

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

IN RE:)	
)	
PETITION OF PIEDMONT NATURAL)	
GAS COMPANY, INC. TO ADOPT AN)	
ANNUAL REVIEW OF RATES)	DOCKET NO. 21-00135
MECHANISM PURSUANT TO TENN.)	
CODE ANN. § 65-5-103(D)(6))	
)	

SUPPLEMENTAL TESTIMONY

OF

DAVID N. DITTEMORE

February 23, 2022

1 **Q1. PLEASE STATE YOUR NAME.**

2 **A1.** David Dittemore.

3 **Q2. ARE YOU THE SAME DAVID DITTEMORE THAT SUBMITTED PREFILED**
4 **DIRECT TESTIMONY?**

5 **A2.** Yes.

6 **Q3. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?**

7 **A3.** The purpose of my supplemental testimony is to support and explain the settlement reached
8 between the parties. I will also identify and explain the issues that the parties have mutually
9 agreed to reserve in a subsequent proceeding. This testimony is being submitted to support
10 the Position of the Parties letter (“Letter Agreement”) and its attachments: (1) the revised
11 ARM tariff sponsored by Ms. Powers and (2) the resolved issues list, all filed on February
12 18, 2022 in this Docket. For the convenience of the reader, a copy of the February 18th
13 filing is attached to my testimony as Supplemental Exhibit DND-1. I will refer to the Letter
14 Agreement and its two attachments as the “Settlement Documents”.

15 **Q4. DO YOU BELIEVE THE AGREEMENT REACHED BETWEEN THE PARTIES**
16 **IS IN THE PUBLIC INTEREST?**

17 **A4.** Yes, I do.

18 **Q5. DO THE SETTLEMENT DOCUMENTS RESOLVE ALL OF THE**
19 **OUTSTANDING ISSUES INVOLVING THE COMPANIES INITIAL ARM**
20 **FILING?**

1 **A5.** No. However, the Settlement Documents specify the regulatory treatment of all items that
2 the parties found necessary to resolve before the Company enters into an ARM. Those
3 issues that are not settled may be litigated in a future proceeding.

4 **Q6. HAVE ALL THE RECOMMENDATIONS OF THE CONSUMER ADVOCATE**
5 **BEEN INCORPORATED INTO THE SETTLEMENT DOCUMENTS?**

6 **A6.** No. There are a number of issues resolved in the Settlement Documents that differ from
7 the positions I supported in pre-filed testimony. However, the terms in the Settlement
8 Documents result from give and take between the parties and a recognition of the risk that
9 the Commission may not adopt the litigated position of each party. The Consumer
10 Advocate's willingness to avoid litigating this matter is based upon the totality of the terms
11 contained within the Settlement Documents. I believe the agreement on the definition of
12 the initial Historical Base Period ("HBP") and the resolution of recovery of legacy pension
13 costs were issues that had to be resolved to reach a settlement. However, there are
14 significant unresolved ARM issues. The fact that the parties jointly adopted the Settlement
15 Documents is an indication that the resolution of the entire list of issues identified in
16 testimony are not necessary before entering into an ARM. Both parties reserve their right
17 to litigate these unresolved issues in a future proceeding.

18 **Q7. CAN YOU ADDRESS THE RIGHTS RETAINED BY THE CONSUMER**
19 **ADVOCATE UNDER THE ARM PROPOSAL?**

20 **A7.** Yes. First, the Consumer Advocate retains its right to challenge whether the ARM remains
21 in the public interest in the future. The Company agrees not to challenge the right of the
22 Consumer Advocate to make such a filing while retaining its right to oppose such a request.

1 Secondly, the Consumer Advocate is not precluded from identifying errors, omissions, or
2 inconsistencies in the Company's ARM calculations, including adjusting such items within
3 the determination of the HBP results. The ARM calculations tend to be complex and
4 intricate, as demonstrated in prior Atmos Energy and Chattanooga Gas Company filings.
5 The Piedmont filing is likewise complicated. Both parties have worked in good faith to
6 resolve as many of the ARM's "mechanical" issues as possible. However, there may be
7 issues that arise in the future that were not considered in this proceeding. Nothing in this
8 agreement prevents either party from addressing such issues should they arise in the future.

9 **Q8. HAVE THE PARTIES JOINTLY PREPARED A LISTING OF ISSUES**
10 **IDENTIFIED IN THIS PROCEEDING AND HOW THEY WERE RESOLVED (OR**
11 **LEFT UNRESOLVED) IN THE STIPULATION?**

12 **A8.** Yes. Supplemental Exhibit DND-1¹ lists the issues arising in this proceeding and further
13 indicates whether there is a resolution and, if so, the agreement's substance.

14 **Q9. PLEASE BEGIN WITH A DISCUSSION OF ITEMS THAT HAVE BEEN**
15 **RESOLVED CONSISTENT WITH THE COMPANY'S POSITION, AND WHICH**
16 **ARE NOT RESOLVED OR OTHERWISE MODIFIED.**

17 **A9.** The following items have been resolved consistent with the position of the Company:

- 18 1. The proposal to set forth the ARM Rider Rates separately on customer bills
19 (Supplemental Exhibit DND-1, Resolved Issues List, p. 2, Issue 15);
- 20 2. Reducing the level of equity used in the ARM calculation for gains
21 associated with gas supply-related activities and other non-regulated
22 transactions (Supplemental Exhibit DND-1, Resolved Issues List, p. 3,
23 Issue 26);

¹ Exhibit DND-1, Resolved Issues List, pp. 3-7.

- 1 3. The recommendation to initiate a docket to establish a cap to apply to ARM
2 mechanisms (Supplemental Exhibit DND-1, Resolved Issues List, p. 3,
3 Issue 22); and
- 4 4. Reflecting accrued ARM revenues in the HBP calculation (Supplemental
5 Exhibit DND-1, Resolved Issues List, p. 3, Issue 27).

6 **Q10. PLEASE IDENTIFY AND EXPLAIN THE NATURE OF ITEMS THAT HAVE**
7 **BEEN MODIFIED.**

8 **A10.** First, I will discuss the Allowance for Funds Used During Construction (“AFUDC”). The
9 AFUDC is clarified in the Company's proposal to be calculated as the overall cost of capital
10 applied to the thirteen-month average balances of CWIP (Supplemental Exhibit DND-1,
11 Resolved Issues List, p. 1, Issues 5 – 6).

12 The following issues I address (Supplemental Exhibit DND-1, Issues, Resolved Issues List,
13 p. 1, 7 – 9) relate to calculating Income Tax Expense and Accumulated Deferred Income
14 Tax (“ADIT”) balances. In the Settlement Documents, my proposal to apply the Tennessee
15 state tax rate has been withdrawn, and there is agreement that both account balances shall
16 be computed using the composite state tax rate among the states in which Piedmont
17 operates. Further, the Company agrees to notify the Commission and the Consumer
18 Advocate if there is a change in the state tax rate in any state in which Piedmont provides
19 natural gas distribution services. Further, the parties agree that a tax rate change will
20 generate an excess or deficient ADIT balance. This change in ADIT balance resulting from
21 the tax change would be an issue to address in a subsequent regulatory proceeding.

22 Further, in the Settlement Documents, my proposal that the AFUDC credit entries be
23 reflected as operating income has been withdrawn. The parties agreed that the Company
24 should take care not to double count the application of AFUDC and interest deferrals
25 (Supplemental Exhibit DND-1, Resolved Issues List, p. 1, Issue 11).

1 **Q11. PLEASE CONTINUE WITH AN EXPLANATION OF ADDITIONAL ISSUES**
2 **IDENTIFIED IN YOUR TESTIMONY THAT HAVE BEEN RESOLVED, BUT**
3 **ALSO MODIFIED.**

4 **A11.** In my direct testimony, I recommended the use of thirteen-month balances of capital
5 structure components for both the HBP² as well as the rate reset calculation. The Consumer
6 Advocate is withdrawing the thirteen-month average recommendation applicable to the
7 rate reset calculation. Instead, the Consumer Advocate has accepted the Company's
8 proposal to use the December 31st balances of capitalization for purposes of computing the
9 rate reset. The Consumer Advocate retains its rights to evaluate any affiliate transactions
10 that impact the capital structure and an assessment of the reasonableness of the per-book
11 capitalization ratios (Supplemental Exhibit DND-1, Resolved Issues List, p. 2, Issues 12 –
12 13).

13 The next issue requires customer notice of proposed rate changes after filing the ARM
14 proposal. This notice will appear in the upper left-hand corner of the bill and will contain
15 verbiage similar to that contained in Item 14 of Supplemental Exhibit DND-1. The
16 Company has also agreed to provide customer notice similarly after Commission approval
17 of any rate change (Supplemental Exhibit DND-1, Resolved Issues List, p. 2, Issue 14).

18 The next issue relates to the recognition of Pension and OPEB costs in rates. The parties
19 agree that the Company shall continue to recover deferred pension amortization costs
20 adopted in TPUC Docket No. 20-00086, amortized over eight years, until these costs are
21 fully amortized. The Company reserves the right to request recovery of prospective
22 pension costs incurred on a cash basis in future proceedings, both as an operating expense

² The use of thirteen-month balances within the HBP calculation was not in dispute.

1 and in Rate Base. The Consumer Advocate retains its right to oppose or adjust any
2 prospective pension costs proposed to be recovered by the Company as an operating
3 expense and/or in Rate Base component. The appropriate treatment of OPEB costs in
4 future ARM dockets, inclusive of both expense and Rate Base recognition, is an issue that
5 remains unresolved (Supplemental Exhibit DND-1, Resolved Issues List, pp. 2-3, Issues
6 18 – 21).

