

PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INC.  
DOCKET NO. G-5, SUB 565

TESTIMONY OF JAMES G. HOARD  
ON BEHALF OF THE PUBLIC STAFF  
NORTH CAROLINA UTILITIES COMMISSION

AUGUST 18, 2016

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

3 A. My name is James G. Hoard, and my business address is 430 North  
4 Salisbury Street, Raleigh, North Carolina. I am the Director of the  
5 Accounting Division of the Public Staff. My qualifications and  
6 experience are provided in Appendix A.

7 Q. PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY IN  
8 THIS PROCEEDING.

9 A. The purpose of my testimony is to provide the Public Staff's  
10 recommendations regarding the ratemaking treatment of  
11 Manufactured Gas Plant (MGP) clean-up costs and Deferred  
12 Pipeline Integrity Management (PIM) Costs incurred by the applicant  
13 in this case, Public Service Company of North Carolina, Inc. (PSNC  
14 or the Company).

15 AMORTIZATION OF MGP CLEAN-UP COSTS

16 Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO THE AMORTIZATION  
17 OF MGP CLEAN-UP COSTS.

1 A. As discussed in greater detail below, PSNC began deferring MGP  
2 clean-up costs in 1993 for recovery in future general rate cases. In  
3 its 2008 rate case, Docket No. G-5, Sub 495, the Company carried  
4 forward \$1,212,652 of unrecovered MGP clean-up costs to which it  
5 added \$2,281,912 MGP clean-up costs for a total balance of  
6 \$3,494,564 of unrecovered MGP clean-up costs as of June 30, 2008.  
7 A three-year amortization period was used to determine the annual  
8 amount of MGP clean-up costs to be recovered in rates established  
9 in that case. This amount was \$1,164,855.

10 In the current case, the Company has increased its test year  
11 operations and maintenance (O&M) expenses by \$2,254,255 to  
12 reflect a three-year amortization of \$6,762,766 of MGP clean-up  
13 costs that it incurred between July 1, 2008, and June 30, 2016. The  
14 \$6,762,766 amount includes \$3,070,000 of estimated MGP clean-up  
15 costs for the January 1, 2016, through June 30, 2016, period. I have  
16 increased the \$6,762,766 amount by \$85,964 to reflect the  
17 \$6,848,729 amount actually incurred by PSNC for MGP clean-up  
18 costs during the eight-year period from July 1, 2008, through June  
19 30, 2016. In addition, I have reduced the updated amount  
20 (\$6,848,730) to reflect five years of MGP clean-up cost recovery at  
21 \$1,164,854 per year beyond the three-year amortization period used  
22 in establishing rates in the Company's last rate case. The resulting  
23 amount of unrecovered MGP clean-up costs as of June 30, 2016, is

1        \$1,024,460 I recommend that this amount be amortized over five  
2        years, with four-fifths of the unrecovered amount \$819,568  
3        (\$1,024,460 x 4/5) being included in rate base. The Company did  
4        not propose rate base treatment related to the MGP clean-up costs.

5        Q.    PLEASE PROVIDE A BRIEF HISTORY OF MANUFACTURED GAS  
6        PLANTS AS THEY RELATE TO THE COMMISSION.

7        A.    MGPs generally began operating in the 1800s and continued until  
8        the 1950s. Nationally, MGPs reached a peak in 1947. MGPs were  
9        phased out for several reasons: 1) availability of natural gas, 2)  
10       increased cost of coke, oil, and labor in operating the plants, and 3)  
11       use of liquefied petroleum (propane and butane). The first time I am  
12       aware of environmental concerns associated with MGPs being  
13       raised in a proceeding before the Commission was in Docket No. G-  
14       21, Sub 291, involving a proposed merger between SONAT and  
15       North Carolina Natural Gas Corporation (NCNG) in 1991. SONAT  
16       and NCNG notified the Commission of environmental concerns  
17       associated with MGPs that led shortly thereafter to the termination of  
18       the merger agreement between the parties. Subsequently, all four  
19       of the North Carolina LDCs operating in North Carolina at the time  
20       reported to the Commission that they had been involved in MGP sites  
21       in some manner and were liable for MGP clean-up costs.

