McGuireWoods LLP
434 Fayetteville Street
Suite 2600
PO Box 27507 (27611)
Raleigh, NC 27601
Phone: 919.755.6600
Fax: 919.755.6699
www.mcguirewoods.com
Mary Lynne Grigg
Direct: 919.755.6573

McGUIREWOODS

mgrigg@mcguirewoods.com

October 31, 2018

VIA ELECTRONIC FILING

Ms. M. Lynn Jarvis, Chief Clerk
North Carolina Utilities Commission
Dobbs Building
430 North Salisbury Street
Raleigh, North Carolina 27603

RE: Docket No. G-5, Sub 585
Docket No. E-22, Sub 551

Dear Ms. Jarvis:

Pursuant to the Order Granting in Part Motion to Excuse Several Witnesses and Requiring Late-Filed Exhibit entered by the Commission on October 8, 2018, Dominion Energy, Inc. and SCANA Corporation hereby file their *Responses to Commission Questions* in connection with the above-referenced dockets. These responses were prepared by David Hunger of Charles River Associates.

Should you have any questions, please do not hesitate to contact me. Thank you for your assistance with this matter.

Very truly yours,

/s/Mary Lynne Grigg

MLG:mth

Enclosures

Responses to Commission Questions:

1. On page 5 of your testimony, you state that you performed "A quantitative market concentration analysis … applying the HHI metric, for firm gas capacity in North Carolina." However, in the Application, your analysis is described as focusing on Transco's Zone 5. Your analysis includes "Proxy for Pass-Through" on Transco and defines that as 22% of the total market. Can that capacity be considered firm on a peak day?

The relevant geographic market for the purpose of analyzing the effect of the merger on competition is the pricing zone that includes North Carolina. Transco Zone 5 is defined by the pipeline owner and operator, Williams Company, as a single zone, with a uniform rate for all points. Williams does not differentiate between points in North Carolina, South Carolina, or Virginia.

I also note that the Federal Energy Regulatory Commission accepted this Transco Zone 5 geographic market for this merger at the federal level[1] and that the North Carolina Utilities Commission accepted the same Transco Zone 5 geographic market for the market power analysis presented in Duke Energy's 2016 acquisition of Piedmont Natural Gas Company.[2]

Regarding the question about "Proxy for Pass-Through", Transco permits owners of contracts with a receipt and delivery point that "passes through" Transco Zone 5 (e.g., receipt in Zone 2 and delivery in Zone 6) to make deliveries into Zone 5. To proxy for total pass-through capacity, I looked at the total deliveries to Zone 5 points on PSNC Energy's peak day in 2017 (January 8) to points to electric plants, industrial users, LNG terminals, residential users, and storage facilities. I conservatively assumed all of the pass through capacity was controlled by one seller.

The total quantity of deliveries on the peak day was approximately 4,120 MDth. But the sum of firm transport contracts into Zone 5 and bundled storage totaled approximately 3,100 MDth/d. This means that, on the actual peak day in 2017, an additional 1,020 MDth/d of gas deliveries reached Zone 5 beyond what contract holders had bought to deliver.

Whether this capacity could be considered firm on a future peak day would depend on demand and market conditions on other parts of the system on that future peak day. If all parts of the system were at peak, then there could be less firm available capacity. On the other hand, there may also have been more capacity available to deliver into Zone 5 than was actually delivered in 2017. Going forward, given that the recent completion of the Atlantic Sunrise Project has added 1.7 BCF/d of southbound capacity to the Transco mainline, there is a high level of confidence that "pass-through" volumes will continue to be scheduled and delivered to Zone 5 during peak load conditions. For these reasons, I concluded that the proxy represents a reasonable estimate

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[1] 164 FERC ¶ 62,025 (July 12, 2018).
[2] *Order Approving Merger Subject to Regulatory Conditions and Code of Conduct*, at 104-108, Docket No. E-2, Sub 998 and E-7, Sub 986 (June 29, 2012).

of capacity that is held by owners of non-Zone 5 contracts on the Transco system that could be accessed by customers on Zone 5.

2. In light of the reversal of flow on Transco's system, why did you analyze Zone 5 rather than just North Carolina?

As discussed in the response to Question 1, the relevant geographic market for the purpose of analyzing the effect of the merger on competition is the pricing zone that includes North Carolina. Transco Zone 5 is defined by the pipeline owner and operator, Williams Company, as a single zone, with a uniform rate for all points. Williams does not differentiate between points in North Carolina, South Carolina, or Virginia. The recent reversal of flows does not change the relevant geographic market. As would be the case from flows coming into Transco Zone 5 from Zone 4 (Mississippi, Alabama, and Georgia), flows coming from Zone 6 (which includes the production areas in Pennsylvania) are treated the same in terms of pricing and access to the system. If there were internal constraints within Zone 5 that caused material price separation then that would indicate a smaller relevant geographic market, regardless of the direction of the flow, but that is not the case.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Responses to Commission Questions* submitted in Docket Nos. G-5, Sub 585 and E-22 Sub 551 were served upon the parties of record via U.S. mail, postage paid, or electronically.

This, the 31st day of October, 2018.

/s/Mary Lynne Grigg
McGuireWoods LLP
434 Fayetteville Street, Suite 2600
PO Box 27507 (27611)
Raleigh, North Carolina 27601
(919) 755-6573 (Direct)
mgrigg@mcguirewoods.com

Attorney for Public Service Company of North Carolina, Inc.

Attorney for Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina