

BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA  
COLUMBIA, SOUTH CAROLINA

PROCEEDING #16-11547      AUGUST 18, 2016      10:36 A.M.

ALLOWABLE EX PARTE BRIEFING – ND-2015-32-G  
DUKE ENERGY CAROLINAS, LLC - Request for Allowable Ex Parte Briefing  
Regarding Duke Energy Corporation's Acquisition of Piedmont Natural Gas

TRANSCRIPT OF  
PROCEEDINGS

ALLOWABLE  
EX PARTE BRIEFING

COMMISSION MEMBERS PRESENT:      Swain E. WHITFIELD,  
CHAIRMAN; Comer H. 'Randy' RANDALL, VICE CHAIRMAN; and  
COMMISSIONERS John E. 'Butch' HOWARD, Elliott F. ELAM, Jr.,  
Elizabeth B. 'Lib' FLEMING, Nikiya M. 'Nikki' HALL, and G. O'Neal  
HAMILTON

ADVISOR TO COMMISSION:      Joseph Melchers, Esq.  
General Counsel

STAFF: F. David Butler, Senior Counsel; Randall Dong, Esq., Josh  
Minges, Esq., and David W. Stark, III, Esq., Legal Staff; Douglas  
K. Pratt, Lynn Ballentine, and Tom Ellison, Advisory Staff; Jo  
Elizabeth M. Wheat, CVR-CM/M-GNSC, Court Reporter; and Deborah  
Easterling and Calvin Woods, Hearing Room Assistants

**APPEARANCES:**

**HEATHER SHIRLEY SMITH, ESQUIRE**, together  
with **LYNN GOOD** [Chairman/President/CEO of Duke Energy  
Corporation], **FRANK YOHO** [Sr. Vice President/CCO of  
Piedmont Natural Gas, Inc.], and **BRUCE BARKLEY** [Vice  
President/Regulatory Affairs, Rates & Gas Accounting for  
Piedmont Natural Gas, Inc.], representing and presenting  
for **DUKE ENERGY CAROLINAS, LCC**

**ANDREW M. BATEMAN, ESQUIRE**, representing the  
**OFFICE OF REGULATORY STAFF**

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Please note the following inclusions/attachments to the record:

- Presentation Slides (PDF)

Please also note: For identification of additional referenced materials and/or links for same, if any, 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 WHITFIELD:** Please be seated. I'll  
3 call this allowable ex parte briefing to order and  
4 ask our attorney to read the docket.

5           **MR. MELCHERS:** Thank you, Mr. Chairman.

6           Commissioners, we are here pursuant to a  
7 Notice of Request for Allowable Ex Parte  
8 Communication Briefing, scheduled for today, August  
9 18th, at 10:30 here in the Commission's hearing  
10 room.

11           The party requesting the briefing is Duke  
12 Energy Carolinas, LLC, and the subject matter to be  
13 discussed today is: Duke Energy Corporation's  
14 acquisition of Piedmont Natural Gas.

15           Thank you, Mr. Chairman.

16           **CHAIRMAN WHITFIELD:** Thank you, Mr. Melchers.

17           I'm now going to turn it over to ORS Attorney  
18 Andrew Bateman, to give us a little guidelines here  
19 for the ex parte – allowable ex parte.

20           **MR. BATEMAN:** Good morning, Chairman, Vice  
21 Chairman, members of the Commission. My name is  
22 Andrew Bateman, and I'm a staff attorney for the  
23 Office of Regulatory Staff. I am here as the  
24 designee for the Executive Director of the Office  
25 of Regulatory Staff, or ORS, at this allowable ex

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parte briefing.

As the ORS representative, it is my duty to certify the record of this proceeding to the Chief Clerk of the PSC, within 72 hours, that this briefing was conducted in compliance with the provisions of South Carolina Code Annotated Section 58-32-260(C).

The requirements of that statute are, in part, that the allowable ex parte briefing be confined to the subject matter which has been noticed. In this case, the issue noticed was Duke Energy Corporation's acquisition of Piedmont Natural Gas. I, 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 by any Commissioner as to any ultimate or penultimate issue which either is or is likely to come before the Commission.

Third, I would ask that the participants, Commissioners, and staff refrain from referencing any reports, articles, statutes, or documents, of

1 any kind, that are not included in today's  
2 presentation, to prevent the need for myself or the  
3 company's lawyers from having to try to track down  
4 copies of these documents or links to these  
5 documents to include in the record.

