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Please note the following inclusions/attachments to the record:

- PowerPoint Slides (PDF)

Please also note: For identification of additional referenced materials and/or links for same, please see Certification correspondence filed by the Office of Regulatory Staff.

**P R O C E E D I N G S**

1  
2           **CHAIRMAN HALL:** Thank you. Be seated. Good  
3 morning, everyone. I think we've got a crowd.  
4 Welcome. And I'll turn it over to Mr. Melchers to  
5 read the docket.

6           **MR. MELCHERS:** Thank you, Madam Chairman.  
7 Commissioners, we're here pursuant to the Notice of  
8 Request for an Allowable Ex Parte Communication  
9 Briefing. The party requesting the briefing –  
10 parties, in this case – are Duke Energy Corporation  
11 and Piedmont Natural Gas Company, Inc. The noticed  
12 date and time of the briefing is today, January  
13 13th, here in the Commission hearing room, at  
14 10:30. And the subject matter to be discussed at  
15 this briefing is: Duke Energy's acquisition of  
16 Piedmont Natural Gas Company.

17           Thank you, Madam Chairman.

18           **CHAIRMAN HALL:** Thank you. And before I turn  
19 it over to Ms. Smith, who represents ORS?

20           **MR. NELSON:** Good morning, Madam Chair and  
21 Commissioners. I'm Jeff Nelson. I'm here today as  
22 the designee for the Executive Director of the  
23 Office of Regulatory Staff.

24           I'd like to briefly give some introductory  
25 comments. As the ORS representative, it's my duty

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to certify that the record of this proceeding goes to the Chief Clerk of the Public Service Commission within 72 hours of this briefing being conducted, in compliance with the provisions of South Carolina Code Annotated Section 58-3-260. The requirements of that statute require that the allowable ex parte be confined to the subject matter which has been noticed, which, as Mr. Melchers has just noted, the sole issue that has been noted in this case is Duke Energy's acquisition of Piedmont Natural Gas, Inc.

I would therefore ask that everyone here please refrain from discussing any matters not related to Duke's acquisition of Piedmont.

Secondly, the statute prohibits any participants, Commissioners, or Commission staff from requesting or giving any commitment, predetermination, or prediction regarding any action which the Commission may take as to any ultimate or penultimate issue which is or is likely to come before the Commission.

Thirdly, I would ask the participants, Commission, and staff refrain from referencing any reports, articles, statutes, or documents of any kind that are not included in today's presentation, to prevent the need for myself or the company's

1 attorneys from having to try and track down this  
2 information, as copies of those would have to be  
3 provided along with the record in this proceeding.

4 Finally, as none of the information contained  
5 in the presentation appears to have been marked or  
6 requested to be granted confidentiality, I would  
7 ask that the presenters refrain from referencing or  
8 discussing any materials over which they would  
9 likely seek to have confidentiality maintained. I  
10 would also ask that the Commissioners please  
11 understand that if the presenters decline to  
12 provide such information to the Commission, that's  
13 the reason why they're doing it, because we're  
14 trying to keep from having confidential materials  
15 included in this presentation today.

16 And as a final note to everyone here today,  
17 everyone should have been given or picked up a form  
18 at the outside when you came in today. I would ask  
19 everyone to please read, and you need to sign that  
20 form and turn it back in before you leave today.  
21 The form needs to be signed by each attendee to  
22 certify that the requirements contained in the  
23 statute have been complied with in the presentation  
24 today.

25 Thank you, Madam Chair.

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**CHAIRMAN HALL:** Thank you, Mr. Nelson.

Ms. Smith.

**MS. SMITH:** Good morning, Commissioners. My name is Heather Shirley Smith, representing Duke, and we are here today, along with Piedmont's team, to share the details of this transaction.

[Reference: Presentation Slide 1]

I believe you know our executives with us today: Lynn Good, Chairman, president, and CEO for Duke Energy Corporation; Tom Skains, Chairman, President, and CEO for Piedmont Natural Gas; and Frank Yoho, Senior Vice President and Chief Commercial Officer for Piedmont Natural Gas.

We have a presentation for you today, and as a housekeeping matter, I'd like to walk through just a couple of the slides that we have to share with you, before I turn it over to our presenters.

[Reference: Presentation Slides 2-4]

So Slides 2, 3, and 4 are our safe harbor statements, and this basically is indicating and requesting that the folks in this room, as well as the Commission, refrain from making investment decisions based on the information that you're hearing today.

[Reference: Presentation Slide 5]

1           Turning to page 5, Lynn Good will discuss the  
2           transaction overview and the timeline for  
3           approvals, the strategic rationale for Duke Energy,  
4           and the benefits of this transaction. Tom Skains  
5           will discuss the background and strategic rationale  
6           for Piedmont Natural Gas. And Frank Yoho will  
7           discuss gas operations pre- and post-transaction.

8           And with that, I'll turn it over to our  
9           presenters, and I'm going to make sure that they  
10          have the clicker [indicating].

11          **MS. LYNN GOOD [DE]:** Thank you, Chairman, Vice  
12          Chairman, and Commissioners. We're really  
13          delighted to be here today and to talk with you  
14          about this exciting transaction. And it's my honor  
15          to be joined by Tom Skains and Frank Yoho on the  
16          panel today. I've had the opportunity to get to  
17          know Tom in the Charlotte community, but also as a  
18          recognized leader in our industry, and am really  
19          delighted – as I'll talk about in just a moment –  
20          that Tom will be joining the board of Duke Energy  
21          following closing. And Frank is also a recognized  
22          leader in the industry. He's been a chief  
23          commercial officer and been in the natural gas  
24          industry for most of his career.

25          **CHAIRMAN HALL:** Ms. Good, I'm sorry. Could

1 you bring that microphone just a little bit closer?

2 MS. LYNN GOOD [DE]: Sure [indicating]. Is  
3 that better?

4 CHAIRMAN HALL: Yeah. Thank you.

5 MS. LYNN GOOD [DE]: Thank you. I'm also  
6 delighted that Frank will be joining the team at  
7 Duke and leading the gas platform, going forward.

8 So what I wanted to do by way of introduction  
9 is talk a little bit about the transaction, and  
10 I'll start with this introductory slide on some of  
11 the highlights.

