

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

IN RE:)	
)	
COMPLIANCE FILING OF)	DOCKET NO.
PIEDMONT NATURAL GAS)	18-00040
COMPANY, INC. REGARDNG)	
THE IMPACT OF FEDERAL TAX)	
REFORM ON PUBLIC UTILITY)	
REVENUE REQUIREMENTS)	

**CONSUMER ADVOCATE'S FIRST DISCOVERY REQUEST
TO PIEDMONT NATURAL GAS COMPANY, INC.**

To: Paul S. Davidson, Esq.
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This First Discovery Request is hereby served upon Piedmont Natural Gas Company, Inc. (Company), 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 Whitaker, on or before 2:00 p.m. (CDT), Friday, November 16, 2018.

PRELIMINARY MATTERS AND DEFINITIONS

1. **Continuing Request.** These discovery requests are to be considered continuing in nature and are to be supplemented from time to time as information is received by the Producing Party and any of its affiliates which would make a prior response inaccurate, incomplete, or incorrect.

2. **Clear References.** To the extent that the data or information requested is incorporated or contained in a document, identify the document including page/line number if applicable.

3. **Format of Responses.** Provide all responses in the format in which they were created or maintained, for example, Microsoft Word or Microsoft Excel format with all cells and formulas intact and in working order. If a document (including without limitation a financial or other spreadsheet or work paper) is not created or maintained in Microsoft Excel format, convert the document to Microsoft Excel format or provide the document in a format that enables or permits functionality like or similar to Microsoft Excel (including without limitation the functionality of working cells and formulas), or provide the software program(s) that will enable the Consumer Advocate to analyze the data and information in the same manner as would be enabled or permitted if the document were provided in Microsoft Excel format.

4. **Objections.** If any objections to this discovery are raised on the basis of privilege or immunity, include in your response a complete explanation concerning the privilege or immunity asserted. If you claim a document is privileged, identify the document and state the basis for the privilege or immunity asserted. If you contend that you are entitled to refuse to fully answer any of this discovery, state the exact legal basis for each such refusal.

5. **Singular/Plural.** The singular includes the plural, and vice-versa, where appropriate.

6. **Questions.** Any questions regarding this discovery request should be directed to the attorneys listed as issuing this request.

7. **Definitions.** For the purposes of this Request, the following terms have the following meanings:

- (A) **"Affiliate"** shall mean any entity who, directly or indirectly, is in control of, is controlled by, or is under common control with the Company (that is the Producing Party). For greater clarification, "control" is the ownership of 20% or more of the shares of stock entitled to vote for the election of directors in the case of a corporation, or 20% or more of the equity interest in the case of any other type of entity, or status as a director or officer of a corporation or limited liability company, or status as a partner of a partnership, or status as an owner of a sole proprietorship, or any other arrangement whereby a person has the power to choose, direct, or manage the board of directors or equivalent governing body, officers, managers, employees, proxies, or agents of another person. In addition, the term "Affiliate" shall mean any entity that directly or indirectly provides management or operational services to the Company or any affiliate (as defined in the preceding sentence) of the Company, or to which the Company provides management or operational services. Further, the payment of money to the Company or receipt by the Company of money from an entity with which the Company has any relationship, other than such payment or receipt, shall include the payor or recipient of such money as an "affiliate" for purposes of this Discovery Request.
- (B) **"Communication"** shall mean any transmission of information by oral, graphic, written, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, meetings, and otherwise.
- (C) **"Document"** shall have the broadest possible meaning under applicable law. "Document" shall mean any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, letter, note, report, electronic mail, memorandum work paper, spreadsheet, photograph, videotape, audio tape, computer disk or record, or any other data compilation in any form without limitation, which is in your possession, custody or control. If any such

document was, but no longer is, in your possession, custody or control, state what disposition was made of the document and the date of the disposition.

