PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INC.

DOCKET NO. G-5, SUB 591

JOINT TESTIMONY OF

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

ON BEHALF OF

THE PUBLIC STAFF – NORTH CAROLINA UTILITIES COMMISSION

July 30, 2018

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, 2018, 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, 2018, 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.

Public Staff witness Gilbert reviewed the testimony and exhibits of Company witnesses Jackson and Paton; monthly operating reports; gas supply and pipeline transportation and storage contracts; and the Company's responses to the Public Staff's data requests.

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, 2018.

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, 2017 through March 31, 2018.

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.

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 G-9, Sub 309.

(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) **<u>Uncollectibles</u>** – 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 $235,756,953 per Paton Exhibit 1, Schedule 1, for the current review period as compared with $154,728,840 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, 2018	March 31, 2017	(Decrease)	% Change
Demand & Storage	$91,043,579	$93,299,905	($2,256,326)	(2.42%)
Commodity	145,801,389	102,332,518	43,468,871	42.48%
Other Costs	(1,088,016)	(40,903,584)	39,815,568	(97.34%)
Total	$235,756,953	$154,728,839	$81,028,113	52.37%

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, 2018	March 31, 2017	(Decrease)	%Change
Transco:				
FT Reservation	$49,153,763	$48,859,298	$294,465	0.60%
FT Momentum	2,576,207	2,580,863	(4,656)	(0.18%)
Southern Expansion	1,974,279	1,978,120	(3,841)	(0.19%)
Southeast Expansion	5,642,131	5,651,255	(9,124)	(0.16%)
GSS	1,576,812	1,576,704	108	0.01%
WSS	549,942	539,290	10,652	1.98%
LGA	128,991	128,991	-	0.00%
ESS	1,893,065	1,893,065	-	0.00%
Total Transco Charges	$63,495,190	$63,207,586	$287,604	0.46%
Other Charges:				
Pine Needle LNG	$3,116,591	$3,897,224	($780,633)	(20.03%)
Cardinal	6,504,118	7,798,513	(1,294,395)	(16.60%)
Dominion Transmission Service	5,087,079	5,079,894	7,185	0.14%
Texas Gas Transmission	500,313	500,313	-	0.00%
Texas Eastern	563,328	563,328	0	0.00%
Columbia FSS/SST	3,708,372	3,666,465	41,907	1.14%
East Tennesse (Patriot Expansion)	5,004,480	5,004,480	0	0.00%
Saltville Gas Storage	2,178,274	2,178,274	0	0.00%
Cove Point LNG	788,055	848,520	(60,465)	(7.13%)
Piedmont Redelivery Agreement	9,120	9,120	-	0.00%
City of Monroe	88,660	546,188	(457,528)	(83.77%)
Total Other Charges	$27,548,390	$30,092,319	($2,543,929)	(8.45%)
Total Demand and Storage Charges	$91,043,579	$93,299,905	($2,256,325)	(2.42%)

The primary reason for the modest increase in **Transco FT Reservation** charges during the review period is due to the expiration in March 2017 of PSNC's acquisition of additional capacity on Transco's mainline in order to obtain more reliable deliverability of the Dominion and Columbia storage services on non-peak days.

Pine Needle LNG charges decreased as a result of an Electric Power and Fuel Tracker adjustment, effective May 1, 2017, in FERC Docket No. RP17-576-000.

The decrease in **Cardinal** is primarily due to a decrease in rates, effective August 1, 2017, pursuant to Commission Order dated July 27, 2017, in Docket No. G-39, Sub 38.

Cove Point LNG charges decreased as a result of a General Rate Case, effective October 1, 2017, in FERC Docket No. RP17-197-000.

The decrease in the **City of Monroe** charges relates to the Joint Venture Agreement (Agreement), as amended, 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 payments beginning July 2010 through June 2016. The decrease in charges during the current review period reflects

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

the end of that agreement, while the prior review period reflected six months of the charges.

