

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE**

IN RE:)	
)	
PETITION OF PIEDMONT NATURAL)	
GAS, INC. FOR APPROVAL OF AN)	
INTEGRITY MANAGEMENT RIDER)	
TO ITS APPROVED RATE)	DOCKET NO. 17-00138
SCHEDULES AND SERVICE)	
REGULATIONS)	

**PUBLIC SUPPLEMENTAL DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE
TO PIEDMONT NATURAL GAS COMPANY, INC.**

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This Supplemental 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 8, 2017.

PRELIMINARY MATTERS AND DEFINITIONS

These additional discovery requests incorporate the same Preliminary Matters and Definitions set forth in the Informal First and Second Discovery Request of the Consumer Protection and Advocate Division to Piedmont Natural Gas served previously, and are to be considered continuing in nature, and are to be supplemented from time to time as information is received by Piedmont and any Piedmont affiliate which would make a prior response inaccurate, incomplete, or incorrect.

SECOND INFORMAL DISCOVERY REQUESTS

1. Confidential Attachment 1-3 contains internal reports to management providing status updates on the implementation of OASIS. The dates of the reports cover the period May 11, 2017 – November 16, 2017. Either confirm that the initial internal management report providing status updates to management regarding the implementation of the OASIS project was in fact the May 11, 2017 report, or provide copies of such reports prior to the May 11, 2017 date.

RESPONSE:

2. The Company's Confidential Attachment 1-3 does not contain any information tracking the cost of the OASIS project. Provide all such reports provided to executive management tracking such costs along with narrative explanations supporting the costs incurred, including any variance analysis between actual and budgeted costs, or confirm that such reports were not provided to management on a periodic basis.

RESPONSE:

3. Refer to the Company's response to CPAD #1-19 (Confidential) referencing the Risk-Pro model. Provide the following information concerning this model:

- a. Is the Risk Pro model a component or module within the OASIS suite of programs?
- b. If not, what are the capitalized costs of the Risk Pro Model?
- c. If Risk Pro is separate from the OASIS assets, what Transmission risk assessment functionality exists within the OASIS assets that does not exist within the Risk Pro model? Provide a narrative explaining how the Risk Pro model interacts with the OASIS assets in evaluating risk of failure within the Transmission system.

RESPONSE:

4. Refer to the "Confidential 1-47 Attachment." With respect to each item listed below, provide a narrative explanation for the nature of each payment.

- a. DAMAGES011617
- b. DAMAGES030617
- c. DAMAGES081417
- d. DAMAGES012617
- e. DAMAGES072717
- f. DAMAGES080817

RESPONSE:

5. Refer to the "Confidential 1-47" Attachment. With respect to the claims listed below, provide all supporting documentation supporting the payments:

- a. DAMAGES081417
- b. DAMAGES072717

RESPONSE:

6. The testimony and supporting workpapers submitted on January 17, 2018, seemingly did not modify either the ADIT liability or the NOL asset from the original IMR proposal.

Regarding these two items, provide the following:

- a. A detailed narrative supporting the lack of modification to the ADIT and NOL balances contained in the initial IMR filing in light of the provisions of the federal tax legislation signed into law in December 2017, and how just and reasonable rates can result if the Company does not reflect such changes in this IMR proceeding.
- b. Provide modifications to i) the ADIT balance, with the corresponding amortization of excess reserve in accordance with the provisions contained in the federal tax legislation and ii) the modification to the NOL attributed to the IMR as a result of the rate change.
- c. Provide supporting calculations and identify all assumptions underlying the calculation of the amortization of the excess tax reserve. If Piedmont does not believe any modification of its NOL balance is necessary as a result of the new federal tax provisions, refer to the appropriate section of the new tax law or relevant Private Letter Rulings supporting this conclusion.
- d. Provide a detailed narrative concerning Piedmont's position on the appropriate time to reflect the impact of the IMR ADIT/NOL in rates charged to customers.

RESPONSE:

7. Provide an update to the balance of the deferred over/under recovery as of the most recent month available from the appropriate general ledger account.

RESPONSE:

8. Provide the Company's position concerning whether it is appropriate to update the deferred over/under recovered balance through December 31, 2017.

RESPONSE:

9. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

RESPONSE:

10. According to the Company's response to CPAD Item #2-4 (Confidential), it appears AFUDC has been recorded as being associated with the Oasis project through August of 2017.

With respect to the recording of AFUDC, respond to the following:

- a. Provide a detailed narrative explaining the process used by Piedmont to prevent a double count of the return on OASIS costs between the monthly application of the AFUDC rate to OASIS CWIP and inclusion of legacy OASIS costs within previous IMR rate base calculations in prior dockets.
- b. Confirm whether AFUDC has been applied to IMR plant subsequent to the time such plant has been included in IMR petitions before the TPUC.
- c. Provide the underlying calculation used to record AFUDC for the months of June through August 2017 that ties to the corresponding amounts contained in response 2-4.
- d. If such steps were not taken to avoid a double count of return between the application of AFUDC and the return on OASIS costs through prior IMR surcharges, provide a discussion of an appropriate remedy for such double count or an explanation why such an adjustment to eliminate double recovery of costs would not be appropriate.

RESPONSE:

11. CPAD Item #2-4 (Part b) requested identification of Contract Labor, further identified by vendor. The confidential response to this item did not contain the requested split of contract labor costs by vendor. Please provide the contract labor costs split by vendor for the OASIS costs incurred through October 31, 2017. The identification of vendor costs should tie to the totals for those categories as shown in Response #2-4. The three general categories shown are Contract labor – Consulting, Contract Labor – General IT, and Contract Labor – Other. For

purposes of this request, disregard identifying the vendors associated with Contractor Meals and Entertainment.

RESPONSE:

12. Indicate whether Piedmont includes any CWIP within its IMR filings. In other words, does Piedmont require that IMR investment be closed and in-service prior to inclusion within the IMR filing?

RESPONSE:

13. If Piedmont does include CWIP within its IMR request:
- a. Provide the balance of CWIP projects comprising IMR investment as of October 31, 2017, identified by project.
 - b. For each project, identify the total cost as of December 31, 2017 and indicate whether such project was placed in service as of that date.

RESPONSE:

14. Is the OASIS project being taxed for ad valorem purposes in any jurisdiction in which Piedmont operates?
- a. Provide documentation demonstrating Piedmont has included the OASIS project in submittals provided to taxing authorities.
 - b. If this is not the case, provide the rationale for the inclusion of property tax expense on the OASIS project in the IMR Petition.

RESPONSE:

15. [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

RESPONSE:

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 2nd day of February, 2018.



Daniel P. Whitaker, III
Assistant Attorney General