



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

August 11, 2021

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

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

Dear Ms. Dunston:

Attached for filing in the above-referenced docket is the testimony of Lynn L. Feasel, Staff Accountant, Accounting Division.

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

Sincerely,

Electronically submitted
s/ Elizabeth D. Culpepper
Staff Attorney
elizabeth.culpepper@psncuc.nc.gov

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

Attachment

Executive Director
(919) 733-2435

Accounting
(919) 733-4279

Consumer Services
(919) 733-9277

Economic Research
(919) 733-2267

Energy
(919) 733-2267

Legal
(919) 733-6110

Transportation
(919) 733-7766

Water/Telephone
(919) 733-5610

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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

DOCKET NO. G-9, SUB 722)

)
In the Matter of)
Consolidated Natural Gas Construction)
and Redelivery Services Agreement)
Between Piedmont Natural Gas)
Company, Inc., and Duke Energy)
Carolinas, LLC)

)
DOCKET NO. G-9, SUB 781)

)
In the Matter of)
Application of Piedmont Natural Gas)
Company, Inc., for an Adjustment of)
Rates, Charges, and Tariffs Applicable)
to Service in North Carolina)

TESTIMONY OF
LYNN FEASEL
PUBLIC STAFF – NORTH
CAROLINA UTILITIES
COMMISSION

)
DOCKET NO. G-9, SUB 786)

)
In the Matter of)
Application of Piedmont Natural Gas)
Company, Inc., for Modification to)
Existing Energy Efficiency Program)
and Approval of New Energy Efficiency)
Programs)

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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

TESTIMONY OF LYNN FEASEL

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

AUGUST 11, 2021

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

3 A. My name is Lynn Feasel. 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 PURPOSE OF YOUR TESTIMONY?**

10 A. The purpose of my testimony is to present the results of my
11 investigation into the application of Piedmont Natural Gas Company,
12 Inc. (Piedmont or the Company), for a general rate increase in this
13 proceeding.

1 **Q. BRIEFLY EXPLAIN THE SCOPE OF YOUR INVESTIGATION**
2 **REGARDING THIS RATE INCREASE APPLICATION.**

3 A. My investigation included a review of the application, testimony,
4 exhibits, and other data filed by the Company, an examination of the
5 books and records for the test year, a review of the Company's
6 accounting end-of-period and after-period adjustments to test year
7 expenses and rate base, a review of responses provided by the
8 Company to numerous Public Staff data requests, and participation
9 in conference calls with the Company.

10 **Q. PLEASE DESCRIBE THE ADJUSTMENTS YOU RECOMMEND.**

11 A. I have recommended the following adjustments which impact rate
12 base and operating expenses to Public Staff witness Perry to
13 incorporate into her exhibits:

- 14 (1) Other Working Capital Updates;
15 (2) Deferred Transmission Pipeline Integrity Costs;
16 (3) Deferred Distribution Pipeline Integrity Costs;
17 (4) Deferred Environmental Costs; and
18 (5) Lead Lag Study.

19 **OTHER WORKING CAPITAL UPDATES**

20 **Q. PLEASE EXPLAIN YOUR ADJUSTMENTS FOR OTHER**
21 **WORKING CAPITAL UPDATES.**

1 A. With the exception of undercollection of NCUC Regulatory Fees, I
2 have updated the other working capital items, using a 13-month
3 average as of May 31, 2021, the Public Staff's cutoff date for post-
4 test year plant additions in this filing.

5 **DEFERRED TRANSMISSION PIPELINE INTEGRITY COSTS**

6 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO DEFERRED**
7 **TRANSMISSION PIPELINE INTEGRITY COSTS.**

8 A. The Company's adjustment for deferred Pipeline Integrity
9 Management Transmission (PIM-T) costs is composed of the
10 unamortized balance from the last rate case in Docket No. G-9, Sub
11 743 (Sub 743 rate case) in addition to the amounts paid to outside
12 vendors in connection with the PIM-T program between July 1, 2019,
13 and December 31, 2020. The Public Staff has reviewed these
14 charges, as well as the updated deferred PIM-T charges through
15 May 31, 2021. The Public Staff has reflected the existing
16 amortization from the Sub 743 rate case through November 30,
17 2021, the estimated effective date of rates in the current rate case,
18 whereas the Company included the amortization expense through
19 October 31, 2021. The Public Staff recommends that the balance of
20 the deferred PIM-T costs, net of prior amortizations, be amortized
21 over a four-year period consistent with the Company's proposed
22 amortization period.

1 The Public Staff further recommends that the deferred balance less
2 one full year of amortization be allowed to earn a return through its
3 inclusion in rate base. The Public Staff also recommends that it is
4 appropriate to continue regulatory asset treatment for PIM-T costs
5 and to defer and treat such costs as a regulatory asset until the
6 resolution of the Company's next general rate proceeding. In making
7 this recommendation, the Public Staff does not intend to indicate that
8 it believes these deferred costs to constitute used and useful
9 property; instead, the Public Staff has included the costs in rate base
10 as a convenient and efficient way of providing for a return on the
11 deferred costs. The Public Staff considers the provision for a return
12 to be reasonable in this case, but believes that the Commission's
13 provision of such is discretionary, not obligatory, in nature.

