

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

<b>IN RE:</b>	)	
	)	
<b>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)</b>	) ) ) ) ) ) )	<b>Docket No. 21-00135</b>

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**CONSUMER ADVOCATE’S SECOND DISCOVERY  
REQUEST TO PIEDMONT GAS COMPANY**

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This Second Discovery Request is hereby served upon Piedmont Gas Company, Inc. (“Piedmont” or the “Company”) pursuant to Rules 26, 33, 34, and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg. 1220-1-2-.11. The Consumer Advocate Unit in the Financial Division of the Office of the Attorney General (“Consumer Advocate”) requests that full and complete responses be provided pursuant to the Tennessee Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Financial Division, Consumer Advocate Unit, John Sevier Building, 500 Dr. Martin L. King Jr. Blvd., Nashville, Tennessee 37243, c/o Karen H. Stachowski, on or before 2:00 p.m. Central on January 7, 2022.

**PRELIMINARY MATTERS AND DEFINITIONS**

These Second Discovery Requests incorporate by reference the same Preliminary Matters and Definitions as set forth in the *Consumer Advocate’s First Discovery Request to Piedmont Gas Company*, issued by the Consumer Advocate to the Company on November 19, 2021, and are to be considered continuing in nature, and are to be supplemented from time to time as

information is received by the Company which would make a prior response inaccurate, incomplete, or incorrect.

### **SECOND INFORMAL DISCOVERY REQUESTS**

2-1. Refer to the Company's Response to Consumer Advocate DR No. 1-5, Attachment 2 of 2

(CONFIDENTIAL). [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED].

#### **RESPONSE:**

2-2. Refer to the Company's Response to Consumer Advocate DR No. 1-5, Attachment 2 of 2

(CONFIDENTIAL). [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

#### **RESPONSE:**

2-3. Refer to the Company's Response to Consumer Advocate DR No. 1-5, Attachment 2 of 2

(CONFIDENTIAL). [REDACTED]

[REDACTED]

[REDACTED]

#### **RESPONSE:**

2-4. Refer to the Company's Response to Consumer Advocate DR No. 1-5, Attachment 1 of 2

(CONFIDENTIAL). [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**RESPONSE:**

2-5. Refer to the Company's Response to Consumer Advocate DR No. 1-5, Attachment 1 of 2

(CONFIDENTIAL). [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**RESPONSE:**

2-6. Refer to the Company's Response to Consumer Advocate DR No. 1-3b. With respect to the statement that Piedmont's proposal provides more transparency, confirm that this transparency is limited to the review of the ARM transaction by the Commission and intervenors and does not extend to customers. If this is not confirmed, provide an explanation of how the Company's proposal increases transparency for ratepayers.

**RESPONSE:**

2-7. Refer to the Company's Response to Consumer Advocate DR No. 1-4. Provide a copy of all studies in Piedmont's possession which in any way address the competitive position of the Company in the provision of space heating and/or water heating with alternative energy sources.

**RESPONSE:**

- 2-8. Refer to <Exhibit PKP-1>. Provide a comprehensive explanation justifying the use of a net of tax overall cost of capital for computing carrying costs on the Historic Base Period (“HBP”) Revenue Requirement Deficiency (Sufficiency), contrasted with the use of the pretax cost of capital applied to Interest Deferrals.

**RESPONSE:**

- 2-9. Refer to the Direct Testimony of Pia K. Powers, <Exhibit\_(PKP-1)>. Confirm that with respect to the Depreciation Expense Deferral, it is the Company’s position that there would be no reduction in the deferral associated with the reduction in depreciation expense associated with retired plant:
- a. If this is confirmed, provide the justification for the lack of recognition of depreciation on retired plant within the ARM asset.
  - b. If this is not confirmed, provide the reference to <Exhibit\_(PKP-1)> where this offset is identified.

**RESPONSE:**

- 2-10. Refer to the Direct Testimony of Pia K. Powers, <Exhibit\_(PKP-1)>, p. 3, Part I. Overview, Section “Global Definitions”, Subsection L. ARM Reconciliation Deferred Accounts. Confirm that the interest applied to such balances will not begin until October 1<sup>st</sup> following the end of the HBP. If this is not confirmed, explain how the application of carrying charges within the definition of “Carrying Costs” in item K is not a double count with respect to the application of interest to the ARM reconciliation deferred account.

