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December 8, 2015

Via Hand-Delivery

The Honorable Earl Taylor
Executive Director
Tennessee Regulatory Authority
c/o Sharla Dillon
502 Deaderick Street, Fourth Floor
Nashville, Tennessee 37243

Re: *Petition of Piedmont Natural Gas Company, Inc. for Approval of an Integrity Management Rider to Its Approved Rate Schedules and Service Regulations*
Docket No. 15-00116

Dear Mr. Taylor:

Enclosed please find an original and five (5) copies of Piedmont Natural Gas Company Inc.'s ("Piedmont" or "Company") Testimony of Pia K. Powers.

This material is also being filed today by way of email to the Tennessee Regulatory Authority docket manager, Sharla Dillon. Please file the original and four copies and stamp the additional copy as "filed." Then please return the stamped copy to me by way of our courier.

Should you have any questions concerning this matter, please do not hesitate to contact me at the email address or telephone number listed above.

With kindest regards, I remain

Very truly yours,



R. Dale Grimes

**Before the
Tennessee Regulatory Authority**

Docket No. 15-00116

**Petition of Piedmont Natural Gas Company, Inc.
for Approval of an Integrity Management Rider to its
Approved Rate Schedules and Service Regulations**

**Testimony
of
Pia K. Powers**

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



December 8, 2015

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

2 A. My name is Pia K. Powers. My business address is 4720 Piedmont Row Drive,
3 Charlotte, North Carolina.

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

5 A. I am the Director – Regulatory Affairs for Piedmont Natural Gas Company,
6 Inc., (“Piedmont” or “the Company”).

7 **Q. Please briefly describe your educational and professional background.**

8 A. I have a Bachelor of Arts degree in economics from Fairfield University and a
9 Master of Science degree in environmental and resource economics from the
10 University College London. From 1999 through 2003, I was employed as an
11 Economist with the Energy Information Administration, the statistical agency
12 of the U.S. Department of Energy, where I focused on international energy
13 forecasting and environmental issues. I was hired by Piedmont as a Regulatory
14 Analyst in 2003, promoted to Supervisor – Federal Regulatory in 2005, and
15 promoted to Manager of Regulatory Affairs in 2006. In 2013, I was promoted
16 to my current position.

17 **Q. Have you previously testified before the Tennessee Regulatory Authority**
18 **or any other regulatory authority?**

19 A. Yes. I have presented testimony before the Tennessee Regulatory Authority
20 (“TRA” or “Authority”), the Public Service Commission of South Carolina,
21 and the North Carolina Utilities Commission.

22 **Q. What is the purpose of your testimony in this proceeding?**

1 A. The purpose of my testimony in this proceeding is to support Piedmont's 2015
2 annual filing with the Authority under its previously approved Integrity
3 Management Rider ("IMR") mechanism set forth in Service Schedule 317 of its
4 Tennessee Tariffs. This annual filing was made by Piedmont on November 30,
5 2015 in Docket No. 13-00118, but it has since been re-docketed in TRA Docket
6 No. 15-00116.

7 **Q. Could you please explain the purpose of the IMR mechanism?**

8 A. Yes. The IMR mechanism is designed to provide a reasonable and effective
9 means for Piedmont to begin recovering the costs associated with its integrity
10 management capital investment since its most recent rate case. These costs are
11 being incurred by the Company as a result of compliance with regulations for
12 pipeline integrity and safety, namely transmission integrity management
13 planning ("TIMP") and distribution integrity management planning ("DIMP")
14 standards under Subparts O & P of Part 192 of the United States Department of
15 Transportation regulations. The costs eligible for recovery through the IMR
16 mechanism are costs that are not already included in the Company's current
17 base rates, and therefore, absent the IMR mechanism, would not otherwise be
18 eligible for recovery until the Company's next general rate case.

19 **Q. When and how was the IMR mechanism approved by the Authority?**

20 A. The IMR mechanism was initially approved by the Authority in Docket No. 13-
21 00118 by Order issued on May 13, 2014.

1 **Q. Is the IMR mechanism still in the public interest?**

2 A. Yes, I believe it is. This mechanism continues to create a partial and interim
3 bridge between rate cases to recover the costs of new capital investment by the
4 Company for compliance with pipeline safety and reliability regulations. In
5 approving the IMR mechanism in May 2014, the Authority found that the IMR
6 mechanism was in the public interest. I do not believe any circumstances to
7 this effect have changed since that Authority ruling.

8 **Q. Can you provide a general description of the IMR mechanism and how it**
9 **works?**

10 A. Yes. Under this mechanism, as is set forth in Service Schedule 317, the
11 Company calculates an annual integrity management revenue requirement
12 based upon its actual amount of integrity management capital investment
13 through the applicable period and then allocates that annual revenue
14 requirement (plus the balance in the Company's integrity management deferred
15 account) across Piedmont's customer classes using allocation factors and
16 throughput levels established in Piedmont's most recent rate case¹. This
17 calculation, which is performed once each year and reflected in Piedmont's
18 annual IMR report filing, results in a volumetric (i.e. per therm) customer
19 surcharge referred to in the tariff as the "Integrity Management Adjustment."

