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March 24, 2020

**Via Email and U.S. Mail**

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

***Re: Petition of Piedmont Natural Gas Company for Approval of an Integrity Management Rider to its Approved Rate Schedules and Service Regulations; Docket No. 19-00107***

Dear Mr. Taylor:

Enclosed please find an original and five (5) copies Piedmont Natural Gas Company, Inc.'s ("Piedmont") Rebuttal Testimony of Pia K. Powers which addresses the matters raised in the Direct Testimony of Consumer Advocate Witness William H. Novak filed in this proceeding on March 6, 2020.

This material is also being filed today by way of email to the Tennessee Public Utility Commission docket manager, Ectory Lawless. Please file the original and four copies and stamp the additional copies as "filed." Then please return the stamped copy to us via the enclosed self-addressed stamped envelope.

Very truly yours,

*/s/ Paul Davidson*

Paul S. Davidson

PSD:srs  
Enclosures

cc: Pia Powers (Piedmont)  
Bruce Barkley (Piedmont)  
David Foster (TPUC)  
Wayne Irvin (TN CPAD)

**Before the  
Tennessee Public Utility Commission**

**Docket No. 19-00107**

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

**Rebuttal Testimony of  
Pia K. Powers  
On Behalf of  
Piedmont Natural Gas Company, Inc.**



**March 24, 2020**

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 Managing Director – Gas Rates & Regulatory for Piedmont Natural  
6 Gas Company, Inc., (“Piedmont” or the “Company”).

7 **Q. Have you previously testified in this proceeding?**

8 A. Yes. In this proceeding, I filed Direct Testimony on November 27, 2019 and  
9 Revised Direct Testimony on December 11, 2019.

10 **Q. What is the purpose of your Rebuttal Testimony in this proceeding?**

11 A. The purpose of my Rebuttal Testimony is to respond to the matters raised in  
12 the Direct Testimony of Consumer Advocate Witness William H. Novak filed  
13 in this proceeding on March 6, 2020.

14 **Q. Does Mr. Novak agree with the IMR computations, including the proposed**  
15 **IMR rate adjustments, filed by Piedmont in this docket on December 11,**  
16 **2019?**

17 A. Yes. In his Direct Testimony, Mr. Novak presents the results of his review of  
18 Piedmont’s seventh annual Integrity Management Rider (“IMR”) report, as  
19 revised and filed with the Commission on December 11, 2019 (“Revised 2019  
20 IMR Annual Report”). Based on his review, Mr. Novak concluded that  
21 Piedmont’s Revised 2019 IMR Annual Report appropriately reflected the  
22 revenues, expenses and net investment recorded to the Company’s general

1 ledger, and that the Revised 2019 IMR Annual Report generally reflected the  
2 methodologies established in Docket No. 13-00118.<sup>1</sup>

3 **Q. Were there additional matters raised by Mr. Novak in his Direct**  
4 **Testimony?**

5 A. Yes, there were two. First, Mr. Novak recommends that the Commission  
6 address which “customer rate schedules are either [to be] included or excluded  
7 from the IMR calculation.”<sup>2</sup> Second, Mr. Novak recommends that the  
8 Commission “direct the Company to present any proposes changes to the IMR  
9 calculation methodology to the Commission for approval before their  
10 implementation.”<sup>3</sup>

11 **Q. Regarding Mr. Novak’s first recommendation, could you describe Mr.**  
12 **Novak’s concern about which Rate Schedules are to be used in the IMR**  
13 **calculations?**

14 A. Yes. As explained on page 8 of his Direct Testimony, it appears that Mr.  
15 Novak finds it “unclear whether or not the Commission intended to exclude  
16 Rate Schedule 360, 362 and 365 from the IMR surcharge” and believes that  
17 “[i]t would be most helpful to the parties for the Commission to specifically  
18 state its intent whether the IMR surcharge is to be applied to Rate Schedule  
19 360, 362, and 365.” In his Direct Testimony on pages 7 and 8, Mr. Novak

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1 Novak Direct Testimony, pg. 6.

2 Novak Direct Testimony, pg. 3.

3 ibid, pg. 6.

1 references Rate Schedule 360 as secondary market transactions, Rate Schedule  
2 362 as standby sales service, and Rate Schedule 365 as imbalance cash out.<sup>4</sup>

3 **Q. Do you support Mr. Novak’s recommendation that the Commission clarify**  
4 **whether or not it intended to exclude secondary market transactions,**  
5 **standby sales service and imbalance cash outs from the IMR surcharge?**

6 A. No. The IMR was approved by the Tennessee Regulatory Authority in Docket  
7 No. 13-00118 pursuant to a Stipulation between Piedmont and the Consumer  
8 Advocate. The approved Stipulation in that docket included the exact terms  
9 and provisions of Service Schedule 317 – Integrity Management Rider, which  
10 are still in effect today. Section 1 of Service Schedule 317 specifically  
11 identifies the Rate Schedules subject to the IMR surcharge, as follows:

12 The base rates per therm (100,000 Btu) for gas service set forth in Rate  
13 Schedules 301, 302, 303, 304, 310, 313, 314, and 352 (“Applicable Rate  
14 Schedules”) of Piedmont Natural Gas Company (“Company”) shall be  
15 adjusted by an amount hereinafter described which amount is referred to  
16 as the “Integrity Management Adjustment.” The Integrity Management  
17 Adjustment shall be calculated as an increment and applied to Applicable  
18 Rate Schedules to recover the “Integrity Management Revenue  
19 Requirement” (IMRR), and the balance in the “Integrity Management  
20 Deferred Account.”

