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December 8, 2021

VIA E-MAIL & U.S. MAIL
Executive Director Earl Taylor
c/o Ectory Lawless
Tennessee Public Utility Commission
502 Deaderick Street, Fourth Floor
Nashville, Tennessee 37243

Re: Piedmont Natural Gas Company, Inc.'s Petition to Adopt an Annual Review of Rates Mechanism Pursuant to Tenn. Code Ann.§ 65-5-103(d)(6), Docket No. 21-00135

Dear Mr. Taylor:

Enclosed for filing are Piedmont Natural Gas Company's ("Piedmont") responses to the Consumer Advocate's *First Discovery Request* in the above-referenced docket. In addition to the tabbed and bound copy of the responses, you will find 2 flash drives, one of which contains all public responses and attachments in native format. The second flash drive contains the confidential attachments in native format and is to be filed under seal.

Some of the materials provided are marked as confidential and Piedmont respectfully requests that the Tennessee Public Utility Commission treat those materials in a manner consistent with that designation.

Thank you for your assistance with this matter. If you have any questions about this filing, you may reach me at the number shown above.

Sincerely,

/s/ James H. Jeffries IV
James H. Jeffries IV

JHJ/sko

Enclosures

cc: Paul Davidson
Consumer Advocate
Bruce Barkley
Pia Powers
Brian S. Heslin

Piedmont Natural Gas Company, Inc.
Petition to Adopt an Annual Review of Rates Mechanism
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1-1. Refer to the Direct Testimony of Pia Powers, p. 4:11-13. Ms. Powers states that one benefit of the ARM is to reduce the high costs to customers through base rate proceedings. With respect to this statement, provide the following:

a. Provide the final regulatory costs associated with Piedmont's most recent rate case before TPUC and identify the annual amortization recorded in 2021 associated with the case.

b. Identify that portion of 2021 regulatory costs assigned to the residential class and further identify the 2021 regulatory costs incurred per residential customer.

c. Is Piedmont willing to make a commitment that its regulatory costs associated with the ARM docket will be less than that incurred under the traditional ratemaking process? If so, identify the nature of that commitment.

Response:

a. Actual rate case expenses incurred in the most recent rate case before the TPUC were $664,151. No amortization of these costs have been or will be recorded in 2021.

b. The Company plans to soon file for approval of a rider rate to recover these costs over a three-year period. As will be shown in this forthcoming filing, 59.39% of the cost is allocated to the residential customers. This amounts to approximately $0.75 annually per residential customer, or a total of $2.25 per residential customer over a three-year rider period.

c. Piedmont believes the ARM process is more cost effective from the perspective of lower costs for external parties than is required in general rate cases. Piedmont commits to actively monitor the cost of external regulatory expertise and to manage such spending to an optimal level.

Name and title of responsible person:

a. Quynh Bowman, Director – Gas Rates and Regulatory Strategy
b. Quynh Bowman, Director – Gas Rates and Regulatory Strategy
c. Pia Powers, Managing Director – Gas Rates & Regulatory

Name and title of preparer:

a. Ellen Digh, Lead Rates & Regulatory Strategy Analyst
b. Ellen Digh, Lead Rates & Regulatory Strategy Analyst
c. Pia Powers, Managing Director – Gas Rates & Regulatory

Response provided by Piedmont Natural Gas Company, Inc. on December 3, 2021.

1-2. Identify all cost efficiencies implemented by (a) Piedmont and (b) related entities whose costs are allocated to Piedmont, since January 2020. For each identified (i) efficiency, (ii) indicate the annual cost savings and (iii) provide a comprehensive summary of the nature of the efficiency.

Response: Piedmont strives to transform its business practices to provide a sustainable approach to containing O&M costs as the Company continues to add new customers and as the business environment changes. The initiatives included below are examples of how Piedmont has focused on automating and transforming business processes. Generally, there have been no labor force reductions as a result of these initiatives. The cost savings may represent an avoided cost of additional resources. The costs savings stated for each initiative are provided on a total Company basis.

The following is a list of initiatives that have been implemented by the Company since January 2020 that have resulted in savings of incremental costs.

1) Beacon Application for Compliance Work - Process improvement and a technology solution was implemented for above ground compliance work including aligning inspection schedules for leak survey and atmospheric corrosion inspections to optimize truck rolls to customer premises. Follow on paint orders were also digitized/automated resulting in additional time savings for processing orders digitally with minimal back-office work. The estimated annual cost savings is $2 million.

2) Robotic Process Automation - A series of software technology "robots" (approximately 10) were developed to automate/emulate repetitive back office human tasks that include the following:

new customer order creation; tenant change order assignment; technician home location assignment; and data transfers to vendors. This automation eliminated low value back-office work that was able to create capacity for the business to re-deploy resources to work on other high-value or revenue producing work. The estimated annual cost savings is $400,000.

3) Iris/SOS Product-Outage Automation - A web & mobile solution were developed to automate what was a manual and labor-intensive process to manage and restore customers in the event of a natural gas outage. This technology solution automated the creation of outage orders to enable immediate field response and mobile outage management that reduced back-office work, provided customers with immediate notification of an outage, and reduced overall time to restore natural gas service. The estimated annual cost savings is $100,000.

Name and title of responsible person: Jeremy Koster, VP – Natural Gas Strategic Operations

Name and title of preparer: Lauren Crowe, Director – Gas Business Transformation & Improvement

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1-3. Refer to the Direct Testimony of Pia Powers, pp. 3:11 – 14:2. Ms. Powers explains that Piedmont's proposal differs from CGC and Atmos in that the Company is proposing to collect or refund amounts through a separate and distinct rate component. With respect to this proposal, provide the following:

a. Will this distinct rate component be reflected on customer bills?

b. Provide a detailed response supporting the need for a separate rate component.

Response:

a. The ARM Rider Rate will be a component of the approved per therm billing rate and will be reflected in the amount due and shown on customers' monthly bills. Piedmont's billing system does not provide for customer bills to be rendered displaying individual line itemization of each component of the approved per therm billing rate.

b. Piedmont proposed this approach in order to provide more transparency, ease and precision in its monthly accounting, reconciliation and reporting of the collections from or refunds to customers of each approved HBP Revenue Requirement Deficiency or Sufficiency.

Name and title of responsible person: Pia Powers, Managing Director – Gas Rates & Regulatory

Name and title of preparer: Kally Couzens, Manager – Rates & Regulatory Strategy

Response provided by Piedmont Natural Gas Company, Inc. on December 3, 2021.

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1-4. Provide a comprehensive explanation identifying the incentives Piedmont has to control costs (both O&M and capital expenditures) under its proposed ARM mechanism.

Response: Piedmont's incentive to control costs is in no way diminished by operating under an ARM compared to operating under traditional ratemaking. The costs the Company incurs has and always will impact Piedmont's customers and the communities in which Piedmont serves and supports. Piedmont's cost control remains an incentive to avoid losing the opportunity to provide service to new customers due to alternative energy sources (electricity, propane, etc.) as well as to avoid losing existing customers due to such alternative energy choices. Furthermore, every cost underlying ratemaking under the ARM mechanism remains subject to ongoing prudency review.

