

**Before the
Tennessee Public Utility Commission**

Docket No. 20- 00130

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

**Direct Testimony of
Pia K. Powers**

**On Behalf of
Piedmont Natural Gas Company, Inc.**



November 30, 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. Please briefly describe your educational and professional background.**

8 A. I have a Bachelor of Arts degree in economics from Fairfield University and a
9 Master of Science degree in environmental and resource economics from the
10 University College London. From 1999 through 2003, I was employed as an
11 Economist with the Energy Information Administration, the statistical agency
12 of the U.S. Department of Energy, where I focused on international energy
13 forecasting and environmental issues. In 2003, I was hired by Piedmont as a
14 Regulatory Analyst. I have held several positions within the Company in the
15 following years, promoted most recently to my current position as Managing
16 Director of Gas Rates & Regulatory in 2019.

17 **Q. Have you previously testified before the Tennessee Public Utility**
18 **Commission or any other regulatory authority?**

19 A. Yes. I have presented testimony before the Tennessee Public Utility
20 Commission (“TPUC” or “Commission”) and its predecessor the Tennessee
21 Regulatory Authority (“TRA”), as well as the Public Service Commission of
22 South Carolina and the North Carolina Utilities Commission on a number of
23 occasions.

1 **Q. What is the purpose of your testimony in this proceeding?**

2 A. The purpose of my testimony in this proceeding is to support Piedmont's 2020
3 IMR annual filing with the Commission under its approved Integrity
4 Management Rider ("IMR") mechanism set forth in Service Schedule No. 317
5 of its Tennessee Tariffs. Contemporaneous with the filing of my direct
6 testimony herein, Piedmont submits its 2020 IMR annual report ("2020 IMR
7 Annual Report") and proposed rate adjustment effective January 1, 2021.

8 **Q. Was the 2020 IMR Annual Report prepared by you or under your**
9 **direction?**

10 A. Yes.

11 **Q. When and how was the IMR mechanism approved by the Commission?**

12 A. The IMR mechanism was initially approved by the TRA, pursuant to Tenn.
13 Code Ann. § 65-5-103(d), in Docket No. 13-00118 at the Conference held on
14 December 18, 2013, with the written Order issued on May 13, 2014. The IMR
15 has been in effect since January 1, 2014.

16 **Q. Has Piedmont made any previous annual report filings under this IMR**
17 **mechanism?**

18 A. Yes. Consistent with the approved IMR tariff, Piedmont has filed IMR annual
19 reports on seven prior occasions. Piedmont filed its first IMR Annual Report
20 on December 2, 2013, and it was approved by the TRA in Docket No. 13-
21 00118. Piedmont filed its second IMR Annual Report on December 1, 2014,
22 and it was approved by the TRA in Docket No. 14-00147. Piedmont filed its

1 third IMR Annual Report on November 30, 2015 and it was approved by the
2 TRA in Docket No. 15-00116. Piedmont filed its fourth annual report on
3 November 30, 2016 and it was approved by the TPUC in Docket No. 16-
4 00140. Piedmont filed its fifth IMR Annual Report on November 30, 2017 and
5 it was approved by the TPUC in Docket No. 17-00138.¹ Piedmont filed its
6 sixth IMR Annual Report on November 30, 2018 and it was approved by the
7 TPUC in Docket No. 18-00126. Lastly, Piedmont filed its seventh IMR
8 Annual Report on November 27, 2019 and a revised seventh IMR Annual
9 Report on December 11, 2019, which was approved by the TPUC in Docket
10 No. 19-00107.

11 **Q. Does Piedmont routinely provide any additional information to the**
12 **Commission about the IMR other than what is disclosed in the annual**
13 **reports?**

14 A. Yes. In addition to the seven previously filed IMR annual reports and
15 consistent with its tariff, Piedmont has filed monthly reports with the TPUC
16 regarding its actual integrity management investments and actual monthly
17 integrity management deferred account activity and balance. The Consumer
18 Advocate received copies of these monthly and annual reports.

1 The IMRR calculation and proposed rates shown in the 2017 IMR Annual Report filed on November 30, 2017 were amended for the subsequent reduction in the federal corporate income tax rate. Those changes to the IMRR calculation and proposed rates were included in the direct testimony of Pia K. Powers that was filed with the Commission on January 17, 2018 in Docket No. 17-00138.

1 **Q. Can you provide a general description of the IMR mechanism and how it**
2 **works?**

3 A. Yes. Under this mechanism, as is set forth in Service Schedule No. 317, the
4 Company calculates an annual integrity management revenue requirement
5 (“IMRR”), which is based upon the actual amount of integrity management
6 capital investment through the applicable period ending October 31. The
7 IMRR, along with the October 31 balance in the Company’s integrity
8 management deferred account, is then allocated across Piedmont’s customer
9 classes using allocation factors and throughput levels established in Piedmont’s
10 most recent rate case order. This calculation, which is performed once each
11 year and reflected in Piedmont’s annual IMR report filing, results in a
12 volumetric (i.e., per therm) IMR rate referred to as the “Integrity Management
13 Adjustment.” The Integrity Management Adjustment is effective for a twelve-
14 month period beginning each January, then refreshed for the next twelve-month
15 period based upon an updated calculation of the IMRR and an updated integrity
16 management deferred account balance.

