PLACE: Dobbs Building, Raleigh, North Carolina

DATE: Tuesday, August 13, 2019

TIME: 10:00 a.m. - 10:45 a.m.

DOCKET NO: G-5, Sub 608

BEFORE: Commissioner ToNola D. Brown-Bland, Presiding

Commissioner Lyons Gray

Commissioner Daniel G. Clodfelter

IN THE MATTER OF:

Public Service Company of North Carolina, Inc.

Application 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:

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

E X H I B I T S

P R O C E E D I N G S

COMMISSIONER BROWN-BLAND: Good morning. We'll come on the record now and come to order. I'm Commissioner ToNola D. Brown-Bland with the North Carolina Utilities Commission and I am the Presiding Commissioner for this hearing. With me this morning are Commissioners Lyons Gray and Daniel G. Clodfelter.

I now call for hearing Docket Number G-5, Sub 608 In the Matter of Application of Public Service Company of North Carolina, Inc., for Annual Review of Gas Costs pursuant to G.S. § 62-133.4(c) and Commission Rule R1- 17(k)(6).

G.S. § 62-133 authorizes gas cost adjustment proceedings for natural gas distribution companies and provides that the Commission shall conduct annual review proceedings to compare each natural gas utility's prudently incurred costs with costs recovered from all of the utility's customers served during the test period.

On May 31st, 2019, Public Service Company of North Carolina, Inc., hereafter Public Service, filed the direct testimony and exhibits of Rose M. Jackson and Candace A. Paton.

On June 5th, 2019, the Commission issued an

Order Scheduling Hearing, Requiring Filing of Testimony, Establishing Discovery Guidelines, and Requiring Public Notice. The Order scheduled a hearing for this date, Tuesday, August 13, 2019 at 10:00 a.m.

Carolina Utility Customers Association, Inc., petitioned to intervene filed on July 22nd, 2019, was granted by Order of the Commission on July 24th, 2019.

And the participation and intervention of the Public Staff is recognized pursuant to NC General Statute § 62-15 and Commission Rule R1-19(e).

On July 29th, 2019, the Public Staff filed the joint testimony of Sonja R. Johnson, Julie G. Perry and Geoffrey M. Gilbert.

On July 29th, 2019 and on August 6th, 2019, respectively, the Public Service -- Public Service filed the supplemental testimony and the additional supplemental testimony of Candace A. Paton.

On July 31st, 2019, Public Service filed Affidavits of Publication of Public Notice of today's hearing.

On August 7th, 2019, the Commission issued an Order providing notice of Commission questions.

And on August 8th, 2019, the Public Staff moved that its witnesses be excused from attending the hearing and that the Commission receive the testimony -- the prefiled testimony of its witnesses into the record. The Commission granted that motion on August 13, 2019.

In compliance with the State Ethics Act, I remind the members of the Commission of our duty to avoid conflicts of interest, and I inquire whether any member has any known conflict of interest with respect to the matter before us this morning?

(No response)

The record will reflect that no conflicts were identified.

And I'll now call for appearances, beginning with counsel for Public Service.

MS. GRIGG: Good morning, Commissioner Brown-Bland, Commissioners, I'm Mary Lynne Grigg with the Law Firm of McGuireWoods appearing on behalf of PSNC. Also here on behalf of the Company is Mr. Craig Collins.

COMMISSIONER BROWN-BLAND: Good morning. Mr. Collins, good to see you.

MR. PAGE: Good morning, Commissioners.

Robert F. Page representing Carolina Utility Customers Association, Intervenor.

COMMISSIONER BROWN-BLAND: Good morning.

MS. HOLT: Good morning. Gina Holt on behalf of the Public Staff here on behalf of the Using and Consuming Public.

COMMISSIONER BROWN-BLAND: Good morning, Ms. Holt.

Are there any preliminary matters that needs to come to the Commission's attention before we begin?

MS. GRIGG: No, ma'am.

MS. HOLT: (Shakes head no).

COMMISSIONER BROWN-BLAND: And are there any public witnesses who wish to testify this morning, Ms. Holt?

MS. HOLT: Not that I can identify.

COMMISSIONER BROWN-BLAND: All right. The record will reflect that there are no public witnesses who wish to give testimony this morning.

So, with that said, the case is with Public Service.

MS. GRIGG: Thank you. If it pleases the Commission, I'll call Ms. Rose Jackson and Ms. Candace Paton as a panel.

COMMISSIONER BROWN-BLAND: All right. Welcome back again, Ms. Jackson and Ms. Paton.

MS. JACKSON: Good morning.

COMMISSIONER BROWN-BLAND: Can you all reach the Bible? What are we going to do without Ms. Paton?

ROSE M. JACKSON and CANDACE A. PATON;
having been duly sworn,
testified as follows:

COMMISSIONER BROWN-BLAND: You may be seated.

MS. GRIGG: I'll start with Ms. Jackson.

DIRECT EXAMINATION BY MS. GRIGG:

Q Ms. Jackson, will you please state your full name and business address for the record?

A (Ms. Jackson) My name is Rose Moore Jackson and my business address is 1300 12th Street, Suite F, Cayce, South Carolina.

Q By whom are you employed and in what capacity?

A I'm employed by Dominion Energy Southeast Services, Incorporated, as the General Manager of Supply and Asset Management.

Q Did you cause to be prefiled in this docket on May 31, 2019, direct testimony in question and answer form consisting of 14 pages and three exhibits of which the attachment to Exhibit 2 was confidential?

A Yes, ma'am.

Q Are there any corrections or additions you'd like to make to your testimony at this time?

A No, ma'am.

Q If I ask you the questions in your direct testimony today, would your answers be the same?

A Yes, ma'am.

Q Do you have a summary of your testimony?

A Yes, ma'am, I do.

Q Will you please read it at this time?

(WHEREUPON, the summary of ROSE M. JACKSON is copied into the record as read from the witness stand.)

DOCKET NO. G-5, SUB 608

SUMMARY OF DIRECT TESTIMONY OF ROSE M. JACKSON

I discuss in my testimony the gas supply policies and procedures of PSNC (which does business as Dominion Energy North Carolina). The purpose of my testimony is to demonstrate that all PSNC gas costs were prudently incurred during the review period ended March 31, 2019, and therefore meet the requirement for recovery.

PSNC's system and its gas supply procurement policy are designed to serve firm customers reliably on a design day. In providing sales service, the Company must acquire supplies of natural gas and arrange for their delivery to PSNC's system. The most appropriate description of PSNC's procurement policy has been, and continues to be, a best-cost supply strategy. This strategy is based on three primary criteria: supply security, operational flexibility, and the cost of gas. PSNC is committed to acquiring cost-effective supplies of natural gas while maintaining the necessary security and flexibility to serve our customers.

PSNC acquires capacity to meet its customers' demand. PSNC's design-day demand forecast projects firm customer load and is used to determine total asset needs. This forecast is updated annually, and capacity alternatives are evaluated on an on-going basis. If needed, PSNC secures incremental transportation and/or storage capacity to meet the growth requirements of its firm sales customers consistent with its best-cost strategy. To acquire long-term expansion capacity precisely in balance with customer needs is impossible due to many external factors beyond the Company's control. In assessing the type of resources needed to meet its design-day demand, PSNC attempts to minimize the per unit delivered gas cost. This analysis incorporates any transportation charges, storage costs, and supplier reservation fees required to deliver gas to PSNC's system, as well as the reliability and timing of new services.

PSNC also utilizes a hedging program to help mitigate natural gas price volatility at a reasonable cost. The hedging program meets this objective by using financial instruments such as call options or futures.

In conclusion, it is my opinion that all of PSNC's gas costs were prudently incurred under its gas supply acquisition policy and I respectfully request that these costs be approved.

BY MS. GRIGG:

Q Thank you.

MS. GRIGG: Commissioner Brown-Bland, I move that Ms. Jackson's direct testimony be copied into the record as if given orally from the stand and that her exhibits be identified as premarked with the attachment to Exhibit 2 containing confidential information continue to be treated as such.

COMMISSIONER BROWN-BLAND: Without objection, that motion will be granted. And the testimony and exhibits will be received.

MS. GRIGG: Thank you.

(WHEREUPON, RMJ-1, RMJ-2 and RMJ-3 are marked for identification as prefiled. Confidential RMJ-1 (attachment to RMJ-2) is filed under seal.)

(WHEREUPON, the prefiled direct testimony of ROSE M. JACKSON is copied into the record as if given orally from the stand.)

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, BY WHOM YOU ARE EMPLOYED, AND IN WHAT CAPACITY.

A. My name is Rose M. Jackson and my business address is 1300 12th Street, Suite F, Cayce, South Carolina. I am employed by Dominion Energy Southeast Services, Inc. ("DES Services"), formerly SCANA Services, Inc. ("SCANA Services"), as General Manager – Supply & Asset Management.

Q. WHAT ARE YOUR RESPONSIBILITIES?

A. I am responsible for managing the Gas Supply Group, which supports the gas supply and capacity management functions for Public Service Company of North Carolina, Incorporated, d/b/a Dominion Energy North Carolina (the "Company"), and its affiliate Dominion Energy South Carolina, Inc., formerly South Carolina Electric & Gas Company. Our group's specific responsibilities include planning and procurement of gas supply and pipeline capacity, nominations and scheduling related to natural gas transportation and storage services on interstate pipelines and the Company's system, gas cost accounting, state and federal regulatory issues concerning supply and capacity, asset and risk management, and gas transportation administration.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I graduated from the University of South Carolina in 1988 with a Bachelor of Science degree in Accounting. Following graduation, I worked as an accountant for a national security services firm. In 1992, I began my employment with SCANA Corporation as an accountant. Over the years, I have held various positions of increasing responsibility related to gas procurement, interstate pipeline and local distribution company scheduling, and preparation of gas accounting information. In May 2002, I became Manager of Operations and Gas Accounting with SCANA Services and was responsible for gas scheduling on interstate pipelines and gas accounting for all SCANA Services affiliates. In November 2003, I became Fuels Planning Manager and assisted all SCANA Services affiliates with strategic planning and special projects associated with natural gas. I held this position until promoted to my current position in December 2005.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A. Yes. I have presented testimony on behalf of the Company many times, including its last six annual gas cost reviews.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. North Carolina General Statute Section 62-133.4 allows the Company to track and recover from its customers the cost of natural gas supply and transportation and to adjust customer charges to reflect changes in those costs. Under subsection (c) of the statute, the Commission must conduct an annual review of the Company's gas costs, comparing the Company's prudently incurred costs with the costs recovered from customers during a 12-month test period. To facilitate this review, Commission Rule R1-17(k)(6) requires the Company to submit to the Commission, on or before June 1 of each year, certain information for the 12-month test period ended March 31.

The purpose of my testimony is to demonstrate that all the Company's gas costs were prudently incurred during the 12-month review period ended March 31, 2019, and therefore meet the requirement for recovery. My testimony also provides the Commission with information pursuant to the Order Requiring Reporting issued in Docket No. G-100, Sub 91, and describes the Federal Energy Regulatory Commission ("FERC") proceedings in which the Company participated, as required by the Commission's Order on Annual Review of Gas Costs issued in Docket No. G-5, Sub 533. In addition to my testimony, the Company is submitting the direct testimony and schedules of Candace A. Paton for the purpose of providing the Commission with data necessary to true-up the Company's gas costs during the review period.

Q. PLEASE BRIEFLY DESCRIBE THE COMPANY AND THE COMPOSITION OF ITS MARKET.

A. The Company is a local distribution company primarily engaged in the purchase, transportation, distribution, and sale of natural gas to approximately 580,000 customers in North Carolina. Approximately half of the Company's throughput during the review period consisted of deliveries to industrial or large commercial customers, many of whom either purchased or transported gas under interruptible rate schedules. The remainder of the Company's throughput consisted of firm sales service to residential and small and medium-sized commercial customers.

Q. PLEASE DESCRIBE THE COMPANY'S GAS SUPPLY PROCUREMENT POLICY.

A. The Company's system and its gas supply procurement policy are designed to serve firm customers reliably on a peak day. In providing sales services, the Company must acquire supplies of natural gas and arrange for their delivery to the Company's system. The most appropriate description of the Company's gas supply procurement policy is a best-cost supply strategy, which is based on three primary criteria: supply security, operational flexibility, and cost of gas.

The first and foremost criterion is security of gas supply, which refers to the assurance that gas will be available when needed for firm sales customers. Supply security is obtained through a diverse portfolio of suppliers, receipt points, purchase quantity commitments, and terms. Potential suppliers are evaluated on a variety of factors, including past performance, creditworthiness, available terms, gas deliverability options, and supply location.

The second criterion is maintaining the necessary operational flexibility that will enable the Company to react to the effects of unpredictable weather on firm sales customer usage. The Company's gas supply portfolio must be capable of handling the monthly, daily, and hourly changes in these customers' demand needs. Operational flexibility largely results from gas supply agreements having different purchase commitments and swing capabilities (for example, the ability to adjust purchased gas within the contract volume on either a monthly or daily basis) and from injections into and withdrawals out of storage.

The third criterion is the cost of gas. In evaluating costs, it is important to consider not only the actual commodity cost, but also any transportation-related charges such as reservation, usage, and fuel charges. The Company routinely requests gas supply bids from suppliers to help ensure cost-effective proposals. In requests for proposal, suppliers are asked to submit alternative pricing options they believe may be of interest or value to the Company and its customers. Typically, the greater the flexibility that the Company has with a supply contract, the higher the premium assessed. In securing natural gas supply for its customers, the Company remains committed to acquiring the most cost-effective supplies of gas available while maintaining the necessary supply security and operational flexibility.

Q. WHAT TYPES OF SUPPLY CONTRACTS DOES THE COMPANY HAVE IN ITS PORTFOLIO?

A. The Company has developed a gas supply portfolio made up of long-term agreements and supplemental short-term agreements with a variety of suppliers, including both producers and independent marketers. The portfolio includes:

- Baseload contracts, which provide fixed volumes of gas each day of the contract term.
- Physical option contracts, which provide flexibility to modify the volumes delivered on a monthly or daily basis in order to address changing demands and weather patterns.
- No-notice contracts, which provide flexibility to increase or decrease delivered volumes on a daily basis to respond to

changing operational demands and weather.

- Spot (daily) market contracts, which are primarily used for price mitigation, system balancing, and peak shaving.

The Company's gas supply portfolio had approximately 222,000 dekatherms per day under term contracts with seven different suppliers as of November 1, 2018, the beginning of the winter heating season for the period under review. All of these contracts included provisions to ensure the prices paid were market based. The remaining contracts were for purchases in the spot market. Spot purchase contracts do not include reservation fees but reflect only commodity cost, generally by reference to standard indices or negotiated prices.

Q. HOW DOES THE COMPANY CALCULATE ITS FIRM CUSTOMERS' DEMAND REQUIREMENTS?

A. Projected design-day demand of the Company's firm customers is calculated using a statistical modeling program prepared by DES Services Resource Planning personnel. The model assumes a 50 heating degree-day on a 60 degree Fahrenheit base and uses historical weather to estimate peak-day demand.

Q. WHAT DESIGN-DAY REQUIREMENTS DID THE COMPANY USE DURING THE REVIEW PERIOD AND HOW DID THE COMPANY PLAN TO MEET THOSE REQUIREMENTS?

A. Jackson Exhibit 1 is a table showing the forecasted firm peak-day demand requirements for the review period and for the next five winter seasons. It also lists the assets available to meet those firm peak-day requirements. These assets include year-round, seasonal, and peaking capabilities and consist of firm transportation and storage capacity on interstate pipelines as well as the peaking capability of the Company's on-system liquefied natural gas facility at the Cary Energy Center.

As shown on Jackson Exhibit 1, the Company will need additional interstate capacity to serve expected peak-day requirements beginning in the upcoming winter of 2019-20. Later in my testimony I will discuss what steps the Company has taken to acquire the necessary capacity.

Q. WHAT PROCESS DOES THE COMPANY UNDERTAKE TO ACQUIRE CAPACITY TO MEET ITS CUSTOMER DEMAND?

A. The Company's design-day demand forecast projects firm customer load growth and is used to determine total asset needs. This forecast is updated annually and capacity alternatives are evaluated on an on-going basis. If needed, the Company secures incremental storage or transportation capacity to meet the growth requirements of its firm sales customers consistent with its best-cost strategy. To acquire long-term expansion capacity precisely in balance with customer needs is impossible due to many external factors beyond the Company's control. In assessing the type of resources needed to meet its design-day demand, the Company attempts to minimize the per unit delivered gas cost. This analysis incorporates any transportation charges, storage costs, and supplier reservation fees required to deliver gas to the city gate, as well as the reliability and timing of new services.

Q. PLEASE DESCRIBE THE COMPANY'S INTERSTATE CAPACITY.

A. The Company subscribes to interstate capacity so that gas can be delivered from supply areas or gas storage facilities to the Company's local distribution system. The interstate transportation and storage providers with whom the Company has transportation or storage service contracts include Transcontinental Gas Pipeline Company, LLC ("Transco"); Columbia Gas Transmission, LLC ("Columbia Gas"); Dominion Energy Cove Point LNG, LP ("Cove Point"); Dominion Energy Transmission, Inc. ("DETI"); East Tennessee Natural Gas, LLC ("East Tennessee"); Pine Needle LNG Company, LLC ("Pine Needle"); Saltville Gas Storage Company, L.L.C. ("Saltville"); and Texas Gas Transmission, LLC ("Texas Gas"). The vast majority of the Company's firm transportation and storage capacity is obtained from Transco, the only interstate pipeline to which the Company's system currently is directly connected. The Company has previously used segmentation of the Transco firm transportation capacity to schedule backhaul deliveries of gas, on a secondary firm basis, from Columbia Gas, Cove Point, DETI, East Tennessee/Saltville, Pine Needle, and Texas Gas – natural gas storage facilities and connecting pipelines located downstream of the Company's system. As I have testified in previous gas cost reviews, the Company has increasingly been unable to use segmentation of its Transco capacity due to changes in gas flows on the Transco system.

Q. HOW DID THE COMPANY ADDRESS THE LIMITATIONS OF SEGMENTATION DURING THE REVIEW PERIOD?

A. The Company entered into an agreement to have firm delivery of 60,000 dekatherms per day of gas during the months of November 2018 through March 2019, notwithstanding any restrictions imposed by Transco on secondary backhaul transportation. For this service the Company agreed to pay reservation fees during those months. The Company has entered into a similar arrangement for the upcoming winter period.

Q. WHAT ARE THE COMPANY'S PLANS FOR ACQUIRING ADDITIONAL INTERSTATE PIPELINE CAPACITY?

A. In last year's gas cost review, I provided the Commission with details concerning the Company's plans for acquiring capacity on the following interstate pipeline projects:

- Transco's Southeastern Trail Expansion project, which will provide additional firm transportation service with a receipt point at the existing Pleasant Valley Transco-Cove Point interconnection in Fairfax County, Virginia, and a delivery point at the existing Transco Station 65 pooling point in St. Helena Parish, Louisiana. This capacity will allow the Company to schedule deliveries on a primary firm, forward-haul basis and will replace the secondary backhaul transportation that the Company previously relied on through segmentation.
- Atlantic Coast Pipeline ("ACP"), a 550-mile pipeline project that will run from Harrison County, West Virginia, to Robeson County, North Carolina. This capacity will allow the Company to transport natural gas from supply areas located in the Marcellus and Utica shale basins of West Virginia, Pennsylvania, and Ohio and take deliveries off the pipeline at points on the eastern side of

the Company's system.

- Mountain Valley Pipeline ("MVP"), which will run from northwestern West Virginia to a point in Pittsylvania County, Virginia, and MVP's Southgate project, an approximately 70-mile lateral to the Company's Dan River and Haw River interconnects in Rockingham and Alamance Counties, North Carolina, respectively. This capacity will provide the Company a third interstate pipeline interconnection, access to natural gas produced in the Marcellus and Utica shale regions, and a direct connection to East Tennessee's pipeline that will replace less reliable secondary backhaul deliveries on Transco.

Q. PLEASE PROVIDE AN UPDATE ON THE PROJECTED IN-SERVICE DATES FOR THESE PROJECTS.

A. The Southeastern Trail Expansion is expected to be in service by late 2020, as is MVP Southgate. ACP's expected in-service date currently is early 2021.

Q. WHAT STEPS HAS THE COMPANY TAKEN TO BRIDGE THE CAPACITY SHORTFALL PENDING COMPLETION OF THESE PROJECTS?

A. For the 2019-20 winter season, the Company will issue a request for proposals of firm delivered supply to the city gate. MVP Southgate is expected to be placed into service during the 2020-21 winter season. In the event the in-service date for that project were to be delayed, the Company would need to seek an arrangement similar to the one for the 2019-20 winter season to cover the shortfall.

Q. HAVE YOU PROVIDED THE INFORMATION CONCERNING CAPACITY ACQUISITION AS REQUIRED BY THE COMMISSION'S ORDER IN DOCKET NO. G-100, SUB 91?

A. Yes. The Company's responses to the ten questions set forth in that order are attached as Jackson Exhibit 2.

Q. WHAT ADDITIONAL ACTIONS HAS THE COMPANY TAKEN TO ACCOMPLISH ITS BEST-COST POLICY?

A. The Company continues to take the following steps to keep its gas costs as low as possible while accomplishing its stated policy goals of maintaining security of supply and delivery flexibility:

- Optimize the flexibility available within its supply and capacity contracts to realize their value.
- Monitor and intervene in matters before the FERC whose actions could impact the rates that the Company pays and the services it receives from interstate pipelines and storage facilities.
- Work with industrial customers to facilitate transportation of customer-acquired natural gas.
- Communicate directly with customers, suppliers, and other industry participants and actively monitor developments in the industry.
- Conduct frequent internal discussions concerning gas supply policy and major purchasing decisions.

- Utilize deferred gas cost accounting to calculate the Company's benchmark cost of gas to provide a smoothing effect on gas price volatility.
- Conduct a hedging program to mitigate price volatility.

Q. PLEASE DESCRIBE THE FERC PROCEEDINGS THAT THE COMPANY PARTICIPATED IN DURING THE REVIEW PERIOD.

A. Jackson Exhibit 3 is a complete listing of the new FERC matters that the Company intervened in during the review period. The Company may not have stated a position in a particular proceeding but filed an intervention without protest or comment. Such interventions typically are made in proceedings where the Company has an interest and the issues or dollar impact appears to be relatively minor but might escalate and become significant at a later date or where the Company would like to receive more information from the participants on an issue in order to monitor future developments. Unless specifically indicated in the last column of Jackson Exhibit 3, the Company did not express a position during its participation in a matter listed.

Q. WHAT IS THE PURPOSE OF THE COMPANY'S HEDGING PROGRAM?

A. The primary objective of the Company's hedging program has always been to help mitigate the price volatility of natural gas for firm sales customers at a reasonable cost. The hedging program meets this objective by having financial instruments such as call options or futures in place to mitigate in a cost-effective manner the impact of unexpected or adverse price fluctuations to customers.

Q. PLEASE DESCRIBE THE COMPANY'S HEDGING PROGRAM.

A. The Company's hedging program provides protection from higher prices through the purchase of call options for up to 25% of estimated firm sales volume. In order to help control costs, the call options are purchased at a price no higher than 10% of the underlying commodity price. Hedges also are limited to a 12-month future time period, which allows the Company to obtain favorable option pricing terms and better react to changing market conditions. The hedging program continues to utilize two proprietary models developed by Kase and Company that assist in determining the appropriate timing and volume of hedging transactions. The total amount available to hedge is divided equally between the two models.

Q. HAS THE COMPANY MADE ANY CHANGES TO ITS HEDGING PLAN?

A. No changes were made to the Company's hedging program during the review period. However, the Company continues to analyze and evaluate the program and will implement changes as warranted.

Q WHAT WAS THE NET ECONOMIC RESULT OF THE HEDGING PROGRAM DURING THE REVIEW PERIOD?

A. During this period, New York Mercantile Exchange prices at the Henry Hub in Louisiana ranged from a low of $2.543 per dekatherm for the March 2019 contract set on February 15, 2019, to a high of $4.929 per dekatherm for the December 2018 contract set on November 14, 2018. Overall, the hedging program decreased gas costs by $832,249 during the review period.

Q. IN YOUR OPINION, WERE ALL OF THE REVIEW PERIOD GAS COSTS PRUDENTLY INCURRED?

A. Yes. All of these gas costs were incurred under the Company's best-cost supply strategy, which this Commission has consistently upheld. In my opinion, they are the result of reasonable business judgments in light of the conditions under which the gas purchasing decisions were made.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

COMMISSIONER GRAY: Will you pull that microphone up?

MS. GRIGG: Yes, sir. I apologize.

COMMISSIONER GRAY: -- us aging people.

MS. GRIGG: I empathize.

Now I turn to Ms. Paton.

BY MS. GRIGG:

Q Ms. Paton, will you please state your name and business address for the record?

A My name is Candace A. Paton. My business address is 800 Gaston Road, Gastonia, North Carolina.

Q By whom are you employed and in what capacity?

A I am employed by Dominion Energy Southeast Services as Rates and Regulatory Manager for Public Service Company of North Carolina.

Q Did you cause to be prefiled in this docket on May 31, 2019, direct testimony in question and answer form consisting of six pages, an Appendix A, and two exhibits?

A Yes, I did.

Q Did you cause to be prefiled in this docket on July 29, 2019, supplemental testimony in question and answer form consisting of three pages and one exhibit?

A Yes, I did.

Q Did you also cause to be prefiled in this docket on August 6, 2019, additional supplemental testimony in question and answer form consisting of 10 pages and two exhibits?

A Yes -- yes, I did. One exhibit. Excuse me, it was one exhibit.

Q I'm sorry, one exhibit. I apologize.

A One exhibit, three schedules.

Q Thank you for keeping me honest. Are there any corrections you'd like to make to your testimony at this time?

A No, there are not.

Q If I asked you the questions in your direct and supplemental testimonies today, would your answers be the same?

A Yes, they would.

Q Do you have a summary of your testimony?

A Yes, I do.

Q Would you please read it now.

(WHEREUPON, the summary of CANDACE A. PATON is copied into the record as read from the witness stand.)

DOCKET NO. G-5, SUB 608
SUMMARY OF TESTIMONY OF
CANDACE A. PATON

The purpose of my direct testimony is to present the information and data required pursuant to Commission Rule R1-17 (k) (6). The information and data contained in Paton Exhibits 1 and 2 attached to my testimony are based on the review period ended March 31, 2019 as prescribed by the Rule. All gas cost accounting during the review period was done in accordance with Sections 4 and 5 of Rule R1-17 (k).

At the end of the review period, the balance in the Sales Customers Only Deferred Account was $699,747 due to customers. The balance in the Hedging Deferred Account was $832,249 due to customers. When these balances are combined, the total balance due to customers is $1,531,996. As of the end of July 2019, the combined balance due to customers increased to $3,877,404. PSNC is not proposing to implement a temporary increment applicable to the Sales Customers Only deferred account. The Company proposes to continue to take into consideration the balance in the Sales Customers Only deferred account when evaluating whether to file for a change in the benchmark.

At the end of the review period the balance in the All Customers deferred account was $3,040,186 due to customers. As of the end of July 2019, there is a balance due from customers of $13,379,996. Temporary increments applicable to the All Customers deferred account took effect May 1, 2019. PSNC proposes to leave the current temporary increments applicable to the All Customers deferred account in place and monitor the balance in the account to determine when or if changes are required.

Schedule 1 of Paton Supplemental Exhibit 1 sets forth the Company's 6.6% net-of-tax return as determined in the Company's last general rate case, Docket No. G-5, Sub 565, which was the stated interest rate to be applied to the Company's various deferred accounts.

Schedules 2, 3, and 4 show the impact of changes in federal and state income tax rates on the net-of-tax return.

My additional supplemental testimony provides the information requested by the Commission's July 30th Order. Schedule 1of Paton Supplemental Exhibit 2 shows the deferred account balances adjusted to reflect the use of a 6.6% interest rate from January 1, 2018 through June 30, 2019. Schedule 2 shows the adjusted Sales Customers, All Customers and Hedging deferred account balances at March 31, 2019, the end of the review period. Schedule 3 sets forth the actual balances in the various deferred accounts for the 18-month period January 1, 2018 through June 30, 2019. If the deferred revenue account established pursuant to Docket No. M-100, Sub 148 is adjusted to reflect the use of a 6.6% interest rate, the amount due to customers would decrease by $57,420. This would more than offset the $48,484 credit owed to customers as a result of recalculating the interest on the other deferred accounts.

This concludes my summary.

BY MS. GRIGG:
Q Thank you.
MS. GRIGG: And just for clarification for the record, Ms. Paton's additional supplemental testimony has one exhibit premarked as Exhibit 2. Thank you. I move that Ms. Paton's direct testimony, supplemental testimony and additional supplemental testimony and exhibits be copied into the record as if given orally from the stand and that those exhibits be premarked for identification as prefiled.
COMMISSIONER BROWN-BLAND: All right. Without objection, that motion will be granted.
MS. GRIGG: Thank you.

(WHEREUPON, Exhibit CAP-1 and CAP-2, Paton Supplemental Exhibit 1, and Paton Supplemental Exhibit 2 are marked for identification as prefiled.)

(WHEREUPON, the prefiled direct testimony and Appendix A, supplemental testimony and additional supplemental testimony of CANDACE A. PATON is copied into the record as if given orally from the stand.)

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, BY WHOM YOU ARE EMPLOYED AND IN WHAT CAPACITY.

A. My name is Candace A. Paton. I am employed by Dominion Energy Southeast Services, Inc., formerly SCANA Services, Inc., as Rates & Regulatory Manager for Public Service Company of North Carolina, Incorporated d/b/a Dominion Energy North Carolina ("the Company"). My business address is 800 Gaston Road, Gastonia, North Carolina 28056.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND, WORK EXPERIENCE AND OTHER QUALIFICATIONS.

A. My qualifications and work experience are set forth in Appendix A.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to provide the data necessary to true-up the Company's actual gas costs with the gas costs billed to our customers during the 12-month review period ended March 31, 2019. Commission Rule R1-17(k)(6) sets forth the filing requirements for the annual review of gas costs. Subsection (c) requires the Company to file certain data showing actual gas costs, volumes of gas purchased, and such other information as may be directed by the Commission.

Q. HAVE YOU PREPARED AND FILED THE DATA REQUIRED BY COMMISSION RULE R1-17(k)(6)(c)?

A. Yes. The required information is provided in Schedules 1 through 10 of Paton Exhibit 1 attached to my testimony. The following schedules were prepared in the prescribed format:

Schedule 1: Summary of Cost of Gas Expense

Schedule 2:	Summary of Demand and Storage Charges
Schedule 3:	Summary of Commodity Gas Cost
Schedule 4:	Summary of Other Cost of Gas Charges (Credits)
Schedule 5:	Summary of Demand and Storage Rate Changes
Schedule 6:	Summary of Demand and Storage Capacity Level Changes
Schedule 7:	Summary of Demand and Storage Costs Incurred Versus Collected
Schedule 8:	Summary of Deferred Account Activity - Sales Customers Only Account
Schedule 9:	Summary of Deferred Account Activity - All Customers Account
Schedule 10:	Summary of Gas Supply

In addition, Paton Exhibit 2 sets forth the review period Hedging Deferred Account Activity.

Q. DID THE COMPANY FOLLOW THE GAS COST ACCOUNTING PROCEDURES PRESCRIBED BY RULE R1-17(k) FOR THE TWELVE MONTHS ENDED MARCH 31, 2019?

A. Yes. All accounting was done in accordance with Sections (4) and (5) of Rule R1-17(k).

Q. HAS THE COMPANY FILED MONTHLY AN ACCOUNTING OF GAS COSTS AND DEFERRED ACCOUNT ACTIVITY WITH THE COMMISSION AND THE PUBLIC STAFF?

A. Yes, the required filings were made.

Q. WHAT ACTIVITY OCCURRED IN THE SALES CUSTOMERS ONLY DEFERRED ACCOUNT DURING THE TWELVE MONTHS ENDED MARCH 31, 2019?

A. The activity in the Sales Customers Only deferred account is set forth below:

Under-Collection as of March 31, 2018	$1,443,014
Commodity Cost Over-Collections	($4,443,586)
Hedging Deferred Account Balance as of March 31, 2018	$2,376,550
Uncollectible Gas Cost	$433,706
Miscellaneous Adjustments	($655,539)
Accrued Interest	$146,508
Over-Collection as of March 31, 2019	($699,747)

Q. WHAT ACTIVITY OCCURRED IN THE ALL CUSTOMERS DEFERRED ACCOUNT DURING THE TWELVE MONTHS ENDED MARCH 31, 2019?

A. The activity in the All Customers deferred account is set forth below:

Over-Collection as of March 31, 2018	($13,770,526)
Demand Cost Under-Collections	$22,309,241
Commodity Cost Under-Collections	$249,999
All Customers Decrement	$15,423,574
Miscellaneous Adjustments	$637,872
Secondary Market Transaction Credits	($27,353,971)
Supplier Refunds	($438,560)
Accrued Interest	($97,813)
Over-Collection as of March 31, 2019	($3,040,186)

Q. DID THE COMPANY ACCOUNT FOR CAPACITY RELEASE AND OTHER SECONDARY MARKET TRANSACTIONS DURING THE REVIEW PERIOD IN ACCORDANCE WITH THE COMMISSION'S ORDER IN DOCKET NO. G-100, Sub 67?

A. Yes, seventy-five percent of the net compensation received from secondary market transactions was recorded in the All Customers deferred account.

Q. PLEASE DISCUSS PATON EXHIBIT 2.

A. Paton Exhibit 2 reflects the cash transactions associated with the Company's hedging program during the 12-month review period ended March 31, 2019. As of the end of the review period, there was a credit balance of $832,249 due to sales customers in the Hedging deferred account. When added to the $699,747 credit balance in the Sales Customers Only deferred account, the total is $1,531,996 due to sales customers.

Q. DOES THE COMPANY CURRENTLY HAVE ANY TEMPORARY RATE INCREMENTS OR DECREMENTS RELATED TO ITS SALES CUSTOMERS ONLY AND ALL CUSTOMERS DEFERRED ACCOUNTS?

A. Yes, temporary increments applicable to the All Customers deferred account took effect May 1, 2019.

Q. DOES THE COMPANY PROPOSE NEW TEMPORARY RATE INCREMENTS OR DECREMENTS?

A. The Company is not proposing new temporary rate increments or decrements at this time. The Company proposes to leave the current temporary increments applicable to the All Customers deferred account in place and monitor the balance in the account to determine when or if changes are required. The Company proposes to continue its practice of taking into consideration the balance in the Sales Customers Only deferred account when evaluating whether to file for a change in the benchmark cost of gas. The Company believes that making periodic, and smaller, adjustments in the benchmark cost of gas is preferable to making one adjustment annually based on the over- or under-collection in commodity cost of gas that may exist as of the end of the review period.

Q. IN DOCKET NO. G-5, SUB 442, THE COMMISSION STATED THAT IN FUTURE GAS COST PRUDENCE REVIEWS THE COMPANY SHOULD DISCUSS ANY SIGNIFICANT ACCOUNTING CHANGES THAT OCCURRED DURING THE REVIEW PERIOD. WERE THERE ANY SUCH CHANGES DURING THE REVIEW PERIOD?

A. The Company did not make any significant accounting changes during the review period. However, adjustments were recorded in both the Sales Customers and All Customers Deferred Accounts in February 2019 to reclassify certain reservation fees. As discussed in Ms. Jackson's testimony, the Company acquired firm delivery of 60,000 dekatherms per day of gas during the months of November 2018 through March 2019 to address the limitations of segmentation on Transco. The terms of this service provided for payment of monthly reservation fees. The Company initially accounted for these fees as commodity costs as it routinely does with supply contract reservation fees. Subsequently the Company adjusted the deferred accounts to effectively reclassify these fees as demand charges rather than commodity charges. These fees are shown as demand charges on Schedules 1 and 2 of Paton Exhibit 1.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

APPENDIX A

CANDACE A. PATON
QUALIFICATIONS & EXPERIENCE

EDUCATION:

1979	Bachelor of Arts in Accounting North Carolina State University

PROFESSIONAL UTILITY REGULATORY EXPERIENCE:

August 2002 to Present	Rates & Regulatory Manager, Public Service Company of North Carolina, Inc. *Presented testimony before the NCUC in annual prudence reviews, general rate cases, and expansion fund filing*
July 2001 to August 2002	Independent Consultant
April 1999 to March 2001	Supervisor, Regulatory Accounting Carolina Power & Light Company
January 1991 to April 1999	Manager, Regulatory Accounting Duke Power Company *Presented testimony before the NCUC in various fuel clause proceedings and an Integrated Resource Planning proceeding*
August 1987 to December 1990	Project Manager & Manager, Revenue Requirements Potomac Electric Power Company
January 1987 to August 1987 and October 1979 to July 1985	Public Staff of the North Carolina Utilities Commission Public Utilities Accountant II *Presented testimony before the NCUC in various telephone, electric and water & sewer general rate case proceedings*
April 1986 to December 1986	Texas Office of Public Utility Counsel Chief Accountant *Presented testimony before the Texas Public Utility Commission in telephone & electric rate case proceedings*
July 1985 to March 1986	Telecommunications Specialist North Carolina Utilities Commission

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, BY WHOM YOU ARE EMPLOYED AND IN WHAT CAPACITY.

A. My name is Candace A. Paton. I am employed by Dominion Energy Southeast Services, Inc., formerly SCANA Services, Inc., as Rates & Regulatory Manager for Public Service Company of North Carolina, Incorporated, d/b/a Dominion Energy North Carolina ("the Company"). My business address is 800 Gaston Road, Gastonia, North Carolina 28056.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

A. Yes, I pre-filed direct testimony in this proceeding on May 31, 2019.

Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?

A. The purpose of my supplemental testimony is to clarify the interest rate applicable to the Company's Sales Customers Only, All Customers and Hedging Deferred Gas Cost Accounts as well as the Customer Usage Tracker and Integrity Management Tracker deferred accounts.

Q. PLEASE ELABORATE.

A. In the Company's last general rate case, Docket No. G-5, Sub 565, the Commission found, in Finding of Fact No. 34 of its Order dated October 28, 2016, that the Company should "use an interest rate of 6.6% per annum as the applicable interest rate on all amounts over-collected or under-collected from customers reflected in PSNC's Sales Customers Only, All Customers, and Hedging Deferred Gas Cost Accounts." As discussed in the Evidence and Conclusions for Finding of Fact Nos. 33 – 35, previously the Company had applied the 10% interest rate authorized in G.S. 62-130(e) to its Rider D deferred gas cost accounts.

As further discussed in the Order, the interest rate applicable to the Customer Usage Tracker (Rider C) and the Integrity Management Tracker (Rider E) was also 6.6%. Riders C and E each explicitly stated that the 6.6% interest rate would be reviewed annually. The Company indicated in testimony that the Rider D interest rate would also be reviewed annually.

Q. HAS THE COMPANY REVIEWED THE DEFERRED ACCOUNT INTEREST RATE ANNUALLY, AND IF SO, WHAT WERE THE RESULTS OF SUCH REVIEWS?

A. Yes, the 6.6% annual interest rate determined in Docket No. G-5, Sub 565 has been reviewed annually and adjusted as necessary. Paton Supplemental Exhibit 1 attached hereto sets forth the calculation of the 6.6% annual interest rate on Schedule 1. This rate was applicable to deferred account interest starting in November 2016 when rates established in Docket No. G-5, Sub 565 went in to effect. Schedule 2 sets forth the calculation of the 2017 deferred account interest rate when the state income tax rate decreased from 4% to 3%. As can be seen, the change in the state income tax rate did not affect the interest rate. Schedule 3 sets forth the calculation of the 2018 deferred account interest rate when the federal income tax rate decreased from 35% to 21%. This change did result in a change to the deferred account interest rate. Finally, Schedule 4 sets forth the calculation of the 2019 deferred account interest rate when the state income tax rate decreased from 3% to 2.5%. This change again resulted in a change in the deferred account interest rate.

The company will continue to review the interest rate calculation at least annually and make any necessary adjustments.

Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?

A. Yes.

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, BY WHOM YOU ARE EMPLOYED AND IN WHAT CAPACITY.

A. My name is Candace A. Paton. I am employed by Dominion Energy Southeast Services, Inc., formerly SCANA Services, Inc., as Rates & Regulatory Manager for Public Service Company of North Carolina, Incorporated, d/b/a Dominion Energy North Carolina ("the Company"). My business address is 800 Gaston Road, Gastonia, North Carolina 28056.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

A. Yes. I pre-filed direct testimony in this proceeding on May 31, 2019, and supplemental testimony on July 29, 2019.

Q. WHAT IS THE PURPOSE OF YOUR ADDITIONAL SUPPLEMENTAL TESTIMONY?

A. The purpose of my additional supplemental testimony is to provide information in response to the Order Denying in Part and Granting in Part Tariff Amendments, Requiring Reversal of Interest Charges, Requiring Annual Review of Interest Rate, and Requiring Filing of Testimony ("Interest Rate Order") issued by the Commission in this docket and Docket No. G-5, Subs 595 and 607, on July 30, 2019. The Interest Rate Order: (1) denied the Company's request to amend Riders C and E of its tariff to apply a 6.96% interest rate retroactive to January 1, 2019; (2) directed the Company to make appropriate adjustments to its Sales Customers Only, All Customers, Hedging Deferred Gas Cost Accounts, Rider C, and Rider E accounts to reflect an interest rate of 6.6% from January 1, 2018, until the date of the Interest Rate Order; (3) directed the

Company going forward to apply an interest rate of 6.96% to these accounts as well as the deferred accounts of federal provisionally collected revenues established by the Commission in Docket No. M-100, Sub 148; and (4) directed the Company to file in this docket testimony and supporting schedules that enable the Public Staff and Commission to review the interest rate and determine whether a change in the interest rate is warranted.

Q. HAS PSNC MADE ADJUSTMENTS TO THE VARIOUS DEFERRED ACCOUNTS AS REQUIRED BY THE INTEREST RATE ORDER?

A. Yes. The Company recalculated interest income and expense applicable to the various deferred accounts to determine the adjustments necessary to reflect an interest rate of 6.6% for the months of January 2018 through June 2019. Since the Interest Rate Order was issued prior to the determination of deferred account interest and balances for July 2019, an interest rate of 6.96% was used to determine interest and deferred account balances for that month. Paton Supplemental Exhibit 2, Schedule 1, sets forth the revised balances and the adjustment to interest income and expense. As shown on Schedule 1, adjustments to the various deferred accounts decreases a total net under-collection of $17,209,508.16 to $17,161,024.31, resulting in a net credit to customers of $48,483.85.

Q. WHAT IMPACT DO THE ADJUSTMENTS HAVE ON THE COST OF GAS IN THIS DOCKET?

A. The per books and adjusted balances as of March 31, 2019, of the Sales Customers Only, All Customers, and Hedging Deferred Gas Cost Accounts are set forth on Paton Supplemental Exhibit 2, Schedule 2. The deferred account and interest adjustments do not impact the cost of gas for the 12-month review period ended March 31, 2019.

Q. A NET UNDER-COLLECTION OF $17 MILLION SEEMS SUBSTANTIAL. CAN YOU COMMENT?

A. Yes. Schedule 3 of Paton Supplemental Exhibit 2 sets forth the actual monthly balances in the various deferred accounts for the 18-month period of January 2018 through June 2019 and the average balances for that period. As shown in column [k] of Schedule 3, the Company currently has a total net under-collection of $17 million for the ten deferred accounts; however, the average net under-collection for the period is $9.6 million.

Q. IN DOCKET NO. G-5, SUB 578, THE COMMISSION STATED THAT THE BALANCES IN THE SALES CUSTOMERS AND ALL CUSTOMERS DEFERRED ACCOUNTS SHOULD NOT BE LOOKED AT AS ONE BALANCE WHEN DETERMINING WHETHER OR NOT A RATE ADJUSTMENT IS NECESSARY. WHY IS IT RELEVANT TO LOOK AT ALL DEFERRED ACCOUNT BALANCES AS A WHOLE?

A. The Company is not suggesting or requesting that the deferred account balances be treated as one account; Schedule 3 is provided for informational purposes only. The Commission stated on page 5 of the Interest Rate Order that "in principle, the idea is for PSNC to manage its deferred accounts such that neither PSNC nor its ratepayers are disadvantaged by an extended debit or credit balance. However, that principle works only when PSNC is consistent in making adjustments to its various deferred accounts, and the applicable interest rate, in order to keep credit and debit balances at a minimum, and to fairly compensate ratepayers for the use of their money during a credit balance." Schedule 3 is intended to illustrate to the Commission that the Company does attempt to adhere to this principle.

Q. PLEASE ELABORATE.

A. As discussed in the Interest Rate Order, Riders C and E of the Company's tariff have set dates for rate adjustments. Rider C, the Customer Usage Tracker ("CUT"), provides for rate adjustments April 1st and October 1st. Rider E, the Integrity Management Tracker ("IMT"), provides for rate adjustments on March 1st and September 1st. Section V(c) of Rider E does allow the Company to request additional adjustments throughout the year at the Company's discretion. The Company has not found it necessary to request any additional rate adjustments under Rider E. As can be seen in column [i] of Schedule 3, during the 18-month period the balance in the IMT deferred account has varied from a net under-collection of $1.2 million in October 2018 to a net over-collection of $1.2 million in March 2019.

The CUT deferred account balances are set forth in columns [d] through [h] of Schedule 3. As can be seen, other than the deferred account applicable to Rate 127, each of the CUT deferred accounts maintained an under-collection during the 18-month period. These balances are due to the difference between actual customer usage and the normalized level of usage determined in the Company's last general rate case, Docket No. G-5, Sub 565. Unlike Rider E, Rider C does not provide for the Company to request rate adjustments other than the rate adjustments each April and October as provided for in Sections V and VII. As a result, the Company cannot manage the balances in the CUT deferred accounts in the same way it can manage IMT deferred account balances.

The balances in the Company's deferred gas cost accounts are set forth in columns [a] through [c] of Schedule 3. Per the Commission's Order dated February 23, 1993, in Docket No. G-100, Sub 57, the Company is required to maintain a minimum balance of $19,800 in a restricted account for the purpose of paying certain NCUC legal and travel costs. As shown in column [c] of Schedule 3, on average during the 18-month period the Company maintained a balance slightly higher than that required.

Rider D, Purchased Gas Adjustment Procedures, allows the Company to file for rate adjustments as needed. The balances in the Sales Customers Only deferred account are set forth in column [a] of Schedule 3. Although the Company is currently $3.5 million over-collected in its Sales Customers Only deferred account, the average for the 18-month period is a $1 million under-collection. As shown on Schedule 3, the under-collected balance increased in November 2018 and again in December 2018. In anticipation of higher gas costs the Company increased its benchmark cost of gas from $3.00 per dekatherm ("DT") in October 2018 to $3.25 per DT in November 2018. The Company again increased the benchmark cost of gas in January 2019 to $4.25 per DT. This change resulted in a significant decrease in the under-collection in January 2019 and the balance flipped to an over-collection by the end of February 2019. After the increase in January 2019, the Company filed to decrease the benchmark cost of gas to $3.75 per DT in February 2019, then to $3.00 per DT in March 2019, and again to $2.75 per DT in July 2019. The Company does an analysis monthly to determine whether a change in the benchmark cost of gas is warranted. The Company's goal is to maintain a 12-month average balance as close to zero as reasonably possible.

The balances in the All Customers deferred account are set forth in column [b] of Schedule 3. As discussed in previous annual reviews of gas costs, in general the Company over-collects fixed gas cost during winter months and under-collects during summer months. The balances over the 18-month period show this to be the case. In anticipation of a significant over-collection in the All Customers deferred account at the end of March 2018, the Company filed to implement rate decrements effective January 1, 2018. These decrements remained in place through March 2019. In response to the rate increase implemented by Transco in March 2019 the Company filed to implement rate increments effective May 1, 2019. As with the benchmark, the Company does a monthly analysis to determine whether changes to fixed gas cost recovery rates are warranted. It should be pointed out, however, that changes in fixed gas rates do not immediately result in changes in deferred account balances as changes in the benchmark cost of gas do. As shown on Revised Exhibit C filed September 6, 2016, in the Company's last general rate case, Docket No. G-5, Sub 565, the Company's fixed gas rates are designed such that 58.58% of its fixed gas costs are recovered from residential customers during the winter months. As a result, it takes longer to affect the balance in the All Customers deferred account unless rate changes are implemented prior to or during the winter season.

The final cost of gas deferred account is the Hedging deferred account. The balances in this deferred account are set forth in column [j] of Schedule 3. This account is reviewed in the Company's annual review of gas costs. If the Company's hedging costs are deemed to be prudent the balance is transferred to the Sales Customers Only deferred account. The Company considers the combined balance in the Hedging and Sales Customers Only deferred accounts when determining whether a change in the benchmark cost of gas is warranted. As shown on Schedule 3, the current balance in the Hedging deferred account is a debit balance (owed to the Company) of less than $200,000 while the 18-month average is a debit balance of approximately $1 million.

Q. DO YOU HAVE ADDITIONAL COMMENTS ON THE INTEREST RATE TO BE APPLIED TO THE VARIOUS DEFERRED ACCOUNTS?

A. Yes. As discussed in the Interest Rate Order, in the Company's last general rate case, Docket No. G-5, Sub 565, an annual interest rate of 6.6% was approved for the calculation of interest on the various deferred accounts. Riders C and E of the Company's tariff explicitly provided for the rate to be reviewed annually and, as I testified in that case, the Company also agreed to review the rate applied to the deferred gas cost accounts annually.

Although it was not specifically stated in the rate case Stipulation or Order, the 6.6% interest rate was based on the net-of-tax return approved in the rate case. Because there was one known upcoming change in the state income tax rate with the potential for additional changes, the parties agreed that this net-of-tax return should be reviewed annually and adjusted if necessary. This agreement was reflected in language added to Riders C and E. Schedule 1 of Paton Supplemental Exhibit 1 filed in this docket on July 29, 2019, shows the determination of the 6.6% rate used to calculate interest on the Company's various deferred accounts. Schedules 2, 3, and 4 show the calculation of the net of tax return based on the reductions in the state income tax rate from 4% to 3% and then to 2.5% as well as the reduction in the federal income tax rate from 35% to 21%.

In retrospect, the Company should have expressly addressed how the tax rate changes affected the deferred accounts interest rate in its filings in Docket No. M-100, Sub 138, and Docket No. G-5, Subs 595 and 598. These filings showed the impact of the tax changes on cost of service and the Company's rates. The Company mistakenly assumed that approval of these cost of service and rate adjustments necessarily implied approval of the net-of-tax return used as the deferred account interest rate.

Q. PLEASE ADDRESS THE REQUIREMENT IN THE INTEREST RATE ORDER THAT AN INTEREST RATE OF 6.96% SHOULD BE APPLIED PROSPECTIVELY TO THE FEDERAL PROVISIONALLY COLLECTED REVENUES DEFERRED ACCOUNT ("DEFERRED REVENUE ACCOUNT").

A. The Company agrees that all deferred accounts should accrue interest at the same rate. The Company notes, however, that the Interest Rate Order was silent as to the interest rate that has been applied to the Deferred Revenue Account. The Company deferred revenue in 2017 associated with the error in determining the impact of the change in the state income tax from 4% to 3%. During 2017 the Company accrued interest on this deferral at a rate of 6.6%. As shown in the Company's February 8, 2018 filing in Dockets No. M-100, Sub 138 and G-5, Sub 565, during 2017 the Company deferred revenue of $479,271.52 and accrued $17,694.32 of interest on that deferral. Beginning in January 2018 the Company accrued interest at a rate of 6.9% and during 2019 has accrued interest at a rate of 6.96%.

Pursuant to Commission Order in Docket No. M-100, Sub 148, dated January 3, 2018, the Company began deferring revenues in January 2018 to reflect the cost of service impact of the reduction in the federal income tax rate from 35% to 21%. During 2018 the Company accrued interest on this deferral at a rate of 6.9% and during 2019 has accrued interest at a rate of 6.96%.

As shown in the Company's July 30, 2019 filing in Docket No. G-5, Sub 595, the combined balance in these two accounts as of June 30, 2019, was a credit balance of $16,447,853.35, including interest of $1,187,444.73. If these deferred accounts were adjusted to reflect the use of a 6.6% interest rate through June 30, 2019, the credit balance due to customers would decrease by $57,419.76. This would more than offset the $48,483.85 credit to customers as a result of recalculating interest on the other deferred accounts.

Q. DOES THIS CONCLUDE YOUR ADDITIONAL SUPPLEMENTAL TESTIMONY?

A. Yes.

MS. GRIGG: The witnesses are available for cross examination and questions from the Commission.

MR. PAGE: We have no questions.

MS. HOLT: We have no questions.

COMMISSIONER BROWN-BLAND: Well, we have just a few.

EXAMINATION BY COMMISSIONER BROWN-BLAND:

Q Just so I can clarify for the record, Ms. Jackson, with regard to your Exhibit Number 1, those numbers there are in units of dekatherms; is that correct?

A Yes, ma'am, it is.

Q And similar to last time, we have some questions about the backhaul status of capacity shown on your Exhibit 1 and the amount of secondary market capacity that the Company has secured or may have secured. Does the Company consider that information confidential?

A No, ma'am, it does not.

Q All right. So most of these questions you've seen on the Commission's Order so I hope that was helpful to you this morning?

A Yes, ma'am, it was. Thank you very much. We appreciate the opportunity to prepare.

Q And so we'll start with that first one that's with regards to backhaul deliveries of gas. On your page 8 of your prefiled direct testimony, you discuss the use of segmentation for that backhaul -- for the backhaul deliveries of gas on a secondary firm basis, and you state that you've testified in the past that you're increasingly unable to use that segmentation route. And you mention six specific sources of downstream capacity.

So on your Exhibit 1, DETI is shown as providing contracted capacity and seasonal capacity. Do both of those sources rely on backhaul?

A Yes. Both of the DETI sources rely on backhaul and Transco.

Q All right. And your exhibit also shows Design Day Demand and Available Assets. If the Company relies on secondary firm transportation to get capacity to the city gate, should that capacity be counted as available to meet design day needs?

A Yes, ma'am. With segmentation on Transco's system it has become less and less reliable. But where we've seen difficulty in utilizing that backhaul capacity to deliver that gas is on shoulder days, not the peak days. And we've had numerous discussions with Transco and what we're being told is because of the bidirectional flow of gas now on Transco's system, on the peak days when everybody needs the maximum amount of gas on the system, it's easier for them to determine how gas supply is being directed. You don't see a lot of bidirectional flow.

For example, if we go through a -- just a normal winter day where it's colder temperatures, they know that that Marcellus gas is going northward to the northeast. The gulf coast is coming into our area so you don't see that gas from the Marcellus back flowing into our areas. So they are able to utilize the segmented capacity as we have in the past. However, on shoulder days we're finding it difficult when we want to dispatch some of our storage assets such as DETI to move it back to our system. So that's why over the last three winters we have gone out and acquired a portion of our -- a portion of the volume of backhauled assets we need that will enable us to meet the minimum turnover requirements of those storages.

Q All right. And you've seen that -- what Transco has told you you've actually seen borne out?

A Yes, ma'am. And they have recently implemented a new scheduling protocol and tariff provision called "Priority of Service". It was just implemented July 1st. So we're all learning how this new process works. But we, in discussions with Transco and in discussions in training, we're hopeful that possibly this may enable more backhaul, but at this point in time I can't tell you what the results, the actual results will be. We'll know more this winter.

Q Is there more about the new method that you can share or --

A What they --

Q -- shed light on?

A What they are saying is, and I'm not in the details of it, but what they are saying is that we are having to pad supply to delivery points so that it will give them a better indication of how gas will flow on their system.

When gas is flowing in different directions, the null point, that point where the backhaul and the forward haul meet, it's moving on a day-to-day basis. So they're saying it's difficult for them to determine where supply is coming into their system and where it's going. So they are hopeful that with this priority of service change, that that will help them delineate where supply is going to.

Now, as I said, this has just been the first month that we've completed with a new tariff change. And we're in the summer months so I personally do not think that we're going to get a true indication of the changes until we go through a warm winter season.

Q Does the Company expect that to result in an increase of costs?

A The priority of service change has also resulted in a change in how Transco calculates cash out. And because we are located in Zone 5 on Transco's system and there is not a liquid supply market in Zone 5, there is the possibility that we could incur, excuse me, more supply -- higher supply costs because we're going to have to buy delivered Zone 5 gas possibly to meet those cash out requirements.

You also are required to utilize your transportation to move gas from the pool to your end balance location. In the past, we've trued up the end balances at the supply point, which did not require you to use your transportation and it would allow us to buy gas in Zone 4 which is much -- or Zone 3 which is much more liquid. We filed protests at FERC associated with these changes. We have -- there was a technical conference held at FERC but in the end FERC allowed Transco to implement these changes.

Q All right. The second question that we had asked you was a reference to your pages 8 and 9 of your prefiled testimony regarding arrangements for 60,000 dekatherms per day of firm capacity from November 2018 to March 2019. And you state there that the reservation fees were paid during those months and that the Company had similar arrangements for the upcoming winter. How much capacity for winter coverage do you have by the arrangement for 2019 to 2020?

A We've entered into another agreement that allows for us to have the same amount, the 60,000 dekatherms per day for this upcoming winter season.

Q Now, this is an additional question. So looking at your Exhibit 1, the winter of 2019 to 2020 shows a total capacity availability of 810,062 dekatherms. If an assumption is made that the backhaul capacity can't be depended on on a very cold design day then it would appear that there would be a significant shortfall and if the new pipeline projects are delayed further then additional shortfalls. In a worst-case scenario in which none of the backhaul capacity is available and considering the temporary arrangements that the Company has made or will make for this upcoming winter, how much firm capacity will the Company have locked in for this upcoming winter?

A Well, as I stated in my previous response, the design day or the coldest day, the peak days that we see in the winter months is not the days where we encounter interruptions in that backhaul or segmented capacity. It's those shoulder days or those warmer than expected or warmer than normal days when we're trying to pull some of our storage maybe due to cost, lower cost availability in that storage, or just because we set out to utilize some of that storage in order to meet minimum turnover requirements. Some of those storage facilities require us to meet certain levels in storage throughout the winter season. And at the end of the winter, if you haven't met the minimum turnover, then they are subject to confiscation which means we would lose those molecules in storage. So that was our biggest concern with the lack of backhaul on Transco's system is that we're not able to pull those storages when we need to for operational reasons, for low cost, but certainly for the -- to meet those tariff requirements.

Q So how much would -- I realize then you would take into account the situation that you described earlier where you wouldn't -- where you would expect backhaul to be available but, regardless of that, how much -- can you say how much would be locked in that you have locked in for the upcoming winter?

