



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

August 11, 2021

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Docket No. G-9, Sub 722 – Petition for Consolidated Construction/Redelivery Agreement; G-9, Sub 781 – Application for General Rate Increase; and G-9, Sub 786 – Application of Piedmont Natural Gas Company, Inc., for Modifications to Existing Energy Efficiency Program and Approval of New Energy Efficiency Programs

Dear Ms. Dunston:

Attached for filing in the above-referenced docket is the testimony and exhibit(s) of Mary A. Coleman, Staff Accountant, Accounting Division.

By copy of this letter, I am forwarding a copy to all parties of record by electronic delivery.

Sincerely,

Electronically submitted
s/ Elizabeth D. Culpepper
Staff Attorney
elizabeth.culpepper@psncuc.nc.gov

s/ Megan Jost
Staff Attorney
megan.jost@psncuc.nc.gov

Attachment

Executive Director
(919) 733-2435

Accounting
(919) 733-4279

Consumer Services
(919) 733-9277

Economic Research
(919) 733-2267

Energy
(919) 733-2267

Legal
(919) 733-6110

Transportation
(919) 733-7766

Water/Telephone
(919) 733-5610

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. G-9, SUB 722
DOCKET NO. G-9, SUB 781
DOCKET NO. G-9, SUB 786

DOCKET NO. G-9, SUB 722)

)
In the Matter of)
Consolidated Natural Gas Construction)
and Redelivery Services Agreement)
Between Piedmont Natural Gas)
Company, Inc., and Duke Energy)
Carolinas, LLC)

DOCKET NO. G-9, SUB 781)

)
In the Matter of)
Application of Piedmont Natural Gas)
Company, Inc., for an Adjustment of)
Rates, Charges, and Tariffs Applicable)
to Service in North Carolina)

TESTIMONY OF
MARY A. COLEMAN
PUBLIC STAFF – NORTH
CAROLINA UTILITIES
COMMISSION

DOCKET NO. G-9, SUB 786)

)
In the Matter of)
Application of Piedmont Natural Gas)
Company, Inc., for Modification to)
Existing Energy Efficiency Program)
and Approval of New Energy Efficiency)
Programs)

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. G-9, SUB 722

DOCKET NO. G-9, SUB 781

DOCKET NO. G-9, SUB 786

TESTIMONY OF MARY A. COLEMAN

**ON BEHALF OF THE PUBLIC STAFF
NORTH CAROLINA UTILITIES COMMISSION**

AUGUST 11, 2021

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
2 **PRESENT POSITION.**

3 A. My name is Mary A. Coleman. My business address is 430 North
4 Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am a
5 Staff Accountant in the Accounting Division of the Public Staff – North
6 Carolina Utilities Commission.

7 **Q. BRIEFLY STATE YOUR QUALIFICATIONS AND DUTIES.**

8 A. My qualifications and duties are set forth in Appendix A.

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
10 **PROCEEDING?**

11 A. The purpose of my testimony is to present the results of my
12 investigation into the application of Piedmont Natural Gas Company,
13 Inc. (Piedmont or the Company) for a general rate increase in this
14 proceeding.

1 **Q. PLEASE DESCRIBE THE SCOPE OF YOUR INVESTIGATION**
2 **INTO THE COMPANY'S FILING.**

3 A. My investigation included a review of the application, testimony,
4 exhibits, and other data filed by Piedmont. I also conducted extensive
5 discovery in this matter, including the review of numerous responses
6 from the Company to Public Staff data requests, and participation in
7 virtual meetings with the Company to obtain answers to additional
8 questions regarding North Carolina (NC) allocations, executive
9 compensation, board of directors (BOD) expenses, and employee
10 benefits.

