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August 18, 2023

VIA ELECTRONIC MAIL and U.S. MAIL

Mr. David Jones, Chairman
c/o Ectory Lawless
Tennessee Public Utility Commission
502 Deaderick Street, Fourth Floor
Nashville, Tennessee 37243

**Re: Petition of Piedmont Natural Gas Company, Inc. For Approval of its
2023 Annual Review of Rates Mechanism Pursuant to Tenn. Code
Ann. § 65-5-103(d)(6)
Docket No. 23-00035**

Dear Chairman Jones:

Pursuant to the Joint Procedural Schedule, enclosed please find for filing the original and four copies of Piedmont Natural Gas Company, Inc.'s Rebuttal Testimony of Kally Couzens and Keith Goley, which will be sent via U.S. Mail.

This material is also being filed today by way of email to the Commission's docket manager, Ectory Lawless. Please file the original and provide a "filed" stamped copy of same via email.

If you have any questions regarding this letter, you may reach me at the number shown above.

Sincerely yours,

HOLLAND & KNIGHT LLP



Paul S. Davidson
Equity Partner

PSD:jv

Mr. David Jones, Chairman
August 18, 2023
Page 2

cc: Pia Powers
Brian
Heslin
James H. Jeffries IV
Brian Franklin
Kelly Cashman-
Grams Michelle
Mairs
David Foster
Karen
Stachowski
Victoria Glover

**Before the
Tennessee Public Utility Commission**

Docket No. 23-00035

2023 Annual ARM Filing

**Rebuttal Testimony
of
Kally Couzens**

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



August 18, 2023

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

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

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

5 A. I am Manager of Rates & Regulatory Strategy for Piedmont Natural Gas
6 Company, Inc. (“Piedmont” or the “Company”).

7 **Q. Have you previously testified in this proceeding?**

8 A. Yes, I filed Direct Testimony in this proceeding, Tennessee Public
9 Utility Commission (“TPUC”) Docket No. 23-00035, Piedmont’s
10 Petition for Approval of its 2023 Annual Review of Rates Mechanism
11 Pursuant to Tenn. Code Ann. § 65-5-103(d)(6) (“2023 Annual ARM
12 filing”), on May 19, 2023.

13 **Q. What is the purpose of your Rebuttal Testimony in this proceeding?**

14 A. The purpose of my Rebuttal Testimony is to respond to certain matters
15 raised in the Direct Testimony of the Consumer Advocate Division of
16 the Office of the Tennessee Attorney General’s (“Consumer Advocate”)
17 witness David N. Dittmore, filed in this proceeding on August 2, 2023.

18 **Q. What matters raised in witness Dittmore’s testimony will you**
19 **address?**

20 A. Specifically, I will address the concerns and recommendations related
21 to the following operating expense topics that witness Dittmore raised
22 in his testimony: (1) consulting costs; (2) corporate-owned aircraft

1 expense; (3) labor and lobbying-related expenses; (4) additional labor
2 and lobbying-related expenses; and (5) environmental costs.

3 **Q. What Operating Expense recommendation did witness Dittmore**
4 **make regarding consulting costs, and what was his rationale?**

5 A. Witness Dittmore made an additional adjustment removing \$378,334
6 of operations and maintenance expense allocated to Piedmont's
7 Tennessee service territory during the HBP related to Outside Services.¹
8 His rationale is that Piedmont and its parent organization Duke Energy
9 Corporation ("Duke Energy") could have identified cost-saving
10 opportunities without the use of a third-party consultant. Additionally,
11 he stated that there was no evidence that cost savings were produced.

12 **Q. Do you agree with his recommendation?**

13 A. No, I do not. Piedmont's inclusion in its 2023 Annual ARM filing of
14 expenses related to outside consulting services is consistent with this
15 Commission's treatment of such expenses in Piedmont's last general
16 rate case in the Commission's 2020 Rate Case Order in TPUC Docket
17 No. 20-00086. This type of expense is not unusual, and seeking and
18 identifying cost savings is ultimately a prudent action that benefits
19 customers.