Name and title of responsible person: Pia Powers, Managing Director – Gas Rates and Regulatory

Name and title of preparer: Pia Powers, Managing Director – Gas Rates and Regulatory

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1-5. Regarding the Company's 2021 capital expenditures, provide the following:

a. Provide the final 2021 capital expenditure budget and identify the date such budget was finalized.

b. Provide the year-to-date actual capital expenditures in the same categories as contained in the budget based upon the most recent data available.

Response:

a. See the CONFIDENTIAL attachment 1 herein reflecting the Tennessee capital construction projects for FY2021.

b. See attachment 2 herein.

Name and title of responsible person: John Robson, Director – Gas Distribution Finance

Name and title of preparer: Kally Couzens, Manager – Rates & Regulatory Strategy

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CONFIDENTIAL 1-5 Attachment 1 of 2:

Confidential Attachment Filed Under Seal

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1-5 Attachment 2 of 2:

Attachment Provided on USB

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1-6. Refer to the Direct Testimony of Pia Powers, pp. 16:1 – 22:2. Provide a comprehensive explanation differentiating the Historic Base Period ("HBP") reconciliation with the proposal to create a regulatory asset to track carrying costs and depreciation expense associated with assets. Describe how the Company's proposal will not create a double count of revenue deficiency between the HBP results and the process of deferring interest and depreciation expense.

Response: The computation of the amounts to defer to the ARM Regulatory Asset avoids such double counting by virtue of the fact that the basis of such interest and depreciation expense deferrals to the ARM Regulatory Asset each month is plant in service assets that has not yet been included in base rates in effect during in those months.

Two other specific elements of the HBP reconciliation process also ensure that no such double counting occurs under Piedmont's proposed ARM. The first element, as indicated in Section II.33. of Exhibit PKP-1, is the fact that the interest deferrals are to be excluded from the balance of the ARM Regulatory Asset represented in rate base for the HBP Reconciliation. The second element, as emphasized in Section II.20. of Exhibit PKP-1, is the fact that the actual deprecation expense used in the HBP reconciliation will include the credits recorded during the HBP related to Depreciation Expense Deferrals. As noted in the Company's response to Item 7 of this data request, a journal entry will occur each month to reclass such depreciation expense from account 403 Depreciation Expense to the ARM Regulatory Asset account. This journal entry each month is a credit entry to account 403 Depreciation Expense and a debit entry to the ARM Regulatory Asset.

Name and title of responsible person: Pia Powers, Managing Director – Gas Rates & Regulatory

Name and title of preparer: Pia Powers, Managing Director – Gas Rates & Regulatory

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1-7. Refer to the Direct Testimony of Pia Powers, pp. 16:1 – 22:2. With respect to the Company's deferred asset proposal, confirm that depreciation on newly completed plant in service beginning in January 2022 will not be charged to depreciation expense and instead will be recorded to a regulatory asset.

Response: Correct. This will be accomplished each month by recording a journal entry to reclass such depreciation expense from account 403 Depreciation Expense to the ARM Regulatory Asset account.

Name and title of responsible person: Pia Powers, Managing Director – Gas Rates & Regulatory

Name and title of preparer: Pia Powers, Managing Director – Gas Rates & Regulatory

Response provided by Piedmont Natural Gas Company, Inc. on December 3, 2021.

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1-8. Refer to the Direct Testimony of Pia Powers, pp. 16:1 – 22:2. With respect to the Company's deferred asset proposal, confirm that there will be no regulatory asset included in the Company's March 2022 filing since the Company has been generating a return on all forecasted 2021 investment due to the existing base rates being determined using a forecasted test period. If this is not the Company's position, provide a comprehensive explanation supporting the need for a 2021 regulatory asset given the forward-looking manner in which Piedmont's existing base rates were established.

Response: Confirmed. Note, however, that the Company's initial ARM filing is a May 2022 filing, not a "March 2022 filing" as stated in the Consumer Advocate's discovery request above.

Name and title of responsible person: Pia Powers, Managing Director – Gas Rates & Regulatory

Name and title of preparer: Laura Hager, Rates & Regulatory Strategy Manager

Response provided by Piedmont Natural Gas Company, Inc. on December 3, 2021.

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1-9. Provide an estimate of the average residential customers' (a) 2021 total billed cost for natural gas service and (b) 2022 based upon the Company's estimate of gas costs applicable to 2022 service. For purposes of this estimate, ignore the implications of the proposed 2022 ARM filing. Identify gas cost assumptions incorporated in this response on a per MCF basis.

Response: See the attachment herein. The billing rates and customer usage reflected in the attachment herein are on a per therm basis, which is consistent with the Piedmont's approved tariff.

Name and title of responsible person: Kally Couzens, Manager – Rates & Regulatory Strategy

Name and title of preparer: Paul Mosley, Rates & Regulatory Strategy Analyst

Response provided by Piedmont Natural Gas Company, Inc. on December 3, 2021.

1-9 Attachment:

Attachment Provided on USB

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1-10. Confirm that the deferral of interest and depreciation expense on plant placed in service beginning in January 2023 would be identified in a separate deferred asset account from that used to track deferrals on plant placed in service during the period January 2022 through December 2022. If this is not confirmed, indicate the extent which the Company believes it necessary to track deferrals separately for each years' plant in service.

Response: Confirmed.

Name and title of responsible person: Quynh Bowman, Director – Gas Rates & Regulatory Strategy

Name and title of preparer: Laura Hager, Rates & Regulatory Strategy Manager

Response provided by Piedmont Natural Gas Company, Inc. on December 3, 2021.

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1-11. Confirm that the deferral of interest and depreciation expense on plant placed in service beginning in January 2023 would not be recovered in retail rates until October 2024. If this is not confirmed, identify when such deferrals on plant placed in service in January 2023 would be collected from ratepayers?

Response: Confirmed.

Name and title of responsible person: Quynh Bowman, Director – Gas Rates & Regulatory Strategy

Name and title of preparer: Laura Hager, Rates & Regulatory Strategy Manager

Response provided by Piedmont Natural Gas Company, Inc. on December 3, 2021.

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1-12. Refer to the Direct Testimony of Pia Powers, p. 17:5-8. Respond to the following:

a. Provide all available evidence supporting the conclusion that the first annual ARM filing is not anticipated to be substantially different than current base rates.

b. Provide a comprehensive discussion indicating whether the statement in testimony needs modification when considering the proposed prospective adjustments to base rates.

Response:

a. See attachment herein.
b. No change to the referenced statement in Piedmont witness Powers' testimony is warranted at this time.

Name and title of responsible person: Laura Hager, Rates & Regulatory Strategy Manager

Name and title of preparer: Pia Powers, Managing Director – Gas Rates & Regulatory

Response provided by Piedmont Natural Gas Company, Inc. on December 3, 2021.

