

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

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

DIRECT TESTIMONY

OF

DAVID N. DITTEMORE

January 26, 2022

1 **I. Background**

2 **Q1. PLEASE STATE YOUR NAME AND OCCUPATION FOR THE RECORD.**

3 **A1.** My name is David N. Dittmore. I am a self-employed consultant working in the utility
4 regulatory sector.

5 **Q2. PLEASE PROVIDE A SUMMARY OF YOUR BACKGROUND AND**
6 **PROFESSIONAL EXPERIENCE.**

7 **A2.** I received a Bachelor of Science Degree in Business Administration from the University
8 of Central Missouri in 1982. I am a Certified Public Accountant licensed in the state of
9 Oklahoma (#7562). I was previously employed by the Kansas Corporation Commission
10 (“KCC”) in various capacities, including Managing Auditor, Chief Auditor, and Director
11 of the Utilities Division. I was self-employed as a Utility Regulatory Consultant for
12 approximately four years, representing primarily the KCC Staff in regulatory issues. I also
13 participated in proceedings in Georgia and Vermont, evaluating issues involving electricity
14 and telecommunications regulatory matters.

15 Additionally, during this time frame, I performed a consulting engagement for Kansas Gas
16 Service (“KGS”), my subsequent employer. For eleven years, I served as Manager and
17 subsequently Director of Regulatory Affairs for KGS, the largest natural gas utility in
18 Kansas serving approximately 625,000 customers. KGS is a division of One Gas, a natural
19 gas utility serving about two million customers in Kansas, Oklahoma, and Texas. I joined
20 the Tennessee Attorney General’s Office in September 2017 as a Financial Analyst. In
21 July 2021, I began my consulting practice. Overall, I have thirty years of experience in the
22 field of public utility regulation. I have presented testimony as an expert witness on many
23 occasions. Attached as Exhibit DND-1 is a detailed overview of my background.

1 **Q3. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE**
2 **TENNESSEE PUBLIC UTILITY COMMISSION (“TPUC” OR THE**
3 **“COMMISSION”)?**

4 **A3.** Yes. I have submitted testimony in many TPUC dockets.

5 **Q4. ON WHOSE BEHALF ARE YOU APPEARING?**

6 **A4.** I am appearing on behalf of the Consumer Advocate Unit of the Financial Division of the
7 Tennessee Attorney General’s Office (“Consumer Advocate” or “CA”).

8 **II. Purpose of Testimony**

9 **Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

10 **A5.** The purpose of my testimony is to address the proposal of Piedmont Natural Gas Company,
11 Inc. (“Piedmont” or the “Company”) to implement an Annual Review Mechanism
12 (“ARM”).

13 **III. Executive Summary - Recommendations**

14 **Q6. PLEASE SUMMARIZE YOUR FINDINGS IN THIS PROCEEDING.**

15 **A6.** I recommend approval of the implementation of an ARM for Piedmont subject to necessary
16 modifications as discussed below. There are important issues that were unresolved in the
17 Company’s last base rate proceeding, TPUC Docket No. 20-00086 that should be
18 addressed in the Company’s initial ARM filing. Due to the complexity and scope of rate
19 case investigations, there are undoubtedly legitimate issues in the computation of the
20 Company’s revenue requirement that were not identified by the Consumer Advocate in its
21 testimony in TPUC Docket No. 20-00086. Thus, the ARM tariff does not resolve all
22 current and prospective revenue requirement issues of the Company. The Company’s

1 proposal is similar, but not identical, to that of Chattanooga Gas Company (“CGC”) and
2 Atmos Energy Corporation (“Atmos Energy”). More importantly, there are distinct
3 differences between the structure of the revenue requirement calculation proposed by the
4 Company contrasted with that of the other gas utilities. I am not suggesting the
5 Commission adopt an identical mechanism to the ones adopted for either Atmos Energy or
6 CGC. Likewise, the Commission should not reject any proposal by the Company or the
7 Consumer Advocate simply because it represents a deviation from the ARM methods or
8 revenue requirement calculations used in the Atmos Energy or CGC calculation.

9 **Q7. PLEASE IDENTIFY THE CONDITIONS YOU ARE SUPPORTING AS A**
10 **REQUIREMENT TO ADOPT THE COMPANY’S ARM PROPOSAL.**

11 **A7.** The conditions I am supporting are listed below.

- 12 1. The initial ARM reconciliation filing should cover operating results in
13 2022, not 2021, as proposed by the Company. Adoption of the Company’s
14 proposal to implement the ARM effective with operations beginning on
15 January 1, 2021, raises concerns of double recovery or retroactive
16 ratemaking.
- 17 2. The Commission should require customer notification of the Company’s
18 proposed ARM rate changes through billing inserts or other prominent
19 means.
- 20 3. The Commission should formally adopt the requirement to submit
21 supporting schedules as proposed by the Company. Further, additional
22 schedules should be submitted as discussed below.
- 23 4. The Company’s proposed ARM tariff should be modified as set forth in
24 Exhibits DND-4 (red-lined) and DND-4.1 (clean) and discussed below.
- 25 5. The Commission should acknowledge there are numerous unresolved
26 revenue requirement issues.
- 27 6. The Commission should acknowledge there are not sufficient incentives to
28 control costs under an ARM mechanism.
- 29 7. The Commission should initiate a generic docket to establish an appropriate
30 rate cap on annual ARM increases. This docket would apply to all current
31 entities operating under an ARM mechanism, as well as any prospective
32 company that may elect to operate under an ARM mechanism.

Q8. ARE THERE AREAS OF AGREEMENT WITH THE COMPANY'S PROPOSAL AND DISCOVERY RESPONSES THAT YOU WISH TO HIGHLIGHT?

A8. Yes. The Company has followed the general framework of the approved ARM's of Atmos Energy and CGC. While I discuss concerns and modifications to the proposal, I generally agree with the Company's overall model based upon the use of actual historical information, rather than other models using forecasted data with multiple filings per year.

- I agree with the Company's statement in its response to Consumer Advocate DR No. 1-18 in the context of whether implementation of an ARM would diminish the Commissions' ability to consider customer affordability when establishing rates:

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.¹

- I agree with the decision by the Company to continue to submit performance metrics within its annual Integrity Management Rider ("IMR") filing.²
- I agree with the acknowledgement by the Company that the traditional regulatory objectives necessary to ensure the justness and reasonableness of rates will remain intact under the ARM mechanism.³

¹ *Piedmont's Response to Consumer Advocate First Discovery Request*, DR No. 1-18, TPUC Docket No. 21-00135 (December 8, 2021).

² *Piedmont's Response to Consumer Advocate First Discovery Request*, DR No. 1-17, TPUC Docket No. 21-00135.

³ *Piedmont's Response to Consumer Advocate First Discovery Request*, DR No. 1-14, TPUC Docket No. 21-00135.

1 **Q9. DO YOU HAVE GENERAL OBSERVATIONS ABOUT THE COMPANY'S**
2 **STRATEGY IN SUPPORTING THIS ARM PROPOSAL?**

3 **A9.** Yes. The calculations supported by the Company goes to great lengths to eliminate every
4 aspect of regulatory lag, resulting in the maximization of its annual returns. There is
5 nothing inherently wrong with this approach; however, the precision of accounting records
6 does not always match the level of precision requested by the Company within this
7 mechanism. This is not a criticism of the Company's accounting records, but rather
8 recognition that there is a degree of imprecision in all utility accounting records.

9 **Q10. CAN YOU PROVIDE AN EXAMPLE OF HOW THE COMPANY'S**
10 **ACCOUNTING RECORDS DON'T MATCH THE LEVEL OF PRECISION**
11 **REQUESTED IN THE ARM PROPOSAL?**

12 **A10.** Yes. There are detailed tax accounting entries made each fall to adjust the prior year's
13 balances of Income Tax Expense and Accumulated Deferred Income Taxes to reconcile
14 book results to the Company's filed tax return.⁴ Piedmont is not unique in this regard,
15 based upon my experience utilities commonly employ a similar accounting process. This
16 is necessary as the prior year's tax return is not completed (known) until the fall of the year
17 in order to address the tax liability of the prior calendar year. This "delay" in adjusting its
18 books reflects that the Accumulated Deferred Tax Balance, the Income Tax Expense
19 balance, and the Company's equity balance are not accurate at any point in time, but instead
20 represent an estimate of those balances at any point in time. A review of the Company's

⁴ *Piedmont's Response to Consumer Advocate First Discovery Request*, DR No. 1-24, file <1-24 Attachment>, TPUC Docket No. 21-00135. As shown on the Attachment to this response, the Return to Provision Accounting ("RTP") entries are recorded in the months of August through December of the year subsequent to the period which is being reconciled. In fact, the Attachment indicates the RTP entry for 2020 is not yet complete. *Id.*

1 data shows correcting entries, pertaining to the results of operations that on average are
2 over a year old, are material to the calculation of the Company's revenue requirement.⁵
3 The significance of these adjusting entries applicable to prior periods, and its implications
4 on the Company's revenue requirement are at odds with the surgical precision used in the
5 calculation of regulatory lag recoverable from ratepayers. As an example, incremental
6 depreciation incurred on all new plant investment is captured and carrying charges applied
7 from the month in which such costs are incurred each month until the subsequent time these
8 costs (including carrying charges grossed up for income taxes) are recovered from
9 ratepayers. The deferred costs and results of the Historical Base Period ("HBP"), which
10 are a central feature of the ARM component, depend upon the accurate recording of
11 accounting transactions on a monthly basis.

12 IV. Initiation of ARM Mechanism

13 **Q11. PLEASE BEGIN BY EXPLAINING WHY YOU OPPOSE THE**
14 **IMPLEMENTATION OF A PIEDMONT ARM EFFECTIVE ON JANUARY 1,**
15 **2021?**

16 **A11.** On November 5, 2021, the Company submitted its ARM proposal requesting retroactive
17 application to collect any losses (or refund any gains) starting on January 1, 2021. For the
18 reasons described below, this proposal would lead to a double recovery (if losses were
19 incurred) because Piedmont already has a tariff in place that covers the period in question.
20 Or, put another way, Piedmont is seeking the opportunity to recover losses in a prior period

⁵ *Id.*

1 in which a tariff was already in effect.⁶ It is my understanding that this is known as
2 retroactive ratemaking, which is prohibited in Tennessee. This request comes in the form
3 of determining the revenue requirement deficiency (or sufficiency) during the HBP.

4 **Q12. HOW DOES YOUR EXPERTISE IN ACCOUNTING APPLY TO THE CONCEPT**
5 **OF RETROACTIVE RATEMAKING?**

6 **A12.** While retroactive ratemaking is a legal concept, as a regulatory accountant, I evaluate any
7 ratemaking action that appears to conflict with state law or TPUC precedent. The
8 Company's November 2021 proposal to allow it the opportunity to recapture losses back
9 to January 2021 raises questions in my mind whether such a proposal is an example of
10 retroactive ratemaking. Whether it actually constitutes retroactive ratemaking is, of course,
11 a determination to be made by TPUC.

12 **Q13. HOW HAVE TENNESSEE COURTS DEFINED RETROACTIVE**
13 **RATEMAKING?**

14 **A13.** The Tennessee Court of Appeals addressed the Commission's assertion that the "authority
15 to fix tentative or temporary rates subject to refund arises from its general power to fix
16 rates on its own initiative whenever existing rates become 'unjust, unreasonable, excessive,
17 insufficient.'⁷ The Court held, "There is no question of the authority of the Commission
18 to 'reopen' a case for the purpose of changing previously approved rates. The question is
19 the authority of the Commission to reserve the right to change rates retroactively thereby

⁶ The Company's proposal is symmetrical in that if earnings exceeded their authorized levels the Company would refund the excess under their proposal. The likelihood of that occurring given the November filing of the ARM is minimal.

⁷ *South Central Bell Tele. Co. v. TPSC*, 675 S.W.2d 718, 719 (Tenn. Ct. App. 1984). A copy of the opinion is attached as Exhibit DND-2.

1 requiring a refund. This Court is satisfied that the Commission does not have the authority
2 to exercise the latter authority.”⁸

3 **Q14. DOES THE PIEDMONT PROPOSAL ALSO RAISE CONCERNS WHETHER IT**
4 **IS CONSISTENT WITH THE FILED RATE DOCTRINE?**

5 **A14.** Yes. The Filed Rate Doctrine, recognizes that rates approved by regulatory agencies are
6 deemed just and reasonable until otherwise changed on a prospective basis.⁹

7 **Q15. DID YOU ASK THE COMPANY TO ADDRESS THE ISSUE OF RETROACTIVE**
8 **RATEMAKING IN DISCOVERY?**

9 **A15.** Yes. In discovery, the Consumer Advocate provided the Company an opportunity to
10 explain how the proposal to recover any losses back to January 2021 was not an example
11 of retroactive ratemaking.¹⁰ First, the Company confirmed it was seeking to recover “any
12 revenue requirement shortfall or return any excess, beginning on January 1, 2021, plus
13 carrying charges.”¹¹ Further, the Company explained that “an annual reconciliation
14 process under an ARM has already been found by this Commission to be consistent with
15 TCA 65-5-103(d)(6) and in the public interest.”¹² No further support was provided by the
16 Company.

17 **Q16. HAS THE COMPANY INDICATED WHETHER IT IS IN A DEFICIENCY OR**
18 **SUFFICIENCY POSITION FOR 2021?**

⁸ *Id.* at 720.

⁹ *GBM Communications, Inc. v. United Mountain*, 723 S.W.2d 109, 112 (Tenn. Ct. App. 1986) (cert. denied). A copy of the opinion is attached as Exhibit DND-3.

¹⁰ The retroactive nature of the request is not limited to the instance of recovery of earnings shortfall. The same concern applies in the event the company over-earned during the HBP.

¹¹ *Piedmont’s Response to Consumer Advocate First Discovery Request*, DR No. 1-33, TPUC Docket No. 21-00135.

¹² *Id.*

1 **A16.** The Company stated that the use of 2021 as the initial HBP will not significantly increase
2 new base rates.

3 **Q17. DO YOU BELIEVE THIS STATEMENT MADE BY PIEDMONT SHOULD BE**
4 **CONSIDERED IN THE EVALUATION OF WHETHER THE INITIAL HBP**
5 **SHOULD BE 2021 OR 2022?**

6 **A17.** No. The Commission should not make this determination based upon the anticipated level
7 of the first-rate increase (or decrease).

8 **Q18. DOES THE COMPANY’S SUGGESTION IN ITS 2020 RATE CASE THAT IT**
9 **WOULD BE SUBMITTING AN ARM REQUEST AT AN APPROPRIATE TIME**
10 **ALLEVIATE ANY CONCERNS WITH DOUBLE RECOVERY OR**
11 **RETROACTIVE RATEMAKING?**

12 **A18.** No. The Company’s notice¹³ to the Commission has no bearing on whether the current
13 proposal is an example of retroactive ratemaking.

14 **Q19. HOW DOES YOUR VIEW OF DOUBLE RECOVERY OR RETROACTIVE**
15 **RATEMAKING APPLY TO THE ARM MECHANISM GOING FORWARD**
16 **SINCE ONE FEATURE OF THE MECHANISM IS THE RECOVERY OF ANY**
17 **EARNINGS DEFICIENCIES OCCURRING IN PRIOR PERIODS?**

18 **A19.** I do not believe the ARM methodology reconciling HBP results, once implemented on a
19 going-forward basis, is a matter of double recovery or retroactive ratemaking because the
20 Commission’s approval is occurring prospectively.

¹³ *Piedmont Natural Gas Company, Inc. Petition for an Adjustment of Rates, Charges and Tariffs Applicable to Service in Tennessee*, p. 1, ¶¶ 2-3, TPUC Docket No. 20-00086 (July 2, 2020).

1 Q20. WHAT IS YOUR RECOMMENDATION REGARDING THE
2 IMPLEMENTATION DATE OF THE PIEDMONT ARM?

3 A20. I recommend that the Commission find the initial HBP to be the calendar year 2022.

4 V. Public Notice

5 Q21. PLEASE NOW TURN TO THE ISSUE OF PUBLIC NOTICE. WHAT ARE THE
6 CURRENT REQUIREMENTS BY WHICH UTILITIES, INCLUDING
7 PIEDMONT, MUST GIVE NOTICE TO CUSTOMERS OF PENDING RATE
8 INCREASE REQUESTS?