20 These consulting expenses represent a collaborative approach
21 between Duke Energy and McKinsey & Company ("McKinsey")

¹ Dittmore Direct Testimony, pp. 10, lines 17 – 22; pp. 11, lines 1 – 19.

1 involving Duke Energy's supply chain personnel and business unit
2 subject matter experts ("SME") to identify areas across the enterprise
3 where costs can be reduced. McKinsey's involvement in this effort
4 provided an unbiased view of the market, utility best practices, and
5 business analytical support to review third-party spending to assist in
6 reducing costs.

7 Witness Dittmore cites no statutory or TPUC rule-based
8 authority as a basis for why Piedmont's use of an outside consultant to
9 help identify and cut costs is improper, non-compliant, or incorrect. As
10 a result of the foregoing, I disagree with witness Dittmore's
11 recommendation to remove these consulting services costs.

12 **Q. What Operating Expense recommendation did witness Dittmore**
13 **make regarding corporate-owned aircrafts expenses, and what was**
14 **his rationale?**

15 A. Witness Dittmore made an additional adjustment to reduce Operating
16 Expense by \$231,115 in the HBP, based on the rationale that the costs
17 of corporate aircraft ownership and operation are expensive and are not
18 the least cost method of executive travel.²

19 **Q. Do you agree with his recommendation?**

20 A. No, I do not. Piedmont's inclusion in its 2023 Annual ARM filing of
21 the actual costs incurred for its corporate aircraft ownership and

² Dittmore Direct Testimony, pp. 11, lines 20 – 21; pp. 12, lines 1 – 21; pp. 13, lines 1 – 2.

1 utilization is consistent with the treatment provided to Piedmont in its
2 last general rate case in TPUC Docket No. 20-00086. This type of cost,
3 which Piedmont has incurred since at least 2017, was part of the
4 approved cost-of-service in the Company's last rate case wherein
5 neither the Commission nor the Consumer Advocate raised an
6 imprudence contention or a disallowance issue in the record. To the
7 extent that witness Dittmore recommends removal of \$231,115 in the
8 HBP for those costs, I disagree with his recommendation.

9 **Q. What Operating Expense recommendation did witness Dittmore**
10 **make regarding reclassification of labor and related lobbying**
11 **expenses, and what was his rationale?**

12 A. Witness Dittmore made an additional adjustment to reduce HBP
13 Operating Expense by \$134,795 for labor and related lobbying
14 expenses.³ His rationale for this proposed disallowance was that while
15 Piedmont already books 42% of the Government Relations Director's
16 costs to a below-the-line account for purposes of computing the ARM
17 revenue requirement deficiency, he believes, based on job descriptions
18 that he reviewed, that Piedmont should assign 90% of the amount of
19 those costs to lobbying.

20 **Q. Do you agree with his recommendation?**

21 A. No, I do not. This adjustment is incorrect, as Piedmont's 2023 ARM

³ Dittmore Direct Testimony, pp. 13 lines 3 – 26; pp. 14, lines 1 – 22, pp. 15, lines 1 – 29, pp. 16, lines 1 – 2.

1 filing already excludes 100% of this lobbying expense, as it is discrete,
2 identifiable, and consistent with Tenn. Code Ann. § 3-6-301(15)(A).

3 **Q. Did witness Dittmore make any other recommendation regarding**
4 **reclassification of labor and related lobbying expenses? If so, what**
5 **was his rationale?**

6 A. Yes. Witness Dittmore made an adjustment to reduce HBP Operating
7 Expense by another \$14,511 based on the rationale that corporate
8 employees perform their duties with interaction and direction from
9 supervisors, and, therefore, it is appropriate that Piedmont assign a
10 portion of the supervisors' compensation expenses to the lobbying
11 function.⁴ In making this recommendation, he assumed a lobbying
12 oversight percentage of 10% of the supervisors' Tennessee-allocated
13 compensation and benefits.