1 Q. PLEASE PROVIDE A SUMMARY OF THE HISTORICAL  
2 RATEMAKING TREATMENT OF MANUFACTURED GAS PLANT  
3 COSTS BY THIS COMMISSION.

4 A. On December 16, 1992, Piedmont Natural Gas Company, Inc.  
5 (Piedmont), filed a request in Docket No. G-9, Sub 333, for  
6 authorization to implement deferral accounting related to "all future  
7 amounts for environmental assessments and cleanups applicable to  
8 its operations." By Order dated December 23, 1992, the Commission  
9 approved Piedmont's request. On April 28, 1993, PSNC filed a letter  
10 in Docket No. G-5, Sub 317, notifying the Commission that it had  
11 conducted preliminary site assessments of all six of its former MGP  
12 sites and had determined that further investigation and testing will be  
13 necessary to fully evaluate the existence of any hazards present on  
14 the sites. PSNC also notified the Commission that it had begun  
15 deferring actual costs related to its investigation of the six MGP sites,  
16 and requested that it be allowed to charge these costs to Account  
17 186.10 0012, Environmental Compliance Costs (a miscellaneous  
18 deferred debit subaccount), until the appropriate disposition could be  
19 determined. By Order dated May 11, 1993, the Commission granted  
20 PSNC's request.

21 The first rate case in which the Commission addressed the  
22 appropriate ratemaking treatment of MGP clean-up costs was a 1994

1 PSNC rate case, Docket No. G-5, Sub 327.<sup>1</sup> In that docket, PSNC  
2 proposed a rider that would have allowed the Company to adjust its  
3 rates periodically to recover the costs it incurred related to the clean-  
4 up of MGP sites. The Public Staff opposed the rider, and proposed  
5 amortization of the MGP clean-up costs over three years, with the  
6 unamortized balance of the MGP being excluded from rate base.  
7 The Commission agreed with the Public Staff, stating:

8 The Commission concludes that the Company should  
9 account for the MGP clean-up costs in the manner  
10 described by Mr. Hoard. The Commission concludes  
11 that this approach is appropriate as a matter of law and  
12 as a matter of policy. It is proper and in the public  
13 interest for the Commission to allow PSNC to recover  
14 the prudently-incurred clean-up costs from current  
15 ratepayers as reasonable operating expenses, even  
16 though the MGP sites are not used and useful in  
17 providing gas service to current customers. At the  
18 same time, however, it is not appropriate for ratepayers  
19 to relieve shareholders of all cost responsibility  
20 associated with the ratemaking treatment of MGP  
21 clean-up. We conclude that the proper balance  
22 between ratepayer and shareholder interests is  
23 achieved by amortizing the prudently-incurred costs to  
24 O&M expenses in general rate cases but denying the  
25 Company any recovery from ratepayers of the carrying  
26 costs on the deferred and the unamortized MGP clean-  
27 up cost balances. . . . This approach will provide an  
28 appropriate forum where prudence issues can receive  
29 the regulatory oversight they deserve in the context of  
30 general rate cases. This approach will give the  
31 Company an incentive to minimize clean-up costs and  
32 to pursue contributions. Finally, the Commission  
33 concludes that this approach will result in greater rate  
34 stability. Rather than recovered over a 12-month

---

<sup>1</sup> A stipulation between Piedmont and the Public Staff in a contemporaneous rate case, Docket No. G-9, Sub 351, provided that the ratemaking treatment of Piedmont's MGP clean-up costs would follow that approved by the Commission in the Sub 327 PSNC rate case docket.