(D) **“Identify”** with respect to:

- i. Any natural person, to state the full name, telephone number(s), email address(es) and the current or last known business address of the person (if no business address is available provide last address(es) known to you) and that person’s relationship, whether business, commercial, professional, or personal with you;
- ii. Any legal person, business entity or association, means to state the full name of your contact person with the entity, all trade name(s), doing business as name(s), telephone number(s), email address(es) and current or last known business address of such person or entity (if no business address is available provide last address known to you);
- iii. Any document means to state the type of document (*e.g.*, letter), the title of the document, identify the author(s), the subject matter, the date the document bears and the date it was written; and
- iv. Any oral communication means to state the date when and location where it was made, identify the person who made it, identify the person or persons who were present or who heard it, and the substance of it.

(E) **“Person”** or **“Entity”** shall mean any natural person, corporation, limited liability company, firm, company, proprietorship, partnership, business, unincorporated association, or other business or legal entity of any sort whatsoever.

(F) **“You,” “Your,” “Company,”** or **“Piedmont”** shall mean Piedmont Natural Gas Company, Inc. and all employees, officers, directors, agents, attorneys, representatives or any other person acting or purporting to act on the Company that is the Producing Party’s behalf.

FIRST INFORMAL DISCOVERY REQUESTS

1. Provide an electronic copy of the Exhibits and all workpapers used in the preparation of testimony. The electronic copies should be properly sourced and retain all cell references.

RESPONSE:

2. Identify the last year in Duke Energy Corporation paid federal income taxes.

RESPONSE:

3. For the years prior to its acquisition by Duke Energy Corporation, identify the last year in which Piedmont paid federal income taxes, notwithstanding any tax payments that may have been incurred as a direct or indirect result of the acquisition of Piedmont by Duke Energy Corporation.

RESPONSE:

4. Confirm whether Piedmont agrees that the Tennessee Public Utility Commission (TPUC) has the authority to implement immediate rate changes to flow-through the benefits of the Tax Cut and Jobs Act (TCJA) to customers. If Piedmont does not agree, provide the legal analysis supporting a conclusion that TPUC does not have authority to implement immediate rate changes.

RESPONSE:

5. With respect to any Net Operating Loss balances, provide the following information:
 - a. Consolidated Duke NOLC balance (December 2017) immediately prior to modification due to the tax rate change adopted within the TCJA.
 - b. Consolidated Duke NOLC balance (December 2017) reflecting the impact of the tax rate change and incorporating 2017 financial results.
 - c. The balance of NOLC for Piedmont Gas – total company (or division) prior to modification due to the tax rate change adopted within the TCJA.
 - d. The balance of NOLC for Piedmont Gas – total company (or division) reflecting the impact of the tax rate change and incorporating 2017 financial results.
 - e. The balance of NOLC for Piedmont Gas – Tennessee prior to modification due to the tax rate change adopted within the TCJA.
 - f. The balance of NOLC for Piedmont Gas – Tennessee reflecting the impact of the tax rate change and incorporating 2017 financial results.

RESPONSE:

6. Does Piedmont file a separate federal tax return, or are the results of its operations included within a consolidated Duke return?

RESPONSE:

7. Provide a copy of Piedmont's Tennessee state income tax return (excise tax) for the years 2015 – 2017.

RESPONSE:

8. Exhibit 3 within Piedmont's filing made on April 2, 2018 references the following: "The NOLC allocation is based upon Tennessee-specific income tax return information." With respect to this comment, provide a comprehensive discussion of how the Piedmont/Duke NOLC is 'allocated' to its Tennessee operations. Is the NOL the accumulation of Tennessee taxable income, or is it truly an "allocation" of corporate results?

RESPONSE:

9. Provide a comprehensive discussion of all journal entries made to the Piedmont's balance of a) ADIT Liability (including any deferred tax assets) and b) specifically NOL balances within the ADIT account, which were made as a result of the Duke acquisition of Piedmont Natural Gas.

RESPONSE:

10. Provide the account and subaccount used to account for Piedmont-Tennessee's NOLC balance.

RESPONSE:

11. Provide all evidence in Piedmont's possession that indicates its revenue requirement deficiency at the date of its next rate case filing will exceed the annualized deferred tax benefit determined pursuant to the Piedmont recommendations in this docket.

RESPONSE:

12. Has Piedmont committed to filing a rate case in Tennessee within the next two years? If so, indicate the latest date by which it is committing that such a case would be filed with TPUC.