9 A21. Under TPUC Rule 1220-04-01-.05, a utility requesting a change of its rates shall publish
10 “a summary of the proposed changes and the reason for them” in a “newspaper of general
11 circulation located in the utility’s service area.”¹⁴

12 Q22. DO YOU BELIEVE SUCH NOTICE IS SUFFICIENT?

13 A22. No.

14 Q23. WHY DO YOU BELIEVE THE EXISTING NOTICE REQUIREMENTS ARE
15 INADEQUATE?

16 A23. It is widely known that print newspaper circulation has dropped significantly over the past
17 several decades.¹⁵ Further, it has been my experience that utility notices are placed in areas
18 of the printed newspaper that are unlikely to be viewed by customers. In summary, the
19 requirement to satisfy customer notice by relying upon printed newspaper media is an

¹⁴ Tenn. Comp. R. & Regs. 1220-04-01-.05(1) (May, 2021).

¹⁵ Brad Adgate, *Newspapers Have Been Struggling And Then Came The Pandemic*, Forbes, August 20, 2021, at www.forbes.com/sites/bradadgate/2021/08/20/newspapers-have-been-struggling-and-then-came-the-pandemic/?sh=266064cb12e6.

1 antiquated rule that is no longer sufficient. That is, there needs to be more than a newspaper
2 notice. Thus, the rule sets a minimum standard but there is nothing to prohibit TPUC from
3 ordering a utility to supplement its notice with additional information.

4 **Q24. WHY DO YOU BELIEVE CUSTOMER NOTICE IS IMPORTANT?**

5 **A24.** Customers of Piedmont are receiving an essential service from a monopoly provider and
6 have the right to know of requested rate increases, prior to the date of implementation.

7 **Q25. HAVE THERE BEEN ANY COMMENTS ON SOCIAL MEDIA FROM**
8 **PIEDMONT CUSTOMERS EXPRESSING SURPRISE WITH THE RECENT**
9 **INCREASE IN CUSTOMER BILLS?**

10 **A25.** Yes. I have read a number of comments on social media from Piedmont customers
11 expressing surprise at the size of their bill received in the most recent bill cycle.¹⁶ My
12 reaction to these social media comments is that there was a lack of awareness of the pending
13 increases among Piedmont customers.

14 **Q26. HAVE YOU REQUESTED INFORMATION FROM THE COMPANY**
15 **COMPARING AN AVERAGE RESIDENTIAL CUSTOMER BILL IN 2021**
16 **VERSUS THAT ESTIMATED FOR 2022?**

17 **A26.** Yes. Table DND-1 below contains information from the Company comparing the average
18 residential customer bill for 2021 compared with that estimated for 2022.¹⁷

¹⁶ *Anyone else get a surprise form Piedmont Gas this month?*, Facebook, <https://www.facebook.com/groups/HermitageHipsters/permalink/4964991863557066/> and *Anyone else with Piedmont notice some inconsistencies on their January bill?*, Reddit, https://www.reddit.com/r/nashville/comments/s3431f/anyone_else_with_piedmont_notice_some/. A copy of the Reddit comments is attached as Exhibit DND-4.

¹⁷ *Piedmont's Response to Consumer Advocate First Discovery Request*, DR No. 1-9, file <1-9 Attachment>, TPUC Docket No. 21-00135.

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Average Annual Residential Customer Bill					Table DND-1				
2021 Average Residential Bill					2022 Estimated Average Residential Bill				
	Actual PGA	Actual Total				Actual PGA	Actual Total		
Normal	Commodity	Billing	Total		Normal	Commodity	Billing	Total	
Usage in Therms	Rate \$ / Therm	Rate \$ / Therm	Bill \$ ¹		Usage in Therms	Rate \$ / Therm	Rate \$ / Therm ²	Bill \$ ¹	
Jan	142.3	0.1972	0.6992	116.94	142.3	0.4813	1.1121	175.71	
Feb	147.7	0.1972	0.6992	120.69	147.7	0.4813	1.1121	181.67	
Mar	100.6	0.1972	0.7071	88.60	100.6	0.4813	1.1121	129.36	
Apr	64.5	0.1972	0.6142	53.1	64.5	0.4813	1.0193	79.2	
May	29.1	0.1972	0.6728	33.0	29.1	0.4813	1.0193	43.1	
Jun	14.3	0.1972	0.7098	23.6	14.3	0.4813	1.0810	28.9	
Jul	11.9	0.1972	0.7098	21.9	11.9	0.4813	1.0810	26.3	
Aug	11.9	0.3374	0.8500	23.5	11.9	0.4813	1.0810	26.3	
Sep	12.1	0.3374	0.8500	23.7	12.1	0.4813	1.0810	26.5	
Oct	22.4	0.3374	0.8500	32.5	22.4	0.4813	1.0810	37.6	
Nov	68.0	0.4813	1.1121	93.11	68.0	0.4813	1.1738	97.31	
Dec	111.2	0.4813	1.1121	141.08	111.2	0.4813	1.1738	147.94	
Total	735.9		\$ 771.73		735.9		\$ 999.92		
Percentage Increase 2022 vs. 2021								29.57%	

1/ Bill amounts are exclusive of applicable taxes and fees.

2/ The 2022 estimated billing rates herein do reflect the May 31, 2022 expiration of the temporary tax give-back decrements approved in Docket No. 18-00040. The 2022 estimated billing rates herein do not reflect the forthcoming proposed rider rates to recover rate case expenses for Docket No. 20-00086 nor any potential changes to the PGA or ACA rates that may become necessary in 2022.

2

3 **Q27. CAN YOU SUMMARIZE THE RESULTS OF THIS BILL COMPARISON**
4 **PROVIDED BY THE COMPANY?**

5 **A27.** Yes. The Company estimated the average residential customer bill will increase in 2022
6 to be just under \$1,000 from the 2021 level of \$772, for a projected increase of nearly 30%.
7 The year over year increase in January and February are projected at \$60/month. These
8 estimates are exclusive of taxes, fees and any projections associated with the Company's
9 proposal to file an ARM in May 2022. These increases are primarily driven by changes in
10 the market price of natural gas. An increase of this magnitude is impactful to many
11 customers on a tight budget.

1 **Q28. DO YOU BELIEVE THE COMMISSION SHOULD KEEP THESE SIGNIFICANT**
2 **BILL INCREASES IN MIND WHEN CONSIDERING THE CURRENT DOCKET**
3 **AS WELL AS FUTURE ARM FILINGS?**

4 **A28.** Yes. This increase raises concerns of bill affordability, which should be considered by the
5 Commission.

6 **Q29. WHAT IS YOUR REACTION TO THESE INCREASES AND THE PUBLIC**
7 **CONCERN YOU HAVE SEEN EXPRESSED IN SOCIAL MEDIA?**

8 **A29.** The size of the bill impact experienced by its customers should be met with a robust effort
9 by the Company to educate customers of upcoming increases. While there was a posting
10 on the Duke Energy website discussing the increase in natural gas costs,¹⁸ it's not clear
11 how effective such messaging was in educating customers.

12 **Q30. DO YOU BELIEVE IT IS FEASIBLE TO EXPECT ALL CUSTOMERS TO BE**
13 **AWARE OF PENDING INCREASES?**

14 **A30.** No. I don't believe this expectation is realistic, nor do I believe such a standard would be
15 cost effective. However, it should be the goal that all customers who monitor their gas
16 bills on a monthly basis are aware of pending rate increases.

17 **Q31. DID THE COMMISSION RECENTLY ESTABLISH A DOCKET TO ADDRESS**
18 **FILING REQUIREMENTS?**

19 **A31.** Yes. On February 11, 2021, the Commission issued a *Notice of Rule Development*
20 *Workshop on Commission Practice and Procedure* ("Notice")¹⁹ to discuss amending

¹⁸ *Piedmont Natural Gas Prepares Tennessee Customer for Higher Winter Bills*, Duke Energy News Center (December 2, 2021), <https://news.duke-energy.com/releases/releases-20211202>.

¹⁹ *Notice of Rule Development Workshop on Commission Practice and Procedure*, TPUC Docket No. 21-00018, (February 11, 2021).

Commission Rules 1220-01-01, 1220-01-02 and related sections. The *Notice* identified four items to be discussed: (1) General Filing Procedures; (2) Pre-Filed Testimony; (3) Discovery; and (4) Minimum Filing Requirements for Rate Cases & Alternative Rate Mechanisms/Filings.²⁰ Although the initial scope of the docket was focused on above-referenced filing requirements, the *Notice* clearly stated that the informal workshop was not limited to the four items identified, but welcomed “comments and proposals related to adding or amending Commission rules related to practice and procedure.”²¹ Customer notice is a topic clearly related to utility filing requirements under the Commission’s practice and procedure rules.

Q32. DID THE CONSUMER ADVOCATE SUBMIT COMMENTS IN THIS DOCKET?

A32. Yes. The Consumer Advocate urged the Commission to modernize its rules to require a public utility to provide more robust notice of pending rate increases and cited notice rules in the states of Florida, Kentucky and Virginia as examples that should be considered in the development of revised rules.²² Further, the Consumer Advocate recommended notice be accomplished through bill inserts as well as prominently displaying such information on their website.²³ The latter aspect of notice would need to be accompanied with a prominent note on a customer’s bills pointing out that additional information regarding the pending increase may be found at the Company’s website.²⁴

Q33. WHAT IS THE STATUS OF THE TPUC DOCKET NO. 21-00018?

²⁰ *Id.*

²¹ *Id.*

²² *Comments of the Consumer Advocate*, pp. 6-9, TPUC Docket No. 21-00018 (February 23, 2021) and *Consumer Advocate’s Supplemental Comments*, pp. 5-7, TPUC Docket No. 21-00018 (May 3, 2021).

²³ *Comments of the Consumer Advocate*, p. 6, TPUC Docket No. 21-00018.

²⁴ *Id.*

1 **A33.** The docket appears inactive in that nothing has been issued or submitted in the docket since
2 early May 2021.

3 **Q34. WHAT WAS THE COMPANY’S RESPONSE TO THE CONSUMER**
4 **ADVOCATES’ PROPOSAL TO IMPLEMENT MEANINGFUL CUSTOMER**
5 **NOTICE REQUIREMENTS?**

6 **A34.** Piedmont agreed that “the Commission should adopt new rules to modernize notice
7 requirements to customers when rates are proposed to change.”²⁵ Further, Piedmont stated
8 that the:

9 rules should provide for disclosure of the basic information relating to the
10 petition for a rate change, including, by way of example, the identity of the
11 utility, information regarding the scale of the proposed increase,
12 information about how the customer can provide comments, a link to the
13 TPUC website, and the address of the Commission where comments may
14 be submitted. The notice to customers should be made once a docket
15 number has been assigned to the petition. In considering the methods for
16 notification to the public, the Commission should take into consideration
17 any technological limits of individual utilities billing systems.²⁶

18 **Q35. DO YOU HAVE ANY COMMENTS ON THE PIEDMONT COMMENTS IN TPUC**
19 **DOCKET NO. 21-00018?**

20 **A35.** Yes. I agree with the general comments of Piedmont that are supportive of strengthening
21 customer notice provisions. However, it’s clear that Piedmont will not make major
22 modifications in customer notice unless the Commission adopts new requirements. The
23 Consumer Advocate understands that utility billing systems do not have unlimited
24 capability to display information to customers. However, the Commission should not
25 dismiss recommendations to display information on customer bills simply because of a

²⁵ *Comments of Piedmont Natural Gas Company, Inc.*, p. 4, TPUC Docket No. 21-00-18 (April 19, 2021)

²⁶ *Id.*

1 claim of limited capacity within a billing system. There is promotional information on the
2 face of Piedmont's bill that should not take priority over providing important information
3 to consumers.

4 **Q36. WHAT IS YOUR RECOMMENDATION REGARDING CUSTOMER NOTICE OF**
5 **PENDING RATE INCREASES ASSOCIATED WITH THE ANNUAL ARM**
6 **FILINGS?**

7 **A36.** I recommend the Commission adopt the requirement that Piedmont include a bill insert
8 within its customer bills that identifies the proposed increase as a percentage of the
9 customer's total bill. The Commission may wish to consider requirements that would also
10 point customers to its website where directions could be provided on how to submit
11 comments on the proposal. The notice should be provided pursuant to approval by the
12 Commission or its staff and be provided to customers at least 30 days prior to the proposed
13 effective date of new rates.

14 **VI. Filing Schedules**

15 **Q37. DO YOU HAVE ANY GENERAL COMMENTS CONCERNING THE LISTING**
16 **OF PROPOSED SCHEDULES SUPPORTED BY THE COMPANY IN**
17 **EXHIBIT_PKP-1?**

18 **A37.** Yes. I generally agree with that the Company's schedules identified in Exhibit_PKP-1 as
19 those that should provide the foundation for an ARM filing. I am supporting several
20 additional schedules to be included in future ARM filings.

21 **Q38. DESCRIBE THE ADDITIONAL INFORMATION YOU BELIEVE SHOULD BE**
22 **INCLUDED IN FUTURE ARM FILINGS?**

1 **A38.** In addition to the Schedules identified by the Company,²⁷ I recommend the Commission
2 require the submission of the following information with the annual ARM filings:

- 3 1. The monthly balances of short-term debt, long-term debt and equity at
4 December 31st of the month preceding the beginning of the HBP as well as
5 month end balances throughout the HBP. The Company has proposed using
6 its HBP end of period balances to apply to the 13-month balance of its Rate
7 Base. This is an area that requires additional consideration as the
8 Company's proposal represents a mismatch of the manner in which its cost
9 of capital is determined contrasted with how Rate Base is quantified.
- 10 2. The Company should provide the amount of accrued expenses recorded in
11 the HBP along with a full explanation identifying the nature of each accrual,
12 further identified between direct and allocated charges. The Company is
13 proposing to exclude accrued revenues in the calculation of the HBP
14 revenue requirement,²⁸ while including accrued expenses²⁹ in the HBP.
- 15 3. If not included in the Cost Allocation Manual, the Company should supply
16 a description of each 'Operating Unit', 'Allocation Pool ID', 'Resource
17 Type ID', 'Source CD JD', and 'Project ID CB' included within its O&M
18 Expense workpaper; "General Ledger transaction level detail for all O&M
19 Charges allocated to Tennessee operations from the [Duke Energy
20 Business] Service Corporation (DEBS)."
- 21 4. The Company should include a description of each DEBS asset whose
22 allocated costs to Piedmont-Tennessee operations is \$50,000 annually or
23 more.
- 24 5. The Company should provide a schedule of its HBP accounting entries
25 made for the 'return to provision' transaction is made to reflect the impacts
26 of its filed tax return made in the year subsequent to the HBP. The Company
27 should also provide an explanation of the impact of the transaction on the
28 regulated returns in the period the entry is made.
- 29 6. The Company should supply the following operating metrics within its
30 annual filing:
 - 31 a. Response Time to Emergency Calls.
 - 32 b. Age of Natural Gas Leaks.
 - 33 c. Number of Natural Gas Leaks by Grade.

²⁷ Direct Testimony of K. Powers at 22:3 – 24:4 and file <Exhibit_(PKP-2)>, TPUC Docket No. 21-00135 (November 5, 2021).

²⁸ Piedmont's Response to Consumer Advocate First Discovery Request, DR No. 1-47, TPUC Docket No. 21-00135.

²⁹ Piedmont's Response to Consumer Advocate First Discovery Request, DR No. 1-27, TPUC Docket No. 21-00135.

1 **Q39. DO YOU HAVE FURTHER COMMENTS REGARDING THE SUBMISSION OF**
2 **SCHEDULES AND PRE-FILED INFORMATION THAT MAY BE SUBMITTED**
3 **IN FUTURE ARM FILINGS?**

4 **A39.** Yes. Due to the scope and complexity of the ARM mechanism, there will undoubtedly be
5 changes in the rules governing the mechanism as parties become more familiar with the
6 operations and accounting nuances of the Company similar to changes in the Atmos Energy
7 ARM that have occurred over time. Nothing in the Commission order should limit the
8 refinement of the mechanism in the future.

9 **VII. Modification of ARM Tariff**

10 **Q40. HAVE YOU REVIEWED THE PROPOSED ARM TARIFF SUPPORTED BY MS.**
11 **POWERS IN EXHIBIT_PKP-1?**

12 **A40.** Yes.

13 **Q41. DO YOU BELIEVE IT NECESSARY FOR THE COMMISSION TO ADOPT AN**
14 **ARM TARIFF FOR THE COMPANY TO IMPLEMENT AN ARM MECHANISM?**

15 **A41.** No. However, if the Commission determines that such a tariff is necessary or appropriate,
16 I offer the proposed modifications to the tariff as discussed below.

