

1 PLACE: Dobbs Building, Raleigh, North Carolina

2 DATE: Tuesday, July 18, 2016

3 TIME: 2:00 p.m. - 5:20 p.m.

4 DOCKET NO: E-2, Sub 1095

5 E-7, Sub 1100

6 G-9, Sub 682

7 BEFORE: Chairman Edward S. Finley, Jr., Presiding

8 Commissioner Bryan E. Beatty

9 Commissioner Don M. Bailey

10 Commissioner Jerry C. Dockham

11 Commissioner James G. Patterson

12 Commissioner Lyons Gray

13  
14 IN THE MATTER OF:

15 Application of Duke Energy Corporation

16 and Piedmont Natural Gas Company, Inc.,

17 to Engage in Business Combination Transaction

18 and Address Regulatory Conditions

19 and Codes of Conduct

20  
21 VOLUME 1

1 A P P E A R A N C E S:

2  
3 FOR DUKE ENERGY CORPORATION:

4 Lawrence B. Somers, Esq.

5 Deputy General Counsel

6 Post Office Box 1551/NCRH 20

7 Raleigh, North Carolina 27602

8  
9 Kodwo Ghartey-Tagoe, Esq.

10 SVP, State and Federal Regulatory Legal Support

11 550 South Tryon Street

12 Charlotte, North Carolina 28202

13  
14 FOR PIEDMONT NATURAL GAS COMPANY, INC.:

15 James H. Jeffries, IV, Esq.

16 Moore & Van Allen

17 100 North Tryon Street, Suite 4700

18 Charlotte, North Carolina 28202

1 A P P E A R A N C E S Cont'd.:

2  
3 FOR NORTH CAROLINA WASTE AWARENESS AND REDUCTION  
4 NETWORK, THE CLIMATE TIMES and NC HOUSING COALITION:

5 John D. Runkle, Esq.

6 2121 Damascus Church Road

7 Chapel Hill, North Carolina 27516

8  
9 FOR FAYETTEVILLE PUBLIC WORKS COMMISSION:

10 James P. West, Esq.

11 West Law Offices, PC

12 434 Fayetteville Street, Suite 2325 -

13 Raleigh, North Carolina 27601

14  
15 FOR CAROLINA UTILITY CUSTOMERS ASSOCIATION, INC.:

16 Robert F. Page, Esq.

17 Crisp, Page & Currin, LLP

18 4010 Barrett Drive, Suite 205

19 Raleigh, North Carolina 27609

20

21

22

23

24

NORTH CAROLINA UTILITIES COMMISSION

1 A P P E A R A N C E S Cont'd.:

2  
3 FOR ENVIRONMENTAL DEFENSE FUND:

4 Tatjana Vujic, Esq.

5 Director, Southeast Clean Energy

6 4000 Westchase Boulevard, Suite 510

7 Raleigh, North Carolina 27607

8  
9 FOR THE USING AND CONSUMING PUBLIC:

10 Antoinette R. Wike, Esq.

11 Chief Counsel - Public Staff

12 North Carolina Utilities Commission

13 4326 Mail Service Center

14 Raleigh, North Carolina 27699-4300

15  
16 Elizabeth D. Culpepper, Esq.

17 Public Staff

18 North Carolina Utilities Commission

19 4326 Mail Service Center

20 Raleigh, North Carolina 27699-4300

21  
22  
23  
24  
NORTH CAROLINA UTILITIES COMMISSION

1	T A B L E O F C O N T E N T S	
2	RUTH ZALPH	
3	Direct Examination by Ms. Culpepper.....	17
4	JOHN WAGNER	
5	Direct Examination by Ms. Culpepper.....	20
6	DR. STEVEN NORRIS	
7	Direct Examination by Ms. Culpepper.....	22
8	Cross Examination by Mr. Runkle.....	26
9	BETH HENRY	
10	Direct Examination by Ms. Culpepper.....	27
11	CATHERINE CHANDLER	
12	Direct Examination by Ms. Culpepper.....	34
13	ANDREW HERNANDEZ	
14	Direct Examination by Ms. Culpepper.....	37
15	CLINT McSHERRY	
16	Direct Examination by Ms. Culpepper.....	40
17	HOPE TAYLOR	
18	Direct Examination by Ms. Culpepper.....	44
19	DR. RICHARD FIREMAN	
20	Direct Examination by Ms. Culpepper.....	48
21	DR. STEVE ENGLISH	
22	Direct Examination by Ms. Culpepper.....	55
23		
24		

1	EMILY WILKINS	
2	Direct Examination by Ms. Culpepper.....	60
3	LYNN J. GOOD and THOMAS E. SKAINS, as a panel	
4	Direct Examination by Mr. Somers.....	69
5	Cross Examination by Mr. Runkle.....	102
6	Redirect Examination by Mr. Somers.....	142
7	Examination by Chairman Finley.....	144
8	Examination by Mr. West.....	164
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		

1	E X H I B I T S	
2	Identified / Admitted	
3	Fireman Exhibit Number 1.....	54/
4	Application of Duke Energy Corporation	
5	and Piedmont Natural Gas, Inc., and	
6	Exhibits A, B, C and D.....	/65
7	Agreement and Stipulation of Settlement	
8	Between The Applicants and The Public Staff,	
9	as amended.....	/66
10	Agreement and Stipulation of Settlement	
11	Between The Applicants and CUCA.....	/66
12	Agreement and Stipulation of Settlement	
13	Between The Applicants and Environmental	
14	Defense Fund.....	/66
15	NC WARN Good/Skains Cross-Exhibit 1.....	/167
16		
17		
18		
19		
20		
21		
22		
23		
24		

## P R O C E E D I N G S

CHAIRMAN FINLEY: Good afternoon. Let's come to order. My name is Edward Finley and with me this afternoon are Commissioners Bryan E. Beatty, Don M. Bailey, Jerry C. Dockham, James G. Patterson and Lyons Gray.

I now call for hearing on Docket Numbers E-2, 1095, E-7, Sub 1100 and G-9, Sub 682, which is the Application of Duke Energy Corporation and Piedmont Natural Gas Company, Inc., to Engage in a Business Combination Transaction and Address Regulatory Conditions and Codes of Conduct.

On January 15, 2016, Duke Energy Corporation and Piedmont Natural Gas filed a Joint Application to engage in a business combination transaction and address regulatory conditions and codes of conduct.

Petitions to Intervene have been filed by and granted to the following parties: Public Works Commission of the City of Fayetteville; Carolina Utility Customers Association, Inc.; Environmental Defense Fund; North Carolina Waste Awareness and Reduction Network, Inc., and the Climate Times and the North Carolina Housing Coalition. Petitions to Intervene by Columbia Energy, LLC, and Richard Fireman

1 were denied due to lack of a direct interest.

2 Limited admission to practice before the  
3 Commission have been granted to several out-of-state  
4 counsel.

5 Numerous consumer statements of position  
6 have been filed in this combined docket.

7 On March 2, 2016, the Commission issued its  
8 Order Scheduling Hearing, Establishing Procedural  
9 Deadlines and Requiring Public Notice.

10 On June 10, 2016, an Agreement and  
11 Stipulation of Settlement between Duke, Piedmont and  
12 the Public Staff was filed.

13 On June 10, 2016, Direct Testimony was filed  
14 by J. David Hughes and Touché Howard on behalf of the  
15 North Carolina WARN and TCT and the North Carolina  
16 Housing Coalition, and by James G. Hoard for the  
17 Public Staff.

18 On June 14, 2016, a Settlement Agreement was  
19 entered into by and among Duke and its subsidiaries,  
20 Piedmont and the CUCA, was filed in this docket.

21 On June 16, 2016, Applicants filed a Motion  
22 to Strike the Testimony of NC WARN Witnesses Hughes  
23 and Howard and to Limit Cross Examination of  
24 Applicants' witnesses and introduction of evidence to

1 matters relevant to this docket.

2 On June 21, 2016, a Settlement Agreement  
3 entered into by and among Duke and its subsidiaries,  
4 Piedmont and EDF was filed in this docket.

5 On June 28, 2016, Direct Testimony was  
6 submitted by Samuel Gunter on behalf of NC WARN and  
7 TCT and the North Carolina Housing Coalition.

8 Also on June 28, 2016, the Commission issued  
9 an Order Striking from the Record certain testimony of  
10 Witnesses Howard and Hughes and delaying a decision on  
11 the Motion in Limine until the expert witness hearing  
12 in the docket.

13 On July 1, 2016, Supplemental Testimony was  
14 filed by Bruce Barkley on behalf of Piedmont.

15 On July 6, 2016, the Commission issued an  
16 Order Regarding Procedure for Public Hearing and  
17 outlining the main procedural guidelines to be  
18 observed to facilitate a full and fair opportunity for  
19 all public witnesses to participate in the hearing.

20 A minor Amendment to the Agreement and  
21 Stipulation of Settlement by and between Duke,  
22 Piedmont and the Public staff was filed on  
23 July 15, 2016, showing a change in merger-related cost  
24 savings. Supplemental Testimony of Piedmont Witness

1 Bruce Barkley supporting this Amendment was submitted  
2 for filing with the same date.

3 In compliance with the State Ethics Act, I  
4 remind all members of the Commission of their duty to  
5 avoid conflicts of interest, and inquire whether any  
6 member of the Commission has a known conflict of  
7 interest with regard to the matters coming before the  
8 Commission this morning?

9 (No response.)

10 There appear to be no conflicts so we will  
11 proceed and I will call on parties to announce their  
12 appearances, beginning with the Applicants.

13 MR. JEFFRIES: Good afternoon, Mr. Chairman,  
14 Members of the Commission. My name is Jim Jeffries.  
15 I'm with the Law Firm of Moore & Van Allen. I'm here  
16 on behalf of the Applicant, Piedmont Natural Gas  
17 Company.

18 MR. SOMERS: Good afternoon, Mr. Chairman,  
19 and Members of the Commission. I'm Bo Somers, Deputy  
20 General Counsel, for Duke Energy Corporation.

21 MR. GHARTEY-TAGOE: Good afternoon,  
22 Mr. Chairman, Members of the Commission. I'm Kodwo  
23 Gharthey-Tagoe, Senior Vice President, State and  
24 Federal Regulatory Legal Support for Duke Energy.

1 MR. PAGE: Good afternoon, Mr. Chairman,  
2 Members of the Commission. I am Robert Page, here in  
3 Raleigh, I represent the Carolina Utility Customers  
4 Association. We are Intervenor and have entered into  
5 a Stipulation Agreement of Settlement with Duke and  
6 Piedmont.

7 MR. WEST: Good afternoon. I'm James West.  
8 I'm appearing on the behalf of the City of  
9 Fayetteville Public Works Commission. We're an  
10 Intervenor in the case.

11 MR. RUNKLE: May it please the Commission,  
12 my name is John Runkle representing NC WARN, The  
13 Climate Times and the North Carolina Housing  
14 Coalition.

15 MS. CULPEPPER: Elizabeth Culpepper with the  
16 Public Staff appearing on behalf of the Using and  
17 Consuming Public.

18 MS. WIKE: Antoinette Wike with the Public  
19 Staff also appearing on behalf of the Using and  
20 Consuming Public.

21 CHAIRMAN FINLEY: Are there any preliminary  
22 matters that we need to address before we get started  
23 with the public testimony?

24 MS. VUJIC: Good afternoon. Tatjana Vujic

1 with Environmental Defense Fund. I'm the Southeast  
2 Clean Energy Director on behalf of the Intervenor,  
3 Environmental Defense Fund.

4 CHAIRMAN FINLEY: Welcome. Anything else we  
5 need to address before we get started?

6 (No response.)

7 What we're going to do first, ladies and  
8 gentlemen, is hear from members of the public who want  
9 to testify before we hear the technical testimony of  
10 the professional witnesses that have come in support  
11 or opposed to this Application. We appreciate your  
12 coming out today and hope to accommodate as many  
13 people as we can this afternoon. There are few ground  
14 rules that we're going to have to go over and we will  
15 be required to follow.

16 How many people have signed up,  
17 Ms. Culpepper?

18 MS. CULPEPPER: Nine.

19 CHAIRMAN FINLEY: Nine, okay. Well, in  
20 order for those people to be heard and for us to move  
21 on to the technical part of the case, we'll go over  
22 these rules. Bear in mind that the Commission  
23 functions as a court. We are here in a courtroom and  
24 we conduct hearings pursuant to State Statutes. We

1 take sworn testimony, again, pursuant to Statutes that  
2 have been in effect by the General Assembly for many  
3 years, and pursuant to the Rules of Procedure and  
4 Evidence prescribed by the Legislature. We must apply  
5 these rules so that the hearing proceedings go forth  
6 in an orderly manner and I will go over those rules  
7 momentarily. I request that you voluntarily agree and  
8 abide with them and trust that you will do so; if not,  
9 the Commission has remedies available to it, such as  
10 striking testimony, removing those who are  
11 uncooperative, civil contempt and other more severe  
12 remedies required by Statute. We hope we will avoid a  
13 shortage of those and trust that we will do so.

14           The Commission wants to ensure that everyone  
15 who desires to speak on the issues relevant to these  
16 dockets has the opportunity to do so and make the  
17 points that they believe the Commission should  
18 consider. In order to facilitate a full and fair  
19 opportunity for all speakers to participate, the  
20 Commission has guidelines and we will go over those.

21           Number one, public witnesses must register  
22 on the witness sheet maintained by the Public Staff  
23 and verify that they are non-party witnesses. We hope  
24 that's been done already.

1           Number two, in order to allow each person an  
2 equal amount of time, there will be a limit of five  
3 minutes on the amount of time each witness may speak;  
4 therefore, witnesses should endeavor to avoid  
5 cumulative, repetitive and irrelevant testimony.

6           Witnesses must be sworn in. We will have  
7 them swear or affirm prior to the witness providing  
8 testimony. Each witness must do that for their  
9 testimony to be received into evidence. That's a  
10 statutory requirement. In lieu of oral testimony,  
11 witnesses may submit written testimony as long as they  
12 swear to its accuracy. Written statements must be  
13 submitted by the person under oath during the hearing  
14 at which time the witness will be subject to cross  
15 examination by any party desiring to cross examine  
16 that witness.

17           Persons who are customers of the Applicants  
18 will be called to testify first. Other persons called  
19 to testify will be in that order in which they  
20 registered on the witness sheet; however, the  
21 Commission may decide to call witnesses out of order  
22 if it so determines.

23           Only one witness may testify at a time.  
24 Witnesses shall refrain from offering opinions or

1 matters not specified in the notice of hearing for  
2 these dockets. Also, witnesses should address their  
3 testimony to the Commission, focus on the issues  
4 presented by the proposed merger and refrain from  
5 making personal criticism of the parties and others in  
6 the hearing -- other hearing participants.

7           The Commission is here to hear from the  
8 witnesses and not answer questions. We ask the  
9 questions, and other parties ask questions, but the  
10 witnesses are those who do the testifying. The  
11 parties' attorneys and the Commission, as I say, will  
12 have an opportunity to ask questions of each witness.

13           The testimony is being recorded by a Court  
14 Reporter; therefore, to ensure accuracy of the record,  
15 I will limit unconventional modes of testimony. No  
16 singing. To ensure that all witnesses are heard and  
17 their testimony is properly transcribed by the Court  
18 Reporter, the Commission will maintain hearing room  
19 decorum. We have the right to instruct security to  
20 remove any member of a audience who is attempting to  
21 participate out of order or in any verbal -- or any  
22 unusual or verbal or visual manner.

23           Usually the cross examination by the witness  
24 is somewhat limited so we can move on to the technical

1 part of the case. But we hope you feel welcome and  
2 are anxious to hear from you.

3 And now I will call on Ms. Culpepper to call  
4 her first witness.

5 MS. CULPEPPER: Ruth Zalph, followed by John  
6 Wagner.

7 RUTH ZALPH; was duly affirmed and  
8 testified as follows:

9 DIRECT EXAMINATION

10 BY MS. CULPEPPER:

11 Q Please state your name and address for the  
12 record.

13 A My name is Ruth Zalph. I live at 750 Weaver  
14 Dairy Road, Apartment 3106, Chapel Hill, North  
15 Carolina 27514.

16 Q Will you please spell your last name for the  
17 record?

18 A Z as in zebra, A-apple, L-Larry, P-Peter,  
19 H-Henry.

20 Q And you're a customer of Duke Energy?

21 A I am.

22 Q Are you affiliated with any party in the  
23 proceeding?

24 A What party? I am speaking for myself and many

1 others.

2 Q Please proceed.

3 A As a current customer of Duke Energy with  
4 absolutely no legal option to choose another  
5 provider I must speak my mind. Duke is already  
6 the largest electricity provider in the United  
7 States. Allowing a merger with Piedmont Natural  
8 Gas makes Duke a mega-monopoly with tremendous  
9 power benefiting only Duke and its shareholders  
10 while hurting its customers. This merger creates  
11 the risk of inevitable and unlawful self dealing  
12 between Duke and Piedmont.

13 I understand that Duke will need  
14 to build 15 to 20 new gas plants and a gas  
15 pipeline, yet they have shown no evidence that I  
16 see that North Carolina requires this kind of  
17 gas-based expansion to provide for our  
18 anticipated power needs.

19 In addition, this merger would  
20 stifle both the spirit and the reality of  
21 marketplace competition. When you have a number  
22 of companies and they all want a piece of the  
23 pie, you have competition and you have  
24 innovation. This might advance new technologies

1 in the harnessing and delivery of cleaner,  
2 non-toxic and sustainable energy that can reduce  
3 global warming and save our planet.

4 I speak for many others in  
5 demanding that this merger not be permitted to go  
6 forward and we will not hold our peace or be  
7 silenced. In a democracy, people must speak  
8 their mind to power even though it may not be  
9 acceptable to some.

10 CHAIRMAN FINLEY: Are you finished,  
11 Ms. Zalph?

12 THE WITNESS: I am finished.

13 CHAIRMAN FINLEY: Thank you very much. Are  
14 there questions of Ms. Zalph?

15 MS. CULPEPPER: No questions.

16 CHAIRMAN FINLEY: Questions by the  
17 Commission?

18 (No response.)

19 Thank you for coming this afternoon.

20 (The witness is excused.)

21 MS. CULPEPPER: John Wagner, to be followed  
22 by Steven Norris.

23 CHAIRMAN FINLEY: Do you wish to affirm or  
24 swear on the Bible?

1 MR. WAGNER: Affirm.

2 JOHN WAGNER; was duly affirmed and  
3 testified as follows:

4 DIRECT EXAMINATION

5 BY MS. CULPEPPER:

6 Q Please state your name and address for the  
7 record.

8 A My name is John Wagner, W-A-G-N-E-R, and my  
9 address is 210 Jessamine Lane, Pittsboro, North  
10 Carolina.

11 Q You're a customer of Duke?

12 A I am.

13 Q Are you affiliated with a party in this  
14 proceeding?

15 A No, I'm a private citizen.

16 Q Please proceed.

17 A Commissioners, the decision before you is a  
18 simple one. Should Duke Energy be allowed to  
19 merge with Piedmont Natural Gas? Should you  
20 allow the nation's largest utility company, one  
21 that already has a monopoly on North Carolina's  
22 electrical energy, to become an even larger  
23 monopoly? When private property rights are being  
24 abused by pipeline companies for corporate

1 profits, will you allow an even more powerful  
2 company to be formed to force eminent domain on  
3 our citizens? When the burning of fossil fuels  
4 is threatening global climate disruptions and  
5 renewable energy has become economically viable  
6 as a cheaper and safer alternative, are you going  
7 to allow Duke Energy to further lock in its  
8 commitment to major, long-term investments in  
9 fossil fuel infrastructure?

10 At this point, we face the harsh  
11 reality that our concerns and the facts that  
12 we've presented to support them do not appear as  
13 valuable as the money and the political support  
14 that Duke is able to wield against us.

15 The decision before you is a  
16 simple one. Will you do the right thing for the  
17 citizens of North Carolina or will you buckle  
18 under the enormous influence of Duke Energy's  
19 drive for profit?

20 I ask you to rule against the Duke  
21 Energy planned merger. North Carolina citizens  
22 and future generations cannot afford the  
23 consequences of a wrong decision.

24 CHAIRMAN FINLEY: Thank you, Mr. Wagner.

1 Are there questions of Mr. Wagner?

2 (No response.)

3 Thank you for coming.

4 (The witness is excused.)

5 MS. CULPEPPER: Steven Norris, followed by  
6 Beth Henry.

7 DR. NORRIS: Can I remain standing?

8 CHAIRMAN FINLEY: If you'd like. Would you  
9 like to be sworn in or affirmed?

10 DR. NORRIS: Affirmed.

11 STEVEN NORRIS; was duly affirmed and  
12 testified as follows:

13 DIRECT EXAMINATION

14 BY MS. CULPEPPER:

15 Q Please state your name and address for the  
16 record.

17 A My name is Dr. Steven Norris. My address is 372  
18 Sharon Road, Fairview, North Carolina.

19 Q And you're a customer of Duke?

20 A I am.

21 Q Are you affiliated with a party in the  
22 proceeding?

23 A No.

24 Q Please proceed with your statement.

1     A     I wanted to start with a quote by someone most of  
2           the people in this room know, former Duke CEO Jim  
3           Rogers. In congressional testimony nine years  
4           ago, Mr. Rogers said, *when faced with a difficult*  
5           *decision, like the Commission is today, I try to*  
6           *apply the grandchildren's test. I look at my*  
7           *grandchildren and I ask myself, 'will the actions*  
8           *I take today create a better life for them and*  
9           *their children tomorrow? When they are grown,*  
10          *will they look back with pride on the decisions*  
11          *their grandfathers made - you, me - to help*  
12          *ensure a brighter future for them and generations*  
13          *to come'. This, in my mind, is an incredibly*  
14          serious test that CEO Jim Rogers laid out seven  
15          years ago.

16                         As you know, seven years ago  
17                         climate change was not as bad as it is today.  
18                         Seven years ago, we had approximately 375-380  
19                         parts per million of carbon in the atmosphere.  
20                         Right now, we have four hundred and -- at least  
21                         404; some people think it's 408. In that period  
22                         of time, also, greenhouse gases -- largely due to  
23                         methane that's being released from fracked gas  
24                         infrastructure in this country -- greenhouse gas

1 emissions equivalent carbon has gone from about  
2 355 up to 475, up to 475 or 480. Climate change  
3 is out of control.

