

**Before the
North Carolina Utilities Commission**

Docket No. G-9, Sub 811

**Annual Review of Gas Costs Pursuant to G.S. § 62-133.4(c)
and Commission Rule R1-17(k)(6)**

**Rebuttal Testimony
of
Todd Breece**

**On Behalf Of
Piedmont Natural Gas Company, Inc.**

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

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

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

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

9 **Q. Have you previously testified in this proceeding?**

10 A. Yes. I previously submitted prefiled Direct Testimony in this proceeding on
11 August 1, 2022.

12 **Q. What is the purpose of your Rebuttal Testimony?**

13 A. My Rebuttal Testimony addresses the recommendation of Public Staff
14 witness Johnson that in Piedmont’s next prudence proceeding it be required
15 to “provide the Commission with detailed testimony and analysis as to how
16 the Company mitigated and/or stabilized the current volatility in gas prices
17 for the benefit of ratepayers utilizing hedging, secondary market transactions,
18 and supply and capacity contracts, including, but not limited to, changes or
19 renegotiations in any of the above based on the volatility of the market.”

20 **Q. Does Piedmont oppose Ms. Johnson’s suggestion?**

21 A. No, the subjects Ms. Johnson lists are perfectly appropriate for a prudence
22 review proceeding and Piedmont has no objection to providing that

1 information to the Commission. In fact, in the normal course of its
2 preparation for an annual prudence review, Piedmont would (and has in this
3 case) provide such information. We also do not believe that it is necessary to
4 wait until next year to provide such information to the Commission when we
5 can do so now.

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

10 A. Piedmont utilizes its firm transportation capacity to procure the lowest cost
11 available daily supply for its customers. Piedmont takes advantage of location
12 basis differentials to purchase its natural gas supplies on a best cost Citygate
13 delivered basis. This means that we explore all available options to obtain
14 gas at Piedmont's Citygate delivery points at the lowest cost possible
15 consistent with its best cost gas purchasing policy. Piedmont also continues
16 to utilize its RFP bid process to secure supplies from competitive bidders on
17 a best cost basis. Piedmont also continues to utilize its Hedging Plan as well
18 as storage, which acts as a physical hedge, to stabilize the cost of gas,
19 particularly in periods of peak demand. Piedmont manages its storage
20 effectively by typically injecting when prices are low and withdrawing when
21 prices are high. Piedmont also effectively optimizes unused assets through
22 capacity releases, off system sales, and Asset Management Arrangements to

1 help reduce its customers' costs. In this case, the combined impact of the
2 Company's hedging plan and its secondary market activities alone resulted in
3 a credit of \$72.6M to its customers.

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

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

18 **Q. Does this conclude your Rebuttal Testimony?**

19 A. Yes.