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February 23, 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 23, 2022 at 1:42 p.m.

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:

Enclosed please find an original and five (5) copies of the Supplemental Testimony of Pia K. Powers.

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,

Paul S. Davidson

PSD:cdg

Enclosure

cc: Consumer Advocate
Bruce Barkley
Pia Powers
James Jeffries IV

**Before the
Tennessee Public Utility Commission**

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)**

**Supplemental Testimony
of
Pia K. Powers**

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

1 **Q. Please state your name, business address and title.**

2 A. My name is Pia K. Powers. My business address is 4720 Piedmont Row
3 Drive, Charlotte, North Carolina. I am the Managing Director – Gas
4 Rates & Regulatory for Piedmont Natural Gas Company, Inc.,
5 (“Piedmont” or the “Company”).

6 **Q. Have you previously testified in this proceeding?**

7 A. Yes. I submitted prefiled Direct Testimony in this proceeding on
8 November 5, 2021, and prefiled Rebuttal Testimony in this proceeding
9 on February 7, 2022.

10 **Q. What is the purpose of your Supplemental Testimony in this**
11 **proceeding?**

12 A. The purpose of my Supplemental Testimony is to support the agreed
13 resolutions on the list of issues associated with Piedmont’s proposed
14 Annual Review Mechanism (“ARM”) and to support the revisions to
15 Piedmont’s proposed ARM tariff, both of which were filed in this
16 docket on February 18, 2022. After the filing of my Rebuttal Testimony
17 in this proceeding, Piedmont and the Consumer Advocate Unit in the
18 Financial Division of the Office of the Tennessee Attorney General
19 (“Consumer Advocate”) engaged in negotiations regarding the
20 differences in their respective positions on Piedmont’s ARM and
21 whether those differences, in whole or in part, might be resolvable. As
22 a result of these negotiations, Piedmont and the Consumer Advocate
23 developed a list of issues associated with Piedmont’s ARM and the

1 agreed resolution on each (“Schedule of Issues and Resolutions”).
2 These negotiations also resulted in agreed-upon revisions to Piedmont’s
3 ARM tariff (“Revised ARM Tariff”). My Supplemental Testimony
4 explains and supports the Schedule of Issues and Resolutions and the
5 Revised ARM Tariff.

6 **Q. Please explain the Schedule of Issues and Resolutions.**

7 A. The Schedule of Issues and Resolutions delineates, by row, the 43
8 individual issues of concern raised by the Consumer Advocate in this
9 docket in the direct testimony of David N. Dittmore. In my Rebuttal
10 Testimony, I indicated that Piedmont modified its proposed ARM Tariff
11 in order to adopt several of the recommendations presented in Mr.
12 Dittmore’s testimony. These issues are delineated in rows 28 through
13 43 on the Schedule of Issues and Resolutions.

14 Through the course of the discussions that occurred between
15 Piedmont and the Consumer Advocate after my Rebuttal Testimony was
16 filed, the remaining 27 issues of concern raised by the Consumer
17 Advocate were discussed and ultimately resolved. These issues are
18 delineated on rows 1 through 27 on the Schedule of Issues and
19 Resolutions. Of these 27 issues, the resolutions achieved can be
20 categorized under one of four general approaches, which are that (1)
21 Piedmont agreed to wholly adopt the Consumer Advocate’s
22 recommendation, (2) the Consumer Advocate agreed to wholly
23 withdraw their recommendation, (3) Piedmont and the Consumer

1 Advocate agreed to a discrete and comprehensive resolution of the
2 matter, or (4) the Consumer Advocate agreed to withdraw their
3 recommendation from this docket, while preserving their right to raise
4 it as a concern for consideration in a future docket.

