



Waller Lansden Dortch & Davis, LLP
511 Union Street, Suite 2700
P.O. Box 198966
Nashville, TN 37219-8966

615.244.6380 main
615.244.6804 fax
wallerlaw.com

Paul S. Davidson
615.850.8942 direct
paul.davidson@wallerlaw.com

February 3, 2021

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: Piedmont Natural Gas Company, Inc. Petition for an Adjustment of Rates, Charges, and Tariffs Applicable to Service in Tennessee; Docket No.: 20-00086

Dear Mr. Taylor:

Pursuant to Ordering Paragraph No. 2 of the *Commission's Order Establishing Amended Procedural Schedule*, please find the attached updated response to the Commission Staff's December 22, 2020 data request.

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 provide a "filed" stamped copy of the same to my assistant, at our email address of denise.guye@wallerlaw.com.

Please do not hesitate to call me if you have any questions.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Paul S. Davidson".

Paul S. Davidson

PSD:cdg
Enclosures

cc: Daniel Whitaker
Bruce Barkley
Pia Powers
James Jeffries

Piedmont Natural Gas Company
INDEX TO SCHEDULES
For the 12 Months Ending December 31, 2021 (Attrition Period)

	<u>Schedule</u>
Results of Operations	1
Average Rate Base	2
Comparative Rate Base (13-month Average)	3
Lead Lag Results	4
Working Capital Expense Lag	5
Income Statement at Current Rates	6
Comparative Income Statement at Current Rates	7
Comparative Revenue Summary	8
Comparative O&M Expense Summary	9
Taxes Other than Income Income Taxes	10
Excise and Income Taxes	11
Income Statement at Proposed Rates	12
Rate of Return Summary	13
Revenue Conversion Factor	14
Proposed Revenue Change	15

Piedmont Natural Gas Company
Results of Operations
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.		<u>Per Settlement</u>
1	Average Rate Base	\$ 897,267,145 A/
2	Operating Income At Current Rates	49,082,469 B/
3	Earned Rate Of Return	5.47%
4	Fair Rate Of Return	6.85% C/
5	Required Operating Income	61,451,135
6	Operating Income Deficiency (Surplus)	12,368,666
7	Gross Revenue Conversion Factor	<u>1.300889</u> D/
8	Gas Sales & Transportation Revenue Deficiency (Surplus)	16,090,261
9	Other Revenues - Forfeited Discounts	159,739 B/
10	Total Revenue Deficiency (Surplus)	\$ <u><u>16,250,000</u></u>

A/ Schedule 3.
B/ Schedule 6.
C/ Schedule 13.
D/ Schedule 14.

Piedmont Natural Gas Company
Average Rate Base
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.		Test Period	Adjustments	Attrition Period
	Net Plant Investment:			
1	Utility Plant in Service	\$ 1,316,834,205	\$ 224,779,637	\$ 1,541,613,842
2	Construction Work in Progress	54,974,331	-12,966,827	42,007,504
3	Accumulated Depreciation	-462,673,218	-38,852,211	-501,525,429
4	Contributions in Aid of Construction	-5,828,754	0	-5,828,754
5	Accumulated Deferred Income Taxes	<u>-191,462,556</u>	<u>-1,372,022</u>	<u>-192,834,578</u>
6	Total Net Plant Investment	\$ <u>711,844,007</u>	\$ <u>171,588,578</u>	\$ <u>883,432,585</u>
	Working Capital:			
7	Gas Inventory	\$ 8,374,205	\$ 0	\$ 8,374,205
8	Customer Deposits	-4,244,585	-123,012	-4,367,597
9	Accrued Interest on Customer Deposits	-303,252	-8,788	-312,040
10	Cash Working Funds	-559,657	559,657	0
11	Materials & Supplies	166,593	10,267	176,859
12	Deferred Debits	16,209,584	-5,744,332	10,465,252
13	Prepaid Insurance	209,503	-64,966	144,537
14	Deferred Pension & Other Post-Employment Expenses	19,663,434	-19,663,434	0
15	Fleets & Overheads	122,544	5,449	127,993
16	Accounts Payable Related to CWIP	-9,193,005	-364,771	-9,557,776
17	Accounts Payable Related to M&S	-20,492	-813	-21,305
18	Accrued Vacation	-2,305,163	-107,777	-2,412,940
19	Lead/Lag Study Requirement	<u>2,318,927</u>	<u>8,898,445</u>	<u>11,217,372</u>
20	Total Working Capital	\$ <u>30,438,636</u>	\$ <u>-16,604,075</u>	\$ <u>13,834,560</u>
21	Rate Base	\$ <u>742,282,643</u>	\$ <u>154,984,503</u>	\$ <u>897,267,145</u>