1 period, the costs can be amortized over an appropriate  
2 period, determined in each case, depending upon their  
3 magnitude.<sup>2</sup>

4 PSNC's next rate case was Docket No. G-5, Sub 356, which was  
5 filed two years later in 1996.<sup>3</sup> Because the period of time between  
6 the Sub 327 and Sub 356 rate cases was shorter than the three-year  
7 amortization period used to amortize the MGP clean-up costs in the  
8 Sub 327 rate case, the \$50,000 of unrecovered MGP clean-up costs  
9 from the Sub 327 rate case was combined with \$84,646 of additional  
10 MGP costs to determine the new unrecovered amount subject to  
11 amortization of \$134,646. A two-year amortization period was used  
12 for the \$134,646 of unrecovered Sub 356 MGP clean-up costs and  
13 the approved revenue requirement in the Sub 356 case included  
14 annual expenses of \$67,323 for the amortization of MGP clean-up  
15 costs.

16 The next rate case for PSNC was Docket No. G-5, Sub 386, a 1998  
17 rate case. In that case, the approved revenue requirement reflected  
18 \$10,926 in O&M expenses for the amortization of \$21,851  
19 unrecovered MGP clean-up costs over two years.

20 PSNC's next rate case was Docket No. G-5, Sub 481, which it filed  
21 eight years later in 2006. In that case, PSNC sought recovery of

---

<sup>2</sup> Sub 327 Order at p. 23.

<sup>3</sup> After PSNC's merger with SCANA Corporation, which was approved by Order dated December 7, 1999 in Docket Nos. G-5. Sub 400 and G-43, PSNC experienced significant operational and organizational changes.

1       \$3,637,955 of additional MGP clean-up costs. Neither PSNC nor the  
2       Public Staff reduced the amount of MGP clean-up costs for the  
3       \$65,556 of costs that had been recovered through rates during the  
4       six years since the conclusion of the two-year Sub 386 amortization  
5       period. Given the treatment for MGP clean-up costs in Docket No.  
6       G-21, Sub 442, as discussed below this was an oversight on the  
7       Public Staff's part.

8       The next PSNC rate case was a 2008 rate case filed in Docket No.  
9       G-5, Sub 495. In the 2008 rate case, PSNC carried forward  
10      \$1,212,652 of unrecovered MGP clean-up costs and included an  
11      additional \$2,281,912 of MGP clean-up costs to determine a balance  
12      of \$3,494,564 of unrecovered MGP clean-up costs. A three-year  
13      amortization period was used to determine an annual MGP clean-up  
14      cost amount of \$1,164,855 for inclusion in the revenue requirement  
15      and recovery in rates established in that case.

16      In its current rate case filing, PSNC has reflected \$6,762,766 of  
17      estimated additional MGP clean-up costs and proposed that the  
18      costs be amortized over three years. The Company has also  
19      proposed that the MGP clean-up costs deferral accounting  
20      mechanism be terminated and that additional MGP clean-up costs  
21      be treated as normal O&M expenses.

1 Q. PLEASE EXPLAIN THE NATURE OF THE MGP CLEAN-UP  
2 COSTS AS A REGULATORY ASSET.

3 A. A regulatory asset is a utility asset for financial reporting purposes  
4 that is created through the deferral or capitalization of an incurred  
5 cost that would otherwise be expensed, when a regulator provides  
6 reasonable assurance that future recovery of that cost in rates is  
7 probable.<sup>4</sup> As discussed above, PSNC received approval of special  
8 accounting for costs associated with MGPs in Docket No. G-5 Sub  
9 317, and then in Sub 327 the Commission approved rate recovery  
10 for those costs. Through the Sub 317 and Sub 327 Orders, a  
11 process was established whereby the Company deferred MGP  
12 clean-up costs as they were incurred for review in a later proceeding.  
13 After review by the Public Staff and Commission, the unrecovered  
14 MGP clean-up costs found to have been reasonable and prudently  
15 incurred would then be amortized for recovery from customers over  
16 a reasonable period of time.

