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**Before the
Tennessee Public Utility Commission**

Docket No. 23- 00035

2023 Annual ARM Filing

**Direct Testimony
of
Pia Powers**

**On Behalf Of
Piedmont Natural Gas Company, Inc.**



May 19, 2023

1 **Q. Please state your name and business address.**

2 A. My name is Pia Powers. My business address is 4720 Piedmont Row
3 Drive, Charlotte, North Carolina.

4 **Q. By whom and in what capacity are you employed?**

5 A. I am the Managing Director of Gas Rates & Regulatory for Piedmont
6 Natural Gas Company, Inc. ("Piedmont" or the "Company").

7 **Q. Please describe your educational and professional background.**

8 A. I have a Bachelor of Arts degree in economics from Fairfield University
9 and a Master of Science degree in environmental and resource
10 economics from the University College London. Between earning my
11 degrees, I undertook a year of research and study in Malta on economic
12 development under a grant awarded by the Fulbright U.S. Student
13 Program. From 1999 through 2003, I was employed as an Economist
14 with the Energy Information Administration, the statistical agency of
15 the U.S. Department of Energy, where I focused on international energy
16 forecasting and environmental issues. I was hired by Piedmont as a
17 Regulatory Analyst in 2003. In the time thereafter, I took on several
18 roles of increasing responsibility within the Company. In 2019, I
19 assumed my current position as Managing Director of Gas Rates &
20 Regulatory.

1 **Q. Have you previously testified before this Commission or any other**
2 **regulatory authority?**

3 A. Yes. I have presented testimony on numerous occasions before the
4 Tennessee Public Utility Commission (“TPUC” or “Commission”) and
5 its predecessor the Tennessee Regulatory Authority, as well as the
6 Public Service Commission of South Carolina and the North Carolina
7 Utilities Commission on a number of occasions.

8 **Q. Please provide context for this proceeding.**

9 A. In Docket No. 21-00135, Piedmont sought and received Commission
10 approval pursuant to Tenn. Code Ann. § 65-5-103(d)(6) to operate under
11 new Service Schedule No. 318 – Annual Review Mechanism (“ARM”
12 or “ARM Tariff”), effective January 1, 2022. The purpose of the ARM
13 Tariff is expressly stated on page 1: “Pursuant to this ARM and the
14 annual filings described herein, the Company’s rates shall be adjusted
15 to provide that the Company earns its Authorized Return on Equity on
16 prudently incurred costs as defined by the [Commission].” This is the
17 Company’s first Annual ARM Filing (“2023 Annual ARM Filing”),
18 which utilizes calendar year 2022 as the Historic Base Period (“HBP”).

19 **Q. What is the purpose of your testimony in this proceeding?**

20 A. My testimony supports Piedmont’s 2023 Annual ARM Filing seeking
21 the adjustment of rates in this docket effective October 1, 2023, pursuant
22 to the operation of ARM Tariff. In this testimony, I will provide a brief
23 description of Piedmont and its business during the HBP. I will also

1 summarize the main drivers for the revenue deficiencies computed in
2 the Company's 2023 Annual ARM Filing. Furthermore, I will provide
3 an overview of other pertinent aspects of Piedmont's gas utility
4 operations during the HBP, including an explanation of the nature and
5 extent of incremental deferred environmental expenses since the
6 Company's last general rate case proceeding in Docket No. 20-00086.

7 **Q. Please describe Piedmont and its business.**

8 A. Piedmont is a wholly-owned subsidiary of Duke Energy Corporation
9 ("Duke Energy"). The Company is principally engaged in the natural
10 gas distribution business and, as of December 31, 2022, serves more
11 than 1.1 million customers in three states, including approximately
12 199,000 customers in Tennessee. Piedmont is fortunate to be able to
13 provide service to a thriving and growing area in Tennessee. The
14 Company's capital investments made prior to and during the HBP
15 facilitated its ability to safely and reliably serve its Tennessee customer
16 base under all weather conditions, including the cold temperatures
17 experienced during December 2022's Winter Storm Elliott.

