

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE**

IN RE:

PETITION OF THE CONSUMER)	
ADVOCATE UNIT IN THE)	
FINANCIAL DIVISION OF THE)	DOCKET NO. 21-000 <u>73</u>
ATTORNEY GENERAL'S OFFICE)	

**CONSUMER ADVOCATE'S PETITION TO OBTAIN INFORMATION FROM
PIEDMONT NATURAL GAS COMPANY, INC. PERTAINING TO THE POTENTIAL
EFFECTS OF THE PRICE SPIKES IN FEBRUARY 2021**

The Consumer Advocate Unit in the Financial Division of the Office of the Attorney General ("Consumer Advocate"), by and through Herbert H. Slatery III, Attorney General and Reporter for the State of Tennessee, pursuant to Tenn. Code Ann. § 65-4-118, respectfully petitions the Tennessee Public Utility Commission (TPUC or the "Commission") to grant the Consumer Advocate's request to obtain information from Piedmont Natural Gas Company, Inc. ("Piedmont" or the "Company"). Specifically, the Consumer Advocate requests that Piedmont provide information pertaining to the winter price spikes occurring in February of 2021 and information regarding any potential effects those price spikes had on Piedmont. Accessing and evaluating this information will allow the Consumer Advocate to make a reasoned determination of whether it is in the consumers' interest for the Consumer Advocate to file a Complaint and Petition for the Commission to Convene a Show Cause Proceeding.¹

1. The Consumer Advocate is authorized by Tenn. Code Ann. § 65-4-118 to represent the interests of Tennessee consumers of public utilities services by initiating and intervening as a

¹ The most recent example of such a filing by the Consumer Advocate is *Complaint and Petition for the Tennessee Public Utility Commission to Convene a Show Cause Proceeding Against Thunder Air Inc. and Thunder Air, Inc. d/b/a Jasper Highlands Development, Inc.*, TPUC Docket No. 20-00098 (August 12, 2020).

party in any matter or proceeding before the TPUC in accordance with the Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-101, *et seq.*, and TPUC rules.

2. Under Tenn. Code Ann. § 65-4-101(b), if the Consumer Advocate “concludes that it is without sufficient information to initiate a proceeding, it may petition the commission, after notice to the affected utility, to obtain information from the utility.”

3. On May 18, 2021, the Consumer Advocate submitted identical letters to Piedmont and Atmos Energy Corporation (“Atmos Energy”) seeking information related to the potential effects of the February 2021 price spikes on the respective public utilities. A copy of the letter to Piedmont is attached to this Petition as Exhibit CA-1.

4. On June 4, 2021, Atmos Energy submitted a confidential written response, as well as supporting analytical data, to the Consumer Advocate’s request for information. After an evaluation of Atmos Energy’s information, the Consumer Advocate determined that its concerns were adequately addressed.

5. In its letter to Piedmont, the Consumer Advocate identified the issues at hand as threefold: (i) whether Piedmont acquired gas in February at rates substantially higher than the previously prevailing rates; (ii) whether such purchases were incurred due to daily imbalances among certain Piedmont customers; and (iii) whether Piedmont took actions to minimize harm to its customers who received the pass-through gas and upstream gas transportation charges. Further, the Consumer Advocate requested the following information and questions:

- a. Provide the quantity and total cost of natural gas (exclusive of transportation charges) purchased each day in the month of February 2021.
- b. Describe the process used by Piedmont to ensure transportation customer volumes are balanced each day.
- c. Does Piedmont have the metering capability to identify whether all transportation customers are in balance on a daily basis? If not, identify the number of transportation customers for which Piedmont has the capability to monitor daily

receipts and deliveries, and identify the number of transportation customers served by Piedmont for which it does not have the capability to determine daily imbalances.

- d. If any Piedmont customer had an imbalance on any day during the period of February 10 through February 20, 2021, provide the following:

(1) Name of the customer and the quantity of imbalance by day; and

(2) To the extent Piedmont rendered an invoice to any customer associated with their February imbalance, provide a copy of such calculation supporting the invoiced amount.

- e. Did Piedmont curtail any transportation customer in the month of February? If so, identify the customer and provide a copy of all communication regarding the curtailment provided to the customer.
- f. Does Piedmont believe any tariff modifications are necessary to ensure that imbalances during periods of daily natural gas price spikes are assigned to those customers causing such costs, and not otherwise assigned to customers who did not cause such increased costs? If so, describe the recommended modifications.
- g. If Piedmont does not believe tariff modifications are necessary to avoid cost shifting driven by potential daily imbalances during days on which price spikes occur, how would captive sales customers avoid such costs shifting under Piedmonts' existing tariff?
- h. Are there any impediments or practical challenges to implementing a tariff provision which would require daily balancing of transportation volumes within a specified variance during periods of elevated natural gas pricing? If such variance were exceeded, the transport customer would be responsible for the imbalance quantity priced at the elevated daily spot price of gas.

6. On May 28, 2021, the Consumer Advocate met virtually with Piedmont representatives to discuss the potential impacts of the February energy crisis. The Consumer Advocate valued the opportunity to discuss the issues raised with Piedmont during the virtual meeting; however, Piedmont provided limited information and did so verbally. Further, the Company indicated it would not be providing a written response to the letter. During this virtual discussion, the Company did not provide information in response to basic questions necessary to assess whether the Company's actions during this crisis were reasonable. For example, the Consumer Advocate still does not know the extent to which transportation imbalances may have occurred during the period of price spikes. The unwillingness to provide such basic information

and lack of transparency surrounding these questions only heightened the Consumer Advocate's concerns.

