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September 24, 2018

VIA ELECTRONIC FILING

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

RE: Docket No. G-5, Sub 591

Dear Ms. Jarvis:

On behalf of Public Service Company of North Carolina, Inc. and the North Carolina Utilities Commission—Public Staff, attached for filing in the above-referenced docket is their *Joint Proposed Order on Annual Review of Gas Costs*.

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

Very truly yours,

/s/Mary Lynne Grigg

MLG:kjg

Enclosure

cc: Ms. Gina Holt

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-5, SUB 591

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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

HEARD: Tuesday, August 14, 2018, at 10:00 a.m., in Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

BEFORE: Commissioner ToNola D. Brown-Bland, Presiding, Commissioner Charlotte A. Mitchell, and Commissioner Jerry C. Dockham

APPEARANCES:

For Public Service Company of North Carolina, Inc.:

Andrea R. Kells, McGuireWoods LLP, 434 Fayetteville Street, Suite 2600, Raleigh, North Carolina 27601

For the Using and Consuming Public:

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

BY THE COMMISSION: On June 1, 2018, pursuant to G.S. 62-133.4(c) and Commission Rule R1-17(k)(6), Public Service Company of North Carolina, Inc. ("PSNC" or "Company"), filed the direct testimony and exhibits of Candace A. Paton, Rates & Regulatory Manager for PSNC, and Rose M. Jackson, General Manager – Supply & Asset Management for SCANA Services, Inc., in connection with the annual review of PSNC's gas costs for the 12-month period ended March 31, 2018.

On June 7, 2018, the Commission issued its Order Scheduling Hearing, Requiring Filing of Testimony, Establishing Discovery Guidelines, and Requiring Public Notice. This Order established a hearing date of Tuesday, August 14, 2018, set prefiled testimony dates, and required the Company to give notice to its customers of the hearing on this matter.

On July 19, 2018, the Company filed the revised Exhibit 1 of Rose M. Jackson.

On July 30, 2018, the Public Staff filed the joint testimony of Geoffrey M. Gilbert, Utilities Engineer, Natural Gas Division; Julie G. Perry, Manager of the Natural Gas Section, Accounting Division; and Sonja M. Johnson, Staff Accountant, Accounting Division.

On August 3, 2018, the Company filed its affidavits of publication.

On August 8, 2018, the Commission issued an Order Providing Notice of Commission Questions.

On August 14, 2018, the matter came on for hearing as scheduled, and all prefiled testimony and exhibits were admitted into evidence. No public witnesses appeared at the hearing.

At hearing, the Commission asked for certain late-filed exhibits from the Company. Pursuant to that request on September 6, 2018, the Company filed Paton Late-filed Exhibits 2 and 3.

On September 24, 2018, the Joint Proposed Order of PSNC and the Public Staff was filed.

Based on the testimony and exhibits received into evidence and the entire record in this proceeding, the Commission makes the following:

FINDINGS OF FACT

1. PSNC is a corporation duly organized and existing under the laws of the State of South Carolina, having its principal office and place of business in Gastonia, North Carolina. PSNC operates a natural gas pipeline system for the transportation, distribution, and sale of natural gas to approximately 563,000 customers in the State of North Carolina.

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

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

4. The review period in this proceeding is the 12 months ended March 31, 2018.

5. During the review period, PSNC incurred total gas costs of $235,756,953, comprised of demand and storage charges of $91,043,579, commodity gas costs of $145,801,389, and other gas costs of ($1,088,016).

6. In compliance with the Commission's order in Docket No. G-100, Sub 67, the Company credited 75% of the net compensation from secondary market transactions, which amounted to $34,269,198, to its All Customers Deferred Account.

7. As of March 31, 2018, the Company had a debit balance (owed from the customers to the Company) of $1,443,014 in its Sales Customers Only Deferred Account and a credit balance of $13,770,526 (owed from the Company to the customers) in its All Customers Deferred Account.

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

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

10. As of March 31, 2018, the Company had a debit balance of $2,376,550 in its Hedging Deferred Account.

11. It is appropriate for the Company to transfer the $2,376,550 debit balance in the Hedging Deferred Account to its Sales Customers Only Deferred Account. The combined balance for the Hedging and Sales Customers Only Deferred Accounts is a debit balance of $3,819,564, owed by customers to the Company.

12. PSNC has adopted a gas supply policy that it refers to as a "best cost" supply strategy. This gas supply acquisition policy is based upon three primary criteria: supply security, operational flexibility, and the cost of gas.

