

25-00021

1 **I. WITNESS INTRODUCTION**

2 **Q. Please state your name, title, and business address.**

3 A. I am Paul Leath, Regional Director of Operations, Chattanooga Gas (“Company”
4 or “CGC”). My business address is 2207 Olan Mills Drive, Chattanooga,
5 Tennessee, 37421.

6 **Q. Is Chattanooga Gas a subsidiary of Southern Company Gas?**

7 A. Yes, it is. When Southern Company acquired CGC’s parent company AGL
8 Resources in 2016, the name was changed to Southern Company Gas.

9 **Q. What are your duties and responsibilities for Chattanooga Gas?**

10 I am a resident of Chattanooga, and I am responsible for the day-to-day operation
11 of the utility by the 55 employees we have working in Bradley and Hamilton
12 Counties, including safety, construction and maintenance of the system, and
13 regulatory compliance. Ultimately, it is my responsibility to help ensure that
14 Chattanooga Gas meets our commitment to deliver safe, reliable, and affordable
15 natural gas service to approximately 72,255 customers.

16 **Q. When did you assume responsibility for Chattanooga Gas?**

17 A. I became the Regional Director of Operations in September of 2018.

18 **Q. Please summarize your professional career and education.**

19 A. I have lived and worked in Chattanooga since moving here in July 2012 when I
20 became the Director of External and Regulatory Affairs for CGC, the position I
21 held until assuming my current position. I began my professional career in the
22 United States Army after graduating from Loyola University Maryland in May
23 1989 with a BBA in Finance. During my nine years in the Army, I rose from the

1 rank of second lieutenant to captain, and I served as a logistics officer during my
2 military career. I left the Army in 1998 to go to work with GE in their lighting
3 division, where my primary duties included Manager of Distribution and Logistics.
4 I left GE in 2001 and began my career in the natural gas industry working for
5 Atlanta Gas Light in Macon, GA. While in Macon, I was the Region Operations
6 Manager of South Metro Atlanta and Central Georgia. In 2012, I was asked to
7 move to Chattanooga to serve as the Local Community and Legislative Affairs
8 Representative for the Company. Later, in 2016, I was given additional
9 responsibilities over regulatory affairs, and I became CGC's community contact
10 person.

11 During my time in Chattanooga, I have become very invested in this
12 community that I love. I served on the boards of the Tennessee Chamber,
13 Tennessee Gas Association, and the Chattanooga Area Chamber of Commerce, and
14 I am the Immediate Past Chairman of the Chattanooga Chamber. In addition, I am
15 a graduate of Leadership Chattanooga.

16 Helping to secure the economic future of my community is a passion of
17 mine and the Company's, which supports me in my work. In furtherance of the
18 economic development of the CGC service area, I have served as the Chairman of
19 the Greater Chattanooga Economic Partnership, Vice-Chairman of Economic
20 Development for the Chattanooga Chamber, and I have been a member of the
21 Economic Development Council for Bradley County. I am also a member of the
22 Chattanooga Downtown Rotary Club and I have served on the United Way of
23 Greater Chattanooga's Funds Allocations Committee.

1 **Q. Have you ever testified before this Commission or any other Commission?**

2 A. Yes, I provided testimony in Dockets 20-00049, 21-00048, 23-00029, and 24-0024
3 the Company's 2020, 2021, 2023, and 2024 annual review mechanism or "ARM"
4 dockets, which we resolved without the need for my oral testimony. I also provided
5 testimony in Docket 22-00032, the Company's 2022 ARM Docket, and Docket 20-
6 00131, CGC's pipeline replacement proceeding, which was approved on April 12,
7 2021. Over the last few years, I have also reported to the Commission or the
8 Commission Staff on CGC's annual construction projects budget, pursuant to law.

9 **II. PURPOSE OF TESTIMONY.**

10 **Q. What is the purpose of your direct testimony?**

11 A. I am testifying today to support the Company's overall request for a three-year
12 extension of the pipe replacement program, or PRP as we call it. In that regard, I
13 provide some background on CGC's PRP, information regarding our
14 implementation of the PRP and associated early year investment challenges, and
15 why CGC believes an extension is in the best interest of the ratepayers.