17 **Q42. DID THE STIPULATION AND AGREEMENT ENTERED INTO BY THE**
18 **PARTIES DISCUSS THE EXTENT TO WHICH PARTIES WOULD BE BOUND**
19 **BY THE CONTENT OF THE SETTLEMENT IN FUTURE RATEMAKING**
20 **DETERMINATIONS?**

1 **A42.** Yes. It is important to recognize that the Settlement and Agreement in the Company's last
2 rate case contained the following language:³⁰

3 19. The resolution of issues reflected herein is the result of give-and-take-
4 negotiations between the Parties and does not necessarily reflect the position of
5 any single Party on any discrete issue, and no Party waives the right to assert
6 any position in any future proceeding.

7 20. None of the parties waives its right to take other positions with respect to
8 matters similar to those settled herein in future proceedings before the
9 Commission.

10
11 **Q43. DID THE COMMISSIONS' ORDER ADDRESS THE EXTENT TO WHICH IT**
12 **WAS BOUND TO ACCEPT RATEMAKING DETERMINATIONS IN TPUC**
13 **DOCKET NO. 20-00086 WITHIN FUTURE ARM DOCKETS?**

14 **A43.** Yes. The Commission found as follows:³¹

15 Additionally, the Hearing Panel found that should the Company petition for an
16 alternative regulatory mechanism, including annual rate review, the forward-
17 looking methodologies adopted in the Settlement Agreement shall be reviewed
18 for appropriateness in determining service rates pursuant to such an annual rate-
19 setting mechanism.

20 **Q44. DO YOU BELIEVE THE PARTIES OR THE COMMISSION ARE BOUND TO**
21 **APPLY ALL RATEMAKING ASPECTS INCORPORATED IN TPUC DOCKET**
22 **NO. 20-00086?**

23 **A44.** No.

24 **Q45. HAS THE COMPANY INCORPORATED ALL THE METHODOLOGIES**
25 **UNDERPINNING THE APPROVED REVENUE REQUIREMENT?**

³⁰ *Stipulation and Settlement Agreement*, pp. 11-12, TPUC Docket No. 20-00086 (February 2, 2021).

³¹ *Order Approving Settlement Agreement Setting Rates and Approving the Procedures for Refunds to Customers*, p. 7 TPUC Docket No. 20-00086 (May 6, 2021).

1 **A45.** No. I only point this out to counter any prospective argument from the Company criticizing
2 any variations I am proposing from that incorporated into the Settlement Agreement.
3 Within the details of the amounts ultimately agreed to in the Settlement Agreement, the
4 amounts include the ultimate revenue requirement include application of an “error ratio”
5 to estimate the total Company impact of errors found within a small sample of DEBS
6 transaction.³² The Company expressly indicated it did not necessarily concede with all
7 aspects of my adjustments, but for purposes of limiting items to litigate it was agreeable to
8 accept them.³³ While I am not advocating for adoption of all the methods relied upon in
9 arriving at the ultimate revenue requirement adopted in TPUC Docket No. 20-00086, if
10 that position is adopted by the Commission it would require the acceptance of the error
11 ratio methodology I supported in my direct testimony.

12 **Q46. DO YOU BELIEVE IT IS NECESSARY FOR THE COMMISSISON TO ADOPT A**
13 **TARIFF TO MEMORIALIZE THE TERMS OF THE COMPANY’S ARM**
14 **MECHANISM?**

15 **A46.** No. My recommendation is that it is not necessary to approve a tariff for the ARM
16 mechanism and instead the details of the mechanism should be driven by an order of the
17 Commission.

18 **Q47. DO YOU HAVE ISSUES WITH CERTAIN PROVISIONS OF EXHIBIT_PKP-1?**

19 **A47.** Yes.

³² *Direct Testimony of David N. Dittmore*, at 23:9 – 26:8, TPUC Docket No. 20-00086 (November 30, 2020).

³³ *Rebuttal Testimony of Quynh P. Bowman* at 4:11-17, TPUC Docket No. 20-00086 (December 16, 2020).

1 **Q48. ARE YOU SUPPORTING A MODIFICATION TO THE COMPANY'S**
2 **PROPOSED TARIFF?**

3 **A48.** Yes. I am sponsoring red-line changes to the Company's Tariff 318 which is identified
4 as Exhibit DND-5, as well as a "clean" version of the proposed tariff as exhibit DND-5.1.

5 **Q49. PLEASE BEGIN BY DISCUSSING THE FIRST PROPOSED MODIFICATIONS**
6 **YOU ARE SUPPORTING TO EXHIBIT_PKP-1.**

7 **A49.** I am sponsoring the insertion of a disclaimer on page 1 as shown in Exhibit DND-5. The
8 proposed disclaimer explicitly recognizes the Commission's authority to modify the tariff
9 of any errors, omissions, or inconsistencies with respect to the ARM calculation and to
10 adjust methodologies within the determination of the HBP and rate reset calculations
11 whether raised by the Commission itself or by an intervenor.

12 **Q50. PLEASE TURN TO THE NEXT SUBSTANTIVE ISSUE IDENTIFIED WITHIN**
13 **EXHIBIT DND-5.**

14 **A50.** Within the "Purpose" section the Company has language which will exclude gains and
15 losses related to gas supply hedging and various other non-jurisdictional activity from the
16 ARM revenues and expenses.³⁴ To be consistent with this language, the effects of these
17 transactions should also be excluded from the Company's level of equity included in the
18 ARM mechanism.

19 **Q51. ADDRESS THE NEXT POINT IDENTIFIED WITHIN EXHIBIT DND-5.**

20 **A51.** I am recommending that the ARM rider rates be set forth separately on customer bills. This
21 will increase customer transparency and may result in customers learning more about their

³⁴ DND-5 at p. 1, Part I. Overview, Section "Purpose".

1 natural gas bill. Given the magnitude of customer bills at this time, I believe more customer
2 transparency is important.

3 **Q52. WHAT IS YOUR RECOMMENDATION REGARDING THE DEFINITION OF**
4 **THE INITIAL ARM DATE AS REFERENCED WITHIN THE “GLOBAL**
5 **DEFINITIONS” SECTION?**

6 **A52.** I recommend that the initial ARM filing be made using 2022 as the initial HBP as discussed
7 earlier in my testimony.³⁵

8 **Q53. ADDRESS YOUR PROPOSED CHANGES AND CLARIFICATIONS IN THE**
9 **DEFINITION OF “ARM REGULATORY ASSET”, SPECIFICALLY, TO THE**
10 **ITEMS DEFINED AS “INTEREST DEFERRALS” AND “DEPRECIATION**
11 **EXPENSE DEFERRALS”.**

12 **A53.** On page 3, I’ve added two sentences to the term “ARM Regulatory Asset”, item “Interest
13 Deferrals”:

- 14 1. The first additional sentence clarifies that the interest on the ARM
15 regulatory asset shall be included as revenue in the evaluation of the HBP
16 revenue requirement. This treatment is consistent with the conceptually
17 similar item, Allowance for Funds Used During Construction, (“AFUDC”),
18 within the revenue requirement.³⁶ The recognition of the interest deferral
19 as revenue is necessary to ensure the Company does not over-earn.
- 20 2. The second additional sentence highlights the need to ensure the Company
21 does not double-count deferrals on construction work in progress and plant
22 in service.³⁷ AFUDC represents carrying charges applied to construction
23 work in progress and such deferrals terminate once the project is placed in
24 service under normal utility accounting conventions. However, under the
25 ARM, further carrying charges are applied from the point the plant is placed
26 in service until such plant is included in rate base for purposes of
27 determining HBP revenue requirement. If this process is not carefully

³⁵ *Id.* at p. 1, Part I. Overview, Section “Global Definitions”, term “Annual ARM Filing Date”.

³⁶ *Id.* at p.1, Part I. Overview, Section “Global Definitions”, term “ARM Regulatory Asset”, item “i. Interest Deferrals”.

³⁷ *Id.*

1 monitored, it would be easy to record AFUDC and carrying charges on the
2 same plant in service balance.

3 On page 3, I've added one sentence to "Depreciation Expense Deferrals" to clarify that the
4 credit entry offset to the deferred depreciation deferral would be a decrease in depreciation
5 expense.³⁸

6 **Q54. PLEASE ADDRESS THE PROPOSED CHANGES IN PART II RELATED TO THE**
7 **HBP RECONCILIATION AND DEFINITION OF OPERATING REVENUES.**

8 **A54.** On page 5, the first change deletes the reference to methodologies from the 2020 rate case
9 settlement.³⁹ As described earlier, the Company has not incorporated all revenue
10 requirement methodologies in its filing. Further, this blanket statement overstates the
11 scope of consensus within the Stipulation and Agreement in TPUC Docket No. 20-00086.
12 The next change, on page 5, confirms that deferred interest charges shall be included in
13 "Other Revenues" for purposes of determining the HBP revenue requirement.⁴⁰ The final
14 change⁴¹ on page 5 reflects the Consumer Advocate's position⁴² as contained in TPUC
15 Docket No. 20-00086 related to the inclusion of Piedmont's warranty program ("Home
16 Serve") revenues within the HBP revenue requirement.

17 **Q55. HOW ARE THESE WARRANTY REVENUES GENERATED BY PIEDMONT?**

18 **A55.** Piedmont has partnered with Home Serve to offer warranty service on natural gas lines as
19 well as certain natural gas appliances. Piedmont earns a commission when customers

³⁸ *Id.* at p.1, Part I. Overview, Section "Global Definitions", term "ARM Regulatory Asset", item "ii. Depreciation Expense Deferrals".

³⁹ *Id.* at p. 5, Part II. HBP Reconciliation.

⁴⁰ *Id.* at p. 5, Part II. HBP Reconciliation, Section "Operating Revenues", No. 3.

⁴¹ *Id.* at p. 5, Part II. HBP Reconciliation, Section "Operating Revenues", No. 3.

⁴² *Direct Testimony of David N. Dittmore* at 17:9-12 and 33:17-24, TPUC Docket No. 20-00086 (November 30, 2020).

1 initiate or renew these warranty plans through Home Serve. This third-party entity receives
2 personal customer information from Piedmont to initiate contact with Piedmont's customer
3 base. This customer information is shared with Home Serve without the consent of
4 Piedmonts' customers. These warranty revenues were discussed at length in my testimony
5 within TPUC Docket No. 20-00086.⁴³ These revenues would not be generated without
6 Piedmont transferring personal customer information to a third party in their solicitation of
7 warranty services. Piedmont obtains this information through its status as a government
8 sanctioned monopoly. The net margins received by Piedmont's participation in the Home
9 Serve program should be used to reduce the revenue requirement.

10 **Q56. DISCUSS THE VARIOUS CHANGES YOU ARE PROPOSING WITHIN THE**
11 **SECTION "OPERATING EXPENSES" ON PAGES 6.**

12 **A56.** On page 6, I recommend the following changes as shown in Exhibit DND-5:

- 13 1. The first material change identified defines "Lobbying Expenses" to include
14 indirect costs incurred to support and supervise the direct labor costs
15 incurred in the Piedmont-Tennessee lobbying function.⁴⁴ The inclusion of
16 indirect costs in the definition of lobbying is consistent with the application
17 of a broad definition of indirect costs added to the cost of construction
18 projects.⁴⁵
- 19 2. The next suggested change deletes the Company's proposed language
20 regarding "Amortization Expenses for Deferred Environmental costs" and
21 clarifies that the Company has the burden of proof in demonstrating the
22 reasonableness of recovery of environmental costs.⁴⁶
- 23 3. The next edit deletes the Company's proposed language for "Amortization
24 Expense for Deferred Pension Costs" and "Other Pension Expenses".⁴⁷ In
25 its place, language is added to clarify that the Company may recover
26 Pension costs to the extent its cash contributions to its pension plan were
27 necessary to avoid the Variable Rate Premium otherwise payable to the

⁴³ *Id.* at 17:6 – 19:1 and 28:10 – 33:24.

⁴⁴ *Id.* at p. 6, Part II. HBP Reconciliation, Section "Expenses", No. 8.

⁴⁵ *Piedmont's Response to Consumer Advocate First Discovery Request*, DR No. 2-18, TPUC Docket No. 21-00135 (January 12, 2022).

⁴⁶ *Id.* at p. 6, Part II. HBP Reconciliation, Section "Operating Expenses", No. 12.

⁴⁷ *Id.* at p. 6, Part II. HBP Reconciliation, Section "Operating Expenses", Nos. 13 and 14.

Pension Benefit Guaranty Corporation.⁴⁸ Further, other pension related costs may be requested by the Company but should not be guaranteed to be recovered as implied by the Company's proposed tariff language.

4. The last change requires the recognition of cash payments for Other Post-Employment Benefit ("OPEB") costs within the determination of the HBP revenue requirement.⁴⁹

**Q57. NOW ADDRESS THE PROPOSALS RELATED TO THE PROVISIONS OF
ADJUSTMENTS TO NET OPERATING INCOME AND RATE BASE
COMPONENTS ON PAGES 7 AND 8.**

A57. I recommend the following changes as shown in Exhibit DND-5:

1. On page 7, the first material change involves "Expense for Allocated Return on DEBS Assets" and confirms that the allocated costs for DEBS assets used by Piedmont in the provision of service should be allocated on the basis of the application of the Company's return applied to plant in service, net of Accumulated Depreciation and Accumulated Deferred Income Taxes.⁵⁰
2. The next material change requires the use of the Tennessee state tax rate in the determination of State Income Tax expense, rather than the use of the composite tax rate.⁵¹ Likewise, the balance of Accumulated Deferred Taxes should reflect the Tennessee state tax rate.
3. On page 8, the first material change clarifies that the Company has the burden of proof to ensure that all plant classified as Plant in Service is truly providing service to customers.⁵²
4. The next change requires pension and OPEB loadings to construction projects to be accounted for consistent with how such costs are recorded to expense.⁵³
5. The next change relates to the application of the state tax rate to ADIT balances as discussed earlier.⁵⁴

⁴⁸ Such clarifying language is consistent with Atmos Energy's expert witness on its pension contributions within its ARM and the subsequent Commission's decision. *Pre-filed Rebuttal Testimony of Jennifer K. Story* at 6:1 – 13:5, TPUC Docket No. 19-00076 (March 19, 2020) and *Order Approving Revised Petition*, p. 10, TPUC Docket No. 19-00076 (August 25, 2020).

⁴⁹ Exhibit DND-5. at p. 6, Part II. HBP Reconciliation, Section "Operating Expenses", No. 14.

⁵⁰ *Id.* at pp. 6-7, Part II. HBP Reconciliation, Section "Expenses", No. 15.

⁵¹ *Id.* at p. 7, Part II. HBP Reconciliation, Section "Expenses", No. 25.

⁵² *Id.* at p. 8, Part II. HBP Reconciliation, Section "Rate Base Components", No. 29.

⁵³ *Id.* at p. 8, Part II. HBP Reconciliation, Section "Rate Base Components", No. 31.

⁵⁴ *Id.* at p. 8, Part II. HBP Reconciliation, Section "Rate Base Components", No. 33.

6. The next change requires the elimination of any non-cash item from the lead-lag study for purposes of determining the appropriate balance of Cash Working Capital to include in Rate Base.⁵⁵
7. The final material change on page 8 deletes the proposed items 36j and 36k. Instead, language is added that permits the Company to request the inclusion of deferred Pension and Environmental costs in Rate Base but places the burden of proof on the Company to demonstrate the reasonableness of their proposal.⁵⁶

Q58. PLEASE DISCUSS PROPOSED CHANGES RELATED TO CAPITALIZATION.

A58. On page 9 of Exhibit DND-5, the edits require the synchronization of the measurement of capital costs with the manner in which Rate Base is measured, specifically both items should be calculated using test-year average balances.⁵⁷ The Company has requested the use of year-end balances for elements of the Company's capitalization within the HBP calculation which is in conflict with the use of the thirteen-month average method for quantifying Rate Base. Similarly, the cost of long-term debt should be the composite cost during the HBP, not the year-end cost as supported by the Company.⁵⁸

Q59. NOW TURN TO THE BASE RATE RESET AND ADDRESS YOUR PROPOSED CHANGES TO THIS PORTION OF THE TARIFF ON PAGES 9 – 14.

A59. The edits I am supporting on pages 9-14 of Exhibit DND-5 under Part III. Annual Base Rate Reset reflect the same modifications suggested within the determination of the HBP revenue requirement. Specifically, edits include but are not limited to the following areas:

1. Inclusion of Home Serve margins within Operating Revenue;
2. The definition of Lobbying should include indirect costs in support of the lobbying function;

⁵⁵ *Id.* at p. 8, Part II. HBP Reconciliation, Section "Rate Base Components", No. 34.

