the Hedging Deferred Account and the Sales Customers Deferred Account balances for prospective rate adjustments.

**Q. Does the Company currently have any temporary rate increments or decrements related to its Sales Customers and All Customers Deferred Accounts?**

A. Yes. Temporary rate decrements associated with the Sales Customers Deferred Account took effect January 1, 2022. Temporary rate decrements associated with the All Customers Deferred Account took effect August 1, 2023.

**Q. Are you proposing any new temporary rate increments or decrements in this proceeding?**

A. I am not proposing new temporary increments or decrements in this proceeding. On July 14, 2023, the Company filed a petition to change the gas cost demand decrements. The petition was approved at the July 31, 2023, staff conference and the new decrements are effective August 1, 2023. The Company will continue to monitor the balances in both the Sales Customers Deferred Account and the All Customers Deferred Account and, if needed, will file an application for authority through the Purchased Gas Adjustment mechanism to implement updated rates in order to keep these deferred account balances at reasonable levels.

**Q. What interest rate is the Company presently applying to the Company's deferred accounts, which are the Sales Customers Deferred Account, the All Customers Deferred Account, the Hedging Deferred Account, the NCUC Legal Fund Account and deferred tax income tax account?**

A. Piedmont applies to each of these deferred account balances an interest rate equivalent to its overall allowed rate of return on a net-of-tax basis. The Company's current overall allowed rate of return on a net-of-tax basis is 6.45%, which was set in Piedmont's last general rate case in Docket No. G-9, Sub 781. This rate was applied to the deferred account balances beginning in January 2022, pursuant to the Commission's Order dated January 6, 2022, authorizing the overall allowed rate of return from that proceeding. See Exhibit_(LLM-3) herein for support of the computation of the 6.45% as the Company's current overall allowed rate of return on a net-of-tax basis.

**Q. Does this conclude your testimony?**

A. Yes.

MS. CULPEPPER: And I would make the same motion for our witness -- the testimony of our witnesses.

COMMISSIONER MCKISSICK: All right. Are there any objections?

MR. JEFFRIES: No objections.

COMMISSIONER MCKISSICK: There being none, your motion is allowed.

(Whereupon, the prefiled corrected testimony and Appendix A of BLAISE C. MICHNA was copied into the record as if given orally from the stand.)

# BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. G-9, SUB 831

| | | |
|---|---|---|
| In the Matter of | | |
| Application of Piedmont Natural Gas Company, Inc., for Annual Review of Gas Costs Pursuant to N.C. Gen. Stat. § 62.133.4(c) and Commission Rule R1-17(k)(6) | ) ) ) ) ) | **CORRECTED TESTIMONY OF BLAISE C. MICHNA PUBLIC STAFF – NORTH CAROLINA UTILITIES COMMISSION** |

**September 25, 2023**

**Q. Please state your name, business address, and present position.**

A. My name is Blaise C. Michna, and my business address is 430 North Salisbury Street, Raleigh, North Carolina. I am a Public Utilities Engineer in the Natural Gas Section of the Energy Division of the Public Staff – North Carolina Utilities Commission (Public Staff).

**Q. Briefly state your qualifications and experience.**

A. My qualifications and experience are included in Appendix A.

**Q. What is the mission of the Public Staff?**

A. The Public Staff represents the concerns of the using and consuming public in all public utility matters that come before the North Carolina Utilities Commission (Commission). Pursuant to N.C. Gen. Stat. § 62-15(d), it is the Public Staff's duty and responsibility to review, investigate, and make appropriate recommendations to the Commission with respect to the following utility matters: (1) retail rates charged, service furnished, and complaints filed, regardless of retail customer class; (2) applications for certificates of public convenience and necessity; (3) franchise transfers, mergers, consolidations, and combinations of public utilities; and (4) contracts of public utilities with affiliates or subsidiaries. The Public Staff is also responsible for appearing before state and federal courts and agencies in matters affecting public utility service.

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

A. The purpose of my testimony is to: (1) present the results of my review of the gas cost information filed by Piedmont Natural Gas Company, Inc. (Piedmont or Company), in accordance with N.C.G.S. § 62-133.4(c) and Commission Rule R1-17(k)(6); (2) present the results of my review of Piedmont's design day (DD) demand requirements and capacity planning; (3) provide my conclusions regarding whether the costs associated with the natural gas purchases made by Piedmont during the review period were prudently incurred; (4) provide my conclusions regarding Piedmont's available gas supply and pipeline capacity resources; and (5) provide my recommendations regarding temporary rate increments and/or decrements.

