BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE

May 19, 2025

IN RE:	)	
	)	
CHATTANOOGA GAS COMPANY'S	)	Docket No. 25-00021
PETITION FOR EXTENSION OF ITS	)	
PIPE REPLACEMENT PROGRAM	)	

SUPPLEMENTAL TESTIMONY OF PAUL LEATH

Q. Please state your name, position, and business address.

A. My name is Paul Leath, Regional Director of Operations, Chattanooga Gas Company ("CGC") and Northeast Georgia. My business address is 2207 Olan Mills Drive, Chattanooga, Tennessee, 37421.

Q. Are you the same Paul Leath who previously filed direct testimony in this proceeding?

A. Yes, I am.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide additional context and support for the requested three-year extension. Ms. Vette's supplemental testimony shows the beneficial ratepayer impacts of extending the Pipeline Replacement Program ("PRP") by three years. I would, however, also like to emphasize and provide additional explanation as to how CGC will continue to ensure that customer safety is paramount and will not be compromised under the proposed extended timeframe. In addition, my testimony will provide more detail on how the proposed extension will help us to better manage costs and stay within our original budget for this program. If we do not extend the program by 3 years, there are some significant financial challenges to staying on budget if we have to move forward with an accelerated construction schedule that would place more than half of the 73 miles of PRP pipe in service in the next three years. But I cannot emphasize enough, we are making this recommendation to extend only because we are completely satisfied that the safety and reliability of the CGC system will not be compromised by extending the timeline three more years.

Q. What kind of pipe is used in CGC's system?

A. Over time, the materials used in pipelines has evolved and progressed. CGC's system reflects the use of different materials over time, from cast iron that was utilized for much of the twentieth century, to various forms of uncoated steel pipe, coated and cathodically protected steel, and different types of plastic.

Q. What factors lead to the need to replace pipes?

A. While designed for a long life, at some point all pipeline infrastructure must be replaced. This is a result of a number of factors, including (1) natural decline in materials with age and usage; (2) interaction with moisture and underground elements; (3) seasonal effects of freezing and contracting; (3) natural susceptibilities of some materials—such as iron pipe to graphitization and bare steel pipe to corrosion; and (4) above-ground activities, such as vehicle vibration on roadways and construction projects by third-parties that can cause inadvertent damage. Cumulatively, these factors pose risks of cracks or breaks in pipe that can result in gas leaks.

Q. How does CGC mitigate these risks?

A. Modern materials and construction practices can prevent or mitigate many of these problems. However, CGC also employs an extensive leak detection program, participates in the Tennesee811 locate program, and utilizes various public awareness programs to "call before you dig." In addition, pursuant to federal requirements, we have a Distribution Integrity Management Program ("DIMP") and a Transmission Integrity Management Program ("TIMP") that requires us to remove the most at-risk pipe in a timely manner. Together, these systems enable

us to effectively monitor and manage risks in a safe and reliable manner for our customers

Q. Please provide some background on the pipe identified for replacement in the PRP.

A. Recognizing new information regarding the longevity and reliability of pipeline materials, many natural gas companies, including CGC, began to implement more extensive pipeline replacement programs in the 1990s and 2000s, especially focused on cast and wrought iron as well as bare steel. A 1971 federal directive made coatings for steel pipe mandatory, effectively obsoleting bare steel. Subsequently, in 1991, the National Transportation Safety Board recommended that pipeline operators implement a program to identify and replace cast iron pipe. In 2009, the Pipeline and Hazardous Materials Safety Administration ("PHMSA") directed operators to implement a Distribution Integrity Management Program ("DIMP") by 2011. Under DIMP, CGC must evaluate the pipelines in its system to identify threats, evaluate risks, and take measures to reduce risks. CGC's DIMP process, implemented in its entirety annually, exceeds federal standards.

Beginning in 2005, CGC undertook a significant effort to remove cast iron and bare steel pipe from its system, including programs to replace a total of approximately 80 miles of pipe by early 2020. This resulted in CGC removing and replacing what was considered some of the most at-risk pipe in the system. CGC's evaluation of the safety of its distribution system through DIMP and other activities, of course, continued (and still continues). In 2020, CGC requested approval of the

PRP to replace 73 miles of vintage plastic and bare and ineffectively coated steel pipe.