18 **Q. Please describe Piedmont's gas distribution business in Tennessee.**

19 A. Piedmont serves customers in a number of cities, towns, and communities
20 in the greater Nashville metropolitan area of Davidson County and
21 portions of the adjoining counties of Cheatham, Dickson, Robertson,
22 Rutherford, Sumner, Trousdale, Williamson, and Wilson. The majority
23 (approximately 90%) of Piedmont's Tennessee customers are

1 residential customers who use gas directly in their home, largely for
2 space heating and water heating needs. Piedmont also provides service
3 to non-residential customers, who are mostly commercial, industrial,
4 and manufacturing businesses.

5 **Q. What are Piedmont's most important business goals?**

6 A. Piedmont continuously strives to provide safe and reliable natural gas
7 service to its customers at reasonable rates coupled with excellent customer
8 service. Customer, public, and employee safety are absolutely critical to
9 everything we do. Piedmont wants its current and future firm customers to
10 feel certain that the Company will be ready to serve them on even the
11 coldest of winter days, which is when the aggregated customer demand for
12 natural gas delivered across Piedmont's Tennessee system to its customers
13 is the highest and most critical to supporting human and community needs.
14 Piedmont wants its customers to experience great customer service with
15 each and every interaction. Finally, the Company seeks to exemplify
16 excellent environmental stewardship.

17 **Q. Does Piedmont receive feedback on its customer service?**

18 A. Yes. Piedmont is rated on its provision of customer service in several
19 ways, including periodic ratings from J.D. Power. Piedmont has
20 continued to receive positive customer satisfaction and trusted brand
21 scores as a result of our continuing focus on placing the customer at the
22 center of all we do. In fact, Piedmont reached a new milestone in
23 customer satisfaction in 2022, achieving the highest residential

1 customer satisfaction ranking among large gas utilities (No. 1 ranking)
2 nationally and in the South segment under J.D. Power's U.S. Gas Utility
3 Residential Customer Satisfaction Study for 2022.¹

4 **Q. What is Piedmont seeking in this proceeding?**

5 A. The 2023 Annual ARM Filing adheres to Piedmont's ARM Tariff by
6 reconciling, in a two-step process, Piedmont's actual 2022 performance
7 with its authorized rate of return on equity from its last general rate case
8 proceeding. Piedmont's earned return on equity for 2022 was
9 significantly less than its authorized return on equity from its last
10 general rate case proceeding, primarily due to the necessary gas
11 infrastructure investments in Tennessee that the Company completed
12 and placed into service during 2022. In this proceeding, Piedmont is
13 seeking the Commission's approval to (1) authorize the establishment
14 of ARM Rider Rates to recover the computed \$10.8 million HBP
15 Revenue Requirement Deficiency plus carrying costs,² and (2) increase
16 its existing Base Margin Rates (which were previously set in its last
17 general rate case) for the computed \$29.9 million Annual Base Rate
18 Reset Revenue Requirement Deficiency. The direct pre-filed

¹ J.D. Power represents the voice of customers. Its 2022 Gas Utility Residential Customer Satisfaction Study vetted the following factors: billing and payment, corporate citizenship, communications, customer care and safety and reliability. The study results are based on responses from over 57,000 online interviews conducted from January 2022 through October 2022, with residential customers of the 84 largest natural gas utility brands, representing nearly 64.6 million households across the United States.

² See ARM Schedule No. 12 for details on the carrying costs. Carrying costs through September 30, 2023, associated with this HBP Revenue Requirement Deficiency amount to \$866,201. Accordingly, the proposed ARM Rider Rates are designed to recover \$11,699,131 over the twelve-month period beginning in October 2023.

1 testimonies of Piedmont witnesses Kally Couzens and Keith Goley will
2 walk through the specific cost of service component adjustments,
3 revenue requirement deficiency computations, and proposed rate
4 changes that adhere to the Company's ARM Tariff.

5 In conjunction with this 2023 Annual ARM Filing, Piedmont
6 also seeks Commission approval to (1) implement updated Weather
7 Normalization Adjustment Factors (as discussed in witness Couzens'
8 direct testimony) effective October 1, 2023, concurrent with the
9 implementation of the updated Base Margin Rates in this proceeding;
10 (2) amortize and recover through updated Base Margin Rates in this
11 proceeding certain deferred environmental expenses that have been
12 incurred since Piedmont's last general rate case proceeding (as
13 discussed later in my testimony and in witness Goley's testimony); and
14 (3) implement new depreciation rates for Piedmont's three-state joint
15 property assets effective October 1, 2023, concurrent with the
16 implementation of the updated Base Margin Rates in this proceeding (as
17 discussed in witness Goley's testimony). The derivation and support
18 for the new depreciation rates was previously provided to the
19 Commission in the Deprecation Rate Study filed by the Company on
20 December 29, 2022, in Docket No. 20-00086, and is being incorporated
21 into this proceeding by reference.