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1-12a. Attachment:

Attachment Provided on USB

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1-13. Provide a comprehensive explanation of the impact on the Company's accounting for Accumulated Deferred Income Taxes ("ADIT") resulting from the proposed accounting deferrals. Address how such deferrals will be reflected within book income versus taxable income and the resulting accounting entries to either the ADIT liability or asset.

Response: The proposed accounting deferral will be reflected in book income. The related impact to ADIT will be analyzed each month as part of the normal tax accounting process that determines the appropriate level of ADIT to be recorded on the Company's books.

Name and title of responsible person: Quynh Bowman, Director – Gas Rates & Regulatory Strategy

Name and title of preparer: Laura Hager, Rates & Regulatory Strategy Manager

Response provided by Piedmont Natural Gas Company, Inc. on December 3, 2021.

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1-14. If the Company's ARM is approved per the Company's request, identify all limitations the Company believes would apply to the Consumer Advocate's review in the following areas:

a. Determination whether O&M costs incurred in the provision of service are just and reasonable;

b. Inclusion of new capital expenditures in Rate Base;

c. Identification of appropriate revenues to include in the revenue requirement;

d. Review of reasonableness of corporate cost allocations;

e. Review of accuracy of assignment of corporate cost allocations;

f. Review of whether specific corporate costs are necessary in the provision of service to Tennessee customers;

g. Evaluation of any change in accounting method implemented by either Piedmont or its affiliate(s) who charge costs to Piedmont;

h. Identification of any cost that has traditionally been disallowed by the Commission but was not identified in TPUC Docket 20-00086; and

i. Issues involving the appropriate ratemaking treatment associated with Home Serve margins.

Response: Piedmont believes that the ARM would not entail any such scope limitations to the Consumer Advocate.

Name and title of responsible person: Pia Powers, Managing Director – Gas Rates & Regulatory

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Name and title of preparer: Pia Powers, Managing Director – Gas Rates & Regulatory

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1-15. Refer to Rebuttal Testimony of Quynh Bowman, p. 4:3-17, TPUC Docket No. 20-00086. Provide a comprehensive discussion of the ramifications on the annual HBP calculation resulting from the Company's acceptance of Consumer Advocate's adjustments in TPUC Docket No. 20-00086 related to severance costs, employee transition costs, out of period costs, and costs improperly assigned to Tennessee.

Response: The Company's annual ARM filing will include and identify ratemaking adjustments to remove any per book costs improperly assigned to Piedmont's Tennessee jurisdiction from the operation of the HBP Reconciliation and Annual Base Rate Reset.

Refer to Direct Testimony of David N Dittemore at page 22, Lines 1-7 and Lines 20-26 in Docket No. 20-00086. Therein, the reason Consumer Advocate witness Dittemore cites for the removal of severance costs and employee transition costs was because these charges were considered non-recurring. A ratemaking adjustment to remove a historic test period non-recurring expense may be found appropriate during a general rate case proceeding, where the goal is to establish rates at the going level or attrition period projected level. However, with an annual mechanism such as the ARM, the removal of prudently incurred yet potentially non-recurring expense is unnecessary and in fact contrary to the purpose of the ARM. The same rationale applies to out of period costs.

Name and title of responsible person: Pia Powers, Managing Director – Gas Rates & Regulatory

Name and title of preparer: Pia Powers, Managing Director – Gas Rates & Regulatory

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1-16. Is it Company's position that the Consumer Advocate is limited to adjusting HBP data to those items incorporated in the Stipulation and Settlement Agreement in TPUC Docket No. 20-00086? If so, provide any available evidence the Company has discovered within its review of the Atmos and CGC ARM dockets that supports this position.

Response: The Consumer Advocate's rights are not limited to making any proposals it may choose to make in a future Piedmont annual ARM proceeding.

Name and title of responsible person: Pia Powers, Managing Director – Gas Rates & Regulatory

Name and title of preparer: Pia Powers, Managing Director – Gas Rates & Regulatory

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1-17. Does the Company object as a general proposition to the provision of performance metrics in its annual filing? If so, does the Company acknowledge this is a distinction between the Company's ARM filing and that of Atmos and CGC?

Response: No. Piedmont provides performance metrics as part of its annual IMR report that is prepared and filed pursuant to the IMR Tariff. The Consumer Advocate is also provided a copy of each of these annual IMR report filings. Since the IMR Tariff will be terminated concurrent with the implementation of the ARM Tariff, the Company commits to continuing its provision of the performance metrics as part of its annual ARM filing.

Name and title of responsible person: Pia Powers, Managing Director – Gas Rates and Regulatory

Name and title of preparer: Pia Powers, Managing Director – Gas Rates and Regulatory

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1-18. Should the Commission consider the overall affordability of an average customer's bill in its evaluation of the annual ARM filing? If not, reconcile this position with the requirement that customer rates must be just and reasonable.

Response: The Commission is empowered to fix just and reasonable rates charged by a public utility under longstanding principles of ratemaking. In no way does the ARM, which has already been expressly authorized by the General Assembly, undermine the Commission's authority to determine just and reasonable rates, nor does it change the principles applicable to such determinations. Instead, the ARM is simply an alternative mechanism to traditional ratemaking for the establishment of just and reasonable rates.

Name and title of responsible person: Pia Powers, Managing Director – Gas Rates & Regulatory

Name and title of preparer: Pia Powers, Managing Director – Gas Rates & Regulatory

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1-19. Provide a comprehensive discussion of the impact on Regulatory Department costs allocated to Piedmont's Tennessee operations if the Commission adopts an annual ARM filing for the Company contrasted with the estimate of such costs absent an ARM filing and assuming a traditional base rate case filing every three years.

Response: Operation of the ARM is not expected to have any impact to the labor and non-labor expenses incurred by Piedmont's Regulatory Department in total nor that allocated to Piedmont's Tennessee operations.

Name and title of responsible person: Pia Powers, Managing Director – Gas Rates & Regulatory

Name and title of preparer: Pia Powers, Managing Director – Gas Rates & Regulatory

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1-20. Identify the annual Regulatory Department costs assigned (either allocated or direct charged) to Piedmont's Tennessee operations by year for the period 2016 – 2020.

Response: See CONFIDENTIAL attachment herein.

Name and title of responsible person: Quynh Bowman, Director – Gas Rates & Regulatory Strategy

Name and title of preparer: Laura Hager, Rates & Regulatory Strategy Manager

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CONFIDENTIAL 1-20 Attachment:

Confidential Attachment Filed Under Seal

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1-21. Confirm that it is not the intent of Piedmont to double count any regulatory lag costs within its proposed model and if it is later determined that such a double count exists either in this or subsequent dockets, it would not object to elimination of any such double counting of costs.

Response: Confirmed.