6 Finally, as none of the information contained  
7 in the presentation appears to have been marked or  
8 requested to be granted confidentiality, I would  
9 ask the presenters to refrain from referencing or  
10 discussing any materials over which they would like  
11 to maintain confidentiality. And I would ask that  
12 the Commissioners please be understanding if the  
13 presenters decline to provide such information to  
14 any Commission questions here today.

15 As a final note, please make sure to read,  
16 sign, and return the form that you were given at  
17 the door when you came in today. This form needs  
18 to be signed by each attendee to certify the  
19 requirements contained in South Carolina Code  
20 Annotated Section 58-3-260(C) have been complied  
21 with at the presentation today.

22 Thank you, very much.

23 **CHAIRMAN WHITFIELD:** Thank you, Mr. Bateman.

24 Now I'll turn it over to Ms. Smith.

25 [Reference Presentation Slide 1]

1                   **MS. SMITH:** Good morning. Heather Shirley  
2                   Smith on behalf of Duke Energy Corporation. And  
3                   we're just going to go ahead and get started, if  
4                   that's okay.

5                   **CHAIRMAN WHITFIELD:** I see your panel is  
6                   seated.

7                   **MS. SMITH:** It is.

8                   **CHAIRMAN WHITFIELD:** So go ahead and call on  
9                   your first panelist.

10                  **MS. SMITH:** All right. Good morning,  
11                  Commission. We're here today to give a status  
12                  report on Duke Energy's acquisition of Piedmont  
13                  Natural Gas. With us we have Lynn Good, our  
14                  Chairman, President, and CEO. We have Frank Yoho,  
15                  who is Senior Vice President and Chief Commercial  
16                  Officer at Piedmont Natural Gas, and Bruce Barkley,  
17                  who is Vice President, Regulatory Affairs, at  
18                  Piedmont Natural Gas.

19                               [Reference Presentation Slide 2]

20                  Just as a housekeeping matter, I'd like to  
21                  point your attention to our safe-harbor statement.  
22                  This basically indicates and requests that the  
23                  folks in this room, as well as the Commission,  
24                  refrain from making any investment decisions based  
25                  on the information you're hearing today.

1                   And with that, I'll turn it over to our panel.

2                                   [Reference Presentation Slide 3]

3                   **MS. LYNN GOOD [Duke Energy]:** Thank you.

4                                   Can you hear me?

5                   **MR. MELCHERS:** Yes.

6                   **MS. LYNN GOOD [Duke Energy]:** Very good. Mr.  
7                   Chairman, Vice Chairman, Commissioners, it's really  
8                   an honor to be here. Delighted to give you an  
9                   update today on the proposed merger of Duke and  
10                   Piedmont. We were here in January, and a lot has  
11                   happened over the last several months. We continue  
12                   to believe that this combination provides real and  
13                   lasting benefits to our customers, our communities,  
14                   our employees, and our investors. And I'm really  
15                   delighted today to be joined by Frank Yoho, Bruce  
16                   Barkley – Tom Skains is also in the audience.

17                                   Piedmont, as you know, is a trusted brand and  
18                   utility that we have admired for a very long time,  
19                   recognized for great customer service and  
20                   operational excellence in safety. And we look  
21                   forward to this combination giving us an  
22                   opportunity to bring best practices to our  
23                   customers in a way that we believe will have  
24                   lasting benefits as we go forward.

25                                   What I'd like to do is just give you an update

1 on what has progressed, and Bruce will follow me  
2 with a discussion of the settlement agreement that  
3 we've reached in North Carolina, and then Frank  
4 with a good discussion on some of the business  
5 issues around the integration that we're tackling.

6 So with that, I'll move to the first slide,  
7 which talks about the transmission update.

8 [Reference Presentation Slide 4]

9 As I said, we were here in January, and there  
10 have been a number of filings with this Commission  
11 over the preceding months. And at this point, we  
12 have completed a settlement process in North  
13 Carolina that was reached in the middle of this  
14 year. And as I said a moment ago, Bruce will share  
15 with you the terms and conditions in connection  
16 with this agreement.