12 [Reference: Presentation Slide 6]

13 As you'll learn in a moment, this is a  
14 transaction that came together quite quickly.  
15 Discussions began in September, and by late October  
16 we were prepared to announce the transaction. And  
17 I think about this transaction for Duke as an  
18 incredibly strategic one, and really positioning us  
19 to serve in the role and the responsibility that we  
20 have to serve customers with safe, reliable, and  
21 affordable power going forward.

22 As I look back over the last five years and  
23 really into the future, the increasing dependence  
24 on natural gas is clear. And whether you point to  
25 the important discovery of shale gas, whether you

1 point to environmental regulation that is placing  
2 pressure on other forms of generation – coal being  
3 the key example – or whether you look at the  
4 complementary relationship between gas generation  
5 and renewables which are intermittent, every  
6 direction you look, you see an increasing  
7 importance of natural gas in the provision of  
8 electricity and the overall service to customers.

9 Since 2011, we have added five natural gas  
10 plants. We have Lee Plant under construction. And  
11 we announced an investment with Piedmont just about  
12 a year ago, with the Atlantic Coast Pipeline, to  
13 bring infrastructure into the Carolinas that we  
14 believe will be important not only for the  
15 provision of electricity and electricity generation  
16 but for serving customer needs and industrial needs  
17 in the State as we go forward.

18 We also see this combination as a combination  
19 of two very strong companies with a commitment to  
20 the Carolinas, a commitment to our communities, and  
21 a common view about the importance of safety,  
22 operational excellence, and customer service. And  
23 I must say I have long admired the customer service  
24 record of Piedmont, and look forward to working  
25 together and learning many of the best practices

1 that they operate with every day.

2 The final point that I would make is the scale  
3 of the combined company is really unmatched. And  
4 scale is important when we talk about financial  
5 matters, when we talk about a very capital-  
6 intensive industry, when we talk about an industry  
7 that's going through a great deal of change.

8 I believe the scale and flexibility that we  
9 bring will result in lower costs to customers over  
10 the long term.

11 [Reference: Presentation Slide 7]

12 So what I'd like to move to at this point is  
13 just a brief summary of the transaction itself.  
14 So, we've given you some highlights on the key  
15 terms, the purchase price, the structure, board,  
16 senior management, and headquarters.

17 The purchase price is an all-cash transaction,  
18 at \$60 a share; the equity value, just shy of \$5  
19 billion. The structure of the transaction is that  
20 Piedmont will become a subsidiary of Duke Energy,  
21 and I'll share a chart with you in just a moment  
22 that outlines that. The board, I talked about just  
23 a moment ago.

24 So, we have designated, jointly with  
25 Piedmont's board, that Tom Skains would join the

1 board of Duke Energy at closing.

2 And then senior management: One of the things  
3 that we like very much and admire very much about  
4 Piedmont is they've been in the gas business for  
5 over 60 years, really recognized for operational  
6 excellence in customer service. And as we look at  
7 bringing this gas platform together under Duke  
8 Energy, we're looking at the operational leadership  
9 of Piedmont as an important part of leading that  
10 operation.

11 Frank Yoho, who is the senior vice president  
12 of Piedmont, will join my staff, reporting directly  
13 to me, and have responsibility for the Piedmont  
14 subsidiary; also, responsibility for the Atlantic  
15 Coast Pipeline investment, other pipeline  
16 investments that Duke has, as well as our local gas  
17 distribution company that operates in Ohio and  
18 Kentucky. This gives a scaled gas operation that  
19 we'll continue to build on in the future.

20 Headquarters for Piedmont will remain in North  
21 Carolina, called "Piedmont Natural Gas," and then  
22 I'll talk in a moment about the timing of the  
23 regulatory approval process.

24 [Reference: Presentation Slide 8]

25 Let me spend just a moment on organizational

1 matters. I have two charts for you on this. The  
2 first one is just the corporate structure. So,  
3 you'll notice all of the Duke operating companies –  
4 Duke Carolinas, Duke Ohio, Duke Indiana, Duke  
5 Progress – all of these operating as separate  
6 utilities – Duke Florida, and on the far right of  
7 the page you notice Piedmont Natural Gas. Piedmont  
8 will operate as a subsidiary under the holding  
9 company of Duke Energy.

10 [Reference: Presentation Slide 9]

11 From an organizational structure, this is the  
12 team that leads Duke Energy overall, and all of  
13 those utilities I spoke about just a minute ago.  
14 On the left-hand side of the page you'll see the  
15 operating leadership. Lloyd Yates, as you know,  
16 leads our Carolina electric business. Doug Esamann  
17 leads our Midwestern and Florida electric business.  
18 Dhiaa Jamil, all of Generation and Transmission.  
19 And you'll notice Frank Yoho will be on that direct  
20 reporting line, as well, leading the gas platform  
21 and operations for Duke.

22 On the right-hand side of the page are our  
23 corporate officers, chief financial officer,  
24 general counsel, et cetera.

25 [Reference: Presentation Slide 10]

1           On the next slide, we have just a picture of  
2           what the combined operations look like: the  
3           geography that is depicted there, as well as some  
4           of the key statistics on the scale of the company.  
5           You'll notice gas customers today, Duke serves  
6           about 500,000 customers; we'll triple that with the  
7           addition of the Piedmont customers. We'll be  
8           operating in seven states. There are also a number  
9           of joint-venture pipelines depicted on this slide.  
10          And as we look at the overall scale of the company,  
11          I spoke a moment ago about financial flexibility,  
12          but we really look at this also as a platform for  
13          future growth in gas infrastructure.

14                           [Reference: Presentation Slide 11]

15          Turning to the next slide, I thought I would  
16          take just a moment and address South Carolina law  
17          and applicability to this transaction.

18          A couple of points that I'd like to make in  
19          that regard. I've been informed by my counsel,  
20          because of the structure of this transaction, we do  
21          not believe that the South Carolina law is  
22          applicable to this transaction. And I'd like to  
23          explain that understanding by comparing and  
24          contrasting this transaction to other transactions  
25          that would be applicable under the statute.

