

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION**

**NASHVILLE, TENNESSEE**

**January 9, 2022**

<b>IN RE:</b>	)	
	)	
<b>PETITION OF PIEDMONT NATURAL GAS COMPANY,</b>	)	<b>DOCKET NO.</b>
<b>INC. FOR APPROVAL OF AN INTEGRITY</b>	)	<b>20-00130</b>
<b>MANAGEMENT RIDER TO ITS APPROVED RATE</b>	)	
<b>SCHEDULES AND SERVICE REGULATIONS</b>	)	

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**ORDER APPROVING INTEGRITY MANAGEMENT ANNUAL REPORT AS AMENDED AND  
APPROVAL OF TRANSFERS OF BALANCE TO ACA ACCOUNT**

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This matter came before Chairman Kenneth C. Hill, Vice Chairman Herbert H. Hilliard, Commissioner Robin L. Morrison, Commissioner John Hie, and Commissioner David F. Jones of the Tennessee Public Utility Commission (“Commission” or “TPUC”) during the regularly scheduled Commission Conference held on November 1, 2021, to consider the *Petition of Piedmont Natural Gas Company, Inc. for Approval of an Integrity Management Rider to its Approved Rate Schedules and Service Regulations* (“*Petition*”) filed on November 30, 2020, by Piedmont Natural Gas Company, Inc. (“Piedmont”, “Company”). In summary, the *Petition* was granted.

**BACKGROUND**

Pursuant to Tenn. Code Ann. § 65-5-103(d),<sup>1</sup> in TPUC Docket No. 13-00118, the Commission previously approved Piedmont’s 2013 Annual Report and the Integrity Management Rider (“IMR”), as amended by the *Stipulation of Piedmont Natural Gas Company* (“*Stipulation*”) entered into by

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<sup>1</sup> Tenn. Code Ann. § 65-5-103(d) went into effect April 19, 2013 and authorizes the Commission to implement alternative regulatory methods. Tenn. Code Ann. § 65-5-103(d)(2)(A) provides: “A public utility may request and the commission may authorize a mechanism to recover the operational expenses, capital costs or both, if such expenses or costs are found by the commission to be in the public interest, related to ... [s]afety requirements imposed by state or federal government...”

Piedmont and the Consumer Advocate<sup>2</sup> and its associated tariff with an effective date of January 1, 2014.<sup>3</sup> The IMR was designed to recover costs associated with complying with Subparts O and P of Part 192 of the United States Department of Transportation (“USDOT”) regulations, “which establish a mandatory regimen of inspection, assessment, analysis, testing, and remediation applicable to natural gas transmission and distribution facilities in the United States, including those operated by Piedmont in Tennessee.”<sup>4</sup>

The regimen for transmission integrity management planning is referred to as “TIMP,” and the regimen applicable to distribution lines is referred to as “DIMP.” USDOT regulations require an ongoing seven-year rotating inspection and assessment of High Consequence Areas for compliance with TIMP and DIMP requirements.<sup>5</sup> Additionally, Piedmont must verify the maximum operating parameters of its pipelines and implement new record keeping for transmission piping.<sup>6</sup>

Under the provisions of the IMR approved in TPUC Docket No. 13-00118, recovery of costs by Piedmont is limited to those costs solely incurred to comply with Part 192 USDOT regulations, Subparts O and P. The IMR is a volumetric charge based on the billing determinants from the Company’s most recent rate case. A comparison of the amount collected to the costs actually incurred will be used to determine any over- or under-recovery of costs. Any over- or under-recovery is recorded in an Integrity Management Deferred Account and adjusted for interest. The amount in the Deferred Account is applied in the following year’s calculation of any needed revenue requirement.

Interest on any over- or under-recovery is applied to the average beginning and ending monthly balance and based on the interest rate as defined in the TPUC’s Purchased Gas Adjustment

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<sup>2</sup> At the time of the Settlement Agreement in Docket No. 13-00118, the Consumer Advocate was known as the Consumer Advocate and Protection Division of the Office of the Tennessee Attorney General.

<sup>3</sup> See *In re: Petition of Piedmont Natural Gas Company, Inc. for Approval of an Integrity Management Rider to Its Approved Rate Schedules and Service Regulations*, Docket No. 13-00118, *Order Granting Petition*, p. 10 (May 13, 2014).

<sup>4</sup> *Id.* at 3.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

Rule, Tenn. Comp. R. & Regs. 1220-04-07-.03. Costs, collections, and interest are recorded monthly to the Integrity Management Deferred Account, and the applicable journal entries to be made are specified. Annual filings will contain information to assist the TPUC in determining the prudence and necessity of the costs submitted for recovery. As part of the *Stipulation* approved in Docket No. 13-00118, Piedmont is required to file notice thirty (30) days prior to implementation of the IMR and submit its annual filing fourteen (14) days prior to implementation of the IMR.<sup>7</sup>

Since approval of the initial IMR, Piedmont has filed monthly reports with the Commission outlining the Company's capital expenses resulting from compliance with state and federal pipeline safety requirements.<sup>8</sup> The Company has made annual report filings in TPUC Docket Nos. 14-00147, 15-00116, 16-00140, 17-00138, 18-00126, and 19-00107.