Name and title of responsible person: Pia Powers, Managing Director – Gas Rates & Regulatory

Name and title of preparer: Pia Powers, Managing Director – Gas Rates & Regulatory

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1-22. Confirm Piedmont's intent to make monthly recordings to its ADIT balance such that the account balances are synchronized with the related balances of plant in service and depreciation expense (inclusive of deferred depreciation expense). If this is not the case, provide a comprehensive discussion of the Company's proposal to reflect balances of ADIT within its ARM filing.

Response: Confirmed.

Name and title of responsible person: Pia Powers, Managing Director – Gas Rates & Regulatory

Name and title of preparer: Pia Powers, Managing Director – Gas Rates & Regulatory

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1-23. Provide a comprehensive discussion of how the Company intends to incorporate any applicable Net Operating Losses within the ARM filing given that such balances likely won't be known until well after ARM filing is made based upon the HBP.

Response: Net operating losses are as reflected on the Company's books and will carry through to the ARM computations properly since it relies upon historic actuals instead of projections.

Name and title of responsible person: Pia Powers, Managing Director – Gas Rates & Regulatory

Name and title of preparer: Pia Powers, Managing Director – Gas Rates & Regulatory

Response provided by Piedmont Natural Gas Company, Inc. on December 3, 2021.

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1-24. Provide the annual Provision to Return accounting entries recorded which true-up the actual tax return results with the estimates of those results for the periods 2016 through 2020 and identify the date such entries were made.

Response: See attachment herein.

Name and title of responsible person: John Panizza, Director – Tax Operations

Name and title of preparer: Chris Nelson, Tax Manager; Brian Neiheisel, Senior Tax Manager

Response provided by Piedmont Natural Gas Company, Inc. on December 3, 2021.

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1-24 Attachment:

Attachment Provided on USB

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1-25. Refer to the Direct Testimony of Pia Powers, p. 28:12-22. Ms. Powers discusses the removal of operating revenues to remove the effect of unbilled revenue accounting entries. With respect to this statement respond to the following:

a. Confirm that unbilled revenues are essentially accrued revenues that have been earned but for which cash has yet to be received.

b. Confirm that the Company will seek recovery in its HBP costs, accrued expenses representing expenses that have been incurred, but not yet paid.

c. If parts a and b are confirmed, provide a comprehensive explanation supporting the recovery of accrued expenses in the HBP, but eliminating the recognition of accrued revenue.

Response:

a. Incorrect. Unbilled revenues actually represent revenues that have been earned but not yet billed to the customer. Unbilled revenues recorded during the HBP will be excluded from the HBP Reconciliation and Annual Base Rate Reset.
b. Confirmed. The HBP expenses will include accrued expenses which are expenses that have been incurred but not yet paid.
c. This methodology is wholly consistent with that employed and approved in Piedmont's rate case in Docket 20-00086.

Name and title of responsible person: Quynh Bowman, Director – Gas Rates & Regulatory Strategy

Name and title of preparer: Laura Hager, Rates & Regulatory Strategy Manager

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1-26. Refer to the Direct Testimony of Pia Powers, pp. 28:2-13. Ms. Powers discusses the appropriate measurement of revenues. Does the Company believe various miscellaneous revenues such as late payment fees should be recognized as revenue for purposes of determining the HBP revenue requirement?

Response: Yes. This is shown in Exhibit_(PKP-1), original page 5 of 15, where the Company is proposing that the Operating Revenues used for the computation of the HBP reconciliation include Forfeited Discount Revenues (late payment fees) that reflect such actual revenues related to 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. Some examples of Other Revenues that would be included in the HBP revenue requirement, in alignment with the terms of the proposed tariff shown in PKP-1 and consistent with the types of revenues reflected in the approved settlement from Docket No. 20-00086, are reconnection fee revenues, NSF fee revenues and revenues from rental of gas properties.

Name and title of responsible person: Kally Couzens, Manager – Rates & Regulatory Strategy

Name and title of preparer: Kally Couzens, Manager – Rates & Regulatory Strategy

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1-27. With respect to accrued expenses recorded on the Company's books as of December 31, 2020, provide the following:

a. Identify each accrual and provide a brief description for each item. Differentiate such accruals between those costs directly incurred by Piedmont contrasted with those accrued costs allocated to Piedmont.

b. For each item, identify the entry (with amounts) made a) in the early part of 2020 to reverse the 2019 accruals and b) the entry made in December 2020 to record end of the year accruals.

Response: See the CONFIDENTIAL attachment herein. The CONFIDENTIAL attachment herein provides the transaction level detail of accrual entries recorded in January and December of 2020. Column M on each tab provides a brief description for each accrual entry. The "Summary" tab provides the breakdown between entries direct charged to Tennessee and entries allocated to Piedmont's Tennessee Operations both from DEBS and from the Piedmont 3-state business unit. In addition, each entry has been identified as either a current month accrual entry or a prior month accrual reversal entry.

Name and title of responsible person: Quynh Bowman, Director – Gas Rates & Regulatory Strategy

Name and title of preparer: Laura Hager, Rates & Regulatory Strategy Manager

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CONFIDENTIAL 1-27 Attachment:

Confidential Attachment Filed Under Seal

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1-28. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-1), p. 1, Part I. Overview. Under the "Applicable" section, the ARM tariff would apply to customers provided under special contracts. Confirm that the Company's position is that special contract customers would receive pro-rata increases (or decreases) in the same fashion as similarly situated non-contract customers. If this is not confirmed, provide a comprehensive explanation of the meaning of the "Applicable" section of Part I.

Response: Confirmed. In the event that there are no customers served under a special contract at a future point in time, the Company finds it reasonable and appropriate to identify and explain this circumstance in its annual ARM filing and accordingly forgo allocating a pro-rata increase (or decrease) to the special contract class.

Name and title of responsible person: Kally Couzens, Manager – Rates & Regulatory Strategy

Name and title of preparer: Kally Couzens, Manager – Rates & Regulatory Strategy

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1-29. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-1), p. 1, Part I. Overview. Specifically, in the first paragraph of the section entitled "Purpose", identify all non-jurisdictional transactions covered under this section that the Company believes should be excluded from the ARM calculation.

Response: The phrase "other non-jurisdictional transactions" is a general, catch-all term intended to encompass any transaction identified by the Commission as inappropriate or unnecessary for establishing rates for Piedmont in Tennessee under the ARM. The types of transactions that would be non-jurisdictional for Piedmont's ARM are intended to be no different than those that would be non-jurisdictional in the context of ratemaking in a Piedmont general rate case before this Commission. Examples of such non-jurisdictional transactions include Piedmont's costs and revenues related to the provision of gas service to customers in other states, and costs and revenues for non-regulated services to Tennessee customers that are fully accounted for below-the-line.