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

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

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

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

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

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

The evidence supporting these findings of fact is contained in the testimony of PSNC witnesses Jackson and Paton, and the testimony of Public Staff witnesses Gilbert and Johnson. These findings are based on G.S. 62-133.4(c) and Commission Rule R1-17(k)(6).

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

Witness Paton testified that Rule R1-17(k)(6) requires PSNC to submit to the Commission on or before June 1 of each year certain information with supporting work papers based on the 12-month period ending March 31. Witness Paton indicated that the Company had filed the required information. Witness Paton also stated that the Company had provided to the Commission and the Public Staff on a monthly basis the gas cost and deferred gas cost account information required by Commission Rule R1-17(k)(5)(c). Witnesses Gilbert and Johnson presented the results of their review of the gas cost information filed by PSNC in accordance with G.S. 62-133.4(c) and Commission Rule R1-17(k)(6).

Based on the foregoing, the Commission concludes that PSNC has complied with the procedural requirements of G.S. 62-133.4(c) and Commission Rule R1-17(k) for the 12-month review period ended March 31, 2018.

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

The evidence supporting these findings of fact is found in the testimony and exhibits of PSNC witness Paton and the testimony of Public Staff witnesses Gilbert and Johnson.

PSNC witness Paton's exhibits show that the Company incurred total gas costs of $235,756,953 during the review period, which was comprised of demand and storage costs of $91,043,579, commodity gas costs of $145,801,389, and other gas costs of ($1,088,016). Public Staff witness Johnson confirmed that total gas costs for the review period ended March 31, 2018, were $235,756,953.

Public Staff Witness Johnson stated that the Company recorded $45,692,268 of margin on secondary market transactions, including capacity release transactions and storage management arrangements, during the review period. Of this amount, $34,269,198 was credited to the All Customers Deferred Account for the benefit of ratepayers.

PSNC witness Paton's prefiled testimony and exhibits reflected a Sales Customers Only Deferred Account debit balance of $1,443,014 (owed to the Company by customers) and a credit balance of $13,770,526 (owed to customers by the Company) in its All Customers Deferred Account as of March 31, 2018. Public Staff witness Johnson agreed with these balances and testified that PSNC properly accounted for its gas costs during the review period.

Based upon the foregoing, the Commission concludes that the Company properly accounted for its gas costs incurred during the review period. The Commission also concludes that the appropriate level of total gas costs incurred by PSNC for this proceeding is $235,756,953. The Commission further concludes that the appropriate balances as of March 31, 2018, are a debit balance of $1,443,014, owed to the Company, in its Sales Customers Only Deferred Account and a credit balance of $13,770,526, owed to customers, in its All Customers Deferred Account.

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

The evidence for these findings of fact is contained in the testimony of PSNC witnesses Paton and Jackson and the testimony of Public Staff witnesses Perry and Johnson.

PSNC witness Paton testified that the Company's Hedging Deferred Account balance for the 12-month review period ended March 31, 2018, was $2,376,550, a net debit balance, due from customers. Public Staff witness Perry testified that this balance was composed of: Economic Gains – Closed Positions of ($271,330); Premiums Paid of $2,591,190; Brokerage Fees and Commissions of $14,375; and Interest on the Hedging Deferred Account of $42,316. Public Staff witness Perry further stated that the hedging charges resulted in an annual charge of $3.15 for the average residential customer which equates to approximately $0.26 per month. Witness Perry also testified that PSNC's weighted average hedged cost of gas for the review period was $3.81 per dekatherm.

PSNC witness Jackson testified that the primary objective of PSNC's hedging program has always been to help mitigate the price volatility of natural gas for PSNC's firm sales customers at a reasonable cost. She further testified that PSNC's hedging program meets this objective by having financial instruments such as call options or futures in place to mitigate, in a cost effective manner, the impact of unexpected or adverse price fluctuations to its customers.

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

PSNC witness Jackson explained that PSNC's hedging program continues to utilize two proprietary models developed by Kase and Company that assist in determining the appropriate timing and volume of hedging transactions. She stated that the total amount available to hedge is divided equally between the two models.