**Q. Please explain how you conducted your review.**

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

**Q. What other items did you review?**

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

**Q. Based on your findings as they relate to the current review period, please provide a summary of your testimony.**

A. Based on my investigation and review of the data in this docket, including information provided by the Company through data requests, I make the following conclusions:

- Piedmont has accurately reflected and projected its customer growth and throughput since the last annual review of gas costs proceeding;
- Based on current projections, the Company has sufficient supply and capacity rights to meet its customer needs for the upcoming winter seasons;
- Piedmont's DD calculation provides a reasonable forecast for the 2023-2024 winter period; and

- Piedmont's gas costs were prudently incurred for the 12-month review period ending May 31, 2023.

## CUSTOMER GROWTH

**Q. How have Piedmont's customers and throughput changed since the Company's last annual review of gas costs proceeding?**

A. Table 1 below reflects Piedmont's year-to-year customer growth rate of 1.28% in North Carolina. There was a 1.80% decrease in sales volumes compared to the prior review period. In addition, Piedmont's North Carolina transportation volumes increased by 9.21% over the prior review period, which is an incremental consumption gross volume increase of 38,100,046 dekatherms (dts). This averages 104,384 dts/day over the review period.

Table 1: Customer Growth

| Piedmont Natural Gas Company Sub 24A | 2022 Review | 2023 Review | Change |
|---|---|---|---|
| Number of Customers NC&SC (May 31) | 950,220 | 963,880 | 1.44% |
| Sales Volumes NC&SC (dts) | 85,087,881 | 83,919,856 | -1.37% |
| Transportation Volumes NC&SC (dts) | 464,557,588 | 500,032,193 | 7.64% |
| Total Sales & Transportation Volumes NC&SC (dts) | 549,645,469 | 583,952,049 | 6.24% |
| | | | |
| Number of Customers NC (May 31) | 791,920 | 802,079 | 1.28% |
| Sales Volumes NC (dts) | 70,376,993 | 69,107,011 | -1.80% |
| Transportation Volumes NC (dts) | 413,883,168 | 451,983,214 | 9.21% |
| Total Sales & Transportation Volumes NC (dts) | 484,260,161 | 521,090,225 | 7.61% |
| | | | |
| Number of Customers SC (May 31) | 158,300 | 161,801 | 2.21% |
| Sales Volumes SC (dts) | 14,710,888 | 14,812,845 | 0.69% |
| Transportation Volumes SC (dts) | 50,674,420 | 48,048,979 | -5.18% |
| Total Sales & Transportation Volumes SC (dts) | 65,385,308 | 62,861,824 | -3.86% |

## AVAILABLE SUPPLY AND CAPACITY RESOURCES

**Q. Please discuss Piedmont's gas supply and pipeline capacity during the review period.**

A. Based on current projections of its firm sales demand, Company witness Patton testified that Piedmont believes it has sufficient supply and capacity rights to meet its customer needs for the upcoming winter season and the four subsequent winters.

Company witness Patton states that of the three on-system LNG peaking facilities in North Carolina, Piedmont has increased the DD output at its Bentonville LNG facility from 90,000 dts to 110,000 dts per day beginning in the Winter 2021-2022 season, and the Robeson LNG facility currently provides 200,000 dts per day of peaking supply of natural gas. Witness Patton also testified that the Company maintains a portfolio of firm transportation and storage contracts, and on-system LNG, as well as a 5% reserve margin to account for statistical anomalies, unanticipated supply or capacity interruptions, *force majeure*, emergency gas usage or colder-than-DD weather.

**Q. Please provide an update on the Southside Reliability Enhancement (SRE) Project.**

A. Company witness Patton testified that the Federal Energy Regulatory Commission (FERC) issued a certificate order for the SRE Project on July 31, 2023, and Transcontinental Gas Pipe Line

Company, LLC (Transco) plans to start construction in January 2024 to meet the December 1, 2024 targeted in-service date.[1] Company witness Patton testified that the SRE Project will provide Piedmont with 160,000 dts per day of incremental firm pipeline service via Transco's South Virginia Lateral (SVL) to delivery points in the Company's eastern North Carolina service territory. Additionally, witness Patton testified that the SRE Project will provide a separate firm pipeline service path of 263,400 dts per day from Transco's interconnect with Pine Needle LNG Company, LLC to Piedmont's Iredell meter station located in Iredell County.