7 Finally, the Company has the burden of proof in any request to recover prospective
8 environmental costs (Supplemental Exhibit DND-1, Resolved Issues List, p. 4, Issue 34).
9 Any legacy costs included in the revenue requirement adopted in TPUC Docket No. 20-
10 00086 shall continue to be amortized and recovered in HBP costs until fully amortized.

11 **Q12. PLEASE IDENTIFY THOSE ITEMS IN YOUR TESTIMONY THAT WERE**
12 **RESOLVED CONSISTENT WITH THE POSITION TAKEN IN YOUR**
13 **TESTIMONY.**

14 **A12.** The first item I'd like to identify is the agreement that the initial ARM filing will be made
15 in May 2023, relying upon 2022 as the initial HBP. Moving the initial filing date is a
16 significant issue from the Consumer Advocate's perspective, without which this resolution
17 would not have been possible (Supplemental Exhibit DND-1, Resolved Issues List, p. 3,
18 Issue 25).

19 The next issue relates to the "Return to Provision" true-up entries that reconcile estimated
20 tax accounting entries with actual tax return calculations. This true-up entry occurs in the
21 year's fall, after the prior year's tax period. Consistent with my direct testimony, the parties
22 have agreed that this is an issue that may be raised in subsequent ARM proceedings
23 (Supplemental Exhibit DND-1, Resolved Issues List, p. 1, Issue 10).

1 The next two issues relate to the rights retained by the Consumer Advocate under the ARM
2 that was discussed earlier in my testimony (Supplemental Exhibit DND-1, Resolved Issues
3 List, p. 3, Issues 23 – 24).

4 Supplemental Exhibit DND-1, Resolved Issues List, pp. 3 - 5, Issues 28-33 and 35-43 were
5 relatively non-controversial wording changes that the Company accepted in its rebuttal
6 testimony that incorporate the following:

- 7 • Piedmont shall continue to provide annual information on leak rates, emergency
8 response times, and costs of newly installed services;
- 9 • Piedmont agrees to submit six additional schedules as recommended by the
10 Consumer Advocate;
- 11 • Clarification regarding the Company's return on equity;
- 12 • Clarification on the accounting for depreciation expense;
- 13 • Deletion of the reference that methodologies from the 2020 rate case have been
14 used in the ARM tariff;
- 15 • Clarifies that the Consumer Advocate reserves the right to argue employee
16 compensation is excessive or not otherwise in the public interest;
- 17 • Additional terms related to the recovery of Duke Energy Business Services
18 ("DEBS") allocated costs and how returns on corporate assets will be
19 calculated;
- 20 • Clarifies that O&M cost recovery shall be those costs necessary to provide
21 natural gas service;
- 22 • Clarifies the Company has the burden of proof to ensure plant included in Rate
23 Base is truly providing service to customers;
- 24 • Describes that the components of the balance of ADIT should be consistent with
25 the inclusion of items within the revenue requirement. Items excluded from the
26 revenue requirement should likewise be excluded from the balance of ADIT;
- 27 • Clarifies that the Company may seek Rate Base recognition of deferred Pension
28 and OPEB costs in Rate Base, but that it shall bear the burden of proof in its
29 claim;
- 30 • The modifications above shall apply to both the HBP and rate reset calculations;
31 and
- 32 • The Company agrees to additional variance reporting as part of its ARM filing.

1 **Q13. PLEASE IDENTIFY THOSE ITEMS IN YOUR TESTIMONY IN WHICH THE**
2 **PARTIES AGREED IT WOULD BE APPROPRIATE TO ADDRESS WITHIN THE**
3 **CONTEXT OF A PIEDMONT RATE PROCEEDING (SUCH AS A FUTURE**
4 **PIEDMONT ANNUAL ARM PROCEEDING OR FUTURE PIEDMONT**
5 **GENERAL RATE CASE) OR WITHIN THE CONTEXT OF A GENERIC**
6 **DOCKET THAT AFFECTS THE HBP AND RATE RESET CALCULATION.**

7 **A13.** There are three groupings of issues in which the Consumer Advocate withdrew its
8 recommendation for consideration in this Docket but reserved its rights to raise the issue
9 in a future docket. Each issue grouping impacts the calculation of the HBP and the rate
10 reset calculation.

11 The first issue relates to the definition of lobbying (Supplemental Exhibit DND-1,
12 Resolved Issues List, p. 1, Issues 1 – 2). The Company agrees to eliminate direct lobbying
13 charges. At the same time, the Consumer Advocate reserves the right to support a more
14 expansive definition of lobbying to include indirect costs related to the lobbying function.

15 The second issue grouping involves the issue of whether the cash working capital
16 calculation should include such non-cash items as depreciation and return on equity
17 (Supplemental Exhibit DND-1, Resolved Issues List, p. 1, Issues 3 – 4).

18 The third issue grouping involves the appropriate accounting treatment of the HomeServe
19 margins in the HBP and the rate reset calculations (Supplemental Exhibit DND-1, Resolved
20 Issues List, p. 2, Issues 16 – 17). The HomeServe program was discussed at length in
21 TPUC Docket No. 20-00086. The Company has indicated it would not object to a filing
22 made by the Consumer Advocate outside an ARM proceeding regarding the
23 appropriateness of this program while reserving its right to oppose any recommendation

1 made by the Consumer Advocate related to this program. Likewise, the Consumer
2 Advocate has reserved its right to argue for the inclusion of such margins in a future ARM,
3 and the Company may oppose any ratemaking issue sought by the Consumer Advocate.

4 Both parties have reserved their right to litigate any and all unresolved issues in a future
5 ARM filing.

6 **Q14. DOES THIS COMPLETE YOUR TESTIMONY?**

7 **A14.** Yes.

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

IN 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))

DOCKET NO. 21-00135

AFFIDAVIT

I, David Dittmore, on behalf of the Consumer Advocate Unit of the Attorney General's Office, hereby certify that the attached Supplemental Testimony represents my opinion in the above-referenced case and the opinion of the Consumer Advocate Unit.


DAVID N. DITTEMORE

Sworn to and subscribed before me
this 18th day of February, 2022.


NOTARY PUBLIC



My commission expires: September 28, 2022.



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February 18, 2022

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

Electronically Filed in TPUC Docket Room on
February 18, 2022 at 2:44 p.m.

Re: Docket No. 21-00135 - 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:

Jointly on behalf of Piedmont Natural Gas Company, Inc. ("Piedmont" or the "Company") and the Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney General ("Consumer Advocate"), I am authorized to advise the Tennessee Public Utility Commission ("TPUC" or the "Commission") that there are no outstanding issues remaining in this docket, and that the parties have agreed to the submission of this matter to the Commission for approval based upon the docket record.

Since Piedmont filed its petition requesting to operate under an annual rate review in this docket on November 5, 2021 ("Petition"), the Company and Consumer Advocate have extensively discussed the issues associated with Piedmont's proposed Annual Review Mechanism ("ARM"). Included in Piedmont's Petition was the pre-filed direct testimony and exhibits of Pia K. Powers. The Consumer Advocate filed the testimony of David N. Dittemore, along with supporting exhibits on January 26, 2022. Piedmont filed rebuttal testimony and exhibits of Ms. Powers on February 7, 2022. Following the filing of testimony, the Parties have engaged in substantive discussions regarding the differences in their respective positions on Piedmont's ARM and whether those differences, in whole or in part, might be resolvable. As a result of the discussions, the Parties identified a list of issues and the agreement reached on each, which is attached. This list should be considered along with the agreed-upon language in the tariff in the consideration of the settlement terms. Additionally, the Parties' experts will subsequently file supplemental testimony setting out the agreement of the Parties.

Based upon a review of the entire record, it is the joint position of the parties that this matter is ripe for consideration on the merits by the Commission. At this time, there are no outstanding disputes between the parties with respect to this docket, as clarified by and through discovery, the parties' communications, and pre-filed testimony and exhibits. It is the position of the parties that this matter should be resolved in favor of the positions set forth in the list indicating agreement reached on each issue and revised ARM tariff attached hereto.

Specifically, based upon the record compiled in this matter, the following matters are undisputed:



Executive Director Earl Taylor
February 18, 2022
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1. Piedmont's ARM is in the public interest and consistent with both statutory requirements and Commission precedent.
2. The structure and operation of Piedmont's ARM tariff, in the form attached to this letter, is just and reasonable.
3. Piedmont will terminate its Integrity Management Rider mechanism as reflected in Service Schedule 317 upon the approval and effectiveness of the ARM.

In view of the foregoing, unless otherwise requested by the Commission, the parties hereby waive opening statements, the presentation of live testimony, summaries of pre-filed testimony, cross-examination of witnesses, and any closing statements or post-hearing briefs. If desired by the Commissioners, Ms. Powers and Mr. Dittmore shall be available for the hearing on the merits to the extent the Commissioners or Staff have questions of the witnesses.

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', is written over a light blue circular stamp.