14 **Q. Do you agree with his recommendation?**

15 A. No, I do not. This adjustment is inappropriate since, as I previously
16 stated, Piedmont's 2023 ARM filing already excludes 100% of this
17 lobbying expense, as it is discrete, identifiable, and consistent with
18 Tenn. Code Ann. § 3-6-301(15)(A). Additionally, witness Dittmore
19 provides no discernible explanation for how he arrived at an assumption
20 of a 10% lobbying oversight percentage. As a result, I disagree with
21 this recommendation.

⁴ Dittmore Direct Testimony, pp. 16. lines 3 – 18; pp. 17, lines 1 – 9.

1 **Q. What Operating Expense recommendation did witness Dittmore**
2 **make regarding environmental expenses that he believes the**
3 **Commission has not yet addressed, and what was his rationale?**

4 A. Witness Dittmore made an additional adjustment to reduce Operating
5 Expense by \$335,303 in the Annual Base Rate Reset.⁵ His rationale for
6 the reduction was that Piedmont did not provide evidence that it has
7 pursued recovery of these costs from insurance companies or their
8 successors.

9 **Q. Do you agree with his recommendation?**

10 A. No, I do not. The incremental costs in question that Piedmont seeks to
11 recover in this proceeding relate to the ongoing monitoring costs
12 associated with legacy manufactured gas plant (“MGP”) sites, which are
13 no different than many of the deferred environmental costs addressed
14 and approved for recovery in Piedmont’s last general rate case in TPUC
15 Docket No. 20-00086. Piedmont engaged in a comprehensive review
16 of potential insurance coverages that might have been available to cover
17 MGP expense many years ago, utilizing a law firm that specialized in
18 MGP coverage insurance disputes, and ultimately did not obtain a
19 specific opinion relative to insurance coverage for potential liability
20 concerning the MGP’s of its predecessor in Tennessee, the Nashville
21 Gas Company. As a result, I wholly disagree with this recommendation.

⁵ Dittmore Direct Testimony, pp. 17, lines 10 – 21; pp. 18, lines 1 – 8.

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

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

**Before the
Tennessee Public Utility Commission**

Docket No. 23-00035

2023 Annual ARM Filing

**Rebuttal Testimony
of
Keith Goley**

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



August 18, 2023

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

2 A. My name is Keith Goley. 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 a Senior Rates and Regulatory Strategy Analyst for Piedmont
6 Natural Gas Company, Inc. (“Piedmont” or the “Company”).

7 **Q. Have you previously testified in this proceeding?**

8 A. Yes, I filed Direct Testimony in this proceeding, Tennessee Public
9 Utility Commission (“TPUC”) Docket No. 23-00035, Piedmont’s
10 Petition for Approval of its 2023 Annual Review of Rates Mechanism
11 Pursuant to Tenn. Code Ann. § 65-5-103(d)(6) (“2023 Annual ARM
12 filing”), on May 19, 2023.

13 **Q. What is the purpose of your Rebuttal Testimony in this proceeding?**

14 A. The purpose of my Rebuttal Testimony is to respond to certain matters
15 raised in the Direct Testimony of the Consumer Advocate Division of
16 the Office of the Tennessee Attorney General’s (“Consumer Advocate”)
17 witness David N. Dittmore, filed in this proceeding on August 2, 2023.

18 **Q. What matters raised in witness Dittmore’s testimony will you
19 address?**

20 A. Specifically, I will address the concerns and recommendations related
21 to the following Rate Base topics that witness Dittmore raised in his
22 testimony: (1) Return on Equity (“ROE”) and depreciation expense; (2)
23 Accumulated Deferred Income Tax liability (“ADIT”); and (3)

1 capitalized pension costs. Additionally, I will address concerns and
2 recommendations regarding operating expense related to depreciation.