7. An evaluation of the Company's actions during February 2021 is necessary before the Company is allowed to pass on actual gas costs incurred through the Company's purchased gas cost mechanism, including the possible elevated costs incurred during the period of price spikes. Below are a few examples of the issues that the Consumer Advocate should be able to evaluate once the Piedmont answers the questions identified in Paragraph 5 (see also Exhibit CA-1):

- Did the Company experience material transportation imbalances during the period of the price spikes, and if so, which customers caused such imbalances?²
- If material imbalances did occur, were bills issued for the impacts from such imbalances, and if not, why not?
- Should the Commission evaluate the provisions of the Company's tariff to determine whether such terms provide adequate protection to sales customers in the event temporary price spikes occur in the future?
- Did the Company comply with the terms of its tariff during this period?

8. The Consumer Advocate also recognizes that, based upon Piedmont's responses from the above-referenced questions, further information may be required. If the need for additional questions is required, the Consumer Advocate will seek guidance from the Hearing Officer about appropriate procedures.

WHEREFORE, the Consumer Advocate respectfully requests that the Commission direct Piedmont to respond in writing to the questions set out above³ and include a verification of the responses.

² The Consumer Advocate notes that many utilities have affiliate marketers/brokers who operate in this space.

³ See also Petition's Exhibit CA-1.

RESPECTFULLY SUBMITTED,



KAREN H. STACHOWSKI (BPR No. 019607)

Assistant Attorney General

RACHEL C. BOWEN

Practicing Pending Admission

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TPUC DOCKET NO. 21-000XX

*CONSUMER ADVOCATE'S PETITION FOR THE COMMISSION TO OBTAIN INFORMATION FOR PIEDMONT
NATURAL GAS COMPANY, INC. REGARDING THE EFFECT OF THE PRICE SPIKES IN FEBRUARY 2021.*

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail, with
a courtesy copy by electronic mail upon:

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This the 23rd day of June, 2021.



KAREN H. STACHOWSKI
Assistant Attorney General

Office of the Attorney General



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May 18, 2021

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Re: *February Energy Crisis*
Request for Information by the Tennessee Consumer Advocate

Dear Ms. Powers:

As you are aware, the extreme February weather experienced in the south-central portion of the United States resulted in significant price spikes in both the electric and natural gas markets. Last week, the Consumer Advocate was notified that the February price spike impacted Chattanooga Gas Company (CGC) and its residential and commercial sales customers, resulting in a proposed change in one of the Company's tariff provisions. CGC seeks to modify the tariff section on imbalances to ensure that any transportation customer who causes daily imbalances during a period of escalating prices will reimburse CGC. This proposed change will ensure that such costs created by the imbalance are not shifted to sales customers. Evidently, such cost shifting occurred due to the existing tariff provisions coupled with the February price spikes.

It is important to determine whether other Tennessee jurisdictional gas utilities were impacted by the February price spike. If these higher costs were incurred by Tennessee utilities, this raises other questions, including whether transportation customers' receipts were in balance with deliveries on critical days. If not, did the particular utility adhere to its tariff provisions? Alternatively, if higher costs were incurred and tariff provisions were adhered to, are tariff provisions necessary to protect sales customers from the impact of price spikes which may occur in the future?

The issues at hand are threefold:

- 1) Whether Piedmont Natural Gas Company Inc. ("Piedmont") acquired gas in February at rates substantially higher than the previously prevailing rates;

- 2) Whether such purchases were incurred due to daily imbalances among certain Piedmont customers; and
- 3) Whether Piedmont took actions to minimize harm to its customers who received the pass-through gas and upstream gas transportation charges.

To help understand the impacts of the February price spikes, please see the following information requests and questions:

1. Provide the quantity and total cost of natural gas (exclusive of transportation charges) purchased each day in the month of February 2021.
2. Describe the process used by Piedmont to ensure transportation customer volumes are balanced each day.
3. Does Piedmont have the metering capability to identify whether all transportation customers are in balance on a daily basis? If not, identify the number of transportation customers for which Piedmont has the capability to monitor daily receipts and deliveries, and identify the number of transportation customers served by Piedmont for which it does not have the capability to determine daily imbalances.
4. If any Piedmont customer had an imbalance on any day during the period of February 10 through February 20, 2021, provide the following:
 - a. Name of the customer and the quantity of imbalance by day; and
 - b. To the extent Piedmont rendered an invoice to any customer associated with their February imbalance, provide a copy of such calculation supporting the invoiced amount.
5. Did Piedmont curtail any transportation customer in the month of February? If so, identify the customer and provide a copy of all communication regarding the curtailment provided to the customer.
6. Does Piedmont believe any tariff modifications are necessary to ensure that imbalances during periods of daily natural gas price spikes are assigned to those customers causing such costs, and not otherwise assigned to customers who did not cause such increased costs? If so, describe the recommended modifications.
7. If Piedmont does not believe tariff modifications are necessary to avoid cost shifting driven by potential daily imbalances during days on which price spikes occur, how would captive sales customers avoid such costs shifting under Piedmonts' existing tariff?
8. Are there any impediments or practical challenges to implementing a tariff provision which would require daily balancing of transportation volumes within a specified variance during periods of elevated natural gas pricing? If such variance were exceeded, the transport customer would be responsible for the imbalance quantity priced at the elevated daily spot price of gas.

The Consumer Advocate appreciates your time and attention to this Request for Information and requests a response at your earliest convenience. If you have any questions and concerns, please feel free to contact me. However, if your financial/technical personnel would like to discuss this request, he/she may directly contact David N. Dittimore.

Sincerely,



Karen H. Stachowski
Assistant Attorney General

cc: James H. Jeffries IV, Esq.
Brian S. Heslin, Esq.
Pia Powers, Piedmont
David Foster, TPUC
Kelly Cashman Grams, TPUC