

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. G-9, SUB 743

In the Matter of)	TESTIMONY OF
Application of Piedmont Natural Gas)	POORNIMA JAYASHEELA
Company, Inc., for an Adjustment of)	PUBLIC STAFF – NORTH
Rates, Charges, and Tariffs Applicable)	CAROLINA UTILITIES
to Service in North Carolina,)	COMMISSION
Continuation of its IMR Mechanism,)	
Adoption of an EDIT Rider, and Other)	
Relief)	

**PIEDMONT NATURAL GAS COMPANY, INC.
DOCKET NO. G-9, SUB 743**

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

JULY 19, 2019

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
2 **PRESENT POSITION.**

3 A. My name is Poornima Jayasheela. My business address is 430 North
4 Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am a
5 Staff Accountant with the Accounting Division of the Public Staff –
6 North Carolina Utilities Commission (Public Staff).

7 **Q. BRIEFLY STATE YOUR QUALIFICATIONS AND DUTIES.**

8 A. My qualifications and duties are set forth in Appendix A.

9 **Q. WHAT IS THE NATURE OF THE APPLICATION IN THIS RATE**
10 **CASE?**

11 A. Piedmont Natural Gas Company, Inc. (Piedmont or the Company),
12 filed an application with the Commission on April 1, 2019, in Docket
13 No. G-9, Sub 743, with a test period ended December 31, 2018,
14 seeking authority for: (i) a general increase in and revisions to the

1 rates and charges for customers served by the Company; (ii)
2 continuation of Piedmont's Integrity Management Rider (IMR)
3 mechanism; (iii) regulatory asset treatment for certain incremental
4 Distribution Integrity Management Program (DIMP) operations and
5 maintenance (O&M) expenses; (iv) adoption of revised and updated
6 depreciation rates for the Company's North Carolina and joint
7 property assets; (v) updates and revisions to Piedmont's rate
8 schedules and service regulations; (vi) revised and updated
9 amortizations and recovery of certain regulatory assets accrued
10 since Piedmont's last general rate case proceeding; (vii) approval of
11 expanded energy efficiency and conservation program spending;
12 and (viii) adoption of an Excess Deferred Income Taxes (EDIT) Rider
13 mechanism to manage the flowback to customers of deferrals and
14 excess deferred income taxes created by changes to state and
15 federal income tax rates.

16 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

17 A. The purpose of my testimony is to present the Public Staff's
18 accounting and ratemaking adjustments and to incorporate the
19 adjustments recommended by other Public Staff witnesses who work
20 in the Accounting, Engineering, and Economic Research Divisions.
21 The Public Staff has made its adjustments based on its investigation
22 of the revenue, expenses, and rate base presented by the Company

1 in support of its request for an annual cost of service increase of
2 \$82.8 million in this proceeding. This amount includes an increase in
3 the margin revenue requirement of \$118.1 million, an increase in
4 fixed gas costs of approximately \$1.7 million, and a decrease of
5 \$36.9 million dollars for an EDIT rider.

6 **Q. BRIEFLY EXPLAIN THE SCOPE OF YOUR INVESTIGATION**
7 **REGARDING THIS RATE INCREASE APPLICATION.**

8 A. My investigation included a review of the application, testimony,
9 exhibits, and other data filed by the Company, an examination of the
10 books and records for the test year, and a review of the Company's
11 accounting, end-of-period, and after-period adjustments to test year
12 revenue, expenses, and rate base. The Public Staff has also
13 conducted extensive discovery in this matter, including the review of
14 responses provided by the Company in response to numerous Public
15 Staff data requests, participation in conference calls with the
16 Company, and an on-site visit to review documents and interview
17 personnel.

18 **Q. PLEASE BRIEFLY DESCRIBE THE PUBLIC STAFF'S**
19 **PRESENTATION OF THE ISSUES IN THIS CASE.**

20 A. Each Public Staff witness will present testimony and exhibits
21 supporting his or her position, and recommend any appropriate

1 adjustments to the Company's proposed rate base and cost of
2 service. My exhibits incorporate adjustments from other Public Staff
3 witnesses, as well as the adjustments I recommend.

4 **Q. PLEASE GIVE A MORE DETAILED DESCRIPTION OF THE**
5 **ORGANIZATION OF YOUR EXHIBITS.**

6 A. Schedule 1 of Jayasheela Exhibit I presents a reconciliation of the
7 difference between the Company's requested margin revenue
8 increase of \$118,116,597 and the Public Staff's recommended
9 increase of \$63,877,506. In addition, the Public Staff has
10 recommended several temporary decreases to the revenue
11 requirement associated with the refund of various income tax-related
12 amounts, which differ somewhat from the EDIT rider proposed by the
13 Company.

14 Schedule 2 presents the Public Staff's adjusted North Carolina retail
15 original cost rate base. The adjustments made to the Company's
16 proposed level of rate base are summarized on Schedule 2-1 and
17 are detailed on backup schedules.

18 Schedule 3 presents a statement of net operating income for return
19 under present rates as adjusted by the Public Staff. Schedules 3A
20 and 3B summarize the Public Staff's adjustments, which are detailed
21 on backup schedules.

1 Schedule 4 presents the calculation of required net operating
2 income, based on the rate base and cost of capital recommended by
3 the Public Staff.

4 Schedule 5 presents the calculation of the required increase in
5 operating revenue necessary to achieve the required net operating
6 income. This revenue increase is equal to the Public Staff's
7 recommended margin increase shown on Schedule 1.

8 **Q. WHAT ADJUSTMENTS RECOMMENDED BY OTHER PUBLIC**
9 **STAFF WITNESSES DO YOUR EXHIBITS INCORPORATE?**

10 A. My exhibits reflect the following adjustments recommended by other
11 Public Staff witnesses:

12 (1) The recommendations of Public Staff witness Hinton
13 regarding the overall cost of capital, capital structure,
14 embedded cost of long-term debt, and return on common
15 equity.

16 (2) The recommendation of Public Staff witness Patel regarding
17 Commodity Cost of Gas.

18 (3) The recommendation of Public Staff witness Gilbert regarding
19 the Customer Conservation Program.

20 (4) The recommendations of Public Staff witness Naba regarding
21 the following items:

22 (a) Customer Growth

23 (b) End-of-Period Revenues and Bills

- 1 (5) The recommendations of Public Staff witness Feasel
2 regarding the following items:
- 3 (a) Plant in Service
4 (b) Accumulated Depreciation
5 (c) Depreciation Expense
6 (d) Property Tax
7 (e) Miscellaneous - General Expense
- 8 (6) The recommendations of Public Staff witness Coleman
9 regarding the following items:
- 10 (a) Payroll Expense
11 (b) Overtime Expense
12 (c) Payroll Taxes
13 (d) Employee Benefits
14 (e) Executive Compensation
15 (f) Board of Directors' Expenses
- 16 (7) The recommendations of Public Staff witness Allison
17 regarding the following expenses:
- 18 (a) Uncollectibles
19 (b) Advertising
20 (c) Lobbying
21 (d) Sponsorship and Donations
22 (e) Line Locates
23 (f) Inflation
24 (g) Rents
25 (h) Customer Growth
- 26 (8) The recommendations of Public Staff witness Perry regarding
27 the following items:
- 28 (a) State Excess Deferred Income Taxes (EDIT)
29 (b) Federal protected EDIT
30 (c) Federal unprotected EDIT
31 (d) Deferred revenues associated with the overcollection
32 due to the federal tax change since January 1, 2018
33 (e) Regulatory asset treatment of Atlantic Coast Pipeline
34 Plant
35 (f) Non-utility adjustment

1 **Q. PLEASE DESCRIBE YOUR RECOMMENDED ADJUSTMENTS.**

2 A. The accounting and ratemaking adjustments that I will discuss relate
3 to the following items:

- 4 (1) Other Operating Revenues
- 5 (2) Short-Term and Long-Term Incentive Plans (STIP and
- 6 LTIP)
- 7 (3) Pension Expense
- 8 (4) Deferred Rate Case Costs
- 9 (5) Deferred Transmission Pipeline Integrity Costs
- 10 (6) Deferred Environmental Costs
- 11 (7) Deferred NCNG OPEB Liability
- 12 (8) Deferred Eastern NCNG Costs
- 13 (9) Regulatory Fee Expense
- 14 (10) Deferred Regulatory Fee
- 15 (11) Aviation Expense
- 16 (12) GTI Expenses
- 17 (13) Distribution Integrity Management Program
- 18 Accounting Treatment

19 **OTHER OPERATING REVENUES**

20 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO OTHER**
21 **OPERATING REVENUES.**

22 A. I have applied a growth factor, as recommended by Public Staff
23 witness Naba, to Late Payment Revenues and Miscellaneous
24 Service Revenues.

25 **INCENTIVE PLANS**

26 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT FOR THE COMPANY'S**
27 **LONG AND SHORT TERM INCENTIVE PLANS.**

1 A. The Company offers two incentive plans to its employees: the Short-
2 Term Incentive Plan (STIP) and the Long-Term Incentive Plan
3 (LTIP). The STIP is offered to all employees, including executives.
4 The LTIP is comprised of two programs: the Executive LTI Plan and
5 the Restricted Stock Units (RSU) Plan. Employees that are members
6 of the Executive Leadership Team (ELT) participate in the Executive
7 LTI Plan. Generally, eligibility for the RSU Plan is reserved for
8 management positions with a salary midpoint of \$195,000 or above.

9 The STIP consists of goals set and approved by the Board of
10 Directors (BOD) of Duke Energy Corporation (Duke Energy) for a
11 one-year term. In 2018, the test year in this case, the goals consisted
12 of Earnings per Share (EPS), Operational Excellence, Customer
13 Satisfaction, as well as team and individual goals. The LTIP consist
14 of Performance Shares, which are further categorized between EPS
15 and Total Shareholder Return (TSR), and Restricted Stock Units
16 (RSU). Both offerings are set and approved by the BOD for a three-
17 year period.

18 The Company's payout of STIP is based on the achievement of
19 targets at minimum, target, and maximum levels. I have adjusted the
20 allowable costs of STIP to exclude the incentive accruals that were
21 based on the EPS metric. The Public Staff believes that the
22 incentives related to EPS should be excluded because they provide

1 a direct benefit to shareholders, rather than to ratepayers. It should
2 be further noted that the EPS portion of the STIP only accounts for
3 30% of the non-executive level employees accrual and 50% of the
4 executive level employees accrual.

5 I have adjusted the allowable LTIP costs to exclude the Performance
6 Shares, which include the EPS and TSR metrics. The Public Staff
7 believes that the incentives related to EPS and TSR should be
8 excluded because they provide a direct benefit to shareholders,
9 rather than to ratepayers. Therefore, these costs should be borne by
10 shareholders. My adjustment is shown on Jayasheela Exhibit I,
11 Schedule 3-2.

12 **PENSION EXPENSE**

13 **Q. PLEASE EXPLAIN PUBLIC STAFF'S ADJUSTMENT TO THE**
14 **COMPANY'S PENSION EXPENSE.**

15 A. In the current rate case filing, the Company proposed a reduction of
16 \$2,028,528 to its ongoing annual pension expense based on the
17 Company's 2019 projection. The Public Staff has instead determined
18 an annualized on-going pension expense amount that results in a
19 further reduction of \$1,456,933, based on the actual 2019 pension
20 accruals on Piedmont's books from January 31, 2019, to May 31,
21 2019.

DEFERRED RATE CASE EXPENSE

Q. PLEASE EXPLAIN PUBLIC STAFF'S ADJUSTMENT TO DEFERRED RATE CASE EXPENSE.

A. The Company proposed that estimated rate case expenses of \$1,742,292 be amortized over a three year period. The Public Staff has reviewed the actual invoices paid as of July 11, 2019, and the contracts related to the various consultants. The Public Staff summed up fifty percent of the difference between the Company proposed amount and actual payments as of July 11, 2019 to determine the rate case expense. The Public Staff did not apply the same approach to Regulatory Notices since the actual payments as of July 11, 2019 have exceeded the Company's estimate. Therefore, the Public Staff has allowed the amount recorded as actual payments for Regulatory Notices.

