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August 21, 2023

VIA ELECTRONIC MAIL

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 in the above-referenced docket, enclosed please find for filing the original and four copies of Piedmont Natural Gas Company, Inc.'s ("Piedmont" or the "Company") Settlement Testimony of Kally Couzens in support of the Stipulation and Settlement Agreement filed earlier today by the Consumer Advocate Division, Office of the Tennessee Attorney General.

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. As per TPUC's request, we will also file via U.S. mail the original and four copies to TPUC's office for filing of same.

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 21, 2023
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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

**Settlement Testimony
of
Kally Couzens**

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



August 21, 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 the Manager of Rates & Regulatory Strategy for Piedmont Natural
6 Gas Company, Inc. (“Piedmont” or the “Company”).

7 **Q. Are you the same Kally Couzens that filed direct and rebuttal**
8 **testimony in support of Piedmont’s position in this proceeding?**

9 A. Yes.

10 **Q. What is the purpose of your Settlement Testimony in this**
11 **proceeding?**

12 A. The purpose of my Settlement Testimony is to describe and support the
13 Stipulation and Settlement Agreement (“Settlement Agreement”)
14 between Piedmont and the Consumer Advocate Division of the Office
15 of the Tennessee Attorney General (“Consumer Advocate”) in
16 Tennessee Public Utility Commission (“TPUC” or the “Commission”)
17 Docket No. 23-00035 (“Present Docket”) pertaining to Piedmont’s 2023
18 Annual ARM Filing and rate increase filed by the Company on May
19 19, 2023.

20 **Q. How did this settlement come about?**

21 A. In the Present Docket, Piedmont and the Consumer Advocate engaged
22 in extensive formal and informal discovery and met multiple times by
23 video conference and phone call to discuss the calculations and

1 documentation presented in the Company's May 19, 2023 filing in the
2 Present Docket. As detailed by the Settlement Agreement, the Present
3 Docket is Piedmont's first annual rate review filing, and the Consumer
4 Advocate diligently investigated the underlying documentation
5 supporting the Company's request. Collaboratively, Piedmont agreed
6 to several sets of additional informal discovery over and above that
7 authorized by the Commission's scheduling order without hesitation in
8 order for the Consumer Advocate to complete its investigation.

9 Following this process, beginning in early August after the
10 Consumer Advocate's submission of the Direct Testimony of David N.
11 Dittemore on August 2nd, the Consumer Advocate and Piedmont began
12 discussions regarding the possible parameters of a settlement of this
13 matter. Those discussions continued for approximately two weeks and
14 involved the examination, discussion and ultimate resolution of all the
15 issues raised in the Direct Testimony of Consumer Advocate witness
16 Dittemore.

17 **Q. Can you describe the terms of the Settlement reached with the**
18 **Consumer Advocate?**

19 A. Yes. Following the Company's approved ARM Tariff, the Petition
20 requested an increase in rates effective October 1 for the HBP
21 Reconciliation, which reflected a revenue deficiency, , including
22 carrying costs, of \$11,699,131. It also requested an increase in rates
23 effective Oct be 1 for the Annual Base Rate Reset Revenue Requirement

1 Deficiency of \$29,861,596. Taken together, these deficiencies total
2 \$41,560,727, representing an increase of 25.2% in Piedmont's rates
3 over the next year. In witness Dittmore's Direct Testimony on behalf
4 of the Consumer Advocate, he recommended the Commission approve
5 a smaller revenue deficiency of \$10,202,856 for the HBP
6 Reconciliation, along with a smaller base rate increase of \$28,139,496
7 for the Annual Base Rate Reset. Taken together, witness Dittmore's
8 adjustment represented an increase of 23.3% in Piedmont's rates over
9 the next year.

10 The Settlement, as detailed below, calls for recovery through
11 ARM Rider Rates of the HBP Revenue Requirement Deficiency,
12 including carrying costs, of \$10,996,205, and an increase in base rates
13 of \$29,212,489 for the Annual Base Rate Reset. Taken together, this
14 results in a total increase of \$40,208,694, which represents an overall
15 increase of 24.4% in Piedmont's rates over the next year. The terms of
16 the Settlement reflect the Parties' agreement as to the following¹:

- 17 • Settlement Revenue Requirement Adjustments and commensurate
18 methodology in order to resolve this matter without litigation, while
19 also reserving their respective rights regarding this issue in future
20 ARM proceedings.

¹ For a more detailed recounting of the terms of the Settlement Agreement, please refer to the actual Settlement Agreement itself, including but not limited to, any attachments and exhibits, or any prior testimony, attachments, exhibits or other related proceedings incorporated by reference.

- 1 • A total HBP Reconciliation and Annual Rate Reset Operating
2 Expense Adjustment reducing depreciation expenses by \$91,106 for
3 certain utility vehicles in order to resolve this matter without
4 litigation, while also reserving their respective rights regarding this
5 issue in future ARM proceedings.
- 6 • A total HBP Reconciliation and Annual Rate Reset Operating
7 Expense Adjustment reducing the non-utility patrol aviation costs
8 by \$479,604, excluding corporate-owned aircraft charges, offsetting
9 such amounts by utility patrol costs, and imputing commercial
10 airline costs applied to flights taken by Piedmont employees in the
11 HBP.
- 12 • An adjustment regarding the reclassification of labor and related
13 expenses to direct lobbying expenses, including a seventy-five
14 (75%) exclusion of both labor expenses as well as the Company's
15 leased downtown office costs and employment taxes and benefits,
16 and applying this percentage to the revenue requirement
17 computation both in the 2023 ARM Docket and to future Piedmont
18 ARM proceedings.
- 19 • An adjustment regarding the reclassification of labor and related
20 expenses to indirect lobbying expenses, including a five percent
21 (5%) exclusion of supervisory labor expenses allocated to
22 Piedmont's Tennessee jurisdiction and employment taxes and

1 benefits, and applying to the revenue requirement computation in
2 the 2023 ARM Docket and to future Piedmont ARM proceedings.

