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September 19, 2022

VIA Electronic Filing

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
Dobbs Building
430 North Salisbury Street
Raleigh, North Carolina 27603

Re: Joint Proposed Order on Annual Review of Gas Costs
Docket No. G-5, Sub 642

Dear Ms. Dunston:

Enclosed on behalf of Public Service Company of North Carolina, Inc. d/b/a Dominion Energy North Carolina and the Public Staff – North Carolina Utilities Commission is the *Joint Proposed Order on Annual Review of Gas Costs* for filing in the above-referenced proceeding. A Word version of the Joint Proposed Order on Annual Review of Gas Costs is being provided via email to briefs@ncuc.net.

Thank you for your assistance with this matter. Please do not hesitate to contact me if you have any questions regarding this submittal.

Very truly yours,

/s/Mary Lynne Grigg

MLG:tll

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-5, SUB 642

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Public Service Company of North Carolina, Inc. for Annual Review of Gas Costs Pursuant to N.C. Gen. Stat. § 62-133.4(c) and Commission Rule R1-17(k)(6)	)))))	JOINT PROPOSED ORDER ON ANNUAL REVIEW OF GAS COSTS

HEARD: Tuesday, August 9, 2022, at 10:00 a.m. in Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

BEFORE: Commissioner Floyd B. McKissick, Jr., Presiding; Commissioners ToNola D. Brown-Bland and Karen M. Kemerait

APPEARANCES:

For Public Service Company of North Carolina, Inc.:

Mary Lynne Grigg, McGuireWoods, LLP, 501 Fayetteville Street, Suite 500 Raleigh, North Carolina 27601

For the Using and Consuming Public:

Gina C. Holt, Staff Attorney and John Little, Staff Attorney, Public Staff – North Carolina Utilities Commission, 4326 Mail Service Center, Raleigh, North Carolina 27699-4326

For Haw River Assembly:

David Neal, Southern Environmental Law Center, 601 West Rosemary Street, Suite 220 Chapel Hill, NC 27516

BY THE COMMISSION: On March 22, 2022, the Commission issued an Order Requiring Filing of Additional Testimony and Electronic Versions of Excel Exhibits directing Public Service Company of North Carolina, Inc., d/b/a Dominion Energy North Carolina ("PSNC" or "Company") to work with the Public Staff to determine whether PSNC should consider and possibly implement refinements to its design-day demand methodology, or explain how these refinements already exist in its design day demand methodology. Additionally, the Commission directed PSNC to file testimony with its application describing its discussions with the Public Staff and its proposed changes in design day demand methodology and Design Winter Load Duration Curve calculations, if any, in connection with the annual review of PSNC's gas costs for the 12-month period ended March 31, 2022. The Commission further directed the Public Staff to file testimony explaining its assessment of these design-day demand methodology refinements as they pertain to PSNC, and its position on PSNC's proposed changes, or PSNC's decision(s) not to implement changes on the same date as the Public Staff's regular direct testimony. The Order also directed PSNC, the Public Staff and other parties who file supporting exhibits in PDF format to provide electronic versions of the exhibits filed in native Excel format, including all supporting tabs/worksheets and formulas, to the Commission Staff within three days of the filing of such exhibits.

On June 1, 2022, pursuant to N.C. Gen. Stat. § 62-133.4(c) and Commission Rule R1-17(k)(6), PSNC filed the direct testimonies and exhibits of Rose M. Jackson, Director – Gas Supply Services for Dominion Energy Services, Inc., and Glory J. Creel, Rates and Regulatory Affairs Analyst III for PSNC.

On June 8, 2022, the Commission issued its Order Scheduling Hearing, Requiring Filing of Testimony, Establishing Discovery Guidelines and Requiring Public Notice. This Order established a hearing date of Tuesday, August 9, 2022, set prefiled testimony dates, and required the Company to give notice to its customers of the hearing on this matter. The Order also directed PSNC to file testimony and supporting schedules that would enable the

Public Staff and Commission to review the interest rate applied to PSNC's deferred accounts and determine whether a change in the interest rate is warranted.

On June 17, 2022, PSNC filed the Supplemental Direct Testimony and Exhibit of Glory J. Creel addressing the interest rate applied to PSNC's deferred accounts.

On July 8, 2022, Haw River Assembly filed a Petition to Intervene. On July 15, 2022, the Commission granted Haw River Assembly's Petition to Intervene.