1           As an example, if we were to merge Duke Energy  
2           Carolinas and Duke Energy Progress, those two  
3           utilities, two of the utilities I depicted on the  
4           previous page, we believe the statute would be  
5           applicable. Similarly, if we were to merge Duke  
6           Energy Carolinas with Piedmont Natural Gas, we  
7           believe that merger would be applicable to this  
8           statute. But the transaction we're talking about  
9           today with the merger of Duke and Piedmont does not  
10          include merging utility companies. That's not our  
11          intent. Further, you may think about the  
12          Duke/Progress merger and some of the operating  
13          integration that we achieved as a result of that  
14          merger. I'm thinking specifically about the fuel  
15          and Joint Dispatch Agreement. That degree of  
16          operational change we are also not contemplating in  
17          this transaction, and so we are not going to  
18          prepare a document or arrangement of joint  
19          operations in the same manner that we did in the  
20          Duke/Progress merger.

21           We do anticipate in the future that there will  
22           be an amendment in our regulatory conditions to  
23           include Piedmont and to address some of the  
24           conditions that would be appropriate, and we would  
25           intend to file those regulatory conditions for your

1 review and approval.

2 As I said a moment ago, we thought about this  
3 transaction clearly as a strategic transaction for  
4 Duke. It was not a transaction intended to drive a  
5 lot of synergies around the operations. A gas  
6 platform and an electric platform. We do believe,  
7 over time, there will be some integration of  
8 operations. We believe there will be integration  
9 primarily of back-office functions. And as the net  
10 benefits of that integration occur, we, of course,  
11 will recognize those net benefits in our regulatory  
12 proceedings and filings in front of this  
13 Commission.

14 [Reference: Presentation Slide 12]

15 Let me then transition to timeline, which is  
16 outlined on the next page. We've laid out a  
17 calendar, beginning in the fourth quarter of 2015  
18 with the announcement, and continuing through 2016.  
19 This slide depicts the regulatory filings and  
20 approvals in the middle of the page, and I thought  
21 I would comment just really briefly on those  
22 filings.

23 If you look at federal filings, this  
24 transaction does not require FERC approval, but we  
25 were required to file with the Department of

1 Justice and the Federal Trade Commission to obtain  
2 antitrust clearance under the Hart-Scott-Rodino  
3 Act. We were notified in December that the DOJ/FTC  
4 has granted early termination of the waiting  
5 period, which is specific legal language that  
6 indicates that they have not identified any  
7 anticompetitive effects from this merger, and so  
8 they have cleared the antitrust clearance for this  
9 transaction, which is very good news.

10 We also intend to file, in Tennessee, to seek  
11 approval of a change in control over Piedmont, in  
12 accordance with those statutes in Tennessee. And  
13 in Kentucky, we have also filed a declaratory  
14 request with the Kentucky Public Service  
15 Commission, seeking a finding that their statute  
16 does not apply to this transaction.

17 We will seek approval in North Carolina. The  
18 statutes in North Carolina are different, and we  
19 will be seeking approval of the transaction in  
20 North Carolina. And we will be filing a notice of  
21 this transaction with you and with the State of  
22 North Carolina, and intend to file an information  
23 copy of the North Carolina application when it is  
24 made, not only with the Commission but with the  
25 ORS. And we anticipate that filing within a few

1 days.

2 The final thing that I would highlight on this  
3 slide is shareholder approval. The proxy, Piedmont  
4 proxy, has been issued and a shareholder meeting is  
5 scheduled for January 22nd to seek approval on the  
6 part of the Piedmont shareholders for this merger  
7 transaction.

8 [Reference: Presentation Slide 13]

9 And then, finally, as I wrap up and before I  
10 turn it over to Tom, just to summarize the overall  
11 strategic benefits of this transaction, I've  
12 touched on a number of these in my opening remarks,  
13 but I would just emphasize this conversion of gas  
14 and electricity as something that we see as being  
15 increasingly important and it's our responsibility  
16 to provide safe, reliable, and cost-effective  
17 service to our customers. We believe this  
18 transaction is very strategic to that intent.

19 We also believe it positions the company well  
20 to ensure that the infrastructure that makes that  
21 possible keeps pace with customer demand.

22 We also highlight growth opportunities. I  
23 haven't talked a lot about that, but as we put this  
24 gas platform together, we do see increased growth  
25 opportunities for Duke, as a whole, around gas

1 infrastructure. And growth is important for so  
2 many reasons. It's important to attract investors;  
3 it's important for capital raising, which is so  
4 critical to a capital-intensive industry; and a  
5 financially strong company ultimately translates  
6 into lower costs to customers, and we think growth  
7 is an important part of that.

8 And then the final thing I would highlight is:  
9 Why Piedmont? You know, natural gas is something  
10 we could bring into the Duke family from a variety  
11 of transactions, but as I commented a moment ago we  
12 have an extraordinary amount of respect for the  
13 Piedmont organization. We've had an opportunity to  
14 partner with them on a number of things not only in  
15 the community but in the industry. We have a  
16 common view about how we contribute to this  
17 community: economic development, investments, et  
18 cetera. And we also have a common view on the  
19 importance of safety, operational excellence,  
20 customer service, environmental stewardship. And  
21 so we are really excited about the opportunity that  
22 we have to bring these two great organizations  
23 together.

24 So, I'd love to introduce Tom to give his  
25 perspective on the strategic rationale from

1 Piedmont's perspective.

2 MR. THOMAS SKAINS [PNG]: Thank you, Lynn. We  
3 are excited, as well.

4 [Reference: Presentation Slide 14]

5 Good morning, Commissioners, and thank you for  
6 the opportunity to appear before you today. I'd  
7 like to give a little background about the merger  
8 and then talk about the strategic rationale from  
9 Piedmont's perspective, as well as the benefits we  
10 see from this compelling combination.

11 By way of background, and I'm sure you recall,  
12 in late August the Southern Company and AGL  
13 Resources announced a merger transaction. This  
14 announcement, from our perspective, was a  
15 significant event for the natural gas and energy  
16 industry, and our analysis of it was the  
17 possibility that Piedmont, which was otherwise not  
18 on the market or for sale, could become an  
19 acquisition target of a large electric utility.

20 As it turned out, we were right. Within days  
21 of the Southern/AGLR announcement, I was contacted  
22 by the CEOs of two large energy companies about the  
23 possibility of pursuing a strategic combination.  
24 One of these CEOs was Ms. Good, who wished to  
25 expand the scope of a meeting that we had

1           previously scheduled for September 3rd, to address  
2           and discuss industry developments and strategic  
3           matters. I thought I knew where that discussion  
4           was going.