5 Regarding the first category, Piedmont agreed for the purposes
6 of settlement to wholly adopt the Consumer Advocate's
7 recommendation that the first Historic Base Period ("HBP") for
8 Piedmont's ARM be calendar year 2022¹ and that Piedmont's first
9 Annual ARM Filing be made in May 2023 to result in rate changes that
10 become effective in October 2023. This resolution effectively results in
11 a one-year delay to the implementation of the rate changes under the
12 ARM compared to the original proposal made by Piedmont in this
13 docket. The resolution of this matter is addressed on row 25 of the
14 Schedule of Issues and Resolutions. Piedmont also agreed to adopt into
15 the ARM Tariff the disclaimer language proposed by the Consumer
16 Advocate concerning the identification of errors, omissions and
17 inconsistencies in the Company's ARM calculations, as well as the
18 Consumer Advocate's language concerning their right to petition to
19 terminate or modify the ARM prospectively. The resolution of these
20 matters is shown on rows 23 and 24 of the Schedule of Issues and
21 Resolutions. Lastly, Piedmont agreed with the Consumer Advocate that

¹ Note that Piedmont's fiscal year is aligned with the calendar year, each ended December 31.

1 that the ratemaking treatment of Piedmont's annual "return to
2 provision" tax entries remains an open issue, and accordingly that both
3 Piedmont and the Consumer Advocate may continue to reserve their
4 right to address how such tax entries should be handled in the Annual
5 ARM Proceedings. The resolution of this matter is shown on row 10 of
6 the Schedule of Issues and Resolutions.

7 Regarding the second category, the Consumer Advocate agreed
8 to wholly withdraw their recommendation around equity levels
9 associated with gains and losses associated with Piedmont's gas supply
10 hedging and non-jurisdictional activities, which is shown on row 26 of
11 the Schedule of Issues and Resolutions. The Consumer Advocate
12 agreed to withdraw their recommendation, for consideration in this
13 proceeding, regarding the Company's proposed ratemaking treatment
14 for capital structure and cost rates under the ARM, which is shown on
15 rows 12 and 13 of the Schedule of Issues and Resolutions. The
16 Consumer Advocate agreed to withdraw, for consideration in this
17 proceeding, their recommendation that ARM Rider Rates be separately
18 identified on customer bills, which is shown on row 15 of the Schedule
19 of Issues and Resolutions. The Consumer Advocate also agreed to
20 withdraw their recommendation, for consideration in this proceeding,
21 regarding rate caps under the ARM, which is shown on row 22 of the
22 Schedule of Issues and Resolutions. Furthermore, the Consumer
23 Advocate agreed to wholly withdraw their recommendation that

1 revenue accruals, rather than actual collections, be recorded to the ARM
2 Reconciliation Deferred Account. The resolution of this matter is
3 shown on row 27 of the Schedule of Issues and Resolutions.

4 Regarding the third category, Piedmont and the Consumer
5 Advocate resolved matters pertaining to AFUDC, customer notice,
6 income taxes and Interest Deferrals raised by the Consumer Advocate
7 in this docket. Specifically, Piedmont and the Consumer Advocate
8 identified that their respective positions on the treatment of AFUDC
9 under the ARM were aligned in spirit but not in wording. Therefore,
10 Piedmont and the Consumer Advocate agreed upon new wording to use
11 in the Revised ARM Tariff explaining how the AFUDC adjustment to
12 net operating income for return is to be reflected. This resolution is
13 delineated on rows 5 and 6 of the Schedule of Issues and Resolutions.
14 Regarding customer notice, Piedmont and the Consumer Advocate
15 agreed that Piedmont shall include a message printed on customer bills
16 each year disclosing that the Company has filed a request to modify its
17 rates under the ARM, as well as a message printed on customer bills
18 each year disclosing the approved rate adjustment under the ARM. This
19 resolution is delineated on row 14 of the Schedule of Issues and
20 Resolutions. Regarding income taxes, Piedmont and the Consumer
21 Advocate agreed that Piedmont's composite tax rate be used for the state
22 income tax expense and for the ADIT balance in rate base under the
23 ARM, along with two additional requirements: that Piedmont notify the