A If you look -- let me look -- let's see, for the upcoming winter season, the total that relies on backhaul would be 280,926, so that would include the DETIs on contracted capacity and seasonal, Columbia, East Tennessee and Saltville, as well as Cove Point and Pine Needle. We do have an IT Agreement on Pine Needle that we could -- so you could reduce that by 103,500. But the total on backhaul would be the 280,926. But, once again, it's the Columbia and DETI storages that we're concerned about because they do have those minimum turnover requirements.

If you look at the shortfall on Exhibit 1 of the upcoming season of 11,717 dekatherms, we have gone out into the market and issued an RFP and we have -- are in the process of contracting for a 20,000 dekatherm per day peaking option for 10 days. So that will give us 200,000 during this winter season and we can call on up to 20,000 a day.

Q All right. Is that the same as or would you go to the secondary market on a spot basis?

A Yes, ma'am, we could do that as well.

Q Okay. Ms. Jackson, is that information that you referred to last time regarding the capacity on Mountain Valley and -- well, really on Mountain

Valley Southgate, is that still confidential? Does that information still confidential?

A No, ma'am, it's not.

Q All right. And what amount -- what is that?

A The total amount is 300,000 dekatherms on Southgate and 250,000 on Mountain Valley Pipeline, on the main line portion of that.

Q And then with regarding to interstate pipeline new capacity projects that have been proposed with producers and marketers, including the shippers, could you discuss the advantages or disadvantages of contractor for capacity from a wholesale shipper as opposed to securing capacity directly from the interstate pipeline and an incremental project?

A Well, prior to responding to that question I think it's really important that I clarify that the Transco Leidy South Project terminates at River Road in Southeastern Pennsylvania, which is located in Zone 6; therefore, the shippers in that project will have to utilize either firm or secondary backhaul capacity to deliver into Zone 5 on Transco which is where PSNC is located.

And in response to the question, I

think it's a little bit easier for me to address the question as far as advantages and disadvantages to either with a producer or a pipeline by talking about how -- the advantages of contracting with an interstate pipeline if you will.

The advantages are the right to transport natural gas on a firm basis when needed. We also receive the right of first refusal when the contract terminates and that enables the shipper to decide whether or not they want to renew the contract; the ability to select a firm receipt and firm delivery point; the ability to elect either a maximum recourse rate or a negotiated rate; also, it gives us the ability to qualify for services offered to anchor shippers in an expansion project; it gives us the ability to release idle capacity.

The disadvantages of contracting with an interstate pipeline are that the minimum quantities required to participate in an expansion project and, also, the minimum contract term required to participate in new Greenfield pipeline projects and, also, the risk associated with the cost to build new pipeline projects.

The advantages to contracting for capacity from a wholesale shipper or a marketer would include the ability to bundle capacity on a pipeline with multiple supply sources to make deliveries to PSNC, or they could also offer us some type of bundled Asset Management Agreement where they could take other transportation capacity from other pipelines that they could utilize to meet our needs at our city gate. So it is -- as I have discussed with y'all in the past, our world is changing.

In the past, interstate pipeline projects were driven by the demand of the end user. So the LDCs, the local distribution companies, could go back to the pipelines and we do. We're in constant contact with the pipelines that currently serve us and any future pipelines that may be able to. And we give them updated annual demand needs so that they know when we're going to be in the marketplace looking for new capacity. But in the past, we would go and ask for 100,000 dekatherms and that was sufficient. But now with the prolific shale supply coming into our industry, these pipeline projects are now supply-driven, not demand-driven. So they are asking -- these pipelines are asking for much larger minimum quantities to participate - 400,000, 500,000 dekatherms a day. I mean, we were -- over the last five years we were -- we put in a request for 50,000 dekatherms a day and we were told that's not sufficient. The amount -- the terms associated with the contracts - 15, 20, 25, 30 years - because of the cost to build this new infrastructure.

So when you look at our demand forecasts and the needs, those are those outside forces that I can't control. So they are requiring LDCs to ask for larger quantities and go longer terms, because we are now out there competing for capacity with suppliers.

Q And so does that -- that brings in more reliance on the shippers?

A Yes, ma'am. I think you may see us come back to you in the future where we have been the contract capacity holder on the interstate pipeline, you may see us have more contracts where we are either getting release capacity on a short-term basis, maybe 5, 10 years from someone else who has contracted for this capacity on a long-term basis. It may also be a combination of supply and capacity together, because that is one thing that a producer can offer to us. They can take their production and combine it with the transportation to offer us a delivered product. It's just something a little bit different than what we're accustomed to seeing in the regulated utility market.

Q All right. And then, Ms. Jackson, looking at the design day demand forecast on your Exhibit 1 from last year's review, the forecast between the two reviews show higher forecasts over the next four winters in this review, and it appears to us that the difference itself is accelerating. What factors do you see that will cause this growth in demand?

A We are very fortunate in the southeast overall to have growth in our region. And, in particular, when you look at the Raleigh/Durham region that is the largest growth area on PSNC's system. So we -- we have continued to see that growth per -- the growth numbers go up so we continue to see that. So, as we're preparing our annual updated forecast they take into account the percentage of growth over a specific period of time and, also, the classification of customer so we continue to see that go up.

Q Okay. And our Staff has given us another question and wants to know, as Transco continues to reverse flow offering additional firm capacity as in the new Leidy South Project, how will that impact the dependability of secondary firm market segmentation?

A I'm very concerned about that. I think that as they continue to build these projects and make that segment of Zone 6 backhaul then that is going to continue to diminish our ability to backhaul on Transco's system. That's why, when you look at our future capacity needs, you'll see that we have signed a Precedent Agreement with Transco for the Southeastern Trail Project. That's why we are going to two other pipelines to be able to diversify our portfolio and have capacity not just on Transco that directly connects with our system, but also on Mountain Valley Pipeline Southgate and also on Atlantic

Coast Pipeline.

Q And these additional new pipelines that are expected to come on in the future, hopefully, at least from the Company's perspective, you still see them as advantageous and as -- and helping to ease these situations that we've been discussing this morning --

A Yes, ma'am. I think competition is always a good thing. And I also think that the diversity of supply, any time that you can have additional pipelines that serve our system, it provides redundancy, it provides resiliency, if you will, to our system. So from -- you know, for years we've had to rely on one interstate pipeline provider and that's always been a concern. But now that we're going to have two, possibly three, we're hopeful to have all three serving our system, that will give us some diversity, not just on the supply side to be able to buy from different geographic regions, but also on the supply reliability side. So in the event we have some type of interruption on one pipeline, then we'll have two others that we can deliver gas on.

Q The next question is for Ms. Paton and it's the same question that you saw that we ordered -- sent out in the Order a few days ago. So that is on your Exhibit 1, line 33, where it shows the total demand of storage cost expenses and reflects an annual total there of over $91 million. Is the impact of the first month of Transco's rate increase in Docket Number RP18-1126 included in that figure?

A (MS. PATON) No, it's not. The -- you can see on that schedule that it's -- the reporting month of March is for the gas flow month of February, so the impact of the Transco rate case would be showing up in the first month of this next review period.

Q All right. Thank you. And this -- as you stated when you went over your summary this morning that if the deferred revenue account established in Docket M-100, Sub 150 -- 148 is adjusted to reflect the use of a 6.6 interest rate, that the amount due to customers would decrease and would be offset the amount owed to customers as a result of recalculating interest on the other deferred accounts. That sentence there is that -- is the Company asking for that to occur?

A Well, I do think that we should probably be consistent in using the same interest rate on all of them and I -- but we have not made any adjustment on our books. We adjusted our books when we closed for July to make the other adjustments that the order required. We did calculate what the impact would be on the deferred revenue and because -- just due to the magnitude of the deferred revenue, adjusting that interest would offset the interest adjustment on the rest of the deferred accounts.

COMMISSIONER BROWN-BLAND: All right. Are there any other questions?

(No response)

Are there questions on the Commission's questions?

MS. GRIGG: No, ma'am.

MS. HOLT: No.

MR. PAGE: No.

COMMISSIONER BROWN-BLAND: No. All right. Before we excuse Ms. Paton, I do believe this is at least her last appearance here on behalf of the Company. I know things happen in the future, they may invite you back for your expertise, but it's expected that you're going to depart from the Company on good terms as I understand it.

A   They tell me I've got to stay on good terms.

MS. GRIGG: We hope to coax her back.

COMMISSIONER BROWN-BLAND: In that regard you see we made this change just for you and we had our staff person up here with us this morning and we're going to let him have the honor of asking you your last question.

A   You heard me make the comment about sweetheart cross, didn't you, Bill?

MS. GRIGG: Objection. Objection.

(Laughter)

MR. GILMORE: Thank you, Chair Brown-Bland.

COMMISSIONER BROWN-BLAND: Overruled.

(Laughter)

MR. GILMORE: I'm not sure I should ask this question after what I just heard but, because there is consequences to this question, what is the air speed velocity of an unladen European swallow?

(Laughter)

A   Faster than I could move.

(Laughter)

MR. GILMORE: Thank you, Commissioner

Brown-Bland.

COMMISSIONER BROWN-BLAND: I believe that was a better answer than a former Public Staff employee.

(Laughter)

Jeff -- Jefferson Davis.

MR. PAGE: You're not going to ask about the African swallow?

MR. GILMORE: European covers it.

COMMISSIONER BROWN-BLAND: All right. I believe -- or just out of an abundance of caution, the exhibits --

MS. GRIGG: Yes, ma'am.

COMMISSIONER BROWN-BLAND: -- for both witnesses will be received into evidence at this time.

MS. GRIGG: Thank you very much and that concludes our case.

(WHEREUPON,
Exhibit RMJ-1, RMJ-2 and RMJ-3,
Confidential RMJ-1 (attachment
To RMJ-2 is filed under seal),
Exhibit CAP-1 and CAP-2,
Paton Supplemental Exhibit 1, and
Paton Supplemental Exhibit 2 is

received into evidence.)

COMMISSIONER BROWN-BLAND: Then you all may be excused.

MS. JACKSON: Thank you.

MS. PATON: Thank you.

COMMISSIONER BROWN-BLAND: Thank you.

MR. PAGE: Madam Chairman, I would like to say before you close the record, I've had the chance to work both with and against Ms. Paton going back to days of the Public Staff in the long ago history, and I don't dare tell you how far back, not that I'm embarrassed, but I've been a big admirer of Ms. Paton's skill and ability, professionalism, honor and integrity, and her Company is going to miss her.

MS. JACKSON: Yes, we are.

COMMISSIONER BROWN-BLAND: Well, I'll just say for the record, none of these comments will affect the Commission's decision in this case.

(Laughter)

Thank you.

MR. PAGE: I'm not under oath.

(Laughter)

COMMISSIONER BROWN-BLAND: You may be excused. Thank you very much.

MS. JACKSON: Thank you.

MS. PATON: Thank you.

(The witnesses are excused)

COMMISSIONER BROWN-BLAND: Mr. Page, I don't believe that you had any witnesses for us.

MR. PAGE: Did not.

COMMISSIONER BROWN-BLAND: All right. It looks like to me Ms. Paton is reluctant. She's not ready to leave.

MS. PATON: I know, well, like I said I don't move as fast as whatever the dern bird was.

(Laughter)

COMMISSIONER BROWN-BLAND: Ms. Holt.

MS. HOLT: Yes. In light of the fact that the Commission has excused Public Staff witnesses, for the record I would like to move the joint testimony of Sonja R. Johnson, Geoffrey Gilbert and Julie G. Perry into the record as if given orally from the stand. And, also, the three appendices, we move that they be identified as premarked and also moved into the record.

COMMISSIONER BROWN-BLAND: All right. There being no objection, the prefiled testimony of the Public Staff witnesses Johnson, Perry and Gilbert will be received into evidence as if given orally from the witness stand. And their Appendices A, B and C will be received and identified as they were when prefiled.

