

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE**

IN RE:)	
)	
PIEDMONT NATURAL GAS)	
COMPANY, INC. PETITION FOR AN)	
ADJUSTMENT OF RATES, CHARGES,)	DOCKET NO. 20-00086
AND TARIFFS APPLICABLE TO)	
SERVICE IN TENNESSEE)	
)	

PUBLIC DIRECT TESTIMONY

OF

ALEX BRADLEY

November 30, 2020

Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION FOR THE RECORD.

A1. My name is Alex Bradley. My business address is Office of the Tennessee Attorney General, 500 Dr. Martin L. King Jr. Blvd., Nashville, TN 37243. I am an Accounting & Tariff Specialist employed by the Consumer Advocate Unit in the Financial Division of the Tennessee Attorney General's Office.

Q2. PLEASE PROVIDE A SUMMARY OF YOUR BACKGROUND AND PROFESSIONAL EXPERIENCE.

A2. I received a Bachelor of Science in Business Administration with a major in Accountancy along with a Bachelor of Arts with a major in Political Science from Auburn University in 2012. I have been employed by the Consumer Advocate Unit in the Financial Division of the Tennessee Attorney General's Office (Consumer Advocate) since 2013. My duties include reviewing utility regulatory filings and preparing analysis used to support Consumer Advocate testimony and exhibits. I have completed multiple regulatory trainings sponsored by the National Association of Regulatory Utility Commissions (NARUC) held by Michigan State University.

Q3. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION?

A3. Yes. I have previously testified in TPUC Docket Nos. 17-00108, 18-00009, 18-00107, 19-00010, 19-00034, 19-00042, 19-00043, 19-00057, 19-00062, 20-00008, and 20-00049.

Q4. WHAT ASPECTS OF THE FILING ARE YOU ADDRESSING WITHIN YOUR TESTIMONY?

1 **A4.** The outline of my Testimony is detailed below:

2 **I. INCENTIVE COMPENSATION**

3 **II. LOBBYING**

4 **III. RECOMMENDATIONS SUMMARIZED**

5 **Q5. ON WHOSE BEHALF ARE YOU TESTIFYING?**

6 **A5.** I am testifying on behalf of the Consumer Advocate Unit in the Financial Division of the
7 Tennessee Attorney General's Office.

8 **Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

9 **A6.** My testimony will address and support the Consumer Advocate's adjustments identifying
10 and reducing the costs associated with Piedmont's Incentive Compensation Plans and
11 Lobbying within this case.

12 **Q7. WHAT DOCUMENTS HAVE YOU REVIEWED IN PREPARATION FOR THIS**
13 **TESTIMONY?**

14 **A7.** I have reviewed the Pre-Filed Testimony, Exhibits, and workpapers regarding Incentive
15 Compensation and Lobbying Expense filed with Piedmont's Petition in this case.
16 Additionally, I have reviewed the discovery responses to the Consumer Advocate's
17 discovery requests regarding these topics. Finally, I reviewed the Commission's Order in
18 Piedmont's last general rate case, TRA Docket No. 11-00144.¹

19 **I. INCENTIVE COMPENSATION**

¹ *Order approving Settlement Agreement*, TRA 11-00144 (April 18, 2012).

1 **Q8. WHAT WAS PIEDMONT’S PROPOSAL REGARDING INCENTIVE COMPENSATION**
2 **IN THIS PROCEEDING?**

3 **A8.** As shown on the “O&M Summary Schedule” tab of the Company’s “Revenue
4 Requirement Summary.xlsx”, Piedmont is requesting to recover \$2,392,687 in Incentive
5 Compensation during the Attrition Period ended December 31, 2021. The Company’s
6 support for this \$2.39 million request is found in Company file “5E_Incentive Comp
7 Adj.xlsx”. This file shows the breakdown of their request, which is made up of \$1.7 million
8 in Short Term Incentive Pay Plan (STIP) and \$684,000 in Long Term Incentive Pay Plan
9 (LTIP) for the Attrition Period.