In its filing, the Company requested that rate case expenses be given deferred accounting treatment and the unamortized balance be included in rate base. The Public Staff disagrees with the Company's proposal of deferred treatment for rate case expenses and is removing the deferred rate case expense amount from rate base. The Company has not been allowed deferred accounting treatment on rate case expenses in the past and the Commission has never allowed deferred rate case expenses in rate base for a gas utility.

1 **DEFERRED TRANSMISSION PIPELINE INTEGRITY COSTS**

2 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO DEFERRED**
3 **TRANSMISSION PIPELINE INTEGRITY COSTS.**

4 A. The Company's adjustment for Pipeline Integrity Management
5 Transmission (PIM-Transmission) costs is composed of the amounts
6 paid to outside vendors in connection with the PIM-Transmission
7 program between September 1, 2013 and December 31, 2018. The
8 Public Staff has updated the Company's balance of deferred
9 PIM-Transmission costs to reflect the actual amount deferred as of
10 May 31, 2019. The Public Staff has also reflected the existing
11 amortization from the prior rate case through November 1, 2019, the
12 effective date of rates in the current case. The total deferred PIM-
13 Transmission costs per Public Staff is \$51,718,363 as compared to
14 the Company's amount of \$47,017,636. The Public Staff
15 recommends that the balance of the deferred PIM-Transmission
16 costs, net of prior amortizations, be amortized over a five-year
17 period.

18 The Public Staff also recommends that the deferred balance, less
19 one full year of amortization, be allowed to earn a return by being
20 included in rate base. In addition, the Public Staff believes that it is
21 appropriate to continue regulatory asset treatment for PIM-
22 Transmission costs and to defer and treat such costs as a regulatory

1 asset until the resolution of the Company's next general rate
2 proceeding. In making this recommendation, the Public Staff does
3 not intend to indicate that it believes these deferred costs to
4 constitute used and useful property; instead, the Public Staff has
5 included the costs in rate base as a convenient and efficient way of
6 providing for a return on the deferred costs. The Public Staff
7 considers the provision for a return to be reasonable in this case, but
8 believes that the Commission's provision of such is discretionary, not
9 obligatory, in nature.

10 **DEFERRED ENVIRONMENTAL COSTS**

11 **Q. PLEASE EXPLAIN PUBLIC STAFF'S ADJUSTMENT TO**
12 **DEFERRED ENVIRONMENTAL COSTS.**

13 A. On December 23, 1992, in Docket No. G-9, Sub 333, the
14 Commission issued an Order Granting Request regarding
15 Piedmont's request to defer certain environmental assessment and
16 clean-up costs relating to various state and federal environmental
17 control requirements for air emissions, wastewater discharges, and
18 solid, toxic and hazardous waste management. In its filing in the
19 current case, the Company has proposed a three-year amortization
20 of an unamortized credit balance of (\$576,988). The Company
21 calculated amortized expenses from September 1, 2013, to October
22 31, 2019, whereas the Public Staff included the amortization

1 expense from January 1, 2014, to October 31, 2019. The Public Staff
2 calculated the amortization expense from January 1, 2014, the date
3 when rates were effective in Docket No. G-9, Sub 631, Piedmont's
4 prior general rate case. The Public Staff has also updated deferred
5 environmental expenses to May 31, 2019, and applied a five-year
6 amortization period.

7 The Public Staff recommends that the deferred balance less one full
8 year of amortization be allowed to earn a return by being included in
9 rate base. The Public Staff also recommends that it is appropriate to
10 continue regulatory asset treatment for environmental costs and to
11 defer and treat such costs as a regulatory asset until the resolution
12 of the Company's next general rate proceeding. In making this
13 recommendation, the Public Staff does not intend to indicate that it
14 believes these deferred costs to constitute used and useful property;
15 instead, the Public Staff has included the costs in rate base as a
16 convenient and efficient way of providing for a return on the deferred
17 costs. The Public Staff considers the provision for a return to be
18 reasonable in this case, but believes that the Commission's provision
19 of such is discretionary, not obligatory, in nature.

20 **DEFERRED NCNG OPEB LIABILITY**

21 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO DEFERRED NCNG**
22 **OPEB LIABILITY.**

1 A. The Company removed the amortization related to the deferred
2 NCNG OPEB liability from O&M expenses since the deferred asset
3 has been fully recovered. The Company inadvertently left a deferred
4 balance in working capital. The Public Staff has made an adjustment
5 to remove the NCNG OPEB liability deferred balance from the
6 working capital.

7 **EASTERN NC DEFERRED O&M EXPENSES**

8 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO EASTERN NC**
9 **DEFERRED O&M EXPENSES.**

10 A. As of January 1, 2014, the effective date of rates in Piedmont's
11 previous rate case, Docket No. G-9, Sub 631, the Eastern NC
12 Deferred O&M expenses had 82 months or seven years remaining
13 to be fully recovered. As of November 1, 2019, the expected date of
14 rates in the current general rate case, the amortization will have run
15 for seventy months leaving 12 months remaining to collect the
16 balance. The Company proposed to leave the amortization amount
17 in the cost of service while the Public Staff recommends that the
18 principal and interest balances be amortized over the Public Staff's
19 proposed five-year amortization period in this case at the net of tax
20 overall rate of return approved in the current case.

1 **ADJUSTMENT TO REGULATORY FEE EXPENSE**

2 **Q. PLEASE EXPLAIN PUBLIC STAFF'S ADJUSTMENT TO THE**
3 **NCUC REGULATORY FEE.**

4 A. When the current rate case was filed on April 1, 2019, the
5 Commission's regulatory fee for noncompetitive jurisdictional
6 revenues was 0.14%. In its Order Decreasing Regulatory Fee
7 Effective July 1, 2019 (issued June 18, 2019, in Docket No. M-100,
8 Sub 142), the Commission ordered that the regulatory fee for
9 noncompetitive jurisdictional revenues shall be set at 0.13% effective
10 July 1, 2019. Since the rates in the current case will likely be effective
11 on November 1, 2019, Public Staff made an adjustment to change
12 the regulatory fee rate from 0.14% to 0.13%.

13 **REGULATORY FEE EXPENSE**

14 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO DEFERRED**
15 **UNDERCOLLECTION OF NCUC REGULATORY FEE EXPENSE.**

16 A. The Public Staff reviewed the Company's calculation of the
17 undercollection of the NCUC regulatory fee, and found that the
18 Company had inadvertently not reflected the change in the
19 regulatory fee from 0.135% to 0.13% from July 1, 2014, to June 30,
20 2015. The Public Staff updated this change and also reflected

1 deferred expenses through May 31, 2019. I have amortized the
2 projected balance over five years.

3 The Public Staff recommends that the deferred balance less one full
4 year of amortization be allowed to earn a return in rate base. In
5 making this recommendation, the Public Staff does not intend to
6 indicate that it believes these deferred costs to constitute used and
7 useful property; instead, the Public Staff has included the costs in
8 rate base as a convenient and efficient way of providing for a return
9 on the deferred costs. The Public Staff considers the provision for a
10 return to be reasonable in this case, but believes that the
11 Commission's provision of such is discretionary, not obligatory, in
12 nature.

13 **AVIATION EXPENSES**

14 **Q. WHAT ADJUSTMENT DO YOU RECOMMEND RELATED TO**
15 **AVIATION EXPENSES?**

16 A. The Company did not make an aviation expenses adjustment;
17 however, the Public Staff made an adjustment after investigating the
18 aviation expenses charged to Piedmont's North Carolina (NC)
19 jurisdiction during the test year. Aviation expenses are allocated to
20 Piedmont through Duke Energy's service company, Duke Energy
21 Business Services, LLC (DEBS), and then are apportioned to

1 Piedmont's NC operations through a North Carolina jurisdictional
2 allocation factor. Since corporate aircraft are available for use by
3 Duke Energy's officers, I reviewed the flight logs to determine
4 whether the flights charged to Piedmont should be recoverable from
5 ratepayers. Based on this review, I recommend that certain
6 expenses allocated to Piedmont's NC jurisdiction be removed due to
7 fact that most of the flights do not appear to have anything to do with
8 providing natural gas utility service. I also recommend that fifty
9 percent of expenses related to Board of Directors (BOD) flights be
10 disallowed consistent with the BOD expense adjustment
11 recommended by the Public Staff My adjustment is shown on
12 Jayasheela Exhibit I, Schedule 3-12.

13 **GTI EXPENSES**

14 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO GAS TECHNOLOGY**
15 **INSTITUTE EXPENSES.**

16 A. The Company has proposed to increase the funding for two
17 programs offered by the Gas Technology Institute (GTI): (1) the
18 Operations Technology Development (OTD) Program, and (2) the
19 Utilization Technology Development (UTD) Program. The OTD
20 Program focuses its technology development efforts on distribution
21 and transmission activities identified by the members of GTI. The

1 current OTD projects are divided into the following six project
2 categories:

- 3 (1) Pipe and Leak Location
- 4 (2) Pipe Materials, Repair and Rehabilitation
- 5 (3) Excavation and Site Restoration
- 6 (4) Pipeline Integrity Management and Automation
- 7 (5) Operations Infrastructure Support
- 8 (6) Environmental, Renewables and Gas Quality

9 The Public Staff agrees with the Company proposed increase for the
10 OTD Program expense because the OTD projects are designed
11 mainly to enhance safety, increase operating efficiency, reduce
12 operating costs and help maintain system reliability and integrity.

13 The UTD Program is a wide-ranging program to enhance the use,
14 reliability, and efficiency of natural gas appliances and technologies.
15 In response to a Public Staff data request, the Company provided
16 the GTI prospectus, which explicitly states that the UTD Program is
17 at the forefront of research, development, and deployment for end-
18 use equipment and appliances. Since the Company is a regulated
19 utility engaged in the natural gas distribution business, the Public
20 Staff does not believe that ratepayers should be required to fund a
21 program which is targeted towards research and development for
22 natural gas appliances.

1 The Public Staff's adjustment on Jayasheela Exhibit I reflects the
2 Public Staff's agreement to accept the Company's proposal for the
3 OTD Program and also shows the removal of the UTD Program. This
4 results in a decrease of \$350,000 to GTI expenses, as shown on
5 Jayasheela Exhibit I, Schedule 3-13.

6 **DISTRIBUTION INTEGRITY MANAGEMENT PROGRAM**

7 **Q. PLEASE EXPLAIN THE PUBLIC STAFF'S PROPOSAL FOR DIMP**
8 **ACCOUNTING TREATMENT.**

9 A. Piedmont proposes regulatory asset accounting treatment for certain
10 O&M expenses incurred due to the Company's DIMP program, i.e.,
11 to treat such costs as regulatory assets and to defer such costs and
12 reflect the approved annual amortization of DIMP costs until the
13 resolution of the Company's next general rate case proceeding.
14 Company witness Barkley states in his testimony that Piedmont does
15 not seek any carrying costs associated with its proposed DIMP
16 deferral at this time. The Public Staff agrees with the Company's
17 proposal.

18 The Public Staff also recommends an annual filing requirement as
19 recommended by Public Staff witness Larsen.

1 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

2 A. Yes, it does.

APPENDIX A**QUALIFICATIONS AND EXPERIENCE**

POORNIMA JAYASHEELA

I received a Bachelor of Science degree and a Master of Business Administration degree from Osmania University, Hyderabad, India. I was employed by the Michigan Public Service Commission (MPSC) from July 2004 to August 2015. During my employment with the MPSC, I participated in contested rate cases, Times Interest Earned Ratio (TIER) case audits for regulated co-operatives, Power Supply Cost Recovery reconciliation audits, reconciliations of uncollectible expense tracking mechanism and revenue decoupling mechanism, and any special audits required by the MPSC.

