

McGuireWoods LLP
434 Fayetteville Street
Suite 2600
PO Box 27507 (27611)
Raleigh, NC 27601
Phone: 919.755.6600
Fax: 919.755.6699
www.mcguirewoods.com

Mary Lynne Grigg
Direct: 919.755.6573

McGUIREWOODS

mgrigg@mcguirewoods.com

OFFICIAL COPY

JUL 29 2019

July 29, 2019

VIA ELECTRONIC FILING

Ms. Janice Fulmore, Deputy Clerk
Ms. Antonia Dunston, Deputy Clerk
North Carolina Utilities Commission
Dobbs Building
430 North Salisbury Street
Raleigh, North Carolina 27603

Re: *Petition for Annual Review of Gas Costs*
Docket No. G-5, Sub 608

Dear Ms. Fulmore and Ms. Dunston:

Enclosed for filing on behalf of Public Service Company of North Carolina, Inc. in the above-referenced proceeding is its *Supplemental Testimony of Candace A. Paton.*

Please do not hesitate to contact me should you have any questions. Thank you for your assistance with this matter.

Very truly yours,

/s/Mary Lynne Grigg

MLG:kjg

Enclosure

BEFORE THE
NORTH CAROLINA UTILITIES COMMISSION

PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INCORPORATED

DOCKET NO. G-5, SUB 608

SUPPLEMENTAL TESTIMONY

OF

CANDACE A. PATON

July 29, 2019

1 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, BY WHOM YOU
2 ARE EMPLOYED AND IN WHAT CAPACITY.

3 A. My name is Candace A. Paton. I am employed by Dominion Energy Southeast
4 Services, Inc., formerly SCANA Services, Inc., as Rates & Regulatory Manager
5 for Public Service Company of North Carolina, Incorporated, d/b/a Dominion
6 Energy North Carolina (“the Company”). My business address is 800 Gaston
7 Road, Gastonia, North Carolina 28056.

8 Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

9 A. Yes, I pre-filed direct testimony in this proceeding on May 31, 2019.

10 Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?

11 A. The purpose of my supplemental testimony is to clarify the interest rate
12 applicable to the Company’s Sales Customers Only, All Customers and
13 Hedging Deferred Gas Cost Accounts as well as the Customer Usage Tracker
14 and Integrity Management Tracker deferred accounts.

15 Q. PLEASE ELABORATE.

16 A. In the Company’s last general rate case, Docket No. G-5, Sub 565, the
17 Commission found, in Finding of Fact No. 34 of its Order dated October 28,
18 2016, that the Company should “use an interest rate of 6.6% per annum as the
19 applicable interest rate on all amounts over-collected or under-collected from
20 customers reflected in PSNC’s Sales Customers Only, All Customers, and
21 Hedging Deferred Gas Cost Accounts.” As discussed in the Evidence and
22 Conclusions for Finding of Fact Nos. 33 – 35, previously the Company had

1 applied the 10% interest rate authorized in G.S. 62-130(e) to its Rider D
2 deferred gas cost accounts.

3 As further discussed in the Order, the interest rate applicable to the
4 Customer Usage Tracker (Rider C) and the Integrity Management Tracker
5 (Rider E) was also 6.6%. Riders C and E each explicitly stated that the 6.6%
6 interest rate would be reviewed annually. The Company indicated in testimony
7 that the Rider D interest rate would also be reviewed annually.

8 Q. HAS THE COMPANY REVIEWED THE DEFERRED ACCOUNT
9 INTEREST RATE ANNUALLY, AND IF SO, WHAT WERE THE
10 RESULTS OF SUCH REVIEWS?

11 A. Yes, the 6.6% annual interest rate determined in Docket No. G-5, Sub 565 has
12 been reviewed annually and adjusted as necessary. Paton Supplemental Exhibit
13 1 attached hereto sets forth the calculation of the 6.6% annual interest rate on
14 Schedule 1. This rate was applicable to deferred account interest starting in
15 November 2016 when rates established in Docket No. G-5, Sub 565 went in to
16 effect. Schedule 2 sets forth the calculation of the 2017 deferred account
17 interest rate when the state income tax rate decreased from 4% to 3%. As can
18 be seen, the change in the state income tax rate did not affect the interest rate.
19 Schedule 3 sets forth the calculation of the 2018 deferred account interest rate
20 when the federal income tax rate decreased from 35% to 21%. This change did
21 result in a change to the deferred account interest rate. Finally, Schedule 4 sets
22 forth the calculation of the 2019 deferred account interest rate when the state

1 income tax rate decreased from 3% to 2.5%. This change again resulted in a
2 change in the deferred account interest rate.