4 The Paris Agreements last fall  
5 laid out a test for you guys and a test for all  
6 of us in how we're going to deal with this. Can  
7 we reduce carbon emissions by 80 or 90 percent by  
8 the year 2050? Some people predict that we can  
9 do that. We do have the technologies to do it,  
10 all we need is the will power.

11 The problem, as I see it, is that  
12 this Commission -- that Duke Energy has refused  
13 to buy into this -- and that this Commission has  
14 basically been captured by -- like a lot of other  
15 regulatory commissions in the country -- have  
16 been captured by Duke Energy and other utilities  
17 in such a way that your hands may feel like  
18 they're tied. Your hands are not tied. The law  
19 in North Carolina gives you the responsibility,  
20 not just the right, but the responsibility which  
21 is a huge responsibility to operate in the public  
22 interest. It gives the Public Staff the  
23 responsibility to investigate the utilities to  
24 make sure that interest is maintained and upheld.

1 From the perspective of most of the public here  
2 that I'm in communication with, the Public Staff  
3 has not been using its investigative powers for  
4 that purpose, but investigates the public more  
5 than it investigates Duke Energy and the  
6 utilities. And at the same time, the Commission  
7 is regulating the public as much or more than  
8 it's regulating the utilities.

9 Democracy has been stood on its  
10 head which means that we, the people, our voices  
11 are not heard. This is not just a tragedy for  
12 democracy, it may very well end up being a  
13 tragedy for the whole earth because the earth  
14 cannot sustain the amount of carbon and the  
15 amount of methane and the amount of other  
16 greenhouse gases which we are putting into the  
17 atmosphere. That is crystal clear. The science  
18 is clear. The Paris Agreements were clear. And  
19 it's clear to those of us who pay attention to  
20 the weather patterns around the world right now  
21 and not just weather, of course, but wild fires,  
22 drought, and so on.

23 So it's my -- I have great  
24 grandchildren, I don't know if any of you do, but

1 I have great grandchildren. I also had a  
2 granddaughter born a year ago. I take her future  
3 very seriously. I also worry about whether she  
4 will have a planet as beautiful as the one I got  
5 to grow up in for the last 73 years; as beautiful  
6 a planet as I had in 2075, or 2080 or 2090. And  
7 I hold you folks responsible for ensuring that my  
8 granddaughter, Evangeline, will have that  
9 opportunity. Thank you very much.

10 CHAIRMAN FINLEY: Thank you, Dr. Norris.

11 Questions?

12 THE WITNESS: Yes.

13 MR. RUNKLE: I have a question.

14 CHAIRMAN FINLEY: Mr. Runkle.

15 CROSS EXAMINATION

16 BY MR. RUNKLE:

17 Q Dr. Norris, you refer to yourself as a doctor.  
18 What are you a doctor of?

19 A I have a PhD in government from Cornell  
20 University.

21 Q And what has been -- are you retired now?

22 A I am retired, yes.

23 Q What was your work experience?

24 A I taught college. I was a builder for a long

1 time and then I taught college again.

2 Q What was the last college you taught at?

3 A At Warren Wilson College in Swannanoa.

4 MR. RUNKLE: I have no further questions.

5 CHAIRMAN FINLEY: Thank you for coming,  
6 Dr. Norris.

7 THE WITNESS: Thank you.

8 (The witness is excused.)

9 MS. CULPEPPER: Beth Henry, followed by  
10 Catherine Chandler.

11 CHAIRMAN FINLEY: Ms. Henry, affirm or  
12 swear?

13 MS. HENRY: Affirm please.

14 BETH HENRY; was duly affirmed and  
15 testified as follows:

16 DIRECT EXAMINATION

17 BY MS. CULPEPPER:

18 Q Please state your name and address for the  
19 record.

20 A Beth Henry, 3066 Stoneybrook Road, Charlotte,  
21 North Carolina.

22 Q And you're a customer of both Duke and Piedmont?

23 A Yes.

24 Q And you're on the Board of NC WARN?

1 A I am but I'm just speaking for myself today.

2 Q Please proceed.

3 A I've spoken here many times but I've never said  
4 anything about my credentials but in the -- Since  
5 Steve said he's a doctor, in the hopes that  
6 you'll listen to me today, I'll say I was a  
7 Partner with Kilpatrick Stockton Law Firm, I  
8 graduated Phi Beta Kappa from Wake Forest, Editor  
9 in Chief of the Wake Forest Law Review and even  
10 made a perfect score on the LSAT, for what that's  
11 worth.

12 (Applause)

13 So back then anyway I had some  
14 brain cells. I've lost a few since then. But I  
15 have devoted a lot of time in my retirement to  
16 studying about the climate crisis and I've read  
17 much of the docket in this case.

18 The Commission's three-prong test  
19 that is laid out has a third prong and I don't  
20 think the merger meets that test. To me, the  
21 merger does not result in sufficient benefits to  
22 offset the potential costs and risks.

23 First of all, to me, some of the  
24 supposed benefits are really costs are harmful.

1 Duke says it will be positioned to grow its  
2 natural gas platform. It's already positioned to  
3 do that. It's already planning to do that. And  
4 with the climate crisis getting so much worse,  
5 building more fossil fuel plants is crazy. Duke  
6 can already compete for capital. They don't need  
7 to buy Piedmont to compete for capital. As for  
8 fuel costs, they make no assurances simply  
9 stating that the merger may provide opportunities  
10 to potentially lower fuel costs, so that's just a  
11 big maybe.

12 So what can customers count on?  
13 The cost benefit analysis mentions about  
14 \$10 million annually that can be saved from  
15 salaries and stuff like that. Well, per  
16 customer, that's a few pennies that can be saved  
17 annually. And, of course, there are other  
18 non-quantifiable possible benefits that really  
19 all amount to it's better to be bigger.

20 There is a one time \$10 million  
21 credit to bills but, again, that's one time. And  
22 with all the customers it's really just -- the  
23 way I calculated it about \$2.75 if every customer  
24 gets it equally but probably the big customers

1 will get more of it; not enough for a large cup  
2 of coffee.

3 The other alleged benefit in the  
4 Settlement Agreement is all of these  
5 contributions to foundations and community  
6 colleges for workforce development and so on.  
7 They already do all of that. And I learned back  
8 when trying to talk to folks in Charlotte about  
9 the proposed Cliffside coal plant, you would not  
10 believe how many powerful, prominent people said  
11 to me, *Oh, I'm worried about the coal plant, too,*  
12 *but my organization or my college or my this or*  
13 *my that gets money from Duke and I can't possibly*  
14 *make them mad by speaking up against it.* That is  
15 a real problem, certainly in Charlotte where I  
16 live it is. People are afraid. And the money --  
17 and just making the money even more just makes it  
18 harder for people who are genuinely worried about  
19 the direction of their business plan to say  
20 anything. Believe me -- my husband is still a  
21 lawyer. I get tons of grief when I go back from  
22 something like this from his law partners. It's  
23 hard in Charlotte and the money just really  
24 exacerbates that problem. So, to me, that

1       purported benefit really leads to silencing  
2       opposition as the money is handed out.

3               The money is also key to analyzing  
4       the other part of that test, the merger's  
5       potential costs and benefit -- and risks, excuse  
6       me. A huge risk is that the bigger Duke gets,  
7       the more money it has to buy influence.

8       Consider just recently, for example, they get  
9       what they want in the General Assembly and they  
10      give money to both sides of the isle. When Duke  
11      wanted gas plants in Asheville, they went  
12      straight to the General Assembly and procured a  
13      Statute that diminished this Commission's ability  
14      to regulate. Recently, when regulators  
15      determined that coal ash, all of the coal ash  
16      ponds needed to be excavated, almost immediately  
17      within a week or two they reversed, they got  
18      legislation reversing that decision by the  
19      regulators in charge so that they don't have to  
20      excavate them. So the bigger they get the more  
21      overwhelming their political power will be.

22      They're already the biggest funder of our  
23      Legislature and a huge funder of Congress. Duke  
24      already largely determines energy policy and even

1 writes the laws. Giving them more power at this  
2 crucial time risks severe harm to North  
3 Carolinians, to our democracy and the future.  
4 This foreseeable harm outweighs any benefits of  
5 what potentially may happen that's good.

6 CHAIRMAN FINLEY: Let's wrap it up,  
7 Ms. Henry, please.

8 THE WITNESS: Is that five minutes?

9 CHAIRMAN FINLEY: Yes, ma'am.

10 THE WITNESS: May I just wrap up a couple of  
11 more sentences?

12 CHAIRMAN FINLEY: Yes, ma'am.

13 THE WITNESS: The future of life on earth  
14 does hang in the balance and we all hate to face it  
15 but, if you read sciences and face reality, it's true.  
16 Our climate is getting hotter and more extreme. With  
17 sea level rises already locked in are going to  
18 inundate North Carolina's coast. There will probably  
19 be failed states and massive immigration.

20 You folks are in a position to do something  
21 about it and I would just urge you not to allow Duke  
22 to double down on dangerous fossil fuels but to do  
23 what you can to get them to turn in a direction that  
24 protects our state and our children and our

1 grandchildren.

2 (Applause)

3 CHAIRMAN FINLEY: Thank you. Have a seat,  
4 Ms. Henry, let's see if there are any questions.

5 THE WITNESS: I'm sorry.

6 CHAIRMAN FINLEY: Any questions for  
7 Ms. Henry?

8 MS. CULPEPPER: No questions.

9 CHAIRMAN FINLEY: And let's please not clap.  
10 Thank you for coming, Ms. Henry.

11 (The witness is excused.)

12 MS. CULPEPPER: Catherine Chandler, to be  
13 followed by Andrew Hernandez.

14 CHAIRMAN FINLEY: Swear or affirm,  
15 Ms. Chandler?

16 MS. CHANDLER: Excuse me.

17 CHAIRMAN FINLEY: Do you want to swear or to  
18 affirm?

19 MS. CHANDLER: Affirm.

20 CATHERINE CHANDLER; was duly affirmed and  
21 testified as follows:

22 MS. CHANDLER: As I see it.  
23  
24

## 1 DIRECT EXAMINATION

2 BY MS. CULPEPPER:

3 Q Please state your name and address.

4 A My name is Catherine Chandler and my address is  
5 111 East Ellerbee Street in Durham 27704.

6 Q You're a customer of Duke?

7 A Yes, I am.

8 Q And you're affiliated with NC WARN?

9 A I am a volunteer. I'm retired and I'm a North  
10 Carolina citizen born and raised and in my  
11 retirement I do folding when they ask me to.

12 Q Are you testifying on your own behalf?

13 A Yes, absolutely.

14 Q Please proceed.

15 A As a citizen.

16 Q Please proceed.

17 A And a citizen of a great city, too. I'd like  
18 to -- I'm reading an e-mail that I sent this  
19 morning to the Commission. And I didn't plan to  
20 speak but it seems to dovetail the topics with  
21 other speakers. And I know I'm following some  
22 great commentators --23 CHAIRMAN FINLEY: Go ahead with your  
24 statement. You're going to limit your time if you

1 don't go ahead and tell us what you want to -- what we  
2 need to --

3 THE WITNESS: Mine's not very long so I have  
4 extra time, I think.

5 CHAIRMAN FINLEY: That's fine.

6 (Laughter)

7 THE WITNESS: Okay. Dear Chairman Finley,  
8 the customers of Duke Energy in our state are already  
9 held accountable for uncontrolled decisions and  
10 expenses of a runaway monopoly with no regard for the  
11 people of the state they serve. Everything Duke has  
12 done in the last decade has been about power, their  
13 power, not about energy. If North Carolina's  
14 well-being and energy security were their concern, we  
15 would be a top solar energy supplier in the country  
16 now. Instead, Duke was allowed to dismantle that  
17 decade of solar achievement on the dawn of a solar  
18 revolution in technology, price, climate compatibility  
19 and jobs, jobs for North Carolina -- for North  
20 Carolinians at a much needed economic time. Solar  
21 jobs out number or at least compete with construction  
22 jobs in California, and to think that we used to be in  
23 that competitive league.

24 The Utilities Commission that you chair

NORTH CAROLINA UTILITIES COMMISSION

1 allowed Duke Energy to abandon this clean, even though  
2 inevitable industry, which immediately pulled out of  
3 North Carolina for greener pastures - South Carolina  
4 and Georgia - where Duke Energy does not control the  
5 legislatures and the governors.

6 We, the people of North Carolina -- I'm  
7 sorry. We, the public of North Carolina, need your  
8 Commission to represent us. Sorry. This is your  
9 mission and your assignment. As a state and as North  
10 Carolina taxpayers you cannot in-debt us to two North  
11 Carolina monopolies with the merger of Piedmont  
12 Natural Gas that exhibit more power as public  
13 utilities than any corporation in our state. The only  
14 power more powerful is our Public Utilities  
15 Commission. Consider your responsibilities to our  
16 state's environmental health, economic health and  
17 long-term future, please. The citizens of North  
18 Carolina deserve educated, meaningful and truthful  
19 hearings. We deserve and require transparency. We  
20 are the public in our Public Utilities Commission.  
21 Thank you.

22 CHAIRMAN FINLEY: Thank you, Ms. Chandler.  
23 Questions?

24 MS. CULPEPPER: No questions.

1 CHAIRMAN FINLEY: Thank you for coming this  
2 afternoon.

3 (The witness is excused.)

4 MS. CULPEPPER: Andrew Hernandez, to be  
5 followed by Clint Mayberry.

6 MR. HERNANDEZ: I'd like to be affirmed.

7 ANDREW HERNANDEZ; was duly affirmed and  
8 testified as follows:

9 DIRECT EXAMINATION

10 BY MS. CULPEPPER:

11 Q Please state your name and address for the  
12 record.

13 A Andrew Hernandez, 100 Amberglow Place.

14 Q And the city?

15 A Cary.

16 Q And you're a customer of Duke?

17 A Yes, ma'am.

18 Q Are you affiliated with a party in this  
19 proceeding?

20 A No, ma'am.

21 Q Please proceed.

22 A All right. Hello, Commissioners. My name is  
23 Andrew Hernandez and I speak today as a concerned  
24 customer of Duke Energy as well a student of

1 North Carolina University.

2 Duke Energy, for the fifth time in  
3 a row, has settled a case behind closed doors  
4 with absolutely no input from the public. This  
5 time, it has become a habit of Duke Energy; that  
6 is, the systematic silencing of anyone who may  
7 raise any legitimate questions about their  
8 operations. Duke Energy and their employees are  
9 simply not interested in having any kind of  
10 meaningful cooperation with concerned parties or  
11 even the people that they serve, that is to say  
12 their own customers, and there is a case to be  
13 made against the merger.

14 The merging of two enormous  
15 monopolies in such a radically streamlined  
16 fashion is unheard of. And, without public input  
17 on the matter, there is a severe lack of trust  
18 between customers such as myself and the  
19 regulatory board which is tasked with overseeing  
20 this merger.

21 Duke Energy has said in numerous  
22 articles that rates will go down and customers  
23 will see a net decrease in payments and bills and  
24 energy over the next few months; I'm not so

1 convinced. My concern is when the well runs dry  
2 and frack is ushered out as obsolete, or when the  
3 pipes leak for the AC pipeline and maintenance is  
4 required, or in the next 10 years when the actual  
5 greenhouse gas is being omitted through methane  
6 affect the coast, who is paying for the  
7 externality cost of all of these different  
8 developments. I have no faith honestly that Duke  
9 will be on the receiving end of that bill and  
10 that is why I am extremely concerned as a  
11 rate-paying customer in this state and for the  
12 contempt, it seems, that Duke seems to have for  
13 its own customers. That is all.

14 CHAIRMAN FINLEY: Thank you, Mr. Hernandez.  
15 Questions?

16 MS. CULPEPPER: No questions.

17 CHAIRMAN FINLEY: Thank you for coming, sir.

18 THE WITNESS: Thank you.

19 (The witness is excused.)

20 MS. CULPEPPER: Clint Mayberry, followed by  
21 Hope Taylor.

22 CHAIRMAN FINLEY: Swear or affirm,  
23 Mr. Mayberry?

24 MR. McSHERRY: I would prefer to affirm.

1 CLINT McSHERRY; was duly affirmed and  
2 testified as follows:

3 DIRECT EXAMINATION

4 BY MS. CULPEPPER:

5 Q Please state your name and address.

6 A Clint McSherry -- sorry for the sloppy  
7 handwriting -- 3610 Barn View Place, Durham,  
8 North Carolina.

9 Q Would you spell your last name?

10 A M-C- capital S- H-E-R-R-Y.

11 Q And you're a customer of Duke?

12 A Yes.

13 Q And are you affiliated with a party in this  
14 proceeding?

15 A No, ma'am.

16 Q Please proceed.

17 A A lot of arguments that I've heard on the case  
18 and that we have heard today have focused very  
19 heavily on, to a degree, morality and compassion  
20 and, furthermore, on the benefit to or risk of  
21 our public space and environment as a whole. I'd  
22 rather look more closely at statistical and  
23 economic considerations. But, first of all, I'd  
24 also like to consider whether Duke is essentially

1 obligated to act in the public benefit as a  
2 private corporation, obviously not. They are  
3 free to choose whatever they see fit to benefit  
4 their profits to satisfy their shareholders,  
5 their stakeholders. It is the Public Staff and  
6 the Utilities Commission's job, as  
7 representatives of the public, to uphold our  
8 ideals and part of that is making the best  
9 possible economic choice.

10 I am doubtful that any  
11 alternatives to the current plan for a merger and  
12 subsequent construction of future natural gas  
13 plants has been considered. It seems -- it seems  
14 less than ideal to go forward with a \$6.7 billion  
15 purchase of a natural gas company with plans to  
16 further build 15 to 20 massive natural gas plants  
17 over the course of the next few years or decades  
18 when alternatively that money could be used far  
19 more beneficially to follow the markets with  
20 renewable resources.

21 Fossil fuels, as time goes by,  
22 become increasingly costly and challenging to  
23 retrieve. That's why we're seeing moves away  
24 from coal and petroleum and towards natural gas

1           because we've found ways to retrieve it that  
2           don't cost as much money. What happens in five  
3           or 10 years when, like I said, we're running out  
4           of shale reserves and it does become more costly?  
5           Do we find a new alternative? Do we make another  
6           major many, many billion dollar merger? How long  
7           does that take? We don't know. There's unknowns  
8           there.

9                       What we do know is that renewable  
10          resources are becoming increasingly more cost  
11          effective. In some cases, the cost of installing  
12          solar has gone down nearly three quarters. It  
13          costs significantly less than it did 10, 20 years  
14          ago and still it was beneficial to install then.  
15          So why then are we not focused on the market  
16          becoming both increasingly efficient and  
17          increasingly cheap instead of this market which  
18          is increasingly damaging and challenging and  
19          costly.

20                      One of the phrases that I've seen  
21          used often with regard to Duke Energy's future is  
22          modernization, and I have difficulty believing  
23          that the way forward is this more costly,  
24          damaging concept. At the base of it, really, I

1 see a lot of focus on increased profits and  
2 that's understandable. Duke is a private  
3 corporation. They function for their  
4 stakeholders like we said. But it is our  
5 collective responsibility here to act pretty much  
6 in our own benefit as public in an attempt to  
7 both get the most out of our tax dollars and,  
8 also, the most for our own personal futures.

9 While I have no intent to attack  
10 Duke or Piedmont for attempting to act in their  
11 own best interest, I think it is borderline  
12 negligent of the future of the people of this  
13 state, of myself as a recent college graduate  
14 fighting for my own future, for Steve's great  
15 granddaughter, for you, yourselves and your  
16 children and grandchildren, that it is foolish in  
17 a sense, negligent in a sense and perhaps even  
18 irrational to move forward with a merger that we  
19 know will only result in billions of dollars  
20 further spent furthering a dying industry and  
21 there are certainly alternatives that we can move  
22 towards. Thank you.

23 CHAIRMAN FINLEY: Thank you, Mr. McSherry.

24 Questions?

1 MS. CULPEPPER: No questions.

2 CHAIRMAN FINLEY: Thank you for coming.

3 THE WITNESS: Thank you.

4 (The witness is excused.)

5 MS. CULPEPPER: Hope Taylor. Mr. Chairman,  
6 I've been advised that there are additional people  
7 that would like to testify that are not in the room  
8 due to the capacity of the room, and I --

9 CHAIRMAN FINLEY: We'll cross that bridge  
10 when we get to it.

11 MS. CULPEPPER: Okay. We have one  
12 non-customer signed up next and I didn't know if you  
13 wanted to take a non-customer before --

14 CHAIRMAN FINLEY: Let's hear from  
15 Ms. Taylor. Would you like to affirm or swear?

16 MS. TAYLOR: Affirm.

17 HOPE TAYLOR; was duly affirmed and  
18 testified as follows:

19 DIRECT EXAMINATION

20 BY MS. CULPEPPER:

21 Q Please state your name and address.

22 A Hope Taylor, 1588 Jack Clement Road, Stem, North  
23 Carolina.

24 Q And you're a customer of Duke?

1 A I am.

2 Q Are you affiliated with a party in this  
3 proceeding?

4 A I am not.

5 Q Are you speaking on your own behalf?

6 A I am and on behalf of my organization, Clean  
7 Water for North Carolina.

8 Q Please proceed.

9 A So I'd like to speak first as a residential  
10 customer then as a physical scientist and  
11 environmental justice advocate on behalf of Clean  
12 Water for North Carolina, our members and allies  
13 across the state in the more general public  
14 interest.

15 First, I object to this merger as  
16 it would intensify the profitability in an  
17 unjustified way and accelerate the construction  
18 of gas pipelines such as the Atlantic Coast  
19 Pipeline in North Carolina. As a customer, I  
20 would forcibly become an even deeper funder of  
21 such a pipeline that would, according to numerous  
22 economic studies, be built predominantly not at  
23 the risk of shareholders but at the risk of  
24 ratepayers. Pipelines that would thwart

1 investment in transition to a cleaner, more  
2 cost-effective and more job creating renewable  
3 energies and efficiency. In order to facilitate  
4 this \$5 billion project, that even a former FERC  
5 Commissioner acknowledges is likely to become a  
6 stranded asset with the ratepayers holding the  
7 bag, are completely unjustified.