I started employment with the Public Staff – North Carolina Utilities Commission in August 2015 as a staff accountant. I have presented testimony and exhibits or assisted with the following general rate case audits: Docket No. E-35, Sub 45, Western Carolina University; Docket No. W-1058, Sub 7, Elk River Utilities, Inc.; and Docket No E-34, Sub 46, New River Light and Power Company. I have also presented testimony and exhibits in Piedmont Natural Gas Company's annual gas cost reviews in 2016 (Docket No. G-9, Sub 690), 2017 (Docket No. G-9, Sub 710) and 2018 (Docket No. G-9, Sub 727).

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
STATEMENT OF NET OPERATING INCOME FOR RETURN, RATE BASE AND OVERALL RETURN
For The Test Year Ended December 31, 2018

Line No.	Item	Per Company (a)	Public Staff (b)	After Public Staff Adjustments (c)	Rate Increase (d)	After Rate Increase (e)
NET OPERATING INCOME FOR RETURN						
Operating Revenues:						
1	Sales and transportation of gas	\$823,416,406	(\$24,143,937)	\$799,272,469	\$63,877,506	\$863,149,975
2	Other operating revenues	4,343,374	75,070	4,418,444		4,418,444
3	Operating revenues, excl special contracts	827,759,780	(24,068,867)	803,690,913	63,877,506	867,568,419
4	Electric Generation & Special Contract Revenues	92,850,701	3,122,188	95,972,889		95,972,889
5	Total operating revenues	920,610,481	(20,946,679)	899,663,802	63,877,506	963,541,308
6	Cost of gas	333,020,439	229,454	333,249,893		333,249,893
7	Margin	587,590,042	(21,176,133)	566,413,909	63,877,506	630,291,415
Operating Expenses:						
8	Operating and maintenance	227,893,060	(27,972,301)	199,920,758	393,812	\$200,314,571
9	Depreciation	136,607,318	(3,781,861)	132,825,457		132,825,457
10	General taxes	31,402,703	157,146	31,559,849		31,559,849
11	State income tax (2.5%)	2,982,638	201,211	3,183,849	1,581,953	4,765,802
12	Federal income tax (21%)	24,427,807	1,647,914	26,075,721	12,956,196	39,031,917
13	Amortization of investment tax credits	(79,424)	0	(79,424)		(79,424)
14	Amortization of EDIT	0	(3,128,110)	(3,128,110)		(3,128,110)
15	Total operating expenses	423,234,102	(32,876,002)	390,358,100	14,931,961	405,290,061
16	Interest on customer deposits	(796,448)	0	(796,448)		(796,448)
17	Net operating income for return	\$163,559,493	\$11,699,869	\$175,259,362	\$48,945,545	\$224,204,906
RATE BASE						
18	Plant in service	\$5,515,089,478	(\$90,055,409)	\$5,425,034,070	\$0	\$5,425,034,070
19	Accumulated depreciation	(1,528,820,157)	21,372,896	(1,507,447,261)	0	(1,507,447,261)
20	Net plant in service	3,986,269,321	(68,682,512)	3,917,586,809	0	3,917,586,809
21	Working Capital - Other	(2,422,570)	(6,507,973)	(8,930,543)	0	(8,930,543)
22	Working Capital - Lead Lag	54,375,609	(19,383,707)	34,991,902	9,179,847	44,171,749
23	Deferred Regulatory Assets		154,104,090	154,104,090		154,104,090
24	Deferred Income Taxes	(875,325,559)	100,668,761	(774,656,798)	0	(774,656,798)
25	Original cost rate base	\$3,162,896,801	\$160,198,660	\$3,323,095,461	\$9,179,847	\$3,332,275,307
26						
27	Overall Rate of Return on Rate Base	5.17%		5.27%		6.73%

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
RECONCILIATION OF GROSS REVENUE INCREASE REQUESTED BY THE COMPANY TO THE PUBLIC STAFF AMOUNT
For The Test Year Ended December 31, 2018

Line No.	Item	Amount
1	Increase in revenue requirement requested by the Company	\$118,116,597
	Public Staff Adjustments	
2	Change in Equity ratio from 52% to 49.21%	(8,548,987)
3	Change in cost of long-term debt from 4.55% to 4.41%	(2,320,961)
4	Change in cost of short-term debt from 2.82% to 2.73%	(25,396)
5	Change in return on equity from 10.60% to 9.15%	(30,752,545)
6	Plant in Service Updates and Related items at May 31, 2019	(8,279,346)
7	Working Capital Updates at May 31, 2019	(528,539)
8	ADIT - updated to May 31, 2019	(1,716,005)
9	Adjustment to exclude Federal Tax EDIT	6,190,164
10	Adjustment to exclude State Tax EDIT	3,515,002
11	Adjust working capital for lead lag to reflect reclassifying lead lag adjustment from Proposed to Pro Forma	(1,574,231)
12	Adjustment to end of period revenue - weather, growth, and commodity costs	21,230,862
13	Adjustment to other operating revenues	(75,069)
14	Customer Conservation Program	(1,232,599)
15	Special Contract - remove PIS associated with facilities	(239,729)
16	Payroll and Related Expenses	206,271
17	Overtime	(737,317)
18	Employee Benefits	(801,765)
19	Board Expenses	(421,741)
20	Executive Compensation	(1,483,579)
21	Incentives	(2,849,185)
22	Rate Case Expenses - updated through May 31, 2019, 5 year amortization, no rate base	305,913
23	Sponsorships & Donations	(119,079)
24	Uncollectibles - changes in revenue	(1,915,086)
25	Inflation Adjustment - removed certain expenses and updated rate	(635,441)
26	Nonutility Adjustment - O&M expense	(1,705,633)
27	Pension Expense	(1,465,971)
28	Deferral: PIM Transmission Costs - update actual expenses @ May 31, 2019, 5 year amortization	(5,686,033)
29	Deferral: Environmental Costs - update actual expenses @ May 31, 2019, 5 year amortization	(1,373)
30	Deferral: NCNG OPEB Liability, remove balance	(773)
31	Deferral Eastern NCNG, 5 year amortization	(906,109)
32	Undercollection of Regulatory Fee, 5 year amortization	(29,187)
33	Deferred Revenue, removed to place in Rider	1,360,145
34	Line Locates Expense	(509,113)
35	Regulatory Fee Expense - change for 0.14% to 0.13% per Commission Order	(89,512)
36	Advertising - remove promotional, image, competitive, & non-recurring	(297,754)
37	Miscellaneous General Expenses	(357,882)
38	Aviation Expense	(485,462)
39	Gas Technology Institute (GTI) Funding	(352,171)
40	Lobbying Expenses	(312,881)
41	Amortization of protected EDIT, net of tax	(3,832,308)
42	ACP	(6,796,862)
43	Change in retention factor - Uncollectibles and Regulatory Fee changes	(708,381)
44	Adjust cash working capital for revenue impact of Public Staff adjustments	745,587
45	Rounding	970
46	Public Staff Adjustments	(54,239,091)
47	Recommended Change in Margin	\$63,877,506
	Rider impacts on Revenue Requirement	
48	Federal Unprotected EDIT Rider, 5-year amortization period	(\$17,762,079)
49	State EDIT, 2 year flowback	(23,107,901)
50	Overcollection of Revenues from Federal Tax Change, 1 year flowback	(36,699,240)
51	Public Staff Recommended change due to Riders (Sum of Lines 48-50)	(\$77,569,220)
52	Public Staff Recommended change in revenue requirement for Year 1	(\$13,691,714)
53	Public Staff Recommended change in revenue requirement for Years 2	\$23,007,526
54	Public Staff Recommended change in revenue requirement for Years 3 through 5	\$46,115,427
55	Public Staff Recommended change in revenue requirement for Year 6	\$63,877,506

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
SUPPORT FOR RECONCILIATION SCHEDULE
For The Test Year Ended December 31, 2018

Jayasheela Exhibit I
Schedule 1-1

Line No.	Item	Amount
<u>Plant in Service Updates and Related Items at May 31, 2019</u>		
1	Rate base	(\$5,194,343) [1]
2	Income statement	(3,085,003) [2]
3	Total (L1 + L2)	<u>(\$8,279,346)</u>
<u>Special Contract Adjustment</u>		
4	Rate base	(\$239,729) [1]
5	Income statement	0 [2]
6	Total (L4 + L5)	<u>(\$239,729)</u>
<u>Environmental Remediation</u>		
7	Rate base	(\$182,799) [1]
8	Income statement	181,426 [2]
9	Total	<u>(\$1,373)</u>
<u>Amortization of PIM Costs</u>		
10	Rate base	(\$324,104) [1]
11	Income statement	(5,361,929) [2]
12	Total (L4 + L5)	<u>(\$5,686,033)</u>
<u>ACP Regulatory Asset</u>		
13	Rate base	\$596,765 [1]
14	Income statement	(7,393,627) [3]
15	Total (L4 + L5)	<u>(\$6,796,862)</u>
<u>Undercollection of Regulatory Fee</u>		
16	Rate base	\$8,012
17	Income statement	(37,199) [2]
18	Total	<u>(\$29,187)</u>
<u>Deferred Revenues</u>		
19	Rate base	\$1,360,145 [1]
20	Income statement	0
21	Total	<u>\$1,360,145</u>
<u>Amortization FIT- Protected EDIT</u>		
22	Rate base	\$254,047 [1]
23	Income statement	(4,086,355) [2]
24	Total	<u>(\$3,832,308)</u>
<u>Rate Case Expense</u>		
25	Rate base	(\$9,707) [1]
26	Income statement	315,620 [2]
27	Total	<u>\$305,913</u>
<u>Nonutility Adjustment</u>		
28	Rate base	(\$211,400) [1]
29	Income statement	(1,494,233) [2]
30	Total (L4 + L5)	<u>(\$1,705,633)</u>

[1] Jayasheela Exhibit I, Schedule 2 (a).

[2] Jayasheela Exhibit I, Schedule 3.

[3] Jayasheela Exhibit I, Schedule 3-8.

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
CALCULATION OF GROSS REVENUE EFFECT FACTORS
For The Test Year Ended December 31, 2018

Line No.	Item	Capital Structure (a)	Cost Rates (b)	Retention Factors (c)	Gross Revenue Effect (d)
<u>Rate Base Factor:</u>					
1	Long-term debt	49.94%	4.41%	0.9938349	0.02216016
2	Short-term debt	0.85%	2.73%	0.9938349	0.00023349
3	Common equity	49.21%	9.15%	0.7655013	0.05882048
4	Total (Sum of L1 thru L3)	<u>100.00%</u>			<u>0.08121413</u>
<u>Net Income Factor:</u>					
5	Total revenue				1.0000000
6	Uncollect bles				<u>0.0048714</u>
7	Balance (L5 - L6)				0.9951286
8	Regulatory fee (L7 x current regulatory fee rate)				<u>0.0012937</u>
9	Balance (L7 - L8)				0.9938349
10	Less: State income tax (L9 x 4%)				<u>0.0248459</u>
11	Balance (L9 - L10)				0.9689890
12	Less: Federal income tax (L11 x 35%)				<u>0.2034877</u>
13	Gross up factor (L11 - L12)				<u>0.7655013</u>

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
ORIGINAL COST RATE BASE
For The Test Year Ended December 31, 2018

Line No.	Item	Under Present Rates			After Public Staff Recommended Increase		
		Company		After		After	
		Adjusted	Public Staff	Public Staff	Public Staff	Public Staff	Public Staff
		Per Company	Adjustments	Adjustments	Adjustments	Adjustments	Adjustments
		(1)	(2)	(3)	(5)	(6)	
		(a)	(b)	(c)	(d)	(e)	
1	Plant in service	\$5,515,089,478	(90,055,409)	\$5,425,034,070		\$5,425,034,070	
2	Accumulated depreciation	(1,528,820,157)	21,372,896	(1,507,447,261)		(1,507,447,261)	
3	Net plant in service (Sum of L1 thru L3)	3,986,269,321	(68,682,512)	3,917,586,809	0	3,917,586,809	
4	Working Capital - Other	(2,422,570)	(6,507,973)	(8,930,543)		(8,930,543)	
5	Working Capital - Lead Lag	54,375,609	(19,383,707)	34,991,902	\$9,179,847	\$44,171,749	
6	Deferred Regulatory Assets	136,280,375	17,823,715	154,104,090		154,104,090	
7	Deferred Income Taxes	(875,325,559)	100,668,761	(774,656,798)		(774,656,798)	
8	Original cost rate base (Sum of L4 thru L7)	\$3,299,177,177	\$23,918,285	\$3,323,095,461	\$9,179,847	\$3,332,275,307	

[1] Powers Exhibit (PKP-7), Page 1 of 5, Column (3)

[2] Jayasheelu Exhibit I, Schedule 2(a).