11 **Q. WHAT ADJUSTMENTS TO THE COMPANY'S COST OF SERVICE**
12 **DO YOU RECOMMEND?**

13 A. I recommend adjustments in the following areas:

- 14 (1) BOD expenses
15 (2) Other benefits
16 (3) Executive compensation
17

18 **BOD EXPENSES**

19 **Q. PLEASE EXPLAIN YOUR PROPOSED ADJUSTMENT TO BOD**
20 **EXPENSES.**

21 A. I recommend an adjustment to remove 50% of the expenses
22 associated with the BOD of Duke Energy Corporation (Duke Energy)
23 that have been allocated to the Piedmont NC jurisdiction, as reflected
24 in Coleman Exhibit I, Schedule 1. Piedmont does not have a

1 separate BOD. The expense allocated to the Piedmont NC
2 jurisdiction includes the BOD's compensation, directors' and officers'
3 liability insurance, and other miscellaneous expenses. The first
4 sentence of the Duke Energy Corporation Principles for Corporate
5 Governance (Amended and Restated as of February 20, 2020),¹
6 states:

7 An effective Board of Directors (the "Board") **will**
8 **positively influence shareholder value** and enhance
9 the reputation of Duke Energy Corporation (the
10 "Corporation") as a constructive resource in the
11 communities where it does business.

12 (Emphasis added.)

13 Under 1. Responsibilities of Directors, the first responsibility stated
14 is:

15 The basic responsibility of the directors is to
16 exercise their business judgment to act in what
17 they reasonably believe to be **in the best**
18 **interests of the Corporation and its**
19 **shareholders.**

20 (Emphasis added.)

21 Another stated responsibility is:

22 A director should at all times discharge his or
23 her responsibilities with the highest standards of

¹ Retrieved from

<https://www.duke-energy.com/Our-Company/Investors/Corporate-Governance/Principles-Corp-Governance>.

1 ethical conduct, **in conformity with applicable**
2 **laws and regulations, and act solely in the**
3 **best interest of the Corporation's**
4 **shareholders.**

5 (Emphasis added.)

6 Under 2. Director Nominations, it states that each director or director
7 nominee should:

8 Have a genuine interest in the Corporation and
9 a recognition that, as a member of the Board,
10 **one is accountable to the shareholders of**
11 **the Corporation**, not to any particular interest
12 group.

13 (Emphasis added.)

14 Shareholders vote on the election of directors. Unless they are
15 shareholders, ratepayers do not have a vote. The excerpts above
16 demonstrate that the BOD is expected to act in the best interests of
17 the shareholders.

18 The average 2020 compensation of the 14 Duke Energy directors
19 was \$265,197. The test year BOD compensation allocation to the
20 Piedmont NC jurisdiction was \$721,478 as shown on Coleman
21 Exhibit I, Schedule 1, Line 1.

22 This approach is consistent with the Public Staff's BOD expenses
23 adjustment in Piedmont's last general rate case in Docket No. G-9,
24 Sub 743 (Sub 743 rate case).

1

OTHER BENEFITS

2

Q. PLEASE EXPLAIN YOUR PROPOSED ADJUSTMENT TO OTHER BENEFITS.

3

4

A. I recommend an adjustment of \$2,570,681 to decrease the Company's proposed Other Benefits expense. The Company used budget projections as the basis for the pro forma adjustment. The Company's proposed increase to medical/dental benefits was based on a percentage of actual to budgeted projections and resulted in a pro forma level much higher than was actually incurred by the Company. The Public Staff calculated an amount based on a three-year average using actual medical/dental expenses for calendar years 2018, 2019, and 2020. The same methodology was also used to determine the Duke Energy Business Services (DEBS) medical/dental amounts. The total adjustment made to medical/dental expenses decreased the Other Benefits expense by \$2,564,164.

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For the Retirement Savings Plan expenses and the Basic Life and AD&D Other Benefits, the Public Staff used the test year data instead of the budgeted data since the budgeted amounts were not supported. The total adjustments maintain a reasonable ongoing level of Employee Benefits for the Company and are shown on Coleman Exhibit I, Schedule 2.

1

EXECUTIVE COMPENSATION

2 **Q. PLEASE EXPLAIN YOUR PROPOSED ADJUSTMENT TO**
3 **EXECUTIVE COMPENSATION.**

4 A. The Company made an adjustment that includes the removal of 50%
5 of the total compensation of the top five Duke Energy executives,
6 which is comprised of total annual salary, Short Term Incentive Plan
7 (STIP), Long Term Incentive Plan (LTIP), and Benefits.