8 Next, I would like to talk as a  
9 physical scientist and an environmental justice  
10 advocate on behalf of Clean Water for North  
11 Carolina. In 2010 - 2011, one could have been  
12 justified in believing that there was a climate  
13 benefit or other environmental benefits to a  
14 major transition to natural gas. I have followed  
15 the scientific literature closely about the  
16 impacts of methane on our climate. We know that  
17 between the enormous factor by which methane  
18 exceeds carbon dioxide and its power as a  
19 greenhouse gas and the amount of information that  
20 we now have available about increases in  
21 atmospheric methane and fugitive leaks from both  
22 gas extraction, treatment and pipelines, that  
23 natural gas, the transition to natural gas is  
24 rapidly becoming a worse factor for climate than

1 coal ever was, and I'm certainly no advocate for  
2 coal. As a result, I think that it cannot be in  
3 the public interest for Duke to further deepen  
4 its investment in natural gas-related  
5 technologies and construction.

6 Finally, as an environmental  
7 justice advocate, it's important to realize that  
8 pipeline construction already has  
9 disproportionate impacts on lower income  
10 communities predominantly world. These are the  
11 people who are impacted by eminent domain. These  
12 are the people whose lives are disrupted, many of  
13 them long-time residents, some of them elderly  
14 with very few options about where they're going  
15 to go and how they're going to adjust in their  
16 lives. But in Eastern North Carolina, we have a  
17 particular environmental justice situation where  
18 not only the poverty rates but the percentage of  
19 people of color. In almost, in at least seven of  
20 the eight counties through which the Atlantic  
21 Coast Pipeline would pass are predominantly  
22 African American with significant Native American  
23 and Latino populations. This means that there is  
24 the potential for disproportionate impact by this

1 pipeline on those families, those residents. And  
2 to further exacerbate that, climate change is  
3 well-known to most deeply impact people who are  
4 vulnerable because they have fewer economic  
5 resources, fewer health resources and a more  
6 limited social network. So I oppose this merger  
7 strongly. Thank you very much for your  
8 consideration.

9 CHAIRMAN FINLEY: Thank you, Ms. Taylor.  
10 Questions for Ms. Taylor?

11 MS. CULPEPPER: No questions.

12 (The witness is excused.)

13 CHAIRMAN FINLEY: Let's hear from people  
14 here in the room even if they're not customers. They  
15 came here first and ought to be entitled to be heard.

16 MS. CULPEPPER: Richard Fireman.

17 CHAIRMAN FINLEY: Swear or affirm,  
18 Dr. Fireman?

19 DR. FIREMAN: I affirm.

20 RICHARD FIREMAN; was duly affirmed and  
21 testified as follows:

22 DIRECT EXAMINATION

23 BY MS. CULPEPPER:

24 Q Please state your name and address for the

1 record.

2 A Richard Fireman, 374 Laughing River Road, Mars  
3 Hill, North Carolina 28754.

4 Q And you are not a customer of Duke?

5 A I am not a customer of Duke.

6 Q And you are a member of NC WARN?

7 A I am a member of NC WARN but I'm speaking as a  
8 member of the public.

9 Q Please proceed.

10 A Thank you. Before I start my remarks I want to  
11 submit four items for the record. The first is a  
12 study called Global -- Impacts of Global Warming  
13 on North Carolina's Coastal Economy written by  
14 Staff at Duke, UNC Wilmington, Coastal Carolina  
15 University and ASU. Second is a report of a  
16 study by the Academy of Risk Management and  
17 Insurance citing recent evidence of sea level  
18 rise of up to nine feet by 2050-2060, nearly  
19 double the rate of estimated four feet by 2100.  
20 Another scientist recently commented on the data  
21 by saying, *The latest field data out of West*  
22 *Antarctic is that Oh My God kind of thing.* And a  
23 news article by a World Bank study that says  
24 Climate change puts 1.3 billion people at risk

1 and \$158 trillion at risk.

2 Duke Energy, the Public Staff and  
3 the Commission have managed to keep me officially  
4 out of these proceedings as an Intervenor by  
5 claiming I have no substantial interest in the  
6 merger. But as this information about climate  
7 describes every North Carolina resident has a  
8 substantial interest in the merger, especially  
9 those who live in the 18 counties that abut the  
10 water of North Carolina. Our collective risk for  
11 centuries and millennia to come will be biblical  
12 in nature and the cost to our people and  
13 landscape immeasurable.

14 When the merger is approved by the  
15 Commission, Duke Energy will derive most of its  
16 profit from building out a natural gas  
17 infrastructure that will help feed our state and  
18 planet to dangerous and inhospitable levels  
19 destroying the society to which human culture is  
20 ill adapted. By failing to consider the  
21 consequences, risks and social environmental  
22 costs in their analysis, the Public Staff has  
23 failed its mandate under our constitution to  
24 protect the public welfare for both current

1           ratepayers and all future generations.

2                       The Public Staff and Commission  
3           have failed to understand our constitution when  
4           it states *We, the people of the State of North*  
5           *Carolina grateful to Almighty God, the Sovereign*  
6           *Ruler of Nations, for the preservation of the*  
7           *American Union and the existence of our civil,*  
8           *political and religious liberties, and*  
9           *acknowledging our dependence upon Him for the*  
10          *continuance of those blessings to us and our*  
11          *posterity, do, for the more certain security*  
12          *thereof and for the better government of our*  
13          *State, ordain and establish the Constitution.*  
14          The Public staff fails our posterity, our  
15          children and grandchildren and their certain  
16          security, it gambles over 2000 square miles of  
17          coastal property, our public health, our  
18          fisheries, our forests, our agricultural lands in  
19          perpetuity against low electric rates for a few  
20          years due to the low dollar cost and an apparent  
21          abundance of natural gas in the present. This is  
22          a risk that fails the test of both common sense  
23          and the legal, fiduciary, and moral intentions of  
24          the laws and regulations under our Constitution.

1 Chairman Finley and some members  
2 of the Commission know that I'm a retired medical  
3 doctor. When I began my medical practice in  
4 1969, the standard of care for people with heart  
5 attacks was bed rest. That was where medical  
6 science stood 47 years ago. If I practice  
7 medicine by ignoring up-to-date science the way  
8 the Public staff and you evaluate this merger and  
9 its risks, I would have lost my medical license  
10 years ago. Costs, risks, benefit analyses of the  
11 utility sector 47 years ago could not have  
12 included the social and environmental cost of  
13 fossil fuels and climate change. Yet 47 years  
14 later, you consciously choose to keep your head  
15 in the sand and refuse to do what any responsible  
16 public servant should do - consider all the  
17 relevant facts and data as the Public Staff  
18 claims it will do in a letter of May 13th of this  
19 year dated -- sent to Frank Berry of Morganton,  
20 North Carolina. It should be in the record or  
21 already is in the record. In the Public Staff's  
22 own words, this is what it stated on how it would  
23 evaluate the murder -- the merger, the  
24 transaction will have no adverse impact on the

1 utilities of North Carolina's retail ratepayers.  
2 Consumers are protected as much as possible from  
3 potential costs and risks related to the  
4 transaction and, if there are sufficient benefits  
5 from the transaction to offset such costs and  
6 risks, investigation will identify into the  
7 sense, possible quantify all known risks and  
8 benefits. You have failed to quantify those  
9 risks.

10 CHAIRMAN FINLEY: Let's wrap it up,  
11 Dr. Fireman, please.

12 THE WITNESS: I have just a few more  
13 sentences.

14 CHAIRMAN FINLEY: All right.

15 THE WITNESS: Under 62-2, you're suppose to  
16 encourage and promote harmony between the public  
17 utilities, their users and the environment; you're  
18 suppose to diversify resources; you're suppose to  
19 provide increased energy security by using indigenous  
20 energy resources available; and promote private  
21 investment and renewable energy. I have no hope that  
22 you will do what you ought to do. I can only  
23 guarantee as a citizen and as many as the people I  
24 know in the room around the state will continue to

1 fight for energy democracy in North Carolina and for  
2 regulators and regulations to protect us, our children  
3 and our grandchildren. Thank you.

4 CHAIRMAN FINLEY: Are there questions for  
5 Dr. Fireman?

6 MS. CULPEPPER: No questions.

7 CHAIRMAN FINLEY: He's brought some exhibits  
8 there. Let's mark those for identification as Fireman  
9 Exhibit Number 1.

10 Fireman Exhibit Number 1

11 (Identified)

12 (The witness is excused.)

13 CHAIRMAN FINLEY: Ms. Culpepper, let's find  
14 out how many people are outside the room that want to  
15 testify. Find out how many there are and hopefully  
16 they've got something new to testify to. Let's see if  
17 they can have something new to testify that they  
18 hadn't --

19 MS. CULPEPPER: May we have a brief recess?

20 CHAIRMAN FINLEY: We'll have a 10-minute  
21 recess in place.

22 (Recess at 2:58 p.m., until 3:05 p.m.)  
23  
24

1 (Page 55, lines 5 through 16 were  
2 typed into the record by the Court  
3 Reporter as heard on the audio  
4 recording of the proceeding.)

5 CHAIRMAN FINLEY: Ms. Culpepper, two more  
6 witnesses. Call the next witness.

7 MS. CULPEPPER: Dr. Steve English, to be  
8 followed by Emily Wilkins.

9 CHAIRMAN FINLEY: Swear or affirm,  
10 Mr. English?

11 DR. ENGLISH: Affirm.

12 STEVE ENGLISH; was duly affirmed and  
13 testified as follows:

14 DIRECT EXAMINATION

15 BY MS. CULPEPPER:

16 Q Please state your name and address.

17 (The Court Reporter enters the  
18 room.)

19 CHAIRMAN FINLEY: That's Mr. English who has  
20 been sworn in -- or affirmed.

21 THE WITNESS: Name and address?

22 BY MS. CULPEPPER:

23 Q Yes, please.

24 A Dr. Steven Sanborn English, 236 Perrin Place,

1 Charlotte, North Carolina 28207.

2 Q And you're a customer of Duke?

3 A I am.

4 Q Are you affiliated with a party to this  
5 proceeding?

6 A No.

7 Q Please proceed.

8 A Good afternoon, everybody. My name is Steve  
9 English, as I said. I am a minister and a  
10 practicing chiropractor for the last 31 years in  
11 Charlotte, North Carolina.

12 CHAIRMAN FINLEY: If you're going to stand,  
13 Dr. English, just lift that mic up a little bit.

14 THE WITNESS: Is that better? Can you hear  
15 me? Since 1970, 40 percent of all the beams that have  
16 the breath of life, the plants and the animals have  
17 been erased; not species but number of plants and  
18 animals, species, that's another story. Four out of  
19 every 10 creatures have been eliminated, killed, wiped  
20 out, obliterated in a mass genocide unlike any  
21 unleashed on our beautiful blue planet since a comet  
22 struck the Gulf of Mexico 66 million years ago which  
23 wiped out 89 percent of all life forms. Amphibians,  
24 reptiles and vertebrates have borne the greatest brunt

1 of that, suffered far more, more in range of about  
2 50 percent of numbers. What's the cause of this  
3 devastation and desecration? There are many: Ocean  
4 acidification, toxification, habitat destruction, but  
5 far and away the biggest causes are poor land use and  
6 the burning of fossil fuels.

7           What are fossil fuels? We know coal, oil,  
8 all petroleum products and, yes, natural gas. Natural  
9 gas is not a clean fuel and we should not be using it  
10 as a bridge fuel. Not only does the production of  
11 natural gas require nauseating amounts of water but it  
12 pollutes and toxifies these millions of gallons of  
13 water. There are always leaks of substantial amounts  
14 of toxic natural gas into everyone's environment and  
15 the transportation, in this case from Pennsylvania to  
16 North Carolina or wherever.

17           Hydraulic fracturing, or fracking, causes  
18 and has already created thousands of seismic events,  
19 earthquakes measured. One area of Ohio had never had  
20 a seismic event since we've had the tools to test it  
21 until they started fracking in southeastern Ohio. In  
22 the next two years, there were 164 measured  
23 earthquakes. When they stopped fracking there were no  
24 more earthquakes. Now, I know we're talking about

1 maybe up in Pennsylvania so not in my back yard but,  
2 do you know what, that's somebody else's back yard,  
3 too. So seismicity causation this is called.

4           The scientists have done their job. The  
5 overwhelming evidence is in and that is that climate  
6 change in our ever warming world is caused by the  
7 burning of fossil fuels. So what do we do? Well, we  
8 can start here. You fine folks have the ability to  
9 say no to this merger of Piedmont Natural Gas and Duke  
10 Energy. Eliminating competition and doubling down on  
11 burning more fossil fuels is a fool's errand. It's  
12 crazy! And why do I care? Why am I so passionate  
13 about all of this? Two years ago, not only do I have  
14 four children, but two years ago I helped to birth  
15 into the world my first grandchild. Since Parker's  
16 birth, I have welcomed two more granddaughters into  
17 the world, 11-month old Airlie (spelling uncertain)  
18 and 3-month old Sophia, all of whom live in North  
19 Carolina. Likely current scenarios predict that by  
20 the time these three reach middle age, we'll have lost  
21 50 percent of all species on this planet; that's  
22 permanent extinction forever. How can we not do  
23 everything to stop the destruction and co-create the  
24 possibility of this planet to thrive.

1           There are two basic broad categories of how  
2 we show up on the planet: One is extractive, where we  
3 continue to strip resources, blow up mountains for  
4 coal and extract, extract, extract; fracking or  
5 hydraulic fracturing is one of these; the other is  
6 generative, wherein the activity or production is  
7 renewable, clean and helps the planets thrive and  
8 gives it an opportunity to regenerate. Solar and wind  
9 power are examples of this. So I need to look at my  
10 granddaughters with that unquestioned,  
11 unconditional -- that I bet some of you people have as  
12 all of us have granddaughters, grandsons, sons,  
13 nieces, nephews -- we've got to care about what kind  
14 of a planet they live in, too.

15           So what I'm offering here is a new  
16 Declaration of Independence from Kathleen Dean Moore  
17 and that is that all beings have a right to a healthy  
18 and life-sustaining planet and this right overrides  
19 the presumed right of the few to plunder the common  
20 heritage and destabilize the earth's future without  
21 restraint. Please, for your children and your  
22 grandchildren of all species, say no to this merger.  
23 Thank you.

24           CHAIRMAN FINLEY: Thank you. Questions of

1 Dr. English?

2 MS. CULPEPPER: No questions.

3 CHAIRMAN FINLEY: Good to see you again,  
4 Dr. English.

5 (The witness is excused.)

6 MS. CULPEPPER: Emily Wilkins.

7 CHAIRMAN FINLEY: Swear or affirm,  
8 Ms. Wilkins? Swear or affirm?

9 MS. WILKINS: I affirm.

10 **EMILY WILKINS;** was duly affirmed and  
11 testified as follows:

12 DIRECT EXAMINATION

13 BY MS. CULPEPPER:

14 Q Please state your name and address.

15 A Emily Wilkins, 611 Ruby Street, Durham, North  
16 Carolina 27704.

17 Q You're a customer of Duke?

18 A I am.

19 Q And you're affiliated with NC WARN?

20 A I am a volunteer with NC WARN. I do not get any  
21 money from them.

22 Q Are you testifying on your own behalf?

23 A I am and my community.

24 Q Please proceed.

1     A     I drove over here with a friend of mine. Her  
2           name is Hilary. She's between third and fourth  
3           grade, I think, and she's nine years old. She  
4           has a sister who works in the solar industry.

5                     I appreciate that Duke Energy  
6           faithfully delivers power day in and day out so  
7           when I turn on lights I have electricity, when I  
8           turn off my lights the lights go out; I don't  
9           have fires in the neighborhood because they're  
10          poorly managed so you deserve a lot of credit for  
11          doing your job well to make sure that you  
12          regulate the utilities so that we have safe and  
13          reliable energy. Thank you.

14                    I read through your job  
15          responsibilities, no I didn't, Hilary read  
16          through the job responsibilities online as we  
17          were driving over here because I wanted her to  
18          understand what your job is and why all these  
19          people are gathered here today and why you're  
20          spending your time listening to everybody. She  
21          asked a question and I'm going to ask on her  
22          behalf, 'what does promote the inherent advantage  
23          of regulated public service' mean? It's in your  
24          responsibilities so please tell us what that

1 means?

2 CHAIRMAN FINLEY: I think you missed the  
3 instructions, Ms. Wilkins, because you weren't here  
4 when we started. We listen to you and we don't answer  
5 questions at this stage so go ahead and complete  
6 your --

7 THE WITNESS: Thank you.

8 CHAIRMAN FINLEY: Go ahead.

9 THE WITNESS: Another question on my behalf,  
10 why does your mandate, the last of the mandates  
11 include extending natural gas to underserved customers  
12 throughout North Carolina when other sources such as  
13 solar are safer to expand? So I just need to  
14 understand why that's so. I also need to understand  
15 and want to learn from whatever sources I can how I  
16 can implement community solar in my community which  
17 has the disadvantage or advantage of having a whole  
18 lot of tall trees that block solar from my roof and  
19 from her roof and from other roofs in our  
20 neighborhoods.

21 She asks or she states she wants -- she  
22 understands that your job is to stop people from  
23 paying a lot of money for energy and for making it so  
24 that people, if they waste energy that they should be

1 charged more. That's hard to implement but I want you  
2 to understand what a nine-year old wants you to know.

3 Net metering is great. It works for people  
4 with access to funding and with solar-ready property.  
5 For four years I've been trying to figure out a way if  
6 there's any number of trees I could cut down and have  
7 solar on my roof. Well, that's not practical and it's  
8 not going to work for me.

9 So I would encourage the Commission to  
10 please consider the next time you look at your job  
11 responsibilities to figure out if you're going to tag  
12 gas, natural gas or however you want to define that,  
13 if that gets tagged in your job responsibilities, can  
14 we make sure that you also include and -- other  
15 sources of natural -- other sources of energy that  
16 might be less polluting.

17 Thank you so much for your attention and for  
18 the time that you've given me.

19 CHAIRMAN FINLEY: Thank you, Ms. Wilkins.  
20 Mr. Watson, in the back of the room, raise your hand  
21 please. You and Hilary can go back and ask your  
22 questions to Mr. Watson back there and he'll try to  
23 answer them for you.

24 THE WITNESS: Thank you.

1 (The witness is excused.)

2 CHAIRMAN FINLEY: Duke, let's call your  
3 first witness.

4 MR. SOMERS: Mr. Chairman, if I may, just a  
5 couple of preliminary matters before we begin the  
6 evidentiary part of the hearing. In speaking with  
7 counsel prior to beginning the public hearing, we  
8 discussed perhaps a streamline method to put exhibits  
9 into the record and I'll just propose that, if you  
10 don't mind.

11 CHAIRMAN FINLEY: Go ahead.

12 MR. SOMERS: The Company -- the Applicants  
13 filed an Application with four exhibits, Exhibits --  
14 they were listed as Exhibits A, B, C and D on or about  
15 January 15th. My understanding is, and I'll ask  
16 counsel to confirm that there's no objection to those,  
17 to the Application exhibits being admitted into the  
18 record and would ask that we have those submitted by  
19 stipulation?

20 MR. RUNKLE: No objection.

21 CHAIRMAN FINLEY: The Application and  
22 Exhibits A through D, without objection, shall be  
23 admitted into evidence.

24

1 Application of Duke Energy Corporation and Piedmont  
2 Natural Gas, Inc. and Exhibits A, B, C and D  
3 (Admitted)

4 MR. SOMERS: And to note for the record,  
5 Mr. Chairman, Exhibit C is the Market Power Report  
6 required under the Commission's Rules. There are  
7 certain portions of some pages that are marked as  
8 confidential and we'll just note for the Court  
9 Reporter's benefit that those should be marked as such  
10 in the transcript.

11 CHAIRMAN FINLEY: The Court Reporter shall  
12 look out for those pieces of Exhibit C marked  
13 confidential.

14 MR. SOMERS: Next, my understanding is  
15 counsel, at least for NC WARN -- and I'll just refer  
16 to all three of your clients, John, as NC WARN  
17 collectively -- would ask that we just, we could go  
18 ahead and submit all of the Settlement Agreements  
19 reached by Applicants and the various parties, that  
20 being the Public Staff, the Agreement, and there was  
21 an Amendment to that that was filed on Friday of last  
22 week; also, the Settlement Agreement with Mr. Page's  
23 client, CUCA; and the Settlement Agreement reached  
24 with Ms. Vujic's client, Environmental Defense Fund;

1 if those could be entered into the record without  
2 objection at this time?

3 CHAIRMAN FINLEY: The Settlement Agreements,  
4 the Agreement with the Applicants and the Public Staff  
5 as amended, without objection, is entered into the  
6 record.

7 MR. RUNKLE: No objection.

8 Agreement and Stipulation of Settlement Between The  
9 Applicants and The Public Staff, as amended  
10 (Admitted)

11 CHAIRMAN FINLEY: The Agreement between the  
12 Companies and CUCA is entered into the record without  
13 objection.

14 Agreement and Stipulation of Settlement Between The  
15 Applicants and CUCA  
16 (Admitted)

17 CHAIRMAN FINLEY: And the Settlement  
18 Agreement between Duke and the EDF is admitted into  
19 evidence.

20 Agreement and Stipulation of Settlement Between The  
21 Applicants and Environmental Defense Fund  
22 (Admitted)

23 MR. SOMERS: Thank you, Mr. Chairman, one  
24 last evidentiary point. The Applicants have filed a

1 Motion in Limine that the Commission reserved ruling  
2 on until the evidentiary hearing. And at the  
3 appropriate time, if that is not now, I would like to  
4 renew the Applicant's Motion in Limine to limit the  
5 cross examination topics by NC WARN to matters that  
6 are relevant to this docket as set forth in the  
7 Commission's June 28 Order Granting Motion to Strike  
8 and Reserving Decision on Motion in Limine.

9 CHAIRMAN FINLEY: We will admonish the  
10 parties to try to limit their cross examination to  
11 items that are pertinent to this case but we'll take  
12 them one at the time and see where we go. We note  
13 your objection.

14 MR. SOMERS: Thank you, Mr. Chairman. At  
15 this time, we're going to call --

16 MR. RUNKLE: While we're still on procedure,  
17 counsel, may I?

18 MR. SOMERS: Sure.

19 MR. RUNKLE: Mr. Chairman, in the Motion in  
20 Limine and the Motions to Strike two of the -- the  
21 testimony of two of our witnesses. We just found it  
22 was a waste of time and money to bring witnesses here  
23 to say what their name is and qualification; they have  
24 no statement so we're not calling them as witnesses in

1 the proceeding. We would renew our opposition to  
2 those Motions but that was your Order on it.

