

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. G-9, SUB 727

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application of Piedmont Natural Gas)
Company, Inc., for Annual Review of Gas)
Costs Pursuant to G.S. 62-133.4(c) and)
Commission Rule R1-17(k)(6)) ORDER PROVIDING NOTICE OF
COMMISSION QUESTIONS

BY THE PRESIDING COMMISSIONER: On August 1, 2018, Piedmont Natural Gas Company, Inc. (Piedmont), filed testimony and exhibits (testimony) of Sarah E. Stabley, Gennifer Raney, and MaryBeth Tomlinson in the above-captioned docket relating to an annual review proceeding pursuant to N.C. Gen. Stat. § 62-133.4(c) and Commission Rule R1-17(k)(6). On August 7, 2018, the Commission issued an Order scheduling this docket for a hearing on October 2, 2018.

On September 17, 2018, the Public Staff filed joint testimony of Poornima Jayasheela, Zarka H. Naba, and Michael C. Maness.

Based on the testimony of the parties, the Commission has several questions that it will pose to witnesses at the hearing. In order to allow the witnesses to adequately prepare, the Presiding Commissioner finds good cause to attach the Commission's questions as Attachment A to this Order.

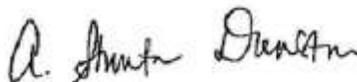
On or before Monday, October 1, 2018, Piedmont may file its responses to some or all of these questions as pre-filed Exhibits, if it chooses to do so. However, the Presiding Commissioner notes that these questions are not necessarily the only questions that will be asked by the Commission.

IT IS, THEREFORE, SO ORDERED.

ISSUED BY ORDER OF THE COMMISSION.

This the 24th day of September, 2018.