[3] Column (a) plus Column (b).

[4] Jayasheelu Exhibit I, Schedule 2-3, Column (d).

[5] Jayasheelu Exhibit I, Schedule 2-4, Column (k), Line 50.

[6] Column (c) plus Column (d).

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
ADJUSTMENTS TO RATE BASE
For The Test Year Ended December 31, 2018

Jayasheel a Exhibit I
Schedule 2(a)

Line No.	Item	Update PIS & Acc Dep, May 31, 2019 [1]	Adjust Cash Working Capital [2]	Nonutility on May 31, 2019 [3]	Special Contracts [4]	ACP Plant [5]	ADIT Update [6]	Amort. Protected EDIT [7]	Federal Tax EDIT [8]	State Tax EDIT [9]	Deferred PIM Asset [10]	Deferred Environmental Costs [11]	NCNG OPEB Liability [12]	Deferred Revenues [13]	Undercollection of Regulatory Fee [14]	Deferred Rate Case Expense [15]	Adjust WC for Lead Lag [16]	Total Rate Base Adjustments [17]
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Plant in service	(\$79,594,683)		(\$6,445,973)	(\$4,014,753)													(\$90,055,409)
2	Accumulated depreciation	15,636,066		3,842,980	1,893,850													\$21,372,896
3	Net plant in service (Sum of L1 thru L2)	(63,958,617)		(2,602,993)	(2,120,902)	-	-	-	-	-	-	-	-	-	-	-	-	(68,682,512)
4	Working Capital - Other		(6,507,973)															(\$6,507,973)
5	Working Capital - Lead Lag																(19,383,707)	(\$19,383,707)
6	Deferred Regulatory Asset		0			7,348,044					(3,990,740)	(2,250,829)	(9,522)	16,747,638	98,652	(119,527)		\$17,823,715
7	Deferred Income Taxes				(830,912)		(21,129,395)	3,128,110	76,220,289	43,280,669								\$100,668,761
8	Original cost rate base (Sum of L3 thru L6)	(63,958,617)	(6,507,973)	(2,602,993)	(2,951,814)	7,348,044	(21,129,395)	3,128,110	76,220,289	43,280,669	(3,990,740)	(2,250,829)	(9,522)	16,747,638	98,652	(119,527)	(19,383,707)	23,918,285
9	Revenue requirement impact	(\$5,194,343)	(\$528,539)	(\$211,400)	(\$239,729)	\$596,765	(\$1,716,005)	\$254,047	\$6,190,164	\$3,515,002	(\$324,104)	(\$182,799)	(\$773)	\$1,360,145	\$8,012	(\$9,707)	(\$1,574,231)	\$1,942,503

[1] Jayasheel a Exhibit I, Schedule 2-1.
[2] Jayasheel a Exhibit I, Schedule 2-2.
[3] Perry Exhibit II, Schedule 1.
[4] Per Public Staff witness Perry.
[5] Perry Exhibit II, Schedule 2, Line 16.
[6] Per Response to Data Request 58-5-ADIT 5-31-19
[7] Perry Exhibit I, Schedule 2, Line 9.
[8] Perry Exhibit I, Schedule 1, Line 2.
[9] Perry Exhibit I, Schedule 1, Line 3.

[10] Jayasheel a Exhibit I, Schedule 3-6, Line 16.
[11] Jayasheel a Exhibit I, Schedule 3-7, Line 16.
[12] Jayasheel a Exhibit I, Schedule 3-8, Column (d), Line 10.
[13] Jayasheel a Exhibit I, Schedule 2-2, Column (d), Line 14.
[14] Jayasheel a Exhibit I, Schedule 3-8, Line 17.
[15] Jayasheel a Exhibit I, Schedule 2-2, Column (d), Line 18.
[16] Jayasheel a Exhibit I, Schedule 2-3, Column (g), Line 35.
[17] Sum of Columns (a) through (p).

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
SUPPORT FOR UPDATED PLANT IN SERVICE
For The Test Year Ended December 31, 2018

Line No.	Item	Amount
	<u>Plant in Service</u>	
1	North Carolina plant in service at May 31, 2019	\$5,435,494,795 [1]
2	Less adjusted plant in service per Company	5 515 089 478 [2]
3	Public Staff's adjustment to plant in service (L1 - L2)	<u>(\$79 594 683)</u>
	<u>Accumulated Depreciation</u>	
4	North Carolina accumulated depreciation at May 31, 2019	(\$1,499,212,073) [3]
5	End of period depreciation adjustment on May 31, 2019 plant at Company proposed rates	13 972 018 [4]
6	Total accumulated depreciation at May 31, 2019 (L4 + L5)	(1,513,184,091)
7	Less accumulated depreciation per Company	<u>(1,528,820,157) [5]</u>
8	Public Staff's adjustment to accumulated depreciation (L6 - L7)	<u>\$15,636,066</u>
	<u>Depreciation Expense</u>	
9	Annual depreciation on plant at May 31, 2019	\$133,671,453 [6]
10	Adjustments to depreciation expense to reflect the impact of reallocation of reserve account	(267,118) [7]
12	Adjustments to depreciation expense to reflect the impact of reallocation of Corporate reserve account	<u>(188,028) [8]</u>
13	Depreciation Expense per Public Staff	133,216,307
14	Depreciation Expense Per Company	<u>136 607 318 [9]</u>
15	Adjustment per Public Staff	<u>(\$3,391,011)</u>
	<u>Property Taxes</u>	
16	Plant in Service at May 31, 2019	\$5,435,494,795 [1]
17	North Carolina tax rate	<u>\$0.00397 [10]</u>
18	Adjustment to property taxes for additions (L18 x L19 x L20)	21,578,914
19	Property Tax for additions per Company Application	<u>21 253 887 [11]</u>
20	Public Staff's adjustment to property taxes (L21 - L22)	<u>\$325,028</u>

- [1] Feasel Exhibit I, Schedule 1-1, Column (g), Line 75.
[2] G-1, tem 4a, 2019-04-04 File 17 tab 104 Proforma Summary, "Pro Forma North Carolina Plant in Service as of June 30, 2019".
[3] Feasel Exhibit I, Schedule 1-2, Column (e), Line 79.
[4] Annual depreciation expense from Line 9 minus per book depreciation expense for the 12 months ended May 31, 2019.
[5] G-1, tem 4a, 2019-04-04 File 17 tab 104 Proforma Summary, "Pro Forma North Carolina Accumulated Depreciation as of June 30, 2019".
[6] Feasel Exhibit I, Schedule 1-1, Column (j), Line 75.
[7] Appendix A - NC Calculation of Annual Depreciation Accrual Final: Accrual (2) For Reserve Deficit/(Surplus) for Total General Amortized.
[8] PNG Corporate 9-30-18 Accrual Final.xls from email sent by the Company on 7/12/2019: 2 state Accrual (2) For Reserve Deficit/(Surplus) for Total General Amortized x 2-state Non-LNG allocator of 90.25% plus 3 state Accrual (2) For Reserve Deficit/(Surplus) for Total General Amortized x 3-state allocator of 75.99%.
[9] G-1, tem 4a, 2019-04-04 File 17 tab 104 Proforma Summary, "Pro Forma North Carolina Annualized Depreciation Expense at June 30, 2019, using new deprecation rates.
[10] Actual property tax paid in 2018 before allocation per DR 28-1 divided by Piedmont utility plant & property balance at 12/31/17, per monthly financial report.
[11] G-1, tem 4a, 2019-04-04 File 18 tab 119 Summary, "Pro Forma Property Taxes" on Line 1.

Jayasheela Exhibit I
Schedule 2-2

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
ADJUSTMENT TO WORKING CAPITAL COMPONENTS
For The Test Year Ended December 31, 2018

Line No.	Item	Amount Per Company (a)	[1]	Company Ratemaking Adjustments (b)	[2]	After Company Adjustments (c)	[3]	Public Staff Working Capital Adjustments (d)	[4]	Amount Per Public Staff (f)	[6]
1	Lead Lag Study										
	Lead Lag Study	\$37,151,580		17,224,029		\$54,375,609		(\$19,383,707)	[5]	\$34,991,902	
	Average materials and supplies:										
2	Operating and construction supplies	1,432,123		\$45,955		1,478,078		(\$129,772)		\$1,348,306	
3	Natural gas stored	39,714,182		74,686		39,788,868		(3,618,978)		\$36,169,890	
4	Totals (L2 + L3)	41,146,305		120,641		41,266,946		(3,748,750)		37,518,196	
	Cash working capital:										
5	Fleet & Other Overheads	681,358		(233,400)		447,958		19,627		467,585	
6	Accrued Vacation Liability	(10,610,719)		(141,495)		(10,752,214)		(122,668)		(10,874,882)	
7	Accrued Interest on Customer Deposits	(3,573,419)		0		(3,573,419)		(103,643)		(3,677,062)	
8	Customer Deposits	(9,113,721)		0		(9,113,721)		(563,994)		(9,677,715)	
9	Other Work in Progress	(81,584)		0		(81,584)		121,166		39,582	
10	Deferred Pipeline Integrity Management Costs	45,365,430		0		45,365,430		(3,990,740)		41,374,690	[7]
11	Deferred NCNG OPEB	35,367		(25,845)		9,522		(9,522)		0	[8]
12	Cash Working Funds	107,078		0		107,078		(197,630)		(90,552)	
13	Prepaid Insurance	947,936		12,641		960,577		(257,042)		703,535	
14	Deferred Revenue-FIT tax refund retained by Piedmont	(21,684,190)		0		(21,684,190)		16,747,638		(4,936,552)	
15	Undercollection of NCUC Regulatory Fees	253,064		0		253,064		98,652		351,716	[9]
16	Pension/OPEB Asset (Liability)	87,203,917		1,533,873		88,737,790		(1,533,873)		87,203,917	
17	Special Supplier Refunds	0		(407,704)		(407,704)		0		(407,704)	
18	Rate Case Expense Accrued	119,527		0		119,527		(119,527)		0	
19	Environmental Expenses Incurred	2,202,746		0		2,202,746		(2,250,829)		(48,083)	[10]
20	Total Cash Working Capital	91,852,790		738,070		92,590,860		7,837,614		100,428,474	
21	Total working capital (L1 + L4 + L16)	\$170,150,675		\$18,082,740		\$188,233,415		(\$15,294,843)		\$172,938,572	

[1] Per Powers Exhibit, (PKP-4).

[2] G-1, Item 4a, Pages 128 to 145.

[3] Column (a) + Column (b)

[4] Column (f) - Column (c)

[5] Jayasheela Exhibit I, Schedule 2-1(d), Line 35.