8 As shown on Coleman Exhibit I, Schedule 3, the Public Staff has
9 updated the Company's executive compensation adjustment and
10 identified the top five executives who have charged the highest
11 compensation to the Piedmont NC jurisdiction. In this case, the top
12 five are four Duke Energy executives (Chair, President and Chief
13 Executive Officer; Executive Vice President, Energy Solutions and
14 President, Midwest/Florida Regions and Natural Gas Business;
15 Executive Vice President and Chief Operating Officer; and Executive
16 Vice President and Chief Financial Officer) and Piedmont's Senior
17 Vice President and Chief Commercial Officer, Natural Gas Business
18 Unit.

19 **Q. WHY DID YOU SELECT THE FOUR DUKE ENERGY**
20 **EXECUTIVES AND THE PIEDMONT EXECUTIVE?**

21 A. The Public Staff believes that basing executive compensation on the
22 five executives who have charged the highest compensation to the

1 Piedmont NC jurisdiction instead of the top five Duke Energy
2 executives is more appropriate because these positions are more
3 closely aligned with Piedmont's efforts to minimize costs and
4 maximize the reliability of Piedmont's service to customers than the
5 top five Duke Energy executives selected by Piedmont.

6 This approach is consistent with the Public Staff's executive
7 compensation adjustment in the Sub 743 rate case.

8 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

9 A. Yes, it does.

APPENDIX A

Mary A. Coleman

I am a graduate of North Carolina State University with a Bachelor of Accountancy degree and a Bachelor of Arts degree in Business Management.

Prior to joining the Public Staff, I was a Financial Consultant focusing mainly on non-profit organizations from 2013 until 2017. I was employed as a Consultant in places such as University of North Carolina-Chapel Hill, North Carolina State University, City of Raleigh-Community Development Office, Neuro Community Care, and the Carolina Center for Medical Excellence. Before I became a Consultant, I was the Chief Financial Officer for several organizations, including the North Carolina Justice Center where I worked for ten years.

I joined the Public Staff as a Staff Accountant in December 2017. Since joining the Public Staff I have assisted on natural gas, electric, and water proceedings.

Piedmont Natural Gas Company
Docket No. 9, Sub 781
ADJUSTMENT TO BOARD OF DIRECTORS EXPENSES
For Test Year Ended December 31, 2020

Line No.	Item	Amount
1	Total Allocated Board of Directors (BOD) compensation	\$152,961 [1]
2	Percentage of exclusion per Public Staff	<u>50% [2]</u>
3	Public Staff adjustment to BOD compensation (L1 x L2)	<u>(76,481)</u>
4	Board of Directors insurance charged to Piedmont	549,302 [3]
5	Percentage of exclusion per Public Staff	<u>50% [2]</u>
6	Public Staff adjustment to BOD insurance (L4 x L5)	<u>(274,651)</u>
7	Board of Directors executive members expenses allocated to Piedmont	19,215 [4]
8	Percentage of exclusion per Public Staff	<u>50% [2]</u>
9	Public Staff adjustment to BOD and executive members expenses (L7 x L8)	<u>(9,608)</u>
10	Public Staff adjustment to BOD expenses - NC retail (L10 x L11)	<u>(\$360,740)</u>

[1] Company Response to Public Staff Data Request 53-1

[2] Recommended by Public Staff

[3] Company Response to Public Staff Data Request 53-6 & Company adjustment 4I_Insurance Expense Adj.

[4] Company Response to Public Staff Data Request 53-4

Piedmont Natural Gas Company
Docket No. G-9, Sub 781
ADJUSTMENT TO OTHER BENEFITS
For the Test Year Ended December 31, 2020

Summary of Medical /Dental Expenses

Line No.	Description	12 Months Ended December 2020	Piedmont Pro Forma Projection	Proposed Public Staff Adjustment
1	<u>Piedmont Natural Gas:</u>			
2	Medical/Dental	\$16,443,896 [1]	\$18,996,100 [1]	\$16,655,735 [2]
	<u>Duke Energy Business Services:</u>			
3	Medical/Dental	\$90,445,446 [1]	\$92,496,214 [1]	\$87,267,262 [3]
4	Percentage charged to Piedmont from DEBS	4.18%	4.28%	4.28% [4]
5	Amount charged to Piedmont from DEBS (L3 x L4)	\$3,777,592	\$3,958,838	\$3,735,039
6				
7	Total Piedmont Medical & Dental amount (L5 +L2)	\$20,221,488	\$22,954,938	\$20,390,774 [5]