NORTH CAROLINA UTILITIES COMMISSION



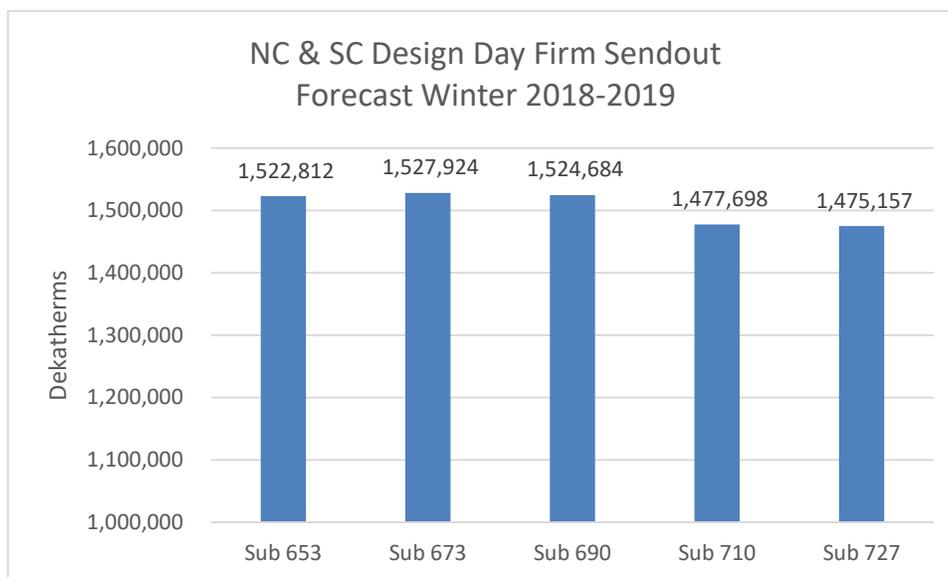
A. Shonta Dunston, Acting Deputy Clerk

Commission Questions

1. According to Piedmont witness Raney's testimony, the Atlantic Coast Pipeline (ACP) will come on-line in November of 2019. Is that still Piedmont's expectation?
2. Raney Exhibit GJR-5C shows firm pipeline, seasonal storage and peaking capacity. For each of the facilities shown, describe:
 - (a) The receipt and delivery points (or zones) of pipeline capacity.
 - (b) For seasonal storage and interstate peaking capacity:
 - (i) The injection, withdrawal and storage capacity, and when and for how many days injection and withdrawal services are available.
 - (ii) If the facilities are off of Piedmont's system, please explain:
 - (a) Where they are located?
 - (b) What pipeline assets are used to get them to Piedmont?
 - (c) When Piedmont's contract for each facility expires?
 - (iii) Footnote 2 of Raney Exhibit GJR-5C states that "Beginning in FY 2015, Dominion capacity removed as available capacity on design day due to non-firm backhaul from Transco's Zone 6." Discuss how changes in flow patterns from the north have impacted the availability of the other seasonal storage and interstate peaking facilities.
3. In Raney Exhibit GJR-5C, the "Carolinas Demand Net Growth Rate" is set at 1.6% per year. What is the basis for that assumption? In Docket No. G-9, Sub 710, in Mendoza Exhibit MRM 8A, the actual demand growth rate for "Last Year" was shown as 1.20%. In Docket No. G-9, Sub 690, in Mendoza Exhibit MRM 8A the actual growth rate in the first year was shown as 1.37%. In both of those dockets, a 1.6% annual growth rate was used in the forecast periods. Why is Piedmont using a 1.6% growth rate in this docket when the actual growth rate stated in recent dockets has been lower?
4. On page 6 of witness Raney's testimony, she explained that design day requirements were calculated using a linear regression analysis conducted on customer sendout data from November 2011 through March 2017. Was this calculation done for each customer class or was it done in aggregate? Exhibit GJR-4A shows a "Baseload - Firm Sales & Firm Transport" of 164,485 and an "Estimated increase in Firm SIs & Trans Usage per degree day" of 22,482.
 - (a) Are the units for usage on this page dekatherms?
 - (b) Does this Exhibit reflect the results of the linear regression analysis?
 - (c) If so, and if separate regression analyses were conducted on each customer class, please provide the results of each of those analyses.

5. How has Piedmont's Margin Decoupling Tracker impacted Piedmont's design day requirements? If it has reduced design day requirements, how much less gas are consumers consuming by rate class?

6. Piedmont's Design Day forecast in the annual reviews for the 2018-2019 winter has changed over the years. Please explain the variations shown in the graph below.



7. Please explain why Piedmont did not protest the recourse rates requested by the Atlantic Coast Pipeline (ACP) and Mountain Valley Pipeline (MVP) based on high returns.

(a) With regard to ACP and MVP, did Piedmont use negotiated rates?

(b) Did Piedmont's contracts with ACP and MVP include an "out" for governmental changes, such as the reduced federal income tax rate?

8. On page 7 of Piedmont witness Raney's testimony, she discussed the use of a 5% reserve margin in calculating firm design day demand. Piedmont first proposed the use of a reserve margin in Docket No. G-9, Sub 384. At the hearing in that docket, on cross examination by the Attorney General, Piedmont witness Skains testified that the reserve margin would not be used "on peak days."

(a) What were the three highest "peak days" during the review period and what was the average temperature on each day?

(b) Describe any Secondary Market Transactions entered into on those days, including the amount of storage and pipeline capacity used.

9. On page 8 of Piedmont witness Raney's testimony, she stated that Piedmont uses a design day temperature of 8.68° Fahrenheit. That is considerably lower than the 12° Fahrenheit design day temperature used when the reserve margin was implemented and is lower than the 10° Fahrenheit average temperature (55 HDD) used by other gas utilities in the State at that time. On Exhibit GJR-3, witness Raney provided data on the "December 2017-January 2018 Cold Snap." The coldest day during that period was January 1, 2018, on which Piedmont reported 46.2 HDD, or an average temperature for the day of 18.8° Fahrenheit. Explain why Piedmont still needs a reserve margin to supplement the design day calculation.

10. Raney Exhibit GJR-5C shows that the reserve margin added 74,176 dekatherms to the design day demand. What was the total demand charge paid by Piedmont for its most expensive 74,176 dekatherms per day of capacity during the review period?

11. On page 5 of the Public Staff's joint testimony, witness Naba stated that the factors that the Public Staff considered in evaluating Piedmont's requirements for future needs included design day estimates. As noted, Piedmont's design day estimate includes a 5% reserve margin. The Commission's December 11, 1997 order in Docket No. G-9, Sub 393, quoted Public Staff witness Davis as follows:

...the purpose of this reserve margin was to supplement the design day criteria of 53 heating degree days (HDD), which represents 12° Fahrenheit in average temperature for the system. According to Mr. Davis, other gas utilities in the State use design criteria of 55 HDD for planning without a reserve margin. He stated that using a 10,000 dt/day reserve margin with a 53 HDD design day is approximately the same as using a 54 HDD design day, which is well within design tolerances and an acceptable approach. For this reason, he did not question the reasonableness of Piedmont's use of a 10,000 dt/day reserve margin for capacity and supply planning during the review period. He stated, however, that the Public Staff will continue to review the matter on a case-by-case basis in future proceedings.

In G-9, Sub 581, Piedmont witness Williams testified at the hearing on October 5, 2010 that the reserve margin plus the design temperature sets Piedmont up "to protect for" a 55 HDD.

Did the Public Staff review Piedmont's use of a 5% reserve margin in this docket? If so, please discuss the factors reviewed and the Public Staff's conclusions regarding Piedmont's continued use of a 5% reserve margin.