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September 27, 2023

VIA Electronic Filing

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
Dobbs Building
430 North Salisbury Street
Raleigh, North Carolina 27603

Re: *Joint Proposed Order on Annual Review of Gas Costs*
Docket No. G-5, Sub 661

Dear Ms. Dunston:

Enclosed for filing in the above-referenced proceeding on behalf of Public Service Company of North Carolina, Inc., d/b/a Dominion Energy North Carolina and the Public Staff—North Carolina Utilities Commission is their *Joint Proposed Order on Annual Review of Gas Costs*.

Thank you for your assistance with this matter. Feel free to contact me with any questions about this filing.

Sincerely,

/s/Kristin M. Athens

Enclosure

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-5, SUB 661

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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

HEARD: Tuesday, August 8, 2023, at 9:00 a.m., in Commission Hearing Room, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

BEFORE: Commissioner Karen M. Kemerait, Presiding; Commissioners ToNola D. Brown-Bland and Kimberly W. Duffley

APPEARANCES:

For Public Service Company of North Carolina, Inc.:

Mary Lynne Grigg, McGuireWoods, LLP, 501 Fayetteville Street, Suite 500 Raleigh, North Carolina 27601

Kristin Athens, McGuireWoods, LLP, 501 Fayetteville Street, Suite 500 Raleigh, North Carolina 27601

For the Using and Consuming Public:

Elizabeth D. Culpepper, Staff Attorney, Public Staff - North Carolina Utilities Commission, 4326 Mail Service Center, Raleigh, North Carolina 27699-4300

BY THE COMMISSION: On June 1, 2023, pursuant to N.C. G.S. § 62-133.4(c) and Commission Rule R1-17(k)(6), Public Service Company of North Carolina, Inc. ("PSNC" or "Company"), filed the direct testimony and exhibits of Glory J. Creel, Dominion Energy Services, Inc., ("DES") Rates & Regulatory Affairs Specialist and Rose M. Jackson, DES, Director – Fuel Commodities, in connection with the annual review of PSNC's gas costs for the 12-month period ending March 31, 2023.

On June 6, 2023, the Commission issued its Order Scheduling Hearing, Requiring Filing of Testimony, Establishing Discovery Guidelines, and Requiring Public Notice. This order established a hearing date of Tuesday, August 8, 2023, set prefiled testimony dates, and required the Company to give notice to its customers of the hearing on this matter.

On June 16, 2023, the Company filed Supplemental Direct Testimony of Rose M. Jackson.

On July 7, 2023, the Company filed Jackson Revised Direct Exhibit 2.

On July 24, 2023, the Public Staff filed its Motion for Extension of Time to file direct testimony and exhibits.

On July 24, 2023, the Company filed its Second Supplemental Direct Testimony and Exhibits of Rose M. Jackson.

On July 25, 2023, the Commission granted the Public Staff's Motion for Extension of Time.

Also on July 25, 2023, the Public Staff filed direct testimony of Kuei Fen Sun, Public Utility Regulatory Analyst, Accounting Division of the Public Staff, and Blaise C. Michna, Public Utilities Engineer, Energy Division of the Public Staff.

On July 31, 2023, the Company filed its affidavit of publication.

On August 2, 2023, the Company and the Public Staff filed a Joint Motion to Excuse Witnesses. The Joint Movants requested that all witnesses be excused from appearing at the evidentiary hearing.

On August 7, 2023, the Commission issued its Order Granting Motion to Excuse Witnesses in Part and Requiring Late-Filed Exhibit Answering Commission Questions. The Commission excused PSNC witness Creel and the Public Staff witnesses from appearing at the evidentiary hearing.

No other party filed testimony.

On August 8, 2023, the matter came before the Commission as scheduled and all prefiled testimony and exhibits were admitted into evidence. No public witnesses appeared at the hearing.

On August 23, 2023, the Company filed its Creel Late-filed Exhibit 1.

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

FINDINGS OF FACT

1. PSNC is a corporation duly organized and existing under the laws of the State of South Carolina, having its principal office and place of business in Gastonia, North Carolina. PSNC operates a natural gas pipeline system for the transportation, distribution, and sale of natural gas to more than 640,000 customers in the State of North Carolina.

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

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

4. The review period for this proceeding is the twelve months ended March 31, 2023.

5. During the period of review, PSNC incurred total gas costs of $367,586,524, which was composed of demand and storage charges of $118,632,402, commodity gas costs of $296,597,503, and a credit for other gas costs of ($47,643,381).

