



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

September 18, 2023

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

Re: Docket No. G-9, Sub 831 – 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)

Dear Ms. Dunston:

Attached for filing on behalf of the Public Staff in the above-referenced docket is the Testimony and Sonja R. Johnson, Public Utility Regulatory Analyst Supervisor, Accounting Division of the Public Staff – North Carolina Utilities Commission.

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

Sincerely,

Electronically submitted
/s/Elizabeth D. Culpepper
Staff Attorney
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/s/James Bernier, Jr.
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/s/Davia Newell
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Attachment

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Transportation
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Water/Telephone
(919) 733-5610

CERTIFICATE OF SERVICE

I certify that a copy of this Testimony has been served on all parties of record or their attorneys, or both, in accordance with Commission Rule R1-39, by United States mail, first class or better; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 18th day of September, 2023.

Electronically submitted
/s/Elizabeth D. Culpepper
Staff Attorney

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. G-9, SUB 831

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

September 18, 2023

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

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

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

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

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

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

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

2 A. The purpose of my testimony is to: (1) present the results of my
3 review of the gas costs as filed by Piedmont Natural Gas Company,
4 Inc. (Piedmont or Company) in accordance with N.C.G.S. § 62-
5 133.4(c) and Commission Rule R1-17(k)(6); (2) provide my
6 conclusions regarding whether the gas costs incurred by Piedmont
7 during the twelve-month review period ended May 31, 2023, were
8 properly accounted for; and (3) provide my conclusions regarding the
9 prudence of Piedmont's hedging activities during the review period.

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

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

17 Each month the Public Staff reviews the Deferred Gas Cost Account
18 reports filed by the Company for accuracy and reasonableness, and
19 performs several audit procedures on the calculations, including the
20 following:

21 (1) Commodity Gas Cost True-Up – The actual commodity gas
22 costs incurred are verified, the calculations and data supporting the

1 commodity gas costs collected from customers are checked, and the
2 overall calculation is reviewed for mathematical accuracy.

3 (2) Fixed Gas Cost True-Up – The actual fixed gas costs incurred
4 are compared with pipeline tariffs and gas contracts, the rates and
5 volumes supporting the calculation of collections from customers are
6 verified, and the overall calculation is reviewed for mathematical
7 accuracy.

8 (3) Negotiated Losses – Negotiated prices for each customer are
9 reviewed to ensure that the Company does not sell gas to the
10 customer below the cost of gas to the Company or below the price
11 of the customer's alternative fuel.

12 (4) Temporary Increments and/or Decrements – Calculations and
13 supporting data are verified for the collections from and/or refunds to
14 customers that have occurred through the Deferred Gas Cost
15 Accounts.

16 (5) Interest Accrual – Calculations of the interest accrued on the
17 various deferred account balances during the month are verified in
18 accordance with N.C.G.S. § 62-130(e) and the Commission's Order
19 Approving Merger Subject to Regulatory Conditions and Code of
20 Conduct issued September 29, 2016, in Docket Nos. G-9, Sub 682,
21 E-2, Sub 1095, and E-7, Sub 1100 (Merger Order).

1 (6) Secondary Market Transactions – The secondary market
2 transactions conducted by the Company are reviewed and verified
3 to the financial books and records, asset management
4 arrangements, and other deferred account journal entries.

5 (7) Uncollectibles – The Company records a journal entry each
6 month in the Sales Customers' Only Deferred Account for the gas
7 cost portion of its uncollectibles write-offs. The calculations
8 supporting those journal entries are reviewed to ensure that the
9 proper amounts are recorded.

10 (8) Supplier Refunds – Unless ordered otherwise, supplier
11 refunds received by Piedmont should be flowed through to
12 ratepayers in the All-Customers' Deferred Account or, in certain
13 circumstances, applied to the NCUC Legal Fund Reserve Account.
14 Documentation is reviewed to ensure that the proper amount is
15 credited to the correct account in a timely fashion.