Piedmont Natural Gas Company
Lead Lag Results
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.		<u>Per Settlement</u>
1	Revenue Lag	52.13 A/
2	Expense Lead	<u>34.34 A/</u>
3	Net Lag	17.79
4	Daily Cost of Service	\$ <u>630,536 A/</u>
5	Net Cash Working Capital Required	\$ <u><u>11,217,372</u></u>

A/ Schedule 5.

A/ Schedule 5.

Piedmont Natural Gas Company
Comparative Rate Base (13-month Average)
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.		<u>Per Settlement</u> A/
	Net Plant Investment:	
1	Utility Plant in Service	\$ 1,541,613,842
2	Construction Work in Progress	42,007,504
3	Accumulated Depreciation	-501,525,429
4	Contributions in Aid of Construction	-5,828,754
5	Accumulated Deferred Income Taxes	<u>-192,834,578</u>
6	Total Net Plant Investment	\$ <u>883,432,585</u>
	Working Capital:	
7	Gas Inventory	\$ 8,374,205
8	Customer Deposits	-4,367,597
9	Accrued Interest on Customer Deposits	-312,040
10	Cash Working Funds	0
11	Materials & Supplies	176,859
12	Deferred Debits	10,465,252
13	Prepaid Insurance	144,537
14	Deferred Pension & Other Post-Employment Expenses	0
15	Fleets & Overheads	127,993
16	Accounts Payable Related to CWIP	-9,557,776
17	Accounts Payable Related to M&S	-21,305
18	Accrued Vacation	-2,412,940
19	Lead/Lag Study Requirement	<u>11,217,372</u>
20	Total Working Capital	\$ <u>13,834,560</u>
21	Rate Base	\$ <u>897,267,145</u>

A/ Schedule 2.

Piedmont Natural Gas Company
Working Capital Expense Lag
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.		Proposed Amount	A/	Lag	Dollar Days
Revenues:					
1	Sales & Transportation Revenues	\$ 227,935,416		52.22	\$ 11,902,183,925
2	Warranty Revenues	0		0.00	0
3	Other Revenues	2,210,226		42.80	94,604,670
4	Total Revenue Lag	\$ 230,145,642		52.13	\$ 11,996,788,595
Operation & Maintenance Expense:					
5	Purchased Gas	\$ 61,273,479		38.57	\$ 2,363,141,695
6	Labor	18,601,265		10.03	186,478,744
7	Incentive Pay - STIP	854,016		256.15	218,755,293
8	Incentive Pay - LTIP	0		621.50	0
9	Employee Pension & Benefits	5,039,041		11.55	58,211,113
10	Prepaid Insurance - Other Injuries & Damages	415,481		0.00	0
11	Prepaid Insurance - Property Insurance	58,922		0.00	0
12	Prepaid Insurance - Liability Insurance	217,627		0.00	0
13	Fleet Expense	752,537		38.54	29,001,925
14	Credit Card Expense	1,988,901		31.63	62,917,709
15	Virtual Company Charges	978,522		31.55	30,871,111
16	Service Company Charges	3,312,491		20.66	68,439,135
17	Outside Services	3,289,810		71.95	236,701,497
18	Regulatory Commission Amortization	-2,315,850		0.00	0
19	Regulatory Commission Expense	867,158		270.00	234,132,660
20	Uncollectible Expense	443,683		0.00	0
21	Other O&M Expenses	17,344,918		42.25	732,898,420
22	Depreciation Expense	34,785,468		0.00	0
General Taxes:					
23	Gross Receipts Tax	548,912		-158.50	-87,002,490
24	Franchise Tax	2,511,721		45.00	113,027,460
25	Property Tax	6,657,411		228.98	1,524,393,978
26	Payroll Tax	1,514,050		28.49	43,136,763
27	Sales & Use Tax	-6,699		35.21	-235,870
28	Amortization of Investment Tax Credit	-5,077		0.00	0
Income Taxes:					
29	State Income Taxes	1,950,846		45.00	87,788,070
30	Provision for Deferred Income Tax	-1,075,590	A/	0.00	0
31	Federal Income Taxes	11,430,719	A/	37.50	428,651,963
32	Interest on Customer Deposits	262,056		0.00	0
Return:					
33	Interest on Long-Term Debt	16,901,821	B/	92.94	1,570,916,264
34	Interest on Short-Term Debt	143,563	B/	1.49	213,523
35	Income for Return	41,404,440		0.00	0
36	Total Expense Lag	\$ 230,145,642		34.34	\$ 7,902,438,963
37	Daily Cost of Service	\$ 630,536			

A/ See tab "Lead Lag Summary" in Workpaper Support section of this file.
B/ Schedule 13.