17 The hearings were concluded in mid-July and we  
18 will be working through post-hearing proposed  
19 orders to be filed with the commission later this  
20 month. Once North Carolina approves the Regulatory  
21 Conditions and Code of Conduct that have been  
22 amended to reflect Piedmont – and, of course, as  
23 will be important to this Commission – they will be  
24 filed, as they have been approved by the North  
25 Carolina Commission.

1 [Reference Presentation Slide 5]

2 On the next slide, we provided a more  
3 comprehensive review of all the approvals that we  
4 sought in connection with this transaction: Of  
5 course, Piedmont shareholders being an important  
6 part of the approval process. We also got  
7 clearance from the Federal Trade Commission.  
8 Tennessee has approved, in connection with the  
9 regulations that govern our operations in that  
10 state. And, then, as I indicated, North Carolina  
11 is pending.

12 Under the terms of the merger agreement that  
13 we entered into with Piedmont, we intend to close  
14 the merger – must close the merger – within two  
15 business days following the last required approval,  
16 which in this instance would be the North Carolina  
17 Commission. And so we will be moving through that,  
18 we hope, between now and the end of 2016.

19 So, those are my introductory remarks. As we  
20 shared with you in January, we continue to believe  
21 that the combination of natural gas and electricity  
22 production is an incredibly important combination  
23 for customers. We see natural gas as the backbone  
24 of energy infrastructure, going forward, and this  
25 combination gives us an opportunity, with financial

1 strength and with scale, to leverage additional  
2 infrastructure and supply, and really work in a  
3 coordinated way around the provision of electricity  
4 and natural gas in a way that we think will be  
5 increasingly important, complementing renewable  
6 resources, preparing us for the retirement of more  
7 coal units, which will occur over time. So we  
8 believe the business case for this is really a  
9 strong one and will provide lasting benefits for a  
10 very long time.

11 So with that brief introduction, I'll turn it  
12 over to Bruce, to give you some more specifics on  
13 the settlement.

14 **CHAIRMAN WHITFIELD:** Thank you, Ms. Good.  
15 Mr. Barkley?

16 [Reference Presentation Slide 6]

17 **MR. BRUCE BARKLEY [Piedmont Natural Gas]:**  
18 Thank you, Mr. Chairman. I may be struggling with  
19 the mic here, just a little [indicating].

20 **MR. MELCHERS:** There you go.

21 **MR. BRUCE BARKLEY [Piedmont Natural Gas]:** I  
22 think I'm there.

23 **CHAIRMAN WHITFIELD:** I think so.

24 **MR. BRUCE BARKLEY [Piedmont Natural Gas]:**  
25 Thank you, sir.

1           As Ms. Good indicated, I will begin my remarks  
2           by discussing the settlement that was reached  
3           between – I think I might've lost it again.

4           **CHAIRMAN WHITFIELD:** Can you pull it a little  
5           closer to you? Pull it a little closer.

6           **MR. BRUCE BARKLEY [Piedmont Natural Gas]:**  
7           Okay [indicating]. All right. Solid now? How am  
8           I doing on the mic?

9           **MR. MELCHERS:** [Indicating.]

10          **CHAIRMAN WHITFIELD:** That's better.

11          **MR. BRUCE BARKLEY [Piedmont Natural Gas]:** Mr.  
12          Melchers is giving me the sign that I've conquered  
13          it, so, thank you.

14                 So we did reach a settlement with the North  
15                 Carolina Public Staff, and I'll hit some of those  
16                 highlights. The process took approximately five  
17                 weeks. It was a result of numerous meetings and  
18                 phone calls with the North Carolina Public Staff,  
19                 and resulted in a good bit of give-and-take between  
20                 the parties. It resulted in a settlement that was  
21                 filed with the NCUC on June 10th. It was also  
22                 filed, for information, with this Commission on or  
23                 about that same date.

24                 The settlement – one thing to point out on the  
25                 front end here – is only effective if the merger is

1 approved by the NCUC.

2 Turning to the first bullet concerning  
3 regulatory conditions, as you may recall, this  
4 Commission approved regulatory conditions and a  
5 code of conduct during the Duke/Progress merger in  
6 2012. Some changes were made to that code during  
7 the process of these settlement talks, primarily to  
8 add Piedmont to the reg. conditions. Some other  
9 changes were made, just based on lessons that had  
10 been learned over the past four years, to promote  
11 efficiency as the companies adhere to the  
12 conditions. And we will seek approval from this  
13 Commission of the regulatory conditions and code of  
14 conduct. As you approved them in 2012, now they've  
15 been revised, we will bring them to you for  
16 approval. As soon as we have a complete document  
17 that has been approved by the NCUC, we will then  
18 turn to this Commission for approval of those  
19 conditions.