3 **Q. What Rate Base recommendation did witness Dittmore make**
4 **regarding ROE and depreciation expense, and what was his**
5 **rationale?**

6 A. Witness Dittmore made an adjustment to reduce Rate Base by
7 \$3,339,960 in order to remove the impact of ROE and depreciation
8 expense from the cash working capital (“CWC”) computation.¹ His
9 rationale for removing these items is that they are non-cash items that
10 do not belong in a CWC calculation.

11 **Q. Do you agree with his recommendation?**

12 A. No, I do not. Piedmont’s computation of CWC in its 2023 Annual ARM
13 filing includes ROE and depreciation expense as prescribed by
14 Piedmont’s ARM Tariff as shown in Piedmont’s ARM filing Schedules
15 #3A, #4A and #4B, which is consistent with the manner in which the
16 Company computed CWC in its last rate case in TPUC Docket No. 20-
17 00086. In fact, the Consumer Advocate’s proposed working capital
18 expense lag in that docket clearly included both of these items with 0.00
19 lag days.² Piedmont’s application in that rate case also presented both
20 of these items with 0.00 lag days. Therefore, there was no disagreement
21 between the parties on this matter in the Company’s last rate case, and

¹ Dittmore Direct Testimony, pp. 6. lines 7 – 22, and pp. 7, lines 1 – 11.

² See Consumer Advocate Exhibit Schedule 5, filed on November 30, 2020, in TPUC Docket No. 20-00086.

1 ultimately, the approved settlement agreement between the parties in
2 that proceeding included both of these items in the lead-lag computation
3 with 0.00 lag days.³ As a result, Piedmont opposes witness Dittimore's
4 removal of ROE and depreciation expense from the calculation, since
5 doing so would also require the removal of the revenues that match the
6 dollar amount of these adjustments, resulting in Piedmont forfeiting the
7 CWC associated with the revenues that match the amount of these
8 adjustments.

9 In addition, the items referred to as non-cash by witness
10 Dittimore do involve cash outages, with some occurring in earlier years
11 and others in the future. For example, depreciation expense represents
12 the recovery of cash spent in the past to purchase utility plant assets
13 included in rate base. All the revenues and expenses that equal the cost
14 of service relate to cash receipts or disbursements at some point in time
15 and should be accounted for in the CWC calculation. In addition, the
16 exclusion of these items referred to as non-cash items in the CWC
17 computations would create an inconsistently determined revenue
18 requirement since the other rate base components, all operating
19 revenues, expenses, and return used in the calculation of the revenue
20 requirement are developed on an accrual basis.

21 Based on this logic, the CWC calculation should not exclude the

³ See Settlement Attachment B, Schedule 5 from the Stipulation And Settlement Agreement filed on February 2, 2021, in Docket No. 20-00086.

1 items referred to as non-cash expenses and the related revenues. In fact,
2 witness Dittmore made a similar adjustment recommendation in Atmos
3 Energy Corporation's 2022 Annual Rate Review Mechanism filing in
4 TPUC Docket No. 22-00010, and the Commission declined to adopt his
5 analysis after a fully litigated hearing on the merits.⁴ Piedmont
6 respectfully submits that the Commission should do the same here.
7 Accordingly, Piedmont maintains its request that the Commission allow
8 it to calculate CWC based on the methodology submitted in its 2023
9 Annual ARM filing, where it is calculated based on all revenues,
10 expenses, and return included in the final proposed revenue
11 requirements.

12 **Q. What Rate Base adjustment recommendation did witness**
13 **Dittmore make regarding ADIT, and what was his rationale?**

14 A. Witness Dittmore made an additional adjustment to reduce Rate Base
15 by \$1,505,250 to synchronize the components of ADIT with the related
16 treatment of such items in the calculation of Operating Income.⁵
17 Witness Dittmore subsequently amended his adjustment to reduce Rate
18 Base by \$1,072,070 in the filing made in this proceeding on August 14,
19 2023.⁶

⁴ See TPUC Order Approving 2022 Annual Rate Review Filing as Revised in Rebuttal Testimony, September 14, 2022, at 5-8, 10-12.

