



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

September 23, 2021

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

Re: Docket No. G-5, Sub 632 – Application of Public Service Company of North Carolina, Inc., for a General Increase in Rates and Charges; and G-5, Sub 634 - Application for Approval to Modify Existing Conservation Programs and Implement New Conservation 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/ Gina C. Holt
Staff Attorney
gina.holt@psncuc.nc.gov

s/ John Little
Staff Attorney
john.little@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-5, SUB 632
DOCKET NO. G-5, SUB 634

DOCKET NO. G-5, SUB 632)
)
In the Matter of)
Application of Public Service Company)
of North Carolina, Inc., for a General)
Increase in Rates and Charges)
)
DOCKET NO. G-5, SUB 634)
)
In the Matter of)
Application for Approval to Modify)
Existing Conservation Programs and)
Implement New Conservation)
Programs)
)

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

PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INC.

**DOCKET NO. G-5, SUB 632
DOCKET NO. G-5, SUB 634**

TESTIMONY OF MARY A. COLEMAN

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

SEPTEMBER 23, 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 Public Service Company of North
13 Carolina, Inc. (PSNC or the Company), for a general rate increase in
14 this 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 PSNC. 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 telephone meetings with representatives of the Company to discuss
8 unanswered questions and to receive clarification on the Company's
9 responses to Public Staff data request questions related to executive
10 compensation, board of directors expenses, aviation, and insurance
11 expense.

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

14 A. I recommend adjustments in the following areas:

- 15 (1) Board of Directors Expenses
16 (2) Other Benefits
17 (3) Executive Compensation

18 **BOARD OF DIRECTORS (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 Dominion Energy Corporation (Dominion

1 Energy) that have been allocated to PSNC, as reflected in Coleman
2 Exhibit I, Schedule 1. Based on information received through the
3 Company's data request responses, the Public Staff made an
4 adjustment to remove expenses related to directors' and officers'
5 liability insurance, because there were no expenses allocated to
6 PSNC for the BOD compensation or other BOD miscellaneous
7 expenses during the test period.

8 **OTHER BENEFITS**

9 **Q. PLEASE EXPLAIN YOUR PROPOSED ADJUSTMENT TO OTHER**
10 **BENEFITS.**

11 A. The Company used the actual test year relationship of total SCANA
12 payroll benefits to total SCANA payroll in computing the payroll
13 benefits factor and applied it to the PSNC payroll adjustment in the
14 current case. PSNC's payroll benefits include 401K, long-term
15 disability, and short-term disability. The Public Staff updated the
16 payroll benefits factor to reflect the actual ratio excluding the short-
17 term disability since it was no longer considered part of benefits
18 beginning in 2021. I then applied the revised benefits factor to the
19 updated payroll adjustment to determine the updated adjustment for
20 payroll-related benefits, as reflected on Johnson Exhibit I, Schedule
21 3-2.

1

EXECUTIVE COMPENSATION

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Q. PLEASE EXPLAIN YOUR PROPOSED ADJUSTMENT TO EXECUTIVE COMPENSATION.

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A. The Company did not propose an adjustment for the Dominion Energy executives who charged compensation expenses to PSNC.

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As shown on Coleman Exhibit I, Schedule 2, the Public Staff made an adjustment to remove 50% of the compensation for the five executives who have charged the highest compensation to PSNC during the test period. This compensation is comprised of total annual salary, benefits, and short and long-term incentive payments.

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Q. WHY DID YOU SELECT THE EXECUTIVES CHARGING THE HIGHEST COMPENSATION?

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A. The Public Staff believes that basing executive compensation on the five executives who have charged the highest compensation to PSNC is appropriate, because these positions are more closely aligned with PSNC's efforts to minimize costs and maximize the reliability of the Company's service to customers.

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This approach is consistent with the Public Staff's executive compensation adjustment in Piedmont Natural Gas Company, Inc.'s 2016 rate case in Docket No. G-9, Sub 743 and its 2021 rate case in G-9, Sub 781.