20 Some of the major portions of our settlement  
21 are listed on the slide. One is that, because  
22 there is no mechanism in North Carolina, other than  
23 a general rate case, in order to flow back to  
24 customers anticipated savings associated with the  
25 merger, there will be a bill credit provided to

1 North Carolina customers this year. In South  
2 Carolina, we have the annual Rate Stabilization Act  
3 adjustments that will facilitate such rate  
4 decreases in the State of South Carolina.

5 Other portions, significant portions of the  
6 settlement, were a guarantee of an ongoing level of  
7 community support and charitable giving. That  
8 guarantee was made for a four-year period: 2017  
9 through 2020. There was a one-time contribution  
10 that the companies will make: Duke Energy  
11 Carolinas, Duke Energy Progress, and Piedmont will  
12 each make a contribution to workforce development  
13 and low-income energy assistance. And, finally,  
14 during the discussions with the North Carolina  
15 Public Staff, it was documented that certain costs  
16 will not be sought for recovery from customers.  
17 Those included direct costs associated with the  
18 transaction itself, such as legal, investment  
19 bankers. We also agreed that severance that may  
20 come as a result of this proceeding will not be  
21 sought for recovery from our customers. There was  
22 an exception that I've noted on the slide there  
23 that capital expenditures – which we believe will  
24 primarily be in the area of information technology  
25 – capital expenditures that can be proven to be a

1 net cost savings for customers will be allowed to  
2 be sought for recovery. And, of course, that will  
3 be something that, whether those flow through rates  
4 or not, will depend on the determination of the  
5 commission.

6 [Reference Presentation Slide 7]

7 Moving on to a couple of other settlements  
8 that we also filed for your information, we reached  
9 a settlement with the Carolina Utility Customers  
10 Association to provide an additional \$35 million of  
11 guaranteed fuel savings. That took the previously  
12 existing guarantee of approximately \$687 million  
13 and increased it to \$722 million of guaranteed fuel  
14 savings. That original 687 had come from the 2012  
15 Duke Energy/Progress merger, and so we're just  
16 adding to that with the agreement that we reached  
17 with CUCA.

18 There was a third settlement with the  
19 Environmental Defense Fund, and basically they had  
20 sought for Duke to examine some technology that  
21 they believe is important, and so Duke has agreed  
22 to study and perform a cost-benefit analysis of  
23 some voltage-control technology, and to submit the  
24 results of those studies to the NCUC in the fall of  
25 2018.

1 [Reference Presentation Slide 8]

2 The hearing, itself, I will just hit rather  
3 quickly, because I believe Ms. Good addressed it.  
4 At a high level, the hearing was about a day and a  
5 half, last month. Because of the settlements that  
6 I just discussed with you, the cross-examination  
7 was limited to two intervenors: the City of  
8 Fayetteville, North Carolina, who had a fairly  
9 limited issue that was of concern to them; and the  
10 Intervener NC WARN, who primarily intervened on the  
11 basis of some environmental concerns that they had.

12 The process will call for proposed orders, and  
13 we are hoping to close the transaction by the end  
14 of the calendar year, as has been communicated on  
15 numerous occasions.

16 [Reference Presentation Slide 9]

17 My final comments concern how all of this will  
18 translate to the State of South Carolina, to the  
19 customers, primarily, of Piedmont, but down the  
20 road also there will be impacts to the customers of  
21 DEC and DEP, as well. As you may be aware, there  
22 was an exchange of letters in late June between  
23 counsel of the Office of Regulatory Staff and  
24 counsel for Duke, in which Duke expressed an intent  
25 to provide pro rata benefits to customers in the

1 State of South Carolina. So, just beginning with  
2 the top bullet there, that starts with the concept  
3 of charitable giving that I mentioned that was a  
4 portion of the North Carolina settlement. And to  
5 provide some specifics there, the robust level of  
6 charitable giving that Duke and Progress have  
7 provided over the past few years will be continued,  
8 and we are willing to make that in the form of a  
9 guarantee for the same time period – 2017 through  
10 2020 – for slightly in excess of \$3½ million broken  
11 down between the three companies, as shown on the  
12 slide.