16 **Q. Are you sponsoring any exhibits with your Direct Testimony?**

17 A. No.

18 **Q. Please identify the other CGC witnesses who will be supporting the**
19 **Company's case in this docket.**

20 A. CGC is sponsoring one other witness in this case, Ms. Ashley Vette, who is the
21 Manager of Rates and Tariff Administration at Southern Company Gas. Ms.
22 Vette's testimony addresses the estimated costs of the PRP under the current seven-
23 year implementation schedule and the proposed extension.

1 **III. CASE OVERVIEW.**

2 **Q. Please summarize CGC’s request for extension.**

3 A. CGC is requesting that the Commission approve its request to extend its PRP
4 approved by this Commission on June 2, 2021, by its Order Approving Pipe
5 Replacement Program (“PRP Order”) in Docket No. 20-00131, by three additional
6 years and continue to recover actual costs as they are incurred as part of the
7 Company’s Annual Rate Review Mechanism (“ARM”) approved in Docket No.
8 19-00047, subject to the various modifications that have been made in subsequent
9 years..

10 **Q. Is the Company proposing to increase the budget or cost recovery method for**
11 **the PRP?**

12 A. No. CGC is not by this Petition seeking an increase in the overall budget for the
13 PRP or in the cost recovery method, nor is this Petition seeking any cost recovery.
14 Rather, external pressures, including continued pressure on CGC’s other capital
15 investments that are necessary to support growth and reliability in its service
16 territory, make extending the PRP by three additional years in the best interests of
17 the Company’s ratepayers. This extension will best ensure a balance between long-
18 term safety and reliability with customer affordability.

19 **IV. PIPELINE REPLACEMENT PROGRAM BACKGROUND**

20 **Q. Please provide a high level summary of the CGC pipeline system.**

21 A. The pipeline system used in the distribution of natural gas by CGC to its customers
22 is the culmination of an extensive national pipeline network owned and operated
23 by multiple entities that begins at the well head and ends at the customer’s meter.

1 This natural gas pipeline infrastructure is engineered to last for decades, and the
2 long useful lives of this infrastructure are reflected in long depreciation schedules
3 for most pipeline assets. This is especially important from a customer standpoint
4 since most of the natural gas system is buried underground, and the cost of initially
5 trenching or directionally boring to build out the system can be expensive,
6 especially in established commercial and residential communities. Moreover,
7 replacing aging pipeline systems can be more costly and complicated undertakings,
8 especially since replacements should not unnecessarily interrupt service to
9 customers or otherwise interfere with roadways and other utility infrastructure.

10 **Q. What materials were used in CGC's pipeline system?**

11 A. As pipeline networks have grown over the decades, the manufacturing processes
12 and materials used for those pipelines have also evolved. Over time, this has meant
13 a progression in pipeline materials. CGC's system reflects the use of different
14 pipeline materials over time, from cast iron pipe that was utilized for much of the
15 twentieth century, to various forms of uncoated steel pipe and later coated and
16 cathodically protected steel, to different types of plastic pipe. CGC over the years
17 has generally sought to use cost-effective and appropriate materials and
18 technologies for the construction of its natural gas system.

19 At some point natural gas pipeline infrastructure must be replaced. The
20 materials used in the pipe can naturally break down or decline with age. The
21 interaction of the pipe with moisture and other underground elements, along with
22 the effects of seasonal weather freezing and contractions, can have negative effects
23 over time. Above ground impacts such as vibration caused by roadway or building

1 construction, vehicle weight loading, and trenching or boring by other utilities
2 installing or repairing underground facilities can also impose inadvertent stress or
3 damage to pipes or their coatings. Modern materials and construction practices can
4 prevent or mitigate many of these problems. Further, CGC participates in the
5 Tennessee811 locate program, utilizes various public awareness programs to “call
6 before you dig,” and employs an extensive leak detection program all for the
7 purpose of helping to protect and maintain the integrity of its natural gas pipe
8 system.