⁵⁶ *Id.* at pp. 8-9, Part II. HBP Reconciliation, Section "Rate Base Components", No. 35j.

⁵⁷ *Id.* at p. 8, Part II. HBP Reconciliation, Section "Capitalization", No. 36.

⁵⁸ *Id.* at p. 8, Part II. HBP Reconciliation, Section "Capitalization", No. 37.

3. Recognition of cash contributions (rather than accrued costs pursuant to GAAP) for pension and OPEB costs;
4. The return on DEBS assets shall be net of Accumulated Depreciation and ADIT balances associated with the assets;
5. The use of the Tennessee state tax rate for purposes of determining Income Tax expense and associated ADIT balances;
6. Cash Working Capital should exclude non-cash items.; and
7. Capitalization ratios and cost of debt should be those average ratios and costs incurred throughout the HBP.

The next insertion reflected on pages 14 and 15 is the requirement to include similar language from the Atmos Energy ARM tariff. The language would require Piedmont to submit a variance report for any revenue or expense account which exceeds a certain threshold.⁵⁹

The final insertion clarifies that the Consumer Advocate has the right to file a petition with the Commission to terminate or modify the ARM tariff.⁶⁰

VIII. Unresolved Revenue Requirement Issues

Q60. PLEASE BEGIN BY IDENTIFYING REVENUE REQUIREMENT ISSUES THAT REMAIN UNRESOLVED FROM THE COMPANY'S RATE CASE, TPUC DOCKET NO. 20-00086.

A60. The following are items I am aware of that are unresolved as it relates to determining the Company's revenue requirement:⁶¹

1. The initial HBP period.
2. The appropriate treatment of pension expense within the Operating Income and Rate Base determination.
3. How the Company's overall cost of capital shall be determined.

⁵⁹ *Id.* at p. 14, Part III. Annual Base Rate Reset, Section "Other Items", No. 40.

⁶⁰ *Id.* at p. 14, Part III. Annual Base Rate Reset, Section "Other Items", No. 41.

⁶¹ The Consumer Advocate reserves the right to address other issues that may arise in the future.

4. Whether the Interest Deferral should be recognized as Operating Income.
5. Whether Home Serve margins should be recognized as Operating Income.
6. How should lobbying costs be defined.
7. How environmental costs should be recovered.
8. What state tax rate should be used to calculate Income Tax Expense and Accumulated Deferred Income Taxes.
9. Should modifications to the mechanism be made to reflect the impacts of the delayed tax provision true-up entries recorded after the HBP.

Q61. THE RECOGNITION OF PENSION COSTS IN THE REVENUE REQUIREMENT IS A MATERIAL ISSUE. DID THE STIPULATION AND AGREEMENT ADDRESS THE RECOVERY OF PENSION COSTS IN TPUC DOCKET NO. 20-00086?

A61. Yes. However, the language in the Settlement Agreement did not bind the parties to these methodologies in a future docket, including the ARM proceeding.⁶² As stated in the Settlement Agreement, “the resolution of issues reflected herein is the result of give-and-take negotiations between the Parties and does not necessarily reflect the position of any single Party on any discrete issue, and no Party waives the right to assert any position in any future proceeding.”⁶³

Q62. WHAT IS YOUR RECOMMENDATION REGARDING THE TREATMENT OF PENSION COSTS WITHIN THE HBP REVENUE REQUIREMENT?

A62. I recommend the Company’s recognition of Pension Asset in Rate Base and Pension costs included as an operating expense be consistent with the Commission’s precedent in the Atmos Energy ARM case. In that proceeding, the Commission adopted⁶⁴ the position of

⁶² *Stipulation and Settlement Agreement*, pp. 11-12, ¶¶ 20-21, TPUC Docket 20-00086 (February 2, 2021).

⁶³ *Id.*

⁶⁴ *Order Approving Revised Petition*, p. 10, Docket No. 19-00076 (August 25, 2020).

1 Ms. Jennifer Story,⁶⁵ who supported the recovery of pension contributions equal to the
2 level necessary to avoid paying the Variable Rate Premium (“VRP”) to the Pension Benefit
3 Guaranty Corporation (“PBGC”). Collection of legacy pension contributions of Piedmont
4 should meet the standard established in the Atmos Energy case. Pension contributions may
5 be recoverable to the extent they are necessary to meet minimum funding contributions to
6 the PBGC, plus if applicable, those contributions are necessary to avoid VRP payments.⁶⁶
7 To the extent Piedmont can demonstrate that its legacy contribution(s) avoided future VRP
8 payments, the Commission could consider this in evaluating whether such contributions
9 should be recovered.

10 **Q63. DID THE COMMISSION EXPLICITLY ADOPT RATEMAKING**
11 **METHODOLOGIES IN ITS ORDER WHICH WOULD APPLY TO THE**
12 **CURRENT ARM FILING?**

13 **A63.** No.

14 **Q64. DO YOU AGREE WITH THE COMPANY’S IMPLICATION⁶⁷ THAT THE**
15 **CURRENT CASE ADOPTS THE METHODOLOGIES IN THE RATE CASE**
16 **THAT WERE AGREED TO BY THE PARTIES?**

17 **A64.** No.

⁶⁵ *Pre-filed Rebuttal Testimony of Jennifer K. Story* at 6:1 – 13:5, TPUC Docket No. 19-00076 (March 19, 2020).

⁶⁶ *Pre-filed Rebuttal Testimony of Jennifer K. Story* at 6:14-17, TPUC Docket No. 19-00076). "The VRP is a form of tax paid to the PBGC to ensure that pension plan participants ultimately receive their participant benefits. The VRP is calculated in two parts – a flat-rate premium and a variable-rate premium." *Id.*

⁶⁷ *Direct Testimony of Pia Powers* at 5:38, TPUC Docket No. 21-00135 (November 5, 2021).

1 **Q65. DID THE COMPANY ADOPT ALL RATEMAKING METHODS CONSISTENT**
2 **WITH HOW THE REVENUE REQUIREMENT WAS DETERMINED IN TPUC**
3 **DOCKET NO. 20-00086?**

4 **A65.** No. As mentioned earlier, the Company has not incorporated the error ratio methodology
5 I used in calculating an adjustment to remove erroneous DEBS costs allocated to Tennessee
6 based upon a sample of transactions.⁶⁸

7 **IX. Incentive Under ARM Mechanism**

8 **Q66. DO YOU HAVE CONCERNS WITH IMPACTS ON CUSTOMER BILLS FROM**
9 **IMPLEMENTATION OF AN ARM IN LIGHT OF RECENT GAS COST**
10 **INCREASES?**

11 **A66.** Yes.

12 **Q67. DO YOU BELIEVE THE COMPANY'S INCENTIVE TO CONTROL COSTS IS**
13 **DIMINISHED UNDER AN ARM MECHANISM?**

14 **A67.** Yes. Under the ARM mechanism proposed by the Company, all regulatory lag is
15 eliminated. “‘Regulatory Lag’ refers to the time gap between when a utility undergoes a
16 change in costs or sales levels and when the utility can reflect these changes in new rates.”⁶⁹

17 While regulatory lag is certainly negative for shareholders and provides an impediment to
18 a utility earning its authorized rate of return, it does provide a strong incentive to control

⁶⁸ *Direct Testimony of David N. Dittmore*, at 23:9 – 26:8, TPUC Docket No. 20-00086 (November 30, 2020).

⁶⁹ Ken. Costello, *Future Test Years: Evidence from State Utility Commissions*, FN24 National Regulatory Research Institute (October 2013).

costs which is absent when regulatory lag is eliminated – as it is in the proposed ARM mechanism.

Q68. HAS THE COMPANY PROVIDED ITS POSITION ON THE INCENTIVE TO CONTROL COSTS UNDER AN ARM MECHANISM?

A68. Yes. The Company points to the need to control costs for competitive concerns in serving new customers and prevent customer fuel switching. The Company also indicates it has an incentive to control costs through prudence reviews within the ARM docket.⁷⁰

Q69. DID YOU REQUEST STUDIES FROM THE COMPANY TO SUPPORT THEIR ASSERTION OF THEIR NEED TO REMAIN COMPETITIVE WITH ALTERNATE FUEL SOURCES?

A69. Yes. In its discovery, the Consumer Advocate sought studies the Company maintains relative to its competitive position in the space heating and water heating markets.⁷¹ However, the Company responded that it does not maintain such studies.⁷² Therefore, the Company has no documentation supporting its incentive to control costs due to its stated competitive concerns in serving new customers and prevent customer fuel switching. So, it appears that any alleged concern with competitive alternatives is minor and not substantial since the Company apparently doesn't monitor its competitive position.

Q70. HAVE YOU HAD OCCASION TO COMPARE THE EXISTING RATES OF THE THREE LARGE JURISDICTIONAL NATURAL GAS UTILITIES?

⁷⁰ *Piedmont's Response to Consumer Advocate First Discovery Request*, DR No. 1-4, TPUC Docket No. 21-00135.

⁷¹ *Consumer Advocate's Second Discovery Request to Piedmont Gas Company*, DR. No. 2-7, TPUC Docket No. 21-00135 (December 15, 2021).

⁷² *Piedmont's Response to Consumer Advocate Second Discovery Request*, DR No. 2-7, TPUC Docket No. 21-00135.

- 1 **A70.** Yes. The table below was prepared under my supervision and provides a comparison of
2 the rates of the three-investor-owned natural gas utilities regulated by the Commission.

Table DND-2				
Rate Comparison Using Constant Usage per Customer				
	Usage per Customer	Piedmont	Atmos	Chattanooga Gas Company
January	130.90	\$ 163.03	\$ 124.96	\$ 132.45
February	129.37	\$ 161.33	\$ 123.73	\$ 131.16
March	95.32	\$ 123.47	\$ 96.43	\$ 102.59
April	53.93	\$ 68.42	\$ 63.24	\$ 67.86
May	21.22	\$ 35.08	\$ 35.02	\$ 36.51
June	10.97	\$ 24.63	\$ 26.79	\$ 27.90
July	11.62	\$ 25.29	\$ 27.32	\$ 28.45
August	10.92	\$ 24.58	\$ 26.76	\$ 27.86
September	10.97	\$ 24.63	\$ 26.80	\$ 27.91
October	15.25	\$ 29.00	\$ 32.23	\$ 31.50
November	47.54	\$ 70.32	\$ 58.12	\$ 62.49
December	91.25	\$ 118.94	\$ 93.17	\$ 99.17
Total	629.26	\$868.71	\$734.56	\$775.85
Piedmont % Increase Higher than Atmos			18.26%	
Piedmont % Increase Higher than CGC			11.97%	

3

4 **Q71. CAN YOU EXPLAIN HOW THIS RATE COMPARISON WAS CALCULATED?**

- 5 **A71.** The Table above applies the current residential rates in effect for the three utilities applied
6 to a fixed level of consumption among the three utilities. In other words, to compare the
7 rate structure of the three utilities, it is necessary to use a common level of consumption;
8 otherwise, the utility with the highest average level of consumption would show higher
9 total bills that may not reflect higher overall rates. The CGC residential consumption set

1 in its last rate case, TPUC Docket No. 18-00017⁷³ was used in the determination of this
2 rate comparison for all three utilities.

3 **Q72. HOW DOES THIS BILL COMPARISON RELATE TO THE AVERAGE**
4 **PIEDMONT RESIDENTIAL BILL OUTLINED IN TABLE DND-1?**

5 **A72.** Table DND-1 estimated the average residential Piedmont bill for 2021 and 2022 based on
6 the residential class's average consumption. Table DND-2 compares the overall customer
7 costs for a given level of consumption between the three natural gas utilities. Therefore,
8 Table DND-2 is a rate comparison rather than a bill comparison. A comparison of bills
9 among the three utilities would naturally rely upon the differing average residential
10 consumption levels among the three utilities. The average Piedmont bill as set out in Table
11 DND-1 is larger than the Piedmont bill represented in Table DND-2, primarily because the
12 average residential usage for Piedmont customers (represented in Table DND-1) is greater
13 than that of CGC (represented for all three utilities in Table DND-2).

14 **Q73. CAN YOU SUMMARIZE THE RATE COMPARISON IN TABLE DND-2?**

15 **A73.** Yes. Piedmont's overall rates are approximately 18% higher than Atmos Energy and 12%
16 higher than that of CGC. As mentioned earlier, this is based upon current rates applied to
17 a fixed level of consumption, specifically the monthly CGC consumption for the residential
18 class in its last base rate case.

19 **X. Proposal to Establish Docket to Investigate Implementing**
20 **Rate Caps in Conjunction with ARM Mechanism**

⁷³ *Chattanooga Gas Company Petition for Approval of an Adjustment in Rates and Tariff; the Termination of the AUA Mechanism and the Related Tariff Changes and Revenue Deficiency Recovery, and Annual Rate Review Mechanism*, file<CGC TPUC MFG Item 36-1>, TPUC Docket No. 18-00017 (February 15, 2018).

1 **Q74. YOU HAVE MENTIONED RECENT INCREASES IN GAS COSTS. DO YOU**
2 **HAVE EVIDENCE OF INCREASING GAS COSTS WITHIN THE NATURAL**
3 **GAS MARKET?**

4 **A74.** Yes. A comparison of the historic Henry Hub market prices⁷⁴ compared with the future
5 prices for Henry Hub⁷⁵ is an indication of the magnitude of increased gas costs customers
6 are experiencing. In general, such costs increased beginning in July 2021 (exclusive of the
7 single month spike in February) contrasted with prior periods. The future pricing suggests
8 there is no reduction in pricing on the horizon.

9 **Q75. DO YOU BELIEVE THE COMMISSION SHOULD BE CONCERNED WITH BILL**
10 **AFFORDABILITY IN LIGHT OF RECENT INCREASES IN GAS COSTS?**

11 **A75.** Yes. As evidenced by the information in Table DND-1, Piedmont customers have
12 experienced significant increases.

13 **Q76. IN LIGHT OF RECENT BILL INCREASES AND THE PROPOSED**
14 **IMPLEMENTATION OF THE ARM MECHANISM, WHAT ARE YOU**
15 **RECOMMENDING?**

16 **A76.** As discussed earlier, I do not believe the Company has sufficient incentive to control costs
17 under an ARM mechanism. This concern is enhanced with the recent increases in the spot
18 market cost of gas and its impact on customer bills. I recommend the Commission establish
19 a generic investigation to establish a calculation to use in all three ARM mechanisms to
20 establish a threshold by which ARM increases could not exceed. This limitation could

⁷⁴ U.S. Energy Information Administration, Henry Hub Natural Gas Spot Price at <https://www.eia.gov/dnav/ng/hist/rngwhhdm.htm> (last visited 1/24/2022).

⁷⁵ CME Group, Henry Hub Natural Gas Futures – Quotes at <https://www.cmegroup.com/markets/energy/natural-gas/natural-gas.quotes.html> (last visited 1/24/2022).

1 include benchmarking of annual O&M increases eligible for recovery, considering
2 inflationary impacts and expected productivity gains. Likewise, reasonable benchmarks
3 could be established for the growth in plant in service applicable to newly installed costs
4 of services and mains. This mechanism would not replace the ARM calculation but instead
5 be used in conjunction with the mechanism and would provide a backstop for escalating
6 costs increases outside the bounds of inflation. Implementation of a reasonable cap sends
7 an appropriate signal to utilities operating under the ARM mechanism that the Commission
8 expects them to use discretion and to operate within a reasonable budget. Adopting a
9 suitable rate cap would also establish a boundary for the natural incentive for utilities to
10 grow rate base. Utilities grow profits by increasing rate base, which is accomplished by
11 increasing capital expenditures. The incentive to grow rate base is financial and should not
12 be left unchecked by the Commission. Simply put, the more a utility spends in capital, the
13 more it makes. This incentive is enhanced under an ARM mechanism due to the
14 elimination of regulatory lag. Of course, any benchmark applied by the Commission
15 should balance the public interest requirement to maintain a safe and reliable system, which
16 requires consistent capital expenditures, with the interest of ratepayers in maintaining
17 affordable service. Establishing a rate cap mechanism would provide a degree of
18 accountability for jurisdictional utilities that doesn't currently exist within the ARM
19 mechanism framework.

20 **Q77. DOES THIS COMPLETE YOUR TESTIMONY?**

21 **A77.** Yes, though I reserve the right to supplement my testimony if necessary.

IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

IN RE:

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

DOCKET NO. 21-00135

AFFIDAVIT

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

David N. Dittamore
DAVID N. DITTEMORE

Sworn to and subscribed before me
this 26th day of January, 2022.

Terra Allen
NOTARY PUBLIC



My commission expires: September 28, 2022.

David Dittimore

Experience

Areas of Specialization

Approximately thirty-years experience in evaluating and preparing regulatory analysis, including revenue requirements, mergers and acquisitions, utility accounting and finance issues and public policy aspects of utility regulation. Presented testimony on behalf of my employers and clients in natural gas, electric, telecommunication and transportation matters covering a variety of issues.

Self-Employed; **Consultant July 1 - Current**; Responsible for providing evaluation of utility ratemaking issues on behalf of clients. Prepare analysis and expert witness testimony.

Tennessee Attorney General's Office; **Financial Analyst September, 2017 – June 2021**; Responsible for evaluation of utility proposals on behalf of the Attorney General's office including water, wastewater and natural gas utility filings. Prepare analysis and expert witness testimony documenting findings and recommendations.

Kansas Gas Service; **Director Regulatory Affairs 2014 - 2017; Manager Regulatory Affairs, 2007 - 2014**

Responsible for directing the regulatory activity of Kansas Gas Service (KOS), a division of ONE Gas, serving approximately 625,000 customers throughout central and eastern Kansas. In this capacity I have formulated strategic regulatory objectives for KOS, formulated strategic legislative options for KOS and led a Kansas inter-utility task force to discuss those options, participated in ONE Gas financial planning meetings, hired and trained new employees and provided recommendations on operational procedures designed to reduce regulatory risk. Responsible for the overall management and processing of base rate cases (2012 and 2016). I also played an active role, including leading negotiations on behalf of ONE Gas in its Separation application from its former parent, ONEOK, before the Kansas Corporation Commission. I have monitored regulatory earnings, and continually determine potential ratemaking outcomes in the event of a rate case filing. I ensure that all required regulatory filings, including surcharges are submitted on a timely and accurate basis, I also am responsible for monitoring all electric utility rate filings to evaluate competitive impacts from rate design proposals.

Strategic Regulatory Solutions; 2003 -2007

Principal; Serving clients regarding revenue requirement and regulatory policy issues in the natural gas, electric and telecommunication sectors

Williams Energy Marketing and Trading; 2000-2003

Manager Regulatory Affairs; Monitored and researched a variety of state and federal electric regulatory issues. Participated in due diligence efforts in targeting investor owned electric utilities for full requirement power contracts. Researched key state and federal rules to identify potential advantages/disadvantages of entering a given market.

MCI WorldCom; 1999 - 2000

Manager, Wholesale Billing Resolution; Manage a group of professionals responsible for resolving Wholesale Billing Disputes greater than \$500K. During my tenure, completed disputes increased by over 100%, rising to \$150M per year.

Kansas Corporation Commission; 1984- 1999

Utilities Division Director - 1997 - 1999; Responsible for managing employees with the goal of providing timely, quality recommendations to the Commission covering all aspects of natural gas, telecommunications and electric utility regulation; respond to legislative inquiries as requested; sponsor expert witness testimony before the Commission on selected key regulatory issues; provide testimony before the Kansas legislature on behalf of the KCC regarding proposed utility legislation; manage a budget in excess of \$2 Million; recruit professional staff; monitor trends, current issues and new legislation in all three major industries; address personnel issues as necessary to ensure that the goals of the agency are being met; negotiate and reach agreement where possible with utility personnel on major issues pending before the Commission including mergers and acquisitions; consult with attorneys on a daily basis to ensure that Utilities Division objectives are being met.

Asst. Division Director - 1996 - 1997; Perform duties as assigned by Division Director.

Chief of Accounting 1990 - 1995; Responsible for the direct supervision of 9 employees within the accounting section; areas of responsibility included providing expert witness testimony on a variety of revenue requirement topics; hired and provided hands-on training for new employees; coordinated and managed consulting contracts on major staff projects such as merger requests and rate increase proposals;

Managing Regulatory Auditor, Senior Auditor, Regulatory Auditor 1984 - 1990; Performed audits and analysis as directed; provided expert witness testimony on numerous occasions before the KCC; trained and directed less experienced auditors on-site during regulatory reviews.

Amoco Production Company 1982 - 1984

Accountant Responsible for revenue reporting and royalty payments for natural gas liquids at several large processing plants.

Education

- B.S.B.A. (Accounting) Central Missouri State University
- Passed CPA exam; (Oklahoma certificate # 7562) - Not a license to practice

675 S.W.2d 718
Court of Appeals of Tennessee,
Middle Section, at Nashville.

SOUTH CENTRAL BELL TELEPHONE
COMPANY, Plaintiff-Appellee,
v.
TENNESSEE PUBLIC SERVICE COMMISSION,
Frank D. Cochran, Keith Bissell, Jane Eskind,
Commissioners, Defendants-Appellants.

No. 83-418-II

|
June 15, 1984.

|
No Application for Appeal to
Supreme Court.

|
Published under Rule 10, Rules of
Court of Appeals.

Public Service Commission which had originally allowed telephone company to place rate increase into effect subject to refund subsequently ordered telephone company to refund portion of amount collected. The Chancery Court, Davidson County, Irvin H. Kilcrease, Jr., Chancellor, reversed the Commission's order requiring telephone company to refund portion of amount collected and the Commission appealed. The Court of Appeals, Todd, P.J., held that the telephone company was estopped from denying the validity of the action it had sought and from which it had benefitted.

Modified and remanded.

West Headnotes (4)

^[1] **Public Utilities**
⚙️ Temporary or emergency charges

Legislature considered that Public Service Commission had no general or inherent power to set tentative rates subject to refund, else special grant of power to grant tentative rates under bond for limited time under emergency circumstances would have been unnecessary; if legislature had intended that Commission have broader powers than those conferred, statute

would have been composed in broader terms. T.C.A. § 65-5-203.

3 Cases that cite this headnote

^[2] **Public Utilities**
⚙️ Statutory basis and limitation

Statutory powers of utilities board should be strictly construed.

Cases that cite this headnote

^[3] **Public Utilities**
⚙️ Hearing and rehearing

Public Service Commission has authority to reopen case for purpose of changing rates previously approved for telephone company; however, Commission does not have authority to reserve right to change rates retroactively thereby requiring refund of portion of amount already collected. T.C.A. § 65-5-203.

3 Cases that cite this headnote

^[4] **Estoppel**
⚙️ Assent to or Ratification of Acts of Others in General

Where telephone company proposed that, in order to relieve anticipated expenses, Public Service Commission place increased rates into effect on condition that benefit of increased rates be relinquished by refund to extent that anticipated expenses did not become reality, failed to challenge validity of orders so providing by timely petition for review, placed conditionally raised rates in effect, and collected extra revenue thereby generated, telephone company was estopped from denying validity of action it had sought and from which it had

benefitted.

Cases that cite this headnote

Attorneys and Law Firms

*718 Henry Walker, Donald L. Scholes, Nashville, for defendants-appellants.

Raymond C. Whiteaker, Jr., T.G. Pappas, Bass, Berry & Sims, Nashville, for plaintiff-appellee.

OPINION

TODD, Presiding Judge, Middle Section.

(There was no application for permission to appeal to the Supreme Court, but this abridged opinion has been approved for publication under Rule 10 of the Court of Appeals.)

The Tennessee Public Service Commission has appealed from the judgment of the Chancellor reversing an order of the Commission requiring South Central Bell Telephone Company to refund to its customers certain amounts collected from them by *719 authority of an order of the commission granting a "temporary increase".

On May 20, 1980, the Telephone Company filed with the Commission a petition for approval of increased rates for the year, 1981. Part of the basis for the request was anticipated action of the Federal Communications Commission which would increase depreciation expenses of the company by \$27 million per year.

At the hearing the vice-president of the Telephone Company urged the Commission to place the requested rates into effect and offered to post a bond to refund the increase if the Federal Communications Commission did not take the anticipated action.

On November 20, 1980, the Commission entered an order providing:

That the permanent tariffs filed on November 19, 1980, which produce additional annual revenues of

\$21,200,000, not subject to refund, are hereby approved, effective November 20, 1980.

That the tariffs filed, subject to refund, on November 19, 1980, which produce additional annual revenues of \$28,144,000, subject to possible refund and rate adjustments, as heretofore described in this order, are hereby approved, effective November 20, 1980.

On November 21, 1980, the Telephone Company filed the necessary bond and placed both approved increases into effect.

As a result of changes in regulations of the Federal Communications Commission, on October 18, 1982, the Commission ordered the Telephone Company to refund \$6,418,000 to its customers.

On petition for review to the Chancery Court, the Chancellor held that the Commission had no authority to allow a rate increase on condition subject to refund; that such action in the November 20, 1980, order was invalid; and that, as a consequence, the order of October 21, 1983, ordering the \$6,418,000 refund was invalid. However, inasmuch as the Company "has not appealed from \$1,290,000 of the refund", that part of the order was left in effect.

The Commission asserts that its authority to fix tentative or temporary rates subject to refund arises from its general power to fix rates on its own initiative whenever existing rates become "unjust, unreasonable, excessive, insufficient....".

[1] Upon a study of the applicable statutes, especially TCA § 65-5-203, this Court concludes that the Legislature never intended to extend retroactive rate-making power (ordering refunds) beyond that expressly stated in § 65-5-203. This is supported by the maxim of *Inclusio Unius est Exclusio Alterius*. The express inclusion of one (person or thing) (implies) the exclusion of all others. The cited statute provides for narrowly circumscribed power to grant tentative rates under bond for a limited time under emergency circumstances which were not found by the Commission and are not shown in this case. It must therefore be presumed that:

(1) the Legislature considered that the Commission had no general or inherent power to set tentative rates subject to refund, else the special grant of power would have been unnecessary;

(2) if the Legislature had intended that the Commission have broader powers than those conferred, the statute would have been composed in broader terms.

^[2] Tennessee authorities support a strict construction of the statutory powers of a utilities board. *Tennessee-Carolina Transportation, Inc. v. Pentecost*, 206 Tenn. 551, 334 S.W.2d 950 (1960); *Pharr v. Nashville C. & St.L.Ry.*, 186 Tenn. 154, 208 S.W.2d 1013 (1948).

^[3] The commission cites authority from other jurisdictions to support its claim of inherent power to fix “temporary rates”. In each of the cited cases, the rates in question were “temporary” in the sense that they were made effective for the period while the case was pending before the board and before final judgment of the board. A similar order by a court would be termed a “pendente lite” order. The present order was not such an action. It was a final order, terminating all issues, *720 subject to a reopening of the case upon future contingencies. The present order was more of a “tentative” or “conditional” order than a temporary order. There is no question of the authority of the Commission to “reopen” a case for the purpose of changing previously approved rates. The question is the authority of the Commission to reserve the right to change rates retroactively thereby requiring a refund.

This Court is satisfied that the Commission does not have the authority to exercise the latter authority (as in the present case). That is, if the Telephone Company had neither suggested nor acquiesced in the order at the time it was entered, but had filed a timely petition for judicial review, this Court is satisfied that the order would have been reversed and vacated as ultra vires.

However, this is not what occurred. The Telephone Company suggested the order, took no exception to it, did not seek review of it, and proceeded to reap the benefits of it by charging and collecting the increased rates.

It has been held that the acceptance and retention of benefits may estop an attack upon the validity of an administrative order. 2 Am.Jur.2d Administrative Law § 487, p. 294 n. 11.

In *Brown v. Humble Oil & Ref. Co.*, 126 Tex. 296, 83 S.W.2d 935, 87 S.W.2d 1069, 99 A.L.R. 1107, 101 A.L.R. 1393, it was held that one who applied to an oil and gas commission for a permit to drill and was granted such permit under a rule of the commission was not in a position to attack the validity of the rule under which they “received and now hold their benefits”, citing *Baker v. Coman*, 109 Tex. 85, 198 S.W. 141.

In *Callanan Road Improvement Co. v. United States*, 345

U.S. 507, 73 S.Ct. 803, 97 L.Ed. 1206 (1953), it was held that one who has invoked the power of the Interstate Commerce Commission to approve a transfer of a certificate of public convenience is estopped to deny the power of the Commission to issue the certificate in the form in which it existed prior to the transfer.

In *Federal Power Commission v. Colorado Interstate Gas Co.*, 348 U.S. 492, 75 S.Ct. 467, 99 L.Ed. 583 (1955), it was held that, where a gas company applied for approval of a merger and proposed that, as a condition of approval, any loss sustained in gasoline operations be excluded from cost of dry gas in setting gas rates, and where said condition was accepted, the merger was approved and the gas company obtained the benefits of the merger, it could not while retaining the benefits of the merger attack the validity of the condition, even if such attack would have been proper otherwise.

^[4] The foregoing authorities support the position of this Court in the present case that, after proposing that relief be granted for anticipated expenses on condition that the benefits of the relief be relinquished by refund to the extent that the anticipated expenses did not become reality, by failing to challenge the validity of the November 20, 1980, order by timely petition for review, by placing in effect the rates conditionally raised and by collecting the extra revenue generated thereby, the Telephone Company is estopped to deny the validity of the action it sought and from which it has benefitted.

This Court concurs in the finding of the Commission that the Telephone Company has derived an excess profit or “windfall” of \$6,418,000 as a result of being granted a tentative rate increase to offset additional depreciation expense, part of which expense, was never incurred. This Court also concurs in the position of the Commission that tax and other savings attributable to the change in depreciation rules should be taken into consideration in making a determination of the net effect of the change in depreciation rules.

If the Telephone Company should be allowed to retain its “windfall profits” because of the invalidity of the Commission order, it would face the possibility of a class action by its patrons for unjust enrichment, or it would be confronted with its *721 retention of excess profit in the consideration of future rate increases. Thus, in the judgment of this Court, a just resolution of the controversy is inevitable and would be only delayed by a ruling favorable to the Telephone Company in this case.

The judgment of the Chancellor is modified to conform to the conclusions stated herein.

All costs, including costs of this appeal, are taxed against the Telephone Company.

The Order of the Commission is affirmed.

The cause is remanded to the Chancery Court for necessary further proceedings.

Modified and Remanded.

LEWIS and CANTRELL, JJ., concur.

All Citations

675 S.W.2d 718

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723 S.W.2d 109
Court of Appeals of Tennessee,
Eastern Section.

GBM COMMUNICATIONS, INC. d/b/a Access
U.S., Plaintiff-Appellee,

v.

UNITED INTER-MOUNTAIN TELEPHONE
COMPANY, Defendant-Appellant.

No. CA 89

April 18, 1986.

Permission to Appeal Denied by
Supreme Court Sept. 8, 1986.

Synopsis

Reseller of telephone service filed suit to enjoin telephone company from disconnecting its service and to require telephone company to give reseller credit for excess charges, and telephone company filed cross complaint alleging that reseller was indebted to telephone company in the amount of \$15,098.10. The Chancery Court, Washington County, James E. Brading, Chancellor, sitting by interchange, ordered telephone company to give reseller credit of \$18,283 for excess charges and dismissed telephone company's cross complaint, and telephone company appealed. The Court of Appeals, Sanders, J., held that: (1) suit did not have to be transferred to Public Service Commission, but was within subject matter jurisdiction of Chancery Court, and (2) under published tariffs, excess charges by telephone company to reseller, resulting from incompatibility of reseller's equipment with telephone company's equipment, were responsibility of reseller, and not telephone company.

Reversed and remanded.

Procedural Posture(s): On Appeal.

West Headnotes (4)

[1] Telecommunications — Jurisdiction

Suit by reseller of telephone service to enjoin telephone company from disconnecting its

service and to require telephone company to give reseller credit for excess charges, did not have to be transferred to Public Service Commission, but was within subject matter jurisdiction of chancery court.

[2] Public Utilities — Nature and status

Public Service Commission is not a "court," but an administrative body.

1 Cases that cite this headnote

[3] Telecommunications — Company's regulations in general; tariffs

Published tariffs of "common carrier," which includes telephone company, are binding upon carrier and its customers, have the effect of law, and govern the parties.

1 Cases that cite this headnote

[4] Telecommunications — Resale

Under telephone company's published tariffs, excess charges by telephone company to reseller of telephone service, resulting from incompatibility of reseller's equipment with telephone company's equipment, were responsibility of reseller, and not telephone company.

Attorneys and Law Firms

*109 James B. Wright, Ward Huddleston, and James H.

Epps, III, Johnson City, for defendant-appellant.