Piedmont Natural Gas Company
Income Statement at Current Rates
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.		Test Period	Adjustments	Attrition Amount
	Operating Revenues:			
1	Gas Sales & Transportation Revenues and IMR Revenues	\$ 204,501,277	\$ 7,343,878	\$ 211,845,155 A/
2	Other Revenues	2,141,270	-90,783	2,050,487 A/
3	AFUDC	3,152,246	-150,936	3,001,310
4	Total Operating Revenue	\$ 209,794,793	\$ 7,102,159	\$ 216,896,951
	Operating & Maintenance Expenses:			
5	Purchased Gas Expense	\$ 68,307,024	\$ -7,033,545	\$ 61,273,479
6	Operations & Maintenance Expense	53,648,240	-1,832,047	51,816,193 B/
7	Total Operating & Maintenance Expenses	\$ 121,955,263	\$ -8,865,591	\$ 113,089,672
	Other Expenses:			
8	Depreciation Expense	\$ 31,366,960	\$ 3,418,508	\$ 34,785,468
9	Interest on Customer Deposits	254,689	7,367	262,056
10	Amortization of Investment Tax Credit	-2,906	-2,172	-5,077
11	General Taxes	11,103,405	121,990	11,225,394 C/
12	State Excise Taxes	733,225	656,490	1,389,715 D/
13	Federal Income Taxes	-1,580,594	8,647,849	7,067,255 D/
14	Total Other Expenses	\$ 41,874,779	\$ 12,850,032	\$ 54,724,811
15	Total Operating Expenses	\$ 163,830,042	\$ 3,984,441	\$ 167,814,483
16	Utility Operating Income	\$ 45,964,751	\$ 3,117,718	\$ 49,082,469

A/ Schedule 8.
B/ Schedule 9.
C/ Schedule 10.
D/ Schedule 11.

Piedmont Natural Gas Company
Comparative Income Statement at Current Rates
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.		<u>Per Settlement</u> A/
	Operating Revenues:	
1	Gas Sales & Transportation Revenues	\$ 211,845,155
2	Other Revenues	2,050,487
3	AFUDC	3,001,310
4	Total Operating Revenue	\$ <u>216,896,951</u>
	Operating & Maintenance Expenses:	
5	Purchased Gas Expense	\$ 61,273,479
6	Operations & Maintenance Expense	51,816,193
7	Total Operating & Maintenance Expenses	\$ <u>113,089,672</u>
	Other Expenses:	
8	Depreciation Expense	\$ 34,785,468
9	Interest on Customer Deposits	262,056
10	Amortization of Investment Tax Credit	-5,077
11	General Taxes	11,225,394
12	State Excise Taxes	1,389,715
13	Federal Income Taxes	7,067,255
15	Total Other Expenses	\$ <u>54,724,811</u>
16	Total Operating Expenses	\$ <u>167,814,483</u>
17	Utility Operating Income	\$ <u>49,082,469</u>

A/ Schedule 6.

Piedmont Natural Gas Company
Comparative Revenue Summary
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.	Customer Class	Per Settlement
	Sales & Transportation Base Rate Margin:	
1	(301) Residential	\$ 67,883,267
2	(302) Small General Service	27,865,410
3	(352) Medium General Service	8,478,174
4	(303) Large General Service	1,870,648
5	(304) Interruptible Service	42,011
6	(313) Firm Transportation Service	3,996,638
7	(314) Interruptible Transportation Service	4,306,604
8	(310) Resale Service	16,734
9	Special Contracts	259,159
10	Total Base Rate Margin	\$ 114,718,645
11	PGA Revenues	61,273,479
12	Total Base Rate & PGA Revenue	\$ 175,992,125
	Other Revenue:	
13	HomeServe Warranty Operating Margin	\$ 0
14	IMR Rider Elimination	35,853,030
15	ADIT Refund Elimination	0
16	Other Revenue - Forfeited Discounts	1,747,193
17	Other Revenue - Miscellaneous	303,294
18	Total Other Revenue	\$ 37,903,517
19	Total Revenue	\$ 213,895,642

