

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. G-9, SUB 743

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,)
Continuation of its IMR Mechanism,)
Adoption of an EDIT Rider, and Other)
Relief)

TESTIMONY OF
GEOFFREY M. GILBERT
PUBLIC STAFF – NORTH
CAROLINA UTILITIES
COMMISSION

**PIEDMONT NATURAL GAS COMPANY, INC.
DOCKET NO. G-9, SUB 743**

**TESTIMONY OF GEOFFREY M. GILBERT
ON BEHALF OF THE PUBLIC STAFF –
NORTH CAROLINA UTILITIES COMMISSION**

JULY 19, 2019

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

3 A. My name is Geoffrey M. Gilbert and my business address is 430
4 North Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am
5 a Public Utilities Engineer in the Natural Gas Division of the Public
6 Staff – North Carolina Utilities Commission (Public Staff).

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

8 A. My qualifications and duties are included in Appendix A.

9 **Q. WHAT IS THE NATURE OF THE APPLICATION IN THIS RATE**
10 **CASE?**

11 A. Piedmont Natural Gas Company, Inc. (Piedmont or the Company),
12 is applying for an adjustment of rates, charges, and tariffs applicable
13 to its service in North Carolina. It is also applying for continuation of
14 its Integrity Management Rider (IMR) mechanism, adoption of an

1 Excess Deferred Income Taxes (EDIT) Rider mechanism, and other
2 relief.

3 **Q. BRIEFLY EXPLAIN THE SCOPE OF YOUR INVESTIGATION**
4 **REGARDING THIS APPLICATION.**

5 A. My areas of investigation in this proceeding have been (1)
6 determining the service quality provided by Piedmont, (2) evaluating
7 whether an increase in spending is appropriate for Piedmont's
8 energy efficiency (conservation) program(s), (3) evaluating the
9 Company's depreciation study and determining if new depreciation
10 rates should be implemented, and (4) other engineering matters.

11 **Q. HOW WOULD YOU RATE THE SERVICE QUALITY OF**
12 **PIEDMONT?**

13 A. Based on my investigation, I believe Piedmont has met or exceeded
14 every service quality requirement.

15 I reviewed the monthly call center reports for the test year which
16 show that Piedmont exceeded the goal of answering 80% of
17 incoming calls within twenty seconds for the overall year.

18 In response to a Public Staff data request, Piedmont stated that it
19 uses a proprietary survey, CX Monitor, to measure customer
20 satisfaction utilizing a Net Promoter Score (NPS) that ranges from

1 -100 to +100. Piedmont's NPS is up over the course of the study (12
2 months ended May 2019) and has stabilized in the mid-50+ range.

3 The Director of the Public Staff's Consumer Services Division, Vickie
4 Debnam, advised me that Piedmont's service quality is very good
5 and that Piedmont responds and resolves complaint investigations
6 in a professional and timely manner. Ms. Debnam also added there
7 has been no noticeable change in Piedmont's service quality since
8 the merger of Piedmont and Duke Energy Corporation (Duke
9 Energy) in 2016 (Merger), which was approved by the Commission
10 in Docket Nos. G-9, Sub 682, E-2, Sub 1095, and E-7, Sub 1100.

11 Piedmont has made several changes to its service centers and/or
12 service center protocols since the Merger, which include the
13 following:

- 14 • Piedmont integrated the Duke Achieving Customer Excellence
15 (ACE) quality monitoring form as part of its overall Quality
16 Monitoring Program for contact center agents. The Quality
17 Monitoring Program is designed to help maintain quality
18 standards, improve the customer experience, and improve
19 performance.
- 20 • Piedmont changed its holiday schedule to be consistent with that
21 of Duke Energy.

- 1 • Duke Energy affiliates, including Piedmont, established mutual
2 storm support.
- 3 • Piedmont incorporated Duke Energy's quarterly incentive
4 program for call center agents that offers financial rewards to
5 agents who meet targeted goals for attendance, schedule
6 adherence, customer satisfaction, and quality assurance.
- 7 • Piedmont moved to the same process for recruiting call center
8 agents as Duke Energy.

9 The foregoing evidence supports the testimony Company witness
10 Yoho who states in his testimony on page 15, lines 7-9, that
11 "Piedmont has continued to receive customer satisfaction and
12 trusted brand scores from J.D. Power and Cogent Reports that
13 exceed or closely approximate top quartile and top decile
14 respectively."

15 **Q. PLEASE EXPLAIN YOUR INVESTIGATION OF PIEDMONT'S**
16 **CUSTOMER CONSERVATION PROGRAM AND THE**
17 **REQUESTED \$1,225,000 ANNUAL INCREASE IN SPENDING?**

18 A. Piedmont's current Commission-approved funding level for its
19 conservation program is \$1,275,000. The Company is requesting an
20 increase of \$1,225,000, nearly doubling the current amount to \$2.5
21 million.