On July 25, 2022, the Public Staff filed the direct testimonies of Dustin R. Metz, Public Utilities Engineer in the Energy Division of the Public Staff; Shawn L. Dorgan, Financial Analyst III in the Accounting Division of the Public Staff; Sonja R. Johnson, Financial Manager of the Natural Gas and Transportation Section in the Accounting Division of the Public Staff; and Jordan A. Nader, Engineer in the Natural Gas Section of the Energy Division of the Public Staff.

On July 29, 2022, the Company filed its affidavits of publication.

On August 3, 2022, PSNC and the Public Staff filed a Joint Motion to Excuse Witnesses and a Revised Joint Motion to Excuse Witnesses, which stated that counsel for Haw River Assembly did not object to the motion.

On August 5, 2022, the Commission issued an Order Granting Motion to Excuse Witnesses in Part and Providing Notice of Commission Questions. The Order excused the Public Staff witnesses but requested that PSNC's witnesses provide testimony at the hearing addressing certain Commission questions posed in the Order.

On August 9, 2022, the matter came on for hearing as scheduled. No public witnesses appeared at the hearing.

On September 19, 2022, the Public Staff and PSNC filed a Joint Proposed Order.

Based on the testimony and exhibits received into evidence and the record as a whole, the Commission makes the following:

FINDINGS OF FACT

1. PSNC is a corporation duly organized and existing under the laws of the State of South Carolina, having its principal office and place of business in Gastonia, North Carolina. PSNC operates a natural gas pipeline system for the transportation, distribution, and sale of natural gas to more than 625,000 customers in the State of North Carolina.

2. PSNC is engaged in providing natural gas service to the public and is a public utility as defined in N.C. Gen. Stat. § 62-3(23), subject to the jurisdiction of this Commission.

3. PSNC has filed with the Commission and submitted to the Public Staff all of the information required by N.C. Gen. Stat. § 62-133.4(c) and Commission Rule R1-17(k) and has complied with the procedural requirements of such statute and rule.

4. The review period in this proceeding is the 12 months ended March 31, 2022.

5. During the review period, PSNC incurred total gas costs of $302,423,025, comprised of demand and storage charges of $116,099,905, commodity gas costs of $225,333,870, and other gas costs of ($39,010,750).

6. In compliance with the Commission's order in Docket No. G-100, Sub 67, the Company credited 75% of the net compensation from secondary market transactions to its All Customers Deferred Account, which amounted to $21,812,797.

7. As of March 31, 2022, the Company had a debit balance, owed by customers to the Company, of $10,922,343 in its Sales Customers Only Deferred Account

and a debit balance, owed by customers to the Company, of $26,767,209 in its All Customers Deferred Account.

8. The Company properly accounted for its gas costs incurred during the review period.

9. PSNC's hedging activities during the review period were reasonable and prudent.

10. As of March 31, 2022, the Company had a credit balance of ($9,818,653) owed by the Company to customers in its Hedging Deferred Account.

11. It is appropriate for the Company to transfer the ($9,818,653) credit balance in the Hedging Deferred Account to its Sales Customers Only Deferred Account. The combined balance for the Hedging and Sales Customers Only Deferred Accounts is a net debit balance of $1,103,690 owed by customers to the Company.

12. PSNC utilizes a "best cost" gas supply acquisition strategy which is based upon three primary criteria: supply security, operational flexibility, and the cost of gas.

13. PSNC has firm transportation and storage contracts with interstate pipelines, which provide for the transportation of gas to the Company's system, and both long-term and supplemental short-term supply contracts with producers, marketers, and other suppliers.

14. The Company's approach to gas and capacity planning, procurement, and arrangements is reasonable and prudent. The Company has an identified capacity need within the next five years.

15. All gas costs incurred by PSNC during the review period were prudently incurred, and the Company should be permitted to recover 100% of such gas costs.

16. The Company should not implement any new temporary rate changes in the instant docket at this time as proposed by PSNC witness Creel and agreed to by Public Staff witness Nader.