RESPONSE:

13. Regarding the statement on page 6, lines 14 through 16, stating "...it is not proposing to keep any of these deferred funds for its own benefit." In light of this statement, does Piedmont propose to grow this deferral through the application of carrying charges through the date at which such balances would be returned to ratepayers? If not, confirm whether Piedmont would benefit from the retention of these funds in the interim, interest free, due to the time value of money.

RESPONSE:

14. Provide all Cash Flow analyses, statements, or similar documents for Piedmont's Tennessee operations covering the period 2015 – 2017.

RESPONSE:

15. Regarding the identification of \$64.4 million in excess ADIT for Piedmont's Tennessee jurisdiction (Exhibit 3), the first two-line items appear to both relate to "Assets". Confirm that Piedmont has limited its calculation of excess ADIT to book/tax timing differences associated with assets and such timing differences associated with items other than assets are not included within the \$64.4 million balance. If this is confirmed, provide the following:
- a. A comprehensive discussion identifying the entity where such non-asset related book/tax timing differences are recorded.

- b. For each non-plant book/tax timing difference associated with Piedmont's Tennessee operations, identify the difference by line item with a complete explanation of the types of transactions giving rise to the difference.
- c. A comprehensive discussion justifying the exclusion of these book/tax timing differences related to non-plant items from the determination of excess ADIT.

RESPONSE:

16. With respect to all book/tax timing differences associated with the balance of ADIT related to Piedmont's Tennessee operations (a balance of \$64.4 million as illustrated in Exhibit 3), provide the following:

- a. Identify all book/tax timing differences associated with Piedmont's Tennessee operations as of December 31, 2017.
- b. For each book/tax timing difference provide a comprehensive explanation defining the nature of the difference.
- c. Identify each difference as "Protected" or "Unprotected".
- d. Identify the amount and line item comprising book/tax differences associated with Cost of (Asset) Removal.
- e. Identify the amount and line item comprising the book/tax differences associated with the Repair Deduction.

RESPONSE:

17. Provide a comprehensive listing of the corporate functions whose costs are allocated to Piedmont's Tennessee jurisdiction. For each corporate function, identify the entity providing the corporate service.

RESPONSE:

18. Do Piedmont's Tennessee-specific books reflect an appropriate matching between the components of the ADIT balances (including allocated corporate ADIT) with the corresponding items reflected in its Operating and Maintenance balances (including corporate allocated O&M), for such items as Pension, Other Post Employment costs,

incentive compensation and Supplemental Executive Retirement costs as examples?

Provide a detailed discussion of how such items are reflected within the books of

Piedmont-Tennessee.

RESPONSE:

19. With respect to all book/tax timing differences associated with Corporate Assets (gross balance \$44.7 million as shown on Exhibit 3), provide the following:

- a. Identify all book/tax timing differences associated with corporate operations (whether plant related or not) as of December 31, 2017.
- b. For each book/tax timing difference provide a comprehensive explanation defining the nature of the difference.
- c. Identify each difference as 'Protected' or 'Unprotected'.
- d. Identify the amount and line item comprising book/tax differences associated with Cost of (Asset) Removal.
- e. Identify the amount and line item comprising the book/tax differences associated with the Repair Deduction.

RESPONSE:

20. To the extent Piedmont believes a) Cost of Removal or b) the Repair Deduction are properly categorized as "Protected" excess ADIT, provide copies of all Private Letter Rulings, IRS Consent Decrees, and other related documents and materials supporting this position.

RESPONSE:

21. For each book/tax difference excluded by Piedmont in the determination of "Excess" ADIT for Piedmont-Tennessee, provide the following:

- a. The amount of ADIT written off .
- b. An explanation of the specific book/tax timing difference given rise to the amount written off.

- c. A comprehensive explanation indicating why such balances should not be reflected in the regulatory balance of 'Excess' ADIT.
- d. The journal entries used to eliminate the total balance of book/tax timing differences.

RESPONSE:

22. Does Piedmont have the necessary plant records to use the Average Rate Assumption Method to amortize its "Protected" excess ADIT? Identify the amortization method Piedmont will use in the amortization of its 'Protected' ADIT with a complete explanation supporting the use of the method.