[6] Data Request Response 19-4.

[7] Jayasheela Exhibit I, Schedule 3-6, Line 14.

[8] Jayasheela Exhibit I, Schedule 3-8, Line 8.

[9] Jayasheela Exhibit I, Schedule 3-7, Line 14.

[10] Jayasheela Exhibit I, Schedule 3-10, Line 15.

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
ADJUSTMENT TO WORKING CAPITAL COMPONENTS
For The Test Year Ended December 31, 2018

Line No.	Item	Per Books Amounts	Company Ratemaking Adjustments	After Company Adjustments	Public Staff Adjustments	After Public Staff Adjustments	(Lead) / Lag Days	Working Capital From Lead / Lag Study
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
INVESTOR SUPPLIED CASH WORKING CAPITAL (ITEM 26 SCHEDULE 1)								
1.	Operating Revenues							
2.	Gas Sales and Transportation	\$883,966,319	\$32,300,788	\$916,267,107	(\$24,143,937)	\$892,123,170	54.68	\$133,647,383
3.	Other Operating Revenues	7,005,460	(2,662,085)	4,343,375	75,070	4,418,445	84.58	\$1,023,869
	Total Operating Revenues	\$890,971,779	\$29,638,703	\$920,610,482	(\$24,068,867)	\$896,541,615		\$134,671,252
4.	Operation & Maintenance Expense							
5.	Purchased Gas	345,999,746	(12,979,307)	\$333,020,439	229,454	\$333,249,893	(36.80)	(\$33,594,810)
6.	Labor	80,946,230	2,407,546	83,353,776	(1,859,920)	81,493,856	(10)	(2,214,042)
7.	Incentive Pay STIP	6,423,879	203,929	6,627,808	(1,502,330)	5,125,478	(252)	(3,545,092)
8.	Incentive Pay LTIP	2,368,988	617,434	2,986,422	(1,329,289)	1,657,133	(622)	(2,821,666)
9.	Employee Pensions & Benefits - Acct 926	15,804,562	(616,952)	15,187,610	(2,253,755)	12,933,855	(10)	(337,489)
10.	Prepaid Expenses				0			
11.	Insurance - Other Acct 925	9,385		9,385	0	9,385	0	0
12.	Insurance - Property	147,805		147,805	0	147,805	0	0
13.	Insurance - Liability	636,065		636,065	0	636,065	0	0
14.	Fleet Expense	3,279,110		3,279,110	0	3,279,110	(38)	(345,666)
15.	Credit Card Expense	10,524,703		10,524,703	0	10,524,703	(31)	(906,146)
16.	Virtual Card Expense - Vendors	4,241,287		4,241,287	0	4,241,287	(32)	(367,092)
17.	Regulatory Commission Amortization - Acct 928.000	6,180,676	11,143,792	17,324,468	(36,970)	17,287,498	0	0
18.	Regulatory Commission Exp - Acct 928.014	874,296	407,989	1,282,285	(116,192)	1,166,094	(80)	(254,232)
19.	Uncollectible Accounts - Acct 904	5,334,020	1,020,327	6,354,347	(2,005,320)	(4,353,552)		0
20.	Other O&M Expenses	70,078,007	5,859,981	75,937,988	(21,996,636)	53,941,352	(59)	(8,779,918)
	Total O&M expenses	552,848,760	8,064,739	560,913,499	(30,870,957)	520,042,542		(53,166,153)
21.	Depreciation Expense	115,752,686	20,854,632	136,607,318	0	136,607,318	0	0
22.	Other Taxes							
23.	Other Taxes Excluding Property Taxes	4,119,819	(567,377)	3,552,442	0	3,552,442	(281)	(2,732,896)
24.	Property Taxes	18,977,725	2,276,162	21,253,887	325,028	21,578,914	(186)	(10,981,049)
25.	Payroll Taxes	6,318,042	278,332	6,596,374	(142,284)	6,454,090	(24)	(432,592)
26.	Income Taxes							
27.	Federal Income Taxes	72,272,981	(3,837,227)	68,435,754	64,598,527	133,034,281	(38)	(13,759,025)
28.	State Income Taxes	3,393,447	(4,483,469)	(1,090,023)	253,673	(836,350)	(38)	86,499
29.	Provision for Deferred Income Taxes	(39,935,287)		(39,935,287)	0	(39,935,287)	0	0
30.	Amort Investment Tax Credit	(118,395)	38,971	(79,424)	0	(79,424)	0	0
31.	Interest On Customers' Deposits	796,448		796,448	0	796,448	0	0
32.	Return							
33.	Interest on Long-Term Debt (Acct 0427460)	64,460,703	6,359,718	70,820,421	2,705,409	73,525,830	(93)	(18,641,861)
34.	Interest on Short-Term Debt (Acct 0430216)	1,223,847	(459,281)	764,566	10,135	774,701	(25)	(52,273)
35.	Income for Return	90,861,003	1,113,504	91,974,506	4,339,664	96,314,170	0	0
36.	Total Requirements	890,971,779	29,638,703	920,610,481	41,219,196	962,829,677		(99,679,350)
37.	Working capital from lead / lag study per Public Staff							\$34,991,902
38.	Amount per Company application							\$54,375,609
39.	Adjustment to working capital from lead / lag study							(\$19,383,707)

[1] G-1, Item 26, Lead Lag Summary.
[2] G-1, Item 4a, Page 48.
[3] Column (a) plus Column (b).
[4] Jayasheelu Exhibit I, Schedule 2-3(a), Column ee.
[5] Column (c) plus Column (d).
[6] Column (e) divided by 365 times column (f).

Schedule 2-3(a)

Page 1 of 5

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
ADJUSTMENT TO WORKING CAPITAL COMPONENTS
For The Test Year Ended December 31, 2018

Line No.	Item	Update Plant to May 31 2019 [1] (a)	Other Operating Revenue Adjustment [1] (b)	End of period Revenue Adjustment [1] (c)	Customer Conservation Program [1] (d)	Gas Cost [1] (e)	Adjustment [1] (f)	Payroll and Related Costs [1] (g)
Operating Revenues								
1.	Gas Sales and Transportation		\$0	(\$24,143,937)				
2.	Other Operating Revenues		75,070					
3.	Total Operating Revenues	0	75,070	(24,143,937)	0	0	0	0
Operation & Maintenance Expense								
4.	Purchased Gas					229,454		
5.	Labor							190,432
6.	Incentive Pay STIP							
7.	Incentive Pay LTIP							
8.	Employee Pensions & Benefits - Acct 926							
9.	Prepaid Expenses							
10.	Insurance - Other Acct 925							
11.	Insurance - Property							
12.	Insurance - Liability							
13.	Fleet Expense							
14.	Credit Card Expense							
15.	Virtual Card Expense - Vendors							
16.	Regulatory Commission Amortization - Acct 928.000							
17.	Regulatory Commission Exp - Acct 928.014		98	(27,328)				
18.	Uncollectible Accounts - Acct 904		366	(102,406)				
19.	Other O&M Expenses		(21,499)		(1,225,000)		(7,348,044)	
20.	Total O&M expenses	0	(21,036)	(129,734)	(1,225,000)	229,454	(7,348,044)	190,432
21.	Depreciation Expense	(3,391,011)						
Other Taxes								
22.	Other Taxes Excluding Property Taxes							
23.	Property Taxes	325,028						
24.	Payroll Taxes							14,568
Income Taxes								
25.	Federal Income Taxes	627,760	15,276	(4,320,219)	250,819	0	1,504,512	(41,974)
26.	State Income Taxes	76,650	1,865	(527,499)	30,625	0	183,701	(5,125)
27.	Provision for Deferred Income Taxes							
28.	Amort Investment Tax Credit							
29.	Interest On Customers' Deposits							
Return								
30.	Interest on Long-Term Debt (Acct 0427460)							
31.	Interest on Short-Term Debt (Acct 0430216)							
32.	Income for Return	2,361,574	78,965	(19,166,485)	943,556	(229,454)	5,659,831	(157,901)
33.	Total Requirement	0	75,070	(24,143,937)	0	0	0	0

[1] Based on adjustments made by Public Staff in Jayasheela Exhibit 1, Schedule 3.

[2] Sum of Columns (a) through (ee).

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
ADJUSTMENT TO WORKING CAPITAL COMPONENTS
For The Test Year Ended December 31, 2018

Line No.	tem	Overtime (h)	[1] Employee Benefits (i)	[1] Board Expenses (j)	[1] Executive Compensation (k)	[1] Incentives (l)	[1] Pension Expense (m)	[1] Rate Case Expenses (n)	[1]
Operating Revenues									
1.	Gas Sales and Transportation								
2.	Other Operating Revenues								
3.	Total Operating Revenues	0	0	0	0	0	0	0	
Operation & Maintenance Expense									
4.	Purchased Gas								
5.	Labor	(680,698)			(1,369,654)				
6.	Incentive Pay ST P					(1,502,330)			
7.	Incentive Pay LTIP					(1,329,289)			
8.	Employee Pensions & Benefits - Acct 926		(796,822)				(1,456,933)		
9.	Prepaid Expenses								
10.	Insurance - Other Acct 925								
11.	Insurance - Property								
12.	Insurance - Liability								
13.	Fleet Expense								
14.	Credit Card Expense								
15.	Virtual Card Expense - Vendors								
16.	Regulatory Commission Amortization - Acct 928.000								
17.	Regulatory Commission Exp - Acct 928.014								
18.	Uncollectible Accounts - Acct 904								
19.	Other O&M Expenses			(419,141)				313,675	
20.	Total O&M expenses	(680 698)	(796 822)	(419 141)	(1 369 654)	(2 831 619)	(1 456 933)	313 675	
21.	Depreciation Expense								
Other Taxes									
22.	Other Taxes Excluding Property Taxes								
23.	Property Taxes								
24.	Payroll Taxes	(52,073)			(104,779)				
Income Taxes									
25.	Federal Income Taxes	150,035	163,149	85,819	301,890	579,774	298,307	(64,225)	
26.	State Income Taxes	18,319	19,921	10,479	36,861	70,790	36,423	(7,842)	
27.	Provision for Deferred Income Taxes								
28.	Amort Investment Tax Credit								
29.	Interest On Customers' Deposits								
Return									
30.	Interest on Long-Term Debt (Acct 0427460)								
31.	Interest on Short-Term Debt (Acct 0430216)								
32.	Income for Return	564,417	613,752	322,843	1,135,682	2,181,055	1,122,203	(241,608)	
33.	Total Requirement	0	0	0	0	0	0	0	

[1] Based on adjustments made by Public Staff in Jayasheela Exhibit 1, Schedule 3.

[2] Sum of Columns (a) through (ee).