10 **Q9. DESCRIBE THE SHORT-TERM INCENTIVE PAY PLAN.**

11 **A9.** As described in the Company’s public response to Minimum Filing Requirement (“MFR”)
12 #38, the STIP is Duke’s annual cash incentive plan available to all employees. [REDACTED]

13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]²

18 **Q10. WHAT IS YOUR RECOMMENDATION REGARDING RATE RECOVERY OF**
19 **STIP EXPENSES IN THIS PROCEEDING?**

² *Petition at MFR #38 Attachment, filed under seal.*

1 **A10.** As shown in AB-1, I am recommending the Commission allow recovery of \$552,143 in
2 STIP costs, or \$1,155,890 less than the Company's requested \$1,708,033 in Attrition
3 Period STIP.

4 **Q11. DESCRIBE HOW YOU ARRIVED AT \$552,143 AS THE APPROPRIATE**
5 **AMOUNT OF STIP TO BE INCLUDED IN RATES FOR THE ATTRITION**
6 **PERIOD?**

7 **A11.** As shown on AB-1.2, I began by confirming the amount of STIP included within the
8 Company's Test Period. My review resulted in the same amount of STIP as reported by
9 the Company, \$2,097,234. It is my opinion that approximately 75% of metrics used in
10 determination of STIP relate to shareholder returns and thus should be borne by those
11 shareholders and not the Company's regulated customers. With this in mind, I reduced the
12 Test Period STIP by \$1,572,925 to arrive at \$524,308 for an adjusted Test Period amount.
13 Finally, I applied the growth factor of 1.0530890 to arrive at \$552,143 for the Attrition
14 Period STIP.

15 **Q12. DESCRIBE THE LONG-TERM INCENTIVE PLAN (LTIP).**

16 **A12.** As described in the Company's public response to Minimum Filing Requirement ("MFR")
17 #38, Piedmont provides two LTIP plans: (1) the Executive Incentive Plan, that is available
18 to upper management/executives, and (2) the LTI plan that is available to upper
19 management that are not in senior or executive positions. [REDACTED]

20 [REDACTED]

1 [REDACTED]³ [REDACTED]
2 [REDACTED]

3 **Q13. WHAT IS YOUR RECOMENDATION REGARDING RATE RECOVERY OF**
4 **LTIP EXPENSES IN THIS PROCEEDING?**

5 **A13.** As shown on AB-1.1, I began by confirming the amount of LTIP included within the
6 Company's Test Period. My review resulted in the same amount of LTIP as reported by
7 the Company, \$638,618. It is my opinion that approximately 75% of the metrics used in
8 the determination of LTIP relate to shareholder returns. Therefore, LTIP should be borne
9 by the shareholders and not the Company's regulated customers. Additionally, I removed
10 all Restricted Stock Unit Awards to Executives under the plan. With this in mind, I reduced
11 the Test Period LTIP by \$484,220 to arrive at \$154,398 for an adjusted Test Period amount.
12 Finally, I applied the growth factor of 1.0530890 to arrive at \$162,595 for the Attrition
13 Period LTIP.

14 **Q14. DID YOU MAKE ANY OTHER ADJUSTMENTS IN RELATION TO INCENTIVE**
15 **COMPENSATION FOR THIS CASE?**

16 **A14.** Yes, I made one other adjustment in relation to incentive compensation.

17 **Q15. PROVIDE A DESCRIPTION OF THIS ADJUSTMENT.**

18 **A15.** My final adjustment was to remove a proportional amount of Capitalized LTIP and STIP
19 from the Attrition Period Rate Base. As shown in AB-2, Piedmont would have
20 approximately \$494,422 of Capitalized Incentive Compensation within their proposed

³ *Petition at MFR 46, Attachment 4 of 8, filed under seal.*

Attrition Period Rate Base. I am proposing to reduce the Attrition Period Rate Base by \$370,816 to be consistent with my treatment of LTIP and STIP as an expense, leaving only \$123,605 of Capitalized Incentive Compensation in the Attrition Period Rate Base.

Q16. DO THESE ADJUSTMENTS ALIGN WITH PRIOR COMMISSION DECISIONS REGARDING INCENTIVE PAY?