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, 2018	March 31, 2017	(Decrease)	% Change
Gas Supply Purchases	$145,656,452	$98,636,009	$47,020,443	47.67%
Transportation Charges from Pipelines	1,244,611	883,006	361,605	40.95%
Storage Injections	(28,720,168)	(18,705,561)	(10,014,607)	53.54%
Storage Withdrawals	27,620,494	21,519,065	6,101,429	28.35%
Total Commodity Gas Costs Expensed	$145,801,388	$102,332,519	$43,468,870	42.48%
Gas Supply for Deliveries (dt)	49,083,753	40,336,551	8,747,202	21.69%
Commodity Cost per dt	$2.9705	$2.5370	$0.43	17.09%

Gas Supply Purchases increased by $47,020,443 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 $0.43, or 17.09%, 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 both the higher cost of gas supply injected into storage and the increased volumes injected into storage. The average cost of gas injected into storage during the current review period was $2.8393 per dt as compared with $2.1306 per dt for the prior period. PSNC injected 10,115,402 dts into storage in the current review period as compared to 8,779,330 dts 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 $2.7494 per dt in this review period as compared to $2.4687 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, 2018	March 31, 2017	(Decrease)
Deferred Account Activity	($37,011,566)	($35,058,500)	($1,953,066)
Estimate to Actual Gas Cost True-Up	6,417,374	7,924,859	(1,507,485)
CUT Deferral	(4,658,583)	(32,812,080)	28,153,497
CUT Increment/Decrement	39,419,119	23,886,539	15,532,580
High Efficiency Discount Rate	(325,566)	(288,294)	(37,272)
Miscellaneous Adjustments	-	-	-
IMT Deferral	746,750	6,047	740,703
EDIT Amortization	(5,674,552)	(4,561,587)	(1,112,965)
Gas Loss-Facilities Damages	(991)	(567)	(424)
Total Other Gas Costs	($1,088,016)	($40,903,583)	$39,815,568

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 **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 $45,692,268 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, $34,269,198 ($45,692,268 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, 2018	March 31, 2017	(Decrease)	Change
Capacity Release	$2,525,124	$2,889,602	($364,478)	(12.61%)
Asset Management	39,551,582	41,749,746	(2,198,164)	(5.27%)
Bundled Sales	2,749,946	3,141,197	(391,251)	(12.46%)
Straddles	776,575	722,596	53,979	7.47%
Spot Sales	89,041	-	89,041.00	-
Total Secondary Market Margins	$45,692,268	$48,503,141	($2,810,873)	(5.80%)

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 decreased by 12.61% primarily due to fewer 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 5.27% decrease in net compensation from Asset Management Agreements results primarily from a decrease in 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 12.46% due to a decrease in the level of volumes as well as a decrease in the price per dt 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 ot the fact that PSNC did not have any spot gas supply sales in the prior review 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 SCANA's Risk Management Committee (RMC);

9. Minutes from meetings of SCANA's Board of Directors 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 SCANA's RMC; 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 debits of $2,376,550 in its Hedging Deferred Account during the review period. This net debit amount at March 31, 2018, is composed of the following items:

Economic (Gain)/Loss - Closed Positions	($271,330)
Premiums Paid	2,591,190
Brokerage Fees & Commissions	14,375
Interest on Hedging Deferred Account	42,316
Hedging Deferred Account Balance	$2,376,550

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, 2018, this amount includes call options purchased by PSNC for the May 2019 contract period, a contract period, which is 13 months beyond the end of the current review period and 12 months beyond the April 2018 prompt month.[2] Brokerage Fees and Commissions are the amounts paid to brokers to complete the transactions. The Interest on Brokerage Account amount is the interest earned by the Company on amounts deposited with its broker, and the

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

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 $2,376,550 debit 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 $3.15 for the average residential customer, which equates to approximately $0.26 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 $2,376,550 debit 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 PEAK DAY DEMAND AND AVAILABLE ASSETS PROJECTIONS?

A. Yes. The Public Staff has done an independent analysis using similar calculations to determine peak 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. In order to overcome this anticipated shortfall, PSNC has contracted for necessary capacity on the Atlantic Coast Pipeline (ACP), which is expected to come into service by late

2019, and the Mountain Valley Pipeline, LLC (MVP), which is expected to have lateral facilities capable of delivering capacity to PSNC completed by late 2020. 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, 2018?