#### **PIEDMONT'S RATE CASE PETITION IN DOCKET NO. 20-00086**

Before the filing of the Company's 2020 IMR Annual Report ("Annual Report") in the present docket, Piedmont filed a rate case petition with the Commission in Docket No. 20-00086 ("2020 Rate Case") on July 2, 2020. In the rate case filing, Piedmont discussed its intention to file a petition for implementation of an annual rate review mechanism ("ARRM" or "ARRM mechanism") following conclusion of the rate case in 2021.<sup>9</sup> Piedmont testified that it would withdraw the IMR mechanism effective January 1, 2022, conditional upon Piedmont gaining approval for implementation of their proposed ARRM mechanism on or before January 1, 2022.<sup>10</sup> Piedmont indicated it would propose how it resolved the accumulated balance in the deferred integrity management account by moving the accumulated IMR expenses it had accrued into its rate base and the IMR balance would be reset to

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<sup>7</sup> *Id.* at 4-5.

<sup>8</sup> The IMR monthly reports are filed by Piedmont in TPUC Docket No. 13-00118.

<sup>9</sup> *See In Re: Petition of Piedmont Natural Gas Company, Inc. for Approval of An Adjustment of Rates, Charges, and Tariffs Applicable to Service in Tennessee*, Docket No. 20-00086, (herein "2020 Rate Case"), Pia K. Powers, Pre-Filed Direct Testimony, pp.15-19 (July 2, 2020).

<sup>10</sup> *Id.*

zero. Piedmont testified that as of their last approval to adjust their IMR surcharge in Commission Docket No. 19-00107, Piedmont had over- collected approximately \$6.2 million from its customers.<sup>11</sup>

On November 6, 2020, Piedmont filed in the 2020 Rate Case its *Notice of Intent* informing the Commission that, in accordance with its statutory right to do so, it will place the proposed base rates into effect on January 2, 2021.<sup>12</sup> In response, the Consumer Advocate argued in the Rate Case that the Company should be directed to file the IMR data necessary to reconcile and true-up the months of November and December 2020.<sup>13</sup> According to the Consumer Advocate, the filing for these two months of 2020 was needed to appropriately reconcile the IMR mechanism, consistent with Piedmont's proposal to incorporate IMR costs in base rates beginning January 2021.<sup>14</sup>

#### **THE IMR PETITION**

On November 30, 2020, Piedmont filed the *Petition*, representing the Company's 2020 Annual Report in the present docket. The balance due to customers under the IMR stood at \$6.9 million as of October 31, 2020.<sup>15</sup> On December 7, 2020, the Consumer Advocate Unit of the Financial Division of the Office of the Tennessee Attorney General ("Consumer Advocate") filed a letter in the docket indicating it did not intend to intervene while reiterating that the Company's IMR filing should be approved subject to a reconciliation for November and December data as argued by the Consumer Advocate in the 2020 Rate Case Docket.<sup>16</sup>

#### **COMMISSION RULING IN THE 2020 RATE CASE IMPACTING AND APPROVING IMR RATE**

On December 14, 2020, the hearing panel in the Company's 2020 Rate Case imposed conditions and refund requirements on the Company's plan to impose its proposed rate increase

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<sup>11</sup> *Id.* at 17-18.

<sup>12</sup> See 2020 Rate Case, *Notice of Intent to Implement Rates Subject to Refund Pursuant to Tenn. Code Ann. § 65-5-103(b)(1) of Piedmont Natural Gas Company, Inc.* ("Notice of Intent"), p. 3 (November 6, 2020).

<sup>13</sup> See 2020 Rate Case, *Consumer Advocate's Response to Piedmont's Notice of Intent to Implement Rates Subject to Refund* ("Response"), p. 4 (December 3, 2020).

<sup>14</sup> *Id.*

<sup>15</sup> Pia K. Powers, Pre-Filed Direct Testimony, p. 6 (November 30, 2020).