17. For the current review period, it is appropriate for PSNC to use 6.57% as the applicable interest rate in its deferred accounts and to continue to review the interest rate and file for approval of any necessary adjustments.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-2

These findings are essentially informational, procedural, or jurisdictional in nature and were not contested by any party. They are supported by information in the Commission's public files and records and the testimony and exhibits filed by the witnesses for PSNC and the Public Staff.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 3-4

The evidence supporting these findings of fact is contained in the testimony of PSNC witness Creel and the testimony of Public Staff witness Dorgan. These findings are based on N.C. Gen. Stat. § 62-133.4(c) and Commission Rule R1-17(k)(6).

N.C. Gen. Stat. § 62-133.4 requires that PSNC submit to the Commission information and data for a historical 12-month review period, including PSNC's actual cost of gas, volumes of purchased gas, sales volumes, negotiated sales volumes, and transportation volumes. Commission Rule R1-17(k)(6)(c) requires that PSNC file weather normalization, sales volume data, work papers, and direct testimony and exhibits supporting the information.

Witness Creel testified that the Company had filed the information required by Rule R1-17(k)(6) for the 12-month review period ended March 31, 2022. Witness Creel also stated that the Company had provided to the Commission and the Public Staff on a monthly basis the gas cost and deferred gas cost account information required by Commission Rule R1-17(k)(5)(c). Public Staff witness Dorgan stated the Public Staff had presented the results of their 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).

Based on the foregoing, the Commission concludes that PSNC has complied with the procedural requirements of N.C. Gen. Stat. § 62-133.4(c) and Commission Rule R1-17(k) for the 12-month review period ended March 31, 2022.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 5-8

The evidence supporting these findings of fact is found in the testimony and exhibits of PSNC witness Creel and the testimony of Public Staff witness Dorgan.

PSNC witness Creel's exhibits show that the Company incurred total gas costs of $302,423,025 during the review period, which was comprised of demand and storage costs of $116,099,905, commodity gas costs of $225,333,870, and other gas costs of ($39,010,750).

Public Staff witness Dorgan stated that the Company recorded $29,083,730 of margin on secondary market transactions, including capacity release transactions and storage management arrangements, during the review period. Of this amount, $21,812,797 was credited to the All Customers Deferred Account for the benefit of ratepayers.

PSNC witness Creel's prefiled testimony and exhibits reflected a Sales Customers Only Deferred Account debit balance of $10,922,343, owed by the customers to the Company, and a debit balance of $26,767,209, owed by the customers to the Company, in its All Customers Deferred Account as of March 31, 2022. Public Staff witness Dorgan agreed with these balances and testified that PSNC properly accounted for its gas costs during the review period.

Based upon the foregoing, the Commission concludes that the Company properly accounted for its gas costs incurred during the review period. The Commission also concludes that the appropriate level of total gas costs incurred by PSNC for this proceeding is $302,423,025. The Commission further concludes that the appropriate balances as of March 31, 2022, are a debit balance of $10,922,343, owed to the Company by its customers, in its Sales Customers Only Deferred Account and a debit balance of $26,767,209, owed to the Company by the customers, in its All Customers Deferred Account.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 9-11

The evidence for these findings of fact is contained in the testimony of PSNC witnesses Jackson and Creel and the testimony of Public Staff witnesses Johnson, Dorgan and Nader.

PSNC witness Creel testified that the Company's Hedging Deferred Account balance for the 12-month review period ended March 31, 2022, was a credit balance, due to sales customers, of ($9,818,653). Public Staff witness Johnson testified that this balance was composed of: Economic (Gain)/Loss – Closed Positions of ($13,552,663); Premiums Paid of $3,935,280; Brokerage Fees and Commissions of $47,883; and Interest on the Hedging Deferred Account of ($249,154). Public Staff witness Johnson further stated that the hedging charges resulted in an annual credit of $11.84 for the average residential customer, which equates to approximately $0.99 per month. Public Staff witness Johnson also testified that PSNC's weighted average hedged cost of gas for the review period was $5.04 per dekatherm ("dt").

PSNC witness Jackson testified that the primary objective of PSNC's hedging program has always been to help mitigate the price volatility of natural gas for PSNC's firm sales customers at a reasonable cost. She further testified that PSNC's 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 its customers.

PSNC witness Jackson testified that the hedging program provides protection from higher prices through the purchase of call options for up to 25% of PSNC's estimated sales volume. Witness Jackson further stated that to help control costs the call options are purchased at a price no higher than 10% of the underlying commodity price. She also stated that PSNC limits its hedging to a 12-month future time period, which allows PSNC to obtain more favorable option pricing terms and better react to changing market conditions.

