Before the Tennessee Public Utility Commission

Docket No. 25-00036

2025 Annual ARM Filing

Direct Testimony of Keith Goley

On Behalf Of Piedmont Natural Gas Company, Inc.

Piedmont Natural Gas

May 20, 2025

Q. Mr. Goley, please state your name and business address.

A. My name is Keith Goley. My business address is 525 S. Tryon Street, Charlotte, North Carolina.

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

A. I am a Lead Rates and Regulatory Strategy Analyst for Piedmont Natural Gas Company, Inc. ("Piedmont" or the "Company").

Q. Please describe your educational and professional background.

A. I graduated from the University of North Carolina at Charlotte in 2013, earning a Bachelor's degree in Political Science and Criminal Justice. In 2024, I earned a Master of Business Administration degree at the University of North Carolina at Charlotte. From 2014 to 2018, I was employed by Moore & Van Allen, PLLC as an Energy Regulatory Paralegal. From 2018 to 2022, I held the same position at McGuireWoods, LLP. I joined Piedmont in 2022 as a Senior Rates and Regulatory Strategy Analyst until 2024, when I assumed my current role as a Lead Rates and Regulatory Strategy Analyst.

Q. Have you previously testified before the Tennessee Public Utility Commission ("TPUC" or the "Commission") or any other regulatory authority?

A. Yes. I presented testimony before this Commission on behalf of Piedmont in Docket Nos. 22-00130, 23-00035 (the "2023 Annual ARM Proceeding"), and 24-00036 (the "2024 Annual ARM Proceeding").

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

A. My direct testimony will explain (1) the calculation of the revenue requirement adjustments pursuant to Piedmont's Annual Review Mechanism Tariff ("ARM") Filing ("2025 Annual ARM Filing") as shown on ARM Schedule No. 1; and (2) the proposed changes to the rates associated with these revenue requirement adjustments.

Q. Do you have any exhibits to your testimony?

A. No, I do not have exhibits to my testimony. However, I will refer to the Company's ARM Filing Schedules in Attachment No. 1 to the 2025 Annual ARM Filing. I will also refer to the proposed rate adjustments shown in certain ARM Filing Schedules, as well as in Attachment No. 5 to the 2025 Annual ARM Filing.

Q. What is the basis for the revenue requirement adjustments in the 2025 Annual ARM Filing?

A. The 2025 Annual ARM Filing utilizes calendar year 2024 as the Historic Base Period ("HBP") for the two revenue requirement adjustments and associated tariff rate changes. These two revenue requirement adjustments are defined in Section I of Piedmont's Commission-approved Service Schedule No. 318 ("ARM Tariff") as:

- the HBP Revenue Requirement Deficiency (Sufficiency), and
- the Annual Base Rate Reset Revenue Requirement Deficiency (Sufficiency).

Section II of the ARM Tariff delineates the method for calculating the HBP Revenue Requirement Deficiency (Sufficiency) associated with the HBP Reconciliation and the resultant change to Piedmont's ARM Rider Rates. Section III of the ARM Tariff delineates the method for computing the Annual Base Rate Reset Revenue Requirement Deficiency (Sufficiency) and the resultant change to Piedmont's Base Margin Rates (which were reset in the 2024 Annual ARM proceeding). My direct testimony, in conjunction with the pre-filed direct testimony of Piedmont witness Misty Lyons, explains how the Company adhered to the requirements of the ARM Tariff in computing these two revenue requirement adjustments and proposed rates for the 2025 Annual ARM Filing.

Q. Please summarize the results of the HBP Reconciliation for the 2025 Annual ARM Filing.

A. Column [A] in ARM Schedule No. 1 shows the HBP Reconciliation and its resultant $93,330 HBP Revenue Requirement Deficiency. Piedmont experienced a 7.05% Earned Rate of Return for its Tennessee jurisdictional operations during the HBP, given its Rate Base of $1,300,611,584, which is the average rate base over the 13 months ending December 31, 2024, and its Net Operating Income for Return during the HBP of $91,751,956. The computed Fair Rate of Return pursuant to the ARM Tariff for the HBP Reconciliation is 7.06%, which incorporates the 9.80% Return on Equity authorized by the Commission in Piedmont's last general rate case proceeding in 2020 in Docket No. 20-00086, along with the 13-month average capital structure and component debt cost rates during the HBP. The difference between the 7.05% Earned Rate of Return and the 7.06% Fair Rate of Return for the HBP Reconciliation is one basis point, which equates to a $68,959 Net Operating Income Deficiency. When grossed-up for taxes and the other components of the gross revenue conversion factor (each of which are delineated on ARM Schedule No. 11), this $68,959 Net Operating Income Deficiency comports with an HBP Revenue Requirement Deficiency of $93,330.