Earl R. Hendry, Bluff City, for plaintiff-appellee.

OPINION

SANDERS, Judge.

The pivotal question on this appeal is whether or not the published tariffs of the telephone company are controlling in the services it furnishes to its customers.

The defendant-appellant, United Inter-Mountain Telephone Company [United], is a public utility engaged in furnishing telephone service in East Tennessee and Southwest Virginia. It also acts as the local agent of American Telephone and Telegraph Company [AT & T] in furnishing long distance services throughout the United States and foreign countries.

The plaintiff-appellee, GBM Communications, Inc. d/b/a Access US [GBM], is a Tennessee corporation with principal offices in Johnson City. It is engaged in the business of reselling telephone service to the public. It is a customer of United. It *110 buys Wide Area Telephone Service [WATS] lines from United, as agent for AT & T and offers the use of these lines to its customers at rates, which are less than the rates they would be charged by United.

In order to resell the long distance service, GBM has at its place of business in North Johnson City an analog LCDS switch similar to regular PBX systems in which a computer is located. In order to get in to GBM's system its customer must dial its assigned telephone number. Upon getting a dial tone from GBM's switch the customer must then dial into the computer his assigned code number. Upon the computer recognizing the code number it will route the call over one of the WATS lines to which it is attached. The customer then dials the number he is calling to any point in the United States the same as he would dial directly a number through the use of United without using GBM. The Chancellor correctly described the functions of the equipment of United and GBM as follows:

GBM has an analog LCDS switch which is designed to accept a call in and do a least cost routing on an

outgoing line and it is the type of switch used in hospitals, motels, universities and other institutions. On the ordinary WATS line, United's switch, at that time an NX-1E, partly electronic and partly mechanical, would direct the call.... When a call would start, ringing voltage would come out and would ring the bells in the telephone. When the customer took the telephone off the hook, the circuit was completed and current would flow. A meter was set up in the circuit which would run as long as the telephone was off the hook. When the calling party hung up, the request for service, or current, was supposed to stop and the meter was supposed to stop running.... Despite the fact that the caller hung up, however, there could be a request for service on the mechanical part of the NX-1E switch which would mean that the meter would run.

GBM's switch interposed an additional step between the calling party and the called party. The caller would call GBM's WATS number and when GBM's telephone rang and "picked up," the caller would dial an additional code number. If the code number were recognized by GBM's switch, it would then complete the circuit back to the Central Office (CO) of United. Immediately, GBM would route the call to the called number and when the called telephone was picked up, the connection between caller and callee was completed. Once GBM completed the circuit back to the CO [Central Office] of United, current was flowing, but insofar as billing was concerned, the connection did not start until the telephone was answered by the called party. United's timer continued until a signal was sent back through GBM that service was no longer wanted.

In September 1983 GBM ordered three WATS lines from United. United furnished these lines attached to a panel at GBM's place of business. GBM then attached its switch to these lines. These lines were to be used by GBM for customers to place calls from any place in the United States coming into Johnson City and GBM would make the connection to the local telephone. The service was designed for local businesses to receive calls from their employees or customers away from Johnson City.

At this point, it should be pointed out that United's tariffs provide for a fixed monthly charge for each WATS line, plus an amount per minute for each minute or fraction thereof that the line is in use. United had a timer on the line, which recorded the time from the instant the called party picked up the receiver until GBM's equipment signaled back that it no longer required service. If the equipment used by GBM was compatible with the equipment of United, the metering or timing by United's equipment would stop when the calling party hung up the telephone receiver.

GBM charged its customers by the minute for the use of the line, and it had a timing or metering equipment, which was designed to meter the use of the line from the time the called party picked up the *111 receiver until the calling party hung up. For a period of approximately two months after the three WATS lines were installed, and put in use by GBM its switching equipment failed to send back signals to United's equipment that it no longer needed the service, after GBM's customer making the incoming call hung up his receiver. This resulted in United equipment showing the line was still in use, and its meter to continue to run. During this period of time United's equipment showed the three lines in use for 508.60 hours, while GBM's equipment showed the lines to be in use for 10.58 hours.

Sometime prior to September 6, 1983, GBM leased a Foreign Exchange or "FX" line from United running from Elizabethton to Johnson City. By use of this line GBM's customers in Elizabethton could call into Johnson City without charge and place their long distance calls through GBM over the WATS lines the same as local customers.

Also, sometime prior to that date, United had decided it was going to install a more modern computerized switch system in its Elizabethton exchange. It notified all of its customers in the Elizabethton exchange of its intention to make the change. The notice which was an insert with their billing advised that if the customers owned their own telephone equipment or leased it from anyone other than United, it might not be compatible. It suggested they check to see if their equipment would be compatible with the new United equipment. United also made several press releases concerning the change, which appeared in the Elizabethton and Johnson City papers.

On September 17, 1983, United installed the new equipment. GBM's equipment was not compatible with United's new equipment and this resulted in a proper signal not being sent to United's equipment for release of the WATS lines on the calls from Elizabethton on the FX line. GBM contends as a result of these failures to disconnect it was charged some \$4,000 in excess of the time its customers had the WATS lines in use.

GBM filed suit in the Chancery Court alleging the failure of the equipment to disconnect was the result of faulty equipment of United. As pertinent here, it sought a restraining order against United restraining it from disconnecting its service and asking that United be required to give it credit for some \$12,000 in overcharges.

United for answer said the Chancery Court was without

subject matter jurisdiction of the case, and jurisdiction was in the Tennessee Public Service Commission. It denied the failure of the equipment was due to faults of its equipment. It said GBM was improperly using United lines. GBM's problems stemmed from the fact its equipment was not compatible with United's equipment as required by its tariffs. Its charges to GBM were in compliance with its tariffs. It also filed a cross-claim alleging GBM was indebted to it in the amount of \$15,098.10.

Upon the trial of the case the Chancellor found the issues in favor of GBM and ordered United to give GBM credit for \$18,283.00 for excess charges. He also dismissed United's cross-complaint.

^[1] United has appealed, insisting the court did not have subject matter jurisdiction, and was in error in not transferring the case to the Tennessee Public Service Commission. It further says the court was in error in holding that United's tariffs were not applicable and that the evidence preponderated against the Chancellor's findings. We cannot agree with United's insistence that the issues here in controversy lay with the Public Service Commission.

United is, however, a public utility as defined in T.C.A. § 65-4-101. Our courts have also found that telephone companies are common carriers and public utilities within the jurisdiction of Public Utilities Commission. See, *Home Telephone Co. v. People's Telephone & Telegraph Co.*, 125 Tenn. 270, 141 S.W. 845, 848 (1911); *State v. Cumberland Telephone & Telegraph Co.*, 114 Tenn. 194, 86 S.W. 390 (1905).

^[2] By statute the Tennessee Public Service Commission is given control over *112 public utilities, property, property rights, facilities and franchises. It also has the power to impose conditions as to equipment, maintenance and level of service. However, the commission is not a "court", but an administrative body. See, *McCollum v. Southern Bell Telephone & Telegraph Co.*, 163 Tenn. 277, 280, 43 S.W.2d 390 (1931).

^[3] We do, however, find the court was in error in holding United's tariffs were not applicable in the case at bar. The published tariffs of a common carrier are binding upon the carrier and its customers and have the effect of law. The provisions of the tariffs should govern the parties. See, *City Messenger Service v. Capitol Records Distributing Corp.*, 446 F.2d 6, 7 (6th Cir.1971), cert. denied, 404 U.S. 1059, 92 S.Ct. 738, 30 L.Ed.2d 746 (1972); *Carter v. American Telephone & Telegraph Company*, 365 F.2d 486, 496 (5th Cir.1966), cert. denied,

385 U.S. 1008, 87 S.Ct. 714, 17 L.Ed.2d. 546 (1967).

As pertinent here, the tariffs which were in effect at the time provide:

WIDE AREA TELECOMMUNICATIONS SERVICE

F.C.C. No. 259, 2.6(A)(1) Responsibility of the Customer

The Customer is responsible for the installation, operation, and maintenance of any Customer provided terminal equipment, multiline terminating system or communications system. The connection of such equipment or system shall not require a change in or alteration of the equipment; or services of the Telephone Company; ...

F.C.C. No. 259, 2.6(B)(1) Responsibility of the Telephone Company

WATS is not represented as adapted to the use of Customer-provided terminal equipment, multiline terminating systems or communications systems. If Customer-provided equipment or systems are used with WATS, the Telephone Company will only be responsible for furnishing service components suitable for WATS and to design, maintain and operate those service components accordingly. Subject to that responsibility, the Telephone Company will not be responsible for (a) the quality or the through transmission of signals generated by the Customer-provided equipment or system, or (b) the reception of signals by Customer-provided equipment or systems, or (c) address signaling performed by Customer-provided signaling equipment.

T.P.S.C. A19.5(1)(e)(1)

Chargeable time for a call begins when the connection is established between the WATS station and the calling or called station.

T.P.S.C. A19.5(1)(e)(2)

Chargeable time for a call ends when the calling station hangs up, thereby releasing the network connection. However, if the calling station does not hang up after the called station hangs up, then chargeable time ends when timing equipment in the network terminates the connection.

with the equipment of GBM. However, in order to solve the disconnect problems, both with WATS lines and the FX lines, United did alter its equipment. This apparently was done because GBM could not alter its equipment to correct the problem.

The tariffs also show that WATS lines are not designed to go through intermediate equipment between United's NX-1E switch and the called or calling stations. GBM's switch would not disconnect the signal after an incoming call to its equipment had terminated and the caller had hung up the telephone. This factor was influenced by the fact that United's equipment did not receive its signal from the original caller, but received its signal or call from GBM's equipment. In other words, the caller to GBM's equipment was not United's customer. GBM was United's customer. GBM was the one that paid United and controlled the call to United.

***113** Because the signal had to pass through GBM's switch, United's equipment did not respond to the person originating the call to GBM hanging up the receiver. In order to correct the problem, it was necessary for United to change the wiring in its system and to remove a signal, which allows United to detect trouble on a line, from the lines going to GBM. Other than the lines used by GBM, this signal is on all other lines throughout United's entire system. Although not controlling, it is of interest to note that from the very beginning of the use of the WATS lines, GBM learned the signal on the lines did not disconnect from its switch, but it is unexplained in the record why GBM continued to use the system and to permit such large amount of use time to accumulate.

The disconnect problems on FX lines developed when United installed its new switching equipment. The record shows that United changed this equipment about two a.m. on Saturday or Sunday night. Monday morning GBM found all three WATS lines had failed to disconnect and was advised the new switching system gave out a three hundred milisecond disconnect and GBM would have to adjust its equipment to recognize this disconnect signal. Here again, GBM did not change its equipment to recognize the three hundred milisecond disconnect signal. Later, United reprogramed its equipment to be compatible with GBM's equipment. Also, GBM learned of the problem on September 17th, but continued to use the incompatible equipment for approximately three weeks, until United reprogramed its equipment. During this period some \$4,000 in use time was incurred.

In his determination of the case, the Chancellor rationalized that because the changes, which were made to make the two systems compatible, were made in

^[4] It will be observed from the tariffs that it is the responsibility of GBM to furnish equipment that is compatible with United's equipment and that it is not the responsibility of United to make its equipment compatible

United's equipment, and GBM made no changes in its equipment, the fault lay with United. This rationale apparently was prompted by the Chancellor's holding United's published tariffs were not applicable.

The Chancellor also found that United did not suffer any loss as a result of the lines not disconnecting. This is contrary to the proof in the record. The unrefuted proof is that although there was no communication on the lines, the 282 exchange equipment of United was seized during all of the time the lines were connected, and other United customers could not use the equipment. The proof further shows the time the lines were connected was being logged on the timer and this time was charged to United by AT & T in making settlement charges for the use of the lines.

The issues are found in favor of the appellant. The decree

of the Chancellor is reversed and the plaintiff's complaint is dismissed. The case is remanded for the entry of a decree in keeping with this opinion and appropriate proceedings on United's counter-claim. Cost of this appeal is taxed to the appellee.

PARROTT, P.J., and GODDARD, J., concur.

All Citations

723 S.W.2d 109

End of Document

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www.reddit.com/r/nashville/comments/s3431f/anyone_else_with_piedmont_notice_some/



Posted by u/Algeradd 9 days ago



23



Anyone else with Piedmont notice some inconsistencies on their January bill?

Check my bills pretty religiously to make sure that their cost lines up with usage. I know the natural gas rates have gone up considerably lately, but my bills up till this point have all calculated out properly. I pay normal monthly usage bills and don't do their program where they average out costs over the year, so it's nothing like that at play. Looking at my January bill though, which seemingly used the same rates as December, my bill has somehow went up by \$44 despite using 4 less therms over the last bill.

Current rate schedule for reference

January bill states 124 therms used. $124 * \$1.11214$ per therm = \$137.90536

Monthly service fee is \$17.45

"Local franchise fee" is \$12.99 (this is a 6.49% tax for Davidson county it seems)

So add those in, the bill should be around \$168.35, however, it's \$213.10

Apply the same math to my December bill

128 therms * \$1.11214 = \$142.35392

Monthly service fee of \$17.45

Local franchise fee of \$10.30

Total should be around \$170.10, and it's \$169.06, so close enough.

Not sure where purchase gas adjustment charge comes into play, but it's small and the same on both bills, so I'm ignoring it.

Am I just blind or insane, or is there roughly \$44 of unexplained charges on the January bill? Anyone else seeing something similar on their January bills, or does this look like a one-off fluke for me? Did they hike rates again without advertising them?



29 Comments



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Sounders1 · 9 days ago

My neighborhood Facebook group is currently discussing this exact issue, it seems everyone got a rate hike (from Piedmont) and no explanation yet as to why.

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Algeradd OP · 9 days ago

Yeah, that's my thought, it seems like a hidden rate hike not on their site. It's criminal IMO that they can get away with not including the actual rate in the bill itself anyway.

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ShrpSloth · 9 days ago 🙄

Okay, I called and the person I talked to had to do a lot of digging to find the correct information. She said that there is an additional winterization adjustment in TN that can vary month to month. TN does not require itemized, detailed billing. As you point out in the op, there is also the \$17.45 that gets lumped in with the charge for the therms. This winterization adjustment is also lumped in. For me that charge was \$22.01, which lines up perfectly with what I calculated my bill was off by for 61 therms. Apparently the only way to find out what the monthly winterization adjustment is would be to call in and ask specifically. She claimed that sometimes the winterization adjustment might even lower you bill, but I find it hard to believe that a company that is intentionally obfuscating charges on a bill is going to benevolently adjust it to my benefit.

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ShrpSloth · 9 days ago · edited 9 days ago

Okay, she called it the wrong thing. She said it was the WNA adjustment, which I just found on the tariff and service regulations PDF for TN on their website. It's not a winterization adjustment, it's the weather normalization adjustment

"Gas Service under this schedule is subject to the provisions contained within Service Schedule No. 315, "Weather Normalization Adjustment (WNA) Rider," and Service Schedule No. 317, "Integrity Management Rider (IMR)."

<https://www.piedmontng.com/home/our-rates>

There is an explanation of the WNA on page 41 of the PDF.

 9
 
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cerbs1234 · 9 days ago

west side

They've been doing things like this for a while. Several years ago my roommate and I were on the road in February and we intentionally left the house verrrry cold to get that bill down a tad. We were charged more that month than we were in January.

 6
 
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empathetichuman · 9 days ago

They always charge a \$17 dollar fee regardless of whether gas is used or not as an infrastructure maintenance charge supposedly.

 0
 
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gekkoguy82 · 9 days ago

Lenox Village

Same here. Less useage, about \$50 higher cost.

 6
 
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BackgroundSuccess6 · 9 days ago

12 South

Ours is unusual as well.

Our total therms used are 75, but bill breaks out as:

Gas - Current Month Charges \$120.18 Local Franchise Fee \$7.80 Total Current Balance \$127.98

I must be doing this wrong; when I multiply therms x rate, it's only \$83.25.

 4
 
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Algeradd OP · 9 days ago

Throw in the \$17.45 service fee as well, but yeah, you're still looking at like a \$108.66 bill instead of \$127.98.

$$75 * \$1.11214 + \$7.80 + \$17.45 = \$108.66$$

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LindenKR · 9 days ago

I also had a much higher bill than expected despite much less therms used compared to previous bills that were lower. Appeared to be a huge unadvertised rate hike.