17 Q. IN YOUR OPINION, IS THE COMPANY'S ADJUSTMENT TO  
18 INCREASE ITS TEST YEAR MGP CLEAN-UP COSTS BY  
19 \$2,254,255 TO REFLECT A THREE-YEAR AMORTIZATION OF  
20 COSTS INCURRED BETWEEN JULY 1, 2008, AND JUNE 30, 2016,  
21 CONSISTENT WITH THE DEFERRAL AND COST RECOVERY  
22 PROCESS YOU JUST DESCRIBED?

---

<sup>4</sup> See FASB Accounting Standards Codification 980-340-25-1 (2014).



1 A. No, it is not.

2 Q. PLEASE EXPLAIN.

3 A. First, the Company has failed to recognize the MGP clean-up costs  
4 that were designated by the Commission for recovery from  
5 ratepayers by approval of the deferral accounting process and the  
6 inclusion of those costs as an ongoing expense in the annual  
7 revenue requirement established in the 2008 Sub 495 rate case. In  
8 that proceeding, the revenue requirement included an annual  
9 expense of \$1,164,855 that was specifically designated for the  
10 recovery of the Company's MGP clean-up costs. Rates based on  
11 that revenue requirement have been in effect for eight years, so  
12 clearly ratepayers have paid for eight years of MGP clean-up costs,  
13 not three years, as the Company has reflected in its filing.

14 Second, the Company's adjustment is inconsistent with the  
15 treatment of similar items in Docket No. G-21, Sub 442, a 2003  
16 NCNG rate case, and Docket No. G-9, Sub 631, a 2013 Piedmont  
17 rate case. In the 2003 NCNG rate case, NCNG carried forward  
18 \$61,680 of annual amortization of MGP clean-up costs that were  
19 included in its 1995 rate case, Docket No. G-21, Sub 334, as an  
20 offset to actual incurred MGP clean-up costs of \$2,361,389. The  
21 actual incurred amount was reduced further for insurance proceeds  
22 that NCNG received, and ratepayers received a \$3,470,954 credit  
23 related to the over-recovery of MGP clean-up costs. It should be

1       noted, however, that the 1995 NCNG rate case Order set forth an  
2       annual amortization amount, and was not tied to a specific  
3       amortization period, as the PSNC rate case orders have typically  
4       been written. Nonetheless, in the Order the Commission noted that  
5       it had approved similar accounting and recovery treatment for these  
6       manufactured gas plant costs in PSNC's general rate case in Docket  
7       No. G-5, Sub 327.<sup>5</sup> In addition, in a 2013 rate case, Docket No. G-  
8       9, Sub 631, Piedmont included in its Deferred Pipeline Integrity  
9       Management (PIM) costs an adjustment to carry forward annual PIM  
10      amortization costs that had been approved by the Commission in its  
11      immediately preceding 2008 rate case, in Docket No. G-9, Sub 550,  
12      to reflect additional recoveries of PIM costs after the conclusion of  
13      the three-year amortization period that had been used to determine  
14      the annual amortization expense in the that case.<sup>6</sup> The Piedmont  
15      PIM adjustment was modified by the Stipulation<sup>7</sup> in that docket to  
16      reflect the inclusion of additional PIM costs incurred by Piedmont and  
17      implementation of a five-year amortization period instead of  
18      Piedmont's proposed two-year amortization period. By Order dated

---

<sup>5</sup> *Order Granting Partial Rate Increase*, p. 13 (Docket No. G-21, Sub 334, October 27, 1995).

<sup>6</sup> See Piedmont's G-1 Data MFR 1-4 Filed with Application, (Docket No. G-9, Sub 631, May 31, 2013, pp. 235-236). Piedmont also included deferred environmental clean-up expenses at page 245 of the same filing, but as noted on that page Piedmont did not seek recovery of the environmental costs in its 2008 rate case.

<sup>7</sup> *Stipulation*, -pp.7-8 (Docket No. G-9, Sub 631, October 4, 2013).