3 Counsel I -- may I ask a counsel a question  
4 about what's actually in the Stipulated Agreements?  
5 There's the Regulatory requirements and the Code of  
6 Conduct that's included in the initial Motion?

7 MR. SOMERS: Yes. That was my intent was to  
8 include the entire Stipulation including the  
9 Regulatory Conditions and Code of Conduct.

10 MR. RUNKLE: Okay. That was my  
11 understanding, also. Thank you.

12 CHAIRMAN FINLEY: We note your position on  
13 your witnesses and the Motion in Limine. We'll take  
14 that up as we --

15 MR. RUNKLE: Thank you.

16 MR. SOMERS: Mr. Chairman, if I may, the  
17 Applicants will call as a panel, our first witnesses  
18 will be Ms. Lynn Good and Mr. Tom Skains. If I may  
19 approach, I'm going to move the microphone down.

20 LYNN J. GOOD and

21 THOMAS E. SKAINS,

22 as a panel; were duly sworn and

23 testified as follows:

24 , MR. SOMERS: I'm going to begin first with

1 you, Ms. Good. And, Ms. Good and Mr. Skains, I  
2 realize I'm sitting at an unusual angle so please  
3 don't feel like you have crane your neck looking at  
4 me.

5 MR. JEFFRIES: Can you give me one more  
6 second?

7 MR. SOMERS: Sure. I'm sorry. Mr. Jeffries  
8 is handing out copies of your summaries.

9 DIRECT EXAMINATION

10 BY MR. SOMERS:

11 Q Beginning first with you, Ms. Good, would you  
12 please state your name for the record?

13 A (MS. GOOD) Sure. My name is Lynn Good.

14 Q And what is your position with Duke Energy.

15 A I'm Chairman, President and CEO of Duke Energy.

16 Q And what is your business address?

17 A 550 South Tryon Street, Charlotte, North  
18 Carolina.

19 Q And, Ms. Good, did you cause to be prefiled  
20 direct testimony of some 12 pages on or about  
21 January 15, 2016, in this case?

22 A I did.

23 Q And if I asked you those questions today while  
24 you're under oath would your answers be the same

1 as in your prefiled testimony?

2 A Yes, they would.

3 Q Do you have changes or corrections to your  
4 prefiled testimony?

5 A No, I do not.

6 MR. SOMERS: Mr. Chairman, I would ask that  
7 Ms. Good's prefiled direct testimony be entered into  
8 the record as if given orally from the stand?

9 CHAIRMAN FINLEY: Ms. Good's prefiled  
10 testimony filed on January 15, 2016, consisting of 12  
11 pages is copied into the record as though given orally  
12 from the stand.

13 (WHEREUPON, the prefiled direct  
14 testimony of LYNN J. GOOD is  
15 copied into the record as if given  
16 orally from the stand.)  
17  
18  
19  
20  
21  
22  
23  
24

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-2, SUB 1095  
DOCKET NO. E-7, SUB 1100  
DOCKET NO. G-9, SUB 682

In the Matter of )  
 )  
Application of Duke Energy Corporation )  
and Piedmont Natural Gas Company, Inc. to )  
Engage in a Business Combination )  
Transaction and Address Regulatory )  
Conditions and Code of Conduct )

**TESTIMONY OF  
LYNN J. GOOD**

1 Q. PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS.

2 A. Lynn J. Good, Duke Energy Corporation, and my business address is 550  
3 South Tryon Street, Charlotte, North Carolina.

4 Q. MS. GOOD, BY WHOM ARE YOU EMPLOYED AND IN WHAT  
5 CAPACITY?

6 A. I am Chairman, President, and Chief Executive Officer ("CEO") of Duke  
7 Energy Corporation. Duke Energy Corporation ("Duke Energy") is a utility  
8 holding company. Its primary subsidiaries are Duke Energy Carolinas, LLC  
9 ("DEC") and Duke Energy Progress, LLC ("DEP"), which are both public  
10 utilities under the laws of the State of North Carolina and whose public utility  
11 operations in North Carolina are subject to the jurisdiction of this  
12 Commission, as well as Duke Energy Indiana, LLC, Duke Energy Kentucky,  
13 Inc., Duke Energy Ohio, Inc., and Duke Energy Florida, LLC. DEC services  
14 most of western North Carolina and northwestern South Carolina, and DEP  
15 services eastern North Carolina, the area in and around Asheville, North  
16 Carolina, and Northeastern South Carolina. I have held my position since  
17 2013.

18 Q. MS. GOOD, PLEASE DESCRIBE YOUR EDUCATIONAL AND  
19 OCCUPATIONAL BACKGROUND?

20 A. I have a Bachelor of Arts degree in Systems Analysis and Accounting from  
21 Miami University in Oxford, Ohio, and in 2010 I completed the MIT Reactor  
22 Technology Course for Utility Executives. I am a Certified Public Accountant  
23 ("CPA") in the state of Ohio and a member of the Ohio Society of CPAs.

1 I joined Cinergy Corp. in 2003 as Vice President, Financial Project  
2 Strategy and Oversight, after more than two decades with the public  
3 accounting firms Arthur Anderson and Deloitte & Touche, LLP. Prior to my  
4 appointment as President and CEO of Duke Energy in 2013, I served in  
5 various capacities at Cinergy Corp. and then Duke Energy, including Vice  
6 President and Controller of Cinergy Corp., Vice President Finance and  
7 Controller of Cinergy Corp., Chief Financial Officer of Cinergy Corp., Senior  
8 Vice President and Treasurer for Duke Energy, Group Executive and  
9 President of Duke Energy's Commercial Businesses, and Chief Financial  
10 Officer of Duke Energy.

11 My current industry responsibilities include serving as a board  
12 member of the Edison Electric Institute, the Institute of Nuclear Power  
13 Operations, as well as on the executive committee of the Nuclear Energy  
14 Institute. I am also a member of the Business Council and the Business  
15 Roundtable, and I am a member of the Boeing board of directors and serve on  
16 its audit and finance committees. At a local civic level, I serve on the board of  
17 directors of the Bechtler Museum in Charlotte, North Carolina, and I also  
18 Chair and co-founded in 2015, with Mr. Tom Skains, Chairman, President,  
19 and CEO of Piedmont Natural Gas Company, Inc. ("Piedmont Natural Gas"  
20 or "Piedmont"), a leadership council comprised of various Charlotte, North  
21 Carolina CEOs to address various civic issues in our communities such as  
22 economic mobility and education.

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

3 A. The purpose of my testimony is to provide information on the proposed  
4 merger between Duke Energy and Piedmont Natural Gas ("Merger") and the  
5 Agreement and Plan of Merger ("Merger Agreement"), and explain why Duke  
6 Energy's Board of Directors has determined that this Merger with Piedmont  
7 Natural Gas is in the best interests of our customers, our investors, and the  
8 Carolinas, and why I concur in that determination.

9 Q. PLEASE DESCRIBE THE MERGER AGREEMENT ENTERED INTO  
10 BY DUKE ENERGY CORPORATION AND PIEDMONT NATURAL  
11 GAS.

12 A. On October 24, 2015, Duke Energy, Piedmont Natural Gas, and Forest  
13 Subsidiary, Inc. ("Merger Sub"), a Duke Energy merger subsidiary, entered  
14 into the Merger Agreement for the purchase price of \$4.9 billion, all cash. At  
15 closing, Duke Energy will acquire Piedmont Natural Gas by purchasing each  
16 share of its common stock (currently trading on the New York Stock  
17 Exchange under the symbol "PNY") that is issued and outstanding  
18 immediately prior to the effective time of the Merger, which we refer to as the  
19 "effective time." Piedmont common shareholders will receive \$60 in cash for  
20 each share of Piedmont stock that they own. Under the terms of the Merger  
21 Agreement, the Merger Sub will be merged with and into Piedmont Natural  
22 Gas. Although Piedmont will no longer be a publicly traded company, it will  
23 continue to exist as a wholly-owned direct subsidiary of Duke Energy.

1 Piedmont will retain its current name, corporate form and headquarters. The  
2 Merger consideration will be paid in cash, and, as a result, Piedmont Natural  
3 Gas shareholders will receive no equity interest in Duke Energy, and, after the  
4 effective time, will have no equity interest in Piedmont Natural Gas and will  
5 no longer have any interest in Piedmont's future earnings or growth.

6 **Q. HAS THE MERGER BEEN APPROVED BY BOTH DUKE ENERGY**  
7 **AND PIEDMONT NATURAL GAS?**

8 A. The respective boards of directors for Duke Energy and Piedmont  
9 unanimously approved the Merger on October 24, 2015. Approval by  
10 Piedmont's shareholders is required. Those shareholders have been solicited,  
11 and a shareholder meeting will take place on January 22, 2016.

12 **Q. WHAT FACTORS DID YOU CONSIDER IN MAKING YOUR**  
13 **DECISION AND RECOMMENDING TO DUKE ENERGY'S BOARD**  
14 **OF DIRECTORS THAT THE TWO COMPANIES SHOULD MERGE?**

15 A. Duke Energy considered the impact of the Merger on our ability to provide  
16 reliable, affordable electric and, now, natural gas service in the Carolinas to  
17 our respective customers in an environmentally responsible way, our ability to  
18 provide a fair, competitive return to our investors – in both the near term and  
19 the long term, and the greater impacts to the Carolinas of having two of the  
20 United States' premier electric utility and natural gas local distribution  
21 companies ("LDC") headquartered in the Carolinas. We also viewed this  
22 acquisition as a strategic transaction designed to secure our local supply

76

OFFICIAL COPY  
OFFICIAL COPY  
Jan 15 2016  
Jul 26 2016

1 arrangements and to allow for potential expansion into natural gas markets in  
2 both Piedmont's current service territories and nationally.

3 Piedmont Natural Gas is a natural gas LDC that is supported by  
4 attractive regulatory jurisdictions, robust operational performance, superior  
5 customer service, and strong growth prospects. We have known and  
6 partnered with Piedmont over many years and have a great deal of respect for  
7 their management team, their employees, and their business. Acquiring  
8 Piedmont Natural Gas will strengthen Duke Energy in ways that make sense  
9 in the continually consolidating electric utility and natural gas LDC industries.

10 Duke Energy also considered the size and financial leveraging  
11 capabilities of a post-merger Duke Energy in a utility industry where natural  
12 gas is an increasingly pivotal factor in providing low-cost and reliable electric  
13 generation to the customers of investor-owned electric utilities. If the  
14 Commission approves this transaction, Duke Energy will serve approximately  
15 7.3 million electric customers and 1.5 million natural gas LDC customers after  
16 the close of the transaction. Piedmont also has ownership interests in various  
17 gas infrastructure businesses including inter- and intrastate natural gas  
18 transportation, an underground storage facility and a liquefied natural gas  
19 storage facility. These interests include a 10 percent ownership interest in the  
20 Atlantic Coast Pipeline, in which Piedmont and Duke Energy are part owners,  
21 and for which this Commission provided regulatory approvals in the fall of  
22 2014. These are all factors that Duke Energy considered when deciding to  
23 make an offer to merge with Piedmont.

1    **Q.     PLEASE DESCRIBE THE BENEFITS OF THE MERGER TO DUKE**  
2       **ENERGY'S STAKEHOLDERS AND CUSTOMERS.**

3    A.    Should the Commission approve this Merger application, Duke Energy would  
4       experience compelling strategic benefits that include a diversified energy  
5       company that will be well positioned to provide the highest quality service to  
6       our customers at just and reasonable rates. This transaction establishes a  
7       valuable natural gas infrastructure platform which will provide strong growth  
8       opportunities for years to come. Abundant, low-cost natural gas will continue  
9       as an increasingly important part of the nation's energy mix as the shift away  
10      from coal continues. Duke Energy has been a leader in the coal-to-gas  
11      transition during the last decade, and this acquisition further solidifies our  
12      leadership for the future.

13           Duke Energy currently operates six natural gas-fired combined cycle  
14      generation plants at five different generation facilities in North Carolina  
15      through DEC and DEP. These natural gas-fired plants represent an  
16      increasingly economical aspect of Duke Energy's diversified generation mix,  
17      and are essential to our continued delivery of cost-competitive and reliable  
18      electricity to our customers. In addition to the growing need for natural gas to  
19      fuel electric generation, Duke Energy believes that the direct use of natural  
20      gas will become an even more important energy source. This belief is based  
21      upon the current gas forecasts, the current direction of federal environmental  
22      regulations, and customers who will have more options when it comes to  
23      energy consumption. The Atlantic Coast Pipeline is an example of new,

1 significant natural gas infrastructure investment that is part of a growing  
2 national trend responding to ample regional natural gas supply. Through  
3 Duke Energy's strong balance sheet and electric generation expertise, and  
4 Piedmont's understanding of natural gas markets and proficiency in  
5 transportation and distribution, the combined Duke Energy and Piedmont will  
6 be well positioned for a future that may require additional natural gas  
7 infrastructure and services to meet the needs of our customers.

8 Another compelling reason for the Merger is that Piedmont Natural  
9 Gas provides firm transportation for the natural gas used in the generation of  
10 electricity for our customers to all six of those combined cycle generation  
11 plants in North Carolina. Therefore, the proposed Merger immediately  
12 demonstrates the unified strategy of the combined companies where Piedmont  
13 as a subsidiary will continue to facilitate the delivery of essential natural gas  
14 fuel to Duke Energy's electric generation requirements. In light of the  
15 competitive bid for Piedmont that is explained in great detail in the definitive  
16 merger notice and proxy statement on file with the United States Securities  
17 and Exchange Commission, coupled with the fact that Piedmont is, and will  
18 continue to be, a crucial part of our existing business here in the Carolinas, I  
19 am glad that Duke Energy and Piedmont, two companies headquartered in  
20 North Carolina, came together to make this Merger, pending this  
21 Commission's approval, a reality.

22 I also believe that the Merger would present compelling benefits to  
23 North Carolina, as well as to both Duke Energy's and Piedmont's customers

1 in the Carolinas. Both Duke Energy and Piedmont have a long history of  
2 service to our customers and support for the communities in which we  
3 operate. The acquisition of Piedmont's premier utility operations will  
4 improve these capabilities and enhance our ability to provide safe and reliable  
5 energy solutions to our customers. Additionally, Piedmont recently was  
6 named one of the 2015 Most Trusted Brands in the Utility Segment and  
7 moved up in the J.D. Power 2015 Gas Utility Residential Customer  
8 Satisfaction Study. Although there are unique operational characteristics to  
9 LDCs and investor-owned electric utilities that impact how they relate to and  
10 impact customers and customer service, the Merger presents opportunities for  
11 Piedmont and Duke Energy to share customer service best practices and focus  
12 on providing an effective and dependable service experience for our  
13 customers.

14 **Q. WHAT ARE DUKE ENERGY'S PLANS FOR POST-MERGER**  
15 **OPERATIONS OF PIEDMONT NATURAL GAS?**

16 A. For the most part, Piedmont's overall operational management team and  
17 operational philosophy will be unchanged, which will allow for the  
18 continuation and enhancement of the already excellent service that Piedmont  
19 provides to North Carolina customers. Duke Energy recognizes that Piedmont  
20 has served North Carolina for more than 60 years as an operating gas utility,  
21 and that the company has deep capabilities in a wide range of areas related to  
22 the natural gas industry. Upon closing of the Merger, Frank Yoho, who  
23 currently serves as Piedmont's Senior Vice President and Chief Commercial

1 Officer and is an existing member of Piedmont's senior management team,  
2 will manage Duke Energy's natural gas operations, which will consist of the  
3 LDC utilities and gas infrastructure investments across the Company,  
4 including Duke Energy's existing Midwest LDC operations. Mr. Yoho will  
5 report directly to me. Mr. Yoho's responsibilities will extend beyond day-to-  
6 day operations and will include key decisions such as long-term resource  
7 planning. The Carolinas and Tennessee gas LDC operations will continue to  
8 be run under the Piedmont Natural Gas brand, and the operations team will be  
9 based at Piedmont's current headquarters in Charlotte, North Carolina.

10 Additionally, under the terms of the Merger Agreement, upon closing,  
11 Duke Energy will add one Piedmont Natural Gas board member to the  
12 existing Duke Energy Board of Directors. The Duke Energy Board of  
13 Directors has designated Tom Skains to serve in that capacity.

14 **Q. WHAT ARE THE COMPANIES' STATED GOALS IN CONNECTION**  
15 **WITH THE MERGER?**

16 **A.** Both Duke Energy and Piedmont intend for the Merger to deliver sustainable  
17 benefits for the companies, our customers, the Carolinas, and our investors.  
18 Our post-Merger plans for Piedmont to exist as a separate entity and  
19 subsidiary of Duke Energy and maintain its separate headquarters in North  
20 Carolina demonstrates our acknowledgment and respect for the brand,  
21 operational excellence, and management expertise that Piedmont has built in  
22 the Carolinas over the past 60 years. We will leverage those strengths for the  
23 benefit of Piedmont's – and now Duke Energy's – customers, the

1 communities that both Duke Energy and Piedmont serve, and the Carolinas as  
2 a whole. Additionally, as part of the Merger planning process, we will  
3 evaluate how to use knowledge from both companies to optimize system  
4 reliability and efficiencies, customer service, support, and overall experience,  
5 and seek to identify high-level and duplicative utility governance and  
6 operations costs that we can minimize for the sake of our customers. Lastly,  
7 we commit that as a merged company, we will maintain the same  
8 philanthropic presence that both Duke Energy and Piedmont have individually  
9 become known for in the communities that we serve.

10 **Q. ARE THERE OTHER REGULATORY APPROVALS THAT DUKE**  
11 **ENERGY AND PIEDMONT NATURAL GAS MUST OBTAIN**  
12 **BEFORE THE MERGER CAN CLOSE?**

13 **A.** Yes. On December 21, 2015, the United States Federal Trade Commission  
14 granted early termination of the 30-day waiting period under the federal Hart-  
15 Scott-Rodino Antitrust Improvements Act with regard to the Merger. Also, in  
16 addition to needing approval from this Commission, of course, we are seeking  
17 clarification, through a December 2015 declaratory action, from the Kentucky  
18 Public Service Commission as to whether the relevant Kentucky statutes are  
19 applicable to this transaction, as it is our belief that they are not. Piedmont  
20 was also informed by the Tennessee Regulatory Authority that they would  
21 like for it to file a request for approval of a change in control over Piedmont in  
22 Tennessee, so Piedmont is pursuing that authorization. Additionally, on  
23 January 13, 2016, the Public Service Commission of South Carolina held an

- 1 Allowable Ex Parte Briefing on the proposed Merger. Lastly, as Piedmont  
2 witness Skains explains in his testimony, the transaction must be approved by  
3 Piedmont's shareholders, and a special meeting has been scheduled for  
4 January 22, 2016 for the purpose of taking a shareholder vote on the Merger.
- 5 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**
- 6 **A.** Yes, it does.

1 BY MR. SOMERS:

2 Q Ms. Good, have you prepared a summary of your  
3 direct testimony?

4 A I have.

5 Q Would you please provide that to the Commission  
6 now?

7 A Yes.

8 (WHEREUPON, the summary of direct  
9 testimony by LYNN J. GOOD is  
10 copied into the record.)  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

**SUMMARY OF DIRECT TESTIMONY OF LYNN GOOD  
NCUC DOCKET NOS. E-7, SUB 1100; E-2, SUB 1095; G-9, SUB 682**

I am pleased to explain the basis for the proposed merger between Duke Energy Corporation and Piedmont Natural Gas Company and why it is in the public interest. In addition to my testimony and Tom's testimony, our application is supported by the testimony of Steve Young, Duke Energy's Executive Vice President and Chief Financial Officer; Frank Yoho, Piedmont's Senior Vice President and Chief Commercial Officer - - who will lead our post-merger combined gas operations; Jim Reitzes, consultant with The Brattle Group; and Bruce Barkley, Piedmont's Vice-President – Regulatory Affairs, Rates and Gas Cost Accounting, who explains in detail the settlements we have reached with all of the parties who support the merger.

The combination of Duke Energy and Piedmont is a logical step forward that will produce real and lasting benefits to everyone who has a stake in our success...customers, employees, investors, and communities across the Carolinas. Our customers will receive accelerated economic benefits from the merger settlement guarantees, and enhanced customer service, safety and reliable operations from implementing best practices of two premier utilities. We will continue to be an engine of job and economic growth in the region as a national energy leader, based right here in North Carolina. And we will remain a stalwart supporter of communities where we live and work. For these and other reasons, we hope this Commission will recognize the benefits of this merger and approve it.

Duke Energy has known and partnered with Piedmont over many years and we have a great deal of respect for their management team, employees and business. I am excited about this merger and the fact that it will enable Piedmont and its employees to maintain the Piedmont name, their North Carolina headquarters and presence.

As electric and natural gas industries continue to consolidate, this merger will strengthen Duke Energy by securing local gas supply arrangements and allowing for potential expansion

into natural gas markets in Piedmont's current service territories and nationally. Natural gas will continue as an increasingly important part of the nation's energy mix as the shift away from coal continues. Through Duke Energy's strong balance sheet and electric generation expertise, and Piedmont's understanding of natural gas markets and proficient operations, the combined company will be well-positioned for a future that may require additional natural gas infrastructure and services to meet the needs of our customers.

Piedmont is one of the most trusted utility brands and excels in customer satisfaction. The merger will present opportunities for the companies to share best practices to enhance our focus on providing an effective and dependable service experience for our customers.

Piedmont's overall operational management team and operational philosophy will essentially be unchanged. As I mentioned, upon closing of the merger, Frank Yoho will manage all of Duke Energy's natural gas operations and I'm pleased that Tom will join Duke Energy's Board of Directors.

Both Duke Energy and Piedmont believe that the merger will deliver sustainable benefits for the companies, our customers, the Carolinas and our investors. We will continue to evaluate and identify utility governance and operational costs that can be reduced; however the realization of such synergies is not the premise of this merger. In his testimony, Mr. Barkley discusses additional customer benefits and commitments we have made as part of our settlements filed with this Commission. We will leverage both Companies' strengths to optimize system reliability and efficiencies, as well as customer service, support and overall experience.

In conclusion, we believe that the combination of Duke Energy and Piedmont is in the public interest and ask that it be approved by this Commission. This concludes my summary.