Paul S. Davidson

PSD:cdg

cc: Consumer Advocate
Bruce Barkley
Pia Powers
James Jeffries IV

[A]		[B]	[C]	[D]	
Line No.	Issues	Dittmore Testimony page:line(s)	Powers Rebuttal Testimony page:line(s)	Details of Issues Resolved	Agreement on Issues to Be Addressed in a Future Docket
1	Exhibit DND-5, p. 6 - II. HBP Recon., Op Expenses. Definition of Lobbying-related Expense	26:23-24	18:13 - 19:10		Consumer Advocate withdraws its recommendation for consideration of this issue in this docket. Consumer Advocate reserves the right to raise this issue in a future docket. Piedmont agrees to not object to the Consumer Advocate's right to raise this issue in a future docket, without any diminishment of Piedmont's right to take a position, either supportive of or contrary to the Consumer Advocate's recommendation, in such a future docket.
2	Exhibit DND-5, p. 11 - III. Annual Base Rate Reset, Operating Expenses Definition of Lobbying-related Expense				
3	Exhibit DND-5, p. 8 - II. HBP Recon., Rate Base Components. Elimination of non-cash items from Lead-Lag study.	26:1-3; 27:7	22:11 - 23:15		Consumer Advocate withdraws its recommendation for consideration of this issue in this docket. Consumer Advocate reserves the right to raise this issue in a future docket. Piedmont agrees to not object to the Consumer Advocate's right to raise this issue in a future docket, without any diminishment of Piedmont's right to take a position, either supportive of or contrary to the Consumer Advocate's recommendation, in such a future docket.
4	Exhibit DND-5, pp. 13 - III. Annual Base Rate Reset. Adj. to Net Operating Income Exclusion of non-cash items from Cash Working Capital				
5	Exhibit DND-5, p. 7 - II. HBP Recon., Adj. to Net Operating Income AFUDC recorded as net operating income should be consistent with AFUDC charges recorded to CWIP during HBP		27:9 - 29:11	The parties agree that for the AFUDC adjustment to Net Operating Income for Return under the HBP Reconciliation of Piedmont's ARM, AFUDC shall be represented as the CWIP balance used in Rate Base for the HBP Reconciliation therein multiplied by the Overall Cost of Capital including the Authorized Return on Equity. The parties also agree that for the AFUDC adjustment to Net Operating Income for Return under the Annual Base Rate Reset of Piedmont's ARM, AFUDC shall be represented as the CWIP balance used in Rate Base for the Annual Base Rate Reset therein multiplied by the Overall Cost of Capital including the Authorized Return on Equity. This AFUDC treatment for ratemaking is now incorporated into the ARM Tariff accompanying this settlement between the parties.	
6	Exhibit DND-5, p. 13 - III. Annual Base Rate Reset, Adj. to Net Operating Income AFUDC recorded as net operating income should be consistent with AFUDC charges recorded to CWIP during HBP				
7	Exhibit DND-5, p. 8 - II. HBP Recon., Rate Base Components. Application of State Tax rate to ADIT	25:27-28; 17-20 & 5-6	19:11 - 22:10	The Parties agree that for purposes of determining the revenue requirement, the Company's composite state tax rate should be used, which will include recognition in both the Income Tax Expense and Accumulated Deferred Income Tax balances. The Company agrees to notify the Commission and the Consumer Advocate of any change in the state tax rates which comprise the composite state tax rate. The Parties agree that any state tax rate change will result in an excess or deficient ADIT balance and that such excess or deficiency should be preserved on the Company's books for appropriate regulatory treatment within subsequent ARM filings.	
8	Exhibit DND-5, p. 7 - II. HBP Recon., Op Expenses. Piedmont's use of composite tax rate versus the				
9	Exhibit DND-5, pp. 13 - III. Annual Base Rate Reset, Operating Expenses Application of State Tax rate for income tax expense with ADIT balances				
10	Unresolved Revenue Requirement Issues from Docket No. 20-00086 (1) through (8) resolved elsewhere in spreadsheet (9) Should modifications to the mechanism be made to reflect the impacts of the delayed tax provision true-up entries recorded after the HBP.	27:16 - 30:7	33:16 -34:16	The Parties agree that the appropriate treatment of the Company's annual "return to provision" accounting entry(ies) which reflect the true-up of the results of the Company's tax filings with state and federal taxing authorities, is an open issue. Such entry(ies) is made subsequent to the HBP and after the ARM filing covering the HBP. Both parties reserve their right to support or reject the inclusion of the impacts of the 'return to provision' entries applicable to the prior HBP and associated carrying charges. Likewise, both parties reserve their right to address whether the "return to provision" accounting entry(ies) made in the HBP, but which relate do the prior years' activity, should be incorporated into the HBP.	
11	Exhibit DND-5, p. 3 - I. Overview. Global Define. Definition of ARM Regulatory Assets (i) Interest Deferrals - 2 additional sentences	22:8 - 23:2	11:19 - 14:6	<u>1st Inserted Sentence:</u> Consumer Advocate withdraws its recommendation that the Interest Deferrals be included as Operating Revenue for the computation of the revenue requirement. <u>2nd Inserted Sentence:</u> Piedmont accepts the Consumer Advocate's recommended ARM Tariff change, which is now incorporated into the ARM Tariff accompanying this settlement between the parties.	

Line No.	[A] Issues	[B] Dittmore Testimony page:line(s)	[C] Powers Rebuttal Testimony page:line(s)	[D] Details of Issues Resolved	Agreement on Issues to Be Addressed in a Future Docket
12	Exhibit DND-5, p. 9 - II. HBP Recon., Capitalization. Calculation of the Company's Capital Structure and Debt Cost Rates	26:9-16	24:13 - 26:4		Consumer Advocate withdraws its recommendation for consideration of this issue in this docket, and accordingly does not object to Piedmont's proposed capitalization treatment as reflected in the Revised ARM Tariff filed by the Company on February 7, 2022. Consumer Advocate reserves the right to raise this issue in a future docket, including the right to challenge the reasonableness of the capitalization ratios included in the HBP Reconciliation and Annual Base Rate Reset of Piedmont's Annual ARM Filings. Piedmont agrees to not object to the Consumer Advocate's right to raise an issue with the ratemaking treatment on the matter of capitalization in a future docket, without any diminishment of Piedmont's right to take a position, either supportive of or contrary to the Consumer Advocate's recommendation, in such a future docket.
13	Exhibit DND-5, p. 14 - III. Annual Base Rate Reset. Capitalization Components Capitalization ratios and cost of debt = average of the ratios and costs incurred through HBP	27:8-9	24:13 - 26:4		
14	Customer notice of the ARM	10:4 - 16:13	7:17	In addition to any and all customer notices of rate changes as required by the TPUC, Piedmont agrees to include a message on customer bills each year disclosing that the Company has filed request to modify its rates pursuant to the ARM. Such bill message will be presented on the monthly cycle bills rendered to customers as soon as practicable after submission of the Company's Annual ARM Filing each year. Furthermore, the Company agrees to include a message on customer bills disclosing the approved rate adjustment pursuant to the ARM, and that such bill notice will be provided to customers concurrent with the first effective month of approved rates under the ARM each year. An example (potential phrasing) of the latter bill message is as follows: "This bill includes a rate decrease of \$X.XXXXX per therm as a result of the operation of the Annual Review Mechanism (Service Schedule No. 318 of Piedmont's Tariff). This rate change was authorized by the Tennessee Public Utility Commission in Docket No. XX-XXXXX."	
15	Exhibit DND-5, p. 1 - I. Overview. Purpose. ARM Tariff be modified to require Piedmont to set forth ARM Rider Rates separately on customer bills	21:19 - 22:2	11:1-13		Consumer Advocate withdraws its recommendation for consideration of this issue in this docket. Consumer Advocate reserves the right to raise this issue in a future docket. Piedmont agrees to not object to the Consumer Advocate's right to raise this issue in a future docket, without any diminishment of Piedmont's right to take a position, either supportive of or contrary to the Consumer Advocate's recommendation, in such a future docket. Furthermore, the parties agree to work together in good faith to revisit this issue for prospective implementation upon the future establishment of a new billing system for Piedmont.
16	Exhibit DND-5, p. 5 - II. HBP Recon., Op Revenue.	23:12 - 24:9; 26:19-22	14:7 - 15:12		Consumer Advocate withdraws its recommendation for consideration of this issue in this docket. Consumer Advocate reserves the right to raise this issue in a future docket. Piedmont agrees to not object to the Consumer Advocate's right to raise this issue in a future docket, without any diminishment of Piedmont's right to take a position, either supportive of or contrary to the Consumer Advocate's recommendation, in such a future docket.
17	Exhibit DND-5, p. 10 - III. Annual Base Rate Reset, Operating Revenues Inclusion of HomeServe margins				
18	Exhibit DND-5, p. 6 - II. HBP Recon., Op Expenses. Cash Payments for OPEB within HBP revenue requirement	25:4-6	17:14 - 18:12		Consumer Advocate withdraws its recommendation for consideration of this issue in this docket. Consumer Advocate reserves the right to raise this issue in a future docket. Piedmont agrees to not object to the Consumer Advocate's right to raise this issue in a future docket, without any diminishment of Piedmont's right to take a position, either supportive of or contrary to the Consumer Advocate's recommendation, in such a future docket.
19	Exhibit DND-5, p. 8 - II. HBP Recon., Rate Base Components. Pension and OPEB loading to CWIP	25:24-26	23:16 - 24:12		Consumer Advocate withdraws its recommendation for consideration of this issue in this docket. Consumer Advocate reserves the right to raise this issue in a future docket. Piedmont agrees to not object to the Consumer Advocate's right to raise this issue in a future docket, without any diminishment of Piedmont's right to take a position, either supportive of or contrary to the Consumer Advocate's recommendation, in such a future docket.