A. The All Customers Deferred Account balance filed by the Company was a credit of $13,770,526, owed to the customers. This balance consists of the following deferred account activity:

Beginning Balance as of April 1, 2017	($7,449,531)
Commodity Costs Under Collections	136,226
Demand Costs Under Collections	21,244,610
(Increment)/Decrement	7,589,506
Secondary Market Transaction Credits	(34,269,198)
Supplier Refunds	(142,475)
Miscellaneous Adjustments	(768,231)
Accrued Interest	(111,433)
Ending Balance as of March 31, 2018	($13,770,526)

Paton Exhibit 1, Schedule 8 reflects a debit balance in the Sales Customers' Only Deferred Account balance as of March 31, 2018, of $1,443,014, owed by the customers to the Company. After the Hedging Deferred Account debit balance of $2,376,550 has been transferred to the Sales Customers' Only Deferred Account, we recommend that the Sales Customers' Only Deferred Account as of March 31, 2018, is a net debit balance, owed by the customers to the Company, of $3,819,564, determined as follows:

Balance per Paton Exhibit, Schedule 8	$1,443,014
Transfer of Hedging Balance	2,376,550
Balance per Public Staff	$3,819,564

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 $13,770,526 owed by the Company to customers. PSNC has proposed not to place a decrement in rates for the recovery of this credit balance. At the end of May, the over-collection had decreased to $9,145,536, and the Company estimates the balance will "flip" to an under-collection of approximately $8.4 million by the end of October 2018. The Sales Customers' Only Deferred Account reflects an under-collection of $1,443,014, owed by customers to the Company. The current tariff rates, which were approved in the Company's Purchased Gas Adjustment (PGA) filing in Docket No. G-5, Sub 583 and became effective January 1, 2018, are based on an over-collection of approximately $15 million in the All Customers' Deferred Account. Removing the decrements that are currently in place and implementing a new rate based on the $13,770,526 in the All Customers' Deferred Account would not be beneficial to the rate payers. The Public Staff notes that it is not unusual to have a change in the 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 Company proposes to leave the current temporary decrements applicable to the All Customers' Deferred Account in place and monitor the balance in the account to determine when or if changes are required. I recommend that PSNC continue to monitor the balances in both the All Customers' and the Sales Customers' Only Deferred Accounts and file for a request to implement new temporary increments or decrements, as applicable, through the PGA mechanism to avoid significant over-collections of its fixed gas costs. I agree with PSNC's reasonable proposal of not taking any action on the All Customers' and the Sales Customers' Deferred Accounts at this time in this docket.

Q. WHAT IS YOUR RECOMMENDATION REGARDING ANY TEMPORARY RATE INCREMENTS OR DECREMENTS?

A. PSNC has proposed not to place a decrement in rates for the recovery of this credit balance, but to manage it by using the PGA mechanism, pursuant to N. C. Gen. Stat. § 62-133.4, which PSNC has previously used for this purpose. 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 proposals

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

APPENDIX B

GEOFFREY M. GILBERT

Qualifications and Experience

I am a graduate of North Carolina State University with a Bachelor of Science Degree in Environmental Engineering.

I began working in the environmental field in October 2008 with TRC Solutions. I worked out of TRC's Raleigh, NC office and specialized in air emissions testing and monitoring. In May 2015 I accepted a position in Charlotte, NC with Geo-Technology Associates, Inc. (GTA). While employed at GTA I was responsible for completing Transaction Screens, Phase I Environmental Site Assessments (ESA), and Phase II ESA for a variety of sites, including residential, commercial, industrial, and brownfield.

I joined the Public Staff in August of 2017 as a member of the Natural Gas Division. My work to date includes Purchased Gas Cost Adjustment Procedures, Customer Utilization Trackers, Integrity Management Riders, Peak Day Demand and Capacity Calculations, and Customer Complaint Resolutions.

APPENDIX A

SONJA R. JOHNSON

Qualifications and Experience

I am a graduate of North Carolina State University with a Bachelor of Science and Master of Science degree in Accounting. I was initially an employee of the Public Staff from December 2002 until May 2004, and rejoined the Public Staff in January 2006.