5           Those contacts by both of those CEOs began a  
6           process that ultimately resulted in the execution  
7           of a merger agreement with the approval of both of  
8           our boards. Two short months later on October 24,  
9           and the deal was announced publicly on Monday  
10          morning, October 26th.

11          Piedmont's Board of Directors considered a  
12          number of factors in making its decision to approve  
13          the merger and acquisition by Duke, but the primary  
14          factor, of course, was the compelling shareholder  
15          value inherent in the purchase price. Duke's offer  
16          is \$60 per share for Piedmont's stock. A complete  
17          list of all of the factors that our board  
18          considered, discussed, and identified is contained  
19          in the public proxy statement that Lynn identified  
20          that is on file with the Securities & Exchange  
21          Commission in connection with our special  
22          shareholders meeting which will occur next Friday,  
23          on January 22.

24          The deal from our perspective also includes a  
25          number of other advantages, in addition to

1 shareholder value. They're reflected on the slide  
2 before you.

3 An expanded platform for future natural gas  
4 growth, both within and beyond the current natural  
5 gas utility businesses and service areas of both  
6 companies in South Carolina, North Carolina,  
7 Tennessee, Ohio, and Kentucky.

8 We believe there will be enhanced reliability,  
9 of safety, system integrity, and customer service  
10 associated with a combination of this critical  
11 natural gas and power infrastructure under one  
12 corporate family.

13 We also see enhanced value through the  
14 combination of these two companies with our  
15 corporate cultures that are dedicated, as Lynn  
16 mentioned, to service, stewardship, and economic  
17 development in the markets that we serve.

18 And we see employment opportunities, including  
19 professional growth and development for our  
20 employees at one of the largest energy companies in  
21 the United States. We're excited about this  
22 combination.

23 [Reference: Presentation Slide 15]

24 If you look at other benefits, on the next  
25 page, I would just note, as Lynn mentioned, that

1 Duke Energy intends to operate Piedmont as a  
2 standalone natural gas subsidiary. She wisely has  
3 appointed Piedmont's Frank Yoho to lead the post-  
4 merger combined Duke/Piedmont Gas operations. I'm  
5 very proud of Frank, and he will address you in  
6 just a moment. I think that's an excellent choice  
7 for the new Piedmont Natural Gas, the subsidiary,  
8 as a part of Duke Energy.

9 And this will include Duke Energy's retail gas  
10 properties, as Lynn mentioned, in the Midwest, in  
11 addition to management of the wholesale natural gas  
12 infrastructure assets that we're both pursuing in  
13 connection with the Atlantic Coast Pipeline project  
14 that you were briefed on last year in an allowed ex  
15 parte presentation, as well as Duke's equity  
16 interest in Sabal Trail Pipeline, running into  
17 Florida.

18 The new Piedmont will be able to maintain and  
19 expand our high-performance customer service  
20 culture and providing natural gas services to our  
21 existing and new customers as we grow this natural  
22 gas platform as a part of the Duke Energy company.  
23 You'll hear more about that from Frank Yoho in a  
24 moment.

25 I also believe that teaming with Duke Energy,

1 the country's largest electric utility, will  
2 provide Piedmont a larger natural gas platform and  
3 financial balance sheet, with increased  
4 opportunities to expand and grow our business for  
5 the benefit of our customers in the upstate, as  
6 well as the other areas that we jointly serve. It  
7 will also allow Duke Energy to participate in what  
8 I believe is a significant and growing sector of  
9 the energy economy, and that is natural gas, in a  
10 more effective and meaningful way, and will result  
11 in efficiencies and enhanced electric gas system  
12 reliability through the combination of our natural  
13 gas and electric assets in the Carolinas under a  
14 single corporate structure.

15 And, finally, I believe the acquisition will  
16 further Piedmont's efforts to provide excellence in  
17 customer service through shared corporate best  
18 practices and technologies with Duke. So we are  
19 very excited about this combination, as Lynn has  
20 mentioned. We've gotten to know each other over  
21 the last two and a half years, both from a  
22 professional standpoint and our business  
23 relationship, but also in leadership activities.  
24 In Charlotte, she's an outstanding corporate  
25 leader; she's an outstanding community citizen and

1 leader. And I'm proud of this new relationship  
2 with Duke Energy and with Ms. Good.

3 With that, Lynn, I'll turn it back over to  
4 you.

5 **MS. LYNN GOOD [DE]:** Tom, thank you. And  
6 thanks for that fair discussion on benefits. I  
7 think we have a shared view of the importance of  
8 maintaining a reliable, affordable system, and also  
9 the importance of low-cost energy for economic  
10 development in the investments that we make in  
11 these communities to continue to ensure our  
12 communities thrive.

13 [Reference: Presentation Slide 16]

14 Let me just close on a couple of financial  
15 comments. Tom's touched on it; I've touched on it.  
16 Strong balance sheet, greater access to capital,  
17 low cost of capital, and then lower overall risk  
18 profile. And I think it's important to pause just  
19 for a moment on financial attributes. Because of  
20 the nature of the business that we're in that is so  
21 capital-intensive, the dependence on the capital  
22 markets is just part of the business. And this  
23 greater flexibility and access to capital is  
24 something that we believe we will see immediately  
25 and see as Duke Energy today, because of the scale

1 of the company. You have an opportunity during  
2 periods of volatility in the market. You have an  
3 opportunity to bridge periods of volatility, and  
4 finance in larger tranches. And that's flexibility  
5 that the combination with Piedmont will bring.

6 And I think about volatility. It happens all  
7 the time. Right now, we're in the midst of oil  
8 prices in China and other things. These are things  
9 that happen day in and day out in the financial  
10 markets, and being able to work through them in a  
11 way that provides flexibility for when you go to  
12 market is something that is a key benefit from  
13 scale, and we see that benefit for the gas business  
14 as we bring Piedmont into the Duke family.

15 And then the final point, this lower risk  
16 profile, I'll speak of Duke as I talk about this.  
17 Bringing Piedmont into the Duke family increases  
18 the mix of regulated cash flows and earnings for  
19 Duke. It reduces our overall risk profile. That's  
20 important for investors; not only dividend  
21 investors, equity investors, but debt investors, as  
22 well. And we believe that low-risk profile  
23 positions the company and its customers  
24 extraordinarily well as we enter what continues to  
25 be an ongoing period of change and transformation

1 in this industry, and so we're delighted to have an  
2 opportunity to increase the regulated business mix  
3 and add this important gas infrastructure, which we  
4 think will be critical to the industry as we go  
5 forward.