<sup>16</sup> *Letter of the Consumer Advocate*, pp. 1-2 (December 7, 2020).

pursuant to Tenn. Code Ann. § 65-5-103(b)(1). With respect to the IMR, the hearing panel in the 2020 rate case found as follows:

The Hearing Panel further found that the Integrity Management Rider Surcharge rate changes filed in Docket No. 20-00130 should be implemented simultaneously with the proposed base service rates. These rate changes are to be applied on a “bills rendered” basis for all bills issued on or after the effective date of January 2, 2021. In addition, the Hearing Panel directed Piedmont to file Integrity Management Rider data and balances for the months of November and December 2020 in Docket No. 20-00130 by March 31, 2021, which the Commission will consider in that docket during a future conference.<sup>17</sup>

Piedmont’s 2020 rate case was resolved with the Commission’s approval of a settlement agreement for the rate case between the Consumer Advocate and Piedmont.<sup>18</sup>

#### **REQUEST OF PIEDMONT TO REMOVE THE IMR**

On March 31, 2021, Piedmont filed a letter with the Commission updating its progress on refunding the over-collected IMR surcharge monies to its customers pursuant to a Commission order in Docket No. 20-00086.<sup>19</sup> Piedmont predicted the IMR deferred account balance would be near \$0 by May 31, 2021.<sup>20</sup> The Company requested that the Commission remove the IMR surcharge rates as of June 1, 2021 to prevent over-refunding the customers and that any remaining balance in the IMR deferred account remain in its account until further decisions were made by the Commission.<sup>21</sup> In response, the Hearing Officer suspended the IMR surcharge rate tariff on April 29, 2021, and then again on September 1, 2021.<sup>22</sup>

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<sup>17</sup> See 2020 Rate Case, *Order Imposing Conditions and Refund Requirements Regarding Piedmont Natural Gas Company Inc.’s Intention to Implement New and Temporary Rates Pursuant to Tenn. Code Ann. § 65-5-103(b)*, pp. 12-13 (February 26, 2021).

<sup>18</sup> See 2020 Rate Case, *Order Approving Settlement Agreement Setting Rates and Approving the Procedures for Refunds to Customers* (May 6, 2021).

<sup>19</sup> See *Letter of Petition of Piedmont Natural Gas Company, Inc.* (March 31, 2021).

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

<sup>22</sup> *Order Suspending IMR Surcharge Rate Tariff June 1, 2021 Through September 1, 2021*, (April 29, 2021); *Order Re-Suspending IMR Surcharge Rate Tariff Through December 1, 2021* (September 1, 2021).

## **SUPPLEMENTAL TESTIMONY AND PROPOSAL TO BRING IMR BALANCE TO ZERO**

On October 8, 2021, Pia K. Powers filed additional testimony on behalf of the Company to update the Commission on the IMR surcharge rate and to provide a recommendation for clearing out the balance left over in the IMR account. According to the Company, as of August 31, 2021, the IMR deferred account balance including applicable interest of \$18,816 due to Piedmont, resulted in an over-refund to customers in the month of May 2021.<sup>23</sup> Ms. Powers recommended that the Commission authorize the transfer of the funds into the Company's Actual Cost Adjustment ("ACA") account which would finally bring the IMR deferred account balance to \$0.<sup>24</sup> As the original IMR capital expenditures are now represented via Piedmont's base rates, the proposed transaction would bring the Company's IMR account balance to zero.

## **THE HEARING**

The hearing in this matter was noticed by the Commission on October 22, 2021 and held during the regularly scheduled Commission Conference on November 1, 2021. Participating in the Hearing was:

Piedmont Natural Gas Company – Paul S. Davidson, Esq., Waller Lansden Dortch & Davis, 511 Union Street, Suite 2700, Nashville, Tennessee 37219.

Ms. Pia Powers provided testimony telephonically and was available to answer any questions. Members of the public were given an opportunity to offer comments, but no one sought recognition to do so.

## **FINDINGS AND CONCLUSIONS**

Based upon a review of the record in its entirety, the panel found Piedmont's proposed methodology for resolving the Integrity Management Rider account balance to be acceptable. The panel voted unanimously to approve Piedmont's request to close out the current balance in the

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<sup>23</sup> Pia K. Powers, Pre-Filed Supplemental Testimony, pp. 2-3 (October 8, 2021).

<sup>24</sup> *Id.* at 3-4.

Integrity Management Rider account by transferring it into the Company's Actual Cost Adjustment account. Further, the panel directed the Integrity Management Rider surcharge rate to remain at zero until the Commission approves a new rate in a future filing.

**IT IS THEREFORE ORDERED THAT:**

1. The *Petition of Piedmont Natural Gas Company, Inc. for Approval of an Integrity Management Rider to its Approved Rate Schedules and Service Regulations* filed on November 30, 2020 by Piedmont Natural Gas Company, Inc. is approved as amended.

2. The remaining balance in the Integrity Management Rider account shall be transferred into Piedmont Natural Gas Company, Inc.'s Actual Cost Adjustment account.

3. The Integrity Management Rider surcharge rate shall remain at zero until the Commission approves a new rate in a future filing.

4. Any party aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within fifteen (15) days from the date of this Order.

5. Any party aggrieved by the Commission's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from the date of this Order.

**FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:**

**Chairman Kenneth C. Hill,  
Commissioner Robin L. Morrison,  
Commissioner Clay R. Good,  
Commissioner John Hie, and  
Commissioner David F. Jones concurring.**

None dissenting.

**ATTEST:**



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**Earl R. Taylor, Executive Director**