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
ADJUSTMENT TO WORKING CAPITAL COMPONENTS
For The Test Year Ended December 31, 2018

Line No.	Item	Sponsorships & Donations (o)	[1] Uncollectibles (p)	[1] Inflation (q)	[1] Nonutility Expenses (r)	[1] Transmission (s)	[1] Environmental Costs (t)	[1] Line Locates (u)
Operating Revenues								
1.	Gas Sales and Transportation							
2.	Other Operating Revenues							
3.	Total Operating Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Operation & Maintenance Expense								
4.	Purchased Gas							
5.	Labor							
6.	Incentive Pay STIP							
7.	Incentive Pay LTIP							
8.	Employee Pensions & Benefits - Acct 926							
9.	Prepaid Expenses							
10.	Insurance - Other Acct 925							
11.	Insurance - Property							
12.	Insurance - Liability							
13.	Fleet Expense							
14.	Credit Card Expense							
15.	Virtual Card Expense - Vendors							
16.	Regulatory Commission Amortization - Acct 928.000							
17.	Regulatory Commission Exp - Acct 928.014							
18.	Uncollectible Accounts - Acct 904		(1,903,280)					
19.	Other O&M Expenses	<u>(118,345)</u>		<u>(631,524)</u>	<u>(1,068,573)</u>	<u>(5,328,872)</u>	<u>180,308</u>	<u>(505,974)</u>
20.	Total O&M expenses	<u>(118 345)</u>	<u>(1 903 280)</u>	<u>(631 524)</u>	<u>(1 068 573)</u>	<u>(5 328 872)</u>	<u>180 308</u>	<u>(505 974)</u>
21.	Depreciation Expense							
Other Taxes								
22.	Other Taxes Excluding Property Taxes							
23.	Property Taxes							
24.	Payroll Taxes							
Income Taxes								
25.	Federal Income Taxes	24,231	389,697	129,305	304,058	1,091,087	(36,918)	103,598
26.	State Income Taxes	2,959	47,582	15,788	37,126	133,222	(4,508)	12,649
27.	Provision for Deferred Income Taxes							
28.	Amort Investment Tax Credit							
29.	Interest On Customers' Deposits							
Return								
30.	Interest on Long-Term Debt (Acct 0427460)							
31.	Interest on Short-Term Debt (Acct 0430216)							
32.	Income for Return	91,155	1,466,001	486,431	727,389	4,104,563	(138,882)	389,727
33.	Total Requirement	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

[1] Based on adjustments made by Public Staff in Jayasheela Exhibit 1, Schedule 3.

[2] Sum of Columns (a) through (ee).

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
ADJUSTMENT TO WORKING CAPITAL COMPONENTS
For The Test Year Ended December 31, 2018

Line No.	Item	Regulatory Fee (v)	[1] Advertising (w)	[1] Misc General Expenses (x)	[1] Aviation (y)	[1] Protected EDIT - FIT (z)	[1] Eastern NCNG (aa)	[1] GTI (bb)	[1]
Operating Revenues									
1.	Gas Sales and Transportation								
2.	Other Operating Revenues								
3.	Total Operating Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Operation & Maintenance Expense									
4.	Purchased Gas								
5.	Labor								
6.	Incentive Pay ST P								
7.	Incentive Pay LTIP								
8.	Employee Pensions & Benefits - Acct 926								
9.	Prepaid Expenses								
10.	Insurance - Other Acct 925								
11.	Insurance - Property								
12.	Insurance - Liability								
13.	Fleet Expense								
14.	Credit Card Expense								
15.	Virtual Card Expense - Vendors								
16.	Regulatory Commission Amortization - Acct 928.000								
17.	Regulatory Commission Exp - Acct 928.014	(88,961)							
18.	Uncollectible Accounts - Acct 904								
19.	Other O&M Expenses		(295,918)	(355,675)	(482,469)	(3,128,110)	(900,523)	(350,000)	
20.	Total O&M expenses	<u>(88,961)</u>	<u>(295,918)</u>	<u>(355,675)</u>	<u>(482,469)</u>	<u>(3,128,110)</u>	<u>(900,523)</u>	<u>(350,000)</u>	
21.	Depreciation Expense								
Other Taxes									
22.	Other Taxes Excluding Property Taxes								
23.	Property Taxes								
24.	Payroll Taxes								
Income Taxes									
25.	Federal Income Taxes	18,215	60,589	72,824	98,785	0	184,382	71,663	
26.	State Income Taxes	2,224	7,398	8,892	12,062	0	22,513	8,750	
27.	Provision for Deferred Income Taxes								
28.	Amort Investment Tax Credit								
29.	Interest On Customers' Deposits								
Return									
30.	Interest on Long-Term Debt (Acct 0427460)								
31.	Interest on Short-Term Debt (Acct 0430216)								
32.	Income for Return	68,522	227,931	273,959	371,622	3,128,110	693,628	269,587	
33.	Total Requirement	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	

[1] Based on adjustments made by Public Staff in Jayasheela Exhibit 1, Schedule 3.

[2] Sum of Columns (a) through (ee).

Schedule 2-3(a)

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Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
ADJUSTMENT TO WORKING CAPITAL COMPONENTS
For The Test Year Ended December 31, 2018

Line No.	Item	Undercollection of Regulatory Fee (cc)	[1]	Lobbying Expense (dd)	[1]	Interest Synchronisation (ee)	[1]	Total Public Staff Adjustments (ff)	[2]
Operating Revenues									
1.	Gas Sales and Transportation							(24,143,937)	
2.	Other Operating Revenues							75,070	
3.	Total Operating Revenues	<u>0</u>		<u>0</u>		<u>0</u>		<u>(24,068,867)</u>	
Operation & Maintenance Expense									
4.	Purchased Gas							229,454	
5.	Labor							(1,859,920)	
6.	Incentive Pay STIP							(1,502,330)	
7.	Incentive Pay LTIP							(1,329,289)	
8.	Employee Pensions & Benefits - Acct 926							(2,253,755)	
9.	Prepaid Expenses							0	
10.	Insurance - Other Acct 925							0	
11.	Insurance - Property							0	
12.	Insurance - Liability							0	
13.	Fleet Expense							0	
14.	Credit Card Expense							0	
15.	Virtual Card Expense - Vendors							0	
16.	Regulatory Commission Amortization - Acct 928.000	(36,970)						(36,970)	
17.	Regulatory Commission Exp - Acct 928.014							(116,192)	
18.	Uncollectible Accounts - Acct 904							(2,005,320)	
19.	Other O&M Expenses			(310,952)				(21,996,636)	
20.	Total O&M expenses	<u>(36,970)</u>		<u>(310,952)</u>		<u>0</u>		<u>(30,870,957)</u>	
21.	Depreciation Expense								
Other Taxes									
22.	Other Taxes Excluding Property Taxes							0	
23.	Property Taxes							325,028	
24.	Payroll Taxes							(142,284)	
Income Taxes									
25.	Federal Income Taxes	7,570		7,570		623,896		2,701,475	
26.	State Income Taxes	924		924				253,673	
27.	Provision for Deferred Income Taxes							0	
28.	Amort Investment Tax Credit							0	
29.	Interest On Customers' Deposits							0	
Return									
30.	Interest on Long-Term Debt (Acct 0427460)					2,705,409		2,705,409	
31.	Interest on Short-Term Debt (Acct 0430216)					10,135		10,135	
32.	Income for Return	28,476		302,458		(3,339,441)		4,339,664	
33.	Total Requirement	<u>0</u>		<u>0</u>		<u>0</u>		<u>(24,068,867)</u>	

[1] Based on adjustments made by Public Staff in Jayasheela Exhibit 1, Schedule 3.

[2] Sum of Columns (a) through (ee).

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
NET OPERATING INCOME FOR RETURN
For The Test Year Ended December 31, 2018

Jayasheela Exhibit I
Schedule 3
Page 4 of 4

Line No.	Item	Aviation (z)	[25] Amortization EDIT - FIT Protected (aa)	[26] Eastern NCNG (bb)	[27] GTI (cc)	[28] Undercollection of Regulatory Fee (dd)	[29] Lobbying Expense (ee)	[30] Interest Synchronization (ff)	[31] After Public Staff Adjustments (gg)	[32]
Operating Revenues:										
1	Sales and transportation of gas									\$799,272,469
2	Electric Generation Revenues									86,903,062
3	Special Contract Revenues									9,069,827
4	Other operating revenues									4,418,444
5	Total operating revenues (L1 - L3)	0	0	0	0	0	0	0		899,663,802
6	Cost of gas									333,249,893
7	Margin (L4 - L5)	0	0	0	0	0	0	0		566,413,909
Operating Expenses:										
8	Operating and maintenance	(482,469)	0	(900,523)	(350,000)	(36,970)	(310,952)			199,920,758
9	Depreciation									132,825,457
10	General taxes									31,559,849
11	State income tax (2.5%)	12,062	0	22,513	8,750	924	7,774	(59,312)		3,183,849
12	Federal income tax (21%)	98,785	0	184,382	71,663	7,570	63,667	(485,762)		26,075,721
13	Amortization of investment tax credits									(79,424)
14	Amortization of EDIT		(\$3,128,110)							(3,128,110)
15	Total operating expenses (Sum of L4 thru L10)	(371,622)	(3,128,110)	(693,628)	(269,587)	(28,476)	(239,511)	(545,074)		390,358,100
16	Interest on customer deposits									(796,448)
17	Net operating income for return (L3 - L12+L11+L12)	\$371,622	\$3,128,110	\$693,628	\$269,587	\$28,476	\$239,511	\$545,074		\$175,259,362
18	Revenue Requirement Effect	\$485,462	\$4,086,355	\$906,109	\$352,171	\$37,199	\$312,881	\$712,048		

[25] Jayasheela Exhibit I, Schedule 3-12..
[26] Perry Exhibit I, Schedule 1.
[27] Jayasheela Exhibit I, Schedule 3-9.
[28] Jayasheela Exhibit I, Schedule 3-13.
[29] Jayasheela Exhibit I, Schedule 3-10.
[30] Allison Exhibit I, Schedule 1.
[31] Jayasheela Exhibit I, Schedule 3-14.
[32] Sum of columns (a) through (ff).

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
ADJUSTMENT TO COMPANY FILED COST OF SERVICE
For The Test Year Ended December 31, 2018

Line No.	Description	Company Before Increase	Interest Synch on CWC Increase	Company Without Rate Increase	Company Without Rate Increase New Tax
	Operating Revenues:				
1.	Sale and transportation of gas	\$823,416,406		\$823,416,406	\$823,416,406
2.	Electric Generation Revenues	83,780,874		83,780,874	83,780,874
	Special Contract Revenues	9,069,827		9,069,827	9,069,827
3.	Other operating revenues	4,343,374		4,343,374	4,343,374
4.	Total operating revenues (Sum of L1 thru L3)	920,610,481	0	920,610,481	920,610,481
5.	Cost of gas	333,020,439	0 [2]	333,020,439	333,020,439
6.	Margin (L4 - L5)	587,590,042	0	587,590,042	587,590,042
7.	Operation and maintenance	227,893,060	0 [2]	227,893,060	227,893,060
8.	Depreciation	136,607,318		136,607,318	136,607,318
9.	General taxes	31,402,703		31,402,703	31,402,703
10.	State income taxes	2,982,638	[2]	2,982,638	2,982,638
11.	Federal income taxes	24,427,807	[2]	24,427,807	24,427,807
12.	Amortization of investment tax credits	(79,424)		(79,424)	(79,424)
13.	Amortization of EDIT			0	0
14.	Total operating expenses (Sum of L7 thru L13)	423,234,102	0	423,234,102	423,234,102
15.	Net operating income	164,355,941	0	164,355,941	164,355,941
16.	Interest on customer deposits	(796,448)		(796,448)	(796,448)
17.	Net operating income for return (L6 less L14)	\$163,559,493	\$0	\$163,559,493	\$163,559,493

[1] Powers Exh bit 7, Page 1 of 5, "After Accounting and Pro Forma Adjustments" column.

[2] Interest synchronization effect of increase in CWC due to rate increase

[3] Column (a) plus Column (b).

Jayasheela Exhibit I
Schedule 3B

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
SUMMARY OF REVENUE AND
COST OF GAS ADJUSTMENTS
For The Test Year Ended December 31, 2018

Line No.	Item	Sales and Transportation Revenues (a)	Electric Generation Revenues (b)	Special Contract Revenues (c)	Other Operating Revenues (d)	Cost of Gas (e)	Regulatory Fee (f)	[5]	Uncollectibles (g)	[6]
1	Company amount per application	\$823,416,406 [1]	83,780,874 [1]	\$9,069,827	\$4,343,374 [1]	\$333,020,439 [1]				
2	Operating Revenues EOP - Public Staff Volumes	(24,143,937) [2]		3,122,188			(27,328)		(102,406)	
3	On-going level of cost of gas - fixed gas costs					229,454 [3]				
4	Adjustment to other operating revenues				75,070 [4]		98		366	
5	Public Staff Amount (Sum of L1 thru L5)	<u>\$799,272,469</u>	<u>\$83,780,874</u>	<u>\$12,192,015</u>	<u>\$4,418,444</u>	<u>\$333,249,893</u>	<u>(\$27,231)</u>		<u>(\$102,040)</u>	

[1] Powers Exhibit 7, Page 1 of 5, "After Accounting and Pro Forma Adjustments" column.