1 December 17, 2013, the Commission approved the treatment of PIM  
2 costs described in the Stipulation.<sup>8</sup>

3 Q. IS THE TREATMENT OF MGP CLEAN-UP COSTS YOU  
4 RECOMMEND FOR PERIODS WHEN THE AMORTIZATION  
5 PERIOD WAS SHORTER THAN THE INTERVAL BETWEEN RATE  
6 CASES CONSISTENT WITH THE TREATMENT OF MGP CLEAN-  
7 UP COSTS FOR PERIODS WITH THE AMORTIZATION PERIOD  
8 WAS LONGER THAN THE INTERVAL BETWEEN RATE CASES?

9 A. Yes. I believe that the Commission's objective with respect to the  
10 recovery of MGP clean-costs through deferral accounting and  
11 amortization was to permit the Company to recover its prudently  
12 incurred MGP clean-up costs. As described above, in two of the five  
13 PSNC rate cases that have occurred since the Commission  
14 approved the deferral accounting mechanism for the recovery of  
15 MGP clean-up costs for PSNC in Docket No. G-5, Sub 327, the  
16 period between rate cases has been shorter than the amortization  
17 period used for MGP clean-up costs. Consequently, PSNC did not  
18 recover the full amount of its MGP clean-up costs, and thus the  
19 unrecovered amounts were carried forward to the subsequent rate  
20 case and included in the amount subject to amortization. In the  
21 current proceeding, the period between rate cases is longer than the

---

<sup>8</sup> See *Order Approving Partial Rate Increase and Allowing Integrity Management Rider*, Id at p. 11.

1           amortization period used for MGP clean-up costs in the Company's  
2           last rate case, and the Company has over-recovered its MGP clean-  
3           up costs from the last rate case. In my opinion, it is appropriate that  
4           under-recoveries and over-recoveries of these costs be handled  
5           similarly. As a result, I have reflected the over-recoveries of MGP  
6           clean-up costs as a reduction of the amount that should be collected  
7           from ratepayers in the current proceeding.

8    Q.    DO YOU HAVE ANY FUTHER COMMENTS REGARDING MGP  
9           CLEAN-UP COSTS?

10   A.    Yes. As noted earlier, PSNC stated in its Application that it no longer  
11           needs authority to defer expenses associated with the remediation  
12           of MGP sites, so it has proposed to terminate the deferral mechanism  
13           related to these costs. The Company has reflected annual expenses  
14           of approximately \$70,000 for ongoing well-testing costs to monitor  
15           the water quality at each of the MGP sites. It has been the goal of  
16           the Public Staff that PSNC be allowed to recover its actual  
17           reasonable and prudently incurred MGP clean-up costs.

18                                   **AMORTIZATION OF PIPELINE INTEGRITY**

19                                   **MANAGEMENT COSTS**

20   Q.    PLEASE EXPLAIN YOUR ADJUSTMENT TO THE AMORTIZATION  
21           OF THE COMPANY'S DEFERRED PIM COSTS.

1 A. The Company has increased O&M expenses by \$5,706,715 to  
2 reflect the amortization of \$17,120,144 of deferred PIM costs that it  
3 incurred between July 1, 2008, and June 30, 2016, over three years.  
4 The \$17,120,144 amount is composed of \$15,920,144 of actual PIM  
5 costs incurred between July 1, 2008, and December 31, 2015, plus  
6 \$1,200,000 of estimated PIM costs for the January 1, 2016, through  
7 June 30, 2016, period. The PIM costs actually incurred by the  
8 Company during the January 1, 2016, through June 30, 2016, period  
9 were \$4,389,641, which when added to the actual costs of  
10 \$15,920,144 incurred by the Company during the January 1, 2016,  
11 through June 30, 2016, period results in total incurred PIM costs  
12 since July 1, 2008, of \$20,309,785, an increase of \$3,189,641 above  
13 the amount included by the Company in its Application. Consistent  
14 with my adjustment to MGP clean-up costs, I have reduced the  
15 \$20,309,785 amount by \$3,811,730, to reflect five additional years  
16 of deferred PIM cost amortization, at \$762,346 per year, that the  
17 Company recovered through rates established in its last rate case  
18 but excluded in its determination of unrecovered PIM costs to be  
19 recovered in this rate case. In addition, I recommend that the  
20 \$16,498,054 amount of deferred PIM costs, net of recoveries,<sup>9</sup> be  
21 amortized over five years, as compared to the three-year