6. In compliance with the Commission's order in Docket No. G-100, Sub 67, the Company credited 75% of the net compensation from secondary market transactions, which amounted to $38,432,050, to its All Customers Deferred Account.

7. As of March 31, 2023, the Company had a credit balance of ($1,372,576) due to customers in the over-collection Tax-Rider Deferred Account. When netted with the $28,863,641 debit (under-collection) balance in the All Customers Deferred Account, the total is $27,491,065 owed by customers to the Company.

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

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

10. As of March 31, 2023, the Company had a credit balance of ($3,485,031) in its Hedging Deferred Account.

11. It is appropriate to transfer the ($3,485,031) credit balance from the Hedging Deferred Account to the Sales Customers Only Deferred Account. Subsequent to the transfer, the Sales Customers Only Deferred Account will have a net credit balance of ($22,484,114).

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

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

14. The Company's approach to gas and capacity planning, procurement, and arrangements is reasonable and prudent. The Company has an identified capacity need within the next five years.

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

16. The Company should not implement any new temporary rate changes in this docket at this time as proposed by PSNC witness Creel and agreed to by Public Staff witness Michna.

17. For the current review period, it is appropriate for PSNC to use 6.57% as the applicable interest rate in its deferred accounts and to continue to review the interest rate and file for approval of any necessary adjustments.

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

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

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

The evidence supporting these findings of fact is contained in the testimony of PSNC witnesses Jackson and Creel and the testimony of Public Staff witness Sun. These findings are based on N.C.G.S. § 62-133.4(c) and Commission Rule R1-17(k)(6).

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

PSNC witness Jackson testified that Commission Rule R1-17(k)(6)(c) requires PSNC to file, on or before June 1 of each year, certain information for the 12-month review period ended March 31. Witness Creel testified that the Company had filed the information required by Rule R1-17(k)(6) for the 12-month review period ended March 31, 2023. Witness Creel also stated that the Company had provided to the Commission and the Public Staff on a monthly basis the gas cost and deferred gas cost account information required by Commission Rule R1-17(k)(5)(c).

Public Staff witness Sun stated the Public Staff had presented the results of its review of the gas cost information filed by PSNC in accordance with N.C.G.S. § 62-133.4(c) and Commission Rule R1-17(k)(6).

Based on the foregoing, the Commission concludes that PSNC has complied with the procedural requirements of N.C.G.S. § 62-133.4(c) and Commission Rule R1-17(k) for the 12-month review period ended March 31, 2023.

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

The evidence supporting these findings of fact is found in the testimony and exhibits of PSNC witness Creel and the testimony of Public Staff witness Sun.

PSNC witness Creel's exhibits show that the Company incurred total gas costs of $367,586,524 during the review period, which was composed of demand and storage charges of $118,632,402, commodity gas costs of $296,597,503, and a credit for other gas costs of ($47,643,381).

Public Staff witness Sun stated that the Company recorded $51,242,730 of margin on secondary market transactions, including capacity release transactions and asset management arrangements, during the review period. Of this amount, $38,432,050 was credited to the All Customers Deferred Account for the benefit of ratepayers.

PSNC witness Creel's prefiled testimony and exhibits reflected a Sales Customers Only Deferred Account credit balance of $18,999,083, owed to the customers, and a debit balance of $28,863,641, owed by the customers to the Company, in its All Customers Deferred Account as of March 31, 2023. Public Staff witness Sun agreed with these balances and testified that PSNC properly accounted for its gas costs during the review period. Additionally, Public Staff witness Sun recommended including the $1,372,576 remaining balance related to the refund of federal taxes from the Tax Rider in PSNC's last general rate case in Docket No. G-5, Sub 632 as a credit to the Company's All Customers Deferred Account balance. The net debit balance in the All Customers Deferred Account after the transfer is $27,491,065.

Based upon the foregoing, the Commission concludes that the Company properly accounted for its gas costs incurred during the review period. The Commission also concludes that the appropriate level of total gas costs incurred by PSNC for this proceeding is $367,586,524. The Commission further concludes that the appropriate balances as of March 31, 2023, are a credit balance of $18,999,083, owed to customers, in its Sales Customers Only Deferred Account and a debit balance of $27,491,065, including the credit related to the Tax Rider, owed to the Company by the customers, in its All Customers Deferred Account.

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

The evidence for these findings of fact is contained in the testimony of PSNC witnesses Jackson and Creel and the testimony of Public Staff witness Sun.