16 **Q. Has the Company properly accounted for its gas costs during**
17 **the review period?**

18 A. Yes.

1 **ANALYSIS OF GAS COSTS**

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

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

	12 Months Ended		Increase (Decrease)	% Change
	May 31, 2023	May 31, 2022		
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%
10 Total	<u>\$431,308,246</u>	<u>\$415,672,939</u>	<u>\$15,635,307</u>	<u>3.8%</u>

11 **Q. Please explain any significant increases or decreases in**
 12 **demand and storage charges.**

13 A. The Demand and Storage Charges for the current review period and
 14 the prior twelve-month review period are shown in the table below:

	Actual Amounts for the 12 Month Periods Ended			% Change
	April 30, 2023	April 30, 2022	Increase (Decrease)	
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.

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

1 The decrease in the **Columbia Gas Transmission, LLC**
2 **(Columbia) Firm Storage Service** is a result of lower rates being
3 charged during the review period as a result of FERC Dockets RP21-
4 565-000 and RP21-561-000, both effective April 1, 2021, while the
5 decrease in **Columbia Storage Service Transportation (SST)**,
6 **Columbia Firm Transportation Service (FTS)**, and **No Notice**
7 **Transportation FT Service** charges are due to a full year effect of
8 the rates from the general rate case filing in FERC Docket No. RP20-
9 1060-000, effective December 1, 2021, and an Electric Power Cost
10 Adjustment filing to recover the cost of compression and processing
11 of natural gas in FERC Docket No. RP22-630-000, effective April 1,
12 2022.

13 The decreases in the **Dominion General Storage Service (GSS)**
14 and **Firm Transportation (FT) GSS** are due to rate decreases from
15 FERC Docket Nos. RP20-1245-000, RP21-1160-000, and RP21-
16 1187-000.

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

1 schedules accounting for the difference in the level of decrease
2 among the two charges.

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

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

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

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

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

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

	Actual Amounts for the 12 Month Periods Ended			% Change
	April 30, 2023	April 30, 2022	Increase (Decrease)	
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.

- 1
- 2 **Gas Supply Purchases** increased by \$112,532,870 due to higher
- 3 gas prices and increased purchased volumes in the current review
- 4 period compared to the prior review period.
- 5 **Reservation Charges** are fixed or minimum monthly charges a local
- 6 distribution company (LDC) may pay a supplier in connection with
- 7 the supplier providing the LDC an agreed-upon quantity of gas,
- 8 regardless of whether or not the LDC takes it. The decrease in
- 9 reservation charges reflects a market-driven decrease in prices in
- 10 the current review period as compared to the prior review period.
- 11 The increase in **Storage Injections** is due to a higher price of gas
- 12 supply injected into storage despite the reduction in volumes
- 13 injected. The average cost of gas injected into storage during the
- 14 current review period was \$7.4815 per dt as compared with \$3.924
- 15 per dt for the prior period. Piedmont's storage injection decreased to

1 19,919,801 dts in the current review period as compared to
2 21,833,460 dts for the prior period.

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

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

14 **Banked Gas Usage** is the cost of gas associated with the month-
15 end volume imbalances that are not cashed out with customers.
16 Piedmont currently has four banked gas customers, all former NCNG
17 customers, who may exercise the right per contract to carry forward
18 their monthly volume imbalances instead of cashing out monthly.
19 The change in the banked gas represents the difference in the cost
20 of gas supply of the volume imbalances carried forward from month
21 to month.

1 **Cash Out Brokers (Long)** represents the purchases made by
2 Piedmont from brokers that brought too much gas to the city gate.
3 The increase in Cash Out Brokers (Long) was due to the increase in
4 prices during the current review period as well as an increase in
5 volumes compared to the prior review period. During the current
6 review period, Piedmont's average dollars per dt was \$2.1563 per dt
7 for the current review period as compared to \$1.3814 per dt in the
8 prior period. The volumes purchased from Cash Out Brokers (Long)
9 were 1,876,355, while the previous review period's volumes
10 purchased were 1,690,318.