⁵ Dittmore Direct Testimony, pp. 7, lines 12 - 21; pp. 8, lines 1 - 17.

⁶ Consumer Advocate's Responses to Piedmont Discovery Requests, pg. 2 through 5.

1 **Q. Do you agree with his amended recommendation?**

2 A. I partially agree with the amended adjustment. ARM filing Schedule
3 No.18 shows that Piedmont computed and recorded its adjustment to
4 remove 100% of pension and OPEB costs from the historic base period
5 (“HBP”) ADIT balance in accordance with generally accepted
6 accounting principles. The same schedule also showed an adjustment
7 for 100% of long-term incentive plan (“LTIP”) compensation and 50%
8 of short-term incentive plan (“STIP”) compensation to the HBP ADIT
9 balance. This adjusted ADIT balance flowed through to the calculation
10 of Rate Base shown on ARM filing Schedules No.1 and No.2. The
11 actual amount of pension and OPEB in Piedmont’s ADIT balance that
12 Piedmont removed for the HBP Reconciliation computation was
13 \$3,301,193, along with removing \$158,641 of incentive compensation.
14 The actual amount of pension and OPEB in Piedmont’s ADIT balance
15 that Piedmont removed for the Annual Base Rate Reset computation
16 was \$4,514,334, along with removing \$227,571 of incentive
17 compensation.

18 Piedmont’s 2023 Annual ARM filing included these
19 adjustments to the HBP ADIT balance, among other adjustments to
20 ADIT that are prescribed by Piedmont’s ARM Tariff and shown in
21 Piedmont’s ARM filing Schedule No. 18. Piedmont inadvertently failed
22 to remove the ADIT costs for Retirement Plan Underfunding of

1 (\$40,292), and thus, I agree with this portion of the amended adjustment
2 recommended by witness Dittmore. Piedmont should have removed
3 this amount in its adjustment since this component of ADIT is related
4 to Pension Costs. Adding this adjustment to Piedmont's ARM filing
5 Schedule No. 18 results in an updated amount of pension and OPEB in
6 ADIT removed for the HBP Reconciliation computation of \$3,332,186,
7 and the updated amount of pension and OPEB in ADIT removed for the
8 Annual Base Rate Reset computation of \$4,578,113.

9 Piedmont believes the remaining two components of witness
10 Dittmore's amended adjustment are inappropriate. The two
11 components are 1) Deferred Environmental Costs in the amount of
12 \$928,370; and 2) Financial Accounting Standards ("FAS") 112 Medical
13 Expense Costs in the amount of \$183,991. I do not agree with the
14 adjustment related to Deferred Environmental Costs because I do not
15 agree with the corresponding operating expense adjustment for the
16 reasons discussed later in my testimony. I do not agree with the
17 adjustment related to FAS 112 Medical Expense Costs because this
18 component of ADIT is related not to pension or OPEB costs, but rather,
19 to Long Term Disability Costs for active employees.

20 **Q. What Rate Base adjustment recommendation did witness**
21 **Dittmore make regarding capitalized pension costs included in**
22 **Utility Plant in Service, and what was his rationale?**

23 **A.** Witness Dittmore made an additional adjustment to reduce Rate Base

1 by \$2,126,188 for capitalized pension costs included in Utility Plant in
2 Service based on the incorrect assumption that Piedmont had not made
3 this adjustment to Rate Base in its 2023 Annual ARM filing. Witness
4 Dittmore withdrew this adjustment in the filing made in this
5 proceeding on August 14, 2023.⁷

