

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

STAFF CONFERENCE AGENDA

April 3, 2023

Commission Hearing Room 2115, 10:00 a.m.

NATURAL GAS

INVENTORY TRANSFER AGREEMENT

Public Service Company of North Carolina, Inc.

1. Docket No. G-5, Sub 650 – Application of PSNC for approval to enter into an Inventory Transfer Agreement (*Boswell/Freeman*)

The Public Staff recommends approval of the preceding agenda items as described above and reflected in proposed orders provided to the Commission Staff.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. G-5, SUB 650

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of

Petition by Public Service Company of North Carolina, Inc., d/b/a Dominion Energy North Carolina, for Approval to Enter into an Inventory Transfer Agreement)	PROPOSED ORDER APPROVING AFFILIATE INVENTORY TRANSFER AGREEMENT
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BY THE COMMISSION: On July 14, 2022, Public Service Company of North Carolina, Inc., d/b/a Dominion Energy North Carolina (PSNC or the Company), filed a petition (Petition) for approval of a gas affiliate inventory transfer agreement (Agreement) for the purchase and/or exchange of various spare parts, equipment, and materials for use in the ongoing operation and maintenance of utility service (Inventory) among PSNC and any of the Dominion Energy natural gas utility affiliates¹ (Gas Affiliates), from time to time as deemed necessary by the parties, under N.C. Gen. Stat. § 62-153(b) and Regulatory Condition 3.1(a) as approved by the Order Approving Merger Subject to Regulatory Conditions and Code of Conduct issued by the North Carolina Utilities Commission (Commission) on November 19, 2018, in Docket Nos. E-22, Sub 551 and G-5, Sub 585 (Merger Order).

PSNC's Petition states that the Company and the Gas Affiliates each currently purchase and maintain separate Inventory, and that at times, the Company or Gas Affiliates may not have certain needed Inventory for use in the ongoing operation and maintenance of their respective utility services. In these instances, the Company or Gas Affiliate must order Inventory from a third-party supplier, if available, at prevailing market prices, which may involve long lead times that do not correspond with planned maintenance, construction schedules, emergency situations, or other service needs. Moreover, due to current and expected supply chain issues, such as manufacturing or shipping delays or other market conditions outside of the utility's control, it is likely that PSNC or another Gas Affiliate may need certain Inventory not readily available from suppliers. The Petition further explains how the proposed Agreement sets forth a framework whereby PSNC or a Gas Affiliate may procure from the others spare Inventory, provided that the transfer is at the discretion of the transferring party and will not jeopardize the transferring party's ability to provide utility service to its customers.

PSNC's Petition discusses how and why the Agreement is in the public interest: first, because the provisions of the Agreement meet the transfer pricing requirements of

¹ The participating Gas Affiliates are: The East Ohio Gas Company d/b/a Dominion Energy Ohio ("DEO"), Questar Gas Company, d/b/a Dominion Energy Wyoming, Dominion Energy Idaho, and Dominion Energy Utah ("DEU" or collectively, "DEUWI"), and Dominion Energy South Carolina, Inc.

Section III.D.3 of the Company's Code of Conduct as approved by the Merger Order; second, because it will enable PSNC to have easier access to certain Inventory needed to operate and maintain its system; and, third, because it will benefit customers if supply chain delays continue or if emergencies occur.

The Public Staff presented this item at the Commission's April 3, 2023 Regular Staff Conference. The Public Staff stated that it had reviewed the application filed with the Commission, as well as responses by the Company to data requests regarding the proposed asset transfers and had discussions with Company personnel. In light of its review, the Public Staff recommended that the Commission approve the Agreement between PSNC and the Gas Affiliates, subject to the following conditions:

- (1) PSNC's participation in this Agreement is voluntary. PSNC is not obligated to take or provide services or make any purchases or sales pursuant to this Agreement and PSNC may elect to discontinue its participation in this Agreement after giving notice under Section VII (B) of the Agreement.
- (2) This Agreement is subject to annual renewal. PSNC shall file notification of its intent to renew with the Commission at least three months in advance of the yearly renewal date. The Agreement will automatically renew unless the Public Staff files concerns with the Commission.
- (3) PSNC may not make or incur a charge under this Agreement except in accordance with North Carolina law and the rules, regulations, and orders of the Commission promulgated thereunder.
- (4) PSNC may not seek to reflect in rates any (i) costs incurred under this Agreement exceeding the amount allowed by the Commission or (ii) revenue level earned under this Agreement less than the amount imputed by the Commission.
- (5) PSNC will not assert in any forum that the Commission's authority to assign, allocate, make pro-forma adjustments to, or disallow revenues and costs for retail ratemaking and regulatory accounting and reporting purposes is preempted and will bear the full risk of any preemptive effects of federal law with respect to this Agreement.
- (6) The annual aggregate limit on transfers of Inventory under this Agreement shall be \$500,000.
- (7) PSNC shall retain appropriate documentation verifying compliance with the terms of this Agreement for Public Staff and Commission review.
- (8) PSNC shall submit to the Commission for approval any changes in the terms and conditions of this Agreement having or likely to have a material effect on PSNC.

- (9) PSNC shall file with the Commission an annual report of all transfers engaged in by PSNC pursuant to this Agreement.
- (10) PSNC acknowledges and agrees that for ratemaking purposes Commission approval of PSNC's participation in this Agreement does not constitute approval of the amount of compensation paid with respect to transactions pursuant to the Agreement and that the authority granted by the Commission is without prejudice to the right of any party to take issue with any provision of the Agreement or with any transaction pursuant thereto in a future proceeding.

Based on the foregoing and the record, the Commission concludes that pursuant to N.C.G.S. § 62-153(b), the Agreement should be approved, subject to the conditions recommended by the Public Staff, as set forth above.

IT IS, THEREFORE, ORDERED as follows:

That the Affiliate Inventory Transfer Agreement is approved, subject to the conditions recommended by the Public Staff, as enumerated in the body of this order.

ISSUED BY ORDER OF THE COMMISSION.

This the 3rd day of April, 2023.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Deputy Clerk

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