---

<sup>9</sup> Total actual deferred PIM costs of \$20,309,785 during the July 1, 2008 through June 30, 2016, period less PIM recoveries from customers for five additional years of \$3,811,730, is \$16,498,054.

1 amortization period proposed by the Company, and that four-fifths of  
2 the unrecovered amount be included in rate base. The Company did  
3 not propose rate base treatment related to the deferred PIM costs.

4 Q. PLEASE EXPLAIN THE NATURE OF THE PIPELINE INTEGRITY  
5 MANAGERMENTS COSTS AS A REGULATORY ASSET.

6 A. On November 24, 2004, in G-5 Sub 459, PSNC filed a petition for  
7 approval of deferred accounting treatment for certain incremental  
8 O&M expenses that the Company expected it would incur due to new  
9 and substantial Pipeline Integrity Management (PIM) Regulations  
10 issued by the United States Department of Transportation (USDOT).  
11 PSNC stated that it would incur these expenses to comply with the  
12 recently enacted requirements of Subparts O & M of Part 192, Title  
13 49 of the United States Code of Federal Regulations, issued by the  
14 USDOT under the authority of the Pipeline Safety Improvement Act  
15 of 2002 (PSIA). The PSIA mandated that operators of natural gas  
16 transmission facilities promulgate and implement integrity  
17 management programs under the supervision of, and in  
18 conformance with, regulations promulgated by the USDOT. PSNC  
19 estimated that the level of incremental O&M costs to be incurred  
20 would be in the range of \$800,000 to \$2,000,000 per year for the next  
21 several years and could potentially exceed that level. PSNC further  
22 stated that these costs would be entirely distinct and different in  
23 nature from the O&M costs that PSNC had historically incurred and

1        were not included in PSNC's existing rates, and that, given the fact  
2        that the PIM costs would be incurred in mandatory compliance with  
3        newly issued federal pipeline safety regulations designed to protect  
4        the public interest, the costs would be clearly incremental in nature.  
5        PSNC also stated that the PIM costs would be readily identifiable  
6        from its other O&M costs and could be separately identified on its  
7        books, and that the costs were not provided for in PSNC's existing  
8        rates. By Order dated January 21, 2005, the Commission authorized  
9        PSNC to defer its PIM compliance costs through the earlier of  
10       December 31, 2006, or the effective date of a rate case rate order.

11       In Docket No. G-5, Sub 481, a 2006 rate case, PSNC, the Public  
12       Staff, and the Carolina Utility Customers Association, Inc. (CUCA),  
13       stipulated to the amortization and recovery of the deferred PIM costs  
14       as of June 30, 2006, over a three-year period. The 2006 Rate Case  
15       Stipulation further provided for continuation of regulatory asset  
16       treatment for costs paid for PIM services provided by independent  
17       contractors and outside consultants that were necessary for  
18       compliance with the current federal regulations, pending the  
19       establishment of an appropriate recovery mechanism in a future  
20       proceeding.<sup>10</sup> By Order dated October 23, 2006, the Commission  
21       approved recovery of PSNC's deferred PIM costs and reflected, as

---

<sup>10</sup> Stipulation of PSNC, the Public Staff, and CUCA, Docket No. G-5, Sub 481, paragraph 13B.

1 a component of O&M expenses, the amortization of the PIM costs  
2 over a three-year period.