	[A]	[B]	[C]	[D]	
Line No.	Issues	Dittemore Testimony page:line(s)	Powers Rebuttal Testimony page:line(s)	Details of Issues Resolved	Agreement on Issues to Be Addressed in a Future Docket
20	Exhibit DND-5, p. 6 - II. HBP Recon., Op Expenses. Pensions costs to the extent it cash contributions were necessary to avoid the VRP	24:23-25:3	15:13 - 18:12		Consumer Advocate withdraws its recommendation for consideration of this issue in this docket. Consumer Advocate reserves the right to raise this issue in a future docket. Piedmont agrees to not object to the Consumer Advocate's right to raise this issue in a future docket, without any diminishment of Piedmont's right to take a position, either supportive of or contrary to the Consumer Advocate's recommendation, in such a future docket. Furthermore, the parties agree that no aspect of the operation on the ARM shall diminish Piedmont's ability to fully amortize and recover through rates the Company's unamortized deferred pension expense balance of \$11,862,981 over 8 years, as delineated in the approved settlement agreement between the parties in Docket No. 20-00086.
21	Exhibit DND-5, pp. 11 - III. Annual Base Rate Reset, Operating Expenses Cash Contributions for pension and OPEB costs	27:1-2	17:14 - 18:12		Consumer Advocate withdraws its recommendation for consideration of this issue in this docket. Consumer Advocate reserves the right to raise this issue in a future docket. Piedmont agrees to not object to the Consumer Advocate's right to raise this issue in a future docket, without any diminishment of Piedmont's right to take a position, either supportive of or contrary to the Consumer Advocate's recommendation, in such a future docket. Furthermore, the parties agree that no aspect of the operation on the ARM shall diminish Piedmont's ability to fully amortize and recover through rates the Company's unamortized deferred pension expense balance of \$11,862,981 over 8 years, as delineated in the approved settlement agreement between the parties in Docket No. 20-00086.
22	Incentives Under the ARM Mechanism Proposal to Establish Docket to Investigate Implementing Rate Caps with ARM Mechanisms	30:7 - 35:19	34:17 - 36:2		Consumer Advocate withdraws its recommendation for consideration of this issue in this docket. Consumer Advocate reserves the right to raise this issue in a future docket. Piedmont agrees to not object to the Consumer Advocate's right to raise this issue in a future docket, without any diminishment of Piedmont's right to take a position, either supportive of or contrary to the Consumer Advocate's recommendation, in such a future docket.
23	Exhibit DND-5, p. 1 - Disclaimer. Inserting the phrase "(n)othing in this [ARM] tariff shall preclude intervenors or the Commission from identifying errors, omissions or inconsistencies in the Company's ARM calculation, including adjusting such items within the determination of HBP results."	21:5-11	10:1 - 10:20	Piedmont accepts the Consumer Advocate's recommended ARM Tariff change, which is now incorporated into the Second Revised ARM Tariff presented in the ARM Tariff accompanying this settlement between the parties.	
24	Exhibit DND-5, p. 15 - IV. Other Items. Consumer Advocate's right to file petition with Commission to terminate or modify the ARM tariff	27:14-15	26:5 - 27:8	Piedmont accepts the Consumer Advocate's recommended ARM Tariff change, which is now incorporated into the ARM Tariff accompanying this settlement between the parties.	
25	Exhibit DND-5, p. 1 - I. Overview. Global Define. Use of 2021 or 2022 as the initial Historic Base Period for the ARM	22:3-7; 6:12 - 10:3	3:8 - 7:4	Piedmont accepts the Consumer Advocate's recommended ARM Tariff change, which is now incorporated into the ARM Tariff accompanying this settlement between the parties.	
26	Exhibit DND-5, p. 1 - Purpose. If excluding gains and losses related to gas supply hedging and various other non-jurisdictional activity from the ARM revenues and expenses, the effects of these transactions should also be excluded from the Company's level of equity included in the ARM	21:12-18		Consumer Advocate withdraws its recommendation for consideration of this issue.	
27	Exhibit DND-5, p. 2 - I. Overview. Global Define <i>ARM Reconciliation Deferred Account</i> - (i) delete "actual" collection and insert "accrued revenue" collection. (ii) add ", recording receipts (revenue) on an accrual basis"		29:12 - 35:14	Consumer Advocate withdraws its recommendation for consideration of this issue.	
28	Piedmont's continuation of submitting performance metrics	4:20-21	n/a	Piedmont accepted this recommendation and it was accordingly reflected in the Revised ARM Tariff filed by the Company on February 7, 2022.	

	[A]	[B]	[C]	[D]	
Line No.	Issues	Dittmore Testimony page:line(s)	Powers Rebuttal Testimony page:line(s)	Details of Issues Resolved	Agreement on Issues to Be Addressed in a Future Docket
29	Adoption of formal requirements to submit six additional supporting schedules with the ARM filing	16:14 - 18:8	8:19 - 9:7	Piedmont accepted this recommendation and it was accordingly reflected in the Revised ARM Tariff filed by the Company on February 7, 2022.	
30	Exhibit DND-5, p. 1 - I. Overview. Purpose. Clarification pertaining to Company's Authorized Return on Equity		31:5-14	Piedmont accepted this recommendation and it was accordingly reflected in the Revised ARM Tariff filed by the Company on February 7, 2022.	
31	Exhibit DND-5, p. 3 - I. Overview. Global Define. Definition of ARM Regulatory Asset (i) Depreciation Expense Deferrals	23:3-5	31:15-19	Piedmont accepted this recommendation and it was accordingly reflected in the Revised ARM Tariff filed by the Company on February 7, 2022.	
32	Exhibit DND-5, p. 5 - II. HBP Recon. Delete the reference to methodologies from the 2020 rate case	23:6-11	32:5-7	Piedmont accepted this recommendation and it was accordingly reflected in the Revised ARM Tariff filed by the Company on February 7, 2022.	
33	Exhibit DND-5, p. 6 - II. HBP Recon., Op Expenses Additional terms pertaining to the Company's employee salaries and wages expenses		31:20 - 32:4	Piedmont accepted this recommendation and it was accordingly reflected in the Revised ARM Tariff filed by the Company on February 7, 2022.	
34	Exhibit DND-5, p. 6 - II. HBP Recon., Op Expenses. Recovery of Environmental Costs	24:19-22	32:8-16	Piedmont accepted this recommendation and it was accordingly reflected in the Revised ARM Tariff filed by the Company on February 7, 2022. Furthermore, the parties agree that that any deferred environmental cost that was previously approved by the Commission for recovery through Piedmont's rates, either as part of rates established in a general rate case or in a prior Annual ARM Proceeding, would not be subject to recurring (duplicative) prudence showings in subsequent rate proceedings.	
35	Exhibit DND-5, pp. 6-7 - II. HBP Recon., Op Expenses. Additional terms pertaining to the Expenses for Allocated Return on DEBS Assets	25:11-16	31:20 - 32:4	Piedmont accepted this recommendation and it was accordingly reflected in the Revised ARM Tariff filed by the Company on February 7, 2022.	
36	Exhibit DND-5, pp. 6-7 - II. HBP Recon., Op Expenses. Additional terms pertaining to other O&M expenses		31:20 - 32:4	Piedmont accepted this recommendation and it was accordingly reflected in the Revised ARM Tariff filed by the Company on February 7, 2022.	
37	Exhibit DND-5, pp. 6-7 - II. HBP Recon., Op Expenses. Additional terms pertaining to depreciation expense	25:11-16	31:20 - 32:4	Piedmont accepted this recommendation and it was accordingly reflected in the Revised ARM Tariff filed by the Company on February 7, 2022.	
38	Exhibit DND-5, p. 8 - II. HBP Recon., Rate Base Components. Additional terms pertaining to Utility Plant in Service	25:21-23	31:20 - 32:4	Piedmont accepted this recommendation and it was accordingly reflected in the Revised ARM Tariff filed by the Company on February 7, 2022.	
39	Exhibit DND-5, p. 8 - II. HBP Recon., Rate Base Components. Clarifies that items included in ADIT for ratemaking under this ARM Tariff should be determined consistent with the inclusion (or exclusion) of revenue and expense items represented in the HBP.		33:3-9	Piedmont accepted this recommendation and it was accordingly reflected in the Revised ARM Tariff filed by the Company on February 7, 2022.	
40	Exhibit DND-5, p. 8 - II. HBP Recon., Rate Base Components. Additional terms pertaining Other working capital (inclusion of deferred Pension and Environmental Costs in Rate Base)	26:4-8	32:17 - 33:2	Piedmont accepted this recommendation and it was accordingly reflected in the Revised ARM Tariff filed by the Company on February 7, 2022.	

[A]		[B]	[C]	[D]	
Line No.	Issues	Dittemore Testimony page:line(s)	Powers Rebuttal Testimony page:line(s)	Details of Issues Resolved	Agreement on Issues to Be Addressed in a Future Docket
41	Exhibit DND-5, pp. 11, 14 - III. Annual Rate Base Reset, Operating Expenses Additional terms pertaining to the Company's employee salaries and wages expenses, expense for allocated return on DEBS assets, other O&M expenses, utility plant in service, and other working capital	27:3-4	32:17 - 33:2	Piedmont accepted this recommendation and it was accordingly reflected in the Revised ARM Tariff filed by the Company on February 7, 2022.	
42	Exhibit DND-5, pp. 13 - III. Annual Rate Base Reset, Operating Expenses Clarifies that items included in ADIT for ratemaking under this ARM Tariff should be determined consistent with the inclusion (or exclusion) of revenue and expense items represented in the HBP.		33:3-9	Piedmont accepted this recommendation and it was accordingly reflected in the Revised ARM Tariff filed by the Company on February 7, 2022.	
43	Exhibit DND-5, pp. 14-15 - IV. Other Items. Specific variance reporting as a part of the Company's Annual ARM Filing	27:10-13	33:10-15	Piedmont accepted this recommendation and it was accordingly reflected in the Revised ARM Tariff filed by the Company on February 7, 2022.	

SERVICE SCHEDULE NO. 318

Annual Review Mechanism (ARM)

I. OVERVIEW

Applicable

To service provided to customers under all Rate Schedules, including service provided to customers under approved special contracts.