13 The one-time contribution will also be made in  
14 the State of South Carolina for low-income energy  
15 assistance/workforce development. The amount,  
16 based on a pro rata analysis based on number of  
17 customers, if 7½ is given North, the corresponding  
18 number for South Carolina is \$1.6 million. And as  
19 far as the specifics of administering that one-time  
20 assistance, the company will work with the Office  
21 of Regulatory Staff on some of the specifics around  
22 timing and the counterparties, and we're certainly  
23 happy to keep this Commission informed of those  
24 discussions.

25 I mentioned fuel savings in connection with a

1 settlement that was reached between the company and  
2 the Carolina Utility Customers Association. Of  
3 that additional \$35 million, for your information,  
4 approximately \$7 million of that will go to the  
5 State of South Carolina in the form of guaranteed  
6 savings. And that amount – the 7 out of 35, or  
7 basically 20 percent – is based on how Duke Energy  
8 Carolinas and Duke Energy Progress allocate their  
9 fuel costs between the various jurisdictions.

10 And, finally, to discuss what we anticipate  
11 will be cost savings as a result of the proposed  
12 merger, I'd like to just give a little background  
13 on the nature of some of those, as we see them  
14 today. We did document in filings that we have  
15 made some costs that Piedmont will not incur  
16 prospectively. And I think some examples there  
17 would be board-of-directors type costs, costs  
18 associated with administering common stock that  
19 will not be ongoing for Piedmont. There are also  
20 some other costs that can be more economically  
21 achieved by being part of a larger organization, as  
22 opposed to standalone, and we believe some of those  
23 cost savings may present themselves for insurance,  
24 for auditing, for legal: various ways Piedmont can  
25 be more efficient as being part of a larger

1 organization.

2 We also believe that it is likely that  
3 Piedmont will have fewer employees, prospectively.  
4 I think that we shared with this Commission in  
5 January, and have said consistently, that this is  
6 not a synergy based merger. At the same time, I  
7 believe there will be some reduction of workforce  
8 in corporate type functions, such as information  
9 technology, human resources, et cetera, at  
10 Piedmont's corporate headquarters. So that may be  
11 an opportunity for cost savings.

12 And there also will be just a general ongoing  
13 search for operational efficiencies. I think we're  
14 just starting to scratch the surface on how we can  
15 institute best practices as Piedmont and Duke learn  
16 from each other, and partner, and try to provide  
17 service in the most efficient manner in order to  
18 keep costs and rates down for customers.

19 So those would flow through to South Carolina  
20 through annual filings that Piedmont makes each  
21 year. The filing to trigger changes is made in the  
22 middle of June, and Piedmont then adjusts its rates  
23 in November, under the Rate Stabilization Act.  
24 Piedmont has been functioning under the RSA since  
25 2005, and so that is a great vehicle to flow those



1 go. Good morning, everyone. Very exciting about  
2 moving forward within the Duke Energy Gas Business  
3 Unit. Piedmont will retain its name, and our  
4 customers in North Carolina, South Carolina, and  
5 Tennessee will continue to see Piedmont Natural  
6 Gas. And our expectation is to be seamless for the  
7 customers, for this to be a non-event. Hopefully,  
8 down the road, they'll see a lot of benefits and  
9 improvements.

10 Our operating philosophy will stay the same.  
11 We will stay very focused on safety, operational  
12 excellence, and the customer satisfaction area we  
13 take quite a bit of pride in. We've been working  
14 on that for quite a bit, and the results we've  
15 gained are shown in the next bullet, relative to  
16 J.D. Power, where we've ranked in satisfaction at  
17 8th out of 83. There's some opportunity there to  
18 continue to improve. Then, also with Cogent, some  
19 brand recognition where we were 2nd in the country,  
20 we take a lot of pride in where we've gotten there,  
21 but we know we can keep on getting better.

22 Our focus with the customer is that, when they  
23 experience a Natural Gas Unit employee, that they  
24 see an expert, they see someone who really  
25 appreciates their business, they see where safety

1 is of the most importance, and, lastly, we're  
2 trying really hard to make it easy for our  
3 customers to do business with us.