I am responsible for analyzing testimony, exhibits, and other data presented by parties before this Commission. I have the further responsibility of performing and supervising the examinations of books and records of utilities involved in proceedings before the Commission, and summarizing the results into testimony and exhibits for presentation to the Commission.

Since initially joining the Public Staff in December 2002, I have filed testimony or affidavits in several water and sewer general rate cases. My experience also includes filing affidavits in several fuel rate cases of Duke Energy Carolinas, LLC and Dominion North Carolina Power. I have also performed audits and/or presented testimony or affidavits in Public Service Company of North Carolina Annual Gas Cost reviews.

Appendix C

JULIE G. PERRY

Qualifications and Experience

I graduated from North Carolina State University in 1989 with a Bachelor of Arts degree in Accounting and I am a Certified Public Accountant.

Prior to joining the Public Staff, I was employed by the North Carolina State Auditor's Office. My duties there involved the performance of financial and operational audits of various state agencies, community colleges, and Clerks of Court.

I joined the Public Staff in September 1990, and was promoted to Supervisor of the Natural Gas Section in the Accounting Division in September 2000. I was promoted to Accounting Manager – Natural Gas & Transportation effective December 1, 2016. I have performed numerous audits and/or presented testimony and exhibits before the Commission addressing a wide range of natural gas topics.

Additionally, I have filed testimony and exhibits in numerous water rate cases and performed investigations and analyses addressing a wide range of topics and issues related to the water, electric, transportation, and telephone industries.

APPENDIX A

SONJA R. JOHNSON

Qualifications and Experience

I am a graduate of North Carolina State University with a Bachelor of Science and Master of Science degree in Accounting. I was initially an employee of the Public Staff from December 2002 until May 2004, and rejoined the Public Staff in January 2006.

I am responsible for analyzing testimony, exhibits, and other data presented by parties before this Commission. I have the further responsibility of performing and supervising the examinations of books and records of utilities involved in proceedings before the Commission, and summarizing the results into testimony and exhibits for presentation to the Commission.

Since initially joining the Public Staff in December 2002, I have filed testimony or affidavits in several water and sewer general rate cases. My experience also includes filing affidavits in several fuel rate cases of Duke Energy Carolinas, LLC and Dominion North Carolina Power. I have also performed audits and/or presented testimony or affidavits in Public Service Company of North Carolina Annual Gas Cost reviews.

APPENDIX B

GEOFFREY M. GILBERT

Qualifications and Experience

I am a graduate of North Carolina State University with a Bachelor of Science Degree in Environmental Engineering.

I began working in the environmental field in October 2008 with TRC Solutions. I worked out of TRC's Raleigh, NC office and specialized in air emissions testing and monitoring. In May 2015 I accepted a position in Charlotte, NC with Geo-Technology Associates, Inc. (GTA). While employed at GTA I was responsible for completing Transaction Screens, Phase I Environmental Site Assessments (ESA), and Phase II ESA for a variety of sites, including residential, commercial, industrial, and brownfield.

I joined the Public Staff in August of 2017 as a member of the Natural Gas Division. My work to date includes Purchased Gas Cost Adjustment Procedures, Customer Utilization Trackers, Integrity Management Riders, Peak Day Demand and Capacity Calculations, and Customer Complaint Resolutions.

Appendix C

JULIE G. PERRY

Qualifications and Experience

I graduated from North Carolina State University in 1989 with a Bachelor of Arts degree in Accounting and I am a Certified Public Accountant.

Prior to joining the Public Staff, I was employed by the North Carolina State Auditor's Office. My duties there involved the performance of financial and operational audits of various state agencies, community colleges, and Clerks of Court.

I joined the Public Staff in September 1990, and was promoted to Supervisor of the Natural Gas Section in the Accounting Division in September 2000. I was promoted to Accounting Manager – Natural Gas & Transportation effective December 1, 2016. I have performed numerous audits and/or presented testimony and exhibits before the Commission addressing a wide range of natural gas topics.

Additionally, I have filed testimony and exhibits in numerous water rate cases and performed investigations and analyses addressing a wide range of topics and issues related to the water, electric, transportation, and telephone industries.