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

Public Staff witness Perry stated that her review of the Company's hedging activities involves an ongoing analysis and evaluation of the Company's monthly hedging deferred account reports, detailed source documentation, work papers supporting the derivation of the maximum targeted hedge volumes for each month, periodic reports on the status of hedge coverage for each month, and periodic reports on the market values of the various financial instruments used by the Company to hedge. In addition, the Public Staff reviews monthly Hedging Program Status Reports, monthly reports reconciling the Hedging Program Status Report and the hedging deferred account report, minutes from the meetings of SCANA's Risk Management Committee ("RMC"), and minutes from the meetings of the Board of Directors and its committees that pertain to hedging activities. Further, the review includes reports and correspondence from the Company's internal and external auditors, hedging plan documents, communications with Company personnel regarding key hedging events and plan modifications under consideration by SCANA's RMC, and the testimony and exhibits of the Company's witnesses in the annual review proceeding. Witness Perry testified that based on her analysis of what was reasonably known or should have been known at the time the Company made its hedging decisions affecting the review period, as opposed to the outcome of those decisions, she concluded that the Company's hedging decisions were prudent.

Public Staff witness Perry further testified that the $2,376,550 debit balance in the Hedging Deferred Account as of the end of the review period should be transferred to the Sales Customers Only Deferred Account. Based on this recommendation, Public Staff witness Johnson stated that the appropriate balance in the Sales Customers Only Deferred Account as of March 31, 2018, after the hedging balance transfer, should be a net debit balance of $3,819,564, owed by the customers to the Company.

Based on the evidence in the testimony and exhibits provided by PSNC and the Public Staff, the Commission finds that PSNC's hedging program has met the objective of contributing to the mitigation of gas price volatility and avoiding rate shock to customers. The Commission concludes that PSNC's hedging activities during the review period were reasonable and prudent and that the $2,376,550 debit balance in the Hedging Deferred Account as of the end of the review period should be transferred to the Company's Sales Customers Only Deferred Account. The Commission finds that the appropriate combined balance for the Hedging and Sales Customers Only Deferred Accounts is a debit balance of $3,819,564.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 12-14

The evidence for these findings of fact is found in the testimony of PSNC witness Jackson and the testimony of Public Staff witness Gilbert.

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

PSNC witness Jackson testified that the second criterion is maintaining the necessary operational flexibility in the gas supply portfolio that will enable PSNC to react to unpredictable weather and the changing requirements of industrial customers coupled with their ability to burn other fuels. She noted that PSNC's gas supply portfolio as a whole must be capable of handling the monthly, daily, and hourly changes in customer demand needs. Witness Jackson also testified that operational flexibility largely results from PSNC's gas supply agreements having different purchase commitments and swing capabilities (for example, the ability to adjust purchased gas within the contract volume on either a monthly or daily basis) and from PSNC's injections into and withdrawals out of storage.

In regard to the third criterion, cost of gas, PSNC witness Jackson stated that in evaluating costs it is important to consider not only the actual commodity cost, but also any transportation-related charges such as reservation, usage, and fuel charges. She further stated that PSNC routinely requests gas supply bids from suppliers to help ensure the most cost-effective proposals. Witness Jackson also testified that in securing natural gas supply for its customers, PSNC is committed to acquiring the most cost-effective supplies while maintaining the necessary security and operational flexibility to serve the needs of its customers. She further testified that PSNC has developed a gas supply portfolio made up of long-term agreements and supplemental short-term agreements with a variety of suppliers, including both producers and independent marketers.

PSNC witness Jackson testified that the majority of PSNC's interstate pipeline capacity is obtained from Transcontinental Gas Pipeline Company, LLC ("Transco"), the only interstate pipeline with which PSNC has a direct connection. The Company also has a backhaul transportation arrangement with Transco to schedule deliveries of gas from pipelines and storage facilities downstream of PSNC's system, as well as transportation and/or storage service agreements with Dominion Energy Transmission, Inc., Columbia Gas Transmission, LLC, Texas Gas Transmission, LLC, East Tennessee Natural Gas LLC, Dominion Energy Cove Point LNG, LP, Saltville Gas Storage Company, L.L.C., and Pine Needle LNG Company, LLC.

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

1. PSNC continues to optimize the flexibility available within its supply and capacity contracts to realize their value;

2. PSNC monitored and intervened in matters before the Federal Energy Regulatory Commission whose actions could impact PSNC's rates and services to its customers;

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

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

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

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

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

PSNC Witness Jackson testified that in the summer of 2017, PSNC submitted a binding request for capacity on Transco's Southeastern Trail expansion project, which will provide additional firm transportation service with a receipt point at the existing Pleasant Valley Transco-Cove Point interconnection in Fairfax County, Virginia, and a delivery point at the existing Transco Station 65 pooling point in St. Helena Parish, Louisiana. In November 2017, PSNC and Transco executed a precedent agreement for this transportation service. Ms. Jackson testified that the project has a target in-service date of late 2020. When the project is placed into service, this capacity will allow the Company to schedule deliveries from downstream storage facilities and pipelines on a primary firm, forward-haul basis and will replace the secondary backhaul transportation that PSNC has used in the past.