1 **Q. PLEASE PROVIDE A HISTORY OF PIEDMONT’S**
2 **CONSERVATION PROGRAM FUNDING.**

3 On November 3, 2005, the Commission issued its Order Approving
4 Partial Rate Increase and Requiring Conservation Initiative in Docket
5 No. G-9, Sub 499 (Sub 499 Order). In that case, the Commission
6 approved a Customer Utilization Tracker (CUT) mechanism, as an
7 experimental, provisional tariff for a period of no more than three
8 years from the effective date of rates therein, and ordered that,
9 during the life of the CUT, Piedmont contribute \$500,000 per year
10 toward conservation programs and work with the Attorney General
11 and the Public Staff to develop appropriate and effective
12 conservation programs to assist residential and commercial
13 customers. The Sub 499 Order stated that “[t]he Commission
14 believes in order for the CUT to be fair to both the Company and
15 customers, approval of the CUT must be associated with a
16 substantial and effective conservation initiative by Piedmont to assist
17 its customers with the high natural gas prices that they face today.”
18 (Sub 499 Order, p 24) The Attorney General filed notices of appeal
19 regarding approval of the CUT in Sub 499 and implementation of
20 Piedmont’s first semi-annual rate increment under the CUT in Docket
21 No. G-9, Sub 521. Following docketing of the appeals, Piedmont and
22 the Attorney General undertook negotiations and ultimately agreed
23 to a settlement in which the Attorney General agreed to dismiss its

1 appeals and Piedmont committed to an additional \$750,000 in
2 annual conservation program funding.¹ By Order Approving
3 Requested Relief issued September 14, 2006, the Commission
4 approved the proposed annual accounting adjustment to Piedmont's
5 CUT deferred account utilizing the formula described in the
6 settlement agreement for each of the three years of its experimental
7 period.

8 On March 31, 2008, in Docket No. G-9, Sub 550, Piedmont filed a
9 petition seeking, among other things, an increase in and revisions to
10 its rates and charges, permanent extension of its margin decoupling
11 mechanism, and approval of conservation and energy efficiency
12 programs and recovery of associated costs. Piedmont requested an
13 increase in its conservation program spending to \$3 million. All of the
14 parties to the docket, except the Attorney General, entered into a
15 stipulation which provided that Piedmont will be allowed to recover
16 \$1,275,000 of conservation program expenditures through the cost

¹ Piedmont agreed that for each of the three years that the experimental CUT is in effect, and to the extent that the total deferral under the CUT for that year exceeds the sum of the weather-related deferrals during November through March, Piedmont will make a credit entry to the CUT deferred account partially reducing the amount to be collected from customers through future rate increments. The amount of this credit entry will be equal to twenty-five per cent (25%) of the amounts deferred in excess of weather-related deferrals for that period, subject to an annual cap of \$750,000 plus the related accumulated interest on the amount of such credit. Further, Piedmont agreed that for each of the three years that the experimental CUT is in effect, and to the extent that the total deferral under the CUT mechanism for that year exceeds the sum of weather-related deferrals during November through March, Piedmont shall contribute additional amounts to fund conservation programs. The amount of such additional contributions shall equal twenty-five per cent (25%) of the amounts in excess of weather-related deferrals for that annual period, subject to a cap for each respective annual period of \$750,000.

1 of service in the proceeding. As authorized by N.C. Gen. Stat. § 62-
2 133.7, which was enacted in 2007, the stipulating parties agreed that
3 it was appropriate to continue the Company's proposed Margin
4 Decoupling Tracker (MDT) mechanism, which was originally known
5 as the CUT. On October 24, 2008, the Commission issued an Order
6 Approving Partial Rate Increase and Requiring Conservation
7 Program Filing and Reporting in Docket No. G-9, Sub 550, approving
8 the stipulation, and thus the \$1,275,000 in conservation spending.
9 The Commission also found that the MDT was in the public interest
10 and should be approved. The Commission's approval of the MDT
11 was not tied to conservation spending.

12 In Piedmont's last general rate proceeding, Docket No. G-9, Sub
13 631, Piedmont did not request a change to its conservation program
14 spending. Thus, Piedmont's conservation program spending has
15 remained steady at \$1,275,000 for over ten years.

16 I also examined Piedmont's Annual Conservation Program Reports
17 and the resultant effects of energy savings from the programs.

18 Piedmont's current conservation programs include:

- 19 • Equipment Rebate Program – Provides rebates to Piedmont's
20 current residential and commercial customers who replace their
21 existing natural gas water and space heating equipment with

1 qualifying high-efficiency equipment, including tankless water
2 heaters.

3 • Residential Low Income Energy Efficiency Program – Provides
4 energy efficiency measures and weatherization assistance
5 through a third-party energy contractor to low-income residential
6 customers that are intended to create a more energy-efficient and
7 comfortable home environment for the customers.

8 • School Conservation Education Program – Consisting of a
9 school-based education program that provides interactive,
10 engaging performances by The National Theater for Children and
11 includes lessons and take-home activities for Kindergarten
12 through 5th grade students on the importance of natural gas
13 conservation and safety.