9 **Q. Please provide a summary of CGC’s efforts relative to aging infrastructure.**

10 A. Over the last 20 years, CGC has undertaken a significant effort to remove aging
11 infrastructure from its system. Initially, CGC implemented a Bare Steel and Cast
12 Iron Replacement Program that removed and replaced the most at risk pipe in its
13 system. Subsequently, in 2020, CGC in Docket 20-00131 filed a Petition for
14 Approval of its Pipeline Replacement Program, seeking approval of its targeted
15 plan to continue replacement of aging steel and plastic pipeline infrastructure.
16 More specifically, CGC sought approval to replace seventy-three miles of mains
17 over seven years at an estimated cost of \$118 million, with the actual costs incurred
18 each year to be recovered through the Company’s ARM process. The Commission
19 approved the request in the PRP Order on June 2, 2021.

20 **V. REQUEST FOR EXTENSION**

21 **Q. Please describe CGC’s implementation of the PRP thus far.**

22 A. CGC began implementing the PRP in 2022. Unfortunately, some early year
23 program investments were delayed due to numerous external factors, including

1 supply chain issues, permitting issues, higher than anticipated relocation projects
2 required by the Tennessee Department of Transportation and local authorities, and
3 additional capital expenditures required to serve new growth and maintain system
4 stability. As a result, CGC completed replacement of 24.8 miles of the total 73
5 miles from 2022-2024, with a total investment of approximately \$25.9 million of
6 the \$118 million. CGC currently has budgeted to complete 7.6 miles in 2025 at an
7 estimated cost of \$11 million.

8 **Q. Could CGC complete the PRP in the currently-approved timeframe?**

9 A. Yes, but to now complete the entire 73 miles within the original seven-year
10 timeframe, CGC would need to accelerate the number of miles replaced each year,
11 and concomitantly, its PRP investment. Without the requested extension, this
12 accelerated construction schedule in 2026, 2027, and 2028 will place more than
13 half of the new pipe in service in the next three years, at a cumulative estimated
14 cost in excess of \$80 million. As Ms. Vette's testimony explains in more detail,
15 for customers, such a rapid pace of replacement would result in significantly higher
16 rate impacts through 2028 versus what are projected if the PRP is extended for three
17 additional years.

18 **Q. Does any of the pipe you are proposing to replace under your PRP present an**
19 **immediate threat to public safety or danger?**

20 A. No. It is imperative to state that while the pipe CGC proposed and intends to
21 replace via the PRP may be more susceptible to premature leaking issues, this does
22 not mean that CGC's system currently is in imminent danger or that the system is
23 unsafe to operate. Customer safety always remains paramount. Rather, the

1 replacement needs to continue to be done in a reasonable and responsible manner
2 to help ensure the overall operational integrity of the system while ensuring safety,
3 reliability, and affordability. CGC believes that extending the PRP the requested
4 three additional years can be done consistent with operating a safe and reliable
5 system. In the interim, CGC's leak detection program will continue surveying and,
6 as always, CGC will timely address identified leaks as circumstances require and
7 the Company will timely address any problematic pipe sections that require more
8 immediate replacement.

9 **Q. Again, CGC is not requesting an increase in the PRP budget, correct?**

10 A. That is correct. Despite serious inflationary pressures, CGC is not at this time
11 anticipating an increase in the overall \$118 million cost budget of the PRP over the
12 proposed ten-year life of the program and is not seeking approval for the recovery
13 of any costs in this Petition. While there have been significant supply chain and
14 inflationary challenges these last five years, it is a testament to diligence and hard
15 work of the entire CGC team that the Company estimates that the budget for this
16 work will remain the same even as other projects have seen their costs rise. The
17 scheduling of the specific replacement projects allows us to take advantage of
18 grouping segments providing the contractors with consistent work when putting out
19 to bid, resulting in competitive bids. In addition, they can take advantage of the
20 economies of scale.

21 **Q. Does this conclude your direct testimony?**

22 A. Yes.