**Q. Please describe the Company's DD process.**

A. Company witness Patton testified that Piedmont reviewed a third-party DD demand and Design Winter load duration curve (Load Duration Curve) study (Design Day Study) performed by Marquette Energy Analytics (MEA). Witness Patton testified that, after reviewing the MEA Design Day Study, the Company elected to use the methodology and results from the MEA Design Day Study for the Company's forecast of DD demand and Design Winter Load Duration Curve for Winter 2022–2023. Company witness Patton states that MEA utilizes a traditional approach of evaluating week and day-of-year variables to forecast how changes will impact gas

[1] Transcontinental Gas Pipe Line Company, LLC, Order Issuing Certificate, 184 F.E.R.C. 61,066 (2023).

usage. Witness Patton further states that MEA applies an additional layer of calculation to this forecast, calculating wind-adjusted Heating Degree Days (HDDW) and wind-adjusted temperatures and utilizing those variables to forecast gas usage. MEA then uses historical data and usage to build a regression model to calculate and forecast the Company's DD demand, incorporating customer growth and economic conditions.

The Public Staff conducted an internal review of this approach and validated the Company's assessment that the results provide a reasonable forecast for the 2023-2024 winter period.[2] In addition to this forecast, Piedmont has historically included a 5% reserve margin in its DD demand calculation. The Public Staff recommends a continuing evaluation of this additional margin in each annual review proceeding. As MEA's modeling has evolved and become more complex, it has begun to more accurately account for variations in customer usage and weather impacts, which the Company states that, among other factors, this 5% margin addresses. Continuing review will help to ensure that improvements are implemented smoothly, and that gas capacity is allocated optimally.

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[2] The current review period saw an increase of 0.21% inHeating Degree Days and an increase of 0.27% in Wind-adjusted Heating Degree Days as compared to the prior 2021-2022 review period.

## DEFERRED ACCOUNT BALANCES

**Q. What is your recommendation regarding any proposed increments/decrements?**

A. Public Staff witness Johnson states in her testimony that the All Customers' Deferred Account Balance of ($28,620,066) owed by the Company to the customers is appropriate as filed by the Company. As stated in witness Johnson's testimony, the Public Staff recommends transferring the debt balance of $4,662,807 in the Hedging Deferred Account to the Sales Customers' Only Deferred Account. The resulting net credit balance of ($33,088,339) as of May 31, 2023, is owed by the Company to the customers.

Company witness Miller does not propose any new increments or decrements in this proceeding. The Public Staff notes that the Company's application for approval of a reduction in the demand charge component of rates as filed in Docket No. G-9, Sub 830, and approved by the Commission on July 31, 2023, was effective for rates beginning August 1, 2023. The All Customers' Deferred Account reflects a ~~**debit**~~ **credit** balance of ($23,068,914)~~, **owed by**~~ **due to** customers ~~to~~ **by** the Company as of June 30, 2023.

Pursuant to the Stipulation and Agreement filed in FERC Docket No. RP21-1187, Piedmont recorded a refund of $310,357.48 from Transco on April 11, 2023, and a refund in the amount of $69,336.53

from Eastern Gas Transmission and Storage, Inc. (EGTS) on April 3, 2023, in the North Carolina All Customers' Deferred Account. The Company filed notice of the refund in Docket No. G-100, Sub 57.

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

The Public Staff notes that the deferred account balances of local distribution companies (LDCs) vary between winter and summer months, as gas costs are typically over-collected during the winter period when throughput is higher due to heating load and under-collected during the summer due to lower throughput.

The Public Staff generally recommends that gas LDCs monitor the deferred account balances and, if necessary, file an application for authority to adjust their benchmark cost of gas and/or temporary rate per dt; however, I believe the Company is actively managing its deferred account through the PGA procedure. The Public Staff agrees with Piedmont and recommends no new increments or decrements in this proceeding.

