

**IN THE TENNESSEE REGULATORY AUTHORITY
AT NASHVILLE, TENNESSEE**

IN RE:)	
)	
PETITION OF PIEDMONT)	
NATURAL GAS, INC. FOR)	DOCKET NO. 16-00140
APPROVAL OF AN INTEGRITY)	
MANAGEMENT RIDER TO ITS)	
APPROVED RATE SCHEDULES)	
AND SERVICE REGULATIONS)	

**SECOND DISCOVERY REQUEST
OF THE CONSUMER PROTECTION AND ADVOCATE DIVISION
TO PIEDMONT NATURAL GAS COMPANY, INC.**

To: R. Dale Grimes, Esq.
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This Second Discovery Request is hereby served upon Piedmont Natural Gas Company, Inc. ("Company" or "Piedmont"), pursuant to Rules 26, 33, 34 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg. 1220-1-2-.11. The Consumer Protection and Advocate Division of the Attorney General's Office ("Consumer Advocate") requests that full and complete responses be provided pursuant to the Tennessee Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Consumer Protection and Advocate Division, 315 Deaderick Street, 20th Floor, Nashville, Tennessee 37243, c/o Daniel P. Whitaker, III, on or before 4:00 p.m. (CDT), February 13, 2017,

or at such other time as may be ordered by the Hearing Officer in the adoption, approval, or amendment of a procedural schedule in this TRA Docket.

PRELIMINARY MATTERS AND DEFINITIONS

These Additional Discovery Requests incorporate the same Preliminary Matters and Definitions as set forth in the *First Informal Discovery Request of the Consumer Advocate and Protection Division to Piedmont Natural Gas Company, Inc.* sent to Piedmont Natural Gas Company on January 13, 2017, and are to be considered continuing in nature, and are to be supplemented from time to time as information is received by the Company which would make a prior response inaccurate, incomplete, or incorrect.

SECOND DISCOVERY REQUESTS

2-1. Refer to the Company's filing and the responses to the CPAD's data requests in this docket that specifically refer to data from the Company's books and records. Please provide a verification certificate from the Company's Chief Financial Officer, as well as the Company's Controller, that the amounts included in the Company's filing and data request responses are complete, accurate and reflect the actual balances on the Company's books and records. To the extent any such amounts are not complete, accurate and reflect the actual balances on the Company's books and records, please provide a reconciliation between such amounts in the Company's filing and the responses to the CPAD's data requests in this docket to the amounts in the Company's books and records.

RESPONSE:

2-2. Refer to the Company's response to CPAD1-1. Please provide a verification certificate from the Company's Chief Financial Officer, as well as the Company's Controller, and provide

supporting evidence that the costs itemized here are not already recovered in the Company's base rates from Docket 11-00144. For example, Row 7 of the spreadsheet attached with CPAD1-1 lists \$1,583,183.23 in regular payroll costs (\$271,674.24 of which is allocated to Tennessee). Is this payroll cost incremental from the prior rate case or does it include employee time that was already included in base rates? Please provide the analysis supporting your conclusions to this response.

RESPONSE:

2-3. Refer to the Company's response to CPAD1-1. Please provide the invoices associated with all contract labor included on the Attachment to CPAD1-1.

RESPONSE:

2-4. Refer to the Attachment included with the Company's response to CPAD1-3 that provides the support for the Company's Tennessee allocation factor for joint property. Please provide a verification certificate from the Company's Chief Financial Officer, as well as the Company's Controller, and provide supporting details that the Company's Tennessee allocation factor calculation excludes joint property assets. If the Company's calculation does not exclude joint property assets, explain how this calculation is appropriate for allocating joint costs to Tennessee.

RESPONSE:

2-5. Refer to the Attachment included with the Company's response to CPAD1-3. Please provide a verification certificate from the Company's Chief Financial Officer, as well as the

Company's Controller, that the balance sheet shown on this Attachment represents the Company's balance sheet at October 31, 2015. To the extent the balance sheet shown on this Attachment does not represent the Company's balance sheet at October 31, 2015, please provide a reconciliation of the differences between such Attachment and such balance sheet.

RESPONSE:

2-6. Refer to the Attachments included with the Company's response to CPAD1-5. Please provide a verification certificate from the Company's Chief Financial Officer, as well as the Company's Controller, that the capital expenditures shown on these Attachments represents the appropriate amounts recorded on the Company's books through October 31, 2016. To the extent the balance sheet shown on this Attachment does not represent the appropriate amounts recorded on the Company's books through October 16, 2016, please provide a reconciliation of the differences between such Attachment and such amounts recorded on the Company's books.

RESPONSE:

2-7. Refer to the Company's response to CPAD1-6. Specifically refer to the 4th paragraph of this response, which reads in part as follows:

Piedmont uses MACRS-15 for its TIMP assets and MACRS-20 for its DIMP assets, pursuant to IRS Revenue Procedure 87-56. Note that TIMP assets represents the vast majority (\$170.8 million) of the cumulative capital expenditures as of 10/31/16 (\$192.8 million) in Piedmont's TN IMR.

Given that the DIMP cumulative assets represent \$29.0 million of the cumulative IMR capital expenditures, please explain why the Company does not calculate its deferred tax liability on both MACRS-15 and MACRS-20 year lives for the IMR surcharge calculations. Provide any

source or support upon which the Company or any of its witnesses (or other respondent to this request) relies in responding to this request.