1 BY MR. SOMERS:

2 Q Thank you, Ms. Good. Turning next to you,  
3 Mr. Skains, would you please state your name for  
4 the record?

5 A (MR. SKAINS) My name is Thomas E. Skains.

6 Q And what is your position with Piedmont Natural  
7 Gas?

8 A I'm Chairman, President and CEO.

9 Q And what is your business address?

10 A 4720 Piedmont Row Drive, Charlotte, North  
11 Carolina.

12 Q Mr. Skains, did you cause to be prefiled direct  
13 testimony of some 11 pages on or about January  
14 15, 2016?

15 A Yes, I did.

16 Q And if I asked you the same questions that were  
17 in your prefiled testimony would your answers be  
18 the same today?

19 A They would.

20 Q Do you have any changes or corrections to your  
21 prefiled testimony?

22 A Yes, sir. For the Commission's benefit, I've  
23 engaged some changes in my local, non-profit  
24 affiliations which were specified in my testimony

1           that are not substantive to this case, but I  
2           would note that minor correction for the record.

3    Q     Other than that minor correction in your local  
4           leadership in civic and charitable endeavors  
5           having changed, no other changes to your prefiled  
6           testimony?

7    A     That's correct.

8                   MR. SOMERS:  Mr. Chairman, I'd ask that  
9    Mr. Skains' prefiled direct testimony be entered into  
10   the record as if given orally from the stand?

11                   CHAIRMAN FINLEY:  Mr. Skains, his direct  
12   prefiled testimony consisting of 11 pages filed on  
13   January 15, 2016, is copied into the record as though  
14   given orally from the stand.

15                               (WHEREUPON, the prefiled direct  
16                               testimony of THOMAS E. SKAINS is  
17                               copied into the record as if given  
18                               orally from the stand.)

19  
20  
21  
22  
23  
24

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-2, SUB 1095  
DOCKET NO. E-7, SUB 1100  
DOCKET NO. G-9, SUB 682

In the Matter of )  
 )  
Application of Duke Energy Corporation and )  
Piedmont Natural Gas Company, Inc. to )  
Engage in a Business Combination )  
Transaction and Address Regulatory )  
Conditions and Code of Conduct )

**TESTIMONY OF  
THOMAS E. SKAINS**

1    **Q.    PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS.**

2    A.    My name is Thomas E. Skains. My business address is 4720 Piedmont Row  
3           Drive, Charlotte, North Carolina.

4    **Q.    MR. SKAINS, BY WHOM ARE YOU EMPLOYED AND IN WHAT**  
5           **CAPACITY?**

6    A.    I am Chairman, President, and Chief Executive Officer ("CEO") of Piedmont  
7           Natural Gas Company, Inc. ("Piedmont Natural Gas," or "Piedmont," or the  
8           "Company"). Piedmont Natural Gas, which is a public utility under the laws of  
9           the State of North Carolina and whose public utility operations in North Carolina  
10          are subject to the jurisdiction of this Commission, is engaged in the business of  
11          transporting, distributing, and selling natural gas in the States of North Carolina,  
12          South Carolina, and Tennessee. I have held my current position since 2003.

13   **Q.    MR. SKAINS, PLEASE DESCRIBE YOUR EDUCATIONAL AND**  
14          **OCCUPATIONAL BACKGROUND.**

15   A.    I have a Bachelor of Business Administration degree from Sam Houston State  
16          University and a Doctorate of Jurisprudence degree from the University of  
17          Houston Law School. I am an inactive member of the State Bar of Texas.

18           I joined Piedmont Natural Gas in 1995, after nearly 15 years with  
19          Transcontinental Gas Pipe Line Corporation in Houston, Texas. Prior to my  
20          appointment as Chairman, President and CEO in 2003 and President and Chief  
21          Operating Officer in 2002, I served as Piedmont Natural Gas' Senior Vice  
22          President - Marketing and Supply Services.

1 My current industry responsibilities at the national level include serving  
2 on the boards of the American Gas Association (Chairman in 2009) and the  
3 Southern Gas Association (Chairman in 2006), and the American Gas  
4 Foundation. I am a former board member of the Gas Technology Institute. At a  
5 local civic level, I served as the chairman of the Charlotte Chamber of  
6 Commerce in 2015 and continue to serve on the Chamber's board and executive  
7 committee. I am also the vice chairman of the Charlotte Sports Foundation and  
8 general chairman of the Belk Bowl. I previously served on the boards of the  
9 Charlotte Center City Partners, the United Way of Central Carolinas and as co-  
10 chair of the 2004 & 2005 American Heart Association Charlotte Metro Heart  
11 Walks, and the 2006 Charlotte-Mecklenburg Arts and Science Council Annual  
12 Fund Drive.

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

15 A. The purpose of my testimony is to provide information on the proposed merger  
16 between Duke Energy Corporation ("Duke Energy") and Piedmont Natural Gas  
17 ("Merger"), describe the Agreement and Plan of Merger ("Merger Agreement"),  
18 and to explain why Piedmont's Board of Directors found this Merger to be in the  
19 best interests of our shareholders and why I concur in that decision. I also  
20 address why I believe the proposed Merger is in the public interest.

91

OFFICIAL COPY  
OFFICIAL COPY

Jan 15 2016  
Jul 26 2016

1    **Q.    PLEASE DESCRIBE THE MERGER AGREEMENT ENTERED INTO**  
2                    **BY DUKE ENERGY CORPORATION AND PIEDMONT NATURAL**  
3                    **GAS COMPANY, INC.**

4    A.    On October 24, 2015, Piedmont entered into a Merger Agreement with Duke  
5                    Energy pursuant to which, at closing, Piedmont will become a wholly-owned  
6                    subsidiary of Duke Energy. A copy of the Merger Agreement is attached to the  
7                    Application for Approval. Under the terms of the Merger Agreement, Piedmont  
8                    will be merged into Forest Subsidiary, Inc. ("Merger Sub"), a Duke Energy  
9                    merger subsidiary, and Piedmont Natural Gas will survive the Merger as a  
10                  wholly-owned direct subsidiary of Duke Energy. Upon the consummation of the  
11                  Merger, each share of Piedmont Natural Gas' common stock ("Company  
12                  Common Stock") that is issued and outstanding immediately prior to the  
13                  effective time of the Merger, which we refer to as the "effective time," will be  
14                  converted into the right to receive \$60.00 in cash. Upon payment of such  
15                  compensation, existing Piedmont shareholders will no longer have any  
16                  ownership interest in Piedmont.

17   **Q.    CAN YOU PLEASE EXPLAIN THE MERGER PROCESS AND WHAT**  
18                    **LED UP TO THE MERGER AGREEMENT WITH DUKE ENERGY?**

19   A.    Yes. That process is explained in great detail in the definitive Merger notice and  
20                    proxy statement on file with the SEC, but I would be happy to provide a brief  
21                    summary for the Commission. Although I will provide a concise summary of  
22                    the sequence of events set forth in the proxy, the Commission should rely on the

1 proxy statement as the definitive description of events leading up to the  
2 transaction.

3 On August 24, 2015 the Southern Company ("Southern") and AGL  
4 Resources, Inc. ("AGLR") announced that they had agreed to a merger  
5 transaction. This announcement was a significant industry event and as we  
6 analyzed it enhanced the possibility that Piedmont, which was not otherwise "on  
7 the market," could become an acquisition target of a large electric utility. Within  
8 days of the Southern/AGLR announcement, I was contacted by the CEOs of two  
9 companies who indicated a desire to engage in strategic discussions between  
10 their companies and Piedmont. One of these CEOs was Ms. Good, who asked to  
11 expand our discussion topics for a meeting previously scheduled for September  
12 3, 2015 to include industry developments and strategic matters. Although I  
13 informed both CEOs that Piedmont was committed to its standalone long-term  
14 strategic plan and was not soliciting offers for the Company, I also indicated that  
15 I would take any serious offers back to our Board for consideration. Discussions  
16 with Ms. Good and the other CEO, which occurred through a parallel series of  
17 telephone calls and meetings over the course of approximately two weeks,  
18 culminated in preliminary non-binding offers from Duke Energy and from the  
19 other company which I will refer to as Party A.

20 Based on the terms of the non-binding indications of interest and after  
21 receiving appropriate authorizations from our Board, Piedmont initiated a  
22 confidential and non-exclusive bid process with Duke Energy and Party A,  
23 which included management presentations to each party, a significant due

1 diligence process, and the preparation of a draft merger agreement. These  
2 processes and procedures culminated in the receipt of binding purchase offers  
3 from both Duke Energy and Party A on October 22, 2015 and ultimately resulted  
4 in the execution of the definitive Merger Agreement with Duke Energy that was  
5 approved by the Piedmont and Duke Energy Boards on October 24, 2015 and  
6 executed by the parties on October 24, 2015.

7 **Q. WHAT FACTORS DID PIEDMONT'S BOARD CONSIDER IN**  
8 **MAKING ITS DECISION TO MOVE FORWARD WITH A MERGER**  
9 **WITH DUKE ENERGY?**

10 A. In a situation like the one presented to Piedmont, where a suitor is offering an all  
11 cash deal with a significant premium, the Piedmont Board was highly  
12 constrained in its ability to base its decision on factors other than its fiduciary  
13 duty to serve the best economic interests of its shareholders, including  
14 transaction price and certainty of closing the deal. Having said that, Piedmont's  
15 Board was informed of a number of other relevant factors such as customer  
16 interests, the interests of the various states and communities in which Piedmont  
17 conducts business, the regulatory review process, and the interests of its  
18 employees. In this case, there was no perceived conflict between any of these  
19 various factors. Duke Energy was the clearly superior bidder in economic terms,  
20 and the analysis of the non-economic factors underlying the potential merger led  
21 to the conclusion that they either favored Duke Energy or were neutral as  
22 between Duke Energy and Party A. The discrete enumerated factors considered  
23 by Piedmont's Board are set out in the definitive proxy.

94

OFFICIAL COPY  
OFFICIAL COPY

Jan 15 2016  
Jul 26 2016

1 Q. DO YOU BELIEVE THAT THE PROPOSED MERGER IS IN THE  
2 BEST INTERESTS OF PIEDMONT'S SHAREHOLDERS?

3 A. Yes. The all-cash premium purchase price offered by Duke Energy is a  
4 compelling value proposition for Piedmont's shareholders, far superior to the  
5 Company's standalone long-term strategic plan and the bid of Party A.

6 Q. DO YOU HAVE AN OPINION AS TO THE "PUBLIC INTEREST"  
7 INHERENT IN THE PROPOSED MERGER TRANSACTION?

8 A. Yes. As I have indicated in a number of contexts since this transaction was  
9 announced, I believe that there are a number of potential benefits of the  
10 transaction to Piedmont, to its customers, and to the communities and states  
11 where Piedmont operates.

12 Q. COULD YOU ELABORATE ON THOSE BENEFITS?

13 A. Yes. First and foremost, my belief is that Duke Energy intends to operate  
14 Piedmont as a separate natural gas subsidiary and combine Duke Energy's  
15 existing LDC operations and additional interstate joint venture investments,  
16 namely Duke Energy's equity interest in the Atlantic Coast Pipeline and Sabal  
17 Trail Pipeline projects, under the leadership of Frank Yoho, who currently serves  
18 as Piedmont's Senior Vice President and Chief Commercial Officer and who has  
19 been named by Ms. Good as head of Duke Energy/Piedmont's combined natural  
20 gas operations upon the close of the Merger. This will preserve and expand the  
21 Piedmont name and "brand" and allow the Company to maintain and expand its  
22 high-performance/customer service focused culture in providing natural gas  
23 service to both existing and new customers.

1 I also believe that teaming with Duke Energy – the nation’s largest  
2 electric utility – will provide Piedmont with a larger natural gas platform and  
3 financial balance sheet, with increased opportunities to expand and grow its  
4 business for the benefit of its customers. It will also allow Duke Energy to  
5 participate in the significant and growing natural gas sector of the United States  
6 energy markets in a more effective and meaningful way and will result in  
7 efficiencies and enhanced electric-gas system reliability through the combination  
8 of natural gas and electric assets under a single corporate structure. I also  
9 believe that the proposed Merger will further Piedmont’s efforts to provide  
10 excellence in customer service through shared corporate best practices and  
11 technologies and will offer our employees greater employment opportunities for  
12 professional growth and development. Finally, the proposed Merger will create  
13 a combined utility whose headquarters will remain in Charlotte with a  
14 continuing commitment to all of the communities in which we operate.

15 **Q. DO YOU PERCEIVE ANY DETRIMENTS FROM THE PROPOSED**  
16 **TRANSACTION EITHER TO PIEDMONT’S CUSTOMERS OR TO**  
17 **ANY OTHER INTERESTED PARTY?**

18 A. I do not.

19 **Q. CAN YOU COMMENT ON THE IMPACT OF THE MERGER ON**  
20 **YOUR EMPLOYEES, ON PIEDMONT’S MANAGEMENT, AND ON**  
21 **YOU PERSONALLY?**

22 A. Although the future integration of post-Merger operations between Piedmont  
23 and Duke Energy, and Piedmont’s and Duke Energy’s existing gas operations

96

OFFICIAL COPY  
OFFICIAL COPY  
Jan 15 2016  
Jul 26 2016

1 are more properly a subject for discussion by Duke Energy's witnesses and  
2 Piedmont witness Yoho, I would be happy to describe what I know about those  
3 matters. First, Duke Energy has consistently said that this Merger is strategic to  
4 them and is not based upon the creation of "synergies" – which is sometimes  
5 "code" for a merger based on cost cutting targets for the acquired company. The  
6 strategic nature of the Duke Energy acquisition of Piedmont is consistent with  
7 the idea that Duke Energy intends to use Piedmont as a platform for growth in  
8 the natural gas business, which will require continued management and  
9 operating personnel with significant gas industry experience. The terms of the  
10 Merger reflect this approach and include a commitment by Lynn Good to choose  
11 the next leader of Piedmont named above from its existing executive  
12 management team and to provide economic protections for current Piedmont  
13 employees. The Merger Agreement also provided for a mutually agreeable  
14 representative from Piedmont's Board to be placed on Duke Energy's Board of  
15 Directors.

16 **Q. DOES THIS MEAN THAT THERE WILL BE NO CHANGES TO**  
17 **PIEDMONT AS A RESULT OF THE MERGER?**

18 A. Again, I think that question is more appropriately addressed to Duke Energy's  
19 witnesses, but I would expect that some functions, particularly at the corporate  
20 headquarters level, could be consolidated over time as a matter of normal  
21 efficient business practices. Duke Energy is incented, like all regulated utilities,  
22 to run their business efficiently for the benefit of the customers they serve.

97

OFFICIAL COPY

Jan 15 2016  
Jul 26 2016

1 Q. WHAT WILL YOUR STATUS BE WITH THE COMBINED  
2 COMPANY?

3 A. On November 6, 2015, I announced my retirement as President, Chairman and  
4 CEO of Piedmont effective with the Merger closing. Later, on December 10,  
5 2015 I was designated by Duke Energy's Board of Directors as the  
6 representative from Piedmont's board to be placed on Duke Energy's Board of  
7 Directors contemplated by the Merger Agreement effective after the close of the  
8 transaction. In this new role, I hope to provide Duke Energy with the benefit of  
9 my business experience in the natural gas industry and utility regulation as Duke  
10 Energy increases its footprint in operating energy utilities subject to the  
11 regulation of state and federal regulatory bodies.

12 Q. FROM PIEDMONT'S PERSPECTIVE, WHAT OTHER APPROVALS  
13 ARE NECESSARY TO CLOSE THE PROPOSED MERGER?

14 A. We need approval from this Commission, of course, and were informed by the  
15 Tennessee Regulatory Authority that they would like for us to submit the Merger  
16 to them for approval as a change of control transaction so we are pursuing that  
17 authorization. I understand that the Kentucky Public Service Commission has  
18 inquired as to the applicability of relevant Kentucky statutes to the transaction  
19 and that Duke Energy has made an appropriate filing with that Commission to  
20 address its concerns. Additionally, on January 13, 2016, the Public Service  
21 Commission of South Carolina held an Allowable Ex Parte Briefing on the  
22 proposed Merger. Finally, the transaction must be approved by Piedmont's

1           shareholders. A special meeting has been scheduled for January 22, 2016 for the  
2           purpose of taking a shareholder vote on the Merger.

3   **Q.    DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

4   A.    Yes, it does. But, in closing, I would like to say that it has been an honor and  
5           privilege to serve as Chairman, President and CEO of Piedmont Natural Gas and  
6           to serve the using and consuming public of natural gas consumers in North  
7           Carolina subject to this Commission's jurisdiction and oversight. I appreciate  
8           our many years of constructive partnership as we worked together to provide  
9           safe, reliable and affordable natural gas to our customers with the excellence in  
10          customer service they deserve. I am excited about and committed to the Merger  
11          transaction, will continue to run Piedmont Natural Gas in a business as usual  
12          mode until closing, and look forward to my new role on the Duke Energy board  
13          thereafter.

1 BY MR. SOMERS:

2 Q Mr. Skains, have you likewise prepared a summary  
3 of your direct testimony?

4 A Yes, I have.

5 Q Would you please give that to the Commission.

6 A I will, thank you.

7 (WHEREUPON, the summary of direct  
8 testimony by THOMAS E. SKAINS is  
9 copied into the record.)  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

## SUMMARY OF DIRECT TESTIMONY OF THOMAS E. SKAINS

Docket Nos. E-2, Sub 1095, E-7, Sub 1100, and G-9, Sub 682

July 18, 2016

My name is Tom Skains and I am the Chairman, President and Chief Executive Officer of Piedmont Natural Gas Company.

The purpose of my testimony in this proceeding is to provide information on the proposed merger of Piedmont with Duke Energy, including a description of the Merger Agreement and the process that lead to the agreement with Duke, to explain why Piedmont's Board of Directors concluded that this merger was in the best interest of our shareholders, and to explain why I believe the merger is in the public interest.

The Merger Agreement provides that, at closing, Piedmont will merge into Forest Subsidiary, Inc., a Duke Energy merger subsidiary, in exchange for the commitment by Duke to pay Piedmont shareholders \$60 per share for each share of common stock held by those shareholders. Piedmont will be the surviving corporation in that merger, our existing shareholders will no longer have any ownership interest in the Company, and we will become a wholly owned subsidiary of Duke Energy.

The agreement was the result of a competitive non-exclusive negotiation process involving two bidders that began the last week of August, 2015 and culminated in the execution of the Merger Agreement with Duke on October 24, 2015. The background of the merger is described in detail in the proxy statement Piedmont filed with the US Securities and Exchange Commission on December 14, 2015 to secure shareholder approval of this transaction. As a brief summary, Piedmont received unsolicited and nearly simultaneous expressions of interest by two different bidders. We retained financial and legal advisors to help us manage this competitive process and ensure that our Board exercised its fiduciary duties in the best interest of our shareholders. And we ultimately selected the best of two final binding bids from the prospective buyers containing both financial and non-financial terms.

The Board's consideration of the competing bids consisted of an evaluation of many factors, including the transaction price and the certainty of closing the

deal, contract terms, customer interests, the interests of the various states and communities where Piedmont provides service, the regulatory review and approval process, and the interests of our employees. The Board's conclusion, which I fully agree with, was that Duke's final bid was superior and offered our shareholders compelling value far in excess of our stand-alone long-term strategic plan and the final bid of the other party.

While not reflected in my direct testimony, because it had not occurred at that time, our shareholders agreed with the Board's assessment by voting overwhelmingly to approve the merger on January 22, 2016.

In addition to being in our shareholder's best interests, I believe that the merger is in the public interest. Duke intends to operate Piedmont as a separate natural gas subsidiary and to combine its existing local distribution operations in Ohio and Kentucky, under the supervision of Piedmont's Frank Yoho – who will lead the Duke gas operations team after closing and report directly to Duke Energy Chairman, President and CEO Lynn Good. Mr. Yoho and his team will also manage Duke's investments in other natural gas projects such as Atlantic Coast Pipeline, and Sabal Trail Pipeline. This approach will preserve and expand Piedmont's "brand" and will allow the company to maintain and expand its high-performance customer service culture to both existing and new customers. This merger will also provide Piedmont with a larger and deeper platform to pursue strategic growth opportunities in the natural gas marketplace as a Duke Energy subsidiary. And it will allow Piedmont and Duke to share best practices for corporate efficiencies and enhanced customer service. Finally, I believe the merger will enhance electric-gas system reliability and safety, as critical natural gas and electric assets will be owned and operated under a common corporate umbrella headquartered here in North Carolina.

In closing, I would like to say that I have been honored to lead Piedmont over the last 13 years to serve our natural gas customers in North Carolina and the other jurisdictions where we operate. I would also like to thank the Commission for the many years of constructive and supportive regulation that have facilitated our ability to provide safe, reliable and affordable natural gas service to the citizens of North Carolina. While I will terminate employment and retire from Piedmont Natural Gas at the close of the merger, I am excited about the next chapter of my career and the opportunity to join the Duke Energy Board of Directors. I have every confidence that the merger of Piedmont into Duke Energy will foster even better service to the State of North Carolina in the future.

1 MR. SOMERS: Thank you, Mr. Skains.

2 Mr. Chairman, Ms. Good and Mr. Skains are available  
3 for cross examination.

4 CHAIRMAN FINLEY: Are there questions?  
5 Mr. Runkle.

6 MR. RUNKLE: Good afternoon, Ms. Good and  
7 Mr. Skains. I'm like Mr. Somers, I'm at an odd angle,  
8 too, so don't feel the need to look at me. Look at  
9 the Commission. Don't crook your neck too badly.

10 CHAIRMAN FINLEY: Let's pull that microphone  
11 up, please, Mr. Runkle.

12 MR. RUNKLE: Is that better?

13 CROSS EXAMINATION

14 BY MR. RUNKLE:

15 Q I understand that you are the big picture people  
16 and that if there are more specific questions  
17 about the Settlement Agreement that we should  
18 talk to other people that are coming on. So, if  
19 there's an answer that you feel that Mr. Yoho or  
20 Mr. Young or Mr. Barkley can answer better,  
21 please say that and we can ask them that  
22 question. So what was the purchase price of  
23 Piedmont Natural Gas?

24 A (MS. GOOD) The equity value was roughly \$4.8,

1           \$4.9 billion and then the assumption of debt of  
2           about \$1.8 billion. Mr. Young would be even more  
3           precise than I.