**Q. Does this conclude your testimony?**

A. Yes.

APPENDIX A

**QUALIFICATIONS AND EXPERIENCE**

BLAISE C. MICHNA

I graduated from Wayne State University with a Bachelor of Science degree in Electrical Engineering in 2016 and The Pennsylvania State University with a Master of Engineering degree in Electrical Engineering in 2021. I currently hold the titles of Natural Gas Committee Chair for NASUCA and Consumer Advocate Representative for GTI Energy.

Prior to joining the Public Staff, I worked in Michigan in several roles for DTE Electric from 2015-2022. During that time, I worked in the company's Fossil Generation group in various capacities of fuel supply operations, coal inventory forecasting, generation studies, fuel procurement, and environmental and regulatory compliance. My final position at the company was as a Fuel Resource Specialist, executing daily natural gas planning and purchasing, long-term natural gas resource planning and procurement, and compilation and preparation of Energy Supply filings with the Michigan Public Service Commission.

I joined the Public Staff in October 2022 as a member of the Natural Gas Section of the Energy Division. My work to date includes Integrity Management Review, Annual Reviews of Gas Costs, Design Day Demand and Capacity Calculations, Purchase Gas Cost Adjustment Procedures, Review of Utility Asset Transfers, Weather Event Investigations, and General and Multi-Year Rate Case Proceedings.

(Whereupon, the prefiled testimony of SONJA R. JOHNSON was copied into the record as if given orally from the stand.)

# BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. G-9, SUB 831

| | | |
|---|---|---|
| In the Matter of | | |
| Application of Piedmont Natural Gas Company, Inc., for Annual Review of Gas Costs Pursuant to N.C. Gen. Stat. § 62.133.4(c) and Commission Rule R1-17(k)(6) | ) ) ) ) ) | **TESTIMONY OF SONJA R. JOHNSON PUBLIC STAFF – NORTH CAROLINA UTILITIES COMMISSION** |

**September 18, 2023**

**Q. Please state your name, business address, and current position.**

A. My name is Sonja R. Johnson. My business address is 430 North Salisbury Street, Raleigh, North Carolina. I am a Public Utility Regulatory Analyst Supervisor with the Accounting Division of the Public Staff – North Carolina Utilities Commission (Public Staff).

**Q. What is the mission of the Public Staff?**

A. The Public Staff represents the concerns of the using and consuming public in all public utility matters that come before the North Carolina Utilities Commission. Pursuant to N.C. Gen. Stat. § 62-15(d), it is the Public Staff's duty and responsibility to review, investigate, and make appropriate recommendations to the Commission with respect to the following utility matters: (1) retail rates charged, service furnished, and complaints filed, regardless of retail customer class; (2) applications for certificates of public convenience and necessity; (3) franchise transfers, mergers, consolidations, and combinations of public utilities; and (4) contracts of public utilities with affiliates or subsidiaries. The Public Staff is also responsible for appearing before State and federal courts and agencies in matters affecting public utility service.

**Q. Briefly state your qualifications and experience.**

A. My qualifications and experience are included in Appendix A.

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

A. The purpose of my testimony is to: (1) present the results of my review of the gas costs as filed by Piedmont Natural Gas Company, Inc. (Piedmont or Company) in accordance with N.C.G.S. § 62-133.4(c) and Commission Rule R1-17(k)(6); (2) provide my conclusions regarding whether the gas costs incurred by Piedmont during the twelve-month review period ended May 31, 2023, were properly accounted for; and (3) provide my conclusions regarding the prudence of Piedmont's hedging activities during the review period.

**Q. Please explain how you conducted your review.**

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

Each month the Public Staff reviews the Deferred Gas Cost Account reports filed by the Company for accuracy and reasonableness, and performs several 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 for the collections from and/or refunds to 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 N.C.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) Secondary Market Transactions – 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) Uncollectibles – 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) Supplier Refunds – 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. Has the Company properly accounted for its gas costs during the review period?**

A. Yes.

## ANALYSIS OF GAS COSTS

**Q. How do the Company's filed gas costs for the current review period compare with those from the prior review period?**