A16. Yes, they do. These adjustments are consistent with the prior Commission’s findings regarding incentive compensation. For a specific example, in TPUC Docket No. 18-00017 the Commission found the Advocate’s “forecasted incentive pay exclusion to be reasonable, grounded upon historical operations and **consistent with the long-standing policy established by the Commission regarding incentive pay.**”⁴ (emphasis added).

II. LOBBYING

Q17. DID THE COMPANY MAKE ANY ADJUSTMENTS FOR EMPLOYEES ENGAGED IN LOBBYING ACTIVITIES IN THIS CASE?

A17. Yes, they did. As shown in the Company file “5D_Payroll Adj.xlsx” and explained in its Discovery Response 2-39, the Company reduced Attrition Period Labor Expense by \$61,821 to account for employees engaged in lobbying activities.

Q18. DO YOU AGREE WITH THIS ADJUSTMENT?

A18. No, I do not.

Q19. EXPLAIN WHY YOU DISAGREE WITH THE COMPANY’S ADJUSTMENT?

⁴ Amended Order, p. 22, TPUC Docket No. 18-00017 (January 15, 2019).

1 **A19.** In response to discovery, the Company proposes to reduce the amount of payroll expense
2 for this employee by \$58,558 for the Test Period and \$61,821 in the Attrition Period.⁵

3 However, further examination of the Company's response [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]

8 **Q20. WHAT AMOUNT OF THEIR TIME DO YOU BELIEVE THE**
9 **AFOREMENTIONED EMPLOYEE SPENDS RELATED TO LOBBYING**
10 **ACTIVITIES?**

11 **A20.** As part of my review, I examined the job descriptions for the duties of this employee
12 provided by the Company.⁷ It is my opinion that at least 75% of this employee's described
13 duties relate to lobbying or activities relating to governmental relations. [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]

17 **Q21. WHAT IS YOUR ADJUSTMENT AS IT RELATES TO LOBBYING?**

18 **A21.** As shown in AB-3, I am proposing to reduce Attrition Period payroll by \$116,486, or
19 \$54,665 more than the Company's proposed adjustment.

⁵ Piedmont's Response to Consumer Advocate's DR 2-39, Attachment, filed under seal.

⁶ *Id.*

⁷ *Id.*

1 **III. RECOMMENDATIONS SUMMARIZED**

2 **Q22. CAN YOU SUMMARIZE YOUR ADJUSTMENTS?**

3 **A22.** Yes, I can. I am proposing the following:

4 I. A reduction of in Attrition Year Operational Expenses of \$1,677,948 for expensed
5 Incentive Pay;

6 II. A reduction in Attrition Year Rate Base of \$370,816 for capitalized Incentive Pay; and

7 III. A reduction in Attrition Year Operational Expenses of \$116,486 for lobbying.

8 **Q23. DOES THIS COMPLETE YOUR TESTIMONY?**

9 **A23.** Yes, though I reserve the right to correct, amend, or add to my testimony if new information
10 becomes available or I identify an error.

IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

IN RE:

PIEDMONT NATURAL GAS
COMPANY, INC. PETITION FOR AN
ADJUSTMENT OF RATES, CHARGES,
AND TARIFFS APPLICABLE TO
SERVICE IN TENNESSEE

DOCKET NO. 20-00086

AFFIDAVIT

I, Alex Bradley, on behalf of the Consumer Advocate Unit of the
Attorney General's Office, hereby certify that the attached Direct Testimony
represents my opinion in the above-referenced case and the opinion of the
Consumer Advocate Unit.