Summary of

Line No.	Description	12 Months Ended December 2020 Actuals	Piedmont Pro Forma Projection	Proposed Public Staff Adjustment
8	<u>Piedmont Natural Gas:</u>			
9	Retirement Savings Plan	\$13,380,182 [1]	\$12,943,236 [1]	\$13,380,182 [1]
10				
11	<u>Duke Energy Business Services:</u>			
12	Retirement Savings Plan	\$55,166,143 [1]	\$63,418,185 [1]	\$55,166,143 [8]
13	Percentage DEBS labor charged to Piedmont (1)	4.18%	4.28%	4.18%
14	Amount charged to Piedmont from DEBS (L6 x L7)	\$2,304,098	\$2,714,298	\$2,304,098 [6]
15				
16	Total Piedmont Retirement Savings Plan amount	\$15,684,280 [7]	\$15,657,534 [7]	\$15,684,280 [9]

Summary of Basic Life and AD&D

Line No.	Description	12 Months Ended December 2020 Actuals	Piedmont Pro Forma Projection	Proposed Public Staff Adjustment
17				
18	<u>Piedmont Natural Gas:</u>			
19	Basic Life and AD&D	\$220,917 [1]	\$252,396 [1]	\$220,917 [1]
20				
21	<u>Duke Energy Business Services:</u>			
22	Basic Life and AD&D	\$1,431,765 [1]	\$1,474,435 [1]	\$1,431,765 [8]
23	Percentage DEBS labor charged to Piedmont (1)	4.18%	4.18%	4.18%
24	Amount charged to Piedmont from DEBS (L6 x L7)	\$59,848	\$61,631	\$59,848
25				
26	Total Piedmont Basic Life and AD&D Amount	\$280,765 [10]	\$314,027 [10]	\$280,765 [11]
27	Total Employee Benefits		\$38,926,500	\$36,355,819
28	Other Benefits Adjustment per Public Staff			(\$2,570,681)

- [1] Company provided on Schedule PNG_4F_Other Benefits Adj
- [2] Average Piedmont Medical/Dental expenses (yrs. 2018, 2019 and 2020)
- [3] Average DEBS Medical/dental expenses (yrs. 2018, 2019 and 2020)
- [4] Percentage per CAMS
- [5] Line 2 plus Line 5
- [6] Line 14, Column D, Test year 2020 actual
- [7] Line 8 plus Line 14
- [8] Line 22, Column D, Test year 2020 actual
- [9] Line 16, Column D, Test year 2020 actual
- [10] Line 19 plus Line 24
- [11] Line 26, Column D, Test year 2020 actual

Coleman Exhibit I
Schedule 3

Piedmont Natural Gas Company
Docket No. G-9, Sub 781
Adjustment to Executive Compensation
For the Test Year Ended December 31, 2020

Line No.	Piedmont Executive	Annual Salary [1]	Short Term Incentive Plan [1]	Benefit [1]	Long Term Incentive Plan [1]	Total Piedmont Compensation [1]	NC Allocation [1]	Total Compensation [1]	
1	Employee 1	\$50,703	\$30,911	\$20,589	\$214,873	\$317,076	71.90%	\$227,978	
2	Employee 2	79,676	131,465	52,996	922,180	1,186,317	71.90%	852,962	
3	Employee 3	50,876	27,980	19,632	230,429	328,918	71.90%	236,492	
4	Employee 4	44,093	24,174	16,996	176,952	262,215	71.90%	188,533	
5	Employee 5	257,330	96,498	88,805	223,366	665,999	71.90%	478,854	
6	Total	<u>\$482,678</u>	<u>\$311,027</u>	<u>\$199,019</u>	<u>\$1,767,801</u>	<u>\$2,760,526</u>		<u>\$1,984,818</u>	
7	Portion of Executive Compensation Removed from Test Year Expenses							50%	[2]
8	Public Staff Adjustment to Executive Compensation (L6 X L7)							(992,409)	
9	Company Adjustment to Executive Compensation							<u>(742,163)</u>	[2]
10	Public Staff Executive Compensation Adjustment (L8 - L9)							<u>(\$250,246)</u>	[3]

[1] Company provided in data request response 127-1 CONFIDENTIAL Attachment

[2] Company provided on Schedule 4D_Exec. Comp Adj

[3] Line 8, Column Q minus Line 9, Column Q