6 **Q. Do you agree with his recommendation?**

7 A. I agree this adjustment should be withdrawn. Piedmont believes this
8 adjustment is inappropriate because Piedmont's 2023 Annual ARM
9 filing already removed 100% of capitalized pension and OPEB charges
10 from Rate Base, consistent with Piedmont's ARM Tariff. Specifically,
11 as noted on page 4 of my Direct Testimony, Piedmont adjusted the 13-
12 month average of actual per books CWIP balances over the period
13 ended December 31, 2022, by (\$450,727) to exclude 50% of actual
14 STIP costs, 100% of actual LTIP costs, and 100% of actual pension
15 and OPEB costs recorded to CWIP for the HBP reconciliation. In
16 addition, as noted on page 13 and 14 of my Direct Testimony, Piedmont
17 adjusted the HBP balance of CWIP by \$8,333,705 to reflect the CWIP
18 balance on December 31, 2022, excluding 50% of actual STIP costs,
19 100% of actual LTIP costs, and 100% of actual pension/OPEB costs
20 recorded during the HBP. As a result, witness Dittmore's adjustment
21 is unfounded.

⁷ Consumer Advocate's Responses to Piedmont Discovery Requests, pg. 2 - 5.

1 **Q. Describe how Piedmont determined the amount of Pension and**
2 **OPEB costs to remove from CWIP?**

3 A. Piedmont queried all general ledger transactions for pension and OPEB
4 costs recorded on Piedmont's books during the HBP. Piedmont applied
5 the appropriate allocation factor to these transactions to determine the
6 total pension and OPEB costs charged to Tennessee operations during
7 the HPB. The portion of these allocated pension and OPEB costs that
8 were recorded to O&M expense during the HPB were removed in ARM
9 Schedule No. 36, and the portion of these pension and OPEB costs
10 charged to CWIP during the HBP were removed in ARM Schedule No.
11 15.

12 **Q. In witness Dittimore's response to Piedmont's discovery request**
13 **No. 1-02,⁸ Mr. Dittimore makes the following statement: "The**
14 **Consumer Advocate maintains that it is unclear whether the**
15 **Company has excluded the appropriate amount of capitalized**
16 **OPEB costs within Schedule 15 and 15.1 based upon the FAS 112**
17 **costs provided in Attachment 2.2 of the Company's Response to the**
18 **Consumer Advocate's DR No. 2-2." Would you like to address**
19 **witness Dittimore's comment?**

20 A. Yes. The FAS 112 costs that witness Dittimore is referring to are Long
21 Term Disability costs for active, non-retired employees. FAS 112 costs

⁸ Consumer Advocate's Responses to Piedmont Discovery Requests, pg. 2 through 5.

1 are separate and distinct from OPEB costs. As such, Piedmont's
2 calculation of the capitalized pension and OPEB adjustment as reflected
3 in Piedmont's ARM filing Schedule No. 15 and No. 15.1 properly
4 excluded amounts related to FAS 112.

5 **Q. Turning now to his Operating Expense recommendations, which of**
6 **those recommendations did witness Dittmore make regarding**
7 **depreciation expense, and what was his rationale?**

8 A. Regarding his Operating Expense recommendations, witness Dittmore
9 made an adjustment to reduce depreciation expense by \$43,903 during
10 the HBP.⁹ His rationale for this adjustment was that Piedmont should
11 directly assign work trucks and sport utility vehicles on its books to
12 other jurisdictions.

13 **Q. Do you agree with his recommendation?**

14 A. I agree that witness Dittmore has a valid argument in that these vehicles
15 that are recorded on Piedmont's books in Utility Plant in Service to a
16 three-state business unit should potentially be transferred to the business
17 unit in which the asset is physically located and therefore do not object
18 to this adjustment. Piedmont continues to investigate this matter.
19 However, it should be noted that Piedmont's inclusion in its 2023
20 Annual ARM filing of the depreciation expense related to work trucks
21 and sports utility vehicles is consistent with this Commission's

⁹ Dittmore Direct Testimony, pg. 10. Lines 6 through 16.

1 treatment of such expenses in Piedmont's last general rate case in TPUC
2 Docket No. 20-00086. In that case, neither the Commission nor the
3 Consumer Advocate raised an imprudence contention or a disallowance
4 issue regarding such depreciation expenses, nor was this issue carved
5 out as an unresolved issue in the 2020 Rate Case Settlement Agreement
6 that the Commission adopted.

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

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