



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

October 18, 2021

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Docket No. G-9, Sub 722 – Petition for Consolidated Construction/Redelivery Agreement; G-9, Sub 781 – Application for General Rate Increase; and G-9, Sub 786 – Application of Piedmont Natural Gas Company, Inc., for Modifications to Existing Energy Efficiency Program and Approval of New Energy Efficiency Programs

Dear Ms. Dunston:

Attached for filing in the above-referenced docket is the supplemental settlement testimony and exhibit of Julie G. Perry, Manager, Natural Gas & Transportation Section, Accounting Division.

By copy of this letter, I am forwarding a copy to all parties of record by electronic delivery.

Sincerely,

Electronically submitted
s/ Megan Jost
Staff Attorney
megan.jost@psncuc.nc.gov

Attachment

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BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. G-9, SUB 722
DOCKET NO. G-9, SUB 781
DOCKET NO. G-9, SUB 786

DOCKET NO. G-9, SUB 722)
)
In the Matter of)
Consolidated Natural Gas Construction)
and Redelivery Services Agreement)
Between Piedmont Natural Gas)
Company, Inc., and Duke Energy)
Carolinas, LLC)
)
DOCKET NO. G-9, SUB 781) SUPPLEMENTAL
) SETTLEMENT
In the Matter of) TESTIMONY OF
Application of Piedmont Natural Gas) JULIE G. PERRY
Company, Inc., for an Adjustment of) PUBLIC STAFF – NORTH
Rates, Charges, and Tariffs Applicable) CAROLINA UTILITIES
to Service in North Carolina) COMMISSION
)
DOCKET NO. G-9, SUB 786)
)
In the Matter of)
Application of Piedmont Natural Gas)
Company, Inc., for Modification to)
Existing Energy Efficiency Program)
and Approval of New Energy Efficiency)
Programs)

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. G-9, SUB 722

DOCKET NO. G-9, SUB 781

DOCKET NO. G-9, SUB 786

**SUPPLEMENTAL SETTLEMENT TESTIMONY OF
JULIE G. PERRY**

**ON BEHALF OF THE PUBLIC STAFF –
NORTH CAROLINA UTILITIES COMMISSION**

OCTOBER 18, 2021

- 1 **Q. MS. PERRY, WHAT IS THE PURPOSE OF YOUR**
- 2 **SUPPLEMENTAL SETTLEMENT TESTIMONY IN THIS**
- 3 **PROCEEDING?**
- 4 **A.** The purpose of my supplemental settlement testimony is to present
- 5 the results of the Public Staff’s audit of the actual costs closed to
- 6 plant by Piedmont Natural Gas Company, Inc. (Piedmont or the
- 7 Company) for the Robeson LNG Plant and the Pender Onslow
- 8 Expansion project and its calculation of the final revenue requirement
- 9 for those actual costs as required by Paragraph Nos. III.D.1.d. and
- 10 III.D.2.c. of the Stipulation of Partial Settlement (Stipulation) between
- 11 Piedmont and the Public Staff (collectively, the Stipulating Parties)
- 12 dated September 7, 2021.
- 13

1 Q. PLEASE EXPLAIN WHAT THE STIPULATION STATES
2 REGARDING FINAL COSTS FOR THE ROBESON LNG FACILITY
3 AND PENDER ONSLOW EXPANSION PROJECT.

4 A. Paragraph Nos. III.D.1.c. and III.D.2.b. of the Stipulation state that,
5 on or before September 20, 2021, Piedmont shall file the actual
6 amounts closed to plant through August 31, 2021, to be included in
7 this proceeding for determining the final impact of the Robeson LNG
8 Facility and the Pender Onslow Expansion project on the overall
9 revenue increase authorized in this docket. Paragraph No. III.D.1.b.
10 states that on or before October 11, 2021, Piedmont shall file an
11 affidavit with the Commission demonstrating attainment of the
12 performance metrics agreed to with the Public Staff for the Robeson
13 LNG Plant.

14 Paragraph Nos. III.D.1.d. and III.D.2.c. of the Stipulation state that,
15 following the Company's filing of the actual amounts closed to plant
16 for the Robeson LNG Facility and Pender Onslow Expansion project,
17 which will be subject to audit by the Public Staff, and following the
18 Company's filing of an affidavit demonstrating attainment of the
19 performance metrics agreed to with the Public Staff for the Robeson
20 LNG Facility, the Public Staff and the Company will file supplemental
21 testimony and exhibits on their final recommendation regarding the

1 total revenue requirement and rates in this proceeding, including the
2 Robeson LNG Facility and the Pender Onslow Expansion project.