21  
22 Furthermore, Section 5 of Service Schedule 317 specifically identifies the Rate  
23 Schedules to be used in the computation of the IMR surcharge, as follows:

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4 For clarity in this proceeding, please note that Piedmont’s tariff does not contain a Rate Schedule 360, Rate Schedule 362 or Rate Schedule 365. As explained in the Company’s response to Consumer Advocate Data Request #2-7, Piedmont internal report #301C uniquely identifies therms associated with certain secondary marketing transactions under billing system rate code 360, therms associated with certain standby sales service under billing system rate code 362 and therms associated with certain cash outs under billing system rate code 365.

1 Residential Customer Class = Rate Schedule 301  
2 Commercial Customer Class = Rate Schedules 302 and 352  
3 Firm Large General Customer Class = Rate Schedules 303, 313 and 310  
4 Interruptible Large General Customer Class= Rate Schedules 304 and  
5 314  
6

7 In light of this, Piedmont and the Consumer Advocate were clearly in complete  
8 agreement seven years ago in Docket No. 13-00118 regarding the exclusivity  
9 of Rate Schedules to be included in the IMR mechanism. Given the definition  
10 of Applicable Rate Schedules shown in approved Service Schedule 317, it is  
11 obvious that neither Piedmont nor the Consumer Advocate intended that  
12 secondary market transactions, standby sales service, and imbalance cash out  
13 transactions be included in the IMR mechanism in any shape or form. I believe  
14 that Piedmont and the Consumer Advocate have continued to be in alignment  
15 on this matter, because at no time including the present has either party  
16 advocated that the IMR be changed in this regard. For these reasons,  
17 Piedmont's position is that further clarification by the Commission on this  
18 matter is not needed. I would also note that at least with respect to secondary  
19 market transactions and imbalance cash-outs, these types of transactions are  
20 not gas sales or redelivery services provided to Piedmont's ratepayers but,  
21 instead, are ancillary transactions engaged in by the Company to either  
22 minimize customer gas costs or balance accounts for actual service provided  
23 under our rate schedules.

1 **Q. Do you agree with Mr. Novak's second and final recommendation that the**  
2 **Commission should require Piedmont to provide disclosure of any changes**  
3 **to the IMR structure and its established methodologies and to seek**  
4 **Commission approval prior to implementing any such changes?**

5 A. Overall, I have no objection to this recommendation.

6 **Q. In support of this recommendation, Mr. Novak asserts that beginning in**  
7 **January 2017 Piedmont changed the structure of its IMR calculations with**  
8 **respect to how it handled the Tennessee allocation factor applied to joint**  
9 **property. Do you agree with this assertion?**

10 A. No, I do not.

11 **Q. Please explain.**

12 A. In the Company's full response to Consumer Advocate Data Request #2-1 (as  
13 opposed to the short excerpt of this response cited in Mr. Novak's Direct  
14 Testimony), it was fully explained how it has been the Company's  
15 longstanding practice to allocate joint property between Piedmont's three state  
16 jurisdictions -- TN, NC and SC -- consistently for each month of the fiscal year  
17 based on the ratio of direct property net plant balances by jurisdiction *as of the*  
18 *end of the prior fiscal year*. Such longstanding practice is broadly used for  
19 Piedmont's jurisdictional financial reporting, and therefore is not unique or  
20 specific to the IMR mechanism. Piedmont converted to a full calendar year for  
21 its fiscal year beginning in 2017, whereas previously its fiscal year had ended  
22 each October 31. Therefore, beginning in January 2017, Piedmont's joint

1 property allocation factor was calculated on the basis of direct property  
2 balances by jurisdiction as of 12/31/2016, which was *the end of the prior fiscal*  
3 *year*. Hence, even in light of this one-time change to its fiscal year, the  
4 Company remained consistent with its longstanding practice of allocating joint  
5 property between jurisdictions based on the ratio of direct property net plant  
6 balances by jurisdiction *as of the end of the prior fiscal year*.

7 I find it important to also point out here that: (1) Piedmont disclosed  
8 in each of its monthly IMR report filings and annual IMR report filings the  
9 basis for the joint property allocation factor used in the computations shown  
10 therein; and (2) the methodology for Piedmont's computation of the joint  
11 property allocation factor, including the month/date to be used for the basis of  
12 computing that allocator, is not specified in the definition of the Integrity  
13 Management Investment Amount or elsewhere in the IMR mechanism.

14 Lastly, with respect to the Company's inclusion beginning January  
15 2017 of Tennessee amounts recorded to account 21700 (Contributions in Aid  
16 of Construction – CIAC) in the computation of the joint property allocation  
17 factor, as explained in the Company's full response to Consumer Advocate  
18 Data Request #2-4, the Company identified at that time that it would be  
19 appropriate to include the Tennessee jurisdictional balance for CIAC in its  
20 allocation factor. Again, the joint property allocation factor is broadly used for  
21 Piedmont's jurisdictional financial reporting, and therefore is not unique or  
22 specific to the IMR mechanism.

1                   For all these reasons, I strongly dispute Mr. Novak's assertion that  
2           Piedmont modified the structure of its IMR mechanism.

3   **Q.   Does this conclude your Rebuttal Testimony?**

4   A.   Yes, it does.