[2] Per Public Staff Witness Naba.

[3] Per Public Staff Witness Patel.

[4] Jayasheela Exhibit I, Schedule 3-5, Column (b), Line 5.

[5] Updated Regulatory Fee multiplied with Columns (a), (c) and (e)

[6] Public Staff Uncollectible factor multiplied with Columns (a), (c) and (e)

Jayasheelu Exhibit I
Schedule 3-1

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
OTHER OPERATING REVENUES
For The Test Year Ended December 31, 2018

Line No.	Item	Amount Per Company [1] (a)	Adjustment Amount (b)	Amount Per Public Staff (c)
1	Late payment revenues	\$2,423,246	\$43,134	\$2,466,380 [2]
2	Miscellaneous service revenues	1,794,164	31,936	1,826,100 [2]
3	Rent from gas properties	125,964	0	125,964
4	Ft Bragg Privatization	86,534	0	86,534
5	Total other operating revenues (Sum of L1 thru L)	<u>\$4,429,908</u>	<u>\$75,070</u>	<u>\$4,504,978</u>

[1] Per Company filing, MFR, G-1, Item 4a, Page 46.

[2] Applied the Public Staff growth rate of 1.78%.

Jayasheela Exhibit I
Schedule 3-2

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
ADJUSTMENT TO INCENTIVES
For The Test Year Ended December 31, 2018

Line No.	Item	Amount	
	Short Term Incentive Plan (STIP)		
1	Total Company STIP pay accrued expense associated with earnings per share (EPS)	\$2,139,576	[1]
2	Total Company STIP accrual	6,423,879	[1]
3	Percentage of STIP related to EPS (L1 / L2)	33.31%	
4	STIP at target level associated with O&M expense per Company	6,360,276	[2]
5	Adjustment to remove STIP related to EPS outcomes - NC (-L3 x L4)	(2,118,392)	
6	NC O&M Payroll percentage	73.62%	[3]
7	Adjustment to remove STIP related to EPS outcomes - NC (L5 x L6)	(1,559,560)	
8	Executive STIP already removed in executive compensation adjustment	57,230	[4]
9	Adjustment to STIP (L7 + L8)	(\$1,502,330)	
	Long Term Incentive Plan (LTIP)		
10	LTIP Performance Shares associated with EPS and TSR at target	\$2,317,581	[2]
11	Adjustment to remove LTIP associated with EPS and TSR - total system (-L10)	(2,317,581)	
12	NC O&M Payroll percentage	73.62%	[3]
13	Adjustment to remove LTIP associated with EPS and TSR - NC (L11 x L12)	(1,706,203)	
14	Executive LTIP already removed in executive compensation adjustment	376,914	[4]
15	Adjustment to LTIP (L13 + L14)	(\$1,329,289)	
16	Total adjustment to incentive pay (L9 + L15)	(\$2,831,619)	

[1] From Company Response to Public Staff Data Request No. 12, Item 7.

[2] From Company Response to an informal follow-up Data Request to Data Request No. 12.

[3] Per Company

[4] Based on Public Staff executive compensation adjustment.

PIEDMONT NATURAL GAS COMPANY
Docket No. G-9, Sub 743
ADJUSTMENT TO RATE CASE EXPENSE
For The Test Year Ended December 31, 2018

Line No.	Item	Company Amount (a)	Actual Payments as of July 11, 2019 [2]		50% of Difference (d)	Public Staff Amount (e)	Public Staff Adjustment (f)
			[1]	(b)			
1	Legal (McGuire Woods)	\$900,000		\$162,788	\$737,212	\$368,606	\$531,394 (\$368,606)
2	Witness (Hevert, Scott Madden)	120,000		26,846	93,154	46,577	73,423 (46,577)
4	Witness (Dan Yardley, Yardley Associates)	160,000		77,700	82,300	41,150	118,850 (41,150)
5	Witness Watson (Alliance)	75,000		74,674	326	163	74,837 (163)
6	Witness (Paul Normand, Management Application Consulting)	75,000		35,249	39,751	19,876	55,124 (19,876)
7	Regulatory Notices						
8	Newspapers	200,000		201,452	(1,452)	201,452	[4] 1,452
9	Customer Mailings (a)	134,863		241,341	(106,478)	241,341	[4] 106,478
10	PNG Travel and Misc Expense	77,429		621	76,808	38,404	39,025 (38,404)
11	Total Amount	\$1,742,292		\$820,671	\$921,621	\$514,776	\$1,335,446 (\$406,846)
12	Amortization Period						5 [5]
13	Public Staff Proposed annual amortization expense					267,089	
14	Company Proposed Annual Amortization Expense					580,764	
						\$313,675	
Rate Base Effect:							
15	Unamortized Rate Case Expenses per Public Staff			\$0			
16	Less: Ongoing amortization reflected in O&M expenses			\$0			
17	Unamortized Rate Case balance per Public Staff			\$0			
18	Rate Case Expense Accrued per Company			119,527			
19	Unamortized Rate Case Expenses per Public Staff			(\$119,527)			

- [1] G-1, Item 4a, Page 92
[2] Per updated Company data request responses to DR 25, Item 2
[3] Actual Payments as of July 11, 2019 X 50% of Difference
[4] Same as Column (b)
[5] Per Public Staff.

PIEDMONT NATURAL GAS COMPANY
Docket No. G-9, Sub 743
ADJUSTMENT TO UNCOLLECTIBLES
For The Test Year Ended December 31, 2018

Line

<u>No.</u>	<u>Item</u>	<u>NC Net Charge- Offs (a)</u>	<u>Gas Cost Deferrals</u>	<u>Total net gas costs</u>	<u>Sales & Transportation Revenues (b)</u>
1	Year Ended December 31, 2016	\$3,736,196 [1]	(\$925,805)	\$2,810,391	\$798,734,107 [3]
2	Year Ended December 31, 2017	5,451,299 [1]	(1,495,506)	3,955,793	874,040,293 [3]
3	Year Ended December 31, 2018	7,862,260 [1]	(2,139,364)	5,722,896	890,971,779 [3]
4	Total for three year period (Sum of L2 and L3)			\$12,489,080	\$2,563,746,179
5	Number of years presented			3 [2]	3 [2]
6	Three-year average (L3 / L4)			\$4 163 027	854 582 060
7	Uncollectibles percentage per Public Staff (L5/L7)				0.4871%
8	Pro Forma Revenues from sales and transportation of gas, net of gas costs				895,245,358 [3]
9	Uncollectibles per Public Staff (L6 x L7)				4,361,115
10	Uncollectibles per Company				6,264,395 [4]
11	Adjustment to uncollectibles (L11 - L12)				(\$1,903,280)

[1] Per Public Staff DR Response file 10-1 Attachment.

[2] Per Public Staff.

[3] Per monthly financial reports.

[4] Per Company filing, 2019-04-04 File 10. Filename: 2019-04-04 File 10.xlsx

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
ADJUSTMENT TO PENSION EXPENSE
For The Test Year Ended December 31, 2018

Line No.	Item	Amount
1	North Carolina Pension pro forma expense	(\$3,321,784) [1]
2	Updated based on Jan 31, 2019, to May 31, 2019, Pension expense	(4,778,717) [2]
3	Adjustment to North Carolins Pension pro forma expense	<u>(\$1,456,933)</u>

[1] G-1, Item 4a, Page 61

[2] From Company Response to Public Staff Data Request No. 77, Item 4.

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
AMORTIZATION OF PIPELINE INTEGRITY MANAGEMENT - TRANSMISSION COSTS
For The Test Year Ended December 31, 2018

Line No.	Item	North Carolina Amount	
<u>Income Statement Effect:</u>			
1	Unamortized Pipeline Integrity Costs @ August 31, 2013	\$17,348,593	[1]
2	Add: Incremental deferred PIM expenses 9/1/2013 - 12/31/2018	49,874,448	[2]
3	Add: Updated deferred PIM expenses 1/1/2019 - 5/31/2019	5,602,779	[3]
		72,825,820	
4	Less: Amortization expense 10/1/2013 to 12/31/2013	(\$867,430)	
5	Less: Amortization expense 1/1/2014 to 11/1/2019	(20,240,028)	
6	Total amortization expense through November 1, 2019	(21,107,457)	
7	Total Deferred PIM Costs per Public Staff	51,718,363	
8	Amortization period in years	5	[4]
9	Amortization of Deferred PIM Costs per Public Staff	10,343,673	
10	Amortization of Deferred PIM Costs per Company	15,672,545	[1]
11	Public Staff Adjustment to Amortization of PIM Costs	(\$5,328,872)	
<u>Rate Base Effect:</u>			
12	Unamortized Pipeline Integrity Costs at October 31, 2019	\$51,718,363	[5]
13	Less: Ongoing amortization reflected in O&M expenses	(10,343,673)	[6]
14	Unamortized PIM balance per Public Staff	41,374,690	
15	Deferred Pipeline Integrity Costs per Company	45,365,430	[7]
16	Unamortized Pipeline Integrity Costs per Public Staff	(\$3,990,740)	

- [1] G-1, Item 4a, Page 89.
[2] G-1, Item 4a, Page 89 and excluded the amount OF \$34,620 due to missing invoices.
[3] Per updated Company data request response after excluding the amount of \$8,529 due to a missing invoice.
[4] Per Public Staff.
[5] Line 7.
[6] Line 9.
[7] G-1, Item 4a, Page 135, line 15.

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
ADJUSTMENT TO AMORTIZATION OF ENVIRONMENTAL COSTS
For The Test Year Ended December 31, 2018

Line No.	Item	Amount	
<u>Income Statement Effect:</u>			
1	Unamortized Environmental Costs @ August 31, 2013	\$6,346,642	[1]
2	Add: Incremental deferred Environmental expenses 9/1/2013 - 12/31/2018	903,895	[1]
3	Add: Updated deferred Environmental expenses 1/1/2019 - 5/31/2019	93,772	[2]
		7,344,309	
4	Less: Amortization expense 10/1/2013 to 12/31/2013	\$0	
5	Less: Amortization expense 1/1/2014 to 10/31/2019	(7,404,413)	
6	Total amortization expense through November 1, 2019	(7,404,413)	
7	Total Deferred Environmental Costs per Public Staff	(60,104)	
8	Amortization period in years	5	[3]
9	Amortization of Deferred Environmental Costs per Public Staff	(12,021)	
10	Amortization of Deferred Environmental Costs per Company	(192,329)	[4]
11	Public Staff Adjustment to Amortization of Environmental Costs	\$180,308	
<u>Rate Base Effect:</u>			
12	Unamortized Environmental Costs @ December 31, 2013	(\$60,104)	[5]
13	Less: Ongoing amortization reflected in O&M expenses	\$12,021	[6]
14	Unamortized Environmental balance per Public Staff	(\$48,083)	
15	Deferred Environmental Costs per Company	2,202,746	[7]
16	Unamortized Environmental Costs per Public Staff	(\$2,250,829)	

[1] G-1, Item 4a, Page 87

[2] Per updated Company data request response after excluding the amount of \$8,529 due to a missing invoice

[3] Per Public Staff.

[4] G-1, Item 4a, Page 87

[5] Line 7.

[6] Line 9.