4       Q     Well approximately, and this certainly will be  
5           okay at this stage, so we're talking about \$6.7  
6           billion which was the purchase price and the  
7           assumption of the debt; is that correct?

8       A     Yes.

9       Q     What was the book value of the Company at the  
10          time of -- at the time you agreed to the merger?

11      A     Tom, do you have a --

12      A     (MR. SKAINS) I can answer that question. It was  
13          approximately \$1.4 billion.

14      Q     So what was the acquisition premium on the  
15          purchase?

16      A     (MS. GOOD) So the acquisition premium would be  
17          the difference between the equity value of \$4.8  
18          and the \$1.4 so roughly \$3 to \$3.5 billion.

19      Q     So that seems to be an awful large acquisition  
20          premium over a book value. What value goes into  
21          the acquisition premium?

22      A     So, as Tom indicated in his testimony, this was a  
23          competitive process in connection with a couple  
24          of parties who are interested in the Piedmont

1 franchise. It is a recognized premiere franchise  
2 in the U.S., so that value was determined based  
3 on a competitive process. And, from Duke's  
4 perspective, we were looking to add a strategic  
5 resource that would be a part of the Company for  
6 a very long period of time.

7 Q What are some of the assets that go into the book  
8 value?

9 A (MR. SKAINS) Well, it's all of the assets of our  
10 Company, including our extensive natural gas  
11 transmission and distribution pipelines, all of  
12 our equipment and materials, lease hold  
13 interests, and all of the investments that we  
14 have in both regulated and unregulated joint  
15 venture projects.

16 Q So North Carolina -- Piedmont Natural Gas is a  
17 regulated utility in North Carolina; is that  
18 correct?

19 A Yes, we are.

20 Q And it's also -- is it also regulated in Ohio and  
21 Kentucky?

22 A No, sir. Piedmont's existing service area, we  
23 have assets in North Carolina, South Carolina and  
24 Tennessee that are regulated by State Public

1 Utilities Commissions in those three  
2 jurisdictions.

3 Q So are you competing in Ohio and Kentucky?

4 A Piedmont has no existing business in Ohio and  
5 Kentucky other than some unregulated natural gas  
6 marketing activities that an affiliate engages in  
7 in that state. It's called South Star Energy and  
8 we have a minority interest in that joint  
9 venture.

10 Q Now, you have plans to buy into the Atlantic  
11 Coast Pipeline; is that correct?

12 A (MS. GOOD) Both Piedmont and Duke have an equity  
13 interest in Atlantic Coast Pipeline.

14 Q And what is that equity interest?

15 A Duke owns about 40 percent and Piedmont 10,  
16 10 percent.

17 A (MR. SKAINS) Yes, that's correct.

18 Q Well, my understanding was that Dominion had  
19 asked you to renegotiate that so you would not  
20 have 50 percent; is that correct?

21 A (MS. GOOD) So under the terms of the pipeline  
22 partnership, Dominion is entitled to own the  
23 majority interest. So the combination of Duke  
24 and Piedmont would be greater than Dominion's

1 interest and, so prior to closing, we will  
2 negotiate a sale of an ownership interest -- of  
3 our ownership interest to Dominion so that they  
4 own the majority.

5 Q And by saying "our" you mean both Piedmont and  
6 Duke Energy's?

7 A Yes.

8 Q And then the Sabal Trail Pipeline, what are your  
9 equity interests in that?

10 A So Sabal Trail, I believe we own 7.5 percent of  
11 Sabal Trail. Steve Young may be a better witness  
12 for the precise interest.

13 Q And is that Duke or Duke and Piedmont?

14 A That's Duke Energy only.

15 Q Okay. And does Piedmont have an equity interest  
16 in this Sabal Trail?

17 A (MR. SKAINS) No, we do not.

18 Q Does Duke or Piedmont have any other equity  
19 investments in other natural gas projects besides  
20 the ones we've just talked about?

21 A (MR. SKAINS) Yes, sir. Piedmont has investments  
22 in a variety of existing and proposed natural gas  
23 pipeline and storage projects. They were the  
24 regulated joint venture investments that I

1 alluded to earlier.

2 A (MS. GOOD) At Duke Energy, as part of our  
3 utilities in Ohio and Kentucky, own a local  
4 distribution company operating in both of those  
5 states.

6 Q So, Mr. Skains, you have both transmission and  
7 distribution as part of your Company?

8 A (MR. SKAINS) Yes, we do.

9 Q And on the transmission side, who do you purchase  
10 your natural gas from?

11 A As a natural gas utility, we purchase natural gas  
12 and acquire pipeline capacity in the wholesale  
13 market that delivers natural gas to our local  
14 distribution systems. We then take that natural  
15 gas and transport it through our transmission and  
16 distribution systems and service lines to the  
17 ultimate consumers that we serve in the retail  
18 markets, including residential, commercial,  
19 industrial and power generation customers.

20 Q And how much of your business is selling power to  
21 Duke Energy Progress or Duke Energy Carolinas?

22 A We have several Service Agreements that we  
23 operate under to redeliver to Duke volumes that  
24 they purchase in the wholesale market through

1 pipelines on our system. My recollection is that  
2 the throughput that we deliver through our  
3 natural gas systems, about half of that goes to  
4 power generation, most of which is to serve Duke  
5 Energy's power plants. In terms of contribution  
6 to our margin revenues, I think Duke is about  
7 10 percent of the revenue margins that we collect  
8 on an annual basis.

9 Q So about 50 percent of your throughput goes to  
10 Duke for their power plants and 10 percent of  
11 your revenue comes from Duke?

12 A That's an approximation. I believe that to be  
13 true and correct. Frank Yoho could confirm that  
14 for you in his testimony.

15 Q As an approximation, that would be fine.

16 A I believe that to be the case, yes.

17 Q Now, after the merger, if the merger is approved,  
18 do you expect Duke Energy to get more of the  
19 throughput from Piedmont?

20 A That will depend upon Duke's long-term resource  
21 planning in their portfolio diversification plans  
22 for their fleet of power generation. My view on  
23 that is that their natural gas requirements will  
24 increase with or without this merger, according

1 to their strategic plans.

2 MR. RUNKLE: May I hand out an exhibit?

3 CHAIRMAN FINLEY: Yes, sir. I'll tell you  
4 what, Mr. Runkle, since we pulled the court reporter  
5 out of the bathroom the last break, let's take about a  
6 15-minute break and we'll come back at four o'clock.

7 (Recess at 3:43 p.m., until 4:00 p.m.)

8 CHAIRMAN FINLEY: Mr. Runkle.

9 MR. RUNKLE: Before the break, I handed out  
10 to witnesses what we had marked for identification as  
11 NC WARN Good/Skains Cross-Exhibit 1.

12 BY MR. RUNKLE:

13 Q Mr. Skains, are you familiar with this document?

14 A (MR. SKAINS) Yes. It appears to be our Form  
15 10-K filed with the U.S. Securities and Exchange  
16 Commission for our fiscal year ending October 31,  
17 2015.

18 Q And without Post-It notes, just for the record  
19 there when we took it off the SEC website the  
20 numbering got a little wonky on it but we think  
21 all of the document is here, if you would agree  
22 to that.

23 A I'll accept that if you state that to be true.

24 Q Okay. So what is a Form 10-K?

1 A It's an annual regulatory report of our financial  
2 condition filed each year with the Securities and  
3 Exchange Commission for the benefit of our  
4 investors.

5 Q And this is filed under oath; is it not?

6 A It's certified, yes, by the officers and signed  
7 by the Board of the Company.

8 Q Now, if we can turn to page 9 on one of the  
9 little Post-It notes.

10 A I'm sorry. You're going to have to help me with  
11 the page.

12 Q The Post-It note says page 9 on it.

13 A I'm with you.

14 Q All right. And at the bottom of the left-hand  
15 page, can you read the first couple of sentences  
16 there starting with *A supply and demand*  
17 *imbalance*?

18 A Yes. This is a section of the report under risk  
19 factors where it says, *A supply and demand*  
20 *imbalance in the natural gas markets could cause*  
21 *an increase in the price of natural gas.*  
22 *Recently, the increased production of U.S. shale*  
23 *natural gas has put downward pressure on the*  
24 *wholesale cost of natural gas; accordingly,*

1       *restrictions or regulations on shale gas*  
2       *production could cause natural gas prices to*  
3       *increase.*

4       Q     Now, what is a supply and demand imbalance?

5       A     Supply and demand imbalance would be a shift in  
6       supply that exceeds demand levels, or downward  
7       that is less than demand levels which could cause  
8       market pricings to react.

9       Q     And, if there's less supply, would prices go up?

10           MR. SOMERS:  Mr. Chairman, I want to object  
11     to the line of questioning.  I believe this gets into  
12     the testimony from NC WARN's witnesses that was struck  
13     so I would renew an objection on the grounds of  
14     relevance.  What's in the 10-K is stated and is true  
15     and certified by Piedmont and their board, as  
16     Mr. Skains has explained.  To the extent that there  
17     are questions about this supply and demand imbalance  
18     or potential imbalance, there's no showing that that  
19     has the only relevance that will be impacted in any  
20     way by this proposed merger.

21           CHAIRMAN FINLEY:  Well, I'll allow this line  
22     of questions, but be careful.

23     BY MR. RUNKLE:

24     Q     We'll go through them because we're looking at

1 risk factors now and market risk factors is one  
2 of those risk factors, is it not, Mr. Skains?

3 A It is a risk factor that we enumerated for our  
4 investors to consider when they purchase our  
5 shares of stock.

6 Q And do you assume that representatives from Duke  
7 Energy reviewed your 10-K as part of their  
8 putting together a bid for your Company?

9 A Duke Energy had the ability to review our  
10 financial reports with the SEC as a part of the  
11 due diligence process, so I would assume someone  
12 in that due diligence team would have reviewed  
13 these documents.

14 Q Now, go back to, it would be on the yellow tab as  
15 page 8, which is one back from where we are now.  
16 Again, on the left-hand page, can you read the  
17 first two sentences of the paragraph starting *We*  
18 *continue to diversify*? It's the third full  
19 paragraph down.

20 A So this is the fourth full paragraph?

21 Q Yes.

22 A *We continue to diversify our supply portfolio by*  
23 *contracting to bring abundant and low cost*  
24 *natural gas supplies from the Marcellus supply*

1       *basis to our natural gas markets in the*  
2       *Carolinas.*

3       Q     And read the next sentence, also.

4       A     *In November 2012, we signed a long-term contract*  
5       *with Cabot Oil & Gas to purchase firm,*  
6       *price-competitive Marcellus gas supplies.*

7       Q     And so, the next sentence goes that We also  
8       *signed a long-term firm capacity contract with*  
9       *the Williams - Transco. Is that one company?*

10      A     Transco is one of the operating divisions of  
11      Williams but they're part of the same corporate  
12      structure.

13      Q     So are Cabot and Williams two of your major  
14      suppliers of natural gas?

15      A     Williams - Transco is a provider of pipeline  
16      capacity in the wholesale market like Piedmont is  
17      in the retail markets; they are not a gas  
18      supplier. Cabot is an independent producer of  
19      natural gas and sells natural gas in the  
20      wholesale market to purchasers like Piedmont  
21      Natural Gas.

22      Q     And so, for Piedmont Natural Gas, is Cabot one of  
23      the main suppliers then?

24      A     It is today, yes, one of our primary suppliers.

1 Q And you have a long-term contract with them, is  
2 that a firm purchase price on that?

3 A You'll have to define what you mean by firm  
4 purchase price.

5 Q How long is that contract for, the long-term  
6 contract?

7 A The term of the contract is long term in nature.  
8 I don't off-hand recall now whether that is a  
9 confidential term in the agreement or not. I'm  
10 hesitant to say absent some confirmation that's  
11 not a confidential term that would cause me to  
12 breach the agreement.

13 Q Fair enough. Fair enough. We'll follow up. Is  
14 it longer than two years? Let's say that.

15 MR. SOMERS: Mr. Chairman, let me just renew  
16 my objection. I'm not sure of the relevance of any of  
17 this line of questioning. The 10-K speaks for itself.

18 CHAIRMAN FINLEY: Where are you going with  
19 this, Mr. Runkle?

20 MR. RUNKLE: Again, we're getting into the  
21 risks to the customers in North Carolina of the risks  
22 faced by Piedmont Natural Gas. There's several  
23 sections in their 10-K where they talk about market  
24 risks. In those market risks, the prices could go up

1 substantially.

2 CHAIRMAN FINLEY: How would they go up less  
3 or more based on this merger than they would  
4 otherwise?

5 MR. RUNKLE: Well, the other line of  
6 questions is Duke Energy's proposed increase of its  
7 natural gas generation. Duke Energy will have  
8 substantially more natural gas over the next decade  
9 than they do now and so any price increase, the Duke  
10 customers will have a much higher price; the rates  
11 will go up.

12 MR. SOMERS: May I be heard, Mr. Chairman?

13 CHAIRMAN FINLEY: Yes.

14 MR. SOMERS: Again, these are the same  
15 issues that were argued in the Motion to Strike and  
16 the Commission held that, I mean, those issues are  
17 the cost of gas that Duke's customers will pay will be  
18 reviewed in future cost recovery proceedings, not this  
19 merger. Likewise, whether Piedmont has supply  
20 contracts, capacity contracts with various third  
21 parties has no bearing on whether this merger is in  
22 the public convenience and necessity and should be  
23 approved. And this is a -- this document is prepared  
24 and filed with the Securities Exchange Commission for

1 investors and there's a difference between investor  
2 risk and customer risk which is what I believe this  
3 Commission's standard is focused on, and so I would  
4 renew my objection on the grounds of relevance.

5 CHAIRMAN FINLEY: Well, the problem that we  
6 addressed in Duke's Motion to Strike the testimony of  
7 the NC WARN witnesses was the fact that some of these  
8 risks are going to be there whether or not this merger  
9 occurs. And so you're identifying risks that Piedmont  
10 has set forth in its 10-K. Are you going to be able  
11 to tie that back as to how this affects the  
12 advisability of the merger?

13 MR. SOMERS: Yes, sir.

14 CHAIRMAN FINLEY: Well, be careful. Let's  
15 see if you can do that.

16 BY MR. RUNKLE:

17 Q Mr. Skains, are you confident that Piedmont will  
18 be able to receive from Cabot the natural gas  
19 that it is purchasing and also the pipeline  
20 capacity from the Williams - Transco?

21 A Yes, I am.

22 Q And so are you confident that over the next two  
23 years that both Cabot and Williams - Transco will  
24 meet their obligations?

1     A     I'm confident that they'll meet their obligations  
2           over the long term. I'm also confident that  
3           there's abundant natural gas supplies in this  
4           nation to serve long-term natural gas consumers.  
5           I'm also confident that market prices may go up  
6           or they may go down depending upon supply and  
7           demand influences. And, with the abundant  
8           natural gas reserve picture in our nation, my  
9           view is that natural gas customers will benefit  
10          from those supplies in the future as they have  
11          since the advent of shale natural gas  
12          development, beginning in about 2009 going  
13          forward. Natural gas prices have fallen  
14          significantly since that period. We're blessed  
15          as a nation to have abundant oil and natural gas  
16          reserve to meet consumers' needs in an economic  
17          fashion. And natural gas development has really  
18          been a free market stimulus to our economy in  
19          terms of low, affordable energy prices, when  
20          consumers who are trying to make ends meet and  
21          need that relief.

22     Q     Now, if we can turn to page 10, again on the  
23           yellow Post-It, and one of the commercial risks  
24           is that *We are exposed to credit risk of*

1        *counterparties with whom we do business. Are*  
2        *counterparties the Cabots and the Williams and*  
3        *those kind of companies?*

4        A        Counterparties are anyone we have a commercial  
5        relationship with that we pay money to or that  
6        pay money to us. Most of our counterparty credit  
7        risks are from customers to whom we deliver  
8        natural gas supplies and pipeline capacity  
9        services before we're paid. We extend credit to  
10       those customers and take some counterparty risk  
11       with respect to their payment obligations.

12       Q        Now, looking at page 13, Piedmont also has  
13       certain operational risks, does it not?

14       A        Yes, we do.

15       Q        And in the middle of the page one of those -- it  
16       says one of the operational risk is, *We are*  
17       *subject to new and existing laws and regulations*  
18       *that may require significant expenditures,*  
19       *significantly increase operating costs, or*  
20       *significant fines or penalties for noncompliance.*

21       A        I'll accept that paraphrasing of the language  
22       and, yes, in general that's true.

23       Q        I thought I read it directly.

24       A        Oh, I'm sorry, I wasn't following the direct

1 sentence you were reading from.

2 Q That's quite all right, I had trouble finding it  
3 myself. But as part of the operational risks, if  
4 there are different laws and regulations that  
5 come along, the cost of natural gas may increase  
6 or decrease; is that correct?

7 A That's correct.

8 Q And certain new and existing laws and regulations  
9 could have significant expenditures; is that  
10 correct?

11 MR. SOMERS: Objection. Asked and answered.

12 CHAIRMAN FINLEY: It's overruled.

13 BY MR. RUNKLE:

14 Q So what are the -- some of the new and existing  
15 laws and regulations that could require  
16 significant expenditures?

17 A (MR. SKAINS) Well, certainly there are the  
18 pipeline safety rules and regulations that our  
19 Company is subject to that we take very  
20 seriously. Safety and reliability are first  
21 priorities of service for our customers. We're  
22 expending significant capital expenditures each  
23 year to be in compliance with transmission and  
24 distribution integrity management rules that

1           currently exist and those rules could certainly  
2           change in the future as well. So that is an  
3           example of the types of regulations that we're  
4           subject to and that we administer programs to  
5           adhere to and be in compliance with each and  
6           every day.

7       Q     Can I -- can we go to page 2, again with the  
8           Post-It note? Look over the paragraph that says,  
9           *We are also subject to various federal*  
10          *regulations.* Can you look at that paragraph?

11      A     Yes, I follow you.

12      Q     Look that over and just see if that summarizes  
13           the different kinds of regulations that could  
14           affect your operations.

15      A     Yes. Those are examples of different types of  
16           regulations that we're subject to as a natural  
17           gas company. I would add though, just so that  
18           you're clear and the Commission is clear, these  
19           regulations would apply to us and we would comply  
20           with them whether we are a Duke Energy subsidiary  
21           or not.

22      Q     Do you anticipate any federal legislation or  
23           regulatory enactments in the near future that  
24           would have a significant impact on your

1 operations?

2 A Yes. There is a rule-making underway by PHMSA,  
3 which is part of the Department of  
4 Transportation, that would, as proposed, enact  
5 additional pipeline safety and integrity  
6 regulations for our industry. It's early in the  
7 stages of that process. And our industry has  
8 filed tens of thousands of pages of comments with  
9 PHMSA so that they truly understand the nature of  
10 the regulation program that they're discussing.  
11 And it's one that can be workable for our  
12 industry and that would benefit customers in the  
13 long run.

14 Q Now, you've referenced a federal agency, PHMSA,  
15 do you even know what that stands for?

16 A PHMSA, the acronym is P-H-M-S-A. It's the  
17 Pipeline and Hazardous Materials Safety  
18 Administration.

19 Q Okay. All right. So, if the price of natural  
20 gas goes up 10 percent, as a hypothetical, how  
21 does that affect your operations?

22 MR. SOMERS: Again, Mr. Chairman, I'm not  
23 sure the relevance of that to the standard of approval  
24 of this merger and how that change, hypothetically,

1 has -- any change related to that has anything to do  
2 with whether Piedmont is part of Duke Energy or not.

3 CHAIRMAN FINLEY: Mr. Somers, I'm going to  
4 give you a continuing objection to this line of  
5 questions. And I'm going to take Mr. Runkle at his  
6 word that at some point he's going to be able to tie  
7 this together to show how these risks that he's  
8 pointing out that Piedmont faces is somehow going to  
9 be impacted one way or another on this merger, and, if  
10 it's not, we'll listen to a Motion to Strike again.

11 MR. SOMERS: Thank you.

12 BY MR. RUNKLE:

13 Q So the hypothetical, sir, was if the cost to you  
14 of natural gas went up 10 percent, how would that  
15 change your operation or affect your operation?

16 A I think it would be a relatively minor impact to  
17 our Company. The wholesale price of natural gas  
18 on the New York Mercantile Exchange today is  
19 roughly \$2.75, so you're talking about an  
20 increase to slightly more than \$3.00. That's not  
21 much of a change in the market price of natural  
22 gas when back in the 2000's until the late decade  
23 of the -- the end of the decade of the 2000's,  
24 the market price of natural gas was \$7 and

1 greater, increasing sometimes into the double  
2 digit range. So we are enjoying a very low cost,  
3 affordable natural gas as an industry that our  
4 customers are benefiting from and that would be a  
5 relatively small change on the base price that's  
6 the current trading values in our industry.

7 Q And would you pass that 10 percent increase on to  
8 your customers?

9 A We would file with this Commission to track our  
10 actual cost of gas as we always have. We don't  
11 profit off of the natural gas price. Those costs  
12 flow through to our customers as they increase  
13 and as they decline over time, subject to this  
14 Commission's review and approval.

15 Q Do you see any elastic affect of price  
16 fluctuations on the customer demand?

17 A We have seen some price elasticity effect years  
18 ago when natural gas prices were in the double  
19 digit range before the advent of shale natural  
20 gas development in our country. Since the  
21 natural gas wholesale price has fallen into the  
22 \$2.00, \$3.00 range, we see an increase in  
23 appetite by our customers, but a 10 percent  
24 increase or decrease in the price of natural gas

1 at that level has very little impact on demand  
2 elasticity.

3 Q So if the price of natural gas went from \$2.75 up  
4 to, double that, \$5.50, would that have any  
5 impact on demand by customers?

6 A It would certainly increase cost to our customers  
7 but, when you look at the price of natural gas  
8 versus other energy alternatives including  
9 oil-based products or coal or other commodities,  
10 we are still very competitive, very affordable  
11 even at that level.

12 Q So, Ms. Good, looking at the same hypotheticals,  
13 if the price of natural gas went up 10 percent,  
14 would that have any impact on your customers?

15 A (MS. GOOD) Mr. Runkle, it would have a nominal  
16 impact. We are blessed with our generation fleet  
17 here in the Carolinas to have a diverse set of  
18 resources. So around 40 percent of the energy in  
19 North Carolina comes from nuclear; at this point,  
20 another 30 to 35 from coal; and the remaining  
21 from natural gas, so what you'd be talking about  
22 is an increase in the price of natural gas for  
23 the exposure. And we've had the benefit of  
24 diverse resources, hydro is part of it,

1           renewables as well, and that diversification  
2           really protects our customers from swings in any  
3           individual commodity price.

