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November 5, 2021

Via Email and First Class U.S. Mail

21-00135

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, Inc. to Adopt an Annual Review of Rates Mechanism Pursuant to Tenn. Code Ann. § 65-5-103(d)(6)

Dear Mr. Taylor:

Please find the enclosed documents for filing:

1. Petition of Piedmont Natural Gas Company, Inc. to Adopt an Annual Review of Rates Mechanism Pursuant to Tenn. Code Ann. § 65-5-103(d)(6)
2. Direct Testimony and Exhibits of Pia K. Powers

Also enclosed are five copies of each.

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 via my assistant's email, at 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: Consumer Advocate
Bruce Barkley
Pia Powers
James Jeffries IV

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE**

IN RE:)	
)	
PETITION OF PIEDMONT NATURAL)	
GAS COMPANY, INC. TO ADOPT AN)	
ANNUAL REVIEW OF RATES)	Docket No. 21- <u>00135</u>
MECHANISM PURSUANT TO TENN.)	
CODE ANN. § 65-5-103(d)(6))	
)	

**PETITION OF PIEDMONT NATURAL GAS COMPANY, INC.
TO ADOPT AN ANNUAL REVIEW OF RATES MECHANISM
PURSUANT TO TENN. CODE ANN. § 65-5-103(d)(6)**

Piedmont Natural Gas Company, Inc. (“Piedmont” or the “Company”) pursuant to Tenn. Code Ann. § 65-5-103(d)(6) and the Rules of the Tennessee Public Utility Commission (“TPUC” or the “Commission”), hereby files for approval of its Petition to Adopt an Annual Review of Rates Mechanism based upon its 2020 general rate case in Docket No. 20-00086 (“2020 Rate Case”) and the rate-making methodologies¹ approved therein (“Annual Review Mechanism” or “ARM”). In support of this Petition, Piedmont respectfully shows unto the Commission as follows:

Background

1. Piedmont is incorporated under the laws of the state of North Carolina and is engaged in the business of transporting, distributing, and selling natural gas in the states of Tennessee, North Carolina, and South Carolina.

2. Piedmont’s natural gas distribution business in Tennessee is subject to regulation and supervision by the Commission pursuant to Chapter 4 of Title 65 of the Tennessee Code

¹ Except for the forward-looking methodologies.

Annotated. Piedmont is a “Public Utility” within the meaning of such term utilized in Section 65-5-103(d)(6) of the Tennessee Code Annotated.

3. Piedmont has its principal offices in Tennessee at 83 Century Boulevard, Nashville, Tennessee, and is engaged in the business of furnishing natural gas to customers located in Nashville and the remainder of Davidson County as well as portions of the counties of Cheatham, Dickson, Robertson, Rutherford, Sumner, Trousdale, Williamson, and Wilson and in certain incorporated towns and cities located therein.

4. All correspondence and communications with respect to this Petition should be sent to the following representatives of Piedmont:

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Nature of Relief Requested

5. Piedmont is seeking Commission approval herein of an alternative regulatory method authorized by Tenn. Code Ann. § 65-5-103(d)(1)(a), specifically an annual review of rates mechanism authorized by Tenn. Code Ann. § 65-5-103(d)(6).

6. Tenn. Code Ann. § 65-5-103(d) establishes two preconditions to a public utility's adoption of an annual review of rates mechanism: (1) Tenn. Code Ann. § 65-5-103(d)(6)(B) requires that the public utility must have engaged in a general rate case pursuant to § 65-5-101 within the previous five (5) years; and (2) the annual review of rates mechanism must be based upon the methodologies adopted in its most recent rate case.

7. In this case, both preconditions to adoption of an annual review of rates mechanism are satisfied inasmuch as Piedmont's last general rate case occurred in 2020 and that case specifically requested that the Commission should determine Piedmont's rates through the adoption of a methodologies suitable for utilization in this filing. This filing specifically requests utilization of the ratemaking methodologies utilized in Piedmont's 2020 Rate Case, except for the forward-looking methodologies, in establishing Piedmont's annual review of rates mechanism.

Description of Annual Rates Review Mechanism Requested

8. Piedmont proposes to implement the annual review of rates mechanism set forth in its proposed Service Schedule No. 318 attached as Exhibit__(PKP-1) to the concurrently filed testimony of Pia K. Powers in this proceeding. That mechanism anticipates an annual filing designed to update and refresh its rates through a two-step reconciliation and rate update process.