4 [Reference Presentation Slide 11]

5 The proposed merger will have no detrimental,  
6 as Bruce mentioned, rate impacts. Actually,  
7 they'll be beneficial rate impacts from the merger.  
8 And, also, there'll be no detrimental operational  
9 impacts from this merger.

10 Our Gas Business Unit, as I mentioned before,  
11 will continue – will include North Carolina, South  
12 Carolina, Tennessee, but also we will include the  
13 Duke existing gas distribution customers in Ohio  
14 and Kentucky. I think there's a great opportunity  
15 here to share best practices. I've been over there  
16 with the employees based in Cincinnati, with that  
17 area, and they're really good folks, a lot like our  
18 folks here, and I think we can make our Gas  
19 Business Unit even better working together, and I'm  
20 really looking forward to that.

21 We continue to have infrastructure  
22 investments. The Gas Business Unit will include  
23 those infrastructure investments which we currently  
24 have, plus we'll pull in the Duke natural gas  
25 infrastructure investments, which include the

1 larger piece of Atlantic Coast Pipeline, but also  
2 Sabal Trail Pipeline.

3 [Reference Presentation Slide 12]

4 I won't go individually, but I'm very excited  
5 about the management team I'll be working with to  
6 run the Natural Gas Business Unit. It's a really  
7 good team. And you'll see some familiar faces, but  
8 also what I know you'll see is a lot of good  
9 experience and focus on the customer and on safety  
10 with this team.

11 [Reference Presentation Slide 13]

12 To talk about the integration planning update,  
13 the first I want to say: Between Duke and Piedmont,  
14 it's been an exceptional collaborative cooperation  
15 between the two companies. We've had the luxury of  
16 being six miles from each other. We meet face-to-  
17 face. It's been very open with the same – with the  
18 eye on the same goal of making this an exceptional  
19 Gas Business Unit and really making the merger  
20 seamless for our customers.

21 The focus, so far to date, has been on day  
22 one, all the changes in systems and such, that our  
23 customers don't see a hitch at all, that it is  
24 seamless for them, and so we've worked a lot on how  
25 both companies do different functions and their

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systems line up properly, so we can move forward seamlessly for our customers and for our employees.

From a high level, we made some estimates or some assumptions around some potential efficiencies, but really now is where we're moving forward to look at those from a detailed bottoms-up to see what are realistic.

Right now, we're doing systems testing to make sure on day one, the systems all work, from Finance, HR, and all the systems that we have. And, also, we are working on building a long-term organization. Now, this organization, it could take to put into place – it could be anywhere from three months, or it could be two years. A lot of it is dependent on dependencies on systems, so when you need your financial systems to get to the organization you want to get to, it will take several years to get the systems integrated. So we'll be working to move as quickly as we can, but be as diligent as possible so we don't have any issues with our systems in putting the organizations together.

From a change in management, so far to date and going forward, we are working very hard to keep our employees engaged and informed as to what we're

1           doing and helping them make the decisions so we can  
2           put this business unit together to be as effective  
3           as possible for our customers.

4           Chairman Whitfield, that is the end of this  
5           presentation. I'd like to thank you and the  
6           Commissioners for your time, and welcome any  
7           questions.

8           **CHAIRMAN WHITFIELD:** Thank you. Thank you,  
9           Mr. Yoho.

10          Now that all three of you have had your  
11          presentations, we'll take questions from  
12          Commissioners. Commissioner Howard.

13          **COMMISSIONER HOWARD:** I've got a question,  
14          something I didn't quite understand – which could  
15          be anything. The Environmental Defense Fund, you  
16          had a statement about a cost-benefit analysis of  
17          voltage-control technology? What is that?

18          **MS. LYNN GOOD [Duke Energy]:** Commissioner,  
19          thank you for that question. I'm not sure you've  
20          got the electrical experts at this panel, but I'm  
21          going to give it a try and see if Bruce and Frank  
22          have anything to add.

23          It's around energy efficiency, effectively,  
24          where we deploy technology to back down voltage in  
25          a way that does not impact service to customers,

1 but effectively reduces the amount of electricity  
2 that is being generated and used by customers to  
3 drive lower carbon emissions and an environmental  
4 impact. So there are technologies that we've been  
5 experimenting with to do this. EDF is a strong  
6 advocate for those technologies. And what we've  
7 agreed to do is to pilot them and see what benefits  
8 we can achieve in a way that, of course, does not  
9 affect reliability to customers. And we will  
10 present this to the North Carolina Commission in  
11 2018.