Q. Please summarize the results of the Annual Base Rate Reset for this 2025 Annual ARM Filing.

A. Column [B] in ARM Schedule No. 1 shows the Annual Base Rate Reset calculation and its resultant $8,679,258 Revenue Requirement Deficiency. The Rate Base utilized for the Annual Base ARM Rate Base Reset calculation is $1,379,895,299. The Net Operating Income for Return for the Annual Base Rate Reset is $89,535,081. The quotient of these yields a 6.49% Earned Rate of Return, whereas the computed Fair Rate of Return is 6.95%, which incorporates the 9.80% Return on Equity authorized by the Commission in Piedmont's last general rate case[1] along with the capital structure and component debt cost rates at the end of the HBP (i.e., at December 31, 2024). The difference between the 6.49% Earned Rate of Return and the 6.95% Fair Rate of

[1] By contrast, note that the Return on Equity for the Annual Base Rate Reset is 8.83%, as shown on ARM Schedule No. 10B.

Return for the Annual Base Rate Reset is 46 basis points, otherwise expressed as a $6,412,848 Net Operating Income Deficiency. When grossed-up for taxes and the other components of the gross revenue conversion factor (each of which are delineated on ARM Schedule No. 11), this $6,412,848 Net Operating Income Deficiency results in an Annual Base Rate Reset Revenue Requirement Deficiency of $8,679,258.

The Annual Base Rate Reset Revenue Requirement, coupled with the HBP Revenue Requirement, results in a 2.54% increase in Total Operating Revenues, as shown in Table 1 in the Direct Testimony of Piedmont witness Conitsha Barnes.

Q. Please explain how Piedmont will recover the HBP Revenue Requirement Deficiency of $93,330.

A. Through its 2025 Annual ARM Filing, Piedmont proposes to recover the HBP Revenue Requirement Deficiency of $93,330, plus applicable Carrying Costs through September 30, 2025. When adjusted for Carrying Costs, utilizing the Net of Tax Overall Cost of Capital rate for the HBP, plus the projected remaining ARM Deferred Account Balance at September 30, 2025, the total amount to be collected from customers through the new ARM Rider Rates is $1,943,876, as delineated on ARM Schedule No. 12.

Q. Please describe how the Company allocated the $1,943,876 to the Applicable Rate Schedules for the development of the ARM Rider

Rates.

A. To allocate the $1,943,876 among the Applicable Rate Schedules, the Company used the same margin apportionment percentages by customer class that it used to establish the Base Margin Rates in the Annual Base Rate Reset. The Company then computed the ARM Rider Rates for each customer class by dividing the margin apportioned to each customer class by the respective billing determinants used in the computation of the Gas Sales and Transportation Revenues under the Annual Base Rate Reset. ARM Schedule No. 26.5 shows the detailed derivation of the ARM Rider Rides.

Q. What rate design is Piedmont proposing for the Annual Base Rate Reset?

A. Piedmont is proposing the same overall rate design, which includes fixed monthly charges, demand charges, and volumetric rates, for each rate schedule, including step rates for Large General Service, which underlies its existing rates. This is the same rate design methodology that the TPUC approved in Piedmont's last general rate case proceeding and in the Company's previous Annual ARM proceedings.

Q. What rates have been adjusted for the Annual Base Rate Reset?

A. In order to effectuate the proposed increase of $8,679,258 for the Annual Base Rate Reset Revenue Requirement Deficiency, Piedmont proposes to change the base margin volumetric billing rates (the rates per therm) for each Applicable Rate Schedule, with the exception of

Rate Schedule 310 – Resale Service (due to the absence of active customers on this Rate Schedule since February 2023).

Q. How did Piedmont determine its approach to the rate design for the Annual Base Rate Reset?

A. Piedmont's main objectives are to design rates that compensate the utility for the cost of the services that it provides to all customer classes, provide the Company with a reasonable rate of return, reflect market conditions and send the correct market signals, and remain consistent with the existing rate structure. In evaluating its approach and allocating the proposed rate increase, however, Piedmont also took pains to avoid disproportionately or unfairly burdening one class of customers versus another, i.e., cross-subsidization. Generally, the Company seeks to mitigate cross subsidization by gradually and simultaneously moving each customer class toward parity with the overall jurisdictional rate of return to avoid customer bill volatility.

Q. Did the Company perform an Allocated Cost of Service Study for its 2025 Annual ARM Filing?

A. Yes, Piedmont performed an Allocated Cost of Service Study ("ACOSS") as shown in ARM Schedule No. 26A. The study generally shows that for the Annual Base Rate Reset at existing billing rates, Piedmont's residential class rate schedule rate of return is below the overall system rate of return of 6.49% for the Annual Base Rate Reset at existing rates, while – with the exception of Rate Schedule 310 –

Resale Service, which as stated earlier, no longer has active customers – the remaining customer classes are above the overall system rate of return. Table 1 below summarizes the results.