A. As shown in Miller Exhibit_(LLM-1), Schedule 1, the Company filed total gas costs of $431,308,246 for the current review period as compared with $415,672,939 for the prior twelve-month review period. The components of the filed gas costs for the current review period and prior twelve-month review period are shown in the table below:

| | 12 Months Ended | | | |
|---|---|---|---|---|
| | May 31, 2023 | May 31, 2022 | Increase (Decrease) | % Change |
| Demand & Storage Costs | $150,353,646 | $148,828,701 | $1,524,946 | 1.0% |
| Commodity Costs | 383,013,294 | 307,719,348 | 75,293,946 | 24.5% |
| Other Costs | ($102,058,694) | ($40,875,109) | ($61,183,585) | 149.7% |
| Total | $431,308,246 | $415,672,939 | $15,635,307 | 3.8% |

**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 shown in the table below:

| | Actual Amounts for the 12 Month Periods Ended | | | |
|---|---|---|---|---|
| | April 30, 2023 | April 30, 2022 | Increase (Decrease) | % Change |
| Transco - FT | 105,649,314.80 | $100,254,972 | $5,394,343 | 5.4% |
| Transco - GSS | 5,080,349 | 4,073,323 | 1,007,027 | 24.7% |
| Transco - ESS | 2,965,975 | 2,965,975 | 0 | 0.0% |
| Transco - WSS | 2,187,015 | 2,187,014 | 1 | 0.0% |
| Transco - LNG Service | 650,182 | 650,182 | 0 | 0.0% |
| Columbia - Firm Storage Service | 5,608,949 | 6,911,138 | (1,302,189) | (18.8%) |
| Columbia - SST | 7,588,033 | 8,637,966 | (1,049,933) | (12.2%) |
| Columbia - FTS | 3,895,119 | 4,502,954 | (607,835) | (13.5%) |
| Columbia - No Notice FT | 1,202,850 | 1,391,880 | (189,030) | (13.6%) |
| Col Gulf - FTS | - | - | - | 0.0% |
| Dominion - GSS | 412,921 | 596,164 | (183,244) | (30.7%) |
| Dominion - FT - GSS | 618,702 | 944,333 | (325,631) | (34.5%) |
| ETN - FT | 4,509,000 | 4,856,110 | (347,110) | (7.1%) |
| Texas Eastern | 677,430 | 796,976 | (119,546) | (15.0%) |
| Midwestern - FT | 1,266,380 | 1,069,200 | 197,180 | 18.4% |
| Hardy Storage | 16,380,168 | 18,015,139 | (1,634,971) | (9.1%) |
| Pine Needle LNG | 8,318,116 | 7,409,584 | 908,532 | 12.3% |
| Cardinal - FT Demand | 6,153,794 | 6,209,018 | (55,224) | (0.9%) |
| LNG Processing | 2,870,737 | 2,940,807 | (70,070) | (2.4%) |
| Property Taxes | 43,717 | 29,559 | 14,158 | 47.9% |
| Other | - | - | - | 0.0% |
| NC/SC Costs Expensed | 176,078,752 | 174,442,294 | 1,636,458.04 | 0.94% |
| NC Demand Allocator | 85.39% | 85.32% 1/ | | |
| NC Costs Expensed | $150,353,646 | $148,828,701 | $1,524,946 | 1.02% |

1/ Weighted average demand allocator due to change in rate case effective November 1, 2021.

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) Firm Transportation (FT)** and **Transco General Storage Service (GSS)** charges are due to rate changes related to Transco's general rate case and fuel tracker filings pursuant to FERC Docket No. RP22-663-000, effective April 1, 2022, and FERC Docket No. RP22-1147-000, effective November 1, 2022, respectively, which were in effect during the current review period. Each year the fuel tracker filing resets fuel retention percentages applicable to transportation and storage for multiple rate schedules, thus causing the difference in percentage increases across the storage services.

The decrease in the **Columbia Gas Transmission, LLC (Columbia) Firm Storage Service** is a result of lower rates being charged during the review period as a result of FERC Dockets RP21-565-000 and RP21-561-000, both effective April 1, 2021, while the decrease in **Columbia Storage Service Transportation (SST), Columbia Firm Transportation Service (FTS), and No Notice Transportation FT Service** charges are due to a full year effect of the rates from the general rate case filing in FERC Docket No. RP20-1060-000, effective December 1, 2021, and an Electric Power Cost Adjustment filing to recover the cost of compression and processing of natural gas in FERC Docket No. RP22-630-000, effective April 1, 2022.

The decreases in the **Dominion General Storage Service (GSS)** and **Firm Transportation (FT) GSS** are due to rate decreases from FERC Docket Nos. RP20-1245-000, RP21-1160-000, and RP21-1187-000.