Name and title of responsible person: Pia Powers, Managing Director – Gas Rates & Regulatory

Name and title of preparer: Pia Powers, Managing Director – Gas Rates & Regulatory

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1-30. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-1), p. 1, Part I. Overview. Specifically, in the first paragraph of the section entitled "Purpose", will the Company include expenses associated with gas supply hedging activities, off system sales, other gas supply and capacity secondary marketing activities and other non-jurisdictional transactions in the historic base period costs and recovered through the ARM mechanism? If so, provide a comprehensive explanation supporting the disparate treatment of revenues and expenses for these items.

Response: No. The referenced paragraph in Exhibit PKP-1 explicitly states that jurisdictional operating revenues and expenses 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 shall be excluded. Such exclusions are appropriate and wholly consistent with paragraph 14.p. of the approved settlement agreement in Docket No. 20-00086.

Name and title of responsible person: Kally Couzens, Manager – Rates & Regulatory Strategy

Name and title of preparer: Kally Couzens, Manager – Rates & Regulatory Strategy

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1-31. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-1), p. 2, Part I. Overview. Specifically, refer to the term "HBP Net Operating Income Deficiency (Sufficiency)" under the "Global Definitions" section. Is it the Company's position that its authorized return on equity is guaranteed with the ARM filing? If not, identify any scenarios in which the Company would not earn its authorized return.

Response: Tennessee Code Annotated Section 65-5-103(d) (6) expressly allows the ARM to enable "the public utility to make the adjustments to its tariff rates to provide that the public utility earns the authorized return on equity established in the public utility's most recent general rate case pursuant to §§ 65-5-101 and 65-5-103(a)."

Name and title of responsible person: Pia Powers, Managing Director – Gas Rates & Regulatory

Name and title of preparer: Pia Powers, Managing Director – Gas Rates & Regulatory

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1-32. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-1), p. 2, Part I. Overview. Specifically, refer to the terms "Carrying Costs" and "ARM Regulatory Asset" under the "Global Definitions" section. Confirm that plant placed in service during the HBP would impact both the Carrying Cost calculation as well as the balance of the ARM Regulatory Asset pursuant to the definitions of each contained in this Exhibit. If this is confirmed, provide the justification for calculation of a return on plant placed in service in both regulatory lag mechanisms. If this is not confirmed, provide a thorough explanation indicating how plant placed in service would accrue a return in both regulatory lag mechanisms.

Response: The Carrying Costs allows the utility to recover the cash flow lag associated with HBP Reconciliation, whereas the interest deferrals allow the utility to recovery return on investment that would otherwise be permanently lost.

Name and title of responsible person: Pia Powers, Managing Director – Gas Rates & Regulatory

Name and title of preparer: Pia Powers, Managing Director – Gas Rates & Regulatory

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1-33. Confirm that the filing made on November 5, 2021, seeks to recover any revenue requirement shortfall or return any excess, beginning on January 1, 2021, plus carrying charges. If this is confirmed, provide a comprehensive discussion why this request does not represent an example of retroactive ratemaking.

Response: Confirmed. Once approved, the ARM Tariff clearly set forth the formula for adjusting the deficiency or sufficiency and provides for annual reconciliation proceedings. Having an annual reconciliation process under an ARM has already been found by this Commission to be consistent with TCA 65-5-103(d)(6) and in the public interest.

Name and title of responsible person: Pia Powers, Managing Director – Gas Rates & Regulatory

Name and title of preparer: Pia Powers, Managing Director – Gas Rates & Regulatory

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1-34. Provide a comprehensive discussion of the process used by Piedmont to monitor its revenue deficiency/sufficiency throughout the year, including the frequency with which such monitoring occurs. Provide a copy of such internal reports based upon 2021 results.

Response: Piedmont does not have/has not used a specific process to monitor its Tennessee actual revenue deficiency/sufficiency throughout the year. The only such analysis performed for 2021, which was a one-time endeavor, is provided in the Company's response to Item 12 of this data request.

Name and title of responsible person: Pia Powers, Managing Director – Gas Rates & Regulatory

Name and title of preparer: Pia Powers, Managing Director – Gas Rates & Regulatory

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1-35. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-1), p, 3, Part I. Overview, Section "Global Definitions", Subsection M. ARM Regulatory Asset. Provide a specific definition of "incremental plant retirements" contained within the **Interest Deferrals** section.

Response: **"**Incremental plant retirements" refers to the activity recorded monthly to Piedmont's general ledger system to remove plant assets from plant utility accounts that have been taken out of service. A retirement entry would generally reduce the utility plant in service balance.

Name and title of responsible person: Quynh Bowman, Director - Gas Rates & Regulatory Strategy

Name and title of preparer: Laura Hager Rates & Regulatory Strategy Manager

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1-36. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-1), p. 3, Part I. Overview, Section "Global Definitions", Subsection P. New Matters. Identify the issues for which the Company believes there has been an explicit determination by the Commission in the 2020 rate case settlement, given the use of the forward-looking test period as opposed to the HBP in this TPUC Docket No. 21-00135.

Response: See page 7 of the Commission's May 6, 2021 Order in Docket No. 20-00086 where the Commission states "[a]dditionally, the Hearing Panel found that should the Company petition for an alternative regulatory mechanism, including annual rate review, the forward-looking methodologies adopted in the Settlement Agreement shall be reviewed for appropriateness in determining service rates pursuant to such an annual rate-setting mechanism."

Name and title of responsible person: Pia Powers, Managing Director – Gas Rates & Regulatory

Name and title of preparer: Pia Powers, Managing Director – Gas Rates & Regulatory

Response provided by Piedmont Natural Gas Company, Inc. on December 3, 2021.

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1-37. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-1), p. 5, Part II. HBP Reconciliation, Section "Operating Revenues". Provide the following:

a. Provide a listing of all revenue accounts (account number and title) proposed to be included as operating revenues.

b. Provide a listing of all revenue accounts (account number and title) proposed to be excluded within the definition of operating revenue.

Response: The HBP actual Gas Sales and Transportation Revenues shall reflect actual revenues from 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) billed for service provided to customers pursuant to the Company's TPUC-approved rates and charges (including special contracts). The Gas Sales and Transportation Revenues reflecting Base Margin Revenues and Base PGA (Purchased Gas Adjustment) Revenues will be reflected on the ARM Revenue Schedule 21 – Historic Base Period Revenue Components by Rate Schedule and Special Contract.

The Gas Sales and Transportation revenues on Piedmont's income statement reflect revenues from the Company's total billing rates inclusive of Base Rates, rider rates and all other non-base rates. The GL Accounts reflecting these total revenues are as follows:

0480000 – Residential Sales

0481000 – Industrial Sales

0481200 – Gas Commercial Sales

0489000 – Trans Gas of Others

0489030 – Indust Gas Transp Only

0483011 – Sales of Gas For Resale

The HBP actual revenues for Forfeited Discount Revenues, which are to be included in Operating Revenues, are reflected in GL Account 0487001 – Discounts Earn/Lost.

The HBP actual revenues for Other Revenues, which are to be included in Operating Revenues, are reflected in GL Accounts 0488000 – Miscellaneous Service Revenue and 0493000 – Rent From Gas Properties.