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GalateaNereid · 9 days ago

<https://www.newschannel5.com/news/piedmont-natural-gas-customers-seeing-higher-bills-this-winter>

I also remember seeing that they are being investigated for over billing related to a surcharge from the deep freeze back in February 2021.

https://www.wsmv.com/news/attorney-general-were-piedmont-customers-unfairly-charged-in-2021/article_18c43042-7011-11ec-a86c-5b2efb7ac687.html

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reckoner15 · 9 days ago

west side

What the hell, I just checked last year's bill and the rates are waaaay higher even though I used less gas with an almost identical heat factor. They raised rates without telling anyone.

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mrdobalinaa · 9 days ago

The rates have gone up like 80% from last winter which is crazy. This month there is now also some unexplained additional fee.

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nashvulnative · 9 days ago · *edited 9 days ago*

Bellevue

Thank you for pointing this out. I received my bill today and it was considerably more than last month's bill. I assumed I used more gas, but after seeing your posting, I checked. I used slightly less this month, yet my bill was \$42 more this month, which is an increase of 26% compared to last month. The PNG web site shows the same rate schedule for December and January, so I have no idea why my bill is so much more.

Edit: I read the information about the Weather Normalization Adjustment but I don't see how that is applicable this month. I used just about the same amount of gas in both months (119 on December's bill and 117 on January's bill), and it sounds like many of you are indicating the same thing -- maybe a little less usage). I find it impossible to believe that there was anything about the weather that necessitated a 26 percent increase in the amount being charged. That pretty much sounds like bullshit to me. At least their ability to do that ends in April and apparently can't resume until October or November. If they were able to "Normalize" all year, there's no telling what we would be paying during the summer.

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MooCower · 8 days ago

OP, you use a lot of gas. I've got 3 full gas heaters, gas water heater, and gas range and I used 74 therms in Dec and like 12 in Nov. Not judging, just surprised at the difference.

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Algeradd OP · 8 days ago

Don't I know it. Open floor plan with high ceilings, ceiling mounted vents, and the lady of the house who complains that 72 is still too cold. The sheer volume of hot air that pools in the upper area is massive. Single reversed ceiling fan barely makes a dent trying to keep the air circulating since it covers a tiny fraction of that space. The flip side is that during summer, it's cheap to cool relative to its size. Either way, the cost doesn't bother us, as we value comfort over penny pinching, but I'm a lot more cold-tolerant than she is, so it was much cheaper when I was the only one around.

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acedog9297 · 9 days ago

I just signed up for the equal billing payment plan after seeing a huge spike the last couple months. They estimated my monthly bill would be \$25 (I've never had a single bill that low) so hopefully I don't get hit with a massive true-up bill at the end of the period.

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Capital_Routine6903 · 9 days ago

Mine was higher than the same period last year. With less consumption. I just assumed the fuel rate was higher.

↑ 1 ↓ Reply Share Report Save Follow



Evilsmurkiller · 9 days ago

east side

Damn, my entire bill (heat only) was \$37.

↑ 1 ↓ Reply Share Report Save Follow



37214 · 9 days ago

In other states they have multiple gas service providers for metropolitan areas. Why don't we have this? For example, Atlanta has 2 or more options to supply their gas service.

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Piedmont Natural Gas Company, Inc.
Tennessee Service Schedule No. 318

SERVICE SCHEDULE NO. 318

Annual Review Mechanism (ARM)

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

I. OVERVIEW

Applicable

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

Purpose

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

Piedmont's Base Margin Rates and ARM Rider Rates shall be reset on an annual basis pursuant to the procedures and information specified in this Tariff. ARM Rider rates and charges should be set forth separately on customer bills.

Global Definitions

- A. **Annual ARM Filing** shall consist of the components described below. The Company will simultaneously copy the Consumer Advocate on all Annual ARM Filings.
- B. **Annual ARM Filing Date** shall be the date the Company submits its Annual ARM Filing to the TPUC. The Annual ARM Filing date shall be no later than May 20 of each year. The initial ARM filing shall be no later than May 20, 2023 and include results for the Historic Base Period of calendar year 2022.
- C. **Annual ARM Proceeding** refers to the annual docketed proceedings in which the Company's Annual ARM Filings shall be reviewed.

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

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

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

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- Q. **ARM Rider Rates** refer to the customer billing rates per therm intended to relieve the ARM Reconciliation Deferred Account Balance over a 12-month period. The ARM Rider Rates will be updated each year on the Effective Date of ARM Rates. In each Annual ARM Filing, the Company shall propose new ARM Rider Rates based on the ARM Deferred Account Balance at March 31 of the year after the HBP plus the current Annual ARM proceeding's HBP Revenue Requirement Deficiency (Sufficiency) and Carrying Costs.
- R. **Base Rates** refer to those base rates per therm shown in Columns <1>, <2> and <3> of the Company's Tariff Sheet No. 1.
- a. **Base Margin Rates** refer to those base rates per therm shown in Column <1> of the Company's Tariff Sheet No. 1. The Base Margin Rates will be adjusted each year on the Effective Date of ARM Rates in accordance with the approved Annual Base Rate Reset Revenue Requirement Deficiency (Sufficiency).
 - b. **Base PGA Rates** refer to those base rates per therm shown in Columns <2> and <3> of the Company's Tariff Sheet No. 1, which are subject to adjustment caused by changes in the cost of purchased gas in accordance with Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider".
- S. **Applicable Rate Schedules** are the Rate Schedules for which the ARM Rider Rates and the Base Margin Rates as updated under the ARM shall apply. The Applicable Rate Schedules are Rate Schedules 301, 302, 343, 352, 303, 304, 310, 313 and 314, which represent all of Piedmont's Rate Schedules.
- T. **Revenue Conversion Factor** shall be computed consistent with the paragraph 14.m. of the 2020 Rate Case Settlement.

Components of the Annual ARM Filing

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

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

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employees and retirees, pursuant to the requirements of para. 17.c. of the 2020 Rate Case Settlement.

4. Attestation from a Company officer, signed and notarized.
5. Proposed Tariff Changes.
6. Proposed Procedural Schedule.

II. HBP RECONCILIATION

The following methodologies shall be used in the ARM Filing Schedules, supporting workpapers and computations necessary to calculate the Company's HBP Revenue Requirement Deficiency (Sufficiency). ~~These methodologies incorporate the approved methodologies underlying the revenue requirement from the 2020 Rate Case Settlement.~~

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

Operating Revenues

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

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Operating Expenses

5. **Purchased Gas Expenses [Cost of Gas]** shall be set equivalent to the PGA portion of the actual Gas Sales and Transportation Revenues during the HBP. Note that the actual purchased gas expenses are recorded to general ledger account 804, and are recovered by the Company through the PGA mechanism.
6. **Other Purchased Gas Expenses** shall reflect such actual expenses recorded during the HBP. Note that these are expenses not eligible for recovery by the Company through the PGA mechanism.
7. **Uncollectible & Bad Debt Expenses** shall reflect such actual expenses recorded during the HBP.
8. **Lobbying Expenses** recorded during the HBP shall be entirely excluded from the computation of Operating Expense. Such Lobbying expenses shall include indirect costs incurred in the support and supervision of the lobbying function.
9. **Employee Salaries & Wages Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities and any such costs deemed excessive or not otherwise in the public interest.
10. **Employee Incentive Compensation Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities. Also, fifty percent of the STIP expenses recorded during the HBP and one hundred percent of the LTIP expenses recorded during the HBP shall be excluded from the computation of Operating Expenses, consistent with paragraph 14.h. of the 2020 Rate Case Settlement.
11. **Amortization Expenses for Deferred Rate Case Expenses for Docket No. 20-00086** recorded during the HBP shall be entirely excluded from the computation of Operating Expense, consistent with paragraphs 14.k. and 17.f. of the 2020 Rate Case Settlement.
- ~~11.12. The Company may seek recovery of Environmental Costs incurred during the HBP upon a showing of prudence and that such costs are not recoverable through insurance policies.~~
- ~~13. Amortization Expenses for Deferred Environmental Costs shall reflect such actual expenses recorded during the HBP.~~
- ~~14. Amortization Expenses for Deferred Pension Costs shall reflect such actual expenses recorded during the HBP.~~
- The Company may seek recovery of pension costs based upon the jurisdictional portion of the minimum cash contributions necessary to avoid the Variable Rate Premium and the minimum annual contribution otherwise payable to the Pension Benefit Guaranty Corporation. Other Pension Expenses shall reflect such actual expenses recorded during the HBP, exclusive of the ASC 2017 expenses (formerly FAS 87) recorded during the HBP.
14. **Other Employee Benefit Expenses, including OPEB** shall reflect such actual payments incurred during the HBP, exclusive of those costs actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities, including costs incurred in the support and supervision of the lobbying function.
15. **Expense for Allocated Return on DEBS Assets** shall reflect such actual expenses properly incurred, and charged to the Company's Tennessee jurisdiction recorded during

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the HBP, adjusted to reflect a return based on the Authorized Return on Equity, and exclusive of any such expense related to return on DEBS pension assets. Such return shall applied to the balance of DEBS assets net of Accumulated Depreciation and Accumulated Deferred Income Taxes (ADIT). Recoverable expenses shall exclude any such expense related to the return on DEBS pension assets.

16. **Expense for TPUC Fee** shall reflect such actual expenses recorded during the HBP.
17. **Other O&M Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities and shall reflect costs necessary in the provision of natural gas service.
18. **Other Expense Adjustments** shall reflect adjustments made by the Company to exclude any known expenses improperly recorded as an Operating Expense during the HBP.
19. **Depreciation Expenses** shall reflect such actual expenses recorded during the HBP, including-net of any-credits recorded during the HBP related to Depreciation Expense Deferrals.
20. **Amortization Expenses for ARM Regulatory Asset** shall reflect such actual expenses recorded during the HBP related to relieving the ARM Regulatory Asset pursuant to approvals granted in prior Annual ARM Proceedings.
21. **Payroll Tax Expenses** shall reflect such actual expenses recorded during HBP, adjusted to comport with the labor and other compensation expense adjustments described herein.
22. **Property Tax Expenses** shall reflect such actual expenses recorded during the HBP.
23. **Other General Tax Expense** shall reflect such actual expenses recorded during the HBP.
24. **Amortization of Investment Tax Credit** shall reflect such actual expenses recorded during the HBP.
25. **State Excise Tax Expense** shall be computed using the Company's Tennessee composite state tax rate in effect December 31 of the HBP, and in alignment with the representation of the adjusted revenues and expenses herein including synchronized interest on debt.
26. **Federal Income Tax Expense** shall be computed using the statutory federal tax rate in effect as of December 31 of the HBP, and in alignment with the representation of the adjusted revenues and expenses herein including synchronized interest on debt. Federal Income Tax Expense shall be further adjusted for the amortized return of protected federal excess accumulated deferred income taxes ("EDIT") resulting from the 2017 Tax Act.

Adjustments to Net Operating Income

27. **AFUDC** shall be computed as the CWIP balance described below multiplied by the last authorized Overall Cost of Capital for the Company. The AFUDC recorded as net operating income should be consistent with AFUDC charges recorded to Construction Work in Progress during the HBP.
28. **Interest on Customer Deposits** shall reflect such actuals recorded during the HBP.

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Rate Base Components

29. **Utility Plant in Service** shall reflect the 13-month average of the actual end-of-month (“EOM”) balances for the HBP and the month prior to the HBP. Any amount recorded to plant in service, that is not truly used in providing service to customers should be removed from Account 101 and either written off or reclassified to an appropriate account. The Company has the burden to demonstrate the accuracy of recordings to Plant in Service.
30. **Accumulated Depreciation** shall reflect the 13-month average of the actual EOM balances for the HBP and the month prior to the HBP.
31. **CWIP** shall reflect the 13-month average of the actual EOM balances, exclusive of fifty percent of STIP costs and one hundred percent of LTIP costs recorded to CWIP during the HBP and the month prior to the HBP, consistent with paragraph 14.h. of the 2020 Rate Case Settlement. Pension and OPEB loadings to construction projects should be accounted for consistent with how such expenses are recoverable in the HBP.
32. **ARM Regulatory Asset** shall reflect the 13-month average of the actual EOM balances for the HBP, excluding the components of such balance associated with the Interest Deferrals.
33. **ADIT** shall reflect the 13-month average of the actual EOM balances for the HBP and the month prior to the HBP, exclusive of any amounts related to unprotected federal EDIT subject to refund to customers pursuant to the TPUC’s August 6, 2019 Order in Docket No. 18-00040. The ADIT as well as any claimed NOL Deferred Tax Asset should be calculated using the Tennessee State tax rate. Items included in the ADIT balance should be determined consistent with the inclusion/exclusion of revenue and expense items included in the HBP.
34. Cash Working Capital (Lead-Lag) shall be computed in conformity with the lag days and categories of revenue and expense in the 2020 Rate Case Settlement. . Non-cash items should be removed from the lead lag study.
35. Other Working Capital shall reflect the 13-month average of the actual EOM balances for the HBP and the month prior to the HBP, for the following:
 - a. Material and Supplies
 - b. Gas Inventory
 - c. Prepaid Insurance
 - d. Fleets & Overheads
 - e. Accounts Payables applicable to CWIP
 - f. Accounts Payables applicable to Materials and Supplies
 - g. Customer Deposits
 - h. Interest on Customer Deposits
 - i. Accrued Vacation
 - j.—The Company may request recovery of any Deferred Debits for Environmental Costs and Pension Costs. It shall bear the burden of proof that such costs are appropriately included in Rate Base. ~~Deferred Debits for Environmental Costs~~

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~~k. Deferred Debits for Pension Costs, reduced by an amount equivalent to the pension expense amortization during the period of time comprising the HBP.~~

Capitalization

36. **Capital Structure** shall reflect the long-term debt, short-term-debt and common equity (not including the impact of goodwill) each as a percentage of total capitalization reflecting the 13-month averages as referenced elsewhere in this tariff, as of December 31 of the HBP. Adjustments shall be made eliminate any double leverage implications. The Company should identify whether it received an infusion of capital from any affiliate and if so the amount, the date of the receipt of the capital and how such funds were recorded.
37. **Long Term Debt Cost** shall reflect the average cost rate of long-term debt during the HBP, actual embedded cost of long-term debt as of December 31 of the HBP. The computation of the embedded cost of long-term best shall include an adjustment for unamortized loss on reacquired debt and credit facility fees. The Company shall have the burden to demonstrate such retirements were economical and in the public interest.
38. **Short Term Debt Cost** shall reflect the computed average cost rate of short-term debt borrowings (Piedmont's intercompany money pool borrowings) during the HBP.
39. **Authorized Return on Equity** as defined in Section I of this tariff.

III. ANNUAL BASE RATE RESET

The following methodologies shall be used in the ARM Filing Schedules, supporting workpapers and computations necessary to calculate the Company's Annual Base Rate Reset Revenue Requirement Deficiency (Sufficiency). These methodologies incorporate the approved methodologies underlying the revenue requirement from the 2020 Rate Case Settlement.

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

Operating Revenues

- 1) **Gas Sales and Transportation Revenues** shall be computed, as follows:
 - a. For service rendered under Rate Schedules 301 (Residential), 302 (Small General) and 352 (Medium General) respectively, the actual usage during the 12-month period comprising the HBP shall be normalized for weather. For this purpose, Normal Heating Degree Days (NHDD) shall be the average of the actual daily heating degree days experienced in the 30-year period ending December 31 of each

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HBP. A regression analysis using actual heating degree days for each month of the HBP, actual usage by rate schedule for each month of the HBP, and the monthly NHDD will be performed to derive the normalized base load usage and heat-sensitive usage per customer for each rate schedule. Such normalized base load usage and heat-sensitive usage per customer for each rate schedule shall then be aligned with the monthly NHDD and actual number of bills rendered each month of the HBP to establish the total normalized customer usage by month by rate schedule. Normalized revenues shall then be computed by applying the present Base Rates (clean rates, which are the rate components shown in columns <1>, <2> and <3> on the Company's Tariff Sheet No. 1, and excluding ARM Rider Rates and all other non-base rates) to the derived normalized monthly customer usage and associated monthly customer count for each rate schedule.