PSNC witness Creel testified that the Company's Hedging Deferred Account balance for the 12-month review period ended March 31, 2023, was a credit balance, due to sales customers, of ($3,485,031).

Public Staff witness Sun testified that this balance was comprised of: Economic (Gain)/Loss – Closed Positions of ($4,296,933); Premiums Paid of $1,399,230; Brokerage Fees and Commissions of $14,611; and Interest on the Hedging Deferred Account of ($601,939).

Public Staff witness Sun further stated that the hedging charges resulted in an annual credit of $2.75 for the average residential customer, which equates to approximately $0.23 per month. Public Staff witness Sun also testified that PSNC's weighted average hedged cost of gas for the review period was $7.32 per dekatherm (dt).

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

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

PSNC witness Jackson explained that PSNC's hedging program continues to utilize two proprietary models developed by Kase and Company that assist in determining the appropriate timing and volume of hedging transactions. She stated that the total amount available to hedge is divided equally between the two models. PSNC witness Jackson further testified that no changes were made to PSNC's hedging program during this review period. Witness Jackson stated that PSNC will continue to analyze and evaluate its hedging program and implement changes as warranted.

Public Staff witness Sun stated that the Public Staff's review of the Company's hedging activities involves an ongoing analysis and evaluation of the Company's monthly hedging deferred account reports; detailed source documentation; workpapers supporting the derivation of the maximum targeted hedge volumes for each month; periodic reports on the status of hedge coverage for each month; and periodic reports on the market values of the various financial instruments used by the Company to hedge. In addition, she stated that the Public Staff reviews the Company's monthly Hedging Program Status Report; monthly report reconciling the Hedging Program Status Report and the Hedging Deferred Account Report; and minutes from the meetings of the Company's risk management personnel and its committees that pertain to hedging activities. Further, she stated that the review includes reports and correspondence from the Company's external and internal auditors that pertain to hedging activities; hedging plan documents that set forth the Company's gas price risk management policy, hedge strategy and gas price risk management operations; communications with Company personnel regarding key hedging events and plan modifications under consideration by the Company's risk management personnel; and testimony and exhibits of the Company's witnesses in the annual review proceeding. Witness Sun testified that based on the Public Staff's analysis of what was reasonably known or should have been known at the time the Company made its hedging decisions affecting the review period, as opposed to the outcome of those decisions, the Company's hedging decisions were prudent.

Public Staff witness Sun recommended that the ($3,485,031) credit balance in the Hedging Deferred Account as of the end of the review period be transferred to the Sales Customers Only Deferred Account. Based on this recommendation, Public Staff witness Sun stated that the appropriate balance in the Sales Customers Only Deferred Account as of March 31, 2023, after the hedging balance transfer, is a credit balance of ($22,484,114) owed by the Company to customers.

Based on PSNC's and the Public Staff's evidence, the Commission finds that PSNC's hedging program met the objective of contributing to the mitigation of gas price volatility and avoiding rate shock to customers. The Commission concludes that PSNC's hedging activities during the review period were reasonable and prudent and that the ($3,485,031) credit balance in the Hedging Deferred Account as of the end of the review period should be transferred to the Company's Sales Customers Only Deferred Account. The Commission finds that the appropriate combined balance for the Hedging and Sales Customers Only Deferred Accounts is a credit balance of ($22,484,114).

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 12-15

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

PSNC witness Jackson testified that the most appropriate description of PSNC's gas supply acquisition policy is a "best cost" supply strategy, which is based on three primary criteria: supply security, operational flexibility, and cost of gas. PSNC witness Jackson stated that security of supply is the first and foremost criterion, which refers to the assurance that the supply of gas will be available when needed. Witness Jackson testified that supply security is obtained through a diverse portfolio of suppliers, receipt points, purchase quantity commitments, and terms. She also testified that potential suppliers are evaluated on a variety of factors, including past performance, creditworthiness, available terms, gas deliverability options, and supply location.

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

Witness Jackson testified that the third criterion is the cost of gas. In evaluating costs, she stated it is important to consider not only the actual commodity cost, but also any transportation related charges such as reservation, usage, and fuel charges. Witness Jackson noted that typically, the greater the flexibility the Company has with a supply contract, the higher the premium assessed. She testified that the Company routinely requests gas supply bids from suppliers to help ensure cost-effective proposals. In requests for proposal, suppliers are asked to submit alternative pricing options they believe may be of interest or value to the Company and its customers. Company witness Jackson also stated that in furtherance of its natural gas sustainability initiative, the Company also asks that bids include responsibly sourced gas (geologic natural gas that has been certified to meet certain environmental criteria) and renewable natural gas (methane produced from biomass or other renewable sources). She then explained Dominion Energy's "Net Zero" goal for carbon, which includes a plan to reduce emissions associated with upstream natural gas purchases through a variety of methods.