The revenues related to off system sales, other gas supply and capacity secondary marketing activities, and customer cash-out activities, which are to be excluded from HBP Other Revenues, are reflected in GL Accounts 0495024 – Secondary Marketing Sales, 0495022 – Com Sales to Transport Cust, and 0495023 – Ind Sales to Transport Cust.

Name and title of responsible person: Kally Couzens, Manager – Rates & Regulatory Strategy

Name and title of preparer: Kally Couzens, Manager – Rates & Regulatory Strategy

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1-38. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-1), p, 5, Part II. HBP Reconciliation, Section "Operating Expenses", Subsection 5) Purchased Gas Expenses [Cost of Gas]. Confirm the Company's position that Purchased Gas Expenses will exactly offset the PGA portion of Gas Sales and Transportation Revenues such that no margin from purchased gas revenue and purchased gas expenses will be reflected in the HBP.

Response: Confirmed.

Name and title of responsible person: Quynh Bowman, Director – Gas Rates & Regulatory Strategy

Name and title of preparer: Laura Hager, Rates & Regulatory Strategy Manager

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1-39. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-1), p. 5, Part II. HBP Reconciliation, Section "Operating Expenses", Subsection 6) Other Purchased Gas Expenses. Identify the account number and names of Other Purchased Gas Expenses that are proposed to be included in the HBP. Provide a brief description of each account.

Response: Purchased Gas Expenses includes account 0735000 - Gas Miscellaneous Production Expense and account 0807000 - Gas Purchased Expenses. The definitions of these accounts according to FERC are as follows:

- 0735000: This account shall include the cost of labor, materials used, and expenses incurred in manufacturing gas production operations not included in any other accounts.
- 0807000: This account shall include expenses incurred directly in connection with the purchase of gas for resale. The utility shall not include as purchased gas expense, segregated, or apportioned expenses of operating and maintaining gathering system plant whether such plant is devoted solely or partially to purchases of gas, except that the utility shall include the cost of turning on and off purchase gas wells and operating measuring stations devoted exclusively to measuring purchased gas. In general, it is intended that this account include only the expenses directly related to purchased gas, including the expenses of computing volumes of gas purchased, and special items directly related to gas purchases which are not includible in other accounts.

Name and title of responsible person: Quynh Bowman, Director – Gas Rates & Regulatory Strategy

Name and title of preparer: Laura Hager, Rates & Regulatory Strategy Manager

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1-40. Is it the Company's position that the method of identifying lobbying expenses is completely resolved in TPUC Docket No. 20-0086? If so, provide a description of how the Company will identify such costs.

Response: As mentioned throughout Exhibit PKP-1, the Company shall remove any and all lobbying expenses from the HBP and the Annual Base Rate Reset. Because the Company's proposed ARM relies upon actual historic costs rather than projected attrition period costs, excluding lobbying expenses under the ARM is straightforward because it simply involves excluding actual amounts charged to the books during the HBP. It is known and traceable which employees in the Company perform lobbying functions and how their time and expenses are recorded to the general ledger and ultimately reflected in the costs for Piedmont's Tennessee operations. The same applies to costs incurred by the Company that are associated with external lobbying (lobbying performed by non-employees) on behalf of the Company. Therefore, lobbying expenses can be reliably excluded from ratemaking under the ARM even in the event that lobbying expenses in the future are recorded to the Company's general ledger in different accounts than that reflected in the test period and attrition period of Docket No. 20-00086.

Name and title of responsible person: Quynh Bowman, Director – Gas Rates & Regulatory Strategy

Name and title of preparer: Laura Hager, Rates & Regulatory Strategy Manager

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1-41. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-1), p. 5, II. HBP Reconciliation, Section "Operating Expenses", Subsection 9) Employee Salaries and Wages Expense. Is it the Company's position that employee bonuses fall under the definition of Employee Salaries and Wages Expense?

Response: No. Employee bonuses are categorized under incentive compensation, not under salaries and wages. Employee bonuses that are expensed would be addressed in subsection 10 (Employee Incentive Compensation Expenses) rather than being addressed in subsection 9 (Employee Salaries & Wages Expenses).

Name and title of responsible person: Quynh Bowman, Director – Gas Rates & Regulatory Strategy

Name and title of preparer: Laura Hager, Rates & Regulatory Strategy Manager

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1-42. Provide a comprehensive discussion of any modifications taken by either Piedmont or Duke Energy Business Services to improve the accuracy of cost allocations of Administrative and General costs recorded on the books of Piedmont since January 2021.

Response: No modifications have been implemented since January 2021.

Name and title of responsible person: Jeff Setser, Director – Allocations & Reporting

Name and title of preparer: Jeff Setser, Director – Allocations & Reporting

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1-43. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-1), p. 6, Part II. HBP Reconciliation, Section "Operating Expenses", Subsection 12) Amortization Expenses for Deferred Environmental Costs. Provide a comprehensive explanation of the Company's request related to recognition of Environmental costs. Within this response provide any support for the Company's position contained within the Stipulation and Settlement Agreement.

Response: Pursuant to paragraph 14.p. of the approved settlement agreement in Docket No. 20-00086, the Company is currently amortizing $135,604 annually for deferred environmental expenses. The Company proposed this amount, which reflects a 3-year amortization of the unamortized deferred environmental balance of $402,812, in the Direct Testimony of Piedmont witness Bowman as part of adjustment 5B to support the Company's attrition period O&M expense amount. This matter was explicitly discussed on pages 18-19 of witness Bowman's Direct Testimony, and the proposed $135,604 annual amortization expense for deferred environmental carried through to witness Bowman's Rebuttal Testimony without modification.

The $135,604 of deferred environmental expense amortization in 2021 will be reflected in the HBP reconciliation in Piedmont's first annual ARM filing, where the HBP is CY 2021. It will also be reflected in the HBP reconciliation of the two subsequent annual ARM filings.

Should the Company defer additional environmental costs, the Company will propose to recover those additional deferrals as part of the annual base rate reset in a future annual ARM filing. This is explained in Section III.12. of Exhibit PKP-1. Such future annual ARM filings proposing recovery of incremental deferred environmental costs under the base rate reset will accordingly include an explanation of the nature and extent of incremental deferred environmental expenses. Once incremental deferred environmental costs are approved by the Commission under an annual ARM filing as part of the annual base rate reset, they would then be reflected in the HBP reconciliation process of the subsequent annual ARM filing.

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Name and title of responsible person: Quynh Bowman, Director – Gas Rates & Regulatory Strategy

Name and title of preparer: Laura Hager, Rates & Regulatory Strategy Manager

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1-44. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-1), p. 6, Part II. HBP Reconciliation, Section "Operating Expenses", Subsection 13) Amortization Expenses for Deferred pension costs. Confirm that the Company is limiting its request for this item to the annual amortization of the $11,862,981 as set forth in the Stipulation and Agreement in TPUC Docket No. 20-00086. If this is not confirmed, provide a comprehensive explanation identifying the precise nature of costs for which the Company is requesting recovery.