PSNC witness Jackson explained that PSNC's 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. She stated that the total amount available to hedge is divided equally between the two models.

PSNC witness Jackson further testified that no changes were made to PSNC's hedging program during this review period. Witness Jackson stated that PSNC will continue to analyze and evaluate its hedging program and implement changes as warranted.

Public Staff witness Johnson stated that the Public Staff's review of the Company's hedging activities involves an ongoing analysis and evaluation of the Company's monthly hedging deferred account reports, detailed source documentation, work papers supporting the derivation of the maximum targeted hedge volumes for each month, periodic reports on the status of hedge coverage for each month, and periodic reports on the market values of the various financial instruments used by the Company to hedge. Public Staff witness Johnson testified that based on the Public Staff's analysis of 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, the Company's hedging decisions were prudent.

Public Staff witness Johnson recommended that the ($9,818,653) credit balance in the Hedging Deferred Account as of the end of the review period be transferred to the Sales Customers Only Deferred Account. Based on this recommendation, Public Staff witness Dorgan stated that the appropriate balance in the Sales Customers Only Deferred Account as of March 31, 2022, after the hedging balance transfer, is a net debit balance of $1,103,690 owed by the customers to the Company.

Based on the evidence in the testimony and exhibits provided by PSNC and the Public Staff, the Commission finds that PSNC's hedging program has met the objective of contributing to the mitigation of gas price volatility and avoiding rate shock to customers. The Commission concludes that PSNC's hedging activities during the review period were reasonable and prudent and that the ($9,818,653) credit balance in the Hedging Deferred Account as of the end of the review period should be transferred to the Company's Sales Customers' Only Deferred Account. The Commission finds that the appropriate combined balance for the Hedging and Sales Customers' Only Deferred Accounts is a debit balance of $1,103,690.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 12-15

The evidence for these findings of fact is found in the testimony of PSNC witness Jackson, and the testimony of Public Staff witnesses Metz and Nader.

PSNC witness Jackson testified that the most appropriate description of PSNC's gas supply acquisition policy would be a "best cost" supply strategy, which is based on three primary criteria: supply security, operational flexibility, and cost of gas. PSNC witness Jackson stated that security of supply is the first and foremost criterion, which refers to the assurance that the supply of gas will be available when needed. Witness Jackson also testified that supply security is especially important for PSNC's firm customers, who have no alternate fuel source. Witness Jackson went on to state that supply security is obtained through PSNC's diverse portfolio of suppliers, receipt points, purchase quantity commitments, and terms. She also testified that potential suppliers are evaluated on a variety of factors, including past performance, creditworthiness, available terms, gas deliverability options, and supply location.

PSNC witness Jackson testified that the second criterion is maintaining the necessary operational flexibility in the gas supply portfolio that will enable PSNC to react to unpredictable weather and the changing requirements of industrial customers coupled with their ability to burn other fuels. She noted that PSNC's gas supply portfolio as a whole must be capable of handling the monthly, daily, and hourly changes in customer demand needs. Witness Jackson also testified that operational flexibility largely results from PSNC's 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 PSNC's injections into and withdrawals out of storage.

Regarding the third criterion, cost of gas, PSNC witness Jackson stated that 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. She further stated that PSNC routinely requests gas supply bids from suppliers to help ensure the most cost-effective proposals. In furtherance of the Company's natural gas sustainability initiative, witness Jackson testified the Company recently began asking that bids include suppliers' net zero goals or strategies.

Witness Jackson also testified that in securing natural gas supply for its customers PSNC is committed to acquiring the most cost-effective supplies while maintaining the necessary security and operational flexibility to serve the needs of its customers. She further testified that PSNC 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.