[7] G-1, Item 4a, Page 145, line 15

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
ADJUSTMENT TO DEFERRED NCNG OPEB LIABILITY
For The Test Year Ended December 31, 2018

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
	<u>Income Statement Effect:</u>	
1	Balance in Deferred NCNG OPEB Liability per G-9, Sub 631	\$414,650
2	Less: Amortization expense 1/1/2014 to 10/31/2019	<u>(483,758)</u>
3	Fully amortized NCNG OPEB Liability at October 31, 2019 (line 1+line 2)	<u>(69,108)</u>
4	Amortization per Public Staff due to fully amortized NCNG OPEB Liability	0
5	Amortization of Deferred NCNG OPEB amortization per Company	<u>0</u>
6	Adjustment to NCNG OPEB Liability amortization	<u><u>\$0</u></u>
	<u>Balance Sheet Effect:</u>	
7	Unamortized NCNG OPEB Liability at December 31, 2013 (from line 3)	<u>(\$69,108)</u>
8	Unamortized NCNG OPEB Liability per Public Staff	0
9	Unamortized NCNG OPEB Liability per Company	<u>9,522</u> [1]
10	Unamortized NCNG OPEB Liability per Public Staff	<u><u>(\$9,522)</u></u>

[1] Per G-1 filing, 2019-04-04 File 20, Tab 127 Summary, Line 10

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
ADJUSTMENT TO AMORTIZE EASTERN NC DEFERRED O&M EXPENSES
For The Test Year Ended December 31, 2018

<u>Line No.</u>	<u>Item</u>	<u>North Carolina Amount</u>
1	Remaining Eastern NC Deferred O&M expenses+Interest	\$1,188,195 [1]
2	Amortization period per Public Staff	5 [2]
3	Amortization of Deferred Eastern O&M per Public Staff	238,066
4	Amortization of Deferred Eastern O&M per Company	<u>1,138,589</u> [3]
5	Adjustment to Deferred Eastern O&M Amortization (L1-L2)	<u><u>(\$900,523)</u></u>

[1] Per Schedule 3-9, Page 2 of 2.

[2] Per Public Staff witness

[3] Public Staff settlement exhibit: Docket No. G-9, Sub 631, Exhibit I, Schedule 3-8, Line 1.

PIEDMONT NATURAL GAS COMPANY
Docket No. G-9, Sub 631
Eastern Deferred O&M Amortization
For The Test Year Ended December 31, 2018

Assumptions:

Annual Interest Rate 6.21%
Term in number of months 12
Principal Subject to Amortization 1,149,174

Period	Beginning Balance	Monthly Charge	Amortization of Principal	Interest Income	Ending Balance
Nov-19	\$1,149,174 [1]	\$99,016	\$93,069	\$5,947	\$1,056,105
Dec-19	1,056,105	99,016	93,551	5,465	962,554
Jan-20	962,554	99,016	94,035	4,981	868,519
Feb-20	868,519	99,016	94,522	4,495	773,997
Mar-20	773,997	99,016	95,011	4,005	678,986
Apr-20	678,986	99,016	95,503	3,514	583,484
May-20	583,484	99,016	95,997	3,020	487,487
Jun-20	487,487	99,016	96,494	2,523	390,994
Jul-20	390,994	99,016	96,993	2,023	294,001
Aug-20	294,001	99,016	97,495	1,521	196,506
Sep-20	196,506	99,016	97,999	1,017	98,507
Oct-20	\$98,507	\$99,016	\$98,507	\$510	-
Sum of Monthly Charge from Nov-19 to Oct -20		\$1,188,195			

[1] Based on Ending Balance in Docket No. G-9, Sub 631

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
AMORTIZATION DUE TO REGULATORY FEE UNDERCOLLECTION
For The Test Year Ended December 31, 2018

Line No.	Item	Public Staff Amount (a)		Company Amount (b)		Public Staff Adjustment (c)
1	Undercollection of Regulatory Fees at December 31, 2018	\$392,791	[3]	\$349,697	[1]	
2	Additional Undercollection through May 31, 2019	46,854	[4]	25,000	[2]	
3	Projected Balance for Recovery (Line 1 + Line 2)	439,645		374,697		
4	Proposed amortization period, in years	5	[5]	3		
5	Proposed annual amortization expense (Line 3 / Line 4)	87,929		124,899		
6	Less: Amortized expense amount included in the Test Period	0		0		
7	Undercollection for Recovery (Line 5 - Line 6)	\$87,929		\$124,899		(\$36,970)
8	Rate Base Effect:					
9	Unamortized Regulatory Fee Costs @ May 31, 2019	\$439,645				
10	Less: Ongoing amortization reflected in O&M expenses	(87,929)				
11	Unamortized Regulatory Fee balance per Public Staff	\$351,716				
12	Deferred Regulatory Fee Costs per Company	253,064	[6]			
13	Unamortized Regulatory Fee Costs per Public Staff	\$98,652				

[1] G-1, Item 4a, Page 93, Line 1

[2] G-1, Item 4a, Page 93, Line 2

[3] Public Staff adjustment due to the inclusion of deferred Reg fee from July 1, 2014 to June 30, 2015
and G-1, Item 4a, Pages 94 and 95

[4] DR 86 Deferred Reg Fee Expense 2

[5] Per Public Staff witness

[6] Per G-1 filing, 2019-04-04 File 20, Tab 127 Summary, Line 14

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
ADJUSTMENT TO CHANGES FOR REGULATORY FEE EXPENSE
For The Test Year Ended December 31, 2018

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1	Adjusted Test Year Sales and Transportation Revenues	\$920,610,481 [1]
2	Less:	
3	Uncollectibles	4,361,115 [2]
4	Amount Subject to Fee	916,249,366
5	Fee Percentage	0.130% [3]
6	Adjusted Fee per Public Staff (L4 x L5)	1,191,124
7	Adjusted Fee per Company	1,280,085 [1]
8	Public Staff Adjustment to Regulatory Fee (L6 - L7)	(\$88,961)

[1] MFR G-1, Item 4a, Page 96.

[2] Jayasheela Exhibit I, Schedule 3-4, Line 9.

[3] Per Commission Order on June 18, 2019, in Docket No. M-100, Sub 142.

PIEDMONT NATURAL GAS COMPANY
Docket No. G-9, Sub 743
ADJUSTMENT TO AVIATION EXPENSES
For The Test Year Ended December 31, 2018

Line No.	Item	Amount
1	Utility Patrol expense allocated to NC	\$288,181 [1]
2	Total DEBS Operating Units	538,511 [1]
		<u>826,692</u>
3	Total Aviation Expense Allocated to NC Operations in 2018	\$538,511 [1]
4	Percentage to be excluded per Public Staff	<u>89.59%</u> [2]
5	Public Staff adjustment to aviation O&M expenses (L7 x L8)	<u>\$482,469</u>
6	Percentage of Aviation expenses to be excluded:	
7	Total miles	\$427,907 [3]
8	Miles allowed	<u>44,532</u> [4]
9	Miles disallowed (line 7 - line 8)	<u>383,375</u>
10	Percentage of Aviation expenses to be disallowed (line 7/line 9)	<u>89.59%</u>

[1] Company response to Public Staff Data Request No. 43, Item 2

[2] From Line 8

[3] Calculated by Public Staff based on Company response to Public Staff Data Request No. 43, Item 4

[4] Calculated by Public Staff based on Company response to Public Staff Data Request No. 43, Item 4 and Company response to Public Staff Data Request No. 75.

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
ADJUSTMENT TO GTI Programs
For The Test Year Ended December 31, 2018

Line No.	Item	Public Staff Amount (a)	Company Amount [1] (b)	Public Staff Adjustment [2] (c)
1	<u>GTI Programs:</u>			
2	OTD Amount	\$375,000	\$375,000	\$0
3	UTD Amount	-	350,000	(350,000)
4	Total GTI Expense	<u>\$375,000</u>	<u>\$725,000</u>	<u>(\$350,000)</u>

[1] Amounts per Company MFR, Item 4, p. 73.

[2] Column (a) minus Column (b).

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
INTEREST SYNCHRONIZATION ADJUSTMENT
For The Test Year Ended December 31, 2018

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1	Interest expense assigned to rate base per Company	<u>\$71,584,987</u> [1]
2	Interest expense assigned to rate base per Public Staff	<u>73,957,450</u> [2]
3	Difference in interest expense tax deduction (L2 - L1)	<u>2,372,463</u>
4	Adjustment to state income taxes (L3 x 4%)	<u>(59,312)</u>
5	Adjustment to federal income taxes (L3 + L4 x 35%)	<u>(485,762)</u>
6	Total adjustment to income taxes	<u>(\$545,074)</u>

[1] Powers Exhibit_(PKP-6), Page 2.

[2] Jayasheela Exhibit I, Schedule 4, Column (e), Line 1 + Line 2.

Jayasheelu Exhibit I
Schedule 4

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
RETURN ON EQUITY AND ORIGINAL COST RATE BASE
For The Test Year Ended December 31, 2018

Line No.	Item	Capitalization Ratios (a)	Original Cost Rate Base (b)	Before Recommended Increase			Rate Base (f)	After Recommended Increase		
				Embedded Cost/Return % (c)	Weighted Cost/Return % (d)	Net Operating Income (e)		Embedded Cost/Return % (g)	Weighted Cost/Return % (h)	Net Operating Income (i)
1	Long term debt	49.94%	\$1,659,553,873 [2]	4.41% [1]	2.20% [5]	\$73,186,326 [7]	\$1,664,138,289	4.41%	2.20% [10]	\$73,388,499 [12]
2	Short term debt	0.85%	28,246,311 [2]	2.73% [1]	0.02% [5]	771,124 [7]	28,324,340	2.73%	0.02% [10]	773,254 [12]
3	Common equity	49.21%	1,635,295,276 [2]	6.19% [4]	3.05% [5]	101,301,912 [8]	1,639,812,679	9.15%	4.50% [10]	150,042,860 [12]
4	Totals	100.00%	\$3,323,095,461 [3]		5.27% [6]	\$175,259,362 [9]	\$3,332,275,307		6.72% [11]	\$224,204,613 [13]

[1] Per Public Staff Witness Hinton.

[2] Column (a) x Column (b), Line 4.

[3] Jayasheelu Exhibit I, Schedule 2.

[4] Column (e) / Column (b).

[5] Column (a) x Column (c).

[6] Column (e), Line 4 / Column (b), Line 4.

[7] Column (b) x Column (c).

[8] Column (e), Line 4 - Line 1 - Line 2.

[9] Jayasheelu Exhibit I, Schedule 3.

[10] Column (a) x Column (f).

[11] Column (h), Line 4 / Column (b), Line 4.

[12] Column (b) x Column (f).

[13] Sum of Line 1 thru L3.

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 743
**CALCULATION OF INCREASE (DECREASE) IN
REVENUE REQUIREMENT**
For The Test Year Ended December 31, 2018

Line No.	Item	Debt		Equity (c)	Total (d)
		Long Term (a)	Short Term (b)		
1	Required net operating income	\$73,388,499 [1]	\$773,254 [1]	\$150,042,860 [1]	\$224,204,613
2	Net operating income before proposed increase	73,186,326 [2]	771,124 [2]	101,301,912 [2]	175,259,362
3	Additional net operating income requirement (L1 - L2)	202,173	2,130	48,740,948	48,945,251
4	Retention factor	0.993835 [3]	0.993835 [3]	0.765501 [4]	
5	Additional gross revenue requirement (L3 / L4)	<u>\$203,427</u>	<u>\$2,143</u>	<u>\$63,671,936</u>	<u>\$63,877,506</u>

[1] Jayasheela Exhibit I, Schedule 4, Column (h).

[2] Jayasheela Exhibit I, Schedule 4, Column (e).

[3] Jayasheela Exhibit I, Schedule 5 (a), Column (d), Line 10.

[4] Jayasheela Exhibit I, Schedule 5 (a), Column (d), Line 13.