12 **COMMISSIONER HOWARD:** Thank you. And just to  
13 make a statement, Mr. Yoho, I'm sure you got a  
14 major compensation package for moving to the  
15 Carolinas, Ohio, and Kentucky. Is that true?

16 [Laughter]

17 You don't have to answer. Thank you.

18 **MR. FRANK YOHO [Piedmont Natural Gas]:** I'll  
19 plead the Fifth. Thank you.

20 [Laughter]

21 **CHAIRMAN WHITFIELD:** Good answer.

22 Commissioner Hamilton.

23 **COMMISSIONER HAMILTON:** I'm happy to see that  
24 Mr. Yoho mentioned the Atlantic Coast Pipeline, and  
25 I'd like to discuss that with Ms. Good here today.

1 I think it would be a good time. I was wondering,  
2 of the number of savings that this merger or  
3 acquisition will bring about, if it would not be  
4 possible for a feasibility study to extend the  
5 pipeline into rural South Carolina. You know,  
6 these counties and these areas that – of course,  
7 Piedmont's not familiar with them, but they really  
8 are – they've got a great deal of potential, but  
9 they don't have resources. And this could make a  
10 tremendous difference. All the economic developers  
11 that I've talked with think that, if we could move  
12 – if this pipeline availability would become  
13 available, that it would make a tremendous  
14 difference in the quality of life for these rural  
15 counties. And the Grand Strand could be certainly  
16 a booster area to get to, going through these  
17 counties. So I would like to see, if you would, to  
18 give this some great consideration, because it's  
19 extremely important, we feel, to the future of the  
20 Pee Dee. And this is old Progress territory.

21 I'd like to say, too, that I'm still a member  
22 of the Council of Government in the Pee Dee, and I  
23 would like for you to know that your industrial  
24 development people, under Clark's leadership, are  
25 doing an excellent job. And this would just be

1 giving them another tool to make industrial parks  
2 in these areas really ready.

3 **MS. LYNN GOOD [Duke Energy]:** Commissioner, I  
4 appreciate that question and sentiment. And, you  
5 know, one of the things about the Atlantic Coast  
6 Pipeline is, its routing has really benefited rural  
7 areas. It represents great construction jobs,  
8 opportunity to put infrastructure in the region.  
9 And where we are in that process: We just received  
10 Notice of Schedule from FERC. We believe we'll be  
11 moving through the FERC process, with a hope and  
12 expectation of approval in 2017, and then  
13 construction will start. So we need to get through  
14 some of the milestones that I just talked about  
15 with the existing pipeline, before we can begin in  
16 earnest to think about extension.

17 But we see the benefit that could come from  
18 extending that pipeline, for all the reasons that  
19 you mentioned, but, also, additional reliability  
20 for our own system. And so, at the right time, we  
21 will take up a review of how we can continue to  
22 invest.

23 **COMMISSIONER HAMILTON:** Thank you, ma'am, very  
24 much.

25 Thank you, Mr. Chairman.

1                   **CHAIRMAN WHITFIELD:** Thank you, Commissioner  
2                   Hamilton.

3                   Commissioner Fleming.

4                   **COMMISSIONER FLEMING:** Good morning.

5                   **MS. LYNN GOOD [Duke Energy]:** Good morning.

6                   **COMMISSIONER FLEMING:** It's very nice to have  
7                   you back today, and to learn how things have  
8                   progressed since the January ex parte meeting.

9                   You talked about the negotiations in North  
10                  Carolina. To me, it's just very interesting how  
11                  each state – how the regulations apply differently  
12                  in each state. So I'm curious as to what it was  
13                  like to get approval in Tennessee. What was the  
14                  process there?

15                  **MS. LYNN GOOD [Duke Energy]:** Frank, would you  
16                  like to take that?

17                  **MR. FRANK YOHO [Piedmont Natural Gas]:** The  
18                  process there was – and I may get this – I'll be  
19                  fairly close to right, and, Bruce, you can correct  
20                  me if I'm wrong – there was a change in control in  
21                  ownership, so it was a fairly simple process of  
22                  filing, and no really significant hearings, per se.  
23                  And so it was just to approve that there'd be a  
24                  change in control of the facilities operating in  
25                  Nashville, Tennessee. So, it is a fairly simple,

1 straightforward, and quick process in Tennessee.