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

12 A. Other gas costs for the current review period and the prior twelve-
13 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	<u>(\$102,058,694)</u>	<u>(\$40,875,109)</u>	<u>(\$61,183,585)</u>

14 **Total Deferred Acct Activity COG Items** reflect offsetting journal
15 entries for the cost of gas recorded in the Company's Deferred Gas
16 Cost Accounts during the review periods. This item includes
17 offsetting journal entries for the commodity true-up, fixed gas cost
18 true-up, negotiated losses, and increments/(decrements).

1 **Actual vs. Estimate Reporting Month Adj.** amounts result from the
2 Company's monthly accounting closing process. Each month, the
3 Company estimates its current month's gas costs for financial
4 reporting purposes and adjusts the prior month's estimate to reflect
5 the actual cost incurred for that month.

6 **Total Other Costs** are primarily the North Carolina ratepayers'
7 portion of capacity release margins and the allocation factor
8 differential for bundled sales. The allocation factor differential is due
9 to the utilization of the NC/SC sales allocation factor in the
10 commodity gas cost calculation and the demand allocation factor
11 utilized in the secondary market calculation.

12 **SECONDARY MARKET ACTIVITIES**

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

15 **A. During the review period, the Company earned actual margins of**
16 \$209,699,951 on secondary market transactions and credited the All
17 Customers' Deferred Account in the amount of \$136,639,290
18 (\$209,699,951 – 100% Duke secondary market sales) x (NC
19 demand allocator x 75% ratepayer sharing percentage) + (100%
20 Duke secondary market sales x NC demand allocator)) for the benefit
21 of ratepayers, in accordance with the Commission's Order Approving
22 Stipulation issued on December 22, 1995, in Docket No. G-100, Sub

1 67. This dollar amount is different from the amount recorded on Miller
2 Exhibit_(LLM-1), Schedule 9, since the Company's deferred account
3 includes estimates for the May 2023 secondary market transactions.
4 Presented below is a chart that compares the actual Total Company
5 Margins earned by Piedmont on the various types of secondary
6 market transactions in which it was engaged during the review period
7 and the prior review period.

	Actual Amounts for the 12 Month Periods Ended			%
	April 30, 2023	April 30, 2022	Increase (Decrease)	
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%

8 **Asset Management Arrangements (AMAs)**, according to the
9 FERC,¹ are contractual relationships in which a party agrees to
10 manage gas supply and delivery arrangements, including
11 transportation and storage capacity, for another party. Typically, a
12 shipper holding firm transportation and/or storage capacity on a
13 pipeline or multiple pipelines temporarily releases all or a portion of
14 that capacity along with associated gas production and gas purchase
15 agreements to an asset manager. The asset manager uses that
16 capacity to serve the gas supply requirements of the releasing

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

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

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

6 **Off System Sales** on Piedmont's system are also referred to as
7 bundled sales. Bundled sales are gas supplies delivered to a third
8 party at a specified receipt point in the Transco market area.
9 Because bundled sales move gas from the production area to the
10 market area, these sales involve both gas supply and pipeline
11 capacity.

12 **HEDGING ACTIVITIES**

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

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

- 18 (1) The Company's monthly hedging deferred account reports;
19 (2) Detailed source documentation, such as broker statements,
20 that provide support for the amounts spent and received by
21 the Company for financial instruments;

- 1 (3) Workpapers supporting the derivation of the maximum hedge
2 volumes targeted for each month;
- 3 (4) Periodic reports on the status of hedge coverage for each
4 month (Hedging Position Report);
- 5 (5) Periodic reports on the market values of the various financial
6 instruments used by the Company to hedge (Mark-to-Market
7 Report);
- 8 (6) The monthly Hedging Program Status Report;
- 9 (7) The monthly report reconciling the Hedging Program Status
10 Report and the hedging deferred account report;
- 11 (8) Minutes from meetings of Piedmont's Gas Market Risk
12 Committee;
- 13 (9) Minutes from the Board of Directors and its committees
14 pertaining to hedging activities;
- 15 (10) Reports and correspondence from the Company's external
16 and internal auditors pertaining to hedging activities;
- 17 (11) Hedging plan documents that set forth the Company's gas
18 price risk management policy, hedge strategy, and gas price
19 risk management operations;

1 (12) Communications with Company personnel regarding key
 2 hedging events and plan modifications under consideration by
 3 Piedmont's Gas Market Risk Committee; and

4 (13) Testimony and exhibits of the Company's witnesses in the
 5 annual review proceeding.

