

TENNESSEE REGULATORY AUTHORITY



SEP 22 PM 1:36

460 James Robertson Parkway
Nashville, Tennessee 37243-0505

VIA FAX AND US MAIL

September 22, 2011

R. Dale Grimes
Bass, Berry & Sims PLC
150 Third Avenue South, Suite 2800
Nashville, TN 37201

RE: Docket No. 11-00144 – PETITION OF PIEDMONT NATURAL GAS COMPANY, INC. FOR AN ADJUSTMENT TO ITS RATES, APPROVAL OF CHANGES TO ITS RATE DESIGN, AMORTIZATION OF CERTAIN DEFERRED ASSETS, APPROVAL OF NEW DEPRECIATION RATES, APPROVAL OF REVISED TARIFFS AND SERVICE REGULATIONS, AND APPROVAL OF A NEW ENERGY EFFICIENCY PROGRAM AND GTI FUNDING

Dear Mr. Grimes:

To further the Staff's investigation of the reasonableness of the rates filed with this Authority on September 2, 2011 by Piedmont Natural Gas Company, Inc., it is requested that you furnish additional information on the attached "TRA Data Request No. 1." Please pay particular attention to the directions provided in the first section labeled "Administrative." If you have questions regarding any item number in the attached request, please contact Paul Greene (extension 156) or Pat Murphy (extension 178) for clarification before responding.

Thank you for your attention to this matter. Please provide all responses by October 13, 2011.

Sincerely,

David Foster
Chief, Utilities Division

Enclosure

C: Jane Lewis-Raymond
James H. Jeffries IV

TRA DATA REQUEST NO. 1

ADMINISTRATIVE

⇒The Tennessee Regulatory Authority ("TRA") requires an original and thirteen (13) copies of the filing (an original and four (4) copies of electronic filings).

⇒All schedules requested as an electronic file are to be provided in Microsoft Excel (unpass worded with working formulas) or Microsoft Word readable format.

⇒Please respond fully to each question, even if the data has been partially supplied in prior filings or dockets. Do not simply reference data provided in response to other data requests.

⇒Each copy of the responses should be placed in loose-leaf binders with each item tabbed. Each response should begin by restating the item request. If several sheets are required to answer an item, each sheet should be appropriately labeled and indexed, for example, Item 1(a), Sheet 1 of 4.

⇒For each item responded to, indicate the witness whose testimony would encompass the information requested, where applicable.

⇒For data requested that is also supplied in summary form on the PSC 3.06 reports for the test period only, please reconcile your response to these reports if a variance exists.

⇒Unless otherwise specifically requested, information shall be required for the Tennessee operations only.

MISCELLANEOUS:

1. Please complete the Excel workbook, file name "PNG Exhibits," included on the CD accompanying this data request. This is the standard format that is most always used by the Authority. You may insert lines, cut and paste (do not use copy as this may invalidate the formulas) and add or change line numbers if necessary. **Do not enter values in cells with formulas.** If you have questions contact Paul Greene at (615) 741-2904 extension 156 or paul.greene@tn.gov.
2. To the extent they have not already been provided, provide all witness testimony in Word format.
3. Identify the amount that Piedmont stockholders will contribute annually to GTI funding.

4. Identify, explain, and quantify all benefits received by Piedmont and its customers from GTI research projects over the past three (3) years.
5. Does Piedmont's participation in the Operations Technology Development partnership program with GTI provide a benefit to its operations outside of Tennessee? If yes, do those operations in other states contribute separately to participate in the program or does the proposed \$150,000 contribution in this case cover all of Piedmont's operations?
6. Explain in detail how GTI's cost/benefit ratio of 1 to 8 was determined. Include any assumptions made and all supporting documentation. (See page 23 of Pia K. Powers testimony).
7. Please provide a detailed explanation of Piedmont's involvement with the Interior Gas Line Coverage from HomeServe.
8. Provide the Tennessee Only Income Statement for Home Service USA Repair Management Corp. ("HomeServe") for the 12-months ending May 31, 2011. If not specifically detailed on this statement provide the individual net earnings realized from the Interior Gas Line Coverage Program/Contracts.
9. Provide the monthly journal entries for any direct expenses for the HomeServe Program/Contracts and/or repairs pursuant to these contracts that were recorded by Piedmont for the twelve months ended May 31, 2011.
10. Does Piedmont receive any royalties from HomeServe related to the sale or provision of Interior Gas Line Coverage in Tennessee (royalties related to the benefit derived from the use of Piedmont's name, vice-president's signature, logo, reputation, goodwill and corporate image, etc)? If so, please provide the amount received for the twelve months ending May 31, 2011. Please provide detailed justification if no royalties were assessed or received.
11. Provide any written contracts between Piedmont Natural Gas and Home Service USA Repair Management Corp. for the provisioning of Interior Gas Line Coverage and/or repairs under this coverage.
12. Identify the amounts that Piedmont stockholders contribute annually to the proposed School Energy Pledge Program?
13. Can the Company propose an alternate method to provide customers interested in energy savings the necessary materials at cost, so the cost is placed on the cost-causer without recovering from the gas customers who may not participate in the proposed School Energy Pledge Program?