Table 1

Rate Schedule	Description	Annual Base Rate Reset Existing Rates ROR	ROR Index
301	Residential Service	3.39%	0.52
302	Small General Service	13.48%	2.08
352	Medium General Service	18.96%	2.92
303	Large General Sales Service Firm	12.95%	2.00
313	Large General Transportation Service Firm	17.29%	2.66
303/313	*Large General Service Firm Combined*	*15.53%*	*2.39*
304	Large General Sales Service Interruptible	41.82%	6.44
314	Large General Transportation Service Interruptible	12.14%	1.87
304/314	*Large General Service Interruptible Combined*	*12.27%*	*1.89*
303/313/304/314	*Large General Service Combined*	*14.08%*	*2.17*
310	Resale Service	*0.00%*	-
Overall System Rate of Return		**6.49%**	1.00

Q. **Based on Piedmont's rate design objectives and the results of the ACOSS, how does the Company propose to allocate the $8,553,524 for the Annual Base Rate Reset Revenue Requirement Deficiency?**

A. As shown in ARM Schedule No. 26, and except for Rate Schedule 310, Piedmont proposes to allocate the margin revenue increase of $8,679,258 evenly across all applicable Rate Schedules such that the margin revenue percentage increase is the same for all the customer classes. This approach aligns with Piedmont's rate design objectives and a gradual move toward parity. Table 2 below shows a comparison of rates of return ("ROR") between Piedmont's existing rates and the proposed rates. The ROR Index in Table 2 reflects how the rates of return are moving closer to system parity "1.00".

Table 2

Rate Schedule	Description	Annual Base Rate Reset Existing Rates		Annual Base Rate Reset Proposed Rates	
		ROR	ROR Index	ROR	ROR Index
301	Residential Service	3.39%	0.52	3.75%	0.54
302	Small General Service	13.48%	2.08	14.19%	2.04
352	Medium General Service	18.96%	2.92	19.83%	2.85
303	Large General Sales Service Firm	12.95%	2.00	13.57%	1.95
313	Large General Transportation Service Firm	17.29%	2.66	18.05%	2.60
303/313	*Large General Service Firm Combined*	*15.53%*	*2.39*	*16.24%*	*2.34*
304	Large General Sales Service Interruptible	41.82%	6.44	43.70%	6.28
314	Large General Transportation Service Interruptible	12.14%	1.87	12.72%	1.83
304/314	*Large General Service Interruptible Combined*	*12.27%*	*1.89*	*12.27%*	*1.76*
303/313/304/314	*Large General Service Combined*	*14.08%*	*2.17*	*14.73%*	*2.12*
310	Resale Service	*0.00%*	-	*0.00%*	-
Overall System Rate of Return		**6.49%**	1.00	**6.95%**	1.00

Q. Does Piedmont seek Commission approval for any other billing components?

A. Yes. Piedmont's Weather Normalization Adjustment ("WNA") requires a recalculation of the WNA components, i.e., the "R" Values, the Base Load Factors, the Heat Sensitive Factors, and the Normal Heating Degree Days, with each Annual ARM Filing or general rate case proceeding. In its 2025 Annual ARM Filing, Piedmont proposes to update the WNA components as shown in ARM Schedule No. 28. The proposed Base Load Factors and Heat Sensitive Factors are the same as those used to perform the normalization adjustment, employing a simple linear regression analysis methodology, for the Annual Base

Rate Reset as prescribed by the ARM Tariff. The "R" Values reflect the applicable seasonal proposed Base Margin Rate for the Annual Base Rate Reset for Rate Schedule 301 – Residential Service, Rate Schedule 302 – Small General Service, and Rate Schedule 352 – Medium General Service. Finally, the Normal Heating Degree Day values, as shown in greater detail on ARM Schedule No. 27, reflect the 30-year average degree days for the period ended December 31, 2024.

Q. Does the Company propose any changes to the methodology for calculating the WNA components in this proceeding?

A. No.

Q. Is the rate design proposed by Piedmont in its 2025 Annual ARM Filing just and reasonable?

A. Yes. The proposed rate design is incorporated into the Ninety-Second Revised Sheet No. 1, which is included as part of Attachment No. 5 of Piedmont's 2025 ARM Filing. This proposed rate design meets Piedmont's rate design objectives and will gradually lead to more equalized rates of return across the customer classes. The rate design also complies with Piedmont's ARM Tariff and is consistent with previous rate designs approved in prior proceedings before this Commission.

Q. Does this conclude your pre-filed direct testimony?

A. Yes.