6 So, at this point, I'd love to turn it over to  
7 Frank and have him talk specifically operations  
8 post and as we go forward.

9 [Reference: Presentation Slide 17]

10 **MR. FRANK YOHO [PNG]:** Thank you, Lynn.

11 And thank you for your time today. First, let  
12 me say we, at Piedmont, and myself, we're very  
13 proud of what we've accomplished and how we've  
14 accomplished it. And I am really excited about  
15 being involved with the new Duke Energy and leading  
16 their gas organization. I see a lot of exciting  
17 days ahead for us and for customers, most  
18 importantly.

19 Duke will operate the gas organization as a  
20 separate subsidiary, a standalone organization.  
21 And there are going to be some things that are  
22 unchanged. From a customer's perspective, the  
23 focus on operational excellence, customer service  
24 excellence, and safety, that will not change. I  
25 believe, actually, when working together, we're

1 going to get better in all those areas.

2 Piedmont has been very focused and we believe  
3 successful, and like Duke, focus on customer  
4 service; we're very proud of our accomplishments  
5 around JD Power. We've moved to 8 out of 83  
6 natural gas companies in the JD Power surveys from  
7 last year. And also, Cogent has a Most Trusted  
8 Brands in the natural gas utility sector, and we  
9 were 2nd in that. We're very proud of that. And  
10 we think in working with Duke in best practices  
11 with the Duke Energy team, we can do even better.

12 We keep it very simple, in trying to be  
13 effective around customer service and doing the  
14 right thing by our customers, and we use one word:  
15 that's EASE. We want our customers when they deal  
16 with us to know that we're Experts. We want to  
17 show Appreciation; we never want to miss a chance  
18 to say thank you to a customer. As for safety,  
19 Safety is the top priority, period. Everything  
20 goes behind safety, and we're very proud of that  
21 and looking forward to that same focus with Duke  
22 Energy. And, lastly, we work very hard and we try  
23 to keep on improving and trying to make it Easy for  
24 our customers to do business with us. So, keeping  
25 it simple, and simple but it is very effective to

1 get our whole organization focused on that, and I  
2 think that's a big reason we've been successful in  
3 customer satisfaction rankings.

4 [Reference: Presentation Slide 18]

5 The proposed merger with Duke will have no  
6 detrimental rate impacts on our customers, going  
7 forward, and operationally they will see no  
8 detrimental impacts, and I hope we'll continue to  
9 see improvement there. We will, from a gas  
10 platform, continue to operate our Carolinas and  
11 Tennessee gas utilities as we have before under the  
12 Piedmont name, and with that group we will operate  
13 the Ohio and Kentucky Duke gas utilities along with  
14 them, under their current branded name. So  
15 customers are not going to see any changes and  
16 hopefully the changes that they do see will be  
17 improved service and continued operational  
18 excellence.

19 On the equity investment side, the new gas  
20 organization will manage the equity investments  
21 where Piedmont interest is, traditionally, such as  
22 Constitution, Cardinal, Pine Needle, Hardy, and  
23 Atlantic Coast Pipeline, of which both Duke Energy  
24 and ourselves have been investors. Together we  
25 will also pull in the Duke Energy gas equity

1 investments, such as their Sabal Trail project and  
2 the larger Atlantic Coast Pipeline project.

3 With that, in moving forward, we are very  
4 committed to making sure we keep this Commission  
5 and the ORS informed, as we proceed through the  
6 merger process.

7 At this point in time, I'd like to open it up  
8 and see if there are any questions from the  
9 Commissioners. Thank you, very much.

10 [Reference: Presentation Slide 19]

11 **CHAIRMAN HALL:** Thank you. And thank you for  
12 a thorough presentation on the benefits of this  
13 merger.

14 Commissioner Elam.

15 **COMMISSIONER ELAM:** Good morning. You talked  
16 about the customer benefits. I want to ask you if  
17 there is something more evident to the customer, as  
18 far as benefit, whether it's a combined bill,  
19 whether it's some energy conservation programs that  
20 perhaps you could offer with the combined entity  
21 that you wouldn't have before? Could you talk  
22 about that?

23 **MR. FRANK YOHO [PNG]:** We are just beginning  
24 our integration process, so as you talk about items  
25 like this, those will be reviewed to see where they

1 are appropriate that we can do those; we think  
2 "best practices." So we're early in that process.  
3 As a matter of fact, through the holidays we're  
4 just now moving very fast towards that, so we don't  
5 have any details, but, relative to expectations, I  
6 believe there are going to be many benefits to best  
7 practices and looking at items just as you had  
8 mentioned.

9 **COMMISSIONER ELAM:** Okay. And Mr. Skains, you  
10 mentioned I think an SEC filing that had more  
11 details, as well, as far as the benefits? Is that  
12 right?

13 **MR. THOMAS SKAINS [PNG]:** Yes, sir. There is  
14 a publicly filed proxy statement –

15 **COMMISSIONER ELAM:** Okay.

16 **MR. THOMAS SKAINS [PNG]:** – with the SEC,  
17 related to our special shareholder meeting that is  
18 scheduled for next Friday, January 2nd<sub>[sic]</sub>. It lays  
19 out the background of the merger, and the rationale  
20 and basis for our board's decision to consummate  
21 this merger agreement with Duke Energy.

22 **COMMISSIONER ELAM:** Okay. Just since you  
23 mentioned it, is that something you could provide  
24 to the Commission?

25 **MR. THOMAS SKAINS [PNG]:** Yes, sir, it is

1 publicly available. We can either provide you the  
2 site –

3 **COMMISSIONER ELAM:** Okay.

4 **MR. THOMAS SKAINS [PNG]:** – where you can view  
5 it online, or we can provide you hard copies, as  
6 you wish.

7 **COMMISSIONER ELAM:** Okay. Thank you.

8 **CHAIRMAN HALL:** Commissioner Hamilton.

9 **COMMISSIONER HAMILTON:** Thank you, Madam  
10 Chair.