Piedmont Natural Gas Company
Comparative O&M Expense Summary
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.	Expense	Per Settlement
1	Other Purchased Gas Expense	\$ 423,962
2	Gas Storage Expense	1,460,062
3	Transmission Expense	3,947,156
4	Distribution Expense	16,840,592
5	Customer Accounts & Service Expense	4,387,512
6	Sales Expense	1,075,638
7	Administrative & General Expense	<u>23,681,271</u>
8	Total O&M Expense	\$ <u>51,816,193</u>

Piedmont Natural Gas Company
Taxes Other than Income Taxes
For the 12 Months Ending December 31, 2021 (Attrition Period)

<u>Line No.</u>		<u>Per Settlement</u>
1	Property Taxes	\$ 6,657,411
2	Franchise Tax	2,511,721
3	Gross Receipts Tax	548,912
4	Payroll Taxes	1,514,050
5	Allocated & Other Taxes	<u>-6,699</u>
6	Total	\$ <u><u>11,225,394</u></u>

Piedmont Natural Gas Company
Excise and Income Taxes
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.		Per Settlement
1	Operating Revenues	\$ 213,895,642 A/
	Operating Expenses:	
2	Purchased Gas Expense	\$ 61,273,479 A/
3	O&M Expense	51,816,193 A/
4	Depreciation Expense	34,785,468 A/
5	Interest on Customer Deposits	262,056 A/
6	Amortization of Investment Tax Credit	0 B/
7	General Taxes	11,225,394 A/
8	Total Operating Expenses	\$ 159,362,590
9	NOI Before Excise and Income Taxes	\$ 54,533,051
10	AFUDC	2,677,500 C/
11	Interest Expense	-17,045,384 D/
12	Net Income Before Income Taxes	\$ 40,165,167
	Tennessee Excise Tax Calculation:	
13	Net Income Before Income Taxes	\$ 40,165,167
14	Composite Excise Tax Rate	3.46%
15	Excise Tax Expense	\$ 1,389,715
	Federal Income Tax Calculation:	
16	Net Income Before Income Taxes	\$ 40,165,167
17	Net Excise Tax Expense	1,389,715
18	Net Income Before Federal Income Tax	\$ 38,775,452
19	FIT Rate	21.00%
20	Federal Income Tax Expense-Pre-Adjusted	\$ 8,142,845
21	Less EDFIT Amortization	-1,075,590 E/
22	Net Federal Income Tax Expense	\$ 7,067,255

A/ Schedule 6.

B/ Tax calculation does not include amortization of investment tax credit of \$-5,077.

C/ This amount excludes the equity portion of AFUDC. See discussion in Rebuttal Testimony of Piedmont witness Quynh Bowman pages 26-27.

D/ Schedule 13.

E/ Schedule 5 Row 30.

Piedmont Natural Gas Company
Income Statement at Proposed Rates
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.		Current Rates A/	Rate Increase B/	Proposed Rates
	Operating Revenues:			
1	Gas Sales & Transportation Revenues	\$ 211,845,155	\$ 16,090,261	\$ 227,935,416
2	Other Revenues	2,050,487	159,739	2,210,226
3	AFUDC	3,001,310	0	3,001,310
4	Total Operating Revenue	\$ 216,896,952	\$ 16,250,000	\$ 233,146,952
	Operating & Maintenance Expenses:			
5	Purchased Gas Expense	\$ 61,273,479	\$ 0	\$ 61,273,479
6	Operations & Maintenance Expense	51,816,193	32,329	51,848,522
7	Total Operating & Maintenance Expenses	\$ 113,089,672	\$ 32,329	\$ 113,122,001
	Other Expenses:			
8	Depreciation Expense	\$ 34,785,468	\$ 0	\$ 34,785,468
9	Interest on Customer Deposits	262,056	0	262,056
10	Amortization of Investment Tax Credit	-5,077	0	-5,077
11	General Taxes	11,225,394	0	11,225,394
12	State Excise Taxes	1,389,715	561,131	1,950,846
13	Federal Income Taxes	7,067,255	3,287,874	10,355,129
14	Total Other Expenses	\$ 54,724,811	\$ 3,849,005	\$ 58,573,816
15	Total Operating Expenses	\$ 167,814,483	\$ 3,881,334	\$ 171,695,817
16	Utility Operating Income	\$ 49,082,470	\$ 12,368,666	\$ 61,451,135

A/ Schedule 6.

