

**Before the
North Carolina Utilities Commission**

Docket No. G-9, Sub 837

GENERAL RATE CASE

**Supplemental Direct Testimony and Exhibits
of
Brad Evans**

**On Behalf Of
Piedmont Natural Gas Company, Inc.**

1 **Q. Please state your name and business address.**

2 A. My name is Brad Evans. My business address is 525 South Tryon Street,
3 Charlotte, North Carolina.

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

5 A. I am a Rates & Regulatory Strategy Manager for Piedmont Natural Gas
6 Company, Inc. (“Piedmont” or the “Company”).

7 **Q. Are you the same Brad Evans that previously filed Direct Testimony in**
8 **this docket on April 1, 2024?**

9 A. Yes.

10 **Q. What is the purpose of your Supplemental Direct Testimony in this**
11 **proceeding?**

12 A. The purpose of my Supplemental Direct Testimony is to provide revised
13 exhibits from my previously filed Direct Testimony based on the corrected
14 depreciation study provided in the Supplemental Direct Testimony of
15 Piedmont witness Dane A. Watson.

16 **Q. What exhibits support your Supplemental Direct Testimony?**

17 A. The following supplemental exhibits are part of my Supplemental Direct
18 Testimony and are attached hereto and replace the corresponding exhibits
19 from my Direct Testimony:

- 20 • Supplemental Exhibit_(WBE-1)_CORRECTED DEPR STUDY
21 Summary of Rate Base
- 22 • Supplemental Exhibit_(WBE-6)_CORRECTED DEPR STUDY
23 Depreciation Policy and Rates

- 1 • Supplemental Exhibit_(WBE-7)_CORRECTED DEPR STUDY Net
2 Operating Income and Rates of Return

3 **Q. Were these exhibits prepared by you and/or prepared under your direct**
4 **supervision?**

5 A. Yes.

6 **Q. Does this conclude your Supplemental Direct Testimony?**

7 A. Yes.

**PIEDMONT NATURAL GAS COMPANY, INC.
GENERAL RATE CASE
DOCKET NO. G-9, SUB 837**

**SUPPLEMENTAL EXHIBITS OF
BRAD EVANS REFLECTING
CORRECTED DEPRECIATION
STUDY**

**PIEDMONT NATURAL GAS COMPANY, INC.
GENERAL RATE CASE
DOCKET NO. G-9, SUB 837**

SUPPLEMENTAL EXHIBIT_(WBE-1)_CORRECTED DEPR STUDY

Piedmont Natural Gas Company, Inc.
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North Carolina Operations

Summary of Rate Base_CORRECTED Depreciation Study

	[1] As of <u>December 31, 2023</u>	[2] <u>Pro Forma Balance</u>
1 Utility Plant in Service	\$ 8,523,352,659	\$ 9,201,504,541
2 Accumulated Depreciation	(1,965,512,188)	(2,105,635,469)
3 Allowance for Working Capital	323,806,207	358,860,342
4 Accumulated Deferred Income Taxes	(1,003,994,063)	(1,034,016,438)
5 Total End of Period Net Investment	<u>\$ 5,877,652,615</u>	<u>\$ 6,420,712,976</u>

**PIEDMONT NATURAL GAS COMPANY, INC.
GENERAL RATE CASE
DOCKET NO. G-9, SUB 837**

SUPPLEMENTAL EXHIBIT_(WBE-6)_CORRECTED DEPR STUDY

Piedmont Natural Gas Company, Inc.
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North Carolina Operations

Depreciation Policy & Rates_CORRECTED Depreciation Study

Depreciation expense is computed monthly using the straight-line method applied to end of the previous month depreciable costs.

The Commission requires a periodic review of the Company's depreciation rates. The depreciation rates currently in effect are from a study performed in 2018/2019 based on the estimated remaining service lives of depreciable property in service as of September 30, 2018. Piedmont adopted these rates effective November 1, 2019, as approved by the Commission in Docket No. G-9 Sub 743 (order dated October 31, 2019).

In this current rate case proceeding, Piedmont is filing a new depreciation study in order to meet the requirement of Commission Rule R6-80.

Depreciation of Piedmont's LNG plants located in North Carolina is allocated between North Carolina and South Carolina utilizing Piedmont's 2-State Fixed Gas Cost and LNG Allocator. Depreciation on other jointly-used property is allocated between North Carolina, South Carolina and Tennessee, or between North Carolina and South Carolina only, on the basis of net plant, depending on the actual usage of the property.

