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T.P.U.C. DOCKET ROOM

March 25, 2019

**Via Hand Delivery and Email**

Executive Director Earl Taylor  
c/o Tory Lawless  
Tennessee Public Utility Commission  
502 Deaderick Street, Fourth Floor  
Nashville, Tennessee 37243

**Re: *Compliance Filing of Piedmont Natural Gas Company, Inc. Regarding the Impact of Federal Tax Reform on Public Utility Revenue Requirements***  
***Docket No. 18-00040***

Dear Mr. Taylor:

In response to the TPUC Staff's March 20, 2019 request for additional information, Piedmont Natural Gas Company, Inc. ("Piedmont") has enclosed an original and five (5) copies of the attached workpaper to assist the Commission in its evaluation.

This material is also being filed by way of email to the Tennessee Public Utility Commission Docket Manager, Tory Lawless. Please file the original and four copies of this filing and stamp the additional copy as "filed." Then please return the stamped copies to me by way of our courier.

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

Very truly yours,

Paul S. Davidson

PSD/ss

Enclosures

cc: Daniel P. Whitaker, III  
James H. Jeffries, IV

**PIEDMONT NATURAL GAS COMPANY, INC.**  
**DOCKET NO. 18-00040**  
**FEDERAL TAX CUT AND JOBS ACT**  
**FIRST DATA REQUEST – TPUC STAFF**  
**Issued: March 20, 2019**

1. The Company's response to TPUC Data Request of February 27, 2019 stated the total Unprotected Excess ADIT is \$17,406,054.76. Based upon this response, please gross-up this amount for FIT and replicate Exhibit A attached to the Partial Settlement Agreement; assuming a composite tax rate and a three year amortization period. Please include workpaper demonstrating how the amount was grossed-up.

**Response:**

The total Unprotected Excess ADIT amount of \$17,406,054.76, as amortized over 3 years and grossed-up for FIT only, is **\$7,344,328**. See Attachment A herein for such requested computation in the desired format.

For clarity, Piedmont is also providing an alternative computation of the total Unprotected Excess ADIT amount of \$17,406,054.76, as amortized over 3 years and fully grossed-up. See Attachment B herein for that computation, which amounts to **\$7,857,319**. The full gross-up shown in Attachment B (covering FIT, TN Excise Tax and the uncollectibles factor) is the revenue requirement gross up methodology approved by the Commission in the Company's last general rate case and in each of the annual IMR rate adjustment proceedings since that time.

**Name and title of responsible person: Pia Powers, Director – Gas Rates & Regulatory Affairs**

**Name and title of preparer: Pia Powers, Director – Gas Rates & Regulatory Affairs**

Line No.	[A] Notes	[B] Residential (301)	[C] Small & Medium General (302, 352)	[D] Large General (303, 304, 313, 314)	[E] Resale Service (310)	[F] Total
1	Customer Class Apportionment Percent <i>see table below</i>	59.64%	31.20%	9.13%	0.03%	100.00%
2	Base Rate Adjustment for Recovery (Refund) <i>[ = Line 1 * Col. F Line 2 ]</i>	\$ (4,380,445)	\$ (2,291,475)	\$ (670,398)	\$ (2,011)	\$ (7,344,328)
3	Annualized Throughput from 2011 Rate Case (DTs) <i>Docket No. 11-00144</i>	11,130,214	6,664,958	10,466,595	10,312	28,272,079
4	Base Rate Adjustment Per DT <i>[ = Line 2 / Line 3 ]</i>	(0.3936)	(0.3438)	(0.0641)	(0.1950)	
5	Base Rate Adjustment Per Therm <i>[ = Line 4 / 10 ]</i>	(0.03936)	(0.03438)	(0.00641)	(0.01950)	

**Derivation of Customer Class Apportionment Percentage**

Docket No. 11-00144: 2011 Rate Case Margin Revenues		Annual Total	Allocation %
6	Residential (301)	\$ 62,049,925	59.64%
7	Sm & Med General Service (302, 352)	\$ 32,459,219	31.20%
8	Large General Service (303, 304, 313, 314)	\$ 9,496,322	9.13%
9	Resale Service (310)	\$ 28,481	0.03%
10	Total	\$ 104,033,947	100.00%