PSNC witness Jackson testified that PSNC has engaged in the following activities to lower gas costs while maintaining security of supply and delivery flexibility:

1. PSNC continues to optimize the flexibility available within its supply and capacity contracts to realize their value;
2. PSNC monitored and intervened in matters before the Federal Energy Regulatory Commission whose actions could impact PSNC's rates and services to its customers;

3. PSNC has continued to work with its industrial customers to transport customer-acquired gas;

4. PSNC routinely communicates directly with customers, suppliers, and other industry participants, and actively monitors developments in the industry;

5. PSNC has frequent internal discussions concerning gas supply policy and major purchasing decisions;

6. PSNC utilizes deferred gas cost accounting to calculate the Company's benchmark cost of gas to provide a smoothing effect on gas price volatility; and,

7. PSNC conducts a hedging program to help mitigate price volatility.

PSNC witness Jackson also testified that the projected design-day demand of PSNC's firm customers is calculated using a statistical modeling program. She further explained that the model assumes a 50 heating degree-day on a 60 degree Fahrenheit base and uses historical weather to estimate peak-day demand. Witness Jackson also testified that Jackson Direct Exhibit 1 shows forecasted firm peak-day demand requirements for the review period and for the next five winter seasons and the assets available to meet those 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 PSNC's on-system liquefied natural gas facility.

Witness Jackson further testified that PSNC'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, PSNC secures incremental storage or transportation capacity to meet the growth requirements of its firm sales customers consistent with its best-cost strategy. In assessing the types of resources needed to meet 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.

Witness Jackson also testified that in its order of March 22, 2022, the Commission directed the Company to work with the Public Staff in this docket to address whether it should consider making any of the design-day demand methodology refinements that were recommended by the Public Staff in Docket No. G-9, Sub 791, for consideration by Piedmont Natural Gas Company ("Piedmont"). She explained that the Company met with the Public Staff on several occasions and after the proposed refinements were discussed in detail, it was determined that no additional changes to the Company's design-day demand methodology were necessary and cited several reasons to support such determination.

Public Staff witness Metz testified that the Public Staff agreed that PSNC adequately addressed the Commission's directives in the March 22, 2022, order. He stated that, based on discussions with PSNC, there were discrete methodology differences between PSNC's design-day methodology and Piedmont's, and he agreed PSNC had addressed and incorporated the applicable recommendations raised in the Commission's March 22, 2022, order. Witness Metz further testified that the Public Staff accepts PSNC's design-day requirements for purposes of PSNC's 2022 design-day planning.

PSNC witness Jackson testified that the majority of PSNC's interstate pipeline capacity is obtained from Transcontinental Gas Pipeline Company, LLC ("Transco"), the only interstate pipeline with which PSNC has a direct connection. The Company also has used segmentation of its Transco capacity to receive natural gas from other interstate transportation and storage providers.

Witness Jackson further testified to winter peaking services the Company acquired to meet expected peak-day requirements during the review period. She explained that, to meet an expected capacity shortfall during the 2021-22 winter season, PSNC contracted for a total of 55,000 dts/day of firm peaking services from two different suppliers.

Witness Jackson testified that for the past three winter seasons PSNC needed short-term peaking assets because its plans to acquire capacity on the Atlantic Coast Pipeline interstate pipeline were not realized as the project was delayed and, ultimately, cancelled. She also discussed the Company's alternative plans to acquire capacity from Mountain Valley Pipeline ("MVP"). Witness Jackson stated that MVP's mainline project will consist of approximately 303 miles of transmission pipeline, with compression facilities, extending from northwestern West Virginia to southern Virginia. MVP's 75-mile Southgate lateral project, also with compression facilities, will connect the mainline with the Company's system at delivery points in Rockingham and Alamance Counties, North Carolina.

Witness Jackson explained that PSNC has entered into precedent agreements for 250,000 dts/day of mainline capacity and 300,000 dts/day of Southgate lateral capacity to serve the growing natural gas demands of the Company. This capacity will provide the Company a second direct interstate pipeline interconnection, with access to natural gas produced in the Marcellus and Utica shale regions of West Virginia, Pennsylvania, and Ohio. In addition, MVP Southgate will connect directly with East Tennessee's pipeline, enabling PSNC to make forward-haul deliveries from Saltville storage to the Company's system and replace less reliable secondary firm backhaul deliveries using Transco segmented capacity, which is why PSNC contracted for 50,000 dts/day more capacity on Southgate than the MVP mainline.