Listed below are the composite depreciation rates by major asset category based on Pro Forma plant in service balances presented in Exhibit_(WBE-7). The proposed depreciation rates for each specific utility plant account are shown in the depreciation study presented in this application as an exhibit accompanying the direct filed testimony of witness Dane Watson.

Intangible Plant	11.42%
Storage Plant	2.72%
Transmission Plant	1.99%
Distribution Plant	2.33%
General Plant Depreciated	3.90%
General Plant Amortized	7.76%
Total Gas Plant	2.57%

**PIEDMONT NATURAL GAS COMPANY, INC.
GENERAL RATE CASE
DOCKET NO. G-9, SUB 837**

SUPPLEMENTAL EXHIBIT_(WBE-7)_CORRECTED DEPR STUDY

Piedmont Natural Gas Company, Inc.
Docket No. G-9, Sub 837
North Carolina Operations

Net Operating Income and Rate of Return_CORRECTED Depreciation
Study For the 12 Months Ended December 31, 2023

Line No.	[1]	[2]	[3]	[4]	[5]	[6]	[7]
	Per Books Test Period	Accounting & Pro Forma Adjustments	After Accounting & Pro Forma Adjustments	Proposed Increase	After Adjustments For Proposed Revenues	COG Demand Adjustment	Total Proposed Revenues After All Adjustments
<u>Operating Revenues</u>							
1	1,123,562,966	146,900,777 (1)	1,270,463,743	195,765,691 (13)	1,466,229,434	(43,550,812) (17)	1,422,678,622
2	5,800,447	(1,807,277) (2)	3,993,171	-	3,993,171	-	3,993,171
3	<u>1,129,363,413</u>	<u>145,093,500</u>	<u>1,274,456,914</u>	<u>195,765,691</u>	<u>1,470,222,605</u>	<u>(43,550,812)</u>	<u>1,426,671,792</u>
<u>Operating Expenses</u>							
4	282,241,299	89,152,149 (3)	371,393,448	-	371,393,448	(43,243,607) (18)	328,149,841
5	216,325,263	18,758,913 (4)	235,084,176	1,380,921 (14)	236,465,097	(307,205) (18)	236,157,892
6	183,945,405	52,208,890 (5)	236,154,295	-	236,154,295	-	236,154,295
7	32,511,873	7,058,144 (6)	39,570,018	-	39,570,018	-	39,570,018
8	12,904,811	(6,936,504) (7)	5,968,307	4,373,657 (15)	10,341,964	-	10,341,964
9	39,305,754	11,355,582 (8)	50,661,336	39,902,334 (16)	90,563,670	-	90,563,670
10	(26,953)	-	(26,953)	-	(26,953)	-	(26,953)
11	<u>767,207,453</u>	<u>171,597,174</u>	<u>938,804,626</u>	<u>45,656,912</u>	<u>984,461,538</u>	<u>(43,550,812)</u>	<u>940,910,726</u>
12	362,155,961	(26,503,674)	335,652,287	150,108,779	485,761,066	-	485,761,066
13	853,412	-	853,412	-	853,412	-	853,412
14	<u>361,302,549</u>	<u>(26,503,674)</u>	<u>334,798,875</u>	<u>150,108,779</u>	<u>484,907,654</u>	<u>-</u>	<u>484,907,654</u>
<u>Rate Base</u>							
15	8,523,352,659	678,151,881 (9)	9,201,504,541		9,201,504,541		
16	(1,965,512,188)	(140,123,280) (10)	(2,105,635,469)		(2,105,635,469)		
17	<u>6,557,840,471</u>	<u>538,028,601</u>	<u>7,095,869,072</u>		<u>7,095,869,072</u>		
18	52,156,462	24,043,187 (11)	76,199,649		76,199,649		
19	159,768,406	141,815 (11)	159,910,221		159,910,221		
20	111,881,338	10,869,133 (11)	122,750,472		122,750,472		
21	(1,003,994,063)	(30,022,375) (12)	(1,034,016,438)		(1,034,016,438)		
22	<u>5,877,652,615</u>	<u>543,060,362</u>	<u>6,420,712,976</u>		<u>6,420,712,976</u>		
<u>Rate of Return</u>							
23	<u>6.15%</u>		<u>5.21%</u>		<u>7.55%</u>		

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Piedmont Natural Gas Company, Inc.
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North Carolina Operations

Return on Common Equity and Original Cost Net Investment_CORRECTED Depreciation
Study For the 12 Months Ended December 31, 2023