14 In this docket, Company witness Barkley states in his testimony on
15 page 14, line 22, that specific conservation program proposals are
16 “not yet ready.” I interpret this to mean that no specific programs
17 have been generated/created for the use of or demonstrate the need
18 for Piedmont’s proposed conservation program funding increase.
19 Also, Piedmont’s most recent Annual Conservation Program Report
20 filed in Docket No. G-9, Sub 631A, on June 14, 2019, does not list
21 any recommended changes to any of Piedmont’s programs.

1 **Q. WHAT ARE YOUR CONCLUSIONS AND RECOMMENDATIONS**
2 **REGARDING PIEDMONT’S PROPOSED INCREASE IN**
3 **CONSERVATION PROGRAM FUNDING?**

4 A. Based on my investigation and evaluation, I conclude that the
5 programs are working well at their current funding levels and that no
6 further funding is warranted at this time. If the Company wishes to
7 increase spending for its conservation programs, I recommend that
8 Piedmont identify specific programs and provide an explanation as
9 to how they will benefit ratepayers. The Public Staff should be given
10 the opportunity to examine any proposed new programs and make
11 recommendations to the Commission regarding such programs
12 before they are implemented.

13 I would also note that approval of increased spending for
14 conservation would impact customers’ bills not only directly, as a
15 result of the increased conservation spending, but also as a result of
16 rate increases through the Company’s MDT mechanism to recover
17 any lost revenue resulting from the reduction in usage triggered by
18 the conservation programs.

19 **Q. WHAT IS THE PUBLIC STAFF’S POSITION ON CHANGING**
20 **DEPRECIATION EXPENSE TO THE LEVEL RECOMMENDED BY**
21 **COMPANY WITNESS WATSON?**

1 A. In this docket, Piedmont submitted its five-year depreciation study in
2 compliance with Commission Rule R6-80. Company witness Watson
3 of Alliance Consulting Group conducted the depreciation study of
4 Piedmont North Carolina, South Carolina (together “the Carolinas”),
5 and Corporate depreciable assets as of September 30, 2018.

6 The study recommends a change in depreciation rates, which results
7 in an overall increase of \$0.3 million in annual depreciation expense
8 compared to the annual depreciation expense being recorded as of
9 September 30, 2018. This overall increase is comprised of a
10 decrease of \$9.5 million for North Carolina, a decrease of \$0.2 million
11 for South Carolina, and an increase of \$10 million for Corporate.
12 Overall, the primary driver of the change is in the Distribution function
13 and Intangible Software. In addition, depreciation expense is
14 impacted by the reserve position.

15 I have reviewed the depreciation study and responses to Public Staff
16 data requests related to the depreciation study. I recommend that the
17 depreciation study as filed be accepted as being in compliance with
18 Commission Rule R6-80. Public Staff witness Feasel has
19 implemented in the depreciation expense adjustments in her
20 testimony.

21 **Q. DO YOU HAVE ANY FURTHER RECOMMENDATIONS?**

1 A. Yes. Piedmont is proposing to eliminate the winter only standby sales
2 service, which is currently available to customers on Rate Schedules
3 113, T-12, and ST-1. According to Company witness Barkley,
4 subscription to this service is essentially a back-up supply source for
5 customers during the winter heating period, and customers are
6 required to pay demand charges in order to reserve this service.
7 Company witness Barkley states that customers have not needed
8 this service in recent years, he does not anticipate customers will
9 have need for it in the future, and proposes to eliminate it. Since
10 eliminating the service will simplify Piedmont's gas cost acquisition
11 planning and strategies and will not inconvenience customers, I
12 agree with Piedmont's proposal to eliminate it.

13 Another change being proposed by Piedmont to its tariffs involves
14 changes in tolerances used in Piedmont's annual customer
15 classification process under Sections 34 and 35 of the Company's
16 Service Regulations. Piedmont's proposal will allow a 10% buffer
17 (customers moving "up" in rate schedule qualification will have to
18 exceed 110% of the threshold amount and customers moving "down"
19 in rate schedule qualification will have to be below 90% of the
20 threshold amount in order to move). Piedmont states that this method
21 has been approved for its South Carolina natural gas operations.
22 This change does not appear to harm North Carolina customers, and
23 I agree with the proposal.

1 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

2 A. Yes.

QUALIFICATIONS AND EXPERIENCE

GEOFFREY M. GILBERT

I am a graduate of North Carolina State University with a Bachelor of Science Degree in Environmental Engineering.

Prior to joining the Public Staff, I worked in the environmental field for TRC Solutions beginning in October 2008. At TRC, I specialized in air emissions testing and monitoring. Beginning in May 2015, I worked for Geo-Technology Associates, Inc., where I was responsible for completing Transaction Screens, Phase I and II Environmental Site Assessments for a variety of sites, including residential, commercial, industrial, and brownfield.

I joined the Public Staff in August 2017 as a Public Utilities Engineer with the Natural Gas Division. My work to date includes Purchased Gas Cost Adjustment Procedures, Customer Utilization Trackers, Integrity Management Riders, Annual Review of Gas Costs Proceedings, Peak Day Demand and Capacity Calculations, and Customer Complaint Resolutions.