14. Discuss the qualifications a school must possess in order to be considered for participation in the School Energy Pledge Program. Has Piedmont developed a list of targeted schools for participation?
15. Does Piedmont plan to provide energy efficiency toolkits to non Piedmont customers at the expense of ratepayers?
16. Are there any circumstances in which a family would be precluded from participating in the School Energy Pledge Program? Explain.
17. Page 9 of Exhibit PKP-2 states that "the program manager will attend regulatory and other stakeholders meetings to present and discuss program operations and performances." Is the cost of these visits built into rates or will this be an additional cost?
18. Page 17 of Exhibit PKP-2 states that the School Energy Pledge Program for Duquesne Light Company was suspended due to a competitive bidding process. Please explain and whether the program in its entirety has been reestablished.
19. On page 18 of Exhibit PKP-2 it states that Duquesne Light program was developed in response to the Pennsylvania Act 129 Energy Efficiency and Conservation Program. Please state whether each of the programs listed on page 3 of Exhibit PKP-3 was implemented in response to such a mandate from the states.
20. Is there any cost to participants in the School Energy Pledge Program other than the cost built into rates for Piedmont's customers?
21. Provide Exhibit PKP-3 in Excel format with working formulas.

REVENUES:

22. Explain and provide calculations supporting the Company's growth rates (including all referenced material).
23. Explain and provide calculations supporting the Company's volumetric growth (including all referenced material).
24. Provide the number of customers, therms and billing determinates on the Excel worksheet titled "REV#1BillingDeterminatesHISTORY.xls" in the empty columns (on attached CD). Staff was able to complete 2008 - 2010 from monthly reports filed by the Company. In addition to completing the blank columns, verify the amounts Staff has entered for 2008 -2010.

25. Provide a copy of all weather normalization workpapers necessary to determine test period revenues. Provide weather normalized sales volumes in dekatherms, by class of customer (as shown in request #24 above) and supporting documentation for the test period. Provide computer files for this information.
26. Provide the amount of revenues recorded for the weather normalization adjustment by customer class (as shown in request #24 above) by month from June 2006- May 2011 in Excel format.
27. Provide the amount of therms recorded for the weather normalization adjustment by customer class (as shown in request #24 above) by month from June 2006- May 2011 in Excel format.
28. Using PKP-1, Schedule 1, Page 1, price-out attrition period revenues at current rates by providing the attrition period billing determinates multiplied by the current rates.
29. Are the customer counts shown in MFR 25-3 1&4 for June 2010 end of month amounts? If so, please update this schedule to show end of month May 2010, in order to average 13 end of month customer counts to get a 12 month average.
30. First we should note that we are aware of various proposed changes in the Company rate schedules. It is requested, however, that the Company provide a price-out of the revenue deficiency using an **across the board** rate increase methodology and the description of rate schedules shown in PKP-1 31st revised sheet number 1. This Excel sheet should be prepared so that the requested revenue deficiency can be entered in one cell at the top of the page and under that show the percent increase to be applied across the board. It could be necessary for the Company to make certain assumptions to complete this request; if so, provide all assumptions used.
31. Reconcile PKP-1, Schedule 3, Page 1 which shows AFUDC for the test period of \$1,742,129 as an NOI adjustment (which should be net of tax) with MFR 25 1 where AFUDC is shown as pre-tax revenue of \$1,742,129.
32. Reconcile PKP-1, Schedule 3, Page 1 which shows an NOI adjustment (which should be net of tax) \$1,074,986 with MFR 25 1 which shows AFUDC as pre-tax revenue adjustment of \$1,074,986.
33. Explain and provide detailed calculations on an Excel spreadsheet of the (\$1,631,609) adjustment to booked test period revenues as shown on MFR 25 1.