3 The company will continue to review the interest rate calculation at least
4 annually and make any necessary adjustments.

5 Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?

6 A. Yes.

Public Service Company of North Carolina, Incorporated
Docket No. G-5, Sub 608
Paton Supplemental Exhibit 1
November and December 2016 Deferred Account Interest Rate
Schedule 1

Item	Capital Structure	Cost	Overall Return	Pre-tax Return	Net of Tax Return
Long Term Debt	44.62%	5.52%	2.463%	2.463%	
Short Term Debt	3.38%	0.77%	0.026%	0.026%	
Common Equity	<u>52.00%</u>	9.70%	<u>5.044%</u>	<u>8.083%</u>	
Total	<u><u>100.00%</u></u>		<u><u>7.533%</u></u>	<u><u>10.572%</u></u>	
State Income Tax Rate	4.00%				
Federal Income Tax Rate	<u>35.00%</u>				
Composite Tax Rate	<u><u>37.60%</u></u>				
Net of Tax Factor	<u><u>62.40%</u></u>				<u><u>6.60%</u></u> [1]
Monthly Interest Rate					<u><u>0.550%</u></u>

[1] Finding of Fact No. 34, Docket No. G-5, Sub 565, Final Order dated 10/28/16

Public Service Company of North Carolina, Incorporated
Docket No. G-5, Sub 608
Paton Supplemental Exhibit 1
2017 Deferred Account Interest Rate
Schedule 2

Item	Capital Structure	Cost	Overall Return	Pre-tax Return	Net of Tax Return
Long Term Debt	44.62%	5.52%	2.463%	2.463%	
Short Term Debt	3.38%	0.77%	0.026%	0.026%	
Common Equity	52.00%	9.70%	5.044%	8.000%	
Total	<u>100.00%</u>		<u>7.533%</u>	<u>10.489%</u>	
State Income Tax Rate	3.00%				
Federal Income Tax Rate	<u>35.00%</u>				
Composite	<u>36.95%</u>				
Net of Tax Factor	<u>63.05%</u>				<u>6.60%</u>
Monthly Interest Rate					<u>0.550%</u>

Public Service Company of North Carolina, Incorporated
Docket No. G-5, Sub 608
Paton Supplemental Exhibit 1
2018 Deferred Account Interest Rate
Schedule 3

Item	Capital Structure	Cost	Overall Return	Pre-tax Return	Net of Tax Return
Long Term Debt	44.62%	5.52%	2.460%	2.460%	
Short Term Debt	3.38%	0.77%	0.030%	0.030%	
Common Equity	<u>52.00%</u>	9.70%	<u>5.040%</u>	<u>6.577%</u>	
Total	<u><u>100.00%</u></u>		<u><u>7.530%</u></u>	<u><u>9.067%</u></u>	
State Income Tax Rate	3.00%				
Federal Income Tax Rate	<u>21.00%</u>				
Composite	<u><u>23.37%</u></u>				
Net of Tax Factor	<u><u>76.63%</u></u>				<u><u>6.90%</u></u>
Monthly Interest Rate					<u><u>0.575%</u></u>

Public Service Company of North Carolina, Incorporated
Docket No. G-5, Sub 608
Paton Supplemental Exhibit 1
2019 Deferred Account Interest Rate
Schedule 4

Item	Capital Structure	Cost	Overall Return	Pre-tax Return	Net of Tax Return
Long Term Debt	44.62%	5.52%	2.460%	2.460%	
Short Term Debt	3.38%	0.77%	0.030%	0.030%	
Common Equity	<u>52.00%</u>	9.70%	<u>5.040%</u>	<u>6.544%</u>	
Total	<u><u>100.00%</u></u>		<u><u>7.530%</u></u>	<u><u>9.034%</u></u>	
State Income Tax Rate	2.50%				
Federal Income Tax Rate	<u>21.00%</u>				
Composite	<u><u>22.98%</u></u>				
Net of Tax Factor	<u><u>77.02%</u></u>				<u><u>6.96%</u></u>
Monthly Interest Rate					<u><u>0.58%</u></u>

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing Supplemental Testimony of Candace A. Paton, as filed in Docket No. G-5, Sub 608, were served electronically or via U.S. mail, first-class, postage prepaid, upon all parties of record.

This, the 29th day of July, 2019.

/s/Mary Lynne Grigg

Mary Lynne Grigg

McGuireWoods LLP

434 Fayetteville Street, Suite 2600

PO Box 27507 (27611)

Raleigh, North Carolina 27601

Telephone: (919) 755-6573

mgrigg@mcguirewoods.com

*Attorney for Public Service Company of
North Carolina, Inc.*