**RESPONSE:**

2-11. Refer to the Company's Response to Consumer Advocate DR No. 1-6. Confirm the following:

- a. Under the Company's proposal carrying charges (identified as interest deferrals) are to be accumulated and recovered on incremental plant in service that is not otherwise included in rate base and carrying charges are to be applied to the HBP deficiency (sufficiency) from the midpoint of the HBP through the period new base rates are to be effective. Under the Company's proposal the HBP would be based upon average actual rate base of the company, inclusive of new plant additions. If this summary is incorrect, please clarify.
- b. If the above summary is accurate, provide a comprehensive explanation identifying how the application of interest deferrals on new plant in service is not duplicative with the application of carrying charges on the HBP revenue deficiency (assuming for purposes of this question that the HBP results in a revenue deficiency).

**RESPONSE:**

2-12. Refer to the Company's Response to Consumer Advocate DR No. 1-23. Explain whether the Net Operating Losses reflected on the books of Piedmont reflect such balances on a stand-alone basis or whether they reflect an assignment of consolidated company results.

**RESPONSE:**

2-13. Refer to the Company's Response to Consumer Advocate DR No. 1-24, file <Attachment 1-24.xlsx>. Using Tab 24.2 as the example year, answer the following with respect to the 190xx and 2xxx series accounts:

- a. Identify all accounts the Company believes should be excluded from inclusion in Rate Base within the HBP calculations.
- b. For any excluded account, provide a full explanation indicating why such account balance should be excluded from the HBP calculation.
- c. Does the Company believe there are any timing issues reflecting these true-up balances in the September – December time-period for commercial activity that occurred in the prior calendar year? Provide a comprehensive explanation supporting this response.

**RESPONSE:**

2-14. Refer to the Company's Response to Consumer Advocate DR No. 1-24, file <Attachment 1-24.xlsx>. Using Tab 24.2 as the example year, and answer the following with respect to the 400 series accounts:

- a. Identify all accounts the Company believes should be excluded from inclusion in operations within the HBP calculations.
- b. For all excluded accounts, provide a full explanation indicating why such account balance should be excluded from the HBP calculation.
- c. Does the Company believe there are any timing issues reflecting these true-up balances in the September – December time-period for commercial activity that occurred in the prior calendar year? Provide a comprehensive explanation supporting this response.
- d. Provide a comprehensive explanation supporting the nature of activity recorded to 409191 and why such account balance is appropriately included in HBP results.

**RESPONSE:**

2-15. Refer to the Company's Response to Consumer Advocate DR No. 1-24, file <Attachment 1-24.xlsx>. Specifically, refer to Tab 1-24.2. Provide the supporting calculations underlying entries made regarding the Company's Response to Consumer Advocate DR No. 1-24, representing the complete set of entries for 2019.

**RESPONSE:**

2-16. Refer to the Company's Response to the Consumer Advocate DR No. 1-35. With respect to accounting for plant retirements, respond to the following:

- a. Provide a general discussion on the delay in recording plant retirements relative to recording the new plant that replaces the retired plant. For all retirements recorded during the period January 1, 2021, through June 30, 2021, identify the date the plant retirement was recorded matched with the date in service of the corresponding newly installed plant to which the retirement relates.
- b. Is the Company willing to commit to adjust interest deferrals on retired plant to the date such plant was actually (physically) retired rather than the date the retirement was recorded on the books of the Company?

- c. Provide a comprehensive discussion of the process and documentation that is accumulated in the process of recording plant retirements.

**RESPONSE:**

2-17. Refer to the Company's Response to the Consumer Advocate DR No. 1-37 and respond to the following:

- a. Provide a comprehensive discussion justifying the exclusion of i) Secondary Marketing Sales, ii) Commercial Sales to Transport Customers and iii) Industrial Sales to Transport Customers from the HBP.
- b. Identify where the corresponding natural gas costs are recorded associated with the accounts above and confirm that such costs are not recoverable within the Company's PGA mechanism.

**RESPONSE:**

2-18. Refer to the Company's Response to the Consumer Advocate DR No. 1-40. With respect to construction accounting, do any of the capitalized costs associated with construction projects include indirect labor incurred by employees who manage either a) employees or b) contractors directly involved in the process of construction new plant in service? If so, identify how such indirect costs are identified and subsequently capitalized across construction work orders.

**RESPONSE:**

2-19. Refer to the Company's Response to the Consumer Advocate DR No. 1-60. The response refers to rates of Atmos and Chattanooga Gas; however, the request was not intended to be limited to Piedmonts' knowledge of Tennessee jurisdictional utilities. Provide all documentation in the possession of Piedmont or any Piedmont affiliate which compares the rates of Piedmont's Tennessee jurisdiction to those of other natural gas utilities, regardless of jurisdiction.