34. Explain and provide detailed calculations on an Excel spreadsheet of the (\$10,121,396) and the (\$1,769,331) adjustments to booked test period revenues as shown on MFR 25 1 which combined total adjustment 1 on PKP-1, Schedule 3, Page 1.
35. Explain the \$23,285 shown as adjustment 2 on PKP-1, Schedule 3, Page 1 which the Company states is "to increase revenues for the new gas property lease to a third-party." Reconcile this adjustment to the monthly rent shown on MFR 25 4.
36. Provide an Excel spreadsheet and a detailed explanation to support the (\$12,446,564) adjustment shown as adjustment 4 on PKP-1, Schedule 3, Page 1.
37. Explain how the historical growth rates were determined on MFR 25 4 "Other Factors". Does this growth rate apply to total customers? Explain what this page demonstrates.
38. Provide all workpapers to support the statement found on page 11, lines 13 – 18 of Mr. Carpenter's Pre-filed Direct Testimony.
39. Provide the average residential usage for 2010.
40. Provide the customers (billing determinants) and usage by month for each rate class from the end of the Attrition Year in the 03-00313 rate case through May 2011.
41. Provide in Excel format the amount of revenues in the attrition year for any anticipated new special contracts.
42. Provide the volumes by month from June 2006 - May 2011 for each of the following miscellaneous revenues: Reconnect Charges, Service Establishment, Returned Check, Late Payment, Service Work, Damage Billing, and all other Miscellaneous revenues in an Excel spreadsheet, the current tariff rate for each type of miscellaneous revenue and the resulting revenue at current rates.

EXPENSES:

43. Provide a list of account numbers and corresponding account names that make up each of the following O&M Expense categories: Other Compensation and Benefits, Transmission & Distribution Expense, Uncollectible Accounts Expense, Other Customer Accounts Expense, Administrative & General, Sales Expense, and Deferred Expense Regulatory Amortizations.

44. Describe in detail the Company's methodology for allocating Corporate operating expenses to Tennessee. Provide a calculation of any percentages used with underlying assumptions.
45. Provide a detailed calculation with explanations for all Accounting and Pro Forma Adjustments listed on Exhibit_(PKP-1), Schedule 3, Pages 3 through 5. If provided on Workpapers submitted in response to MFR #25, reference Excel file (&tab) names.
46. Complete the Excel spreadsheets (file name "Salaries and Wages" on attached CD) for **every** employee (both TN Direct and Corporate that is allocated to TN).
47. Provide the methodology Piedmont uses to allocate Corporate salaries to Tennessee. Provide all calculations and assumptions used in arriving at a percentage.
48. Staff notes that there are 46 open positions (7 in Tennessee and 37 at the Corporate level) that have been included in the Company's calculation of Salaries and Wages Expense for the Attrition Year. On Piedmont's spreadsheet (ADJUSTMENT_5A_TN ATTRITION PERIOD S&W_DETAIL) it appears that Corporate Salaries were not allocated, but instead the full salaries charged to Tennessee. Please explain.
49. How many current employees are based in Tennessee? How many Corporate employees allocate a portion of their salary to Tennessee?
50. Explain why there are currently 46 open positions. Are these new positions or recently vacated positions? Explain.
51. Provide the number of TN Direct employees and Corporate allocated employees at May 2006, May 2007, May 2008, May 2009 and May 2010.
52. Does Piedmont intend to hire 46 new employees during the Attrition Year? If so, provide the Company's plan as to which employee positions will be filled in each month of the Attrition Year.
53. Provide the number of customers in North Carolina, South Carolina and Tennessee at May 2008, May 2009, May 2010 and May 2011.
54. Provide evidence to support the assumption of a 15% increase in PPO and HDHP medical plans.
55. Provide an agreement for the following:

- a. PIP;
- b. SIP;
- c. STIP; and
- d. MVP.

- 56. Provide support for the 3% increase in Insurance Expense projected in 2012 and 2013.
- 57. Provide the most current invoice for each type of insurance contained in Insurance Expense.
- 58. Provide lease agreements for each expense contained in Rent Expense.
- 59. Provide a detailed explanation of activities included in Other Employee Benefits and Training Expense.
- 60. Provide documentation of Authority approval in Docket 03-00313 of an annual expense recovery of \$8,673 used to calculate the unamortized balance of environmental cleanup expense on MFR 25/Adjustment 19_ 5L Deferred Environmental Clean-up Attrition.
- 61. Provide documentation of TRA approvals of deferred pension expense recovery ordered in Docket Nos. 99-00994 and 03-00313 supporting the calculations in Company worksheet ADJUSTMENT_5K_DEFERRED PENSION ATTRITION ADJUSTMENT.XLS.
- 62. Provide copies of all contracts and/or invoices that support the paid expenses listed for Rate Case Expense in 29-ADJUSTMENT_5U_Deferred Rate Case Expense Attrition ADJU.XLS.
- 63. Please update all spreadsheets provided in MFR # 69 thru May, 2011, in Excel format.
- 64. Reconcile Adjustment 20 amount of \$123,552 on Pia Powers Exhibit_(PKP-1) Schedule 3, Page 5 with Adjustment 20 amount of \$55,489 on Exhibit_(PKP-1), Schedule 3, Page 1 (column 4).
- 65. Regarding Company response to MFR 57, do the amounts excluded include an allocated portion of salary and benefits for those employees directly involved in the mentioned activities, for instance the Nashville Christmas parade?