Purpose

This Annual Review Mechanism (“ARM”) is implemented under the provisions of Tennessee Code Annotated Section 65-5-103(d)(6), which authorizes the Company to elect to opt into an annual review of the Company’s rates. Pursuant to this ARM and the annual filings described herein, the Company’s rates shall be adjusted to provide that the Company earns its Authorized Return on Equity on prudently incurred costs as defined by the Tennessee Public Utility Commission (“TPUC” or the “Commission”). The rate adjustments implemented under the ARM, which are to the Company’s Base Margin Rates and its ARM Rider Rates, will reflect changes in the Company’s jurisdictional operating revenues, cost of service, and rate base. Jurisdictional operating revenues and expenses exclude gains or losses related to gas supply hedging activities, off system sales, other gas supply and capacity secondary marketing activities, and other non-jurisdictional transactions as determined by the Commission. The ARM may be terminated or modified as provided under of Tennessee Code Annotated Section 65-5-103(d)(6)(D).

Piedmont’s Base Margin Rates and ARM Rider Rates shall be reset on an annual basis pursuant to the procedures and information specified in this Tariff.

Nothing in this Tariff shall preclude intervenors or the Commission from identifying errors, omissions, or inconsistencies in the Company’s ARM calculations, including adjusting such items within the determination of HBP results.

Global Definitions

- A. **Annual ARM Filing** shall consist of the components described below. The Company will simultaneously copy the Consumer Advocate on all Annual ARM Filings.
- B. **Annual ARM Filing Date** shall be the date the Company submits its Annual ARM Filing to the TPUC. The Annual ARM Filing Date shall be no later than May 20 of each year. The initial Annual ARM Filing shall be submitted by May 20, 2023 and shall include results for the Historical Base Period of calendar year 2022.

- C. **Annual ARM Proceeding** refers to the annual docketed proceedings in which the Company's Annual ARM Filings shall be reviewed.
- D. **Historic Base Period ("HBP")** is defined as the Company's most recently completed 12-month fiscal year ended December 31 prior to each ARM Annual Filing Date. The initial HBP shall be the 12-month fiscal year ended December 31, 2022.
- E. **Effective Date of ARM Rates** refers to the date that new ARM Rider Rates and new Base Margin Rates take effect. The Effective Date of ARM Rates shall be October 1 of each year pursuant to the Annual ARM Filing. As such, all bills rendered starting with October cycle 1 each year shall be billed under the new ARM Rider Rates and new Base Margin Rates.
- F. **2020 Rate Case Settlement** refers to the Stipulation and Settlement Agreement between Piedmont and the Consumer Advocate filed with the TPUC on February 2, 2021 in Docket No. 20-00086, which was subsequently approved by the TPUC.
- G. **Authorized Return on Equity** is defined as the 9.80% return on equity established in Docket No. 20-00086, or that which is established by the TPUC in any subsequent general rate case for the Company.
- H. **Overall Cost of Capital** is defined as the overall cost of capital for the applicable period, as stated on ARM Filing Schedule 10.
- I. **HBP Net Operating Income Deficiency (Sufficiency)** shall be computed as the difference between the net operating income for return in the HBP and the net operating income for return in the HBP that is required to produce the Authorized Return on Equity.
- J. **HBP Revenue Requirement Deficiency (Sufficiency)** shall be the HBP Net Operating Income Deficiency (Sufficiency) multiplied by the Revenue Conversion Factor.
- K. **Carrying Costs** are computed by applying an interest rate to the HBP Revenue Requirement Deficiency (Sufficiency) from the midpoint date of the HBP to the effective date of the ARM Rider Rates, which reflects a total of 15 months from July 1 of the HBP thru Sept 30 of the following year. The interest rate used shall be the net-of-tax Overall Cost of Capital rate including the Authorized Return on Equity, for the HBP.
- L. **ARM Reconciliation Deferred Account** shall be the interest-bearing regulatory asset or liability account to which the approved HBP Revenue Requirement Deficiency (Sufficiency) and Carrying Costs are recorded each October. The actual collections from customers (or refunds to customers) arising from the ARM Rider Rates shall be applied to the ARM Reconciliation Deferred Account each month in order to relieve its balance. Interest shall be accrued monthly to the ARM Reconciliation Deferred Account at a rate equivalent to the Company's net-of-tax Overall Cost of Capital under which Base Margin Rates were last established. Interest shall be applied to the average of the beginning and ending monthly balances. The ARM Reconciliation Deferred Account shall not be included in rate base for purposes of determining the HBP Net Operating Income Deficiency (Sufficiency) or the Annual Base Rate Reset Net Operating Income Deficiency (Sufficiency).
- M. **ARM Regulatory Asset** shall be the account(s) to which the Company records Interest Deferrals and Depreciation Expense Deferrals associated with plant in service that has not

yet been included in rate base. The Company shall be authorized to establish and include in rate base this ARM Regulatory Asset. The Company shall segregate its deferrals to the ARM Regulatory Asset by HBP. Upon the effective date of new Base Margin Rates each year, the Dec 31 balance of the ARM Regulatory Asset for the most recent HBP shall begin to be amortized evenly over a period of time equivalent to the depreciable life of its underlying plant assets.

- i. **Interest Deferrals:** On a monthly basis, the Company shall record deferred interest to the ARM Regulatory Asset. The rate for such deferred interest shall be the pretax Overall Cost of Capital under which Base Margin Rates were last established. Such deferred interest shall be calculated on all plant placed into service that is not yet included in rate base, and shall continue to accrue and be added to balance of the ARM Regulatory Asset during and after the HBP until such time that the underlying plant is included in rate base. The Company shall take care not to double count the application of Interest Deferrals and the recording of Allowance for Funds Used During Construction (AFUDC). The plant balance upon which the interest deferrals are calculated shall account for incremental plant additions net of a) incremental plant retirements; b) a provision adding or subtracting incremental deferred income taxes on plant assets not yet in rate base; c) a provision subtracting the increase in accumulated depreciation on assets already included in rate base; and d) a provision adding the depreciation expense deferred on assets not yet included in rate base.
 - ii. **Depreciation Expense Deferrals:** On a monthly basis, the Company shall record deferred depreciation expense to the ARM Regulatory Asset on plant not yet included in rate base. This accounting will result in a credit to depreciation expense and a debit to the ARM Regulatory Asset. The deferred depreciation expense shall be calculated on all plant placed into service that is not yet included in rate base, and shall continue to be added to the balance of the ARM Regulatory Asset during and after the HBP until such time that the underlying plant is included in rate base.
- N. **Annual Base Rate Reset Net Operating Income Deficiency (Sufficiency)** shall be computed as the difference in the net operating income for return for the Annual Base Rate Reset period under present Base Rates less the net operating income for return for the Annual Base Rate Reset period that is required to produce the Authorized Return on Equity.
- O. **Annual Base Rate Reset Revenue Requirement Deficiency (Sufficiency)** shall be the Annual Base Rate Reset Net Operating Income Deficiency (Sufficiency) multiplied by the Revenue Conversion Factor.
- P. **New Matters** refers to any issue, adjustment and/or ambiguity in or for any account, method of accounting or estimation, or ratemaking topic that would directly or indirectly affect the Annual ARM Filing for which there is no explicit prior determination by the TPUC regarding the Company since the 2020 Rate Case Settlement.
- Q. **ARM Rider Rates** refer to the customer billing rates per therm intended to relieve the ARM Reconciliation Deferred Account Balance over a 12-month period. The ARM Rider Rates will be updated each year on the Effective Date of ARM Rates. In each Annual ARM Filing, the Company shall propose new ARM Rider Rates based on the ARM

Deferred Account Balance at March 31 of the year after the HBP plus the current Annual ARM Proceeding's HBP Revenue Requirement Deficiency (Sufficiency) and Carrying Costs.

- R. **Base Rates** refer to those base rates per therm shown in Columns <1>, <2> and <3> of the Company's Tariff Sheet No. 1.
- i. **Base Margin Rates** refer to those base rates per therm shown in Column <1> of the Company's Tariff Sheet No. 1. The Base Margin Rates will be adjusted each year on the Effective Date of ARM Rates in accordance with the approved Annual Base Rate Reset Revenue Requirement Deficiency (Sufficiency).
 - ii. **Base PGA Rates** refer to those base rates per therm shown in Columns <2> and <3> of the Company's Tariff Sheet No. 1, which are subject to adjustment caused by changes in the cost of purchased gas in accordance with Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider".
- S. **Applicable Rate Schedules** are the Rate Schedules for which the ARM Rider Rates and the Base Margin Rates as updated under the ARM shall apply. The Applicable Rate Schedules are Rate Schedules 301, 302, 343, 352, 303, 304, 310, 313 and 314, which represent all of Piedmont's Rate Schedules.
- T. **Revenue Conversion Factor** shall be computed consistent with the paragraph 14.m. of the 2020 Rate Case Settlement.

Components of the Annual ARM Filing

On the Annual ARM Filing Date each year, the Company shall file with the TPUC schedules and workpapers that calculate the HBP Revenue Requirement Deficiency (Sufficiency) and the Annual Base Rate Reset Revenue Requirement Deficiency (Sufficiency) in accordance with this tariff. The Company's Annual ARM Filing shall specifically include the following:

1. ARM Filing Schedules, described in Section IV herein.
2. Workpapers supporting the ARM Filing Schedules (in electronic, native format with formulas intact).
3. Direct Testimony supporting the ARM Filing Schedules and requested rate adjustments, and also specifically including:
 - a. An explanation of the nature and extent of incremental deferred environmental expenses, pursuant to the requirements of para. 17.i. of the 2020 Rate Case Settlement; and
 - b. An explanation and support to demonstrate that incremental pension deferral amounts were prudently incurred to meet the Company's obligation to qualified employees and retirees, pursuant to the requirements of para. 17.c. of the 2020 Rate Case Settlement.
4. Attestation from a Company officer, signed and notarized.
5. Proposed Tariff Changes.
6. Proposed Procedural Schedule.