4       Q     Now, if natural gas prices went up double, would  
5           that have any impact on your operations?

6       A     Certainly we are a user of natural gas and it  
7           would impact our operations in that regard, but I  
8           believe the way Mr. Skains answered that question  
9           is appropriate for us as well. A 10 percent  
10          increase, a doubling of the price, it's still a  
11          very competitive resource for us. And, again,  
12          the diversification of how we offer power and  
13          energy to our customers provides some protection  
14          on the impact of that commodity to customer  
15          prices.

16      Q     And the price difference -- the cost of the  
17           natural gas would be -- in a fuel clause would be  
18           paid for by the customers, would it not?

19      A     So our fuel clause proceeding in natural gas,  
20           coal, nuclear fuel, all of the resources come  
21           under review by this Commission and are part of a  
22           process, and ultimately the determination of  
23           those prices are subject to Commission review.

24      Q     So, Mr. Skains, what portion of the sales of

1           natural gas do you profit on? Is it the pipeline  
2           throughput? Is it the end-point distribution?  
3       A       (MR. SKAINS) So I would ask you to think of us  
4           as the FedEx truck in the natural gas value  
5           chain. We pick up natural gas from pipelines,  
6           truck it, essentially transport it through our  
7           pipelines and deliver it to customers. We  
8           generate our earnings on the investments we make  
9           and the assets to perform those redelivery  
10          services and to recover the expenses that we  
11          incur to provide those services to our customers.  
12          Our costs and revenues are looked at by this  
13          Commission in the context of general rate cases  
14          that we file from time to time to recover those  
15          fixed and variable expenses of operating,  
16          essentially, that trucking company to redeliver  
17          the natural gas. The cost of the gas itself, as  
18          Ms. Good indicated, is a tracked item that's  
19          reviewed by this Commission and the Public Staff  
20          as a part of our purchased gas adjustment filings  
21          that we make annually here in Raleigh.

22       Q       And so you're -- the more natural gas Piedmont  
23           sells, the more profit they get? Is that a fair  
24           characterization or is it too simplistic?

1 A I think that's too simplistic.

2 Q What part of the operations does Piedmont get  
3 their profit on?

4 A It's a little complex. I'll do my best to  
5 explain it in the fact that we operate under a  
6 margin decoupling tariff in our state. So we do  
7 not profit by the amount of throughput that we  
8 deliver to our core residential and commercial  
9 customers, we essentially true-up to the cost in  
10 the revenues. In our last general rate case,  
11 based upon an assumed normalized consumption  
12 level by those customers each month and flow back  
13 to those customers any over-recoveries and  
14 collect in future rate increments  
15 under-collections in the other -- under the other  
16 special contracts that we have, we may have a  
17 fixed payment mechanism in place such as we do  
18 with certain large volume customers where we're  
19 paid the same amount of money, what I call margin  
20 revenue, to recover our cost of essentially  
21 providing that trucking service and that payment  
22 doesn't change with the actual throughput or  
23 consumption level by those customers. Power  
24 generation customers such as Duke Energy fall

1           into that latter category.

2       Q     So, Ms. Good, in the last decade Duke Progress  
3           and Duke Energy Carolinas went from about  
4           4 percent generation of natural gas to almost  
5           30 percent generation of natural gas; is that  
6           correct?

7       A     (MS. GOOD) Generally that's correct, Mr. Runkle.

8       Q     And that's quite of a -- and that generation is  
9           both peaking units, shoulder and baseload?

10      A     Yes. And I think it's important as you talk  
11           about that statistic is to understand the broad  
12           picture of what's happening with generation in  
13           our portfolio. That increase in natural gas was  
14           coupled with a decrease in coal generation. We  
15           have retired half of our coal units here in the  
16           Carolinas. And the Replacement of 24/7 power,  
17           which is what natural gas represents, as we have  
18           retired coal, we added natural gas.

19      Q     And so you're also buying into pipelines, the  
20           Atlantic Coast Pipeline; is that correct?

21      A     Yes.

22      Q     And I think it was called the Sabal Pipeline?

23      A     It's Sabal Trail.

24      Q     Sabal Trail Pipeline, yes. Are you buying into

1 any other natural gas infrastructure?

2 A As stand-alone Duke, those are the two  
3 investments that we have made.

4 Q And is -- I don't quite understand what  
5 "stand-alone Duke" is. Are there other  
6 investments.

7 A Well, in connection with the merger with Piedmont  
8 we will have an interest, of course, we will own  
9 the assets that they own and that's what I  
10 intended to reference.

11 Q And so, yeah, by purchasing the Piedmont there  
12 will be other natural gas infrastructures that  
13 Piedmont will carry into the deal?

14 A That's correct.

15 Q Now, looking at Duke Energy's future plan, the  
16 most recent Integrated Resource Plan had about  
17 10,000 megawatts of new natural gas construction;  
18 is that correct?

19 A Mr. Runkle, I don't have those specific details  
20 in my mind.

21 Q Do you think Mr. Young would know that?

22 A We could certainly prepare Mr. Young to know it,  
23 but he is the Chief Financial Officer of the  
24 Company. I think the integrated resource

1 planning process is typically a separate hearing  
2 that includes our experts around generation and  
3 fuel who would be very good witnesses for that  
4 discussion.

5 Q But looking at Duke Energy's future plans, it's  
6 also to go very heavily into natural gas  
7 generation; is that correct?

8 A The integrated resource planning process is a  
9 very deliberate one that is presented in front of  
10 this Commission as we look at lowest cost options  
11 to match the needs of our system as we continue  
12 to grow and, as we look at the resources that are  
13 available to us, new coal generation is not an  
14 option because of environmental regulations.  
15 Nuclear is something we're looking at very  
16 closely. We've had a commercial operating  
17 license moving through the nuclear regulatory  
18 process for a number of years. That's a decision  
19 that we will face as we go forward. We continue  
20 to add renewables to our system. North Carolina  
21 is one of the largest renewable states in the  
22 U.S., and the natural gas represents a very good  
23 option of low cost generation. It also provides  
24 24/7 power, very high capacity factors, couples

1 very well with intermittent resources as well.

2 So those integrated resource decisions are a part  
3 of a very open process intended to match the  
4 resource with the requirements of our customers.

5 Q But looking at this point in time walking into  
6 this merger, Duke has future plans for a  
7 significant increase in natural gas; is that  
8 correct?

9 A Our Integrated Resource Plan speaks for itself,  
10 Mr. Runkle, and that will be reviewed in the  
11 ordinary course. I think it's important to  
12 recognize that with the regulations around new  
13 generation our choices for generation include  
14 nuclear and natural gas for baseload 24/7 power.  
15 We can add hydro. We can add renewables. Hydro  
16 can be an important resource. The renewables, as  
17 you know, are more intermittent. And so natural  
18 gas represents not only a low cost option but an  
19 option that we can bring into this portfolio  
20 consistent with the requirements of our  
21 customers.

22 Q I'm going to have to ask one more time because --  
23 I mean I understand all the other things that go  
24 into it but looking at Duke Energy's future over

1           the next 15 years there's a sig- -- that you are  
2           looking at a significant increase in the amount  
3           of natural gas generation.

4           MR. SOMERS: I'm going to object. This is  
5           asked and answered several times. She's already  
6           explained to you that the IRP speaks for itself. If  
7           you want to pull out a page and ask her about it, that  
8           will be fair game, but she's already answered the  
9           question.

10          CHAIRMAN FINLEY: Mr. Runkle, we know what  
11          the IRP says. You know what the IRP says. Duke knows  
12          what the IRP says. We know that your client doesn't  
13          like the fact that Duke intends to burn natural gas in  
14          its generating facilities because you think that the  
15          methane emissions at the wellhead, and the  
16          transportation and distribution system are harmful to  
17          the environment, and you think that the price of  
18          natural gas is going to go up because it's your  
19          contention that the estimates of the amount of reserve  
20          for natural gas in the Marcellus and the other  
21          non-conventional plays are not what people think it  
22          is. We understand that.

23          MR. RUNKLE: But the question, sir -- I  
24          think you've stated our position very clearly. But

1 the question is, is Duke going to have significant  
2 increase of their natural gas in the future? Whether  
3 it's an IRP or -- I mean, looking at today, looking  
4 out for the next 15 years, Duke is looking to greatly  
5 increase their natural gas capacity -- natural gas  
6 generation.

7 CHAIRMAN FINLEY: Well, I will accept, I  
8 think that -- Duke, you will accept, will you not that  
9 you intend to increase your reliance on the natural  
10 gas, all things remaining the same?

11 MR. SOMERS: That's true. I don't know what  
12 he means by significant, and my assumption would be  
13 that neither does Ms. Good and that's why she can't  
14 answer the question.

15 CHAIRMAN FINLEY: I think there's somebody  
16 else here, Mr. Barkley can answer that question.

17 (Laughter)

18 MR. RUNKLE: That's why we take you first so  
19 we can push that on Mr. Barkley.

20 CHAIRMAN FINLEY: Mr. Barkley has worked for  
21 most all of these companies - gas and electric --

22 (Laughter)

23 CHAIRMAN FINLEY: -- companies in the whole  
24 state. You understand that, don't you?

1 BY MR. RUNKLE:

2 Q Now, at one point before the merger between  
3 Progress Energy and Duke Energy, Progress Energy  
4 actually bought North Carolina Natural Gas; do  
5 you recall that, Mr. Skains?

6 A (MS. GOOD) I do not recall.

7 A (MR. SKAINS) Actually, I believe it was Carolina  
8 Power & Light that bought North Carolina Natural  
9 Gas back in the late '90's, if I'm not mistaken.

10 Q Would you accept, subject to check, it was in  
11 1999?

12 A I'll accept that year, subject to check.

13 Q And then spun off the North Carolina Natural Gas  
14 in 2002?

15 A We purchased North Carolina Natural Gas from CP&L  
16 and closed the transaction I believe in late  
17 2003, if I'm not mistaken.

18 Q Okay. And so you were with Piedmont Natural Gas  
19 Company at that point?

20 A Yes, I was.

21 Q And when you said "we", you're referring to  
22 Piedmont Natural Gas was the one that did the  
23 purchase?

24 A Yes. By "we" in the context of my testimony is

1 Piedmont Natural Gas.

2 Q Now, do you know why Carolina Power & Light now  
3 Progress Energy now Duke Energy Progress  
4 purchased NC Natural Gas in the first place?

5 A I do not know why they purchased that company in  
6 the first place.

7 Q Do you know why they agreed to sell it to you in  
8 2003?

9 A We reached an agreement and under that agreement  
10 they were committed to make the sale to us.  
11 Presumably, they were satisfied with the purchase  
12 price and had strategic intent and other  
13 directions at that time.

14 Q And after that point did Carolina Power & Light  
15 have other natural gas infrastructure, natural  
16 gas projects?

17 A I can't speak on behalf of Carolina Power &  
18 Light.

19 Q Okay. Do you know why Carolina Power & Light  
20 wanted to sell, put North Carolina Natural Gas on  
21 the market?

22 A I do not --

23 MR. SOMERS: May I -- I'm sorry, Mr. Skains.  
24 May I -- let me object to relevance. First, he's

1 already answered he doesn't know why. I'm not sure of  
2 the relevance of this line of questioning.

3 CHAIRMAN FINLEY: No, I can see the  
4 relevance of this. The objection is overruled.

5 MR. SOMERS: You can answer the question, if  
6 you know.

7 A (MS. GOOD) I don't know.

8 Q Okay, Ms. Good. Mr. Skains, you don't know why  
9 Carolina Power & Light wanted to sell NC Natural  
10 Gas.

11 A (MR. SKAINS) No, sir, I don't, other than they  
12 found the price we were willing to pay attractive  
13 and desired the cash for the asset.

14 Q Ms. Good, I'm going to try you on a question on  
15 the Stipulation Agreement and if it's too fine a  
16 detail for you we'll ask someone else on that.  
17 Pages -- paragraphs three and four of the  
18 Settlement Agreement.

19 A (MS. GOOD) I'm sorry, Mr. Runkle, could you  
20 repeat that?

21 Q Yes. I'm looking at the Settlement Agreement,  
22 paragraphs three and four, Annual Community  
23 Support and Charitable Contributions.

24 A Yes.

1 Q And then there's -- number four is Other  
2 Contributions.

3 A Yes.

4 Q Now, I found this paragraph a little confusing in  
5 that I wasn't sure how much money the different  
6 foundations were giving over the next couple of  
7 years. Are you familiar with that?

8 A (MS. GOOD) I believe Mr. Barkley will talk  
9 specifically about this, Mr. Runkle, so I'd be  
10 happy to read this for you. It references the  
11 Duke Energy Foundation and Piedmont for four  
12 years at annual levels of no less, so those would  
13 be annual amounts for each of the foundations.

14 Q But there's -- so, oh, we're talking about both  
15 the DEC Foundation and the DEP Foundation and  
16 then the Piedmont Foundation?

17 A Yes.

18 Q Okay. Now, is this on top of the current  
19 contributions by those foundations to community  
20 support?

21 A This would be confirmation of amounts in total, I  
22 believe. But I would like to refer the specifics  
23 of the questions around the contributions to  
24 Mr. Barkley.

1 Q Ms. Good, how much say do you have in where the  
2 charitable contributions go from those  
3 foundations?

4 A There are boards, Mr. Runkle, that are  
5 established within our Company to review  
6 foundation giving. I am not a member of the  
7 Board.

8 Q Okay. I had a question but I think Mr. Barkley  
9 can also talk onto that. Now, as a last  
10 hypothetical, Piedmont has purchases of natural  
11 gas from the Williams Company and the -- or  
12 pipeline capacity through Williams and the Cabot  
13 Company. So you're purchasing Marcellus fracking  
14 gas from -- through Cabot and it comes down  
15 through Williams - Transco; is that how it works  
16 right now?

17 A (MR. SKAINS) Well that's just one of the many  
18 commercial transactions that we are engaging in  
19 to serve our customers reliably with diverse  
20 competitive natural gas supplies. As a matter of  
21 fact, most of our pipeline capacity comes from  
22 the Gulf Coast region, has historically, and we  
23 have many gas suppliers that we purchase from to  
24 create a competitive atmosphere and environment

1 to take advantage of low-cost natural gas for our  
2 customers over recent years with the development  
3 of shale natural gas from onshore basins across  
4 the United States. We have endeavored to  
5 diversify our pipeline capacity portfolio as well  
6 as our gas supplier portfolio to take advantage  
7 of those market shifts. And the Cabot contract,  
8 supply contract you mentioned flowing through the  
9 Williams - Transco capacity to the Carolinas is  
10 just one example of that.

11 Q I think you testified earlier that was a major  
12 supplier?

13 A Yes, it's one of our primary major suppliers.  
14 Mr. Yoho, who is our Chief Commercial Officer  
15 today, oversees our supply portfolio of capacity  
16 as well as gas supplies. He would be able to  
17 confirm that with more specificity. I think  
18 everyone has a different interpretation of what  
19 major or primary may be.

20 Q So, lastly, I want you to look at page 37 of  
21 our -- of Exhibit 1, which is your 10-K.

22 A I'm sorry, Mr. Runkle, which page or tab would  
23 you like for me to --

24 Q I think it's the last one, page 37.

1 A Page 37. Yes, sir.

2 Q I'm sorry, let's look at page 21 and 22, and  
3 these are forward-looking statements; is that  
4 correct?

5 A That is correct.

6 Q And at the bottom of that page there are a number  
7 of risk factors; is that correct?

8 A That is equally correct.

9 Q And those are -- are those risk factors that  
10 Piedmont Natural Gas is facing?

11 A Those are risk factors and events that we cannot  
12 predict and we're putting our investors on notice  
13 that we are unable to predict those factors with  
14 certainty.

15 Q And those would be -- I mean, we can read that  
16 list. It goes on to the next page. There are  
17 quite a number of those. Economic conditions in  
18 our markets so that could have a significant  
19 impact on your business?

20 A That's correct. Economic conditions would have  
21 an impact on any business including ours.

22 Q And this is just not Piedmont, if Piedmont is  
23 merged with Duke Energy, Duke Energy would have  
24 the same kind of risks; is that correct?

1 A I'll let Ms. Good respond to that, but Duke  
2 Energy would have these types of risks today and  
3 whether or not Duke and Piedmont merge in the  
4 future.

5 Q Would you recommended to Ms. Good that Duke  
6 Energy consider these forward-looking statements  
7 as potential risks that they might have in the  
8 acquisition of your Company?

9 A It's really not my place to make a recommendation  
10 to Ms. Good on what's the best interest of Duke  
11 Energy. I think that best -- the question would  
12 be better delivered directly to her.

13 Q Now, in your position currently -- in your  
14 current position with Piedmont Natural Gas, do  
15 you feel that these same risks are ones that  
16 would be faced by Duke Energy?

17 A Today, in the current market environment, these  
18 are risks that Piedmont Natural Gas faces and  
19 these same risks would transfer unless conditions  
20 change, which they always do, to Piedmont Natural  
21 Gas as a subsidiary of Duke Energy.

22 MR. RUNKLE: I have no further questions.

23 CHAIRMAN FINLEY: Other cross examination?

24 Redirect.

1 MR. SOMERS: Thank you, Mr. Chairman, just a  
2 couple.

3 REDIRECT EXAMINATION

4 BY MR. SOMERS:

5 Q Mr. Skains, do you recall that Mr. Runkle asked  
6 you a question related to the percentage of  
7 revenue or margins that Piedmont receives from  
8 Duke Energy?

9 A (MR. SKAINS) I do; yes, sir.

10 Q And my recollection was, maybe you were asked the  
11 question two different ways, once the term  
12 "revenues" was used and once the term "margin"  
13 was used. Would you please clarify for the  
14 record what the situation exactly is as it  
15 relates to Duke and Piedmont revenues or margins?

16 A Thank you. I refer to margin revenues as the  
17 same as margin. It's basically the revenues that  
18 Piedmont Natural Gas collects from its customers  
19 absent the cost of gas. So I think my answer was  
20 that power generation customers in the aggregate  
21 provide Piedmont about 10 percent of our current  
22 margin revenues, or margin, and that number is  
23 corroborated by a page in the 10-K that I'm  
24 looking at right now. It's page 22 or 22 and a

1 half depending on the pagination in this binder.  
2 But, yes, in 2015, power generation customers  
3 generated for Piedmont about 10 percent of our  
4 margin as a class.

5 Q Thank you. I just have one final item just to  
6 make sure it's clear on the record. You were  
7 asked a question by Mr. Runkle about whether or  
8 not you were aware if Duke -- this is to  
9 Mr. Skains, I'm sorry -- whether or not,  
10 Mr. Skains, you're aware that if Duke, as part of  
11 the due diligence leading up to the announcement  
12 of this merger, had reviewed financial statements  
13 of Piedmont or the 10-K. Do you recall those  
14 questions?

15 A I do.

16 Q And just to be clear, as I look at NC WARN  
17 Good/Skains Cross-Exhibit 1, the 10-K that we've  
18 been discussing here for the last 50 minutes,  
19 it's dated some time after the close of the  
20 fiscal year for Piedmont which is  
21 October 31, 2015; is that correct?

22 A Yes. This was for our fiscal year ended  
23 October 31st and would have been filed with the  
24 SEC most likely in late December, so great

1 clarification. Duke Energy would, of course, had  
2 access to all of our financial reports that  
3 existed at the time that we negotiated the  
4 transaction. This was filed after we agreed to  
5 the merger document.

6 Q And the date of the merger agreement was on or  
7 about October 24, 2015; is that correct?

8 A That's correct.

9 MR. SOMERS: Okay. I have no further  
10 questions. Thank you.

11 CHAIRMAN FINLEY: Thank you. Ms. Good and  
12 Mr. Skains, the Commission and its staff have some  
13 questions for you. Bear with us, we'll try to get you  
14 out of here before the end of the day but it probably  
15 will not be by 5:00 o'clock.

16 EXAMINATION

17 BY CHAIRMAN FINLEY:

18 Q So, Ms. Good, on page 5, line 21, of your  
19 testimony, you state, *We also viewed this*  
20 *acquisition as a strategic transaction designed*  
21 *to secure our local supply arrangements.* And our  
22 question is, are the local supply arrangements of  
23 Duke Energy's electric subsidiaries currently  
24 secured by contract?

1 A (MS. GOOD) Yes, they are.

2 Q And how will this transaction make them more  
3 secure then?

4 A Mr. Chairman, as we think about our increasing  
5 dependence on natural gas and the relationship  
6 that we have with Piedmont, we've enjoyed a great  
7 partnership and certainly good working  
8 relationships, high credit quality company. But  
9 the ability to bring the companies together under  
10 one umbrella so that we can have greater  
11 understanding and assurance not only of  
12 infrastructure needs but of contracts and the way  
13 the procurement occurs going forward, we believe  
14 is a prudent step for us to continue to deliver  
15 benefit to customers.

16 Q Mr. Skains, will this merger make the Duke  
17 contracts more secure?

18 A (MR. SKAINS) Mr. Chairman, the contracts are in  
19 place. The terms have been agreed to and  
20 approved by this Commission. In terms of the  
21 operational execution of the agreements, I think  
22 this merger will enhance the gas electric  
23 coordination of infrastructure to serve our  
24 customers. That has been a subject of major

1 interest by this Commission and other regulatory  
2 authorities. This goes to the statement in my  
3 testimony summary where I believe having all of  
4 these critical electric and natural gas  
5 infrastructure assets under one corporate  
6 umbrella will sit -- will assist in the  
7 coordination and communication to ensure  
8 reliability and safety to our customers.

9 Q The contracts are pretty secure now, aren't they?

10 A Yes. The contracts absolutely are secure. I was  
11 really referring to the execution and  
12 coordination of the contract terms.

13 Q On page 6 of your testimony, Ms. Good, line 5,  
14 you make reference to Piedmont's strong growth  
15 prospects. With regard to growth prospects, does  
16 that include growing Piedmont's natural gas  
17 distribution infrastructure?