11 Mr. Skains, it's good to have you back with us  
12 again. Our past experience, I still feel very good  
13 about the cooperation and support you gave me as  
14 chairman of the Gas Committee. Mr. Skains happened  
15 to be Chairman of AGA at the same time, so we had a  
16 close relationship. And we hope to continue to see  
17 some in the future. Ms. Good, it's always good to  
18 have you with us, and we appreciate the  
19 presentation today.

20 And, Mr. Yoho, you know my question. Has any  
21 thought been given about the Atlantic Coast  
22 Pipeline from Richmond County entering into the Pee  
23 Dee and the Grand Strand area? We talked about  
24 this at the first opportunity, and we still think  
25 it would be a great thing for Duke Progress,

1 especially, since they do serve this territory.

2 **MR. FRANK YOHO [PNG]:** Well, as we talked  
3 about before, the first step is to get the current  
4 project approved at the FERC. So that's a very big  
5 undertaking. Long term, the hope and expectation  
6 is that the market will continue the expansion of  
7 this, that it will pull down because we're that  
8 much closer with major infrastructure. We're not  
9 there yet, but we're a whole lot closer, as we  
10 discussed before. So, hopefully, once the first  
11 project is approved, there will be opportunities to  
12 attach market, where we can expand into other  
13 areas, and hopefully that will be one of the areas  
14 we can go to.

15 **COMMISSIONER HAMILTON:** I appreciate your  
16 open-mindedness, Mr. Yoho. And thank you very  
17 much; I appreciate it, all three of you.

18 **MR. THOMAS SKAINS [PNG]:** Thank you,  
19 Commissioner Hamilton, for your comments and your  
20 question. Could I add and supplement –

21 **COMMISSIONER HAMILTON:** Yes, sir.

22 **MR. THOMAS SKAINS [PNG]:** – Mr. Yoho's  
23 response? Related to Atlantic Coast Pipeline,  
24 although the project in its initial formation does,  
25 in fact, terminate essentially at the North

1 Carolina/South Carolina border, it was because of  
2 the market demand at the time that subscribes to  
3 that capacity that allowed it to go forward.

4 I would, though, add that the gas cost  
5 benefits from that project will be provided to  
6 Piedmont's customers in both North Carolina and  
7 South Carolina, by virtue of the fact that we pool  
8 our gas supplies and there is displacement  
9 capabilities as we utilize our wholesale assets  
10 into the Carolinas and our own retail assets to  
11 move the gas around. So, North Carolina consumers  
12 and our customers will receive the competitive  
13 benefits, in terms of a diverse and more secure gas  
14 supply entering our region, although the facilities  
15 in the initial application do not physically extend  
16 into the State. So I wanted to clarify that for  
17 you, sir.

18 **COMMISSIONER HAMILTON:** Yes, sir. Thank you,  
19 Mr. Skains.

20 **CHAIRMAN HALL:** Commissioner Whitfield.

21 **VICE CHAIRMAN WHITFIELD:** Thank you, Madam  
22 Chairman.

23 Thank you, Mr. Skains, Ms. Good, and Mr. Yoho  
24 for that presentation. We appreciate you bringing  
25 this information to us. And I've just got a couple

1 of quick questions here for you. As you mentioned,  
2 Ms. Good, I think, during the Duke/Progress merger,  
3 you referred to the Joint Dispatch Agreement. I  
4 know we had some benefits for procurement with  
5 those mergers, and I think you've stated that the  
6 companies will still – and you showed us the chart  
7 – how they will still operate independently, just  
8 as Duke Energy Progress and Duke Energy Carolinas  
9 currently still do. And my question is, will there  
10 be any – I know – I think Mr. Skains touched on  
11 some of the benefits, but will there be any  
12 benefits of procurement for natural gas, both for  
13 Piedmont as a standalone company and natural gas  
14 for DEC and DEP to use in generation?

15 **MS. LYNN GOOD [DE]:** Commissioner Whitfield, I  
16 appreciate that question, and I'll answer it in a  
17 couple of ways. I think some of the comments that  
18 Mr. Skains made around the benefits to South  
19 Carolina customers of the Atlantic Coast Pipeline,  
20 the South Carolina electric customers benefit in  
21 the same way because we run the Duke system and the  
22 Duke gas generation in a coordinated way today, and  
23 so those benefits would continue.

24 In terms of the supply between Piedmont and  
25 Duke, and whether or not, you know, we see savings

1 in procuring supply across the entire footprint, we  
2 are early in the integration process. We will look  
3 at that as we go forward, but at this point, don't  
4 have any quantifiable amount that we can really  
5 point to.

6 And, Frank, I don't know if you have anything  
7 you'd like to add to that, but that will be a part  
8 of the scope of integration.

9 **MR. FRANK YOHO [PNG]:** And it goes beyond the  
10 gas supply and opportunities as we can aggregate  
11 need between the gas customers and the power  
12 generation customers. The larger the need, the  
13 better your ability to bring in more  
14 infrastructure. So the opportunities might not  
15 just be at the burner tip or at the power  
16 generation plant; it could be of leveraging  
17 upstream supplies and pipeline capacity, such as  
18 the Atlantic Coast Pipeline. So we think there  
19 will be opportunity, but, once again, we're early  
20 in the integration and planning process.

21 **VICE CHAIRMAN WHITFIELD:** We hope those  
22 opportunities are realized, and South Carolina gas  
23 customers and electric customers benefit ultimately  
24 from it. One more question. I noticed, it looks  
25 like, according to your map, the only state that

1 Duke previously did not have a presence was  
2 Tennessee, that Piedmont of course already does  
3 serve for gas. I also noticed up in northern  
4 Kentucky and maybe southern Ohio, you had some Duke  
5 gas operations, and you touched on that, Mr. Yoho,  
6 and I was wondering – I think – with you still  
7 operating as a separate company, are you going to  
8 use resources that serve the Carolinas region to  
9 help with that operation up there? Or how would  
10 that work, since that's a previous Duke gas  
11 operation?

12 MS. LYNN GOOD [DE]: I'll take a stab at it,  
13 Commissioner, and then Frank can add to it. And  
14 let me respond by analogy. If you look at the way  
15 Duke is organized today, Dhiaa Jamil, who is our  
16 chief nuclear officer and chief generation officer,  
17 has responsibility for our generation fleet  
18 throughout all the states. And he actually manages  
19 those resources in Indiana, in Ohio, in Kentucky,  
20 in the Carolinas, in Florida. So we have subject  
21 matter expertise around generation that we bring to  
22 bear in every jurisdiction for the benefit of  
23 customers.