- 3 • A total HBP Reconciliation and Annual Rate Reset Operating
4 Expense Adjustment modifying the ADIT for capitalized
5 pension/OPEB, incentive compensation, and deferred
6 environmental costs by \$8,175.
- 7 • A total HBP Reconciliation and Annual Rate Reset Rate Base
8 Adjustment regarding Cash Working Capital (“CWC”) that
9 excludes the impacts of Return on Equity (“ROE”) and Depreciation
10 Expenses from the CWC calculation, reduces the total HBP and
11 Annual Rate Reset amount by \$583,627, and acknowledges that
12 Piedmont will implement the proposed methodology as articulated
13 in witness Dittmore’s Direct Testimony in its future Annual ARM
14 Filings.
- 15 • Specific steps Piedmont must demonstrate in its next ARM filing
16 that it has taken to control costs should it seek an overall revenue
17 increase of 10% or more.
- 18 • A quantification by Piedmont of the annualized level and timing of
19 revenue generated associated with capital expenditures related to
20 “growth” incurred in the 2023 ARM Docket in its next ARM filing.
- 21 • Meeting within three calendar months after TPUC approval of this
22 Settlement Agreement regarding the assignment of a reasonable pro-

1 rata level of marketing-related labor associated with non-
2 recoverable advertising in Piedmont's future annual ARM filing.

- 3 • Piedmont will address implications of state tax rate changes on the
4 balance of accumulated deferred income taxes assigned to
5 Tennessee operations in its next ARM filing and will hold
6 Tennessee customers harmless from any such accounting entries
7 associated with this issue made in 2022 and 2023 to date.

8 **Q. What would have been the bill impact to customers from the ARM**
9 **Petition as requested?**

10 A. The annual bill impact to the average residential customer from the
11 Company's 2023 Annual ARM Filing, as requested absent the
12 Settlement Agreement, is an increase of approximately \$137.

13 **Q. What will now be the bill impact to customers as a result of the**
14 **Settlement Agreement, if approved by the TPUC?**

15 A. The Settlement Agreement, if approved by the Commission, yields an
16 annual bill impact to the average residential customer of approximately
17 \$132 (or an average levelized monthly increase of \$11), which is an
18 annual savings of \$5.

19 **Q. What are the drivers of the customer bill impact, and why did**
20 **Piedmont believe it was necessary to undertake the activities that**
21 **impacted the rate increase?**

22 A. As stated in the direct testimony of Piedmont witness Pia K. Powers
23 filed in this Docket on May 19, 2023, while many components of

1 Piedmont's cost of service have changed since the TPUC established
2 Piedmont's current Base Margin Rates in its last general rate case in
3 Docket No. 20-00086, the main driver behind Piedmont underearning
4 its authorized ROE in 2022 is its significant rate base growth well
5 beyond that upon which the TPUC established Piedmont's existing
6 rates. As testified to by witness Powers, Piedmont needed to make
7 substantial capital investments since its last general rate case to maintain
8 and expand its gas distribution system to accommodate system growth
9 and service reliability, and to also comply with ongoing federal pipeline
10 safety and integrity requirements.

11 **Q. Is Piedmont sensitive to the bill impact on its customers of the ARM**
12 **Petition, even as adjusted by the Settlement?**

13 A. Yes. We know that our customers continue to face increased financial
14 pressures from inflation and other economic stressors, and we are
15 sensitive to the bill impacts of rate increases. We will continue to
16 prudently manage the operation of our system, plan for future load
17 growth, comply with federal pipeline integrity and safety requirements,
18 while also trying to mitigate rate increases where possible on behalf of
19 our customers.

20 **Q. Are there any other Piedmont rate changes before the TPUC that**
21 **may, in the near term, mitigate the impacts of this customer bill**
22 **increase?**

1 A. Yes. A fuel-related reduction to Piedmont's Tennessee rates, per the
2 Company's Purchased Gas Adjustment Rider, is proposed to
3 concurrently take effect on October 1, 2023, the same date that the
4 customer bill impact from Piedmont's 2023 ARM Petition goes into
5 effect. The combined annual bill impact to the average residential
6 customer of these rate adjustments, when taken together and if the
7 TPUC approves this Settlement, would be an increase of approximately
8 \$97 (or an average levelized monthly increase of \$8). This combined
9 bill impact would be lower than the singular customer bill impact of the
10 ARM-related adjustment as represented by the Settlement Agreement.

11 **Q. Do you believe the Settlement Agreement meets the public interest**
12 **standard?**

13 A. Yes, I believe that it does. Approval of the Settlement Agreement will
14 benefit Piedmont's customers, the Consumer Advocate, Piedmont, and
15 the Commission, and will generally result in rates that are more
16 reflective of the actual costs incurred by Piedmont and the current
17 revenues being recovered from its customers. Such advantages support
18 the public interest standard.

19 **Q. Does this conclude your Settlement Testimony?**

20 A. Yes, it does. Thank you.