



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

September 7, 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 supplemental and settlement testimony and exhibit of Julie G. Perry, Manager, Natural Gas & Transportation Section, 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
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s/ Megan Jost
Staff Attorney
megan.jost@psncuc.nc.gov

Attachment

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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) SUPPLEMENTAL AND
Application of Piedmont Natural Gas) SETTLEMENT
Company, Inc., for an Adjustment of) TESTIMONY OF
Rates, Charges, and Tariffs Applicable) JULIE G. PERRY
to Service in North Carolina) PUBLIC STAFF – NORTH
) CAROLINA UTILITIES
DOCKET NO. G-9, SUB 786) COMMISSION
)
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

**SUPPLEMENTAL AND SETTLEMENT TESTIMONY OF
JULIE G. PERRY**

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

SEPTEMBER 7, 2021

1 **Q. MS. PERRY, WHAT IS THE PURPOSE OF YOUR**
2 **SUPPLEMENTAL AND SETTLEMENT TESTIMONY IN THIS**
3 **PROCEEDING?**

4 A. The purpose of my supplemental and settlement testimony is to
5 support the Stipulation of Partial Settlement (Stipulation) between
6 Piedmont Natural Gas Company, Inc. (Piedmont or the Company)
7 and the Public Staff (collectively, the Stipulating Parties) dated
8 September 7, 2021, and provide testimony regarding Piedmont's
9 updates as of June 30, 2021, filed July 28, 2021.

10 **Q. PLEASE BRIEFLY DESCRIBE THE TERMS OF THE**
11 **STIPULATION.**

12 A. The Stipulation sets forth agreement between the Stipulating Parties
13 regarding the following revenue requirement and rate issues:

14 (1) Return on Equity, Capital Structure, and Debt Cost
15

- 1 (2) Update of revenues, cost of gas, rate base, and expenses to
2 June 30, 2021
- 3 (3) Employee Compensation Adjustments
- 4 (4) Miscellaneous Operations and Maintenance (O&M) Expenses
- 5 (5) Uncollectibles Adjustment
- 6 (6) Board of Directors Expenses
- 7 (7) Non-Utility Adjustment
- 8 (8) Lead Lag Adjustment
- 9 (9) Amortization of Certain Regulatory Assets and Rate Case
10 Expense
- 11 (10) Return the remaining unprotected federal excess deferred
12 income taxes (EDIT) due to the Tax Cuts and Jobs Act to
13 customers
- 14 (11) Return the remaining North Carolina state EDIT due to
15 reduction in state tax rates.
- 16 (12) Continuation of the Integrity Management Rider
- 17 (13) Energy Efficiency Programs and Rider
- 18 (14) Allow the record in this case to remain open for the purpose
19 of allowing the Company to file with the Commission the
20 actual amounts closed to plant for determining the final impact
21 of the Robeson LNG plant and the Pender Onslow Expansion
22 projects on the overall revenue increase authorized in this
23 docket.
- 24 (15) In addition to the settled issues having a revenue requirement
25 impact in the present case, the Stipulation also settles non-
26 revenue requirement issues involving transmission allocation,
27 regression analysis, and rate design studies, audit and
28 reporting obligations for Pipeline Integrity Management
29 Transmission (PIM-T) costs, Pipeline Integrity Management
30 Distribution (PIM-D) costs, and environmental deferrals.
- 31 The details of the agreement regarding these issues are set forth in
32 the Stipulation.

1 A reconciliation of the June updates and settlement adjustments to
2 Piedmont's filed rate increase is shown on Perry Settlement Exhibit
3 I.

4 **Q. WHAT BENEFITS DOES THE STIPULATION PROVIDE FOR**
5 **RATEPAYERS?**

6 A. From the perspective of the Public Staff, the most important benefits
7 to ratepayers provided by the Stipulation are as follows:

8 (a) A reduction in the Company's proposed revenue increase in
9 this proceeding.

10 (b) The avoidance of protracted litigation between the Stipulating
11 Parties before the Commission and possibly the appellate
12 courts.

13 Based on these ratepayer benefits, as well as the other provisions of
14 the Stipulation, the Public Staff believes the Stipulation is in the
15 public interest and should be approved.

16 **Q. ARE THERE ANY AREAS ABOUT WHICH THE STIPULATING**
17 **PARTIES DID NOT REACH AGREEMENT?**

18 A. Yes. The Stipulating Parties reached agreement on all issues in
19 Docket No. G-9, Subs 781 and 786; however, no issues raised by
20 the pleadings and testimony in Docket No. G-9, Sub 722 have been
21 resolved by the Stipulation and all such issues remain pending
22 before the Commission for resolution.

1 **Q. WHEN WILL THE PUBLIC STAFF PRESENT ITS CALCULATION**
2 **OF THE FINAL REVENUE REQUIREMENT, INCLUDING THE**
3 **IMPACTS OF THE ROBESON LNG PLANT AND THE PENDER**
4 **ONslow EXPANSION PROJECT IN THE STIPULATION?**

5 A. Once the Public Staff has completed the audit of Piedmont's actual
6 costs booked to plant based on the performance metrics agreed to
7 with the Public Staff for the Robeson LNG plant and the actual cost
8 data closed to plant for the Pender Onslow Expansion project, the
9 Public Staff will file schedules supporting the Public Staff's
10 recommended revenue requirement.