1 **Q. Why did Piedmont underearn its authorized rate of return on**
2 **equity in 2022?**

3 A. There are many components to the Company's cost of service that have
4 changed since the Company's current Base Margin Rates were
5 established in the Company's last general rate case proceeding. Some
6 of these cost of service components increased, while others decreased.
7 The ARM Tariff incorporates all such changes into its cost of service
8 computations. Nevertheless, there is one main driver behind the
9 Company underearning its authorized rate of return on equity in 2022,
10 which is its significant rate base growth well beyond that upon which
11 Piedmont's existing rates were established. Specifically, I am referring
12 to the substantial capital investments that the Company needed to make
13 since the last general rate case proceeding for the purpose of maintaining
14 and expanding its gas distribution system for the benefit of customers in
15 order to accommodate system growth, service reliability, and for the
16 purpose of complying with ongoing federal pipeline safety and integrity
17 requirements. The rates established in the Company's last general rate
18 case proceeding were based on an attrition period ended December 31,
19 2021, which utilized a 13-month average forecasted rate base of
20 approximately \$897 million. The actual 13-month average rate base for
21 2022, the HBP, is \$1,068 million and the actual rate base as of the end
22 of the HBP is \$1,144 million.

1 Piedmont's utility plant in service balance is the component
2 comprising the majority of the change in Piedmont's rate base since the
3 last general rate case proceeding. On a 13-month average comparative
4 basis, Piedmont's utility plant in service balance grew from
5 approximately \$1,542 million in the last general rate case proceeding to
6 \$1,678 million in the HBP. Piedmont's actual utility plant in service
7 balance at end of the HBP was \$1,774 million compared to \$1,566 at
8 the start of the HBP, reflecting an increase of \$156 million over calendar
9 year 2022.³

10 **Q. What was the nature of Piedmont's capital investments in 2022 and**
11 **why were they necessary?**

12 A. Piedmont's completed projects that were placed into service during
13 2022 resulted in utility plant asset additions during 2022 totaling nearly
14 \$165 million. These utility plant additions came from 157 distinct
15 capital funding projects supporting the Company's natural gas
16 operations in Tennessee. The majority of these projects were
17 undertaken in support of the Company's continuing ability to (1)
18 maintain and expand its gas distribution system in Tennessee for the
19 benefit of its customers in order to accommodate system growth and
20 service reliability; and (2) comply with ongoing federal pipeline safety
21 and integrity requirements.

³ This approximate \$156 million increase in Piedmont's Tennessee utility plant in service balance during 2022 is comprised of approximately \$165 million in utility plant additions during 2022, less approximately \$9 million in utility plant retirements during 2022.

1 With respect to the former factor, Piedmont's total completed
2 capital investments in 2022 to accommodate system growth and
3 continuing service reliability in Tennessee constituted over \$110 million
4 (67%) of the \$165 million in utility plant additions during 2022.
5 Piedmont's largest capital project completed in 2022 was the Franklin
6 Pike Loop Project, which supports the continuing delivery of adequate
7 supply and system pressure to the fast-growing area of South-Central
8 Nashville. The utility plant addition in 2022 from this project alone was
9 approximately \$34 million. Absent this capital investment, system
10 pressures in this area would have continued to decline, leading to an
11 erosion of service reliability to customers.

12 With respect to the latter factor, Piedmont's total completed
13 capital investments in 2022 to comply with federal pipeline safety and
14 integrity requirements in Tennessee constituted approximately \$41
15 million (25%) of the \$165 million in utility plant additions during 2022.
16 Piedmont's second largest capital project completed in 2022 was the
17 Line 469 Replacement Project, undertaken as part of Piedmont's
18 Transmission Integrity Management Program. The utility plant addition
19 in 2022 from this project alone was approximately \$32 million. New
20 Line 469 was installed to allow for the downgrade of Piedmont's oldest
21 transmission line in Tennessee (Line 308, which was installed in 1950
22 in the area immediately north of downtown Nashville) to distribution
23 pressures in conformity with current federal pipeline safety

1 requirements.