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

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

2. Monitoring and intervening in Federal Energy Regulatory Commission matters where decisions and outcomes could impact PSNC's rates and services to its customers;

3. Working with its industrial customers to transport customer-acquired gas;

4. Communicating directly with customers, suppliers, and other industry participants, and actively monitoring developments in the industry;

5. Engaging frequently in internal discussions concerning gas supply policy and major purchasing decisions;

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

7. Conducting a hedging program to help mitigate price volatility. PSNC witness Jackson also testified that the projected design day demand of PSNC's firm customers is calculated using a statistical modeling program.

She further explained that the model assumes a 50 heating degree-day on a 60 degree Fahrenheit base and uses historical weather to estimate peak-day demand.

Witness Jackson testified that Jackson Direct Exhibit 1 shows PSNC's forecasted firm peak-day demand requirements for the review period and the assets available to meet those requirements. She stated that these assets include year-round, seasonal, and peaking capabilities and consist of firm transportation and storage capacity on interstate pipelines as well as the peaking capability of PSNC's on-system liquefied natural gas ("LNG") facility.

Witness Jackson further testified that PSNC's design day demand forecast projects firm customer load growth and is used to determine total asset needs. She stated that this forecast is updated annually, and capacity alternatives are evaluated on an ongoing basis, and if needed, PSNC secures incremental storage or transportation capacity to meet the growth requirements of its firm sales customers consistent with its best cost strategy. She testified that this analysis incorporates any transportation charges, storage costs, and supplier reservation fees required to deliver gas to the city gate, as well as the reliability and timing of new services. She further testified that to acquire long-term expansion capacity in balance with customer needs is impossible due to many external factors beyond the Company's control, and that a significant concern continues to be the long lead-time and uncertainty involved in acquiring capacity from new interstate pipeline projects to meet growing customer demand.

PSNC witness Jackson testified that the majority of PSNC's interstate pipeline capacity is obtained from Transcontinental Gas Pipe Line Company, LLC ("Transco"), the only interstate pipeline with which PSNC has a direct connection. The Company also has used segmentation of its Transco capacity to receive natural gas from other interstate transportation and storage providers. She also testified to the effects of Winter Storm Elliot on the Company, as well as to the benefits of the Cary Energy Center LNG facility.

Witness Jackson further testified to winter peaking services the Company acquired to meet expected peak-day requirements during the review period. She explained that to meet an expected capacity shortfall during the 2022-23 winter season, PSNC contracted for a total of 61,000 dts/day of firm peaking services from two different suppliers for a specified number of days during the winter.

Witness Jackson also testified to PSNC's design-day demand forecast, which projects firm customer load growth and is used to determine total asset needs. This forecast is updated annually, and capacity alternatives are evaluated on an on-going basis. If needed, PSNC acquires incremental storage or transportation capacity to meet the growth requirements of its firm sales customers consistent with its best-cost strategy. She testified that to acquire long-term expansion capacity in balance with customer needs is impossible due to many external factors beyond the Company's control, and that a significant concern continues to be the long lead-time and uncertainty involved in acquiring capacity from new interstate pipeline projects to meet growing customer demand.

Regarding PSNC's projected capacity shortfall, witness Jackson testified that in the short-term, PSNC has contracted for 40,000 dt/day of peaking supply for the upcoming winter season and is in the process of acquiring additional peaking services to meet its peak-day demand. Witness Jackson added that short-term peaking contracts have become increasingly difficult to acquire and are not a long-term solution. In the long-term, PSNC has entered into precedent agreements with Mountain Valley Pipeline ("MVP") for firm transportation on two projects that, if completed, will provide PSNC a second direct interstate pipeline interconnection. She also stated that PSNC is also proceeding with plans to construct a second on-system LNG peaking facility. She then described the MVP project, the arrangements the Company had made to date with MVP, and the status of the project. She testified that the MVP mainline is nearly 94% complete and work continues to obtain the permits necessary to complete the project. She went on to state that MVP's latest target in service date for the mainline project is the second half of 2023, and described proposed federal legislation that would impact the MVP project.