**East Tennessee Natural Gas (ETN) FT** and **Texas Eastern** charges decreased due to fewer volumes being transported over the course of the review period, as well as a rate decrease from a general tariff filing proceeding in FERC Docket No. RP20-980-005, effective August 1, 2021, which encompassed several rate schedules accounting for the difference in the level of decrease among the two charges.

The increase in **Midwestern FT** charges is due to a rate increase from the FERC Docket No. RP21-594-000, effective April 1, 2022.

**Hardy Storage** decreased as a result of changes in tariff rates in FERC Docket No RP22-748-000, effective May 1, 2022.

**Pine Needle LNG** increased as a result of a rate increase filed in FERC Docket No. RP22-749-000, effective May 1, 2022.

The increase in **Property Taxes** for the current review period is due to increased volumes and the price of the storage facility, resulting in a higher valuation of the asset for which the property tax was calculated upon compared to the prior review period.

**Q. Please explain the change in commodity gas costs.**

A. Commodity gas costs for the current twelve-month review period and the prior review period are shown in the table below:

| | Actual Amounts for the 12 Month Periods Ended | | | |
|---|---|---|---|---|
| | April 30, 2023 | April 30, 2022 | Increase (Decrease) | % Change |
| Gas Supply Purchases | $485,491,261 | $372,958,391 | $112,532,870 | 30.2% |
| Reservation Charges | 6,058,868 | 7,130,598 | (1,071,730) | (15.0%) |
| Storage Injections | (149,030,657) | (85,673,782) | (63,356,875) | 74.0% |
| Storage Withdrawals | 120,452,452 | 77,407,071 | 43,045,381 | 55.6% |
| Electric Compressor Costs | 2,377,027 | 2,226,290 | 150,737 | 6.8% |
| Banked Gas Usage | 15,733 | (5,380) | 21,113 | 392.4% |
| Cash Out Brokers (Long) | 4,046,060 | 2,335,054 | 1,711,006 | 73.3% |
| NC/SC Commodity Costs | $469,410,744 | $376,378,242 | $93,032,502 | 24.7% |
| NC Commodity Costs | $383,013,294 | $307,719,348 | $75,293,946 | 24.5% |
| NC Dekatherms Delivered | 68,897,835 | 69,831,424 | (933,589) | (1.3%) |
| NC Cost per Dekatherm | $5.5591 | $4.4066 | $1.1525 | 26.2% |

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 $112,532,870 due to higher gas prices and increased purchased volumes in the current review period compared to the prior 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 or not the LDC takes it. The decrease in reservation charges reflects a market-driven decrease in prices in the current review period as compared to the prior review period.

The increase in **Storage Injections** is due to a higher price of gas supply injected into storage despite the reduction in volumes injected. The average cost of gas injected into storage during the current review period was $7.4815 per dt as compared with $3.924 per dt for the prior period. Piedmont's storage injection decreased to

19,919,801 dts in the current review period as compared to 21,833,460 dts for the prior period.

The increase in **Storage Withdrawals** reflects a higher average cost of supply withdrawn from storage despite a decrease in volumes withdrawn. Piedmont's average cost of gas withdrawn was $6.6383 per dt for this review period as compared to $3.5351 per dt in the prior period. Piedmont withdrew lower volumes of gas supply this review period: 18,144,989 dts from storage in the current review period compared to 21,896,446 dts for the prior period.

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

**Banked Gas Usage** 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 increase in Cash Out Brokers (Long) was due to the increase in prices during the current review period as well as an increase in volumes compared to the prior review period. During the current review period, Piedmont's average dollars per dt was $2.1563 per dt for the current review period as compared to $1.3814 per dt in the prior period. The volumes purchased from Cash Out Brokers (Long) were 1,876,355, while the previous review period's volumes purchased were 1,690,318.

**Q. Please explain the change in other gas costs.**

A. Other gas costs for the current review period and the prior twelve-month review period are shown in the table below:

| | Actual Amounts for the 12 Month Periods Ended | | |
|---|---|---|---|
| | April 30, 2023 | April 30, 2022 | Increase (Decrease) |
| Total Deferred Acct Activity COG Items | $25,720,648 | ($23,689,266) | $49,409,914 |
| Actual vs. Estimate Reporting Month Adj. | (13,777,943) | 9,960,129 | (23,738,071) |
| Total Other Costs | (114,001,399) | (27,145,971) | (86,855,427) |
| Total NC Other Cost of Gas Expense | ($102,058,694) | ($40,875,109) | ($61,183,585) |

**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 item includes offsetting journal entries for the commodity true-up, fixed gas cost true-up, negotiated losses, and increments/(decrements).