II. HBP RECONCILIATION

The following methodologies shall be used in the ARM Filing Schedules, supporting workpapers and computations necessary to calculate the Company's HBP Revenue Requirement Deficiency (Sufficiency).

The HBP Revenue Requirement Deficiency (Sufficiency) and Carrying Costs shall be recovered through the ARM Rider Rates. The ARM Rider Rates shall be established for the Applicable Rate Schedules, across which a pro rata allocation of the amount of the ARM Reconciliation Deferred Account balance at March 31 of the year after the HBP plus the current Annual ARM Proceeding's HBP Revenue Requirement Deficiency (Sufficiency) and Carrying Costs is applied. The ARM Rider Rates shall be developed for each Applicable Rate Schedule based upon the respective customer billing determinants used in the computation of the Gas Sales and Transportation Revenues under Section III of this Tariff.

Operating Revenues

- 1) **Gas Sales and Transportation Revenues** shall reflect such actual revenues from Base Rates billed for service provided to customers pursuant to the provisions of the Company's TPUC-approved rates and charges (including special contracts) and recorded during the HBP.
- 2) **Forfeited Discount Revenues** shall reflect such actual revenues related to service provided to customers pursuant to the provisions of Company's TPUC-approved rates and charges (including special contracts) and recorded during the HBP.
- 3) **Other Revenues** shall reflect such actual revenues including those related to service provided to customers pursuant to the provisions of Company's TPUC-approved rates and charges (including special contracts) and recorded during the HBP, exclusive of revenues related to off system sales, other gas supply and capacity secondary marketing activities, and customer cash-out activities.
- 4) **Margin Revenues** shall reflect the sum of the Gas Sales and Transportation Revenues, Forfeited Discount Revenues and Other Revenues described herein, less Purchased Gas Expenses [Cost of Gas].

Operating Expenses

- 5) **Purchased Gas Expenses [Cost of Gas]** shall be set equivalent to the PGA portion of the actual Gas Sales and Transportation Revenues during the HBP. Note that the actual purchased gas expenses are recorded to general ledger account 804, and are recovered by the Company through the PGA mechanism.
- 6) **Other Purchased Gas Expenses** shall reflect such actual expenses recorded during the HBP. Note that these are expenses not eligible for recovery by the Company through the PGA mechanism.

- 7) **Uncollectible & Bad Debt Expenses** shall reflect such actual expenses recorded during the HBP.
- 8) **Lobbying Expenses** recorded during the HBP shall be entirely excluded from the computation of Operating Expense.
- 9) **Employee Salaries & Wages Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities and any such costs deemed excessive or not otherwise in the public interest.
- 10) **Employee Incentive Compensation Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities. Also, fifty percent of the STIP expenses recorded during the HBP and one hundred percent of the LTIP expenses recorded during the HBP shall be excluded from the computation of Operating Expenses, consistent with paragraph 14.h. of the 2020 Rate Case Settlement.
- 11) **Amortization Expenses for Deferred Rate Case Expenses for Docket No. 20-00086** recorded during the HBP shall be entirely excluded from the computation of Operating Expense, consistent with paragraphs 14.k. and 17.f. of the 2020 Rate Case Settlement.
- 12) **Amortization Expenses for Deferred Environmental Costs:** The Company may seek recovery of Environmental Costs incurred during the HBP upon a showing of prudence and that such costs are not recoverable through insurance policies.
- 13) **Amortization Expenses for Deferred Pension Costs** shall reflect such actual expenses recorded during the HBP to the extent that the specific underlying deferred pension costs expensed during the HBP were previously approved by the TPUC for recovery.
- 14) **Other Pension Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of the ASC 2017 expenses (formerly FAS 87) recorded during the HBP.
- 15) **Expense for Allocated Return on DEBS Assets** shall reflect such actual expenses properly incurred, and charged to the Company's Tennessee jurisdiction during the HBP, adjusted to reflect a return based on the Authorized Return on Equity, and exclusive of any such expense related to return on DEBS pension assets. Such return shall be applied to the balance of DEBS assets net of Accumulated Depreciation and Accumulated Deferred Income Taxes (ADIT). Recoverable expenses shall exclude any such expense related to the return on DEBS pension assets.
- 16) **Expense for TPUC Fee** shall reflect such actual expenses recorded during the HBP.
- 17) **Other O&M Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities, and shall reflect costs necessary in the provision of natural gas service.
- 18) **Other Expense Adjustments** shall reflect adjustments made by the Company to exclude any known expenses improperly recorded as an Operating Expense during the HBP.
- 19) **Depreciation Expenses** shall reflect such actual expenses recorded during the HBP, net of credits recorded during the HBP related to Depreciation Expense Deferrals.
- 20) **Amortization Expenses for ARM Regulatory Asset** shall reflect such actual expenses recorded during the HBP related to relieving the ARM Regulatory Asset pursuant to approvals granted in prior Annual ARM Proceedings.
- 21) **Payroll Tax Expenses** shall reflect such actual expenses recorded during HBP, adjusted to comport with the labor and other compensation expense adjustments described herein.
- 22) **Property Tax Expenses** shall reflect such actual expenses recorded during the HBP.

- 23) **Other General Tax Expense** shall reflect such actual expenses recorded during the HBP.
- 24) **Amortization of Investment Tax Credit** shall reflect such actual expenses recorded during the HBP.
- 25) **State Excise Tax Expense** shall be computed using the Company's composite state tax rate in effect December 31 of the HBP, and in alignment with the representation of the adjusted revenues and expenses herein including synchronized interest on debt. The Company shall notify the Commission and the Consumer Advocate of any change in the state tax rates which comprise the Company's composite state tax rate.
- 26) **Federal Income Tax Expense** shall be computed using the statutory federal tax rate in effect as of December 31 of the HBP, and in alignment with the representation of the adjusted revenues and expenses herein including synchronized interest on debt. Federal Income Tax Expense shall be further adjusted for the amortized return of protected federal excess accumulated deferred income taxes ("EDIT") resulting from the 2017 Tax Act.

Adjustments to Net Operating Income

- 27) **AFUDC** shall reflect the 13-month average CWIP balance during the HBP multiplied by the Overall Cost of Capital in the HBP including the Authorized Return on Equity.
- 28) **Interest on Customer Deposits** shall reflect such actuals recorded during the HBP.

Rate Base

- 29) **Utility Plant in Service** shall reflect the 13-month average of the actual end-of-month ("EOM") balances for the HBP and the month prior to the HBP. Any amount recorded to plant in service that is not truly used in providing service to customers should be removed from general ledger account 101 and either written off or reclassified to an appropriate general ledger account. The Company has the burden to demonstrate the accuracy of recordings to plant in service.
- 30) **Accumulated Depreciation** shall reflect the 13-month average of the actual EOM balances for the HBP and the month prior to the HBP.
- 31) **CWIP** shall reflect the 13-month average of the actual EOM balances, exclusive of fifty percent of STIP costs and one hundred percent of LTIP costs recorded to CWIP during the HBP and the month prior to the HBP, consistent with paragraph 14.h. of the 2020 Rate Case Settlement.
- 32) **ARM Regulatory Asset** shall reflect the 13-month average of the actual EOM balances for the HBP, excluding the components of such balance associated with the Interest Deferrals.
- 33) **ADIT** shall reflect the 13-month average of the actual EOM balances for the HBP and the month prior to the HBP, exclusive of any amounts related to unprotected federal EDIT subject to refund to customers pursuant to the TPUC's August 6, 2019 Order in Docket No. 18-00040. Items included in ADIT should be determined consistent with the inclusion/exclusion of revenue and expense items represented in the HBP. The Company shall notify the Commission and the Consumer Advocate of any change in the state tax rates which comprise the Company's composite state tax rate. Any state tax rate change

will result in an excess or deficient ADIT balance and that such excess or deficiency should be preserved on the Company's books for appropriate regulatory treatment within subsequent ARM filings.

- 34) **Cash Working Capital (Lead-Lag)** shall be computed in conformity with the lag days and categories of revenue and expense in the 2020 Rate Case Settlement.
- 35) **Other Working Capital** shall reflect the 13-month average of the actual EOM balances for the HBP and the month prior to the HBP, for the following:
- a. Material and Supplies
 - b. Gas Inventory
 - c. Prepaid Insurance
 - d. Fleets & Overheads
 - e. Accounts Payables applicable to CWIP
 - f. Accounts Payables applicable to Materials and Supplies
 - g. Customer Deposits
 - h. Interest on Customer Deposits
 - i. Accrued Vacation
 - j. The Company may request recovery of any Deferred Debits for Environmental Costs and Pension Costs. The Company shall bear the burden of proof that such costs are appropriately included in rate base.

Capitalization

- 36) **Capital Structure** shall reflect the actual long-term debt, short-term-debt and common equity (not including the impact of goodwill) each as a percentage of total average capitalization for the 13-month period ending December 31 of the HBP.
- 37) **Long Term Debt Cost** shall reflect the actual average embedded cost of long-term debt for the 13-month period ending December 31 of the HBP. The computation of the embedded cost of long-term debt shall include an adjustment for unamortized loss on reacquired debt and credit facility fees.
- 38) **Short Term Debt Cost** shall reflect the actual average cost rate of short-term debt borrowings (Piedmont's intercompany money pool borrowings) for the 13-month period ending December 31 of the HBP.
- 39) **Authorized Return on Equity** as defined in Section I of this Tariff.