- b. For service rendered under Rate Schedules 303 (Large General Sales – Firm), 304 (Large General Sales – Interruptible), 310 (Resale Service), 313 (Large General Transportation – Firm), 314 (Large General Transportation – Interruptible) and 343 (Motor Vehicle Fuel Service), revenues shall be computed by applying the present Base Rates (clean rates, which are the rate components shown in columns <1>, <2> and <3> on the Company's Tariff Sheet No. 1, and excluding ARM Rider Rates and all other non-base rates) to the actual monthly customer usage and customer count for each rate schedule during the HBP.
 - c. For service rendered under special contracts, revenues shall be the actuals recorded during the HBP. Should a special contract customer move to a tariff rate during or after the completion of the HBP, the revenue for that customer shall instead be computed pursuant to subpart a or b above, as warranted.
- 2) **Forfeited Discount Revenues** shall reflect such actual revenues related to service provided to customers pursuant to the provisions of Company's TPUC-approved rates and charges (including special contracts) and recorded during the HBP.
 - 3) **Other Revenues** shall reflect such actual revenues including those related to service provided to customers pursuant to the provisions of Company's TPUC-approved rates and charges (including special contracts) and recorded during the HBP, exclusive of revenues related to off system sales, other gas supply and capacity secondary marketing activities, and customer cash-out activities. Margins from Home Serve Revenue or related warranty revenue shall be included in Other Revenues.
 - 4) **Margin Revenues** shall reflect the sum of the Gas Sales and Transportation Revenues, Forfeited Discount Revenues and Other Revenues, net of the amount of Purchased Gas Expenses.

Operating Expenses

- 5) **Purchased Gas Expenses [Cost of Gas]** shall be set equivalent to the computed PGA portion of Gas Sales and Transportation Revenues.

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- 6) **Other Purchased Gas Expenses** shall reflect such actual expenses recorded during the HBP. Note that these are expenses not recovered by the Company through the PGA mechanism.
- 7) **Uncollectible & Bad Debt Expenses** shall reflect such actual expenses recorded during the HBP.
- 8) **Lobbying Expenses** recorded during the HBP shall be entirely excluded from the computation of Operating Expense. Such Lobbying expenses shall include indirect costs incurred in the support and supervision of the lobbying function.
- 9) **Employee Salaries & Wages Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities and any such costs deemed excessive or not otherwise in the public interest.
- 10) **Employee Incentive Compensation Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities. Also, fifty percent of the STIP expenses recorded during the HBP and one hundred percent of the LTIP expenses recorded during the HBP shall be excluded from Operating Expenses, consistent with paragraph 14.h. of the 2020 Rate Case Settlement.
- 11) **Amortization Expenses for Deferred Rate Case Expenses for Docket No. 20-00086** recorded during the HBP shall be entirely excluded from the computation of Operating Expense, consistent with paragraphs 14.k. and 17.f. of the 2020 Rate Case Settlement.
- 12) The Company may seek recovery of Environmental Costs incurred during the HBP upon a showing of prudence and that such costs are not recoverable through insurance policies.
- 13) The Company may seek recovery of pension costs based upon the jurisdictional portion of the minimum cash contributions necessary to avoid the Variable Rate Premium and the minimum contribution required by the Pension Benefit Guaranty Corporation.
- ~~14)~~ 14) Other Employee Benefit Expenses, including OPEB shall reflect such actual payments incurred during the HBP, exclusive of those costs related to lobbying activities, including costs incurred in the support and supervision of the lobbying function.
- ~~11. Amortization Expenses for Deferred Environmental Costs shall reflect the amount of such expenses to be recorded during the 12-month period in which the prompt Annual Base Rate Reset rates are to be effective. Incremental deferred environmental costs for which the Company seeks recovery through the Annual Base Rate Reset shall be amortized over a one-year period.~~
- ~~12. Amortization Expenses for Deferred Pension Costs shall reflect the amount of such expenses to be recorded during the 12-month period in which the prompt Annual Base Rate Reset rates are to be effective. Incremental deferred pension costs for which the Company seeks recovery through the Annual Base Rate Reset shall be amortized over a one-year period.~~
- ~~12. Other Pension Expenses shall reflect such actual expenses recorded during the HBP, exclusive of the ASC 2017 expenses (formerly FAS 87) recorded during the HBP.~~

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- ~~12. Other Employee Benefit Expenses, including OPEB shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities.~~
- ~~15. Expense for Allocated Return on DEBS Assets shall reflect such actual expenses properly incurred, and charged to the Company's Tennessee jurisdiction during the HBP, adjusted to reflect a return based on the Authorized Return on Equity, and exclusive of any such expense related to return on DEBS pension assets. Such return shall apply to the balance of DEBS assets net of Accumulated Depreciation and Accumulated Deferred Income Taxes (ADIT). Recoverable expenses shall exclude any such expense related to the return on DEBS pension assets.~~
- ~~19)15) Expense for Allocated Return on DEBS Assets shall reflect such actual expenses recorded during the HBP, adjusted to reflect a return based on the allowed return on equity authorized in the Company's last general rate case, and exclusive of any such expense related to return on DEBS pension assets.~~
- ~~20)16) Expense for TPUC Fee shall reflect such actual expenses recorded during the HBP.~~
- 17) Other O&M Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities and shall reflect costs necessary in the provision of natural gas service.
- ~~24)18) Other Expense Adjustments~~ shall reflect adjustments made by the Company to exclude any known expenses improperly recorded as an Operating Expense during the HBP.
- ~~22)19) Depreciation Expenses~~ shall be computed as annualized depreciation expense aligned with the actual December 31 HBP balance of Utility Plant in Service. Depreciation expenses shall be computed using the depreciation rates approved by the Commission in the Company's most recent general rate case or any subsequent approval.
- ~~23)20) Amortization Expenses for ARM Regulatory Asset~~ shall be computed as annualized amortization expense aligned with the actual December 31 HBP balance of the ARM Regulatory Asset pursuant to approvals granted in prior Annual ARM Proceedings.
- ~~24)21) Payroll Tax Expenses~~ shall reflect such actual expenses recorded during HBP, adjusted to comport with the labor and other compensation expense adjustments.
- ~~25)22) Property Tax Expenses~~ shall reflect such actual expenses recorded during the HBP.
- ~~26)23) Other General Tax Expense~~ shall reflect such actual expenses recorded during the HBP.
- ~~27)24) Amortization of Investment Tax Credit~~ shall reflect such actual expenses recorded during the HBP.
- ~~28)25) State Excise Tax Expense~~ shall be computed using the Company's Tennessee composite-state tax rate in effect as of December 31 of the HBP, and in alignment with the representation of the adjusted revenues and expenses as described including synchronized interest on debt.
- ~~29)26) Federal Income Tax Expense~~ shall be computed using the statutory federal tax rate in effect as of December 31 of the HBP, and in alignment with the representation of

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the adjusted revenues and expenses herein including synchronized interest on debt. Federal Income Tax Expense shall be further adjusted for the amortized return of protected federal excess accumulated deferred income taxes ("EDIT") resulting from the 2017 Tax Cuts and Jobs Act.

Adjustments to Net Operating Income

27) AFUDC shall be computed as the CWIP balance described below multiplied by the Overall Cost of Capital including the Authorized Return on Equity, for the HBP. The AFUDC recorded as net operating income should be consistent with AFUDC charges recorded to Construction Work in Progress during the HBP.

27)28) Interest on Customer Deposits shall reflect such actuals recorded during the HBP.

Rate Base

29) Utility Plant in Service shall reflect the actual December 31 HBP balance. Any amount recorded to plant in service, that is not truly used in providing service to customers should be removed from Account 101 and either written off or reclassified to an appropriate account. The Company has the burden to demonstrate the accuracy of recordings to Plant in Service.

30) Accumulated Depreciation shall reflect the actual December 31 HBP balance.

31) CWIP shall reflect the actual December 31 HBP balance, exclusive of fifty percent of STIP costs and one hundred percent of LTIP costs recorded to CWIP during the HBP, consistent with paragraph 14.h. of the 2020 Rate Case Settlement. Pension and OPEB loadings to construction projects should be accounted for consistent with how such expenses are recoverable in the HBP.

32) ARM Regulatory Asset shall reflect the actual unamortized December 31 HBP balance.

33) ADIT shall reflect the actual December 31 HBP balance, exclusive of any amounts related to the unprotected federal EDIT subject to refund to customers pursuant to the TPUC's August 6, 2019 Order in Docket No. 18-00040. The ADIT as well as any claimed NOL Deferred Tax Asset should be calculated using the Tennessee State tax rate. Items included in the ADIT balance should be determined consistent with the inclusion/exclusion of revenue and expense items included in the HBP. Any requested NOL Asset should be determined based upon Tennessee stand-alone operating results.

34) Cash Working Capital (Lead-Lag) shall be computed in conformity with the lag days and categories of revenue and expense in the 2020 Rate Case Settlement. Non-cash items should be removed from the lead lag study.

35) Other Working Capital shall reflect the 13-month average of the actual EOM balances for the HBP and the month prior to the HBP, for the following:

1. Material and Supplies

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- m. Gas Inventory
- n. Prepaid Insurance
- o. Fleets & Overheads
- p. Accounts Payables applicable to CWIP
- q. Accounts Payables applicable to Materials and Supplies
- r. Customer Deposits
- s. Interest on Customer Deposits
- t. Accrued Vacation

~~t. Deferred Debits for Environmental Costs~~

~~v.u. Deferred Debits for Pension Costs, reduced by an amount equivalent to the pension expense amortization during the period of time comprising the HBP. The Company may request recovery of any Deferred Debits for Environmental Costs and Pension Costs. It shall bear the burden of proof that such costs are appropriately included in Rate Base.~~

Capitalization Components

- 36) **Capital Structure** shall reflect the long-term debt, short-term-debt and common equity (not including the impact of goodwill) each as a percentage of total capitalization as of December 31 of the HBP. reflecting the 13-month averages as referenced elsewhere in this tariff. Adjustments shall be made eliminate any double leverage implications. The Company should identify whether it received an infusion of capital from any affiliate and if so the amount, the date of the receipt of the capital and how such funds were recorded.
- ~~37) Long Term Debt Cost shall reflect the actual embedded cost of long term debt as of December 31 of the HBP. The computation of the embedded cost of long term best shall include an adjustment for unamortized loss on reacquired debt and credit facility fees. Long~~
~~**Term Debt Cost** shall reflect the average cost rate of long-term debt during the HBP. The computation of the embedded cost of long-term best shall include an adjustment for unamortized loss on reacquired debt and credit facility fees. The Company shall have the burden to demonstrate such retirements were economical and in the public interest.~~
- ~~37)38) Short Term Debt Cost~~ shall reflect the computed average cost rate of short-term debt borrowings (Piedmont's intercompany money pool borrowings) during the HBP.
- 39) Authorized Return on Equity as defined in Section I of this tariff.

IV. ~~Other Items~~OTHER ITEMS

- 40) Variance Reporting - As part of its Annual ARM Filing, Piedmont shall prepare and file with TPUC, with a copy to the Consumer Advocate, a Variance Report that identifies and explains each and every Piedmont revenue and operating expense account and/or subaccount for which the Tennessee amount (including amounts allocated to Tennessee) either exceeds the prior year's amount (based on amounts either as filed by Piedmont in the

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Annual ARM Filing or as adjusted by the TPUC under Tenn. Code Ann. § 65-5-103(d)(6)(C)) by 5% and \$30,000; or exceeds the amount (based on amounts either as filed by Atmos Energy in the Annual ARM Filing or as adjusted by the TPUC under Tenn. Code Ann. § 65-5-103(d)(6)(C)) in such account in the third preceding year by 10% and \$60,000; or has been added or deleted or modified in form or substance in any way. As to any account and/or subaccount (and including without limitation any process related directly or indirectly to any such account or subaccount) included on a Variance Report, the TPUC and/or Consumer Advocate shall have the right in its discretion to request additional information and an explanation from Atmos Energy. Atmos Energy will provide any such information or explanation requested within ten business days of such request. The Consumer Advocate, further, has the right in its discretion to bring such account and/or subaccount (or related process) to the attention of the Commission and to request the Commission to review and consider such account and/or subaccount (or related process). Without limiting the Commission's discretion, the Consumer Advocate may recommend any form or process of review it deems appropriate, including without limitation a review that would include the appointment of a third party to review and report on the account and/or subaccount (or related process).

38)41) **Consumer Advocate Authority to Petition** -- The Consumer Advocate shall have the right in its sole discretion to file a petition or complaint asking the TRA to terminate or modify any ARM Tariff resulting from this Docket or any directly or indirectly related docket or to take any other action contemplated by Tenn. Code Ann. § 65-5-103(d)(6). Atmos Energy shall not oppose the Consumer Advocate's petition or complaint filed under this Section on the grounds that such a proceeding is not statutorily authorized or that Consumer Advocate is not authorized to bring such a proceeding; provided, however, that Atmos Energy reserves all rights with regard to the merits of any termination or modification or other relief that the Consumer Advocate may request or position that the Consumer Advocate may assert in any such proceeding.

IV.V. ARM FILING SCHEDULES

LEAD SCHEDULES	
1	Results of Operations
2	Rate Base
3	Lead Lag Results
4A	Working Capital Expense Lag for HBP
4B	Working Capital Expense Lag for Annual Base Rate Reset
5	O&M Expense Summary
6A	Revenue Summary
6B	Revenue Detail

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7	General Tax Summary
8	Excise and Income Tax Summary
9	Income Statement under Present Rates & Proposed Rates
10	Cost of Capital Summary
11	Revenue Conversion Factor & Tax Gross Up Factor
12	Carrying Costs and ARM Reconciliation Deferred Account Balance

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

REVENUE SCHEDULES	
21	Historic Base Period Revenue Components by Rate Schedule & Special Contract
22A	Annual Base Rate Reset Total Revenues by Rate Schedule and Special Contract
22B	Annual Base Rate Reset Revenue Components by Rate Schedule and Special Contract
23	Annual Base Rate Reset Other Revenues
24	Summary of Normalized Billing Determinants and Proposed Margin Revenues
25	Proof of Revenue at Proposed Rates
26	Revenue Changes by Rate Schedule
27	Normal Heating Degree Days
28	Factors for Weather Normalization Adjustment (WNA)
O&M EXPENSE SCHEDULES	
29	Customer Accounts & Service Expense, including uncollectible ratio calculation
30	Employee Salary and Wage Expense
31	Employee Short Term Compensation Expense
32	Employee Long Term Compensation Expense
33	Deferred Environmental Regulatory Amortization and Cost Support
34	Deferred Pension Regulatory Amortization and Pension Plan Contribution Support
35	Return on Service Company (DEBS) Assets
36	Other Pension Expense

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37	Lobbying Expense, Charitable Contribution, Social Club Membership Adjustment
38	Advertising Expense
FINANCIAL REPORTS	
39	Tennessee Allocated Income Statement
40A	Total Piedmont Regulatory View Year End Income Statement
40B	Total Piedmont SEC View Year End Income Statement
40C	Parent (Duke Energy Corporation) Year End Income Statement
40D	Service Company (DEBS) Year End Income Statement
40E	Total Piedmont Regulatory View Year End Balance Sheet
40F	Total Piedmont SEC View Year End Balance Sheet
40G	Parent (Duke Energy Corporation) Year End Balance Sheet
40H	Service Company (DEBS) Year End Balance Sheet
41A	Total Piedmont Monthly Trial Balance Regulatory View
41B	Total Piedmont Monthly Trial Balance SEC View
41C	Parent (Duke Energy Corporation) Monthly Trial Balance Regulatory View
41D	Parent (Duke Energy Corporation) Monthly Trial Balance SEC View
41E	Service Company (DEBS) Monthly Trial Balance Regulatory View
41F	Service Company (DEBS) Monthly Trial Balance SEC View

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

Schedule 52: List of Additional Workpapers	
RATE BASE WORKPAPERS	
UPIS - Monthly Activity by plant account, to provide support for ARM Schedule 13 and 14	
CWIP - Actual Capital Expenditures by Category and Project Number, to provide support for ARM Schedule 15	

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

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SERVICE SCHEDULE NO. 318

Annual Review Mechanism (ARM)

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

I. OVERVIEW

Applicable

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

Purpose

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

Piedmont's Base Margin Rates and ARM Rider Rates shall be reset on an annual basis pursuant to the procedures and information specified in this Tariff. ARM Rider rates and charges should be set forth separately on customer bills.

Global Definitions

- A. **Annual ARM Filing** shall consist of the components described below. The Company will simultaneously copy the Consumer Advocate on all Annual ARM Filings.
- B. **Annual ARM Filing Date** shall be the date the Company submits its Annual ARM Filing to the TPUC. The Annual ARM Filing date shall be no later than May 20 of each year. The initial ARM filing shall be no later than May 20, 2023 and include results for the Historic Base Period of calendar year 2022.
- C. **Annual ARM Proceeding** refers to the annual docketed proceedings in which the Company's Annual ARM Filings shall be reviewed.

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