24 We would see the same with the LDC business  
25 based in the Midwest. It operates in Ohio and

1 Kentucky, but the expertise that Frank and his team  
2 bring on operations of gas business for the last 60  
3 years here in the Carolinas, we will ask Frank to  
4 lead that operation in the same way, so that we  
5 have consolidation of the technical expertise and  
6 operational expertise around that gas business.

7 **VICE CHAIRMAN WHITFIELD:** But those would  
8 still be listed as Duke Gas? Or would they be  
9 Piedmont?

10 **MS. LYNN GOOD [DE]:** That will continue to be  
11 a utility in the Midwest, in Ohio and Kentucky,  
12 just like, you know, the generating plants that Mr.  
13 Jamil manages continue to be a part of the  
14 utilities in Indiana, in Kentucky, and in Florida.  
15 So it's really bringing functional expertise,  
16 operating expertise, to bear across our  
17 jurisdiction, and we think this is a real benefit  
18 to our focus on operational excellence at Duke.

19 **VICE CHAIRMAN WHITFIELD:** Thank you. That's  
20 all I have, Madam Chairman.

21 **CHAIRMAN HALL:** Commissioner Fleming

22 **COMMISSIONER FLEMING:** Good morning.

23 **MS. LYNN GOOD [DE]:** Good morning.

24 **COMMISSIONER FLEMING:** It's really good to  
25 have you here with us today, and to hear about this

1 exciting venture. When I first heard it, I said,  
2 "Boy, that Lynn Good is a gutsy leader."

3 [Laughter]

4 You've talked about the customer benefits and  
5 where you are today, and it sounds like it's been a  
6 very smooth transition to date, but do you see any  
7 challenges or what could be challenges to the  
8 completion of this merger – or acquisition, I guess  
9 I should say?

10 **MS. LYNN GOOD [DE]:** Commissioner Fleming, at  
11 this point, we believe we're moving according to  
12 schedule. A lot of good work going on. The fact  
13 that we've cleared the federal hurdle is  
14 consequential. It occurred quickly. You may  
15 remember in the Duke/Progress merger, it took us  
16 three times to get through FERC, so we're always  
17 delighted when we get federal approval quickly.

18 The hard work of integration has begun, and we  
19 see that as moving forward over the next several  
20 months. So I believe we have a very good plan in  
21 place; we have a great team of people who are  
22 focused on this; and we're committed to closing it  
23 in 2016.

24 **COMMISSIONER FLEMING:** And what about – you've  
25 talked about customer benefits and the operations

1 remaining pretty much the same. What about the  
2 staff at Piedmont Natural Gas? Will that be  
3 streamlined or will that pretty much stay the same?

4 **MS. LYNN GOOD [DE]:** As I mentioned a moment  
5 ago to Frank, and Tom has spoken of, as well, the  
6 operational leadership in Piedmont is one of the  
7 key benefits, from my perspective, of this merger.  
8 So we see that operational leadership having a very  
9 important and ongoing role not only for Piedmont's  
10 business but also for the parts of Duke's business  
11 in gas infrastructure that Frank alluded to a  
12 moment ago.

13 We will, over time, integrate what I'd call  
14 back-office functions, so I think about things like  
15 finance, investor relations, treasury, and those  
16 types of areas, to try to find the right level of  
17 back-office support that will make the gas business  
18 successful to deliver safe operations and great  
19 customer service, but also leverage the scale of  
20 the company. So that is something that will occur  
21 over time.

22 **COMMISSIONER FLEMING:** And I assume the board  
23 at Piedmont Natural Gas will be dissolved; is that  
24 correct?

25 **MR. THOMAS SKAINS [PNG]:** Yes, ma'am, that's

1 correct. Piedmont Natural Gas will cease to exist  
2 as a publicly traded company, and our organization  
3 will become the subsidiary of Duke Energy. I've  
4 been asked and am excited about the opportunity to  
5 join the Duke Energy board after the close of the  
6 transaction. Personally, it's a continuing  
7 development opportunity for me to learn more about  
8 the electric utility business, but I will bring a  
9 gas perspective to the Duke Energy board, as well.

10 Lynn, you may want to mention the advisory  
11 board that was also contemplated by the merger  
12 agreement.

13 **MS. LYNN GOOD [DE]:** Well, one of the things  
14 that we intend to do as we get closer to closing is  
15 constitute an advisory board that will include at  
16 least six members of the Piedmont board to really  
17 serve as an advisor for us in our communities and  
18 in our states so that we can have a great  
19 connection to share with the advisory board what we  
20 are doing at Duke, what some of our strategic  
21 objectives are, what our challenges are, how we're  
22 trying to pursue investment in the communities, and  
23 get feedback from them on how we can be successful  
24 serving the communities that are so important to  
25 us. And so we will make that announcement as we

1 move through. This is a new concept for Duke. I'm  
2 actually very excited about it, and anxious to work  
3 with Tom to get that launched in a way that's  
4 really successful.

5 **COMMISSIONER FLEMING:** And I believe Duke once  
6 owned what is now Piedmont Natural Gas.

7 **MS. LYNN GOOD [DE]:** That's what I understand.  
8 I think it predates Mr. Skains and me.

9 [Laughter]

10 **MR. THOMAS SKAINS [PNG]:** It does predate Ms.  
11 Good and me. Piedmont was formed, actually, by  
12 some investors from the upstate of South Carolina,  
13 and Don Russell, Sr., was one. He was a former  
14 Governor, former US Senator, former president of  
15 the University of South Carolina. And other  
16 upstate businessmen came together and wanted to  
17 bring natural gas into the region, and in doing so,  
18 in the end, ultimately purchased Duke Energy's  
19 manufactured gas facilities that were in operation  
20 in those days, and converted the manufactured gas  
21 distribution system to natural gas as the Transco  
22 pipeline system was built through the Carolinas in  
23 the early 1950s. So this transaction, in essence,  
24 is bringing Piedmont Natural Gas back to its roots.