Q. Was any of the pipe proposed for replacement in the PRP an imminent safety hazard?

A. No. As I explained in my testimony in support of the initial PRP approval request in 2020, while the vintage plastic and steel pipe CGC proposed to replace may be susceptible to premature leaking issues, CGC's system was not then and is not now in imminent danger or unsafe to operate. Rather, CGC identified pipe that may benefit from replacement on a more accelerated timeline than the original expected retirement schedule would suggest.

Q. Will the proposed three-year extension pose a safety risk?

A. No. Again, none of the pipe proposed for replacement under the PRP posed or poses an imminent safety concern. CGC employs a robust leak detection program to timely address any identified leaks, which could be an indicator if there was some premature cracking. In addition, CGC's DIMP process annually updates its threat identification and risk assessment, resulting in an output that ranks the entire distribution system and identifies specific projects for review, monitoring, or replacement. Any problematic pipe sections that require more immediate replacement are and will be addressed through the DIMP process or otherwise through more immediate replacement if an imminent danger, regardless of the pipeline material and whether it was included in the PRP timeline. Customer safety always remains paramount. CGC believes that extending the PRP the requested three years can be done while operating a safe and reliable system, especially

because of the ongoing review processes we have and the ability to accelerate the removal of problematic pipe through the DIMP process or even immediate removal when circumstances require immediate action.

Q. You mentioned that the proposed extension would also mitigate financial risks. Please explain.

A. Again, the approved PRP plan is for seven years to complete 73 miles of replacement for $118 million. Earlier yearly program investments were delayed significantly, however, due to COVID impacts on supply chain and labor and material availability and costs. We also experienced significant increased costs due to the Department of Transportation and local governments requiring modified work schedules, including overnight schedules with associated overtime. Moreover, with the increased dollars being spent on road projects causing more relocation issues and the increased use of public rights of ways by utilities, many local government permitting offices are experiencing increased workloads which is having the effect of lengthening the permitting process. These delays in the issuance of land disturbance permits presents both cost and timeline challenges. All of this is magnified given the substantial growth in the region that is resulting in additional capital investments to serve these increasing customer demands. In trying to manage all these different factors through our safety-first lens, it has been necessary to slow down the PRP work.

Many of these cost and operational factors remain. Land disturbance permits, with extensive and expensive filing requirements, add weeks or months to every project. New requirements for overnight work cause substantial cost

increases. The region also continues to experience substantial growth, necessitating capital expenditures to meet customer demand.

Q. Are you saying that increasing the timeline will reduce the initially forecasted costs?

A. No. But extending the PRP timeline by the proposed three years helps CGC mitigate the financial impacts otherwise required if we had to accelerate construction to finish in three years. In other words, a six-year timeline allows CGC to better manage PRP projects within the overall construction plan. For example, we can combine PRP projects with other projects in the area or combine pipe purchases to take advantage of cost decreases associated with economies of scale. The additional flexibility in a longer timeline also tempers the costs associated with permitting delays, helps us work around some of the nighttime work requirements, and reduces the need for overtime work.

Q. So, will completion of the PRP in three years be more costly than in six?

A. At this time, we don't believe so. But there are clearly some bigger challenges operationally and economically by getting all this work done in the next three years. However, if we extend by three more years, our ability to better manage costs increases significantly and improves our ability to do what we need to do in a more cost-effective manner. So, we not only increase our ability to stay on budget, but we get the added benefit of minimizing customer rate impacts in the next three years by spreading the same costs out over six. And of course, we will do all this while staying vigilantly focused on safety and reliability.

Q. Do you have any concluding comments?

A. After extensive study by our engineering team, a further lengthening of the PRP process can continue to be done safely and efficiently with no material increase in risk to the reliability of the system or adversely impacting the original budget. The requested three-year extension of the PRP program appropriately balances safety and integrity of the system with ratepayer impacts, recognizing that we remain very capable of effectively dealing with more immediate pipeline concerns through our DIMP and other replacement programs. This extension is a win-win for our customers.

Q. Does this conclude your supplemental testimony?

A. Yes.