(WHEREUPON, Appendices A, B and C are marked for identification as prefiled and received into evidence.)

(WHEREUPON, the prefiled joint testimony of SONJA R. JOHNSON, JULIE G. PERRY and GEOFFREY M. GILBERT is copied into the record as if given orally from the stand.)

PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INC.

DOCKET NO. G-5, SUB 608

JOINT TESTIMONY OF

SONJA R JOHNSON, GEOFFREY M GILBERT, AND JULIE G PERRY

ON BEHALF OF

THE PUBLIC STAFF – NORTH CAROLINA UTILITIES COMMISSION

July 29, 2019

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

A. My name is Sonja R. Johnson, and my business address is 430 North Salisbury Street, Raleigh, North Carolina. I am an Accountant with the Public Staff's Accounting Division. My qualifications and experience are provided in Appendix A.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is (1) to provide recommendations based on my conclusions regarding whether the gas costs incurred by Public Service Company of North Carolina, Inc. (PSNC or Company), during the twelve-month review period ended March 31, 2019, were properly accounted for, and (2) to present the results of my review of gas cost information filed by PSNC, in accordance with N. C. Gen. Stat. § 62-133.4(c) and Commission Rule R1-17(k)(6).

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

A. My name is Geoffrey M. Gilbert and my business address is 430 North Salisbury Street, Raleigh, North Carolina. I am a Public Utilities Engineer in the Public Staff's Natural Gas Division. My qualifications and experience are provided in Appendix B.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to present my conclusions regarding whether the natural gas purchases made by PSNC during the review period ended March 31, 2019, were prudently incurred. My testimony also presents the results of my review of the gas cost information filed by PSNC in accordance with N. C. Gen. Stat. § 62-133.4(c) and Commission Rule R1-17(k)(6), and provides my recommendation regarding temporary rate increments and/or decrements.

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

A. My name is Julie G. Perry, and my business address is 430 North Salisbury Street, Raleigh, North Carolina. I am the Accounting Manager of the Natural Gas & Transportation Section in the Accounting Division of the Public Staff. My qualifications and experience are provided in Appendix C.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to discuss my investigation and conclusions regarding the prudence of PSNC's hedging activities during the review period.

Q. PLEASE EXPLAIN HOW THE PUBLIC STAFF CONDUCTED ITS REVIEW.

A. We reviewed the testimony and exhibits of the Company's witnesses, the Company's monthly deferred account reports, monthly financial and operating reports, gas supply, pipeline transportation and storage contracts, and the Company's responses to Public Staff data requests. Each month, the Public Staff reviews the deferred account reports filed by the Company for accuracy and reasonableness and performs many audit procedures on the calculations.

Q. WHAT OTHER ITEMS DID THE NATURAL GAS DIVISION REVIEW?

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

Q. MR. GILBERT, WHAT IS THE RESULT OF YOUR EVALUATION OF PSNC'S GAS COSTS?

A. Based on my investigation and review of the data in this docket, I believe that PSNC's gas costs were prudently incurred for the 12-month review period ending March 31, 2019.

Q. MS. JOHNSON, HAS THE COMPANY PROPERLY ACCOUNTED FOR ITS GAS COSTS DURING THE REVIEW PERIOD?

A. Yes. I believe that PSNC properly accounted for its gas costs during the review period from April 1, 2018 through March 31, 2019.

ACCOUNTING FOR AND ANALYSIS OF GAS COSTS

Q. MS. JOHNSON, HOW DOES THE ACCOUNTING DIVISION GO ABOUT CONDUCTING ITS REVIEW OF THE ACCOUNTING FOR GAS COSTS?

A. 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 many 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 the price of the customer's alternative fuel.

(4) **Temporary Increments and/or Decrements** - Calculations and supporting data are verified regarding the collections and/or refunds from customers that have occurred through the Deferred Account.

(5) **Interest Accrual** - Calculations of the interest accrued on the account balance during the month are verified in accordance with N. C. Gen. Stat. § 62-130 (e) and the Commission's Order in Docket No. G-5, Sub 565.

(6) **Secondary Market Transactions** - The secondary market transactions conducted by the utility are reviewed and verified to the financial books and records, asset manager agreements, and the monthly Deferred Gas Cost Accounts.

(7) **Uncollectibles** – In Docket No. G-5, Sub 473, the Commission approved a mechanism to recover the gas cost portion of the difference

between the Company's cost of gas incurred and the amount collected from customers, effective for service rendered on and after December 1, 2005. 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. We review the calculations supporting those journal entries to ensure that the proper amounts are recorded.

(8) **<u>Supplier Refunds</u>** – In Docket No. G-100, Sub 57, the Commission held that, unless it orders refunds to be handled differently, supplier refunds should be flowed through to ratepayers in the All Customers' Deferred Account, or may be applied to the NCUC Legal Fund Reserve Account. We review documentation received by the Company from its suppliers to ensure that the amount received by the Company is flowed through to ratepayers.

Q. HOW DO THE COMPANY'S FILED GAS COSTS FOR THE CURRENT REVIEW PERIOD COMPARE WITH THOSE FOR THE PRIOR REVIEW PERIOD?

A. The Company filed total gas costs of $229,186,278 per Paton Exhibit 1, Schedule 1, for the current review period as compared with $235,756,952 for the prior twelve-month period. The components of the filed gas costs for the two periods are as follows:

	12 Months Ended		Increase	
	March 31, 2019	March 31, 2018	(Decrease)	% Change
Demand & Storage	$91,410,716	$91,043,580	$367,136	0.40%
Commodity	172,769,818	145,801,389	26,968,429	18.50%
Other Costs	(34,994,258)	(1,088,015)	(33,906,243)	3116.34%
Total	$229,186,277	$235,756,954	($6,570,678)	(2.79%)

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 as follows:

	12 Months Ended		Increase	
	March 31, 2019	March 31, 2018	(Decrease)	%Change
Transco:				
FT Reservation	$47,748,330	$49,153,763	($1,405,433)	(2.86%)
FT Momentum	2,349,731	2,576,207	(226,476)	(8.79%)
Southern Expansion	1,971,370	1,974,279	(2,909)	(0.15%)
Southeast Expansion	5,633,731	5,642,131	(8,400)	(0.15%)
GSS	1,575,920	1,576,812	(892)	(0.06%)
WSS	549,942	549,942	-	0.00%
LGA	128,991	128,991	-	0.00%
ESS	1,893,065	1,893,065	-	0.00%
Total Transco Charges	$61,851,080	$63,495,190	($1,644,110)	(2.59%)
Other Charges:				
Pine Needle LNG	$3,416,808	$3,116,591	$300,217	9.63%
Cardinal	5,924,953	6,504,118	(579,165)	(8.90%)
Dominion Transmission Service	5,089,350	5,087,079	2,271	0.04%
Texas Gas Transmission	515,622	500,313	15,309	3.06%
Texas Eastern	563,328	563,328	0	0.00%
Columbia FSS/SST	3,700,563	3,708,372	(7,809)	(0.21%)
East Tennesse (Patriot Expansion)	5,189,910	5,004,480	185,430	3.71%
Saltville Gas Storage	2,784,234	2,178,274	605,960	27.82%
Cove Point LNG	1,024,620	788,055	236,565	30.02%
Piedmont Redelivery Agreement	9,120	9,120	-	0.00%
Firm Backhaul Capacity on Transco	1,296,000			
City of Monroe	45,126	88,660	(43,534)	(49.10%)
Total Other Charges	$29,559,634	$27,548,390	$715,244	2.60%
Total Demand and Storage Charges	$91,410,716	$91,043,580	$367,136	0.40%

The primary reason for the decrease in **Transco FT Reservation** charges during the review period is due to a decrease in rates pursuant to FERC Docket No. RP18-541-000 that went into effect on April 1, 2018.

Pine Needle LNG charges increased as a result of an Electric Power and Fuel Tracker adjustment, effective May 1, 2018, in FERC Docket No. RP18-652-000.

The decrease in **Cardinal** is primarily due to a decrease in rates, effective August 1, 2018, pursuant to Commission Order dated March 27, 2018, in Docket No. G-39, Sub 41.

Cove Point LNG charges increased as a result of a tariff change, effective March 1, 2018, in FERC Docket No. RP17-197-000.

The decrease in the **City of Monroe** charges relates to the completion of the demand charge payments related to the Joint Venture Agreement (Agreement) between PSNC and the City of Monroe[1], whereby PSNC leased 17,250 dekatherms (dts) per day of intrastate capacity from the City of Monroe. The Agreement stated that PSNC would pay monthly demand payments beginning July 2010 through June 2016. The decrease in charges during the current review period as compared to the prior review period reflects that PSNC is no longer paying the demand charges

[1] The amended Agreement was a part of the Settlement Agreement approved by Commission Order dated May 18, 2010 in Docket No. G-5, Sub 510.

and currently only pays the O&M charges as provided for in the Agreement.

Saltville charges increased as a result of a reversion from negotiated rates to tariff rates in April 2018 as well as rate increases in August 2018, pursuant to FERC Docket No. RP14-618.

Q. PLEASE EXPLAIN THE CHANGE IN COMMODITY GAS COSTS.

A. Commodity gas costs for the current review period and the prior twelve-month period are as follows:

	12 Months Ended		Increase	
	March 31, 2019	March 31, 2018	(Decrease)	% Change
Gas Supply Purchases	$174,084,532	$145,656,452	$28,428,080	19.52%
Transportation Charges from Pipelines	1,151,892	1,244,611	(92,719)	(7.45%)
Storage Injections	(30,795,846)	(28,720,168)	(2,075,678)	(7.23%)
Storage Withdrawals	28,329,241	27,620,494	708,747	2.57%
Total Commodity Gas Costs Expensed	$172,769,818	$145,801,389	$26,968,430	18.50%
Gas Supply for Deliveries (dt)	52,537,574	49,083,753	3,453,821	7.04%
Commodity Cost per dt	$3.2885	$2.9705	$0.32	10.71%

Gas Supply Purchases increased by $28,428,080 primarily due to a higher level of volumes purchased during the current review period as compared with the prior twelve-month review period. As indicated in the chart above, the total commodity cost per dt for the current review period increased by $0.32, or 10.71%, when compared to the prior review period. This increase is generally consistent with the changes in market indices and spot market prices experienced between the two periods.

The increase in **Storage Injections** was due to the higher cost of gas supply injected into storage. The average cost of gas injected into storage during the current review period was $3.2401 per dt as compared with $2.8393 per dt for the prior period.

The increase in **Storage Withdrawal** charges was primarily due to a higher average cost of supply withdrawn from storage. PSNC's average cost of gas withdrawn was $2.9012 per dt in this review period as compared to $2.7494 per dt in the prior review period.

Q. PLEASE EXPLAIN THE CHANGE IN OTHER GAS COSTS.

A. Other gas costs for the current review period and the prior twelve-month period are as follows:

	12 Months Ended		Increase
	March 31, 2019	March 31, 2018	(Decrease)
Deferred Account Activity	($33,521,161)	($37,011,566)	$3,490,405
Estimate to Actual Gas Cost True-Up	121,056	6,417,374	(6,296,318)
CUT Deferral	(9,359,283)	(4,658,583)	(4,700,700)
CUT Increment/Decrement	7,627,390	39,419,119	(31,791,729)
High Efficiency Discount Rate	(355,106)	(325,566)	(29,540)
IMT Deferral	415,683	746,750	(331,067)
IMT Tax Adjustment	81,985	(5,674,552)	5,756,537
Gas Loss-Facilities Damages	(4,822)	(991)	(3,831)
Total Other Gas Costs	($34,994,258)	($1,088,015)	($33,906,243)

The **Deferred Account Activity** amounts reflect offsetting accounting journal entries for most of the information recorded in the Company's Deferred Gas Cost Account during the review periods.

The **Estimate to Actual Gas Cost True-Up** amount results from the Company's monthly account closing process. Each month, the Company estimates its current month's gas costs for financial reporting purposes and trues-up the prior month's estimate to reflect the actual cost incurred.