**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. Please summarize the Company's secondary market activities during the review period.**

A. During the review period, the Company earned actual margins of $209,699,951 on secondary market transactions and credited the All Customers' Deferred Account in the amount of $136,639,290 ($209,699,951 – 100% Duke secondary market sales) x (NC demand allocator x 75% ratepayer sharing percentage) + (100% Duke secondary market sales x NC demand allocator)) 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 different from the amount recorded on Miller Exhibit_(LLM-1), Schedule 9, since the Company's deferred account includes estimates for the May 2023 secondary market transactions. Presented below is a chart that compares the actual Total 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, 2023 | April 30, 2022 | Increase (Decrease) | % Change |
| Asset Management Arrangements | $97,179,117 | $20,870,389 | $76,308,728 | 365.6% |
| Capacity Releases | 83,395,954 | 23,638,737 | 59,757,217 | 252.8% |
| Off System Sales | 29,124,880 | 33,982,553 | (4,857,673) | (14.3%) |
| Total Company Margins on Secondary Market Transactions | $209,699,951 | $78,491,679 | $131,208,272 | 167.2% |

**Asset Management Arrangements (AMAs)**, according to the FERC,[1] are contractual relationships in which 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

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

shipper. When the capacity is not needed for that purpose, it is used to make releases or bundled sales to third parties.

**Capacity Releases** are the short-term postings of unutilized firm capacity on the electronic bulletin board that are released to third parties at a biddable price.

**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 involve both gas supply and pipeline capacity.

## HEDGING ACTIVITIES

**Q. Please explain how the Public Staff conducted its review of the Company's hedging activities.**

A. The Public Staff's review of the Company's hedging activities is performed on an ongoing basis and includes the analysis and evaluation of the following information:

(1) The Company's monthly hedging deferred account reports;

(2) Detailed source documentation, such as broker statements, 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 Gas Market Risk Committee;

(9) Minutes from the Board of Directors and its committees pertaining to hedging activities;

(10) Reports and correspondence from the Company’s external and internal auditors pertaining 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 Gas Market Risk Committee; 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 at 11-12.

**Q. Please describe the activity reported in the Company's hedging deferred account during the review period.**

A. The Company experienced net costs of $4,662,807 in its Hedging Deferred Account during the review period. These net costs in the account as of May 31, 2023, are composed of the following items:

| | |
|---|---|
| Economic (Gain)/Loss - Closed Positions | $0 |
| Premiums Paid | 5,283,470 |
| Brokerage Fees & Commissions | 25,233 |
| Interest on Brokerage Account | - |
| Interest on Hedging Deferred Account | (645,896) |
| Hedging Deferred Account Balance | $4,662,807 |

The Company proposed that the $4,662,807 debit balance in the Hedging Deferred Account as of the end of the review period be transferred to its Sales Customers' Only Deferred Account.

Economic (Gain)/Loss – Closed Positions depict any gains or losses 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, 2023. The Interest on Hedging Deferred Account is the amount accrued by the Company on its Hedging Deferred Account in accordance with N.C.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 1.08% of total gas costs or $0.0677 per dt. The average monthly cost per residential customer for hedging is approximately $0.33 per dt.

**Q. Did the Company modify its hedging plan during the review period?**

A. No. The Company did not make any change to its hedging plan during the current review period.

**Q. What is your conclusion regarding the prudence of the Company's hedging activities?**

A. Based on the Public Staff's analysis and 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, I conclude that the Company's decisions were prudent. I recommend that the $4,662,807 debit balance in the Company's Hedging Deferred Account as of the end of the review period be transferred from Piedmont's Sales Customers' Only Deferred Account.

## COMPANY PRIOR PERIOD ADJUSTMENTS

**Q. Did the Company have any prior period adjustments recorded during the current review period?**

A. Yes. During the current review period, the Company identified prior period proration calculation errors for 2019, 2021, and 2022 relating to seasonal rate differences for demand and demand increments/decrements prorations that resulted in a deferred account credit amount due to customers in the amount of $2,039,119.23, of which $1,733,457.73 is related to the proration error and $305,661.50 is associated interest. These amounts have been reflected in the deferred account balances requested to refund to customers.