18 A (MS. GOOD) Mr. Chairman, the natural gas  
19 infrastructure or distribution infrastructure  
20 will grow as customer needs dictate. We do  
21 believe that expansion of customer requirements  
22 would dictate, but also as customer interest,  
23 whether it's industrial or otherwise, may lead to  
24 an expansion of the distribution business. We

1 are in an area that's growing, as you know, and  
2 with the Atlantic Coast Pipeline and expanded  
3 infrastructure there may be an opportunity for  
4 that, but it would depend upon the needs of our  
5 customers.

6 Q Unless something else changes, is Duke prepared  
7 to commit to maintaining Piedmont's residential  
8 and commercial customer addition rate?

9 A I'm sorry. Could you ask that again?

10 Q Unless something changes, is Duke prepared to  
11 maintain Piedmont's residential and commercial  
12 customer addition rate?

13 A Yes, I believe we are.

14 Q Now, on page 7, beginning on line 6 of your  
15 testimony, you testify that quote,  
16 "This transaction establishes a valuable natural  
17 gas infrastructure platform which will provide  
18 strong growth opportunities for years to come."  
19 What do you mean by "natural gas infrastructure  
20 platform" in particular?

21 A Mr. Chairman, we have expanded into natural gas  
22 infrastructure with the Atlantic Coast Pipeline  
23 and with the Sabal Trail investment because the  
24 increasing dependence of electric generation on

1 natural gas gives us an interest in ensuring that  
2 we have infrastructure to support that. Sabal  
3 Trail serves our plants in Florida. Atlantic  
4 Coast Pipeline will be important here in the  
5 Carolinas. And so, as we looked at that change  
6 in our business and we had an opportunity to  
7 merge with Piedmont that is led by experts in  
8 natural gas procurement, and construction, and  
9 transportation and have been in the market for  
10 many, many years, we saw the benefit of bringing  
11 together all of those interests under one  
12 leadership. And we've named Frank Yoho to have  
13 that leadership position so that we can continue  
14 to develop gas infrastructure, not only for the  
15 benefit of our customers here in the Carolinas  
16 and Florida and the other jurisdictions but  
17 throughout the U.S., if we believe that an  
18 investment in a regulated pipeline would deliver  
19 returns to our investors in a way that's  
20 consistent with investor expectations.

21 Q So infrastructure is transmission pipe,  
22 distribution pipe, storage, LNG?

23 A I would say more interested in transmission  
24 pipeline than in LNG at this point and in

1 storage.

2 Q Now, this is a little bit akin to one of the  
3 questions that Mr. Runkle asked. We understand  
4 that you worked for Cinergy and joined Duke  
5 Energy after Duke Energy acquired Cinergy in  
6 May 2005. At the time of the merger, Duke had a  
7 natural gas infrastructure platform, due in large  
8 part to the acquisition of Westcoast Energy in  
9 2002. Westcoast Energy included ownership in  
10 interstate pipelines and some local distribution.  
11 Duke Energy had placed its interstate assets in  
12 Duke Energy transmission. In October 2006, Duke  
13 spun off Duke Energy Gas transportation (sic) to  
14 its shareholders as Spectra Energy. Given that  
15 Duke Energy acquired a natural gas infrastructure  
16 platform in 2002 and spun it off in 2006, what  
17 has changed to warrant acquisition of another one  
18 today?

19 A It's a very good question and I'll just --  
20 indulge me for moment. I had a chance to spend  
21 some time with Bill Grigg, former CEO of Duke,  
22 who described the reason behind the Westcoast  
23 acquisition, which was the convergence of  
24 electric and natural gas. And I think over the

1 last 20 years there have been views within the  
2 industry on the fact convergence is going to  
3 occur, convergence is going to occur. And what  
4 happened after Spectra is the discovery of shale  
5 gas, additional focus on early retirement of  
6 coal, mercury, Clean Power Plan and other things  
7 really putting pressure on coal, and I believe  
8 we're now seeing more convergence of natural gas  
9 with electric generation than we did when those  
10 decisions were made back in the early 2000's and  
11 even at the time of Spectra. And I think, if you  
12 were to ask these Duke folks about Spectra, we  
13 would love to own some of those assets today but  
14 it was a decision made at the time based on those  
15 market conditions and those strategic objectives.  
16 And as we look at where the power sector is  
17 going, we look at the options we have to bring  
18 power, to bring generation into our mix, we see  
19 natural gas as being very important going  
20 forward.

21 Q Thanks. So things change and time marches on.

22 A That's correct.

23 Q With regard to interstate pipeline and storage  
24 capacity, does the Federal Energy Regulatory

1 Commission require pipeline and storage capacity  
2 additions to be offered through open seasons to  
3 all interested parties?

4 A (MR. SKAINS) Mr. Chairman, that was directed to  
5 me?

6 Q Well, I think you're able to answer it.

7 A Yes, sir. Yes, the Federal Energy Regulatory  
8 Commission has an open season process that  
9 pipelines are required to implement to offer firm  
10 capacity that's available on their pipeline  
11 systems to all comers under the open access  
12 transportation regulatory scheme.

13 Q Well, how did this merger transaction improve  
14 Duke Energy and Piedmont's access to interstate  
15 capacity?

16 A (MS. GOOD) Mr. Chairman, I can't speak to the  
17 specifics except to say that the scale of the  
18 Company is going to position us well to be able  
19 to enter into transactions for the benefit of  
20 customers. We will look at those pipeline and  
21 capacity contracts based upon the needs of either  
22 generation or the delivery requirements of  
23 Piedmont to customers and we'll make those  
24 decisions in an appropriate fashion.

1 Q So, Mr. Skains, how does this transaction improve  
2 the ability of the two Companies to access  
3 interstate capacity?

4 A (MR. SKAINS) Mr. Chairman, let me answer that in  
5 two components. First is -- and Mr. Barkley can  
6 address this more specifically -- as I understand  
7 the Regulatory Conditions and the Code of  
8 Conduct, there are going to be two separate  
9 procurement groups, one in the Duke operating  
10 subsidiaries and another one in the Piedmont  
11 Natural Gas subsidiaries to manage their  
12 portfolio separately as separate utilities,  
13 subject to this Commission's jurisdiction.

14 In terms of accessing new capacity  
15 and project development opportunities, I think  
16 this union will make that process easier. We did  
17 this on a collaborative basis, Mr. Chairman, as  
18 you know in connection with a joint RFP, we  
19 offered for the Atlantic Coast Pipeline capacity  
20 that essentially allowed the two Companies  
21 working together to bring capacity from the  
22 abundant east coast shale development region into  
23 the Carolinas at a better price using economies  
24 of scale; bringing market demand on both the

1 electric side as well as the natural gas side to  
2 achieve the lowest possible price for our  
3 customers and economies of scale; it allowed us  
4 also to optimize the location of critical  
5 facilities to better ensure reliability for both  
6 Duke Energy's power plants as well as to meet our  
7 future growth requirements on our pipeline  
8 system. So I see the collaborative effort that  
9 we had underway in Atlantic Coast being something  
10 that is potentially easier to accomplish in the  
11 same corporate umbrella subject, of course, to  
12 all of the regulatory conditions and the rules  
13 and requirements of the Federal Energy Regulatory  
14 Commission and this Commission.

15 Q On page 6 of Ms. Good's testimony, beginning on  
16 line 16, she states, "Piedmont also has ownership  
17 interests in various gas infrastructure  
18 businesses including inter- and intrastate  
19 natural gas transportation, an underground  
20 storage facility and a liquefied natural gas  
21 storage facility". On page 6, beginning on line  
22 22, she states, "These are all factors that Duke  
23 Energy considered when deciding to make an offer  
24 to merge with Piedmont". So please explain how

1 Piedmont's ownership interest in those gas  
2 infrastructure businesses is an important aspect  
3 of the merger.

4 A (MS. GOOD) Mr. Chairman, as part of evaluating  
5 Piedmont, we looked not only at the local  
6 distribution company but we looked at the other  
7 interests that Piedmont had. It's a relatively  
8 modest amount of their overall business but we,  
9 of course, looked at every element as we  
10 evaluated this. I think transmission pipeline,  
11 constitution being one of them, was important to  
12 us as we looked at Atlantic Coast Pipeline and  
13 Sabal Trail as important parts for Duke Energy,  
14 so we paid particular attention to those  
15 investments.

16 Q Where is Sabal Trail?

17 A It comes across the southeast into Florida.

18 Q Ms. Good, are you familiar with how Piedmont  
19 currently uses the various portions of its gas  
20 infrastructure businesses including inter- and  
21 intrastate natural gas transportation, and  
22 underground storage facility and a liquefied  
23 natural gas storage facility to serve its  
24 customers?

1 A In a very general sense, Mr. Chairman.

2 Q How will the use of Piedmont's gas infrastructure  
3 businesses change post-merger, if it will?

4 A We don't have any anticipated changes in  
5 operations. I would like to defer to Mr. Yoho,  
6 if I could, on specific questions around that,  
7 the operations of the business. But one of the  
8 things we were trying to accomplish with this  
9 merger is leveraging the expertise of the  
10 Piedmont management team and the operational  
11 excellence that they've demonstrated over many  
12 years, and so those responsibilities will be  
13 Mr. Yoho's and the team that supports him.

14 Q With regard to interstate pipeline and storage  
15 capacity, does the FERC require pipeline and  
16 storage capacity additions to be offered via  
17 non-discriminatory, transparent procedures,  
18 Mr. Skains? And, if so, how will any allocation  
19 of transfer -- allocation or transfer of  
20 interstate transmission or storage capacity  
21 currently held by Piedmont or any of the Duke  
22 companies' change post-merger?

23 A (MR. SKAINS) Mr. Chairman, again I think  
24 Mr. Yoho, who will operate the gas asset

1 post-merger, will be in a better position to  
2 answer that. Once this merger occurs, subject to  
3 this Commission's approval, I will serve as a  
4 Duke Energy Board member and will not have  
5 day-to-day operating responsibilities. But  
6 again, as I mentioned earlier, I will confirm  
7 that the, as a general matter, the FERC does have  
8 non-discriminatory rules and regulations which  
9 apply to offerings of existing pipeline capacity  
10 in the wholesale market. And, as I understand  
11 the regulatory conditions agreed to as a part of  
12 this merger settlement, the Companies have agreed  
13 to maintain separate capacity and supply  
14 portfolios for the gas utility versus the  
15 electric utilities, subject to confirmation by  
16 Mr. Barkley.

17 Q Ms. Good, on page 7 of your testimony, beginning  
18 on line 13, you state, quote, "Duke Energy  
19 currently operates six natural gas-fired combined  
20 cycle generation plants at five different  
21 generation facilities in North Carolina through  
22 DEC and DEP". Is it correct that Duke Energy  
23 companies also operate simple cycle peaking  
24 facilities?

1 A (MS. GOOD) Yes, it is true.

2 Q As more and more variable and intermittent  
3 renewable generation sources are added to the  
4 system, those peaking facilities play an  
5 increasingly important role, do they not?

6 A Yes, they do.

7 Q Will the Merger impact gas supplies to those  
8 peaking facilities?

9 A We will take that into consideration as we  
10 continue to add intermittent resources. And,  
11 Mr. Chairman, one other resource that we're  
12 looking closely at is additional pumped hydro  
13 capacity, which is another form of peaking that  
14 we can use to deal with intermittent resources.  
15 So it will not only be gas-fired peakers but  
16 other resources that we'll evaluate on our  
17 system.

18 Q On page 7 of your testimony, beginning on line  
19 19, you testified, "Duke Energy believes that the  
20 direct use of natural gas will become an even  
21 more important energy source". Could you explain  
22 what you mean by that? And the follow-up  
23 question, are you referring to combined heat and  
24 power? What about direct use by residential and

1 commercial customers, or any other applications?

2 A I believe all of those are potential  
3 considerations. And we have seen an increasing  
4 interest on the part of some of our industrial  
5 customers and direct gas products because of the  
6 cost-competitive nature of natural gas at this  
7 point. So every direction we look we see  
8 additional customer interest.

9 Q Are Duke Energy Carolinas or Duke Energy Progress  
10 likely to adjust the locations of future  
11 gas-fired electric generation plants due to the  
12 merger with Piedmont? Could this drive the need  
13 for transmission investments that might otherwise  
14 not be necessary?

15 A So our siting of generation typically takes  
16 advantage of existing infrastructure. So you  
17 think about where we've put natural gas plants  
18 today, it has been in retired coal sites  
19 primarily because of the benefit of the  
20 infrastructure. So those siting decisions will  
21 be carefully evaluated - transmission, pipeline,  
22 capacity, land use, all those things, water  
23 supplies - and I would not expect that evaluation  
24 to change.

1 Q So would you expect the location of plants to  
2 change based on the location of where Piedmont's  
3 lines are?

4 A I would expect that we evaluate the location of  
5 our generating facilities on a broad range of  
6 things, natural gas supply being one of them, but  
7 transmission -- electric transmission also being  
8 one where generation needs to be located, water  
9 supplies, land availability, all of those other  
10 considerations as well.

11 Q In the portion of the -- in the portion of North  
12 Carolina where Duke Energy Carolinas, Piedmont or  
13 Duke -- let me start over again. In the portion  
14 of North Carolina where Duke Energy  
15 Carolinas/Piedmont or Duke Energy  
16 Progress/Piedmont have overlapping service  
17 territories, have the companies historically  
18 cooperated in efforts to attract new business  
19 and/or expansion of existing businesses?

20 A I believe we have. Tom, I don't know if you have  
21 any.

22 A (MR. SKAINS) Yes, sir, we do. We collaborate  
23 and cooperate extensively when it comes to  
24 economic development activities in the state in

1 an effort to bring in new manufacturing  
2 facilities, economic growth and investment and  
3 jobs.

4 Q Do you anticipate that this effort will continue  
5 with the merger, if it's approved?

6 A (MS. GOOD) Yes, it will.

7 Q And how will the new organization decide which  
8 locations to promote?

9 A Which manufacturing locations to promote?

10 Q Well, the new -- to attract new business and  
11 expansion of existing businesses?

12 A I think the approach for economic development is  
13 typically one that's not only a collaborative  
14 between the companies, but also the communities  
15 and the companies that are interested in locating  
16 into these areas, and typically there is an  
17 ongoing discussion about what the requirements  
18 are of the business that you're trying to attract  
19 and you're ultimately trying to come up with a  
20 location that works for them. We've been very  
21 active in site readiness, as an example, for  
22 large manufacturing to identify sites that would  
23 work for customers as they come in. So I would  
24 see it as an ongoing collaboration with the

1 state, the communities, with Piedmont and others  
2 who are very involved in economic development.

3 Q But you can assure the Commission that you will  
4 not reduce your efforts in those fields?

5 A Absolutely.

6 Q The cost/benefit analysis did not include income  
7 tax ramifications of the transaction; why was  
8 that?

9 A Mr. Chairman, I'm not familiar with why income  
10 taxes weren't considered. I would offer  
11 Mr. Young, Chief Financial Officer, for specific  
12 questions around income taxes. My hypothesis  
13 would be that there are likely not to be income  
14 tax benefits of any consequence, but I defer to  
15 Mr. Young for more specifics.

16 Q The Applicants state that the merger will  
17 provide, quote, "greater diversity of resources".  
18 And what types of resources and diversity are we  
19 talking about there and to whom are those  
20 benefits accrued?

21 A Mr. Chairman, are you referring to specific  
22 testimony?

23 Q I think that's in your Application.

24 A Could you repeat the question?

1 Q The Applicants state that the merger will  
2 provide, quote, "greater diversity of resources".  
3 What type of resources and diversity are we  
4 talking about please? You can even pass that off  
5 to somebody else if you want to.

6 A I'm not sure I have a specific answer to that,  
7 Mr. Chairman. So, if we could ask Mr. Barkley or  
8 Mr. Young to be prepared to answer that, I would  
9 like to do that.

10 Q Mr. Skains, on page 8 of your testimony,  
11 beginning on line 15, you are asked, "Do you  
12 perceive any detriments from the proposed  
13 transaction either to Piedmont's customers or to  
14 any other interested party", and you respond, "I  
15 do not", do you not?

16 A (MR. SKAINS) That's correct, sir.

17 Q You subsequently state that you, quote, "would  
18 expect some functions, particularly at the  
19 corporate headquarters level, could be  
20 consolidated over time as a matter of normal  
21 efficient business practices", do you not?

22 A Yes, sir, I would. I understand quite clearly  
23 from Duke that this merger was not predicated on  
24 synergies, it's predicated on investment and

1 growth. But, as a businessman, I understand the  
2 need of companies to operate efficiently, to  
3 synergize, to provide their services to their  
4 customers at the lowest reasonable cost. So  
5 certainly there could be and would be some  
6 duplicate functions that would be managed after  
7 the close. But I would defer to Ms. Good or  
8 Mr. Yoho about the specifics of integration since  
9 that applies to matters that I will not be  
10 involved with as a CEO.

11 A (MS. GOOD) And, Mr. Chairman, our focus at this  
12 point has been on day one activities so ensuring  
13 that customer service is going to be seamless,  
14 ensuring we can close the books, ensuring that  
15 employees get paid, e-mail systems and so on  
16 continue. Then we will get about the integration  
17 of longer term systems and processes over the  
18 next 18 to 24 months. And in preparation for  
19 that we will, of course, be sensitive to impact  
20 on employees, we'll take advantage of normal  
21 attrition, we'll take advantage of retirements  
22 and other things to minimize impact to employees.  
23 I think the integration has gone very smoothly.  
24 We have found a great fit between our teams and

1 I'm pleased with where we are at this point on  
2 integration.

3 Q Well, as integration proceeds and if some  
4 Piedmont employees, for example, lose their jobs  
5 that would be a detriment to those interested  
6 parties, wouldn't it?

7 A It would certainly be challenging. And,  
8 Mr. Chairman, I think as we think about  
9 integration, particularly for corporate center  
10 areas, it could also impact Duke employees  
11 because we'll be looking for ways that we can  
12 integrate to be a cost-effective supplier and we  
13 will try to minimize impact to employees,  
14 appreciating that sensitivity.

15 CHAIRMAN FINLEY: Questions by other  
16 Commissioners? Questions on the Commission's  
17 questions?

18 MR. WEST: I do.

19 CHAIRMAN FINLEY: Mr. West.

20 EXAMINATION

21 BY MR. WEST:

22 Q I just wanted to follow up on some questions that  
23 Chairman Finley was asking about reasons for the  
24 merger and, in particular, the fact that there

1 was already a contractual relationship between  
2 Piedmont and Duke. And I'm going to paraphrase  
3 as best I can, but I think that Mr. Skains  
4 mentioned something about improved execution and  
5 operation by bringing everything into one house.  
6 Did I paraphrase that reasonably correctly?

7 A (MR. SKAINS) I think that's a fair summary, yes.

8 Q Can you maybe articulate a little bit better what  
9 that means? And, in particular, does it mean  
10 anything along the lines of Piedmont will now be  
11 more responsive to the needs of Duke because you  
12 guys are in one house?

13 A Well, we certainly have commercial incentives to  
14 do that already under the terms of our contracts,  
15 but communications between two independent  
16 parties isn't always as smooth, in my opinion, as  
17 they could be under the same corporate umbrella.  
18 So we're really talking about the inquiry that  
19 this Commission had into electric-gas  
20 coordination of infrastructure to ensure  
21 reliability and safety to the energy consumers in  
22 North Carolina. We rely, Piedmont, on electric  
23 facilities in order to provide our natural gas  
24 service to Duke that they rely upon to generate

1 power for customers in the state. We're all  
2 motivated to make sure that that service is  
3 maintained and is reliable and safe but I just,  
4 as a matter of intuition and business experience,  
5 many times it's easier to communicate within one  
6 company than it is to communicate across two  
7 different independent companies.

8 Q Does -- will the improved execution and operation  
9 that will be available to Duke as a customer of  
10 Piedmont also be available to those customers of  
11 Piedmont that purchase natural gas to generate  
12 electricity?

13 A Yes. We have the same incentive to provide safe,  
14 reliable service to all of our customers under  
15 the terms of our contracts and service agreements  
16 so the same commercial motivations exist. But,  
17 again, it's sometimes more difficult to  
18 communicate outside of a company than it is  
19 inside a company but that doesn't reduce the  
20 motivation or the attempt to do so seamlessly.

21 MR. WEST: I don't have any further  
22 questions.

23 CHAIRMAN FINLEY: Mr. Runkle, what about  
24 your Piedmont 10-K here, Exhibit 1?

1 MR. RUNKLE: Yes, sir. We'd introduce  
2 NC WARN Good/Skains Cross-Examination Exhibit 1 into  
3 the record.

4 MR. SOMERS: If I may, Mr. Chairman, I had a  
5 continuing objection, which I appreciate the Chairman  
6 allowing me, and I think at some point we were going  
7 to make a nexus between the line of questioning and  
8 some relevance. I'm not sure I heard that in the  
9 questioning.

10 CHAIRMAN FINLEY: I'm not sure I did either  
11 but he's got a few more witnesses to go, so you'll  
12 have a continuing line of objection and we'll wait for  
13 Mr. Runkle to tie that up carefully for us so we will  
14 reserve ruling on the exhibit for the moment. But I  
15 believe he can probably introduce that anyway because  
16 it's a matter of public record but we'll --

17 MR. SOMERS: I will have no objection to  
18 that cross exhibit.

19 CHAIRMAN FINLEY: Then it will be admitted  
20 into evidence.

21 NC WARN Good/Skains Cross-Exhibit 1

22 (Admitted)

23 CHAIRMAN FINLEY: Any reason why -- yes,  
24 sir.

1 MR. RUNKLE: I'm sorry. I missed the ruling  
2 there.

3 CHAIRMAN FINLEY: The exhibit is introduced  
4 into evidence.

5 MR. RUNKLE: Thank you.

6 CHAIRMAN FINLEY: Any reason why these two  
7 witnesses should not be excused? You may be excused  
8 and thank you.

9 MS. GOOD: Thank you, Mr. Chairman and  
10 Commissioners.

11 MR. SKAINS: Thank you.

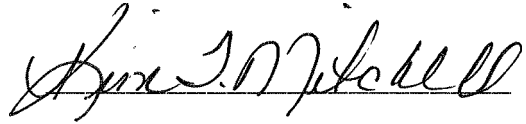
12 (The witnesses were excused.)

13 CHAIRMAN FINLEY: We will adjourn until 9:30  
14 in the morning.

15 (WHEREUPON, the proceedings recessed at 5:20 p.m.,  
16 to be reconvened at 9:30 a.m., July 19, 2016.)  
17  
18  
19  
20  
21  
22  
23  
24

## 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  
Court Reporter II