Line No.		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
		Test Period			After Accounting and Pro Forma Adjustments				
		Per Books @ 12/31/2023	Per Books Ratio	Cost Net Investment	Pro Forma Ratio	Cost Net Investment	Embedded Cost	Weighted Cost	Net Operating Income
1	Long-Term Debt	3,624,013	0.09%	5,178,910	46.30%	2,972,790,108	4.21%	1.95%	125,154,464
2	Short-Term Debt Proxy	58,042,681	1.41%	82,946,105	0.70%	44,944,991	5.43%	0.04%	2,440,513
3	Common Equity	<u>4,051,301,786</u>	<u>98.50%</u>	<u>5,789,527,600</u>	<u>53.00%</u>	<u>3,402,977,878</u>	<u>6.09%</u>	<u>3.23%</u>	<u>207,203,898</u>
4	Total	<u>\$ 4,112,968,481</u>	<u>100.00%</u>	<u>\$ 5,877,652,615</u>	<u>100.00%</u>	<u>\$ 6,420,712,976</u>		<u>5.21%</u>	<u>\$ 334,798,875</u>

After Adjustments for Proposed Rates

		Cost Net Investment	Embedded Cost	Weighted Cost	Net Operating Income
5	Long-Term Debt	2,972,790,108	4.21%	1.95%	125,154,464
6	Short-Term Debt Proxy	44,944,991	5.43%	0.04%	2,440,513
7	Common Equity	<u>3,402,977,878</u>	<u>10.50%</u>	<u>5.57%</u>	<u>357,312,677</u>
8	Total	<u>\$ 6,420,712,976</u>		<u>7.55%</u>	<u>\$ 484,907,654</u>

After Adjustments for Proposed Rates

		Pre-Tax Retention Factor	(Pre-Tax ROR) Gross Rev. Factor	Retention Factor	Net of Tax Weighted Cost
9	Long-Term Debt	0.992946	1.96%	0.7667778	1.49%
10	Short-Term Debt Proxy	0.992946	0.04%	0.7667778	0.03%
11	Common Equity	<u>0.7667778</u>	<u>7.26%</u>	<u>1.0000000</u>	<u>5.57%</u>
12	Total		<u>9.26%</u>		<u>7.09%</u>

Piedmont Natural Gas Company, Inc.
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Pro Forma Adjustments_CORRECTED Depreciation
Study For the 12 Months Ended December 31, 2023

Line No.		
1	<u>Operating Revenues - Sale and Transportation of Gas</u> To increase revenues to the going-level basis per present rates.	<u>146,900,777</u>
2	<u>Operating Revenues - Other Revenues</u> To decrease revenues to the going-level basis.	<u>(1,807,277)</u>
3	<u>Cost of Gas</u> To increase cost of gas to the going-level basis per present rates.	<u>89,152,149</u>
4	<u>Operations and Maintenance Expenses</u>	
	A To increase salaries & wages expense to the going-level basis.	1,439,342
	B To increase short-term incentive plan expense to the going-level basis.	3,049,419
	C To decrease long-term incentive plan expense to the going-level basis.	(340,600)
	D To decrease executive management compensation for ratemaking purposes.	(817,910)
	E To increase pension and OPEB expense to the going-level basis.	2,398,936
	F To increase other employee benefits expense to the going-level basis.	1,036,401
	G To increase the provision of uncollectibles expense to the going-level basis.	3,707,409
	H To increase rent expense to the going-level basis.	1,190,423
	I To increase insurance expense to the going-level basis.	328,485
	J To decrease expenses for allocations to non-utility activities.	(967,472)
	K To decrease aviation expense for ratemaking purposes.	(384,962)
	L To increase the regulatory amortization expense for deferred environmental cleanup costs.	143,497
	M To increase the regulatory amortization expense for deferred distribution integrity management program costs.	3,606,579
	N To decrease the regulatory amortization expense for deferred transmission integrity management program costs.	(4,762,872)
	O To increase the amortization expense for deferred rate case costs.	316,054
	P To increase the amortization expense for deferred Customer Connect costs.	3,760,146
	Q To decrease current regulatory fee expense to the going-level.	(53,344)
	R To increase the regulatory amortization expense for undercollected regulatory fee expense.	7,137
	S To remove leak survey expense from the test period.	(800,696)
	T To increase Customer Information System expense to the going-level.	3,472,086
	U To increase Utilization Technology Development (UTD) Program expense to the going-level.	200,000
	V To increase other remaining O&M expenses for inflation and going-level jurisdictional allocations.	2,230,856
	Total	<u>18,758,913</u>
5	<u>Depreciation and Amortization Expense</u> To increase depreciation and amortization expense to the going-level basis, following adjustment 9.	<u>52,208,890</u>
6	<u>General Taxes</u>	
	A To increase payroll tax expense to the going-level basis following adjustment 4A, 4B, 4C, and 4D.	257,515
	B To increase property tax expense to the going-level basis.	6,381,827
	C To increase NC franchise and other tax expense to the going-level basis.	<u>418,802</u>
	Total	<u>7,058,144</u>