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1 Q. IS YOUR RECOMMENDATION BASED ON THE PREMISE THAT
2 THE COMPENSATION OF THE EXECUTIVES YOU HAVE
3 SELECTED ARE EXCESSIVE OR SHOULD BE REDUCED?

4 A. No. This recommendation is based on the Public Staff's belief that
5 it is appropriate and reasonable for the shareholders of the very large
6 natural gas and electric utilities to bear some of the cost of
7 compensating those individuals who are most closely linked to
8 furthering shareholder interests, which are not always the same as
9 those of ratepayers.

10 Q. WHAT IS THE PREMISE FOR REMOVING 50% OF THE TOP
11 EXECUTIVES' COMPENSATION?

12 A. Officers have fiduciary duties of care and loyalty to shareholders, but
13 not to customers. Consequently, the Company's executive officers
14 are obligated to direct their efforts not only to minimizing the costs
15 and maximizing the reliability of PSNC's service to customers, but
16 also to maximizing the Company's earnings and the value of its
17 shares. It is reasonable to expect that management will serve the
18 shareholders as well as the ratepayers; therefore, a portion of
19 management's compensation and pensions should be borne by the
20 shareholders.

21 Adjusting the compensation of the some of the top executives is
22 consistent with the positions taken by the Public Staff in past general

1 rate cases involving investor-owned utilities serving North Carolina
2 retail customers. Some of these cases include Duke Energy
3 Carolina's (DEC) 2018 General Rate Case (Docket No. E-7, Sub
4 1146), Public Service Company of North Carolina's (PSNC) 2016
5 General Rate Case (Docket No. G-9, Sub 565), and Piedmont's 2013
6 General Rate Case (Docket No. G-9, Sub 631). DEC, DEP, and
7 Dominion Energy North Carolina have all made executive
8 compensation adjustments in their respective general rate cases to
9 remove a portion of their top executives' total compensation. The
10 Public Staff has consistently updated each utility's adjustments to
11 reflect a 50% reduction of the top executives' total compensation in
12 each of the general rate case proceedings.

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

14 **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.

Public Service Company of North Carolina, Inc.
Docket No. G-9, Sub 632
ADJUSTMENT TO BOARD OF DIRECTORS EXPENSES
For the Test Year Ended December 31, 2020

Line No.	Item	Amount
1	Total Allocated Board of Directors (BOD) compensation allocated to NC	\$0 [1]
2	Percentage of exclusion per Public Staff	<u>50% [2]</u>
3	Public Staff adjustment to BOD compensation (L1 x L2)	<u>0</u>
4	Board of Directors insurance charged to PSNC	188,718 [3]
5	Percentage of exclusion per Public Staff	<u>50% [2]</u>
6	Public Staff adjustment to BOD insurance (L4 x L5)	<u>(94,359)</u>
7	Board of Directors executive members expenses allocated to PSNC	0 [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>0</u>
10	Total Public Staff adjustment to BOD expenses (L3 + L6 + L9)	<u>(\$94,359)</u>

[1] Company Response to Public Staff Data Request 29-1

[2] Recommended by the Public Staff.

[3] Company Response to Public Staff Data Request 29-6

[4] Company Response to Public Staff Data Request 29-4

Public Service Company of North Carolina, Inc.
Docket No. G-5, Sub 632
ADJUSTMENT TO EXECUTIVE COMPENSATION
Test Year Ended December 31, 2020

<u>Line No.</u>	<u>Item</u>	<u>PSNC Amount</u>
1	Total Compensation of Top 5 Executive Positions Per Public Staff	\$872,854 1/
2	Eliminate 50%	<u>(436,427)</u>
3	Amount of Executive Compensation to be Allocated to PSNC	436,427
4	Executive Compensation adjustment per Company	<u>-</u>
5	Public Staff Adjustment to Executive Compensation (L4 - L3)	<u><u>(\$436,427)</u></u>

1/ Based on Company Data Request Response No. 23.