RATE BASE:

66. Reconcile test period amounts for Rate Base on PKP-1, Schedule 3 to Rate Base amounts on Piedmont May 2011 Monthly Report, page 1 column G.
67. Please cite workpapers previously provided or provide workpapers with calculations supporting the amounts included in rate base for Accumulated Deferred Income Taxes for the May 31, 2011 Test Period and After Attrition Adjustments listed in PKP-1, Schedule 3. Please provide a narrative explaining the amounts and calculations on these workpapers.
68. Provide a narrative and schedule (with supporting calculations) summarizing MFG 25, schedule 30 and back-up workpapers. This narrative and schedule should demonstrate how the company, utilizing the schedules in 30, arrived at the rate base amounts on Exhibit PKP-1, Schedule 3 for Accumulated Depreciation for the test period and attrition period.
69. Is the unamortized balance for environmental clean up costs included in rate base? If so, please identify the amount and where it is included. Please provide an explanation as to why this deferred amount should or should not be included in rate base.
70. Please reference MFR 25, Schedule 19. For those amounts the Company is seeking recovery in this rate case (19-ADJUSTMENT_5L_DEFERRED ENVIRONMENTAL CLEANUP ATTRITION.XLStransactions_TN) please provide a detail listing with corresponding amount disbursed by location for materials and labor. Include whether this was an in house expenditure or contract. Include the number of hours worked and the function performed for each amount listed.
71. Is the unamortized balance for flood clean up costs included in rate base? If so, identify the amount and where it is included. Provide an explanation as to why this deferred amount should or should not be included in rate base.
72. Provide a detailed listing supporting the Overtime Payroll of \$103,227 listed in MFG 25, Schedule 20. Detail 1, for flood clean up. This should include the date, employee name, number of hours, location of work, etc.
73. Provide a detailed listing supporting the Accounts Payable of \$323,930 listed in MFG, Schedule 20, Detail 2, for flood clean up. This should include the date the material was used, description of the material with amount, location used, etc.

74. Provide a detailed listing supporting the Street Repair of \$2,977 listed in MFR, Schedule 20, Detail 3, for flood clean up. This should include the date, location and description of the repair.
75. Provide a detailed listing supporting the Contract Labor of \$258,622 listed in MFR, Schedule 20, for flood clean up. This should include the date, location of clean up, description of function performed, contractor name and the amount paid, etc.
76. Provide a detailed listing supporting the Inventory of \$259,624 listed in MFR, Schedule 20, for flood clean up. This should include the date, location of clean up, description of material and the amount, etc.
77. Provide a detailed listing supporting the parts/materials of \$11,322 listed in MFR, Schedule 20, for flood clean up. This should include the date, location of clean up, description of material and the amount, etc.
78. Is the unamortized account balance for TN Deferred Pension Expense included in rate base? If so, please identify the amount and where it is included. Please provide an explanation as to why this deferred amount should or should not be included in rate base.
79. Is the unamortized account balance for Deferred Rate Case Expense included in rate base? If so, please identify the amount and where it is included. Please provide an explanation as to why this deferred amount should or should not be included in rate base.
80. Provide a schedule showing the total amount of plant additions by month from June 2005 through May 2011.

COST OF CAPITAL:

81. Reconcile the capital structure proposed by witness David Dzuricky in Exhibit DJD-1 with the response to MFR 79. Specifically, account for the lower reported equity amounts in MFR 79 relative to the amounts used in Exhibit DJD-1.
82. Reconcile the difference between total long-term debt as reported in MFR 85 and total long-term debt as reported in MFR 79.
83. Provide a calculation of the capital structure proposed by witness David Dzuricky in Exhibit DJD-1 using balances for January 2009, 2010 and 2011.

84. Explain the differences between the projected equity ratios contained in Confidential MFR 94 with the capital structure proposed in by witness David Dzuricky in Exhibit DJD-1. In the discussion, specifically explain the difference in the projected equity ratio for FY 2011 and the ratio implied by the data in Exhibit DJD-1.
85. Provide a forecast capital structure based upon the responses to MFR 94 and MFR 95. Please include forecasted levels of short term debt and explain the method for determining the level of short-term debt included in the forecasted capital structure.