9. The reconciliation process compares Piedmont's actual performance during a Historical Base Period ("HPB") consisting of the twelve-months ended the preceding December 31st to the performance anticipated by its 2020 Rate Case results. That comparison then forms the

basis for setting revised base rates for the succeeding year as well as addressing the revenue sufficiency or deficiency from the HPB. The refresh and update of rates effectuated by the processes specified in Service Schedule No. 318 will be generally based upon the rate-making methodologies adopted in Piedmont's 2020 Rate Case (except for forward-looking methodologies) or as approved in this proceeding and will serve to reconcile Piedmont's actual performance during the HBP with its authorized return on equity from the 2020 Rate Case. The proposed ARM will not, in any way, serve to impair or diminish the Commission's regulatory or ratemaking authority but will make the exercise of that authority more streamlined and efficient and will minimize the burdens, including the cost burdens on Piedmont's customers, of periodic general rate case filings.

10. The only significant difference between the manner base rates are set under the ARM and the manner in which they are set in a general rate case is that general rate case proceedings utilize forward-looking attrition periods whereas Piedmont's proposed ARM resets base rates based upon an historic period. This approach is consistent with the Atmos Energy and Chattanooga Gas Company approved annual review mechanisms and avoids the need to project rate base, revenues, and expenses to some future date – which provides increased certainty for the base rate reset process.

11. Piedmont's goals in making this filing and seeking implementation of an annual review of rates mechanism are to: (i) reduce regulatory lag associated with new capital investment necessary to allow Piedmont to continue to provide safe and reliable service to its Tennessee customers; (ii) incorporate the effect of ongoing accumulated depreciation on its existing plant balances; (iii) update Piedmont's billing determinants to more closely correspond to actual usage; (iv) update operating expenses on a more timely basis; (v) reduce the costs to customers and increase the overall efficiency of updating its rates by significantly reducing/eliminating the need

to file general rate case proceedings; and (vi) increase the transparency of its rates by filing the underlying economics of its performance on an annual basis and revising its rates to reflect that reality on a regular basis. Piedmont's proposed ARM mechanism will ensure that Piedmont's rates more accurately and consistently reflect the costs of providing service to its customers on an ongoing basis.

12. The ARM proposed by Piedmont in this proceeding, as is reflected in its Service Schedule No. 318, is substantially similar to the ARM mechanisms previously approved and now in effect for the Tennessee operations of Atmos Energy and Chattanooga Gas Company as approved in Commission Docket Nos. 18-00112 and 19-00047, respectively.

13. Under Service Schedule No. 318, if approved by the Commission, Piedmont would make its initial annual ARM filing on or before May 20, 2022 utilizing Calendar Year 2021 as its first HBP. New base margin rates would then be effective for service rendered on and after October 1, 2022, as would ARM rider rates collecting (or refunding) the approved amount from the reconciliation of calendar year 2021. Operation of the ARM deferred account would be effective upon approval of Service Schedule No. 318 in this proceeding.

14. In conjunction with this filing, and conditioned upon approval hereof, Piedmont also proposes to withdraw its current Integrity Management Rider mechanism reflected in Service Schedule No. 317 as that mechanism will no longer be needed to refresh Piedmont's rate base for safety and integrity capital investment spending.

15. Piedmont respectfully submits that for the reasons identified above, as further discussed in the concurrently filed testimony of Pia K. Powers, Piedmont's proposed ARM is in the public interest and should be approved by the Commission.

Supporting Materials

16. In support of its Petition, Piedmont respectfully submits concurrent herewith the prefiled testimony and exhibits of Pia K. Powers, which include Piedmont's proposed annual review of rates mechanism tariff.

WHEREFORE, Piedmont Natural Gas Company, Inc., respectfully requests that the Commission review and approve Piedmont's Annual Review of Rates Mechanism as described herein and in the supporting testimony of Pia K. Powers within the period specified for such approval by statute.

Respectfully submitted this 5th day of November, 2021.

Piedmont Natural Gas Company, Inc.

By: /s/ Paul S. Davidson
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² A pro hac vice application will be filed on behalf of Mr. Jeffries upon docketing of this matter.

STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG

VERIFICATION

Pia Powers, being duly sworn, deposes and says that she is Managing Director
- Gas Rates & Regulatory of Piedmont Natural Gas Company, Inc., that as such, she
has read the foregoing documents and knows the contents thereof; that the same are
true of her own knowledge except as to those matters stated on information and belief
and as to those she believes them to be true.

Pia Powers
Pia Powers

Mecklenburg County, North Carolina
Signed and sworn to before me this day by Pia Powers

Date: 11/5/2021 [Signature]
Notary Public

(Official Seal) My commission expires: 05/02/2023