Piedmont Natural Gas Company, Inc.
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Pro Forma Adjustments_CORRECTED Depreciation
Study For the 12 Months Ended December 31, 2023

Line No.		
9	<u>Plant in Service</u> To increase plant in service for projected net additions through June 30, 2024.	<u>678,151,881</u>
10	<u>Accumulated Depreciation</u> To increase accumulated depreciation following adjustment 9.	<u>(140,123,280)</u>
11	<u>Allowance for Working Capital</u> To increase the allowance for working capital to reflect anticipated changes through June 30, 2024.	<u>35,054,135</u>
12	<u>Accumulated Deferred Income Taxes</u> To increase accumulated deferred income taxes through June 30, 2024, as projected.	<u>(30,022,375)</u>
13	<u>Operating Revenues - Sale and Transportation of Gas</u> To increase revenues for the sale and transportation of gas following all accounting and pro forma adjustments previously described.	<u>195,765,691</u>
14	<u>Operations and Maintenance Expenses</u>	
A	To increase the provision for uncollectible accounts (rate of 0.558715%) following adjustment 13.	1,093,772
B	To increase regulatory fee expense (rate of .1475% after the provision for uncollectible accounts) following adjustment 13.	<u>287,149</u>
	Total	<u>1,380,921</u>
15	<u>State Income Taxes</u> To increase state income tax expense (rate of 2.25%) following adjustments 13 and 14.	<u>4,373,657</u>
16	<u>Federal Income Taxes</u> To increase federal income tax expense (rate of 21%) following adjustments 13 and 14.	<u>39,902,334</u>
17	<u>Operating Revenues - Gas Demand</u> To decrease revenues for the sale and transportation of gas following adjustment 18.	<u>(43,550,812)</u>
18	<u>Operations and Maintenance Expenses - Gas Demand</u>	
A	To decrease the demand cost of gas to the going-level basis.	(43,243,607)
B	To decrease the provision for uncollectible accounts (rate of 0.558715%) following adjustment 17.	(243,325)
C	To decrease regulatory fee expense (rate of .1475% after the provision for uncollectible accounts) following adjustment 17.	<u>(63,880)</u>
	Total	<u>(43,550,812)</u>

Piedmont Natural Gas Company, Inc.
2024 NC General Rate Case
Docket No. G-9, Sub 837
Test Year Ended December 31, 2023
Revenue Retention & Tax Factor Calculations_CORRECTED Depreciation Study

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Revenue Retention Factor:		[1]	[2]
Line No.			
1	Gross Revenue		1.00000000
2	Less: Uncollectibles		0.00558715
3	Subtotal		0.99441285
4	Less: Regulatory Fee @	0.1475%	0.00146680
5	Subtotal		0.99294605
6	Less: State Tax @	2.25%	0.02234129
7	Subtotal		0.97060476
8	Less: Federal Tax	21.00%	0.20382700
9	Revenue Requirements of \$1.00		0.76677776

Revenue Increase Calculation:			
Line No.			
10	Rate Base	\$	6,420,712,976
11	Overall Rate of Return		7.55%
12	Net Operating Income Requirement	\$	484,907,654
13	Net Operating Income per Existing Rates		334,798,875
14	Net Operating Income Deficiency	\$	150,108,779
15	Revenue Retention Factor		0.76677776
16	Revenue Increase Requested, before COG Demand and Tax Reform Rider	\$	195,765,691
17	Revenue Adjustment Proposed for COG Demand		(43,550,812)
18	Revenue Adjustment Proposed for Tax Reform Rider		-
19	Total Revenue Increase Request	\$	152,214,879

Tax Factor:			
Line No.			
20	Total Revenue		1.00000000
21	Less: State Income Tax @ 2.25%	0.0225	0.02250000
22	Balance		0.97750000
23	Less: Federal Income Tax @ 21%	0.21	0.20527500
24	Tax Factor		0.77222500

Uncollectibles Factor:			
Line No.			
25	Proforma Sales & Transportation Revenue		1,270,463,743
26	Proforma Period Uncollectibles		7,098,268
27	Uncollectibles Conversion Factor		0.00558715