3 Two years later, in 2008, PSNC filed a rate case in Docket No. G-5,  
4 Sub 495. In that docket, the unrecovered PIM costs from the 2006  
5 rate case were added to the additional PIM costs that the Company  
6 had incurred since June 30, 2006, the cut-off date for deferred PIM  
7 costs that were included in the Company's 2006 rate case. Once  
8 again, PSNC, the Public Staff, and CUCA stipulated that PSNC  
9 should be allowed to recover the deferred PIM costs over three  
10 years. In the 2008 PSNC rate case, the deferred PIM costs included  
11 the unrecovered PIM costs from the 2006 rate case. By Order dated  
12 October 24, 2008, the Commission approved the amortization of  
13 PSNC's deferred PIM costs over a three-year period as a component  
14 of O&M expenses. In its current rate case filing, PSNC has not  
15 reflected the recovery after October 24, 2011 (three years from the  
16 2006 rate case order date), of PIM costs that were specifically  
17 included in rates established in the Company's 2008 rate case.

18 Q. DO YOU HAVE ANY FURTHER COMMENTS REGARDING THE  
19 COMPANY'S DEFERRED PIM COSTS?

20 A. In the current proceeding, the period between rate cases is longer  
21 than the amortization period used for deferred PIM costs in the  
22 Company's last rate case, and the Company has over-recovered its  
23 deferred PIM costs from the last rate case. As with MGP clean-up



1 costs, it is appropriate that under-recoveries and over-recoveries of  
2 PIM costs be handled similarly. As a result, I have reflected the over-  
3 recoveries of deferred PIM costs as a reduction of the amount that  
4 should be collected from ratepayers in the current proceeding. It has  
5 been the goal of the Public Staff that PSNC be allowed to recover its  
6 actual reasonable and prudently incurred PIM costs.

7 **GENERAL COMMENT**

8 Q. DO YOU HAVE ANY ADDITIONAL COMMENTS?

9 A. Yes. Over the years, the Commission has approved deferral  
10 accounting requests from utilities for various types of matters,  
11 including extraordinary maintenance costs, post in-service costs for  
12 new electric generating plants, and storm damage. These deferrals,  
13 which resulted in the creation of regulatory assets, each involved a  
14 relatively short period when the costs were incurred, followed by a  
15 period when the costs were recovered by the utility from ratepayers  
16 through amortization. In the case of deferrals for MGP clean-up  
17 costs and PIM costs, both cost deferrals and recoveries have  
18 occurred over many years. As noted earlier in my testimony, the  
19 Commission approved the deferral of MGP clean-up costs for PSNC  
20 in 1993, over 23 years ago, and the deferral of PIM costs for PSNC  
21 in 2005, over 11 years ago.

22 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

23 A. Yes.

## APPENDIX A

**JAMES G. HOARD****Qualifications and Experience**

I graduated from the University of Rhode Island in 1979 with a Bachelor of Science degree in Business Administration. Subsequent to graduation I have completed various economics, statistics, and regulatory courses. I am a Certified Public Accountant and a member of the North Carolina Association of Certified Public Accountants.

I joined the Public Staff as a Staff Accountant in October, 1979, and was promoted to Supervisor of the Electric Section in January 1984. At the end of 1985, I assumed the position of manager in a small regional certified public accounting firm. In September 1987 I rejoined the Public Staff as Supervisor of the Communications Section, and March 1991, I became Supervisor of the Natural Gas Section. On August 1, 2000, I was promoted to Assistant Director of the Accounting Division, and on October 2, 2012, I was promoted to Director of the Accounting Division. In my present position, I am responsible for the organization, planning, and performance of the work of the Public Staff Accounting Division, which includes, among other things, the following activities: (1) the examination and analysis of testimony, exhibits, books and records, and other data presented by utilities and other parties involved in Commission proceedings; and (2) the preparation and presentation to the Commission of testimony, exhibits, and other documents in those proceedings. I have testified before the Commission on many occasions addressing a wide range of topics and issues.