Witness Jackson stated that, in May 2021, the mainline project was more than 92% complete and that the estimated in-service date for the project was the summer of 2022. She further testified that, since that time, construction of the project had ceased due to permitting issues and that MVP had announced it had revised the target in-service date for the mainline project to the second half of 2023. The Southgate project is currently expected to be placed into service by the spring of 2023; however, witness Jackson testified that this schedule will undoubtedly be pushed back because of the delays MVP has experienced in obtaining federal permits for the mainline project. Witness Jackson noted that, until both the mainline and Southgate projects are placed into service, the Company will continue taking steps in the near term to address the shortfall in available assets. For the upcoming winter season, PSNC has contracted to obtain 61,000 dts/day of short-term peaking supply and intends to pursue obtaining additional amounts of similar supply. Beyond that, the Company is developing plans for constructing a new on-system LNG facility with up to 200,000 dts/day of withdrawal capacity for approximately ten days. The timing for completing such a project would depend upon when the MVP capacity becomes available but would be 2026 at the earliest.

Public Staff witness Metz also highlighted the available asset capacity shortfall that PSNC is actively managing and planning for. He testified that the Public Staff is not taking issue with PSNC's management on this matter at this time; however, the Public Staff seeks to ensure that adequate capacity is available, and he noted the timing requirements for ensuring firm capacity increases. He further agreed that PSNC has clearly identified a need for some type of incremental firm capacity need over the next five years, and recommended that PSNC, pursuant to the Commission's Order Requiring Reporting issued in Docket No. G-100, Sub 91, on June 28, 2013 ("Sub 91 Order"), provide the results of an evaluation, including a cost-benefit analysis, regarding optimal supply resources to resolve the currently identified capacity shortfall. He stated that he believed that it would be valuable for the Public Staff and the Commission to understand the possible needs of the Company in providing for security of gas supply for its firm sales customers over the planning horizon.

Public Staff witness Metz also testified regarding PSNC's possible solution of building an on-system LNG facility to address the Company's short-term peaking supply shortfall. He stated that a review of PSNC's current load duration curve supports the need for a firm peaking source of gas, which could be met by an LNG supply resource; however, given the absence of an economic or cost-benefit analysis, and potential supply constraints at this time, the Public Staff could not determine the optimal resource to meet the Company's firm supply needs. He testified that the Public Staff, therefore, recommends that PSNC provide a detailed economic analysis for the Commission's information, pursuant to the Sub 91 Order. The analysis should clearly demonstrate that such a facility aligns with the Company's best cost supply strategy. He further testified that the Public Staff was concerned about the MVP project's delays and its impact on the Company's capacity acquisition.

Public Staff witness Nader testified regarding the Company's short-term available capacity resources, stating that PSNC had a need for additional capacity to meet projected design-day demand requirements beginning in the 2021-2022 winter period. He further testified that the Company contracted for a total of 55,000 dts/day of firm short-term peaking services from two different suppliers to cover the design-day condition for that winter period. To meet the expected capacity shortfall for the upcoming 2022-2023 winter season, he testified that the Company has contracted for a total of 61,000 dts/day of short-term firm peaking service. In addition, the Company has indicated in a data request response its plans to issue a request for proposal for up to 10,000 dts/day of additional firm peaking service.

At the hearing, counsel for Haw River Assembly requested the Commission take judicial notice of Haw River Assembly witness Gregory M. Lander's testimony in Docket No. G-5, Sub 635, which took issue with PSNC's "best-cost" strategy and instead advocated for an "All-In Cost Analysis." Also at the hearing, counsel for the Company requested the Commission take judicial notice of all testimony filed in Docket No. G-5, Sub 635, which included the rebuttal testimony of Company witness Jackson that supported PSNC's best-cost supply strategy and rebutted Haw River Assembly witness Lander's proposed All-In Cost Analysis. Judicial notice was taken by the Commission for all testimony filed in Docket No. G-5, Sub 635. In that docket, the Commission determined that no changes in PSNC's gas supply or capacity acquisition practices were warranted in response to witness Lander's testimony. As there has been no new evidence presented, the Commission need not reexamine that decision in this current proceeding.

The Commission concludes that the Company's gas costs incurred during the review period ended March 31, 2022, were reasonable and prudently incurred and that the Company should be permitted to recover 100% of its prudently incurred gas costs.

The Commission additionally agrees with the Public Staff's recommendation that

PSNC provide a detailed economic analysis for the Commission's information, pursuant to the Sub 91 Order, of the potential LNG facility testified to by witness Jackson.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 16

The evidence for this finding of fact is found in the testimony of PSNC witness Creel and the testimony of Public Staff witness Nader.

