BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2019-4-G – ORDER NO. 2019-636

SEPTEMBER 6, 2019

IN RE:

Annual Review of Purchased Gas Adjustment and Gas Purchasing Policies of Piedmont Natural Gas Company, Inc.	))))	ORDER RULING ON PURCHASED GAS ADJUSTMENT AND GAS PURCHASING POLICIES

The above-captioned matter is before the Public Service Commission of South Carolina ("Commission") concerning its annual review[1] of the Purchased Gas Adjustment ("PGA") and gas purchasing policies of Piedmont Natural Gas Company, Inc. ("PNG"). The South Carolina Office of Regulatory Staff ("ORS") is a party of record in this proceeding under the provisions of S.C. Code Ann. § 58-4-10(B) (Supp. 2016). PNG and ORS (collectively the "Parties" or individually a "Party") are the only parties to this proceeding.

The Commission conducted a formal hearing in this matter on July 11, 2019, beginning at 10:00 a.m. in the hearing room of the Commission with the Honorable Comer H. Randall, Chairman, presiding. C. Lessie Hammonds, Esquire, and Jeffrey M. Nelson, Esquire, appeared on behalf of ORS. James H. Jeffries IV, Esquire, and Jeremy C. Hodges, Esquire, appeared on behalf of PNG.

At the hearing, PNG presented the pre-filed direct testimony of PNG witness Sarah E. Stabley, the pre-filed direct testimony and exhibits of PNG witness MaryBeth Tomlinson, and the pre-filed direct testimony and exhibits of PNG witness Gennifer Raney. At the hearing, the PNG

[1] See Commission Order No. 88-294 dated April 6, 1988 (annual review).

witnesses' testimony was entered into the record and Ms. Tomlinson's and Ms. Raney's exhibits were admitted into evidence as composite Hearing Exhibits 1 and 2 respectively.

At the hearing, ORS presented the pre-filed direct testimony and exhibits of ORS witness Daniel F. Sullivan and the pre-filed direct testimony of ORS witness Matthew P. Schellinger II. The pre-filed testimony of these witnesses were entered into the record and the exhibits of ORS witness Sullivan were admitted into evidence as composite Hearing Exhibit 3.

At the hearing, PNG witness Stabley testified as to PNG's gas purchasing policies and the components of the five-factor "best cost" gas purchasing policy. Ms. Stabley stated that PNG did not implement any changes in its "best cost" gas purchasing policies or practices during April 1, 2018 through March 31, 2019 (the "Review Period"). Upon questions from the Commission, Ms. Stabley indicated that "Security" of supply was the most important factor considered by the Company in its Best Cost analysis, followed by the other four factors being equally ranked. Ms. Stabley also testified that PNG has taken numerous measures to manage its gas costs consistent with its "best cost policy" including active participation at the Federal Energy Regulatory Commission ("FERC"), restructuring of supply and capacity contracts to adjust to market conditions, and the promotion of more efficient use of its system and of its capacity and commodity rights. Ms. Stabley added that the "best cost" purchasing policy utilized by PNG has been reviewed and found prudent on all occasions in South Carolina and the other state jurisdictions in which PNG operates.

PNG witness Raney testified that PNG serves approximately 147,241 customers in South Carolina and that during the Review Period, PNG delivered approximately 62,511,359 dekatherms of natural gas to its South Carolina customers. On questions from the Commission, Ms. Raney indicated that the large increase in total dekatherms delivered to South Carolina customers during

this review period as compared to the immediately prior review period was due to operation of the Lee electric generation facilities, which had not been fully operational during the prior review period. Ms. Raney also explained the calculation of PNG customer growth and design day needs and the process utilized by PNG to acquire new capacity. According to PNG, it calculates the design day needs of its system based on a number of factors and inputs, including historical weather, historical operating experience, forecasted customer additions, and projected demand. PNG states that it then calculates a reserve margin to ensure its ability to provide safe and reliable service to its firm customer base during design-day conditions.

PNG witness Tomlinson testified to the end-of-period balances and the accounting for PNG's deferred gas cost account (Account #253.133). That accounting is set out in Hearing Exhibit No. 1 (Exhibit_MBT-1 attached to the pre-filed direct testimony of MaryBeth Tomlinson). PNG maintains an account reflecting its gas costs each month, the amount of gas costs recovered each month, and amounts deferred each month. PNG also maintains a hedging account, which records the results of its hedging activities undertaken in accordance with its hedging plan.

ORS witness Sullivan testified that ORS had performed an examination of PNG's deferred cost of gas account, storage inventory activity, and hedging account activity for the Review Period. Based upon that examination it is the opinion of ORS that PNG's deferred cost of gas account is accurately stated and that the balance of ($2,885,925) fairly represents PNG's over-collection balance as of March 31, 2019.

ORS witness Schellinger testified that PNG had prudently procured adequate firm supplies to meet its firm customer requirements during the Review Period; is continuing its attempts to get the best terms available in its negotiations with suppliers; has used the spot market to purchase supplies for periods of one month or less; and managed its hedging activities in a manner consistent

with the terms of its approved hedging program during the Review Period.

Collectively, the testimony of the PNG and ORS witnesses demonstrated that: (i) PNG's gas purchasing policies and practices during the Review Period were reasonable and prudent; (ii) PNG properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period;(iii) PNG managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders; (iv) the end-of-period balance for PNG's hedging account is reflected in the testimony of Company witness Tomlinson; and (v) the end-of-period balance for PNG's deferred gas costs account is reflected in the pre-filed direct testimony of PNG witness Tomlinson. There was no evidence presented to the contrary.

NOW, THEREFORE, based upon the foregoing, IT IS HEREBY DECLARED AND ORDERED THAT:

1. PNG's gas purchasing policies and practices during the Review Period were reasonable and prudent.

2. PNG properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period.

3. PNG managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders.

4. The end-of-period balance for PNG's hedging account is reflected in the testimony of Company witness Tomlinson.

5. The end-of-period balance for PNG's deferred gas cost account is reflected in the testimony of witness Tomlinson.

6. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Comer H. Randall, Chairman

Justin T. Williams, Vice Chairman

(SEAL)