25 **COMMISSIONER FLEMING** Okay. And, lastly, I

1 would just like to congratulate you, Mr. Yoho, on  
2 your position, and look forward to continuing to  
3 work with you in that capacity.

4 **MR. FRANK YOHO [PNG]:** Thank you, very much.  
5 I always look forward to working with this  
6 Commission.

7 **COMMISSIONER FLEMING:** Thank you all very much  
8 for the information.

9 **CHAIRMAN HALL:** Commissioner Howard.

10 **COMMISSIONER HOWARD:** Thank you, Madam  
11 Chairman.

12 Couple of questions. Now and post-merger,  
13 what would be the percentage of gas going to  
14 electric generation versus residential and  
15 commercial usage?

16 **MR. FRANK YOHO [PNG]:** Today, the throughput –  
17 and this has happened fairly quickly – on  
18 Piedmont's system, on our operational system, over  
19 50 percent of the gas that we move goes to power  
20 generation. That has happened very quickly, and we  
21 would anticipate that that would continue to grow.  
22 While we see what's considered good growth, from a  
23 gas industry perspective, the growth in power  
24 generation is a very steep curve, and we would  
25 expect that to continue. But right now, it is more

1 than 50 percent of what our gas pipelines move go  
2 to power generation.

3 **COMMISSIONER HOWARD:** To follow up, of your  
4 commercial gas usage, what percentage is firm  
5 versus interruptible?

6 **MR. FRANK YOHO [PNG]:** The vast majority of  
7 the throughput on our system – talking residential  
8 and commercial customers, then industrial, the vast  
9 majority is firm. There may be, I believe, some  
10 industrial customers who choose, who make the  
11 choice – they can go firm or they can go  
12 interruptible – it is probably around just north of  
13 100,000 dekatherms a day, something on that order  
14 of magnitude, I believe. I'd have to check, but –

15 **COMMISSIONER HOWARD:** I wouldn't know the  
16 difference anyway.

17 [Laughter]

18 **MR. FRANK YOHO [PNG]:** Yeah, I'd have to  
19 double-check, but that is our – 2.5 Bcf is our  
20 throughput record, which was hit the last couple –  
21 last year and the prior year, and so it is just –  
22 of the 2500, it's only 100 of that that we had to  
23 interrupt. So the vast majority on a design day or  
24 a very cold day when our throughput is at the  
25 highest – and now that's happening on a very hot

1 day, that we have big throughput. But the vast  
2 majority is of a firm nature.

3 **COMMISSIONER HOWARD:** Well, talking about your  
4 generational gas, I'll say, or electric  
5 generational gas, that's got to be a lot more  
6 infrastructure placed in – does there have to be a  
7 lot more infrastructure placed, or do most of the  
8 plants to be converted already have infrastructure  
9 in place?

10 **MR. FRANK YOHO [PNG]:** For Piedmont Gas  
11 infrastructure, we build infrastructure to meet the  
12 needs, so if a new power generation plant comes on,  
13 we build new facilities, so it doesn't impact any  
14 other firm or interruptible customers. So  
15 incremental capacity on our pipeline is built for  
16 incremental firm demand.

17 **COMMISSIONER HOWARD:** Talking about the  
18 Atlantic Pipeline, combined companies, what  
19 percentage of the pipeline do you all own?

20 **MS. LYNN GOOD [DE]:** So, Duke owns 40 percent,  
21 Piedmont owns 10. But as we get closer to closing,  
22 there will be some reduction in that ownership  
23 percentage such that Dominion will own the  
24 majority. So it may be 1 percent more than Duke.  
25 You know, 47/46, or something like that. But it

1 will be about 45 percent when the transaction  
2 closes. It's a very significant investment for us.

3 **COMMISSIONER HOWARD:** This comes as a big  
4 surprise, but there have been some filings of  
5 petitions by environmental groups against the  
6 pipeline. How do you look at those? Do you look  
7 at those as a serious threat, or – well, the issues  
8 are sort of different, because one of the issues  
9 that I understand is the use of Marcellus Shale or  
10 shale gas coming down. And there was some concern  
11 that if EPA comes around and there's some fracking  
12 problems –

13 **MR. NELSON:** Madam Chair, I'd have to –  
14 Commissioner, I hate to interject, but I think  
15 we're getting a little off track here.

16 **CHAIRMAN HALL:** I was about to write a nasty  
17 note. I swear I was.

18 [Laughter]

19 **MR. NELSON:** And, again, the topic here is the  
20 merger between the two companies. If we start  
21 talking about lawsuits, environmentalists, and the  
22 Atlantic Coast Pipeline, I think we're getting off  
23 track.

24 **CHAIRMAN HALL:** I understand, and I think  
25 Commissioner Howard understands.

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**COMMISSIONER HOWARD:** But not.

[Laughter]

Yes, I do. Thank you, very much. I thought I'd try. Thank you.

**CHAIRMAN HALL:** Commissioners, any other questions?

**MR. MELCHERS:** Relevant questions.

**CHAIRMAN HALL:** My attorney says, any other relevant questions.

[Laughter]

I'm scared to ask anything else. I think you all three have presented thoroughly to us. We look forward to the transaction closing in 2016, and I think it will be beneficial to Piedmont and Duke customers.

So unless there's anything else – Mr. Nelson, anything else?

**MR. NELSON:** Nothing further, Madam Chair.

**CHAIRMAN HALL:** Okay. All right. Then we are adjourned. Thank you, so much.

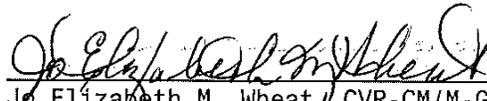
[WHEREUPON, at 11:27 a.m., the proceedings in the above-entitled matter were adjourned.]

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C E R T I F I C A T E

I, Jo Elizabeth M. Wheat, CVR-CM-GNSC, do hereby certify that the foregoing is, to the best of my skill and ability, a true and correct transcript of all the proceedings had in an Allowable Ex Parte Proceeding held before THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA in Columbia, South Carolina, according to my verbatim record of same.

IN WITNESS WHEREOF, I have hereunto set my hand, on this the 14<sup>th</sup> day of January, 2016.

  
Jo Elizabeth M. Wheat, CVR-CM/M-GNSC  
Hearings Reporter, PSC/SC  
My Commission Expires: January 27, 2021.