**RESPONSE:**

2-20. Refer to the Direct Testimony of Pia Powers, <Exhibit\_(PKP-1)>, pp. 6-7, Part II. HBP Reconciliation, Section “Operating Expenses”, Subsection 27) Federal Income Tax Expense. Provide a comprehensive explanation on how (i) actual federal Income Tax recorded on the books of the Company, and (ii) return to provision adjustment entries related to federal tax expense, will impact the Federal Tax Expense proposed to be incorporated into the HBP as defined by the Company.

**RESPONSE:**

2-21. Refer to the Direct Testimony of Pia Powers, <Exhibit\_(PKP-1)>, p. 6, Part II. HBP Reconciliation, Section “Operating Expenses”, Subsection 26) State Excise Tax Expense. Provide a comprehensive explanation how (i) actual State Excise Tax expense recorded on the books of the Company, and (ii) return to provision adjustment entries, will impact the State Excise Tax Expense proposed to be incorporated into the HBP as defined by the Company.

**RESPONSE:**

2-22. Refer to the Direct Testimony of Pia Powers, <Exhibit\_(PKP-1)>, pp. 6-7, Part II. HBP Reconciliation, Section “Operating Expenses”, Subsections 26) State Excise Tax Expense and 27) Federal Income Tax Expense. Provide a comprehensive explanation explaining how ADIT balances will be synchronized with Federal and State Excise Tax expense given the definition of each.

**RESPONSE:**



2-23. Refer to the Direct Testimony of Pia Powers, <Exhibit\_(PKP-1)>, p. 8, Part II. HBP Reconciliation, Section “Capitalization”, Subsection 37) Federal Income Tax Expense. Confirm that the Company is not proposing to use the capitalization ratios adopted in its last rate case, but instead the balances of its various cost elements as of December 31<sup>st</sup> of the HBP. If this is not confirmed, provide a comprehensive explanation supporting the precise request as it relates to developing the capitalization ratios.

**RESPONSE:**

- 2-24. For all items of the revenue requirement in which the Company proposes a different methodology of measurement between the HBP and the annual base rate reset, provide the following:
- a. Identify each item; and
  - b. Clearly indicate the distinction between how each item is identified in the HBP and within the annual base rate reset.

**RESPONSE:**

RESPECTFULLY SUBMITTED,



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Karen H. Stachowski (BPR No. 019607)  
Senior Assistant Attorney General  
Vance L. Broemel (BPR No. 011421)  
Senior Assistant Attorney General  
Office of the Tennessee Attorney General  
Financial Division, Consumer Advocate Unit  
P.O. Box 20207  
Nashville, Tennessee 37202-0207  
Phone: (615) 741-8733  
Fax: (615) 741-8151  
Email: [Karen.Stachowski@ag.tn.gov](mailto:Karen.Stachowski@ag.tn.gov)  
Email: [Vance.Broemel@ag.tn.gov](mailto:Vance.Broemel@ag.tn.gov)

## **CERTIFICATE OF SERVICE**

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

Paul S. Davidson  
Waller Landsden Dortch & Davis, LLP  
511 Union Street, Suite 2700  
Nashville, Tennessee 37219  
Phone: (615) 244-6380  
Email: [Paul.Davidson@wallerlaw.com](mailto:Paul.Davidson@wallerlaw.com)

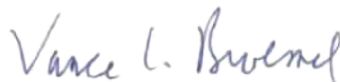
James H. Jeffries, IV  
McGuireWoods LLP  
201 North Tryon Street, Suite 3000  
Charlotte, North Carolina 28202  
Phone: (704) 343-2348  
Email: [JJeffries@mcguirewoods.com](mailto:JJeffries@mcguirewoods.com)

Brian S. Heslin, Esq.  
Deputy General Counsel  
Duke Energy Corporation  
550 S. Tryon Street, Mail Code: DEC45A  
Charlotte, NC 28202  
Phone: (980) 373-0550  
Email: [brian.heslin@duke-energy.com](mailto:brian.heslin@duke-energy.com)

Bruce P. Barkley  
V.P. – Rates & Natural Gas Supply  
Piedmont Natural Gas Company, Inc.  
4720 Piedmont Row Drive  
Charlotte, NC 28210  
Phone: (704) 731-4699  
Email: [bruce.barkley@duke-energy.com](mailto:bruce.barkley@duke-energy.com)

Pia K. Powers  
Managing Director – Gas Rates &  
Regulatory  
Piedmont Natural Gas Company, Inc.  
4720 Piedmont Row Drive  
Charlotte, NC 28210  
Phone: (704) 731-4259  
Email: [pia.powers@duke-energy.com](mailto:pia.powers@duke-energy.com)

This the 15<sup>th</sup> day of December, 2021.



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**VANCE L. BROEMEL**

Senior Assistant Attorney General