The **CUT Deferral** entries relate to the order issued in Docket No. G-5, Sub 495 (Sub 495 Order), in which the Commission approved the use of a Customer Usage Tracker (CUT) by the Company beginning November 1, 2008. The Company charges or credits other cost of gas for the accounting journal entry that offsets its CUT deferral.

The **CUT Increment/Decrement** entries relate to the Sub 495 Order in which the Commission authorized the Company to collect from or refund to customers balances in the CUT Deferred Account by imposing either an increment or a decrement to rates, effective April and October of each year. The decrease in the current review period is due to a lower under-collection in the current review period as compared to the under-collection from the previous review period that resulted from warmer than normal weather. .

The **High Efficiency Discount Rate** and the **Conservation Program Accrual** entries represent accruals and expenses associated with $750,000 of conservation-related expenses allowed in PSNC's prior rate case in Docket No. G-5, Sub 495.

SECONDARY MARKET ACTIVITIES

Q. MS. JOHNSON, PLEASE SUMMARIZE THE COMPANY'S SECONDARY MARKET ACTIVITIES DURING THE REVIEW PERIOD.

A. The Company recorded $36,471,965 of margins on secondary market transactions, including capacity release transactions, asset management arrangements, and other secondary market transactions during the review period. Of this amount, $27,353,974 ($36,471,965 x 75%) was credited to the All Customers' Deferred Account for the benefit of ratepayers. Presented below is a chart that compares the margins recorded by PSNC on the various types of secondary market transactions in which it was engaged during the review period and the prior review period.

	Actual 12 Month Period Ended		Increase	
	March 31, 2019	March 31, 2018	(Decrease)	Change
Capacity Release	$3,433,824	$2,525,124	$908,700	35.99%
Asset Management	30,771,076	39,551,582	(8,780,506)	(22.20%)
Bundled Sales	1,433,881	2,749,946	(1,316,065)	(47.86%)
Straddles	635,400	776,575	(141,175)	(18.18%)
Spot Sales	197,784	89,041	108,743.00	122.13%
Total Secondary Market Margins	$36,471,965	$45,692,268	($9,220,303)	(20.18%)

Capacity Release is the short-term posting of unutilized firm capacity on the electronic bulletin board that is released to third parties at a biddable price. The overall net compensation from capacity release transactions increased by 35.99% primarily due to increased volumes being released during the current review period as compared to the prior period.

Asset Management Agreements (AMAs) are contractual relationships where 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 shipper, and, when the capacity is not needed for that purpose, uses the capacity to make releases or bundled sales to third parties. The 22.20% decrease in net compensation from Asset Management Agreements results primarily from a decrease in the value of the interstate pipeline and storage capacity that PSNC has subject to AMAs.

Bundled Sales are sales of delivered gas supply to a third-party consisting of gas supply and pipeline capacity at a specified receipt point. During the current winter period, PSNC's bundled sales decreased by 47.86% due to a decrease in the level of volumes as compared to the prior review period.

Straddle transactions are the physical exchange of gas allowing a third-party to either put gas to the LDC or call on gas from an LDC for a fee. The level of volumes associated with the straddle transactions decreased slightly during the current review period, although the net compensation received increased due to higher market prices.

Spot Sales are the sales of gas supply on the daily market when the daily spot price is higher than the first of the month index price. The increase is due to the fact that PSNC had more spot gas supply sales in the current review period as compared to the prior period.

HEDGING ACTIVITIES

Q. MS. PERRY, 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, which 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;
5. Periodic reports on the market values of the various financial instruments used by the Company to hedge;
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 Service Company risk management personnel;

9. Minutes from meetings of Service Company risk management personnel and its committees that pertain to hedging activities;

10. Reports and correspondence from the Company's external and internal auditors that pertain 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 Service Company risk management personnel; 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, 92 NCUC 4, 11-12 (2002).

Q. PLEASE DESCRIBE THE ACTIVITY REPORTED IN THE COMPANY'S HEDGING DEFERRED ACCOUNT DURING THE REVIEW PERIOD.

A. The Company experienced net credits of $832,249 in its Hedging Deferred Account during the review period. This net credit amount at March 31, 2019, is composed of the following items:

Economic (Gain)/Loss - Closed Positions	($2,783,925)
Premiums Paid	1,824,850
Brokerage Fees & Commissions	28,837
Interest on Hedging Deferred Account	97,988
Hedging Deferred Account Balance	($832,249)

The first item shown in the chart above, Economic (Gain)/Loss – Closed Positions, is the gain 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. As of March 31, 2019, this amount includes call options purchased by PSNC for the March 2020 contract period, a contract period, which is 12 months beyond the end of the current review period and 11 months beyond the April 2019 prompt month.[2] Brokerage Fees and Commissions are the amounts paid to brokers to complete the transactions. The Interest

[2] Prompt month refers to the futures contract that is closest toexpiration and is usually for delivery in the next calendar month (e.g., prompt month contracts traded in February are typically for delivery in March).

on Brokerage Account amount is the interest earned by the Company on amounts deposited with its broker, and the Interest on Hedging Deferred Account is the amount accrued by the Company on its Hedging Deferred Account in accordance with N. C. Gen. Stat. § 62-130(e).

The Company proposed that the $832,249 credit balance in the Hedging Deferred Account as of the end of the review period be transferred to its Sales Customers' Only Deferred Account. The hedging charges result in an annual charge of ($1.03) for the average residential customer, which equates to approximately ($0.09) per month. PSNC's weighted average hedged cost of gas for the review period was $3.81 per dt.

Q. WHAT IS YOUR CONCLUSION REGARDING THE PRUDENCE OF THE COMPANY'S HEDGING ACTIVITIES?

A. Based on 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, our analysis leads us to the conclusion that the decisions were prudent. We recommend that the $832,249 credit balance in the Hedging Deferred Account as of the end of the review period be transferred to the Company's Sales Customers' Only Deferred Account.

DESIGN DAY REQUIREMENTS

Q. MR. GILBERT, DO YOU HAVE ANY COMMENTS REGARDING COMPANY WITNESS JACKSON'S EXHIBIT 1 AND DISCUSSION REGARDING DESIGN-DAY DEMAND AND AVAILABLE ASSETS PROJECTIONS?

A. Yes. The Public Staff has done an independent analysis using similar calculations to determine peak day (design-day) demand levels and compares that to the assets the Company has available (or is planning to have available when needed in the future) to meet that demand. The Public Staff uses the review period data of customer usage and heating degree days (HDDs), which are calculated by taking the average of the minimum and maximum daily temperature and subtracting that quotient from 65 degrees. (For example, a low of 10 degrees and a high of 30 would yield 45 HDDs.) Base load (usage that does not fluctuate with weather) plus a usage per HDD factor is developed, and the projected peak day demand is calculated. The assumption in developing a peak design day demand is 55 HDDs, which is the accepted peak coldest day that would be anticipated to be experienced in PSNC's territory. The results of our analysis are similar to the levels presented by PSNC in Jackson Exhibit 1. PSNC's design-day demand models show a shortfall of capacity beginning in the 2019 – 2020 winter season. To bridge the capacity shortfall for the 2019-20 winter season, the Company will issue a request for proposal (RFP) for firm capacity to the city gate similar to what it did in the current annual review. In order to overcome this anticipated shortfall in future review periods, PSNC has contracted for necessary capacity on Transco's Southeastern Trail Expansion project, which is scheduled to be in service by late 2020; the Mountain Valley Pipeline, LLC (MVP), which is expected to have lateral facilities capable of delivering capacity to PSNC completed by late 2020; and the Atlantic Coast Pipeline (ACP), which is expected to come into service by early 2021. If any of these projects are not placed into service as of the anticipated time period, PSNC will issue an RFP for firm capacity for any anticipated shortfall. PSNC witness Jackson has addressed this in her testimony.

DEFERRED ACCOUNT BALANCES

Q. MS. JOHNSON, BASED ON YOUR REVIEW OF GAS COSTS IN THIS PROCEEDING, WHAT ARE THE APPROPRIATE DEFERRED ACCOUNT BALANCES AS OF MARCH 31, 2019?

A. The All Customers Deferred Account balance filed by the Company was a credit of $3,040,186, owed to the customers. This balance consists of the following deferred account activity:

Beginning Balance as of April 1, 2018	($13,770,526)
Commodity Costs Under Collections	249,999
Demand Costs Under Collections	22,309,241
(Increment)/Decrement	15,423,574
Secondary Market Transaction Credits	(27,353,971)
Supplier Refunds	(438,560)
Miscellaneous Adjustments	637,872
Accrued Interest	(97,813)
Ending Balance as of March 31, 2019	($3,040,186)

Paton Exhibit 1, Schedule 8 reflects a credit balance in the Sales Customers' Only Deferred Account balance as of March 31, 2019, of ($699,747), owed by the Company to the customers. After the Hedging Deferred Account credit balance of ($832,249) has been transferred to the Sales Customers' Only Deferred Account, we recommend that the Sales Customers' Only Deferred Account as of March 31, 2019, is a credit balance, owed by the Company to the customers, of $1,531,996, determined as follows:

Balance per Paton Exhibit, Schedule 8	($699,747)
Transfer of Hedging Balance	(832,249)
Balance per Public Staff	($1,531,996)

Q. MS. JOHNSON, DID PSNC HAVE ANY CHANGES TO ITS DEFERRED ACCOUNT INTEREST RATE DURING THE REVIEW PERIOD?

A. Yes. PSNC has reflected its interest rate for the current federal corporate income tax rate of 21% and the state corporate income tax rate of 2.5%. All other methods and procedures used by the Company for the accrual of interest on the Deferred Gas Cost Accounts remained unchanged.

Q. MR. GILBERT, DO YOU HAVE ANY RECOMMENDATIONS REGARDING PSNC'S DEFERRED ACCOUNT BALANCES AND ANY PROPOSED TEMPORARY INCREMENTS OR DECREMENTS?

A. Yes, I do. The All Customers Deferred Account reflects a credit balance of ($3,040,186), owed by the Company to customers. PSNC has proposed not to place a decrement in rates to refund this credit balance. At the end of April 2019, the balance had increased to ($360,228). The Public Staff notes that it is not unusual to have a change in deferred account balances since fixed gas costs are typically over-collected during the winter period when throughput is higher due to heating load, and under-collected during the summer when throughput is lower. The Sales Customers' Only Deferred Account reflects a credit balance of ($699,747), owed from the Company to customers. PSNC has proposed not to place a decrement in rates for the refund of this credit balance. At the end of April the balance had decreased to ($1,199,243).

. PSNC has proposed not to place a increment in rates for the recovery of the credit balances, but to manage it by using the Purchased Gas Adjustment (PGA) mechanism, pursuant to N. C. Gen. Stat. § 62-133.4. During the review period, PSNC used the Purchased Gas Adjustment (PGA) mechanism to address deferred account balances that may need to be collected or refunded. Using the PGA allows for a quicker implementation of temporaries that can address balances that are more current. I believe that requiring PSNC to implement temporary rate changes in the instant docket at this time would not be productive, and, therefore, agree with the Company's proposal.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

COMMISSIONER BROWN-BLAND: Is there anything else to come before the Commission?

MS. GRIGG: No, ma'am.

MS. HOLT: No.

COMMISSIONER BROWN-BLAND: Then the proposed orders, is that fine to be 30 days from the availability of the transcript?

MS. GRIGG: Yes, ma'am.

MS. HOLT: Yes.

COMMISSIONER BROWN-BLAND: So ordered. There being nothing else to come before us, thank you for participation and attention, and we'll be adjourned.

(The proceedings were adjourned)

C E R T I F I C A T E

I, KIM T. MITCHELL, DO HEREBY CERTIFY that the Proceedings in the above-captioned matter were taken before me, that I did report in stenographic shorthand the Proceedings set forth herein, and the foregoing pages are a true and correct transcription to the best of my ability.

Kim T. Mitchell

Kim T. Mitchell
Court Reporter