6 **Q. What is the standard set forth by the Commission for evaluating**
 7 **the prudence of a company's hedging decisions?**

8 A. In its February 26, 2002 Order on Hedging in Docket No. G-100, Sub
 9 84 (Hedging Order), the Commission stated that the standard for
 10 reviewing the prudence of hedging decisions is that the decision
 11 "must have been made in a reasonable manner and at an
 12 appropriate time on the basis of what was reasonably known or
 13 should have been known at that time." Hedging Order at 11-12.

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

16 A. The Company experienced net costs of \$4,662,807 in its Hedging
 17 Deferred Account during the review period. These net costs in the
 18 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	<u>\$4,662,807</u>

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

4 Economic (Gain)/Loss – Closed Positions depict any gains or losses
5 on hedging positions that the Company realized during the review
6 period. Premiums Paid is the amount spent by the Company on
7 futures and options positions during the current review period for
8 contract periods that closed during the review period or that will close
9 after May 31, 2023. The Interest on Hedging Deferred Account is the
10 amount accrued by the Company on its Hedging Deferred Account
11 in accordance with N.C.G.S. § 62-130(e) and the Merger Order,
12 effective October 1, 2017.

13 The hedging costs incurred by the Company during the review period
14 represent approximately 1.08% of total gas costs or \$0.0677 per dt.
15 The average monthly cost per residential customer for hedging is
16 approximately \$0.33 per dt.

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

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

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

3 A. Based on the Public Staff's analysis and what was reasonably known
4 or should have been known at the time the Company made its
5 hedging decisions affecting the review period, as opposed to the
6 outcome of those decisions, I conclude that the Company's decisions
7 were prudent. I recommend that the \$4,662,807 debit balance in the
8 Company's Hedging Deferred Account as of the end of the review
9 period be transferred from Piedmont's Sales Customers' Only
10 Deferred Account.

11 **COMPANY PRIOR PERIOD ADJUSTMENTS**

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

14 A. Yes. During the current review period, the Company identified prior
15 period proration calculation errors for 2019, 2021, and 2022 relating
16 to seasonal rate differences for demand and demand
17 increments/decrements prorations that resulted in a deferred
18 account credit amount due to customers in the amount of
19 \$2,039,119.23, of which \$1,733,457.73 is related to the proration
20 error and \$305,661.50 is associated interest. These amounts have
21 been reflected in the deferred account balances requested to refund
22 to customers.

1 **DEFERRED ACCOUNT BALANCES**

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

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

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

10 The Public Staff recommends transferring the debit balance of
11 \$4,662,807 in the Hedging Deferred Account as of the end of the
12 review period to the Sales Customers' Only Deferred Account. The
13 recommended balance for the Sales Customers' Only Deferred
14 Account as of May 31, 2023, is a net credit balance owed by the
15 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	<u>(\$33,088,339)</u>

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

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

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

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

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

17 A. The Public Staff believes that any changes in the overall rate of
18 return from a general rate case and in the federal and state income
19 tax rates should lead to changes in the interest rate. As stated earlier
20 in our testimony, each month the Public Staff's Accounting Division
21 reviews the Deferred Gas Cost Account reports filed by the Company
22 for accuracy and reasonableness, and performs several audit
23 procedures on the calculations, including, but not limited to, the
24 interest calculations. During the review period, June 1, 2022, through

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

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

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

A. Yes.

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

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.