17 **Q. Piedmont filed a general rate case on July 2, 2020 in Docket No. 20-00086.**
18 **In that general rate case filing, Piedmont proposed new base tariff rates**
19 **effective January 1, 2021. Does this general rate case impact the**
20 **computations shown in the Company’s 2020 IMR Annual Report and**
21 **proposed Integrity Management Adjustment for January 1, 2021?**

1 A. Yes, it does. Ordinarily, the proposed Integrity Management Adjustment
2 shown in the Company's IMR Annual Report would be calculated with an
3 IMRR computed on the Company's integrity management investment through
4 October 31 plus the October 31 balance in the integrity management deferred
5 account. However, due to the ongoing general rate case proceeding in Docket
6 No. 20-00086, the proposed Integrity Management Adjustment set forth in the
7 Company's 2020 IMR annual report is computed solely on the basis of the
8 October 31, 2020 balance in the integrity management deferred account.

9 **Q. Why does the Company's general rate case in Docket No. 20-00086 impact**
10 **the computations shown in the Company's 2020 IMR Annual Report and**
11 **proposed Integrity Management Adjustment?**

12 A. As stated in Service Schedule No. 317, the integrity management investment
13 amount must be an investment amount that is *not otherwise included in current*
14 *base rates*. A return on the Company's integrity management investments
15 through October 31, 2020 will be in tariff base rates resulting from this general
16 rate case because the cost of service in the general rate case covers an attrition
17 period ending December 31, 2021. Given these circumstances, and given that
18 Piedmont notified the TPUC on November 06, 2020 of its intent, pursuant to
19 Tenn. Code Ann. § 65-5-103(b)(1), to implement its proposed tariff base rates
20 on January 2, 2021 subject to refund, it is appropriate to reset the IMRR to zero
21 in January 2021.
22

1 **Q. Is the proposed Integrity Management Adjustment shown in Piedmont's**
2 **2020 IMR Annual Report calculated in a manner consistent with**
3 **Piedmont's Service Schedule No. 317?**

4 A. Yes. The proposed Integrity Management Adjustment shown in the
5 Company's 2020 IMR Annual Report is computed based on a zero IMRR plus
6 the actual October 31, 2020 balance in the integrity management deferred
7 account computation allocated across Piedmont's customer classes using
8 allocation factors and throughput levels established in Piedmont's most recent
9 rate case order. This computation of the Integrity Management Adjustment is
10 consistent with the approved methodology described in approved Service
11 Schedule No. 317.

12 **Q. What is the impact to customer rates and bills from the proposed rate**
13 **adjustments shown in the Company's 2020 IMR Annual Report filing?**

14 A. The actual balance in the integrity management deferred account as of October
15 31, 2020 is approximately \$(6.9 million). Since this deferred account balance
16 is an amount due to customers, the proposed Integrity Management Adjustment
17 in the 2020 IMR Annual Report is a decrement to rates calculated upon an
18 allocation of the \$(6.9 million) across the various customer classes. The
19 current Integrity Management Adjustment, as approved by the Commission in
20 Docket No. 19-00107, was calculated upon an allocation of \$21.9 million

1 across the various customer classes.² Thus, the Company is proposing a \$28.8
2 million decrease to its annual IMR revenues effective January 1, 2021. For
3 residential customers, the current approved IMR rate is \$0.11730 per therm.
4 The proposed IMR rate for residential customers in the 2020 Annual Report is
5 \$(0.03699) per therm, reflecting a decrease of \$0.15429 per therm. This
6 proposed rate decrease would lower a residential customer's bill by
7 approximately \$113 per year, or \$9.42 per month, on average, for the typical
8 residential customer who uses approximately 735 therms of natural gas per
9 year.

10 **Q. In summary, what are you asking the Commission to do in this**
11 **proceeding?**

12 A. I am requesting that the Commission accept and approve the 2020 IMR Annual
13 Report which includes the proposed billing rates for the Integrity Management
14 Adjustment effective January 1, 2021.

15 **Q. Does this conclude your pre-filed direct testimony?**

16 A. Yes.
17

2 As approved by the TPUC, the IMRR effective January 1, 2020 was \$28.1 million. This revenue requirement, when combined with the actual integrity management deferred account balance at October 31, 2019 of \$(6.2 million), yielded a total approved annual IMR amount for recovery of \$21.9 million.