B/ Schedule 1.

Piedmont Natural Gas Company
Rate of Return Summary
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.	Class of Capital	Per Settlement		
		Percent of Total	Cost Rate	Weighted Cost Rate
1	Short-Term Debt	4.00%	0.40%	0.02%
2	Long-Term Debt	45.50%	4.14%	1.88%
3	Common Equity	50.50%	9.80%	4.95%
4	Total	100.00%		6.85%
Interest Expense Short-Term Debt:				
5	Rate Base			\$ 897,267,145 A/
6	Short-Term Weighted Debt Cost			0.02%
7	Short-Term Debt Interest Expense			\$ 143,563
Interest Expense Long-Term Debt:				
8	Rate Base			\$ 897,267,145 A/
9	Long-Term Weighted Debt Cost			1.88%
10	Long-Term Debt Interest Expense			\$ 16,901,821
11	Total Interest Expense			\$ 17,045,384

A/ Schedule 2.

A/ Schedule 2.

Piedmont Natural Gas Company
Revenue Conversion Factor
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.		<u>Amount</u>	<u>Balance</u>
1	Operating Revenues		1.000000
2	Add: Forfeited Discounts	0.009928	<u>0.009928</u>
3	Balance		1.009927677
4	Uncollectible Ratio	0.001990	<u>0.002009551</u>
5	Balance		1.007918126
6	State Excise Tax (Company's composite effective rate)	0.034600 A/	<u>0.034874000</u>
7	Balance		0.973044
8	Federal Income Tax	0.210000 A/	<u>0.204339</u>
9	Balance		<u><u>0.768705</u></u>
10	Revenue Conversion Factor (Line 1 / Line 9)		<u><u>1.300889</u></u>

A/ Schedule 11

Piedmont Natural Gas Company
Proposed Revenue Change
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.	Customer Class	Attrition Period Revenues at Current "Clean" Rates, excluding IMR Revenue A/	Attrition Period IMR Revenue	Total Attrition Period Revenues A/	Proposed Revenue Increase	Attrition Period Revenues After Proposed Increase	Percent Change
	Sales & Transportation Base Rate Margin:						
1	(301) Residential	\$ 67,883,267	\$ 21,384,181	\$ 89,267,448	\$ 9,539,221	\$ 98,806,670	10.7%
2	(302) Small General Service	27,865,410	8,970,428	36,835,838	3,936,320	40,772,158	10.7%
3	(352) Medium General Service	8,478,174	2,215,717	10,693,891	1,142,761	11,836,653	10.7%
4	(303) Large General Service	1,870,648	478,997	2,349,644	251,086	2,600,730	10.7%
5	(304) Interruptible Service	42,011	4,661	46,672	4,987	51,659	10.7%
6	(313) Firm Transportation Service	3,996,638	1,284,614	5,281,252	564,361	5,845,613	10.7%
7	(314) Interruptible Transportation Service	4,306,604	1,504,393	5,810,997	620,970	6,431,967	10.7%
8	(310) Resale Service	16,734	10,039	26,773	2,861	29,634	10.7%
9	Special Contracts	259,159	0	259,159	27,694	286,853	10.7%
10	Total Sales & Transportation Margin	\$ 114,718,645	\$ 35,853,030	\$ 150,571,675	\$ 16,090,261	\$ 166,661,937	10.7%
11	Sales & Transportation PGA Revenue	61,273,479	0	61,273,479	0	61,273,479	0.0%
12	Sales & Transportation Revenue (Margin & PGA)	175,992,125	35,853,030	211,845,155	16,090,261	227,935,416	7.6%
13	Other Revenue - Forfeited Discounts	1,747,193	0	1,747,193	159,739	1,906,932	9.1%
14	Other Revenue - Miscellaneous	303,294 B/	0	303,294	0	303,294	0.0%
15	Total Operating Revenue	\$ 178,042,612	\$ 35,853,030	\$ 213,895,642	\$ 16,250,000	\$ 230,145,642	7.6%

A/ Schedule 8.

B/ Represents various other regulated operating revenues, including returned check charges and reconnect fees. These revenues do not include unregulated revenues recorded below-the-line.

C/ Schedule 12.