Response: The annual pension amortization expense of $1,482,873, which is aligned with the terms of paragraph 14.i. of the Stipulation and Agreement in TPUC Docket No. 20-0086, will be reflected in the HBP reconciliation for the first annual ARM filing, where the HBP is CY 2021, and also the following seven annual ARM filings.

Should the Company make and defer additional cash contributions to the pension plan, the Company will propose to recover those additional contributions as part of the annual base rate reset in a future annual ARM filing. This is explained in Section III.13. of Exhibit PKP-1. Such future annual ARM filings proposing recovery of incremental pension contributions under the base rate reset will accordingly include 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. Once incremental deferred pension amounts are approved by the Commission under an annual ARM filing as part of the annual base rate reset, they would then be reflected in the HBP reconciliation process of the subsequent annual ARM filing.

Name and title of responsible person: Quynh Bowman, Director – Gas Rates & Regulatory Strategy

Name and title of preparer: Laura Hager, Rates & Regulatory Strategy Manager

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1-45. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-1), p. 6, Part II. HBP Reconciliation, Section "Operating Expenses", Subsection 14) Other Pension Expenses. Respond to the following:

a. Is the Company's position that such costs will be based upon cash contributions to its pension plan(s)? If not, provide a comprehensive explanation supporting what other types of Pension costs would be included in the HBP.

b. Is the Company proposing any limitation on the eligibility of cash contributions that are included in the HBP costs?

Response:

a. No. Other Pension Expenses do not encompass the Company's pension cash contributions. Other Pension Expenses, which will be detailed on Schedule 36, will represent the expenses to administer the Company's pension plans including administration outsourcing expenses, trustee expenses, consulting expenses, audit expenses and PBGC premiums.
b. No. The pension-related expenses in the HBP reconciliation will encompass the Other Pension Expenses described above, as well as the annual pension amortization expenses as previously authorized by the TPUC. For example, for the first HBP reconciliation, where the HBP will be CY 2021, the amount of annual pension amortization expense shall be equivalent to the annual amount as computed by the terms of paragraph 14.i. of the approved Stipulation and Agreement in Docket No. 20-00086.

Name and title of responsible person: Quynh Bowman, Director – Gas Rates & Regulatory Strategy

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Name and title of preparer: Laura Hager, Rates & Regulatory Strategy Manager

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1-46. Provide a comprehensive explanation of the Company's position with respect to inclusion in Rate Base of capitalized incentive compensation costs. Confirm that going forward, only fifty percent of capitalized Short Term Incentive Plan ("STIP") costs will be included in Rate Base.

Response: Confirmed.

Name and title of responsible person: Quynh Bowman, Director – Gas Rates & Regulatory Strategy

Name and title of preparer: Laura Hager, Rates & Regulatory Strategy Manager

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1-47. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-1), p. 8, Part III. Annual Base Rate Reset, Section "Operating Revenues, Subsection 1) Gas Sales and Transportation Revenues. Describe how Gas Sales and Transportation Revenues will be determined. Confirm that the actual heating degree days used will be based upon temperatures during each calendar month. Also, confirm that the actual usage by rate schedule each month is proposed to be based upon billed usage in that month and will not include any accruals to match the monthly usage levels with an estimate of what was actually sold within that month. If either of these statements are not confirmed, provide a comprehensive explanation of how the heating degree days used within the weather normalization calculation are matched with usage during the calendar period.

Response: The actual heating degree days used for regression analysis will consist of monthly bill cycle heating degree days. That is, the actual daily heating degree days for a bill cycle month will be calculated by summing up the daily heating degree days from the 16th day of the prior month to the 15th day of the bill cycle month. These bill cycle heating degree days will align with actual billed usage for the bill cycle month, which does not include any accruals for unbilled usage to estimate what was sold during the calendar month. The regression analysis methodology proposed for the Annual Base Rate Reset is consistent with the approved methodology underlying the revenue requirement from the approved Stipulation and Agreement in Docket No. 20-00086.

Name and title of responsible person: Kally Couzens, Manager – Rates & Regulatory Strategy

Name and title of preparer: Kally Couzens, Manager – Rates & Regulatory Strategy

Response provided by Piedmont Natural Gas Company, Inc. on December 3, 2021.

Piedmont Natural Gas Company, Inc.
Petition to Adopt an Annual Review of Rates Mechanism
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1-48. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-1), p. 9, Part III. Annual Base Rate Reset, Section "Operating Revenues, Subsection 1) Gas Sales and Transportation Revenues, Item b. Confirm the Company does not intend to weather normalize usage under Rate Schedules 303, 304, 310, 313, 314 and 343. If this is confirmed, provide the rationale for not weather normalizing each rate schedule other than 343.

Response: Confirmed. This is consistent with the approved methodologies underlying the revenue requirement computation from the approved Stipulation and Agreement in Docket No. 20-00086. Specifically, this is consistent with Paragraph 14.p. of the approved Stipulation and Agreement, and as further indicated by the fact that the attrition period usage shown in Stipulation and Agreement Exhibit D for these rate schedules is identical to that shown in Piedmont witness Couzens' Rebuttal Exhibit KAC-2. Piedmont witness Couzens' Rebuttal Testimony (at pp. 13-14) explains the rationale for not weather normalizing the usage for these rate schedules and Rebuttal Exhibit KAC-2 clearly indicates a zero normalization adjustment for these rate schedules.

Name and title of responsible person: Kally Couzens, Manager – Rates & Regulatory Strategy

Name and title of preparer: Kally Couzens, Manager – Rates & Regulatory Strategy

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1-49. Refer to the Direct Testimony of Pia Powers, Exhibit (PKP-2)_Final.xlsx. Provide an example incorporating recent financial information to demonstrate the source, schedules, and underlying calculations making up the Company's Annual Review Mechanism filings. Provide the response in Excel format with formulas intact.

Response: See attachment herein for an example of Rate Base Schedule 15 - Construction Work in Progress End of Month Balances, calculation of 13-month average balance using actual financial data as of August 31, 2021.

Name and title of responsible person: Quynh Bowman, Director – Gas Rates & Regulatory Strategy

Name and title of preparer: Laura Hager Rates, & Regulatory Strategy Manager

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1-49 Attachment:

Attachment Provided on USB

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1-50. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-1), p. 13, Part IV. ARM Filing Schedules, Rate Base Schedule 13 Utility Plant in Service ("UPIS"). Will this schedule split out allocated UPIS included within the lead schedule 2?

Response: Yes.

Name and title of responsible person: Quynh Bowman, Director – Gas Rates & Regulatory Strategy

Name and title of preparer: Laura Hager, Rates & Regulatory Strategy Manager

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1-51. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-1), p. 13, Part IV. ARM Filing Schedules, Rate Base Schedule 14 Depreciation Expense. Will this schedule split out allocated Depreciation Expense included within lead schedule 2?