RESPONSE:

23. Provide the underlying calculations and all workpapers supporting the amortization of excess "Protected" ADIT.

RESPONSE:

24. Provide a copy of any Tax Sharing Agreement(s) in place between Duke Energy Corporation and its affiliates or Piedmont and its affiliates. Further, if such agreements exist, provide a summarized overview of its implications on the balances of ADIT (including the NOLC) of Piedmont's Tennessee operations.

RESPONSE:

25. Provide a corporate organizational chart of Duke Energy Corporation, identifying all affiliates.

RESPONSE:

26. Provide a corporate organizational chart of Piedmont, identifying all affiliates.

RESPONSE:

27. Confirm that Piedmont customers have not received the benefit of the reduction in Income Tax Expense associated with Piedmont's IMR investment for the period January 1, 2018, through May 31, 2018, the period prior to implementation of new rates in Docket No. 17-00138. If this statement is not confirmed, provide a comprehensive explanation of how ratepayers have (or will) benefit from the reduction in Income Tax Expense associated with its IMR investment for months prior to the implementation of new rates in Docket No. 17-00138.

RESPONSE:

28. With respect to Income Tax Expense savings accruing from January 1, 2018, associated with IMR rates approved in Docket No. 16-00140, provide the following:

- a. An analysis identifying the tax savings associated with the reduction in Income Tax Expense associated with Piedmont's IMR collections approved in Docket No. 16-00140. This analysis should provide all calculations with cell references intact clearly indicating how such savings were computed.
- b. A comprehensive explanation identifying how the Income Tax Savings associated with rates approved in Docket No. 16-00140 were calculated.
- c. How such savings were recorded on the books of Piedmont-Tennessee.
- d. Discuss the position of Piedmont on how such Income Tax Expense savings should be treated for ratemaking purposes?

RESPONSE:

29. Confirm that Exhibit 2 contained in the Piedmont filing made on April 2 did not quantify Income Tax Expense savings associated with the IMR in effect at that date.

RESPONSE:

30. Provide a detailed discussion supporting Piedmont's policy recommendation surrounding the appropriate time-period by which to amortize excess "Unprotected" ADIT.

RESPONSE:

31. Regarding the testimony of Ms. Powers' on page 7, beginning with line 17, provide the following:

- a. Identify the amount of rate reduction that would produce the referenced cash-flow shortfall. Provide all analytical data to support this statement.
- b. Identify the current weighted cost of debt supporting Piedmont's financing of its natural gas assets.
- c. For each debt instrument included within the weighted cost calculation, identify the holder of the debt.
- d. Estimate the amount of new debt that could be required if TPUC flowed-back all Income Tax Expense savings on an ongoing basis and excess 'unprotected' ADIT over a one-year period.
- e. Provide an analysis estimating the weighted cost of new debt, with a complete identification.

RESPONSE:

32. Confirm that debt financing for any future Piedmont long-term financing would be issued by Duke Energy Corporation (or an affiliate of Duke Energy) and not from Piedmont.

RESPONSE:

33. Provide all internal documentation within Duke Energy Corporation's possession which forecasts the timing of the next long-term debt issuance that would be incorporated into Piedmont's capital structure if the Piedmont's proposal in this Docket is adopted.

RESPONSE:

34. Identify the minimum size economical debt issuance that would be considered by Duke Energy Corporation.

RESPONSE:

35. Regarding the testimony of Ms. Power's on page 8, beginning on line 5, confirm that the metrics used by Moody's within its ratings methodology includes the following: 50%

regulatory and ability to recover costs; 10% diversification (market position); and 40% various financial metrics designed to evaluate financial strength. If this is not confirmed, identify the weighting factors used by Moody's in evaluating credit risk.

RESPONSE:

36. Provide the underlying calculations for the financial metrics utilized by Moody's applicable to Piedmont's operations (total Piedmont).

RESPONSE:

37. Provide all analytical support for the reference to the mitigation of "...the undesirable cash-flow and credit issues..." as found on page 9, lines 11 and 12, of Ms. Power's testimony.

RESPONSE:

RESPECTFULLY SUBMITTED,



DANIEL P. WHITAKER, III (BPR#035410)

Assistant Attorney General

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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 29th day of October, 2018.



DANIEL P. WHITAKER, III
Assistant Attorney General