**Calculation of Revenue Requirement Adjustment**

		Amount
11	Total Unprotected Excess ADIT per Tax Act	\$ (17,406,054.76)
12	# years to amortize	3
13	Unprotected Excess ADIT per Tax Act, as amortized <i>[ = Line 11 / Line 12 ]</i>	\$ (5,802,018)
14	Annual Revenue Requirement Adjustment <i>[ = Line 13 * Line 18 ]</i>	\$ (7,344,328)

**Derivation of Gross-Up Factor (Revenue Conversion Factor)**

FIT Gross-Up Only		Rate	Factor
15	Revenue		1.000000
16	Federal Income Tax Rate @ 21% <i>[ = Line 15 Factor * Line 16 Rate ]</i>	0.210000	0.210000
17	Balance <i>[ = Line 15 Factor - Line 16 Factor ]</i>		0.790000
18	Revenue Conversion Factor <i>[ = Line 15 Factor / Line 17 Factor ]</i>		1.265823

Line No.	[A] Notes	[B] Residential (301)	[C] Small & Medium General (302, 352)	[D] Large General (303, 304, 313, 314)	[E] Resale Service (310)	[F] Total
1	Customer Class Apportionment Percent <i>see table below</i>	59.64%	31.20%	9.13%	0.03%	100.00%
2	Base Rate Adjustment for Recovery (Refund) <i>[ = Line 1 * Col. F Line 2 ]</i>	\$ (4,686,413)	\$ (2,451,531)	\$ (717,224)	\$ (2,151)	\$ (7,857,319)
3	Annualized Throughput from 2011 Rate Case (DTs) <i>Docket No. 11-00144</i>	11,130,214	6,664,958	10,466,595	10,312	28,272,079
4	Base Rate Adjustment Per DT <i>[ = Line 2 / Line 3 ]</i>	(0.4211)	(0.3678)	(0.0685)	(0.2086)	
5	Base Rate Adjustment Per Therm <i>[ = Line 4 / 10 ]</i>	(0.04211)	(0.03678)	(0.00685)	(0.02086)	

Derivation of Customer Class Apportionment Percentage

Docket No. 11-00144: 2011 Rate Case		Annual	
<u>Margin Revenues</u>		<u>Total</u>	<u>Allocation %</u>
6	Residential (301)	\$ 62,049,925	59.64%
7	Sm & Med General Service (302, 352)	\$ 32,459,219	31.20%
8	Large General Service (303, 304, 313, 314)	\$ 9,496,322	9.13%
9	Resale Service (310)	\$ 28,481	0.03%
10	Total	\$ 104,033,947	100.00%

Calculation of Revenue Requirement Adjustment

		<u>Amount</u>	
11	Total Unprotected Excess ADIT per Tax Act	\$ (17,406,054.76)	
12	# years to amortize	3	
13	Unprotected Excess ADIT per Tax Act, as amortized <i>[ = Line 11 / Line 12 ]</i>	\$ (5,802,018)	
14	Annual Revenue Requirement Adjustment <i>[ = Line 13 * Line 22 ]</i>	\$ (7,857,319)	

Derivation of Gross-Up Factor (Revenue Conversion Factor)

Docket No. 11-00144: 2011 Rate Case, as modified for current FIT rate		<u>Rate</u>	<u>Factor</u>
15	Revenue		1.000000
16	Uncollectibles Rate	0.000308	
17	Balance <i>[ = Line 15 Factor - Line 16 Rate ]</i>		0.999692
18	State Excise Tax @ 6.5% <i>[ = Line 17 Factor * Line 18 Rate ]</i>	0.065000	0.06498
19	Balance <i>[ = Line 17 Factor - Line 18 Factor ]</i>		0.934712
20	Federal Income Tax Rate @ 21% <i>[ = Line 19 Factor * Line 20 Rate ]</i>	0.210000	0.19629
21	Balance <i>[ = Line 19 Factor - Line 20 Factor ]</i>		0.738422
22	Revenue Conversion Factor <i>[ = Line 15 Factor / Line 21 Factor ]</i>		1.354239