RESPONSE:

2-8. Refer to the Attachment included with the Company's response to CPAD1-7. Please provide (a) the source and support for the 2013, 2014, 2015 and 2016 taxable incomes for all companies and all jurisdictions that have been included on these schedules as hard numbers and (b) copies the relevant parts of the Company's tax returns for 2013, 2014, 2015 and 2016 showing and supporting such taxable incomes.

RESPONSE:

2-9. Refer to the Attachment included with the Company's response to CPAD1-7. Please provide a verification certificate from the Company's Chief Financial Officer, as well as the Company's Controller, that the Tennessee Tax Benefit of Net Operating Loss Carryforwards is \$25,605,456 at October 31, 2016. Please provide any source or support relied upon by such Chief Financial Officer and Controller in providing such verification certificate.

RESPONSE:

2-10. Refer to the Attachment included with the Company's response to CPAD1-11. Explain why the Company does not include billing determinants from Rate 365 and Rate 373 (and any other excluded rate or rate schedule that reflects billing determinants related to compressed natural gas) in the IMR calculation. In addition, please provide the source and support for excluding these billing determinants from the IMR calculation.

RESPONSE:

2-11. Refer to the Company's response to CPAD1-13. This response appears to refer to an attachment that was not provided. Please provide the attachment referred to in this response.

RESPONSE:

2-12. Identify any third party (i.e., any party unrelated to the Company) that has provided support or any basis upon the amounts capitalized or expended that are the subject of this filing or prior filings (including without limitation OASIS expenditures or capitalized costs) reflected or otherwise included in the IMR are prudent in a rate-making context. Provide copies of any work papers, spreadsheets, summaries, charts, notes, exhibits, articles, journals, treatises, periodicals, publications, reports, records, statements, Internet web pages, studies, or financial information relied upon by such third party.

RESPONSE:

2-13. Describe all third parties listed in your response to Item 12. Provide a description their relationships to the Company and their background, including educational, professional and employment history, and qualifications within this field. How long has each of these third parties had a relationship with the Company?

RESPONSE:

2-14. Identify any matter in which these third parties have testified (through deposition or otherwise) by specifying the name, docket number and forum of each case, the dates of the prior

testimony and the subject of the prior testimony, and identify the transcripts of any such testimony. If these third parties have not testified in a docket, list all matters in which each third party has offered an opinion or support for an opinion on a filing on behalf of the Company.

RESPONSE:

2-15. For each of the third parties, list when their review of this matter began. Describe the review process in detail and with specificity. If applicable, when did each third party reach a determination in this matter to any extent that the individual formed an opinion? Did any of the third parties reach a determination in this matter that is adverse in any way, either to the whole of the IMR filing or to a subset of the filing? If so, explain in detail and with specificity.

RESPONSE:

2-16. With reference to CAPD Informal Data Request 1-18, please state by providing a copy or, if not in written form, provide a written explanation of “Piedmont’s standard accounting practices and rules” that are relevant to the allocation of the costs associated with the OASIS project to the relevant jurisdictions in which Piedmont operates.

RESPONSE:

2-17. With reference to CAPD Informal Data Request 1-18 and the first line of the Company’s Response thereto, state whether the Company is using the phrase “associated with” to mean that all of the IMR’s costs are explicitly required by the federal safety and integrity management rules and regulation. If IMR’s costs are not explicitly required by the federal safety and integrity management rules and regulation, state which costs are not explicitly required and provide a

detailed breakout (including all such amounts and relevant description) of those costs that the Company believes are “associated with” and the costs that are not explicitly so required.

RESPONSE:

2-18. With reference to CAPD Informal Data Request 1-18, provide a copy of all of the federal safety and integrity management rules and regulations to which the Company refers.

RESPONSE:

2-19. With reference to CAPD Informal Data Request 1-18 and the phrase “costs are recorded in Piedmont’s books consistent with the jurisdiction to which the asset serves/provides benefit”, provide a description of the variances among the jurisdiction to which the Company is referring.

RESPONSE:

2-20. With reference to CAPD Informal Data Request 1-18, identify the person or persons who manage and operate the safety and integrity management rules and regulations for Piedmont on a Company-wide basis. If this person (or one of the persons mentioned) has not provided testimony in this Docket, will this person (or one of the persons mentioned) be available for questioning at the hearing on this Docket before the TRA panel of directors?

RESPONSE:

2-21. With reference to CAPD Informal Data Request 1-18, provide a detailed list of each fact that supports the Company’s assertion that “these facts establish the prudence of these costs in a ratemaking context.” Provide copies of any work papers, spreadsheets, summaries, charts, notes, exhibits, articles, journals, treatises, periodicals, publications, reports, records, statements,

Internet web pages, studies, or financial information relied upon by the Company in its making of that assertion.

RESPONSE:

2-22. Describe the process that the Company undertakes to verify the numbers and percentages in this filing. Does the Company allow an independent party to review the filing? If the Company does not have an independent review, describe in detail and with specificity the reason(s) the Company does not have this measure in place. Additionally, describe in detail with specificity all safeguards and other measures that the Company has in place to ensure that this filing is compliant with the requirements of the tariff and meets the standards for accuracy and completeness.

RESPONSE:

23. Describe in detail with specificity the oversight by the Company's Controller's Office, as well as all other entities with access to the Company's General Ledger, in creating all aspects of this filing before the Tennessee Regulatory Authority.

RESPONSE:

(Signature block on next page)

RESPECTFULLY SUBMITTED,



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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

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This the 6th day of February, 2017.



Daniel P. Whitaker III
Assistant Attorney General