PSNC witness Creel testified that the Company currently has temporary rate increments applicable to the All Customers Deferred Account, which took effect December 1, 2021. She further testified that the Company was not proposing new temporary rate increments or decrements at this time and noted that while monitoring the monthly balances, the Company may file for an adjustment to increase the benchmark in the fall .

Public Staff witness Nader testified that the All Customers Deferred Account reflects a debit balance of $26,767,209, owed to the Company by the customers. He went on to state that deferred account balances naturally vary between winter and summer months, 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.

Public Staff witness Nader testified that, during the review period, PSNC made temporary increments to its All Customers Deferred Account and, pursuant to N. C. Gen. Stat. § 12 62-133.4, used the Purchased Gas Adjustment mechanism to address the deferred account balances that needed to be collected or refunded. He stated that using that mechanism allows for a quicker implementation of temporaries that can address balances that are more current.

Finally, witness Nader testified that due to the current market prices, volatility in the markets, and the Company's current deferred account balances, the Public Staff recommends, after consultation with the Company, that the Company consider filing this fall for approval to implement an adjustment to its benchmark commodity cost of gas price and an adjustment to its All Customers Deferred Account. He testified that this recommendation was based on expectations of forecasted gas costs being elevated through the 2022-2023 winter heating season.

Based on the facts in the present docket, and the record as a whole, the Commission finds and concludes that it is appropriate not to require PSNC to implement new temporary rate increments or decrements in the instant docket at this time. The Commission also agrees with the Public Staff that the Company should consider filing this fall for approval to implement an adjustment to its benchmark commodity cost of gas price and an adjustment to its All Customers Deferred Account.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 17

The evidence for this finding of fact is found in the testimony of PSNC witness Creel and Public Staff witness Dorgan.

PSNC witness Creel testified in her supplemental testimony that, in the Company's last general rate case, Docket No. G-5, Sub 632, the Commission approved the Company's use of a net of tax interest rate of 6.57% for all deferred accounts, adjusted as appropriate for income taxes. She further testified that the Company reviewed the 6.57% annual interest rate approved in Docket No. G-5, Sub 632, and determined that no adjustment is necessary at this time.

Public Staff witness Dorgan testified that the Public Staff had reviewed the

Company's interest rate calculations and found that PSNC continues to use the 6.57% interest rate and has made the appropriate adjustments in its deferred accounts, consistent with the Commission's Order in Docket No. G-5, Sub 632. He further testified that the Public Staff will continue to review the interest rate each month to determine if an adjustment is needed.

Based on the facts in the present docket, and the record as a whole, the Commission finds and concludes that the Company has used the appropriate interest rate of 6.57% on all amounts over-collected or under-collected from customers reflected in its Deferred Gas Cost Account and should continue to review the interest rate and file for approval of any necessary adjustments. This interest rate is also appropriate for use in the Company's other deferred accounts.

IT IS, THEREFORE, ORDERED as follows:

1. That PSNC's accounting for gas costs for the 12-month period ended March 31, 2022, is approved.

2. That the gas costs incurred by PSNC during the 12-month period ended March 31, 2022, including the Company's hedging costs, were reasonably and prudently incurred, and PSNC is hereby authorized to recover 100% of these gas costs as provided herein.

3. That, as recommended by the Public Staff, PSNC shall provide a detailed economic analysis for the Commission's information of any new or incremental supply proposed to be constructed or procured, pursuant to the Order issued in Docket No. G-100, Sub 91.

4. That, as proposed by PSNC and agreed to by the Public Staff, PSNC shall not implement any temporary rate changes in this docket.

5. That PSNC shall continue to use 6.57% as the applicable interest rate on all amounts over-collected or under-collected from customers reflected in its Deferred Gas Cost Accounts.

6. That it is appropriate to continue to review the interest rate and file for approval of any necessary adjustments.

ISSUED BY ORDER OF THE COMMISSION

This the _____ day of October 2022.

NORTH CAROLINA UTILITIES COMMISSION

Shonta Dunston, Chief Clerk

CERTIFICATE OF SERVICE

I certify that I have served a copy of the foregoing *Joint Proposed Order on Annual Review of Gas Costs* in accordance with Commission Rule R1-39, by United States mail, first class postage prepaid; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 19th day of September 2022.

/s/ Mary Lynne Grigg

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