III. ANNUAL BASE RATE RESET

The following methodologies shall be used in the ARM Filing Schedules, supporting workpapers and computations necessary to calculate the Company's Annual Base Rate Reset Revenue Requirement Deficiency (Sufficiency).

A pro rata allocation of the amount of the Annual Base Rate Reset Revenue Requirement Deficiency (Sufficiency) shall be applied to each Applicable Rate Schedule. The updated Base Rates for each Applicable Rate Schedule shall be developed based upon the respective customer billing determinants the used in the computation of the Gas Sales and Transportation Revenues as set forth below.

Operating Revenues

- 1) **Gas Sales and Transportation Revenues** shall be computed, as follows:
 - a. For service rendered under Rate Schedules 301 (Residential), 302 (Small General) and 352 (Medium General) respectively, the actual usage during the 12-month period comprising the HBP shall be normalized for weather. For this purpose, Normal Heating Degree Days (NHDD) shall be the average of the actual daily heating degree days experienced in the 30-year period ending December 31 of each HBP. A regression analysis using actual heating degree days for each month of the HBP, actual usage by rate schedule for each month of the HBP, and the monthly NHDD will be performed to derive the normalized base load usage and heat-sensitive usage per customer for each rate schedule. Such normalized base load usage and heat-sensitive usage per customer for each rate schedule shall then be aligned with the monthly NHDD and actual number of bills rendered each month of the HBP to establish the total normalized customer usage by month by rate schedule. Normalized revenues shall then be computed by applying the present Base Rates (clean rates, which are the rate components shown in columns <1>, <2> and <3> on the Company's Tariff Sheet No. 1, and excluding ARM Rider Rates and all other non-base rates) to the derived normalized monthly customer usage and associated monthly customer count for each rate schedule.
 - b. For service rendered under Rate Schedules 303 (Large General Sales – Firm), 304 (Large General Sales – Interruptible), 310 (Resale Service), 313 (Large General Transportation – Firm), 314 (Large General Transportation – Interruptible) and 343 (Motor Vehicle Fuel Service), revenues shall be computed by applying the present Base Rates (clean rates, which are the rate components shown in columns <1>, <2> and <3> on the Company's Tariff Sheet No. 1, and excluding ARM Rider Rates and all other non-base rates to the actual monthly customer usage and customer count for each rate schedule during the HBP.
 - c. For service rendered under special contracts, revenues shall be the actuals recorded during the HBP. Should a special contract customer move to a tariff rate during or

after the completion of the HBP, the revenue for that customer shall instead be computed pursuant to subpart a or b above, as warranted.

- 2) **Forfeited Discount Revenues** shall reflect such actual revenues related to service provided to customers pursuant to the provisions of Company's TPUC-approved rates and charges (including special contracts) and recorded during the HBP.
- 3) **Other Revenues** shall reflect such actual revenues including those related to service provided to customers pursuant to the provisions of Company's TPUC-approved rates and charges (including special contracts) and recorded during the HBP, exclusive of revenues related to off system sales, other gas supply and capacity secondary marketing activities, and customer cash-out activities.
- 4) **Margin Revenues** shall reflect the sum of the Gas Sales and Transportation Revenues, Forfeited Discount Revenues and Other Revenues, net of the amount of Purchased Gas Expenses.

Operating Expenses

- 5) **Purchased Gas Expenses [Cost of Gas]** shall be set equivalent to the computed PGA portion of Gas Sales and Transportation Revenues.
- 6) **Other Purchased Gas Expenses** shall reflect such actual expenses recorded during the HBP. Note that these are expenses not recovered by the Company through the PGA mechanism.
- 7) **Uncollectible & Bad Debt Expenses** shall reflect such actual expenses recorded during the HBP.
- 8) **Lobbying Expenses** recorded during the HBP shall be entirely excluded from the computation of Operating Expense.
- 9) **Employee Salaries & Wages Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities and any such costs deemed excessive or not otherwise in the public interest.
- 10) **Employee Incentive Compensation Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities. Also, fifty percent of the STIP expenses recorded during the HBP and one hundred percent of the LTIP expenses recorded during the HBP shall be excluded from Operating Expenses, consistent with paragraph 14.h. of the 2020 Rate Case Settlement.
- 11) **Amortization Expenses for Deferred Rate Case Expenses for Docket No. 20-00086** recorded during the HBP shall be entirely excluded from the computation of Operating Expense, consistent with paragraphs 14.k. and 17.f. of the 2020 Rate Case Settlement.
- 12) **Amortization Expenses for Deferred Environmental Costs:** The Company may seek recovery of Environmental Costs incurred during the HBP upon a showing of prudence and that such costs are not recoverable through insurance policies.
- 13) **Amortization Expenses for Deferred Pension Costs** shall reflect the amount of such prudently incurred expenses to be recorded during the 12-month period in which the

prompt Annual Base Rate Reset rates are to be effective. Incremental deferred pension costs for which the Company seeks recovery through the Annual Base Rate Reset shall be amortized over a one-year period.

- 14) **Other Pension Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of the ASC 2017 expenses (formerly FAS 87) recorded during the HBP.
- 15) **Expense for Allocated Return on DEBS Assets** shall reflect such actual expenses properly incurred, and charges to the Company's Tennessee jurisdiction during the HBP, adjusted to reflect a return based on the Authorized Return on Equity, and exclusive of any such expense related to return on DEBS pension assets. Such return shall apply to the balance of DEBS assets net of Accumulated Depreciation and Accumulated Deferred Income Taxes (ADIT). Recoverable expenses shall exclude any such expense related to the return on DEBS pension assets.
- 16) **Expense for TPUC Fee** shall reflect such actual expenses recorded during the HBP.
- 17) **Other O&M Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities, and shall reflect costs necessary in the provision of natural gas service.
- 18) **Other Expense Adjustments** shall reflect adjustments made by the Company to exclude any known expenses improperly recorded as an Operating Expense during the HBP.
- 19) **Depreciation Expenses** shall be computed as annualized depreciation expense aligned with the actual December 31 HBP balance of Utility Plant in Service. Depreciation expenses shall be computed using the depreciation rates approved by the Commission in the Company's most recent general rate case or any subsequent approval.
- 20) **Amortization Expenses for ARM Regulatory Asset** shall be computed as annualized amortization expense aligned with the actual December 31 HBP balance of the ARM Regulatory Asset pursuant to approvals granted in prior Annual ARM Proceedings.
- 21) **Payroll Tax Expenses** shall reflect such actual expenses recorded during HBP, adjusted to comport with the labor and other compensation expense adjustments.
- 22) **Property Tax Expenses** shall reflect such actual expenses recorded during the HBP.
- 23) **Other General Tax Expense** shall reflect such actual expenses recorded during the HBP.
- 24) **Amortization of Investment Tax Credit** shall reflect such actual expenses recorded during the HBP.
- 25) **State Excise Tax Expense** shall be computed using the Company's composite state tax rate in effect as of December 31 of the HBP, and in alignment with the representation of the adjusted revenues and expenses as described including synchronized interest on debt. The Company shall notify the Commission and the Consumer Advocate of any change in the state tax rates which comprise the Company's composite state tax rate.
- 26) **Federal Income Tax Expense** shall be computed using the statutory federal tax rate in effect as of December 31 of the HBP, and in alignment with the representation of the adjusted revenues and expenses herein including synchronized interest on debt.

Federal Income Tax Expense shall be further adjusted for the amortized return of protected federal excess accumulated deferred income taxes (“EDIT”) resulting from the 2017 Tax Cuts and Jobs Act

Adjustments to Net Operating Income

- 27) **AFUDC** shall be represented as the CWIP balance at December 31st of the HBP multiplied by the Overall Cost of Capital at December 31st of the HBP including the Authorized Return on Equity.
- 28) **Interest on Customer Deposits** shall reflect such actuals recorded during the HBP.

Rate Base

- 29) **Utility Plant in Service** shall reflect the actual December 31 HBP balance. Any amount recorded to plant in service that is not truly used in providing service to customers should be removed from Account 101 and either written off or reclassified to an appropriate account. The Company has the burden to demonstrate the accuracy of recordings to Plant in Service.
- 30) **Accumulated Depreciation** shall reflect the actual December 31 HBP balance.
- 31) **CWIP** shall reflect the actual December 31 HBP balance, exclusive of fifty percent of STIP costs and one hundred percent of LTIP costs recorded to CWIP during the HBP, consistent with paragraph 14.h. of the 2020 Rate Case Settlement.
- 32) **ARM Regulatory Asset** shall reflect the actual unamortized December 31 HBP balance.
- 33) **ADIT** shall reflect the actual December 31 HBP balance, exclusive of any amounts related to the unprotected federal EDIT subject to refund to customers pursuant to the TPUC’s August 6, 2019 Order in Docket No. 18-00040. Items included in ADIT should be determined consistent with the inclusion/exclusion of revenue and expense items reflected in the HBP.
- 34) **Cash Working Capital (Lead-Lag)** shall be computed in conformity with the lag days and categories of revenue and expense in the 2020 Rate Case Settlement.
- 35) **Other Working Capital** shall reflect the 13-month average of the actual EOM balances for the HBP and the month prior to the HBP, for the following:
- a. Material and Supplies
 - b. Gas Inventory
 - c. Prepaid Insurance
 - d. Fleets & Overheads
 - e. Accounts Payables applicable to CWIP
 - f. Accounts Payables applicable to Materials and Supplies
 - g. Customer Deposits
 - h. Interest on Customer Deposits
 - i. Accrued Vacation

- j. The Company may request recovery of any Deferred Debits for Environmental Costs and Pension Costs. It shall bear the burden of proof that such costs are appropriately included in Rate Base.