Next, witness Jackson testified that in reviewing its design-day demand over a ten-year period, the Company forecasted a need for assets in 2030 even if MVP is placed into service. As a result, the Company developed a plan for a new LNG facility to meet that incremental need. She stated that the in-service date for the new LNG facility is estimated to be late 2026 or early 2027, in order to provide withdrawals in the winter of 2027-2028 and described the benefits of the project and lack of alternatives. She concluded this section of her testimony explaining that the Company had provided the information required by the Commission's order in Docket No. G-100, Sub 91 in her Jackson Direct Exhibit 2.

In her supplemental direct testimony, witness Jackson provided an overview and information about the "Fiscal Responsibility Act of 2023" that was passed following submittal of her initial direct testimony which law seeks to expedite the completion of the MVP project. However, she explained that even with the passage of the legislation, construction of the lateral connecting PSNC's system with the mainline MVP is estimated to take at least two years after the mainline project is placed into service, that the legislation does not purport to apply to the lateral project, and that considerable uncertainty remains as to when the Company might be able to access natural gas supplies through MVP. She testified that uncertainty surrounding the construction of new interstate pipeline projects is an ongoing concern. For these reasons, she testified that the Company currently is proceeding with plans to construct a second on-system LNG storage facility.

In her second supplemental testimony, witness Jackson explained that since the filing of her supplemental testimony, the Company had discussed with the Public Staff the economic analysis required by the Commission's order in Docket No. G-5, Sub 642. In her supplemental direct exhibits one and two, witness Jackson provided the economic analysis performed by the Company to support PSNC's decision to construct a two billion cubic feet ("Bcf") LNG facility. The economic analysis in Confidential Jackson Second Supplement Direct Exhibit 2 compared the cost of a 1.5 Bcf LNG facility versus a 2 Bcf facility. As shown in Jackson Second Supplemental Direct Exhibit 1, the 2 Bcf facility would only require incremental cost increases associated with the tank, the vaporization equipment and the Administrative & General and contingency expenses. witness Jackson's testimony showed that the comparison results in the 2 Bcf facility costing approximately 2.5% more than the 1.5 Bcf facility. With a cost differential of only 2.5%, witness Jackson testified that the 2 Bcf facility is the most prudent and cost-effective option.

Public Staff witness Michna testified that to discern how well the Company's projected firm demand aligns with the projected capacity over the next five years, he reviewed the Company's testimony and other information submitted by the Company in response to Public Staff data requests and met with the Company on several occasions to review the assumptions and calculations utilized in Jackson Direct Exhibit 1. He did not take issue with the Company's design-day demand forecast.

Public Staff witness Michna testified that the Company had acquired another 35,000 dts/day of short term peaking supply for the upcoming winter season as stated by Company witness Jackson in her Second Supplemental Direct Testimony and Exhibits and confirmed that the Company's precedent agreements with MVP for firm transportation on two projects, if completed would provide the Company with a second direct interstate pipeline interconnection.

Public Staff witness Michna further testified that in order to evaluate the Company's decision to build a 2 BCF LNG facility, the Public Staff sent discovery requests to the Company regarding issues such as alternatives to the LNG facility analyzed by the Company to address peak day, seasonal, and/or year-round supply and capacity system requirements; operational advantages and disadvantages of an LNG facility as compared with other alternatives analyzed by the Company; and the cost comparison for LNG facilities of different capacity sizes. Regarding the Company's economic analysis, Public Staff witness Michna stated that the Public Staff has reviewed this analysis and agrees that it indicates support for the Company's current position. He further testified that the Public Staff recognizes that the Company's proposal to construct a 2 BCF LNG facility will help meet its forecasted demand projections, but that the Public Staff believes the need for continued review of this matter is necessary as an LNG facility is a significant plant addition and will ultimately be passed through to customers in the form of rate base. Public Staff witness Michna testified that the Company has committed to keeping the Commission and the Public Staff informed of the status as the project progresses, as testified to by PSNC witness Jackson. Witness Michna testified that, due to the timing of the filing of Jackson Second Supplemental Testimony and Exhibits, the Public Staff has not had the opportunity to conduct discovery on the analysis but intends to do so in the Company's next annual review of gas costs proceeding in order to gain a better and fuller understanding of the data supporting the analysis and the customer billing impacts from the construction of this capital-intensive facility. Witness Michna testified that the Public Staff reserved the right to address this matter at a future date, including any costs to be recovered in a future general rate case.