1 Pursuant to the IMR mechanism, Piedmont tracks the under-collection or over-collection of its annual integrity management revenue requirement, by month, through its integrity management deferred account. Therefore, the actual balance in the integrity management deferred account is incorporated into the calculation of the IMR customer surcharge.

1 This customer surcharge is effective for a twelve-month billing period
2 beginning each January, then refreshed for the next twelve-month period based
3 upon an updated calculation of the annual integrity management revenue
4 requirement (and updated integrity management deferred account balance). At
5 the time of Piedmont's next general rate case, the Company's net integrity
6 management capital investment will be included in the calculation of base rates
7 and the IMR mechanism will be accordingly reset to zero².

8 **Q. Has Piedmont made any previous annual report filings under this IMR**
9 **mechanism?**

10 A. Yes. Piedmont has filed two previous annual reports, the most recent of which
11 was filed on December 1, 2014 and approved by the TRA in Docket No. 14-
12 00147.

13 **Q. Does Piedmont provide any additional information to the Authority about**
14 **its Integrity Management investments other than the annual report?**

15 A. Yes. Consistent with its tariff, Piedmont files ongoing monthly reports with the
16 TRA Staff regarding its actual integrity management investments and actual
17 monthly integrity management deferred account activity and balance. The
18 Company's annual IMR report filing simply aggregates the data provided in its
19 monthly reports and, using that aggregated monthly data, shows the exact

2 In the Company's next general rate case application, the net integrity management capital investment will be included in rate base. Any remaining balance in the Company's integrity management deferred account at that time shall be included in the proposed cost of service, amortized for refund or recovery as applicable.

1 computation of the annual integrity management revenue requirement and
2 proposed rate adjustments.

3 **Q. Is that statement true with respect to the Company's 2015 Annual Report?**

4 A. Yes.

5 **Q. Are the proposed rate adjustments shown in Piedmont's 2015 Annual**
6 **Report calculated in a manner consistent with Piedmont's Service**
7 **Schedule 317?**

8 A. Yes. We utilized the methodology set forth in our approved tariff to calculate
9 the updated IMR surcharges (i.e. the updated Integrity Management
10 Adjustment, by rate schedule) shown in our most recent annual report for the
11 IMR mechanism.

12 **Q. Can you briefly summarize what is reflected in the 2015 IMR Annual**
13 **Report for the Authority?**

14 A. Yes. The 2015 IMR annual report reflects updated customer surcharges based
15 upon a total of \$172.7 million in integrity management capital investment by
16 the Company. Of this amount, \$18.4 million is integrity management capital
17 investment by the Company during its most recent fiscal year, which is the
18 twelve-months ended October 31, 2015. None of this integrity management
19 capital investment is reflected in Piedmont's current base rates. The updated
20 customer surcharges shown in the 2015 IMR annual report were calculated in
21 strict accordance with the procedures set forth in Piedmont's Service Schedule

1 317. Specifically, in following methodology shown in the Company's IMR
2 tariff, the \$172.7 million of integrity management capital investment yielded an
3 annual integrity management revenue requirement of \$21.3 million for the
4 annual rate period beginning January 1, 2016. The actual balance in the
5 integrity management deferred account as of October 31, 2015 reflected a
6 cumulative over-collection of \$2.4 million. Since this deferred account balance
7 is an amount due customers, it functioned as a \$2.4 million offset to the annual
8 integrity management revenue requirement of \$21.3 million. Therefore, the
9 proposed IMR surcharges were calculated upon an allocation of \$18.9 million
10 [= \$21.3 million less \$2.4 million] across the various customer classes.

11 **Q. What is the impact to customer bills due to the proposed rate adjustments**
12 **shown in the 2015 IMR Annual Report?**

13 A. The current IMR surcharges, as approved by the Authority in Docket No. 14-
14 00147, were calculated upon an allocation of \$17.3 million across the various
15 customer classes³. Given that revenue requirement, the approved IMR rate for
16 residential customers was set at \$0.09285 per therm. In the Company's 2015
17 IMR annual report, the proposed IMR rate for residential customers is \$0.10144
18 per therm. This proposed \$0.00859 increase in the residential IMR rate will
19 result in a monthly bill increase of \$0.53 (0.85% increase) for our typical

3 The Company's 2014 IMR annual report showed an annual integrity management revenue requirement of \$19.6 million for the annual period beginning January 1, 2015. This revenue requirement was offset by an integrity management deferred account balance at October 31, 2014 of \$2.3 million due customers, yielding a total annual IMR amount for recovery of \$17.3 million.

1 residential customer, who uses approximately 735 therms of natural gas per
2 year.

3 **Q. What are you asking the Authority to do in this proceeding?**

4 A. We are asking that the Authority approve the proposed IMR surcharges shown
5 in Piedmont's 2015 IMR annual report, to be effective for customer billings
6 beginning January 1, 2016 consistent with the process set forth in our Service
7 Schedule 317.

8 **Q. Does this conclude your direct testimony?**

9 A. Yes.

10

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on December 8, 2015, a copy of the attached documents were served upon the following by electronic mail and by depositing a copy of the same in the United States Mail, First Class Postage Prepaid, addressed as follows:

Emily Knight
Office of the Attorney General
Consumer Advocate and Protection Division
Post Office Box 20207
Nashville, Tennessee 37202
Emily.Knight@ag.tn.gov