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

12 A. Yes.

Piedmont Natural Gas Company, Inc.
 Docket No. G-9, Sub 781
SUMMARY OF SETTLEMENT ADJUSTMENTS
 For The Test Year Ended December 31, 2020

Line No.	Item	Settlement
1	Application Increase in Revenue Requirement filed by the Company	\$109,025,725
2	Company Filed June Update	(12,153,620)
3	Increase in Margin Revenue Requested due to Company Update	\$96,872,105
	Public Staff Adjustments:	
4	Change in Equity ratio from 52% to 51.60%	(1,935,965)
5	Change in cost of long-term debt from 4.08% to 4.08%	0
6	Change in cost of short-term debt from 0.35% to 0.20%	(46,446)
7	Change in return on equity from 10.25% to 9.60%	(20,743,428)
8	Plant in Service Updates and Related Items at June 30, 2021	(27,888,796) [1]
9	ADIT - updated balance to June 30, 2021	0
10	Design Day Allocation Change - removed adjustment	0
11	Cash working capital - Lead Lag based on pro forma revenues and expenses	(1,046,450)
12	Other working capital - June 30, 2021 updates	0
13	EOP Revenues & Commodity COG - moved to line 47	0
14	Adjustment to other operating revenues	(1,905,124)
15	Adjustment to the Cost of Gas - moved to line 48	0
16	Robeson LNG Plant Adjustment - Lines 456 and 457, land, and operating expenses	(5,189,068) [1]
17	Special Contract (Original Lincoln CT) - remove plant previously recovered through lump sum payment	(11,287)
18	Payroll and Related Expenses	(15,965)
19	Other Benefits	(1,313,594)
20	Pension OPEB LTD Expense	(436,672)
21	Customer Payment Fees	0
22	Board Expenses	(362,829)
23	Executive Compensation	(270,949)
24	Incentive Plans	(367,973)
25	Rate Case Expenses - 4 year amortization, no unamortized balance from Sub 743	(175,794)
26	Sponsorships & Donations	(63,771)
27	Uncollectibles	(1,015,778)
28	Inflation Adjustment	(160,589)
29	Nonutility Adjustment - O&M and plant	(547,483)
30	Deferral: PIM Transmission Costs - update actual expenses @ June 30, 2021, 4 years -adjusted reg asset EOP bal	(272,957)
31	Deferral: Environmental Costs - update actual expenses @ June 30, 2021, 4 years -adjusted reg asset EOP bal	26,407
32	Deferral: PIM Distribution Costs - update actual expenses @ June 30, 2021, 4 years-adjusted reg asset EOP bal	389,477
33	Deferral Eastern NCNG, 4 year amortization	(138,435)
34	Deferred Undercollection of Regulatory Fee, 4 years	(54,416)
35	COVID Expense Adjustment	(438,384)
36	Regulatory Fee Expense	3,797
37	Advertising - remove promotional, image, competitive, & non-recurring	(384,905)
38	Aviation Expense	(192,202)
39	Interest on customer deposits	(490)
40	Lobbying Expenses	(76,564)
41	Amortization of Federal protected EDIT, net of tax	1,652,340
42	Change in retention factor - Uncollectibles and Regulatory Fee changes	(88,311)
43	Adjust cash working capital for recommended revenue increase	433,855
44	Rounding	305
45	Total Settlement Adjustments to Margin Revenue	(62,738,445)
46	Settlement Increase in Margin Revenue	\$34,133,660
47	Decrease in Commodity Cost of Gas - update CU & LAUF factor	(2,035,207)
48	Increase in Demand costs - update fixed gas costs	8,966,494
49	Settlement Increase in COG of Gas Revenues (Sum of Lines 47-48)	6,931,287
50	Total Settlement Revenue Requirement Increase	\$41,064,947
	EDIT Rider impacts on Revenue Requirement:	
51	Annual Federal Unprotected EDIT Rider, 3 year remaining flow back	(\$25,562,970)
52	Annual State EDIT Rider, 1 year remaining flow back	(22,201,275)
53	Annual EDIT Rider Impact (Sum of Lines 51-52)	(\$47,764,245)
54	Change in Revenue Requirement for Year 1, including EDIT Rider Impact [2]	(\$6,699,298)
55	Change in Revenue Requirement for Years 2 & 3, including EDIT Rider Impact [2]	\$15,501,977
56	Change in Revenue Requirement for Year 4, including EDIT Rider Impact [2]	\$41,064,947

[1] Excludes Robeson LNG Plant and the Pender Onslow Expansion Project

[2] Year 1 = Nov 1, 2021 thru Oct 31, 2022
 Year 2 = Nov 1, 2022 thru Oct 31, 2023
 Year 3 = Nov 1, 2023 thru Oct 31, 2024
 Year 4 = Nov 1, 2024 thru Oct 31, 2025