The Commission concludes that the Company's gas costs incurred during the review period ended March 31, 2023, were reasonable and prudently incurred and that the Company should be permitted to recover 100% of its prudently incurred gas costs. The Commission also recognizes the Company's commitment to keep the Commission and Public Staff updated on the status of the proposed new LNG facility, and concludes it is reasonable for the Company to continue with its LNG project and provide status updates to the Commission and Public Staff.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 16

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

PSNC witness Creel testified that the Company currently has temporary rate increments applicable to the All Customers Deferred Account, which took effect December 1, 2021. She further testified that the Company was not proposing new temporary rate increments or decrements at this time. Public Staff witness Michna testified that the Public Staff agreed with PSNC and recommended no change.

Public Staff witness Michna testified that the All Customers Deferred Account reflects a credit balance of ($22,484,114), owed by the Company to customers. He went on to state that deferred account balances naturally vary between winter and summer months, since fixed gas costs are typically over-collected during the winter period when throughput is higher due to heating load and under-collected during the summer when throughput is lower.

Public Staff witness Michna testified that during the review period, PSNC made temporary increments to its All Customers Deferred Account and, pursuant to N.C.G.S. § 62-133.4, used the Purchased Gas Adjustment mechanism to address the deferred account balances that needed to be collected or refunded. He stated that using that mechanism allows for a quicker implementation of temporaries that can address balances that are more current.

Finally, witness Michna testified that due to the current market prices, volatility in the markets, and the Company's current deferred account balances, the Public Staff recommends, that PSNC continue to monitor the balances in both the All Customers and Sales Customers Only Deferred Accounts, and, if needed, file an application for authority to change the benchmark commodity cost of gas or implement new temporary increments or decrements through the Purchased Gas Adjustment mechanism in order to keep the deferred account balances at reasonable levels.

Based on the evidence, the Commission finds and concludes that it is appropriate not to require PSNC to implement new temporary rate increments or decrements in the instant docket at this time. However, the Commission expects PSNC to continue to monitor market conditions and the All Customers Deferred Account balance and if necessary, file for approval to implement an adjustment to its benchmark commodity cost of gas price and an adjustment to its All Customers Deferred Account.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 17

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

PSNC witness Creel testified that in the Company's last general rate case, Docket No. G-5, Sub 632, the Commission approved the Company's use of a net of tax interest rate of 6.57% for all deferred accounts, adjusted as appropriate for income taxes. She further testified that the Company reviewed the 6.57% annual interest rate approved in Docket No. G-5, Sub 632, and determined that no adjustment is necessary at this time.

Public Staff witness Sun testified that the Public Staff had reviewed the Company's interest rate calculations and found that PSNC continues to use the 6.57% interest rate and has made the appropriate adjustments in its deferred accounts consistent with the Commission's Order in Docket No. G-5, Sub 632. She further testified that the Public Staff would continue to review the interest rate each month to determine if an adjustment is needed.

Based on the evidence, the Commission finds and concludes that the Company has used the appropriate interest rate of 6.57% on all amounts over-collected or under-collected from customers reflected in its Deferred Gas Cost Account and should continue to review the interest rate and file for approval of any necessary adjustments. This interest rate is also appropriate for use in the Company's other deferred accounts.

IT IS, THEREFORE, ORDERED as follows:

1. That PSNC's accounting for gas costs for the twelve-month period ended March 31, 2023, is approved;

2. That the gas costs incurred by PSNC during the 12-month period ended March 31, 2023, including the Company's hedging costs, were reasonably and prudently incurred, and PSNC is hereby authorized to recover 100% of these gas costs as provided herein;

3. That, as proposed by PSNC and agreed to by the Public Staff, PSNC shall not implement any temporary rate changes in this docket;

4. That PSNC shall continue to use 6.57% as the applicable interest rate on all amounts over-collected or under-collected from customers reflected in its Deferred Gas Cost Accounts;

5. That it is appropriate to continue to review the interest rate and file for approval of any necessary adjustments; and

6. That PSNC shall continue to keep the Commission and Public Staff updated as to the status of the proposed new on-system LNG facility discussed herein as the project progresses, including its continued economic viability.

ISSUED BY ORDER OF THE COMMISSION.

This the ___ day of September, 2023.

NORTH CAROLINA UTILITIES COMMISSION

____

Shonta Dunston, Chief Clerk

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing *Joint Proposed Order on Annual Review of Gas Costs*, as filed in Docket No. G-5, Sub 661, were served electronically or via U.S. mail, first-class, postage prepaid, upon all parties of record.

This, the 27th day of September, 2023.

/s/Kristin M. Athens
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Raleigh, North Carolina 27601
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Attorney for Public Service Company of North Carolina, Inc., d/b/a Dominion Energy North Carolina