Capitalization Components

- 36) **Capital Structure** shall reflect the long-term debt, short-term-debt and common equity (not including the impact of goodwill) each as a percentage of total capitalization as of December 31 of the HBP.
- 37) **Long Term Debt Cost** shall reflect the actual embedded cost of long-term debt as of December 31 of the HBP. The computation of the embedded cost of long-term debt shall include an adjustment for unamortized loss on reacquired debt and credit facility fees.
- 38) **Short Term Debt Cost** shall reflect the computed average cost rate of short-term debt borrowings (Piedmont's intercompany money pool borrowings) during the HBP.
- 39) **Authorized Return on Equity** as defined in Section I of this tariff

IV. ARM FILING SCHEDULES

LEAD SCHEDULES	
1	Results of Operations
2	Rate Base
3	Lead Lag Results
4A	Working Capital Expense Lag for HBP
4B	Working Capital Expense Lag for Annual Base Rate Reset
5	O&M Expense Summary
6A	Revenue Summary
6B	Revenue Detail
7	General Tax Summary
8	Excise and Income Tax Summary
9	Income Statement under Present Rates & Proposed Rates
10	Cost of Capital Summary
11	Revenue Conversion Factor & Tax Gross Up Factor
12	Carrying Costs and ARM Reconciliation Deferred Account Balance

RATE BASE SCHEDULES	
13	Utility Plant in Service - End of Month Balances, calculation of 13 month average balance
14	Depreciation Expense - Calculation of Depreciation and Amortization Expense based on HBP Utility Plant in Service
15	Construction Work in Progress - End of Month Balances, calculation of 13 month average balance
16	Accumulated Depreciation - End of Month Balances, calculation of 13 month average balance
17	Contributions in Aid of Construction - End of Month Balances, calculation of 13 month average balance
18	ADIT - End of Month Balances, calculation of 13 month average balance
19	Cash Working Capital - Summary of 13 month average balance
20	ARM Regulatory Asset Balances and Activity by Month

REVENUE SCHEDULES	
21	Historic Base Period Revenue Components by Rate Schedule & Special Contract
22A	Annual Base Rate Reset Total Revenues by Rate Schedule and Special Contract
22B	Annual Base Rate Reset Revenue Components by Rate Schedule and Special Contract
23	Annual Base Rate Reset Other Revenues
24	Summary of Normalized Billing Determinants and Proposed Margin Revenues
25	Proof of Revenue at Proposed Rates
26	Revenue Changes by Rate Schedule
27	Normal Heating Degree Days
28	Factors for Weather Normalization Adjustment (WNA)

O&M EXPENSE SCHEDULES	
29	Customer Accounts & Service Expense, including uncollectible ratio calculation
30	Employee Salary and Wage Expense
31	Employee Short Term Compensation Expense
32	Employee Long Term Compensation Expense
33	Deferred Environmental Regulatory Amortization and Cost Support
34	Deferred Pension Regulatory Amortization and Pension Plan Contribution Support
35	Return on Service Company (DEBS) Assets
36	Other Pension Expense
37	Lobbying Expense, Charitable Contribution, Social Club Membership Adjustment
38	Advertising Expense

FINANCIAL REPORTS	
39	Tennessee Allocated Income Statement
40A	Total Piedmont Regulatory View Year End Income Statement
40B	Total Piedmont SEC View Year End Income Statement
40C	Parent (Duke Energy Corporation) Year End Income Statement
40D	Service Company (DEBS) Year End Income Statement
40E	Total Piedmont Regulatory View Year End Balance Sheet
40F	Total Piedmont SEC View Year End Balance Sheet
40G	Parent (Duke Energy Corporation) Year End Balance Sheet
40H	Service Company (DEBS) Year End Balance Sheet
41A	Total Piedmont Monthly Trial Balance Regulatory View
41B	Total Piedmont Monthly Trial Balance SEC View
41C	Parent (Duke Energy Corporation) Monthly Trial Balance Regulatory View
41D	Parent (Duke Energy Corporation) Monthly Trial Balance SEC View
41E	Service Company (DEBS) Monthly Trial Balance Regulatory View
41F	Service Company (DEBS) Monthly Trial Balance SEC View

OTHER INFORMATIONAL SCHEDULES	
42	Piedmont Capital Budget for Tennessee operations for year subsequent to HBP
43	Piedmont Operating Budget for the year subsequent to the HBP
44	Piedmont Jurisdictional Allocation Factors: Composite Factors
45	Piedmont Jurisdictional Allocation Factors: Net Plant Factors
46	Cost Allocation Manual
47	Corporate Organizational Structure
48	List of Company Officers
49	Pension and OPEB actuarial reports
50	Employee Incentive Compensation Plan documents
51	Impact of any new accounting pronouncements
52	Additional workpapers as required, and referenced to applicable ARM Filing Schedule

Schedule 52: List of Additional Workpapers	
RATE BASE WORKPAPERS	
UPIS - Monthly Activity by plant account, to provide support for ARM Schedule 13 and 14	
CWIP - Actual Capital Expenditures by Category and Project Number, to provide support for ARM Schedule 15	
ACC DEPR - Monthly Activity by plant account, to provide support for ARM Schedule 16	
WC - Calculation of 13 month average balance of Working Capital by category, to provide support for ARM Schedule 19	
ARM Reg Asset - Monthly Activity, to provide support for ARM Schedule 20	
REVENUE WORKPAPERS	
Regression Analysis for the Computation of Base Rate Reset Billing Determinants, to provide support for ARM Schedules 22A, 22B & 28	
Calculation of 30-year Average Heating Degree Days, to provide support for ARM Schedule 27	
Per Books for the 12ME 12/31/20 Revenue Categories, to provide support for ARM Schedule 6A Column A	
ADIT Refund Elimination, to provide support for ARM Schedule 6A, Line 7, Column A	
O&M EXPENSE WORKPAPERS	
Other Purchased Gas Expense Excluding Payroll and Incentive Compensation, to provide support for ARM Schedule 5 Line 1	
Gas Storage Expense Excluding Payroll and Incentive Compensation, to provide support for ARM Schedule 5 Line 2	
Transmission Expense Excluding Payroll and Incentive Compensation, to provide support for ARM Schedule 5 Line 3	
Distribution Expense Excluding Payroll and Incentive Compensation, to provide support for ARM Schedule 5 Line 4	
Sales Expense Excluding Payroll and Incentive Compensation, to provide support for ARM Schedule 5 Line 8	
Other Admin & General Expense, to provide support for ARM Schedule 5 Line 18	
General Ledger transaction level detail for all O&M Charges	
General Ledger transaction level detail for all O&M Charges allocated to Tennessee operations from the Service Corporation (DEBS)	
Calculation of depreciation expense allocated to Tennessee operations from the Service Corporation (DEBS) pursuant to Section 17.m. of the 2020 Rate Case Settlement	
OTHER WORKPAPERS	
Calculation of O&M Expense for Lead/Lag, to provide support for ARM Schedules 4A and 4B Lines 5 through 19	
Calculation of General Taxes, to provide support for ARM Schedule 7	
Calculation of Composite Excise Tax Rate, to provide support for ARM Schedule 11 Line 6 and 12	
Calculation of Annual EDIT Amortization for Protected PPE, to provide support for ARM Schedule 8 Line 21	
Capital Structure and Cost Rates, to provide support for ARM Schedule 10	
ARM Reconciliation Deferred Account Activity by month, to provide support for ARM Schedule 12	

Other Schedules

- 53) Variance Reporting: As part of its Annual ARM filing, Piedmont shall prepare and filed with the TPUC, with a copy to the Consumer Advocate, a Variance Report that identified and explains each and every Piedmont revenue and operating expense account and/or subaccount for which the Tennessee amount (including amounts allocated to Tennessee) either exceeds the prior year's amount (based on amounts either as filed by Piedmont in the Annual ARM Filing or as adjusted by the TPUC under Tennessee Code Annotated Section 65-5-103(d)(6)(C) by 5% and \$30,000.
- 54) The monthly balances of short-term debt, long-term debt and equity at December 31st of the month preceding the beginning of the HBP as well as month end balances throughout the HBP.

- 55) The amount of accrued expenses recorded in the HBP along with a full explanation identifying the nature of each accrual, further identified between direct and allocated charges.
- 56) If not in the Cost Allocation Manual, the Company shall supply a description of each 'Operating Unit', 'Allocation Pool ID', 'Resource Type ID', 'Source CD JD', and 'Project ID CB' included within its O&M Expense workpaper: General Ledger transaction level detail for all O&M Charges allocated to Tennessee operations from DEBS.
- 57) A description of each DEBS asset whose allocated costs to Piedmont-Tennessee operations is \$50,000 annually or more.
- 58) A schedule of the Company's HBP accounting entries made for the 'return to provision' transaction reflecting the impacts of its filed tax return made in the year subsequent to the HBP, along with an explanation of the impact of the transaction on the regulate return in the period the entry is made.
- 59) The following operating metrics for the HBP:
 - a. Response Time to Emergency Calls
 - b. Age of Natural Gas Leaks
 - c. Number of Natural Gas Leaks by Grade.

V. OTHER

Consumer Advocate Authority to Petition

The Consumer Advocate shall have the right in its sole discretion to file a petition or complaint asking the Commission to terminate or modify any ARM Tariff resulting from Docket No. 21-00135 or any directly or indirectly related docket or to take any other action contemplated by Tennessee Code Annotated Section 65-5-103(d)(6). The Company shall not oppose the Consumer Advocate's petition or complaint filed under this Section on the grounds that such a proceeding is not statutorily authorized or that Consumer Advocate is not authorized to bring such a proceeding; provided, however, that the Company reserves all rights with regard to the merits of any termination or modification or other relief that the Consumer Advocate may request or position that the Consumer Advocate may assert in any such proceeding.