Alex Bradley

ALEX BRADLEY

Sworn to and subscribed before me
this ____ day of _____, 2020. 11/25/2020

Jenna Obit

Signed on 2020/11/25 10:13:20 -6:00

NOTARY PUBLIC

My commission expires: _____

TERRA ALLEN
Tennessee Notary Public
Online Notary Public
Hickman County, State Of Tennessee
My Commission Expires Sep 28, 2022

Notary Stamp 2020/11/25 09:13:20 PST

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Office of the Tennessee Attorney General
Financial Division, Consumer Advocate Unit
Incentive Compensation

AB-1

	Piedmont 12 ME 12/31/2021 <u>Attrition Period Balances</u>	Consumer Advocate <u>Adjustment</u>	Consumer Advocate 12 ME 12/31/2021 <u>Attrition Year Balances</u>
Long-Term Incentive Compensation	\$ 684,654 a/	\$ (522,059)	162,595 b/
Short-Term Incentive Compensation	1,708,033 a/	(1,155,889)	552,143 c/
Total Incentive Compensation	<u>\$ 2,392,687</u>	<u>\$ (1,677,948)</u>	<u>\$ 714,739</u>

a/ 5E_Incentive Comp Adj.xlsx, tab Summary.

b/ AB-1.1

c/ AB-1.2

Office of the Tennessee Attorney General
Financial Division, Consumer Advocate Unit
Long-Term Incentive Compensation-Summary

AB-1.1

	<u>Consumer Advocate Test Period Balances</u>	<u>Consumer Advocate Adjustments</u>	<u>Consumer Advocate Adjusted Test Period</u>	<u>Consumer Advocate Attrition Year Growth Factor</u>	<u>Consumer Advocate Attrition Year Balances</u>
Restricted Stock Units	274,818 a/	(211,370)	63,448	1.0530890 a/	66,817
Performance Award	363,800 a/	(272,850)	90,950	1.0530890 a/	95,778
	\$ 638,618	\$ (484,220)	\$ 154,398		\$ 162,595

a/ AB 1.1.1

b/ WHN- Growth Factor

Office of the Tennessee Attorney General
Financial Division, Consumer Advocate Unit
Short-Term Incentive Compensation-Summary

AB-1.2

	Consumer Advocate Test Period Balances	Consumer Advocate Adjustments	Consumer Advocate Adjusted Test Period	Consumer Advocate Attrition Year Growth Factor	Consumer Advocate Attrition Year Balances
Incentives Allocated	\$ 1,636,746 a/	\$ (1,227,559)	\$ 409,186	1.0530890 b/	\$ 430,910
Exec Short Term Incent	232,420 a/	(174,315)	58,105	1.0530890 b/	61,190
Incentives Allocated-Union	228,069 a/	(171,052)	57,017	1.0530890 b/	60,044
	\$ 2,097,234	\$ (1,572,925)	\$ 524,308		\$ 552,143

a/ AB 1.2.1

b/ WHN- Growth Factor

			Consumer Advocate		Consumer Advocate		Consumer Advocate	
Account	Account Name	Compensation Type	Attrition Period Balances		Adjustments		Adjusted Attrition Period	
0107000	Construction Work in Progress	LTIP	\$	33,484	a/	(25,113)	\$	8,371
0107001	Construction Work in Progress	STIP		398,301	a/	(298,726)		99,575
0107004	Construction Work in Progress (Software)	LTIP		1,027	a/	(770)		257
0107005	Construction Work in Progress (Software)	STIP		46,853	a/	(35,140)		11,713
0108600	Construction Work in Progress Retirements	STIP		14,756	a/	(11,067)		3,689
			\$	494,422		\$ (370,816)	\$	123,605

a/ AB-2.1

Office of the Tennessee Attorney General
Financial Division, Consumer Advocate Unit
Lobbying Expense

AB-3

	Piedmont 12 ME 12/31/2021 <u>Attrition Period Balances</u>	Consumer Advocate <u>Adjustment</u>	Consumer Advocate 12 ME 12/31/2021 <u>Attrition Year Balances</u>
Test Period Salary	147,485 a/	\$ -	147,485 a/
Adjustment Percent	40%	35%	75%
Lobbying Adjustment	(58,559) b/	(52,055)	(110,613)
Growth Factor	1.0557000 c/	(0.0026110)	1.0530890 d/
Attrition Period Lobbying Adjustment	<u><u>(61,821) b/</u></u>		<u><u>(116,486)</u></u>

a/ Response to Consumer Advocate Request 1-60

b/ 5D_Payroll Adj.xlsx, tab Summary

c/ 5D_Payroll Adj.xlsx, tab A

d/ WHN- Growth Factor