## DEFERRED ACCOUNT BALANCES

**Q. Based on your review of gas costs in this proceeding, what are the appropriate deferred account balance as of May 31, 2023?**

A. The appropriate All Customers' Deferred Account balance is a credit balance of $28,620,066, owed by the Company to the customers, as filed by the Company.

The appropriate Sales Only Customers' Deferred Account balance is a credit balance of $37,751,146, owed by the Company to the customers, as filed by the Company.

The Public Staff recommends transferring the debit balance of $4,662,807 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, 2023, is a net credit balance owed by the Company to the customers of ($33,088,339), determined as follows:

| | |
|---|---|
| Balance per Exhibit LLM-1 Sch 8 | ($37,751,146) |
| Transfer of Hedging Balance | 4,662,807 |
| Balance per Public Staff | ($33,088,339) |

**Q. Has the Company applied the correct interest rate in the deferred accounts?**

A. Yes. The Company's requirement regarding the appropriate interest rate to use in the deferred gas cost accounts was established in the Merger Order. Ordering Paragraph 9 of the Merger Order states that

> [B]eginning with the month in which the merger closes, Piedmont shall use the net-of-tax overall rate of return from its last general rate case as the applicable interest rate on all amounts over-collected or under-collected from customers reflected in its Sales Customers Only, All Customers, and Hedging Deferred Gas Cost Accounts.

The Public Staff believes that the Company has complied with Ordering Paragraph 9 of the Merger Order.

**Q. What is the Public Staff's position regarding changes in the interest rate applied to Piedmont's deferred accounts?**

A. The Public Staff believes that any changes in the overall rate of return from a general rate case and in the federal and state income tax rates should lead to changes in the interest rate. As stated earlier in our testimony, 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 several audit procedures on the calculations, including, but not limited to, the interest calculations. During the review period, June 1, 2022, through

May 31, 2023, Piedmont utilized an interest rate of 6.45% consistent with changes to the net-of-tax overall rate of return from its general rate case in Docket No. G-9, Sub 781.

The Public Staff has reviewed the Company's interest rate calculations and found that it was appropriate for Piedmont to continue to use the 6.45% interest rate. The Public Staff will continue to review the interest rate each month to determine if an adjustment is needed.

**Q. Does this conclude your testimony?**

A. Yes.

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## QUALIFICATIONS AND EXPERIENCE

SONJA R. JOHNSON

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

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

Since initially joining the Public Staff in December 2002, I have presented testimony and exhibits before the Commission addressing a wide range of topics in natural gas and water and sewer general rate cases. I have performed audits and/or presented testimony regarding Public Service of North Carolina's application for a general rate increase and its annual gas cost reviews, as well as certificates of public convenience and necessity to construct water and sewer systems and contiguous extensions of existing systems for water and sewer companies. My experience also includes filing affidavits in several fuel clause rate

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cases and Renewable Energy and Energy Efficiency Portfolio Standard (REPS) cost recovery cases for the utilities currently organized as Duke Energy Carolinas, LLC, Duke Energy Progress, LLC, and Virginia Electric and Power Company d/b/a Dominion North Carolina Power.

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

COMMISSIONER MCKISSICK: Are there any matters that need to come before us this morning at this time?

MR. JEFFRIES: Simply, proposed Order dates if -- if the Commission has a preference on that.

COMMISSIONER MCKISSICK: It would usually be 30 days after the transcript is prepared, so we'll go with that.

MS. CULPEPPER: Thank you.

COMMISSIONER MCKISSICK: There being no other matters before us today, this hearing hereby stands adjourned.

(Hearing was adjourned at 9:06 a.m.)

CERTIFICATE OF REPORTER

I, Kaylene Clayton, Court Reporter, the officer before whom the foregoing hearing was conducted, do hereby certify that any witnesses whose testimony may appear in the foregoing hearing were duly sworn; that the foregoing proceedings were taken by me to the best of my ability and thereafter reduced to typewritten format under my direction; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this hearing was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

This the October 3rd, 2023.

Kaylene Clayton

KAYLENE CLAYTON

Notary Public

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