Ms. Jackson further testified that in previous gas cost reviews, she had testified that PSNC entered into a precedent agreement with Atlantic Coast Pipeline, LLC ("ACP") to acquire capacity on ACP's 550-mile pipeline project that will run from Harrison County, West Virginia, to Robeson County, North Carolina. Ms. Jackson provided the Commission with an update on developments concerning the status of the project and PSNC's contracting for service with ACP.

Ms. Jackson also presented testimony regarding PSNC's entering into precedent agreements with Mountain Valley Pipeline, LLC ("MVP") to obtain capacity on its mainline pipeline project running from northwestern West Virginia to Pittsylvania County, Virginia, as well as on an approximately 70-mile lateral running from the termination of the mainline to delivery points at PSNC's Dan River and Haw River interconnects in Rockingham and Alamance Counties, North Carolina, respectively. Specifically, PSNC contracted for 250,000 dekatherms per day of mainline capacity and 300,000 dekatherms per day of lateral capacity. The additional 50,000 dekatherms per day of lateral capacity will be used by PSNC to receive primary firm, forward-haul deliveries directly from East Tennessee through a new interconnection with MVP.

Ms. Jackson testified at hearing in response to questions from the Commission that if there are further delays to the pipelines' in-service dates that the Company will (as it has in the past) stay in constant communication with suppliers about available capacity, either on a forward- or back-haul basis, and issue requests for proposal on an annual and seasonal basis. She further testified that PSNC would seek opportunities to secure bundled services for supply and transportation services delivered to PSNC's system. Additionally, Ms. Jackson testified in response to Commission questions that the Company looks at interstate pipelines' electronic bulletin boards and would take advantage of any opportunities to acquire existing capacity on Transco's system that might become available at a lower cost. Also at hearing, Ms. Jackson testified that in the future, instead of relying on one pipeline, the Company will have three pipeline providers.

PSNC witness Jackson testified that the projected design-day demand of PSNC's firm customers is calculated using a statistical modeling program prepared by SCANA Services Resource Planning personnel. She further explained that the model assumes a 50 heating degree-day ("HDD") on a 60 degree Fahrenheit base and uses historical weather to estimate peak-day demand. Witness Jackson also testified that PSNC presented its forecasted firm peak-day demand requirements for the review period and for the next five winter seasons. She further explained that the assets available to meet PSNC's firm peak-day requirements include year-round, seasonal, and peaking capabilities and consist of firm transportation and storage capacity on interstate pipelines as well as the peaking capability of PSNC's on-system liquefied natural gas facility.

Public Staff witness Gilbert testified that the Public Staff conducts an independent analysis using similar calculations to determine peak day demand levels and compares that to the assets the Company has available (or is planning to have available when needed in the future) to meet that demand. The Public Staff uses the review period data of customer usage and HDDs, which are calculated by taking the average of the minimum and maximum daily temperature and subtracting that quotient from 65 degrees. (For example, a low of 10 degrees and a high of 30 would yield 45 HDDs.) Base load (usage that does not fluctuate with weather) plus a usage per HDD factor is developed, and the projected peak day demand is calculated. The assumption in developing a peak design day demand is 55 HDDs, which is the accepted peak coldest day that would be anticipated to be experienced in PSNC's territory. He testified that the results of their analysis are similar to the levels presented by PSNC in Jackson Exhibit 1. PSNC's design day demand models show a shortfall of capacity beginning in the 2019 – 2020 winter season. He cited Ms. Jackson's testimony that in order to overcome this anticipated shortfall, PSNC has contracted for necessary capacity on ACP, which is expected to come into service by late 2019, and MVP, which is expected to have lateral facilities capable of delivering capacity to PSNC completed by late 2020.

At hearing, Ms. Jackson testified that the Company's and the Public Staff's different assumptions for HDD results in very little difference in outcome. Also at hearing, Mr. Gilbert acknowledged that the results of the differences did not yield a significantly different outcome and that the Public Staff did not see any reason to change its assumptions.