Response: Yes.

Name and title of responsible person: Quynh Bowman, Director – Gas Rates & Regulatory Strategy

Name and title of preparer: Laura Hager, Rates & Regulatory Strategy Manager

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1-52. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-1), p. 13, Part IV. ARM Filing Schedules, Rate Base Schedule 15 Construction Work in Progress (CWIP). Will this schedule split out allocated CWIP included within lead schedule 2?

Response: Yes.

Name and title of responsible person: Quynh Bowman, Director – Gas Rates & Regulatory Strategy

Name and title of preparer: Laura Hager, Rates & Regulatory Strategy Manager

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1-53. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-1), p. 13, Part IV. ARM Filing Schedules, Rate Base Schedule 16 Accumulated Depreciation. Will this schedule split out allocated Accumulated Depreciation included within lead schedule 2?

Response: Yes.

Name and title of responsible person: Quynh Bowman, Director – Gas Rates & Regulatory Strategy

Name and title of preparer: Laura Hager, Rates & Regulatory Strategy Manager

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1-54. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-1), p. 13, Part IV. ARM Filing Schedules, Rate Base Schedule 18 ADIT. Will this schedule split out allocated Accumulated Deferred Income Tax included within lead schedule 2?

Response: Yes.

Name and title of responsible person: Quynh Bowman, Director – Gas Rates & Regulatory Strategy

Name and title of preparer: Laura Hager, Rates & Regulatory Strategy Manager

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1-55. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-1), p. 13, Part IV. ARM Filing Schedules, Rate Base Schedule 19 Cash Working Capital. Will this schedule detail out allocated balances for the components of Working Capital included within lead schedule 2?

Response: Yes.

Name and title of responsible person: Quynh Bowman, Director – Gas Rates & Regulatory Strategy

Name and title of preparer: Laura Hager, Rates & Regulatory Strategy Manager

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1-56. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-1), p. 13, Part IV. ARM Filing Schedules, Revenue Schedule 21 Historic Base Period Revenue Components by Rate Schedule & Special Contract. Will this schedule provide a summary of actual and Weather Normalized Revenues for the Historic Base Period? Additionally, will this schedule provide a reconciliation of revenues per books and the margin as presented on Schedule 6a?

Response: The ARM Revenue Schedule 21 will reflect HBP revenues from Base Rates (clean rates, which are the rate components shown in columns <1>,<2> and <3> on the Company's Tariff Sheet No. 1) billed for service provided to customers pursuant to the provisions of the Company's TPUC-approved rates and charges including special contracts. The HBP revenues are priced out using actual HPB billing determinates. The schedule will also include Weather Normalization Adjustment (WNA) revenues recorded during the HBP.

A reconciliation schedule of adjustments from Per Books revenues to the HBP revenues presented on Schedule 6A will be provided as part of ARM Schedule 52 – Additional Workpapers.

Name and title of responsible person: Kally Couzens, Manager – Rates & Regulatory Strategy

Name and title of preparer: Kally Couzens, Manager – Rates & Regulatory Strategy

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1-57. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-1), p. 13, Part IV. ARM Filing Schedules, O&M Expense Schedule 36 Other Pension Expense. Provide a summary of the purpose of this schedule.

Response: Please refer to the Company's response to Item 45 of this data request.

Name and title of responsible person: Quynh Bowman, Director – Gas Rates & Regulatory Strategy

Name and title of preparer: Laura Hager, Rates & Regulatory Strategy Manager

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1-58. Identify any impacts from the recently enacted Infrastructure Investment and Jobs Act (IIJA) on Piedmonts' operations. Include in this response any implications the new law on future capital expenditures of Piedmont.

Response: Piedmont is not currently aware of any impacts to its operations or future capital expenditures resulting from this federal legislation.

Name and title of responsible person: Bruce Barkley, VP – Rates and Gas Supply

Name and title of preparer: Bruce Barkley, VP – Rates and Gas Supply

Response provided by Piedmont Natural Gas Company, Inc. on December 3, 2021.

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1-59. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-2), Schedule 4B. Confirm that with respect to the balances of State and Federal Income taxes within the lead lag study, only the current portion of state and federal taxes should be reflected within the calculation? If this is not confirmed, provide a comprehensive explanation supporting the application of applying a lead lag calculation to deferred taxes.

Response: Confirmed.

Name and title of responsible person: Quynh Bowman, Director – Gas Rates & Regulatory Strategy

Name and title of preparer: Laura Hager, Rates & Regulatory Strategy Manager

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1-60. Does Piedmont monitor its rate levels with those of peer natural gas utilities? If so, provide all documentation in the possession of Piedmont which compares its regulated rates with those of its peer utilities.

Response: Yes but Piedmont does not possess any documentation. The rates of the other natural gas local distribution companies operating in Tennessee can be accessed at www.atmosenergy.com and www.chattanoogagas.com.

Name and title of responsible person: Bruce Barkley, VP – Rates and Gas Supply

Name and title of preparer: Bruce Barkley, VP – Rates and Gas Supply

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1-61. Refer to the Direct Testimony of Pia Powers, Exhibit_(PKP-1), p. 15, Part IV. ARM Filing Schedules, Other Informational Schedule 52 . The Company proposes to provide General Ledger transaction level detail for all O&M charges allocated to Tennessee operations from the Service Corporation (DEBS). Confirm that this information will be in the same level of detail and scope as was provided in MFR 14 (Confidential) with such costs split between Direct Charges and 3 State Charges. If this is not confirmed, provide a comprehensive explanation of the scope of information the Company is proposing to provide within the filing related to corporate charges.

Response: The same level of general ledger detail will be provided. However, the format will be different that that used in MFR 14 in order to facilitate enhanced transparency of transaction detail and ease of navigation within the schedule. See the attachment herein provided herein for a template of this proposed schedule. The Schedule 52 will provide the transaction level detail for all charges allocated to Tennessee operations from DEBS, broken down into categories and will be provided for each quarter of the HBP.

Name and title of responsible person: Quynh Bowman, Director – Gas Rates & Regulatory Strategy

Name and title of preparer: Laura Hager, Rates & Regulatory Strategy Manager

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1-61 Attachment:

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1-62. Refer to the Stipulation and Settlement Agreement in TPUC Docket No. 20-00086. Specifically identify any provisions in the agreement that the Company is proposing to adopt relative to the following categories:

a. Section 17 b – Future Pension Deferrals

b. Section 17 i – Future Environmental Deferrals

c. Section 17 m – Depreciation Study on Piedmont common assets

d. Section 17 n – Allocated Depreciation Expense from Service Company

e. Section 14 i – Deferred Pension Expense

Response: The Company will adopt all of these provisions.

Name and title of responsible person: Quynh Bowman, Director – Gas Rates & Regulatory Strategy

Name and title of preparer: Laura Hager, Rates & Regulatory Strategy Manager

Response provided by Piedmont Natural Gas Company, Inc. on December 3, 2021.