2 The completion of both of these projects, and other such projects
3 in 2022 aggregately comprising approximately \$151 million (92%) of
4 the \$165 million in utility plant additions during 2022, supported the
5 delivery of adequate system pressures and the Company's continued
6 provision of safe and reliable natural gas service, even during the cold
7 weather event of Winter Storm Elliott when no Piedmont customers
8 experienced interruptions or curtailments of natural gas service. The
9 remaining approximate \$13 million (8%) of the \$165 million in utility
10 plant additions during 2022 resulted from the Company's need to
11 relocate certain existing Piedmont assets in Tennessee pursuant to
12 government projects in the area (e.g., government road widening
13 activities in Piedmont's service territory) and other drivers.

14 **Q. Are there any other subjects related to Piedmont's ongoing**
15 **provision of natural gas sales and transportation service to its**
16 **Tennessee customers that you would like to discuss?**

17 A. Yes. I would like to briefly mention that Piedmont is undertaking steps
18 to eliminate methane leakage from its operations and facilities.
19 Excellent environmental stewardship is critical to the ongoing success
20 of Piedmont and the natural gas industry, and Piedmont's goal to reach
21 a net-zero methane emission level on its system by 2030 reflects its
22 commitment to the environment. Further, the Company's 2050 net-zero
23 environmental goal includes carbon emissions related to Piedmont's

1 suppliers and our customers.

2 **Q. Has Piedmont incurred and deferred environmental cleanup and**
3 **remediation costs since its last general rate case proceeding,**
4 **pursuant to the authority granted to Piedmont in Commission**
5 **Order dated December 21, 1992, in Docket No. 92-16160?**

6 A. Yes. For many years, Piedmont has incurred and deferred costs related
7 to the remediation of the former Nashville Gas Company manufactured
8 gas plant located at 800 2nd Ave North in Nashville (“former Nashville
9 MGP Site” or “Site”). These remediation costs continue to be ongoing.
10 The former Nashville MGP Site was operated at that location from
11 roughly 1851 through 1946. Piedmont understands past MGP
12 operations there have impacted soil and groundwater quality at the Site
13 based on findings from environmental investigations, and Piedmont has
14 reported the findings to the Tennessee Department of Environment and
15 Conservation’s (“TDEC”) Division of Remediation (“DOR”). As
16 discussed in the testimony of witness Goley, the incremental deferred
17 environmental costs for which the Company seeks amortized recovery
18 in this proceeding through updated Base Margin Rates is \$1,005,910.
19 This amount is comprised of the following:

- 20 • Regulatory fees associated with Piedmont’s participation in the
21 TDEC’s Voluntary Cleanup, Oversight and Assistance Program
22 (“VOAP”). Piedmont submitted an application to DOR
23 requesting that the Site be entered into the VOAP with the goal

1 of completing Site characterization, designing and
2 implementing an appropriate and effective remedial strategy to
3 address Site impacts, and ultimately achieving Site Closure and
4 receiving a No Further Action Letter from TDEC. The DOR
5 accepted the Site into the VOAP in May 2021. The DOR
6 routinely submits invoices to Piedmont for performing its VOAP
7 functions in accordance with a posted fee structure.

- 8 • Environmental consultant fees and costs for ongoing regulatory
9 and technical support functions and performing a remedial
10 investigation (“RI”) at the Site under the oversight of the DOR.
11 The RI was conducted by Piedmont’s consultant, ERM of
12 Nashville, TN. ERM’s invoices include subcontractors utilized
13 during the RI, such as a licensed environmental drilling
14 company for advancing soil borings and installing groundwater
15 monitoring wells. ERM prepared reports that were submitted to
16 the DOR, summarizing RI activities and results.
- 17 • Pace Analytical Services fees for certified-laboratory analysis of
18 environmental samples collected during the RI.
- 19 • Waste Management fees for proper management of wastes
20 generated during the RI, including transport to a permitted
21 disposal facility.

22 **Q. Do you have anything further to add to your testimony?**

23 **A.** No, not at this time. Thank you.