14 **DEFERRED DISTRIBUTION PIPELINE INTEGRITY COSTS**

15 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO DEFERRED**
16 **DISTRIBUTION PIPELINE INTEGRITY COSTS.**

17 A. The Company's adjustment for Pipeline Integrity Management
18 Distribution (PIM-D) costs is composed of the amounts paid to
19 outside vendors in connection with the new PIM-D programs
20 approved in the Sub 743 rate case between November 1, 2019, and
21 December 31, 2020. The Public Staff has reviewed these charges,
22 as well as the deferred PIM-D costs from January 1, 2021, through

1 of May 31, 2021, to determine the deferred balance to be amortized.
2 Since the Company's regulatory asset accounting treatment for
3 certain deferred PIM-D O&M expenses was just approved in the Sub
4 743 rate case, there is no amortization expense to reflect from the
5 Sub 743 rate case. The Public Staff recommends that the balance of
6 the deferred PIM-D costs be amortized over a four-year period
7 consistent with the Company's proposal.

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

1

DEFERRED ENVIRONMENTAL COSTS

2 **Q. PLEASE EXPLAIN THE PUBLIC STAFF'S ADJUSTMENT TO**
3 **DEFERRED ENVIRONMENTAL COSTS.**

4 A. On December 23, 1992, in Docket No. G-9, Sub 333, the
5 Commission issued an order granting Piedmont's request to defer
6 certain environmental assessment and clean-up costs relating to
7 various state and federal environmental control requirements for air
8 emissions, wastewater discharges, and solid, toxic, and hazardous
9 waste management. In its current rate filing, the Company included
10 the unamortized credit balance from the Sub 743 rate case in
11 addition to the amounts paid to outside vendors in connection with
12 the deferred environmental costs between July 1, 2019 and
13 December 31, 2020. The Public Staff updated deferred
14 environmental expenses from January 1, 2021, through May 31,
15 2021, and removed some internal labor costs that should not have
16 been deferred. In addition, the Public Staff has reflected the existing
17 amortization from the Sub 743 rate case through November 30,
18 2021, the estimated effective date of rates in the current rate case,
19 whereas the Company included amortization expense through
20 October 31, 2021. The Public Staff agrees with the Company's
21 proposed four-year amortization period.

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

14

LEAD LAG STUDY

15 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO THE LEAD LAG**
16 **STUDY.**

17 A. There are lag days between when the Company bills customers for
18 payment and when payments are actually collected by the Company.
19 The Company needs funding during this time period to maintain
20 routine daily operations. The purpose of a lead lag study is to
21 calculate the amount of this funding the Company requires.
22 Piedmont's G-1, Item 26 b Attachments 1 and 2 show the supporting

1 details for the Company's calculation of the test period and the pro
2 forma lead/lag cash working capital for this proceeding. First, the
3 Company divided each revenue and expense item in the Net
4 Operating Income Schedule by 365 days to calculate the average
5 daily cash working capital. Second, the Company multiplied each
6 revenue item by its applicable lag days to calculate the total cash
7 working capital to be collected. Third, the Company multiplied each
8 expense item by its applicable lag days to calculate the total cash
9 working capital to be reduced. Finally, the Company used the total
10 cash working capital to be collected minus the total to be removed to
11 calculate the net cash working capital required. The lead lag days
12 applied in the current proceeding were approved in the Sub 743 rate
13 case. The Public Staff agrees with the methodology the Company
14 used to calculate net cash working capital in the lead lag study and
15 with the calculation of lead lag days from the Company's last rate
16 case proceeding. The Public Staff applied the same methodology to
17 calculate net cash working capital in the lead lag study, except that
18 the revenue and expense items the Public Staff used include its
19 adjustments. The Company inadvertently applied an overall 84.58
20 per book lag days to the pro forma other operating revenues. The
21 Public Staff has corrected it to 72.54 lag days. The Company agrees
22 with the correction.

1 **COMPANY'S UPDATE FILING**

2 **Q. WHAT ARE YOUR COMMENTS REGARDING THE COMPANY'S**
3 **UPDATE FILING MADE ON JULY 28, 2021 (JUNE UPDATE)?**

4 A. The Public Staff is aware of the June Update; however, given the
5 timing of the update filing and the due date of the Public Staff's
6 testimony, the Public Staff could not reasonably perform its
7 investigation on the Company's updated information in the short
8 amount of time before it was due to file testimony. The Public Staff
9 reserves the right to file supplemental testimony related to the
10 Company's June Update once its investigation of the updated
11 information is completed.

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

13 A. Yes, it does.

QUALIFICATIONS AND EXPERIENCE

LYNN FEASEL

I am a graduate of Baldwin Wallace University with a Master of Business Administration degree in Accounting. I am a Certified Public Accountant licensed in the State of North Carolina. Prior to joining the Public Staff, I was employed by Franklin International in Columbus, Ohio, from June 2011 through June 2013. Additionally, I worked for ABB Inc. from September 2013 through October 2016.

I joined the Public Staff as a Staff Accountant in November 2016. Since joining the Public Staff, I have worked on rate cases involving water and sewer utilities and natural gas utilities, filed testimony and affidavits in various general rate cases, calculated quarterly earnings for Carolina Water Service, Inc. of North Carolina and Aqua North Carolina, Inc., calculated quarterly earnings for various natural gas utilities, calculated refunds to consumers from AH4R and Progress Residential, and reviewed franchise and contiguous filings for multiple water and sewer utilities.