1 Tennessee Public Utility Commission (“Commission”) and Consumer
2 Advocate of changes to any state income tax rate embedded in the
3 Company’s composite state income tax rate, and that any state income
4 tax rate change that results in an excess or deficient ADIT balance be
5 preserved on the Company’s books for appropriate ratemaking
6 treatment within subsequent Annual ARM Proceedings. This resolution
7 is delineated on rows 7 - 9 of the Schedule of Issues and Resolutions.
8 Regarding Interest Deferrals, the Consumer Advocate agreed to
9 withdraw their recommendation that Interest Deferrals to the ARM
10 Regulatory Asset be treated as revenue for the computation of the HBP
11 deficiency (or sufficiency), which was the first inserted sentence that the
12 Consumer Advocate recommended to the ARM Tariff definition of
13 Interest Deferrals. Furthermore, Piedmont and the Consumer Advocate
14 agreed to adopt into the ARM Tariff the Consumer Advocate’s proposed
15 second inserted sentence to the definition of Interest Deferrals, which
16 was a statement indicating that Piedmont take care not to double count
17 the application of interest deferrals and the recording of AFUDC. These
18 resolutions are noted on row 11 of the Schedule of Issues and
19 Resolutions.

20 Several of the 27 outstanding issues of concern raised by the
21 Consumer Advocate landed in the fourth resolution category. Here,
22 Piedmont and the Consumer Advocate reached agreement that the
23 specific detailed matter raised by the Consumer Advocate was neither

1 pertinent nor appropriate for resolution within this docket, but rather
2 pertinent and appropriate to be addressed within the context of a
3 Piedmont rate proceeding (such as a future Piedmont Annual ARM
4 Proceeding or future Piedmont general rate case) or within the context
5 of a generic docket. Therefore, the Consumer Advocate agreed to
6 withdraw their recommendation on each of these matters in this docket,
7 while preserving their full rights to raise these matters for consideration
8 in a future docket. The topics that were resolved in this manner are as
9 follows, with specific reference to the rows in the Schedule of Issues
10 and Resolutions:

- 11 • Definition of Lobbying Expenses for exclusion from ratemaking
12 (rows 1 – 2);
- 13 • Treatment of Non-Cash Items in Working Capital (rows 3 – 4);
- 14 • Treatment of HomeServe and other warranty-related revenues
15 for ratemaking (rows 16 – 17);
- 16 • Treatment for Pension and OPEB costs for ratemaking (rows 18
17 – 21).

18 **Q. Please explain the Revised AMR Tariff.**

19 A. Piedmont and the Consumer Advocate found it appropriate and helpful
20 to memorialize in the Revised ARM Tariff the resolution of certain
21 issues indicated on the Schedule of Issues and Resolutions. The starting
22 point for developing the Revised ARM Tariff is the version of the ARM
23 Tariff presented in my Rebuttal Testimony, modified to incorporate

1 most of the matters where Piedmont agreed to wholly adopt the
2 Consumer Advocate's recommendations (first category of resolutions),
3 as well as most of the matters where Piedmont and the Consumer
4 Advocate agreed to a discrete and comprehensive resolution of the
5 matter (third category of resolutions). Lastly, the Revised ARM Tariff
6 also incorporates a few non-substantive wording and reference
7 modifications (administrative cleanup) that Piedmont and the Consumer
8 Advocate mutually agreed upon.

9 **Q. Are there any issues in this docket that remain unresolved**
10 **between Piedmont and the Consumer Advocate?**

11 A. No.

12 **Q. What are you requesting the Commission do in this proceeding?**

13 A. I am requesting that the Commission accept the Schedule of Issues
14 and Resolutions and approve the Revised ARM Tariff, as attached
15 to Piedmont and the Consumer Advocate's February 18, 2022 letter
16 to the Commission, as just and reasonable and the appropriate
17 resolution of this proceeding. I am also requesting that the
18 Commission approve the termination of Piedmont's IMR Tariff
19 effective January 1, 2022, which is concurrent with the proposed
20 effective date of the Revised ARM Tariff.

21 **Q. Does this conclude your Supplemental Testimony?**

22 A. Yes, it does. Thank you.