Public Staff witness Gilbert testified that he had reviewed the testimony and exhibits of the Company's witnesses; monthly operating reports; gas supply and pipeline transportation and storage contracts; and the Company's responses to the Public Staff's data requests. He concluded that, in his opinion, PSNC's gas costs were prudently incurred for the 12-month review period ending March 31, 2018.

Based upon the foregoing, the Commission concludes that the Company's gas costs incurred during the review period ended March 31, 2018, were reasonable and prudently incurred and that the Company should be permitted to recover 100% of its prudently incurred gas costs.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 15

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

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

Public Staff witness Gilbert testified that the All Customers Deferred Account reflects a credit balance of $13,770,526 owed by the Company to customers. He noted that PSNC has proposed not to place a decrement in rates for the recovery of this credit balance. At the end of May, the over-collection had decreased to $9,145,536, and the Company estimates the balance will "flip" to an under-collection of approximately $8.4 million by the end of October 2018. The Sales Customers Only Deferred Account reflects an under-collection of $1,443,014, owed by customers to the Company. The current tariff rates, which were approved in the Company's Purchased Gas Adjustment ("PGA") filing in Docket No. G-5, Sub 583 and became effective January 1, 2018, are based on an over-collection of approximately $15 million in the All Customers Deferred Account. He concluded that removing the decrements that are currently in place and implementing a new rate based on the $13,770,526 in the All Customers Deferred Account would not be beneficial to the rate payers. He noted that it is not unusual to have a change in the balances, since fixed gas costs are typically over-collected during the winter period when throughput is higher due to heating load, and under-collected during the summer when throughput is lower. He agreed with the Company's proposal to leave the current temporary decrements applicable to the All Customers Deferred Account in place and monitor the balance in the account to determine when or if changes are required. He recommended that PSNC continue to monitor the balances in both the All Customers and the Sales Customers Only Deferred Accounts and file for a request to implement new temporary increments or decrements, as applicable, through the PGA mechanism to avoid significant over-collections of its fixed gas costs. He agreed with PSNC's proposal of not taking any action on the All Customers and the Sales Customers Only Deferred Accounts at this time. He also agreed with PSNC's proposal not to place a decrement in rates for the recovery of this credit balance, but to manage it by using the PGA mechanism, pursuant to G.S. § 62-133.4, which PSNC has previously used for this purpose. He concluded that requiring PSNC to implement temporary rate changes in the instant docket at this time would not be productive, and, therefore, he agreed with the Company's proposals.

Based on the testimony discussed above, the Commission notes that it is commonplace for the Company to over-collect during the winter months and under-collect during summer months and recognizes that this is what occurred during the prior review period ended March 31, 2017, in Docket No. G-5, Sub 578. Had the Commission ordered a rate decrement in that proceeding, the effect would have been counterproductive, due to the fact that by the time temporary decrements would have gone into effect in November 2017, the Company was under-collected, and it would have had to file a petition to remove the decrement and perhaps implement an increment.

The Commission concludes that the same would be true in this docket. If the Commission were to require decrements, by the time rates go into effect in November the Company would likely be under-collected and the decrements would exacerbate that position.

Based on the facts in the present docket, and the record as a whole, the Commission finds and concludes that it is appropriate not to require PSNC to implement new temporary rate decrements in the instant docket at this time. However, the Commission expects PSNC to continue to monitor market conditions and the Sales Customer Deferred Account balances and, if necessary, to file a PGA to make an appropriate adjustment to rates.

IT IS, THEREFORE, ORDERED as follows:

1. That PSNC's accounting for gas costs for the 12-month period ended March 31, 2018, is approved.

2. That the gas costs incurred by PSNC during the 12-month period ended March 31, 2018, including the Company's hedging costs, were reasonably and prudently incurred, and PSNC is hereby authorized to recover 100% of these gas costs as provided herein.

3. That, as proposed by PSNC and agreed to by the Public Staff in the instant docket, PSNC shall not implement any temporary rate changes effective for service rendered on and after November 1, 2018.

ISSUED BY ORDER OF THE COMMISSION

This the _____ day of September, 2018

NORTH CAROLINA UTILITIES COMMISSION

Janice H. Fulmore, Deputy Clerk

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing *Joint Proposed Order on Annual Review of Gas Costs* has been served on all parties of record or their attorneys, or both, by U.S. mail, first class or better; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 24th day of September, 2018.

/s/Mary Lynne Grigg
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Attorney for Public Service Company of North Carolina, Inc.