2 **COMMISSIONER FLEMING:** So, very different from  
3 the North Carolina process.

4 **MR. FRANK YOHO [Piedmont Natural Gas]:** Yes.

5 **COMMISSIONER FLEMING:** Well, I'm glad that  
6 North Carolina has the process they have, because  
7 we who don't have that same process certainly have  
8 benefited, as well, so we look forward to seeing  
9 how this goes forward. But you don't have an idea  
10 at this time when North Carolina will determine a  
11 decision?

12 **MS. LYNN GOOD [Duke Energy]:** There's no  
13 statutory timeline. The milestone that we do know  
14 is that the orders, proposed orders, are due August  
15 25th. And, so, we believe that approval will occur  
16 by the end of year, but any more specifics we don't  
17 have at this point.

18 **COMMISSIONER FLEMING:** So there's no timeline  
19 of when you need their approval.

20 **MS. LYNN GOOD [Duke Energy]:** The merger  
21 agreement had certain timelines which were  
22 established at the time of the announcement, which  
23 could be extended if, you know, processes were  
24 underway. But we're not up against any deadline  
25 that the commission – you know, that we need to

1 discuss here or should be a concern to the  
2 commission.

3 **COMMISSIONER FLEMING:** But you did say two  
4 days after they make a decision –

5 **MS. LYNN GOOD [Duke Energy]:** Yes.

6 **COMMISSIONER FLEMING:** – if it's a positive  
7 one, that –

8 **MS. LYNN GOOD [Duke Energy]:** That's true.

9 **COMMISSIONER FLEMING:** – the merger will go  
10 forward.

11 **MS. LYNN GOOD [Duke Energy]:** Yes.

12 **COMMISSIONER FLEMING:** Very good.

13 **MS. LYNN GOOD [Duke Energy]:** Thank you.

14 **COMMISSIONER FLEMING:** Well, nice to have all  
15 of you here today. Thank you.

16 **MS. LYNN GOOD [Duke Energy]:** Our pleasure.

17 **CHAIRMAN WHITFIELD:** Thank you, Commissioner  
18 Fleming.

19 I've got just one or two for you, and I thank  
20 you also for being here. I guess, Mr. Barkley, I  
21 know in your presentation you said that actual  
22 savings would start flowing to South Carolina  
23 customers through our RSA proceedings, and you  
24 anticipate that to be around November 1, 2017. And  
25 with the question that Commissioner Fleming just

1           asked about the North Carolina Commission not  
2           having a statutory deadline to issue an order, are  
3           there any other – other than North Carolina – any  
4           other hurdles that you all mentioned in your  
5           presentation that might delay that or change that  
6           timeline that you anticipate?

7                   **MR. BRUCE BARKLEY [Piedmont Natural Gas]:** No,  
8           sir. I'm not aware of any other hurdles, as you  
9           say, or any other decisions that need to be  
10          reached, other than the NCUC approval, prior to  
11          closing of the transaction. And then, upon close  
12          of the transaction, then these cost savings – some  
13          of which I mentioned some examples – those cost  
14          savings would start to flow, and they would be a  
15          part of our test period for the next RSA, for our  
16          2017 RSA.

17                   So I think that the short answer to your  
18          question is, no, there is nothing else.

19                   **CHAIRMAN WHITFIELD:** Well, thank you, Mr.  
20          Barkley.

21                   Commissioners, anyone else have any questions?

22                                   [No response]

23                   Well, if not, I'd like to thank all three of  
24          you for being here and presenting today. As you  
25          well know, this is our only way to be informed, and

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we thank you for coming here to update us and inform us, and we ask just to be kept updated like you're doing. I know you were just here in January, and we do appreciate it, and we've found all of your presentations very informative, and thank you. We're adjourned.

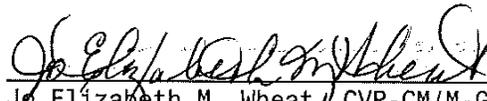
[WHEREUPON, at 11:12 a.m., the proceedings in the above-entitled matter were adjourned.]

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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 19<sup>TH</sup> day of August, 2016.

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