3 **Q. DID THE COMPANY COMPLY WITH THE STIPUATION**
4 **REGARDNG THE ROBESON LNG FACILITY AND THE PENDER**
5 **ONSLow EXPANSION PROJECT?**

6 A. Yes. On September 20, 2021, Piedmont made a Compliance Filing
7 with schedules showing the actual amounts closed to plant as of
8 August 31, 2021, for the Robeson LNG Facility and the Pender
9 Onslow Expansion project, as well as schedules showing the actual
10 amounts closed to plant as of June 30, 2021, for Piedmont's North
11 Carolina Transmission Lines 456 and 457. These two lines tie the
12 Robeson LNG Facility to Piedmont's main transmission system and
13 were not included in Stipulation Exhibit A1 in order to exclude all
14 costs associated with the Robeson LNG Facility until completed.

15 On October 11, 2021, Piedmont filed the Affidavit of Adam Long
16 stating that Piedmont demonstrated attainment of the performance
17 metrics agreed for the Robeson LNG Facility agreed upon by the
18 Stipulating Parties. Specifically, Mr. Long stated that Piedmont
19 provided to the Public Staff documentation of an uninterrupted
20 liquefaction run of 11 hours at a liquefaction rate greater than or
21 equal to the facility design without fault or termination for operational
22 reasons. Mr. Long further stated that the liquefaction function was

1 the only major function of the facility that had not been previously
2 demonstrated to the Public Staff's satisfaction, and that Piedmont
3 understood that the Public Staff accepted this documentation as
4 evidence that the facility is fully functional and appropriate for
5 inclusion in rate base under the Stipulation.

6 **Q. PLEASE DESCRIBE THE PUBLIC STAFF'S AUDIT OF THE**
7 **ACTUAL PLANT IN SERVICE COSTS FOR THE ROBESON LNG**
8 **FACILITY AND THE PENDER ONSLOW EXPANSION PROJECT.**

9 A. The Public Staff served three data requests on the Company and
10 participated in several virtual conference calls to discuss the
11 supplemental information filed in this proceeding regarding the
12 Robeson LNG Facility and the Pender Onslow Expansion project.
13 Public Staff witness Dustin R. Metz and I audited the final plant in
14 service data, including actual updates to plant, depreciation, general
15 taxes, and related operating expenses, and operations data for the
16 Robeson LNG plant and Pender Onslow Expansion project. While
17 we identified costs in the course of our audit that are associated with
18 a portion of the Pender Onslow Expansion project that is not yet
19 complete, the costs are immaterial and relate to the overall project
20 management and the planning and design phase which cannot be
21 apportioned to specific segments of the project at this time. For these
22 reasons, I do not recommend that these costs be disallowed.

1 **Q. WHAT ARE THE RESULTS OF THE PUBLIC STAFF’S AUDIT OF**
2 **THE ROBESON LNG FACILITY AND THE PENDER ONSLOW**
3 **EXPANSION PROJECT?**

4 A. Based on its review of the commissioning results and the Affidavit of
5 Piedmont Witness Adam Long filed on October 11, 2021, the Public
6 Staff accepts the results and affirms that both the Robeson LNG
7 Facility and the Pender Onslow Expansion project are appropriate
8 for inclusion in rate base at this time.

9 Based on the Public Staff’s audit of the final plant in service data,
10 depreciation, general taxes, and related operating expenses, I have
11 updated the Public Staff’s revenue requirement recommendation
12 regarding actual costs closed to plant in service as of August 31,
13 2021, for both the Robeson LNG Facility and the Pender Onslow
14 Expansion project as shown in Perry Supplemental Stipulation
15 Exhibit I.

16 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

17 A. Yes.

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 781
SUMMARY OF SETTLEMENT ADJUSTMENTS
For The Test Year Ended December 31, 2020

Line No.	Item	Settlement
1	Application Increase in Revenue Requirement filed by the Company	\$109,025,725
2	Company Filed June Update	(12,153,620)
3	Increase in Margin Revenue Requested due to Company Update	\$96,872,105
	Public Staff Adjustments:	
4	Change in Equity ratio from 52% to 51.60%	(1,935,965)
5	Change in cost of long-term debt from 4.08% to 4.08%	0
6	Change in cost of short-term debt from 0.35% to 0.20%	(46,446)
7	Change in return on equity from 10.25% to 9.60%	(20,743,428)
8	Plant in Service Updates and Related Items at June 30, 2021	(77,463) [1]
9	ADIT - updated balance to June 30, 2021	0
10	Design Day Allocation Change - removed adjustment	0
11	Cash working capital - Lead Lag based on pro forma revenues and expenses	(1,216,202)
12	Other working capital - June 30, 2021 updates	0
13	EOP Revenues & Commodity COG - moved to line 47	0
14	Adjustment to other operating revenues	(1,905,124)
15	Adjustment to the Cost of Gas - moved to line 48	0
16	Robeson LNG Plant Adjustment - Lines 456 and 457, land, and operating expenses	0 [1]
17	Special Contract (Original Lincoln CT) - remove plant previously recovered through lump sum payment	(111,287)
18	Payroll and Related Expenses	(15,965)
19	Other Benefits	(1,313,594)
20	Pension OPEB LTD Expense	(436,672)
21	Customer Payment Fees	0
22	Board Expenses	(362,829)
23	Executive Compensation	(270,949)
24	Incentive Plans	(367,973)
25	Rate Case Expenses - 4 year amortization, no unamortized balance from Sub 743	(175,794)
26	Sponsorships & Donations	(63,771)
27	Uncollectibles	(1,015,778)
28	Inflation Adjustment	(160,589)
29	Nonutility Adjustment - O&M and plant	(547,483)
30	Deferral: PIM Transmission Costs - update actual expenses @ June 30, 2021, 4 years -adjusted reg asset EOP bal	(272,957)
31	Deferral: Environmental Costs - update actual expenses @ June 30, 2021, 4 years -adjusted reg asset EOP bal	26,407
32	Deferral: PIM Distribution Costs - update actual expenses @ June 30, 2021, 4 years -adjusted reg asset EOP bal	389,477
33	Deferral Eastern NCNG, 4 year amortization	(138,435)
34	Deferred Undercollection of Regulatory Fee, 4 years	(54,416)
35	COVID Expense Adjustment	(438,384)
36	Regulatory Fee Expense	3,797
37	Advertising - remove promotional, image, competitive, & non-recurring	(384,905)
38	Aviation Expense	(192,202)
39	Interest on customer deposits	(490)
40	Lobbying Expenses	(76,564)
41	Amortization of Federal protected EDIT, net of tax	1,652,340
42	Change in retention factor - Uncollectibles and Regulatory Fee changes	(88,311)
43	Adjust cash working capital for recommended revenue increase	784,417
44	Rounding	307
45	Total Settlement Adjustments to Margin Revenue	(29,557,231)
46	Settlement Increase in Margin Revenue	\$67,314,874
47	Decrease in Commodity Cost of Gas - update CU & LAUF factor	(2,035,207)
48	Increase in Demand costs - update fixed gas costs	8,966,494
49	Settlement Increase in COG of Gas Revenues (Sum of Lines 47-48)	6,931,287
50	Total Settlement Revenue Requirement Increase	\$74,246,160
	EDIT Rider impacts on Revenue Requirement:	
51	Annual Federal Unprotected EDIT Rider, 3 year remaining flow back	(\$25,562,970)
52	Annual State EDIT Rider, 1 year remaining flow back	(22,201,275)
53	Annual EDIT Rider Impact (Sum of Lines 51-52)	(\$47,764,245)
54	Change in Revenue Requirement for Year 1, including EDIT Rider Impact [2]	\$26,481,915
55	Change in Revenue Requirement for Years 2 & 3, including EDIT Rider Impact [2]	\$48,683,190
56	Change in Revenue Requirement for Year 4, including EDIT Rider Impact [2]	\$74,246,160

[1] Includes actual Robeson LNG Plant and the Pender Onslow Expansion Project costs closed to plant in service as of August 31, 2021.

[2] Year 1 = Nov 1, 2021 thru Oct 31, 2022
Year 2 = Nov 1, 2022 thru Oct 31, 2023
Year 3 = Nov 1, 2023 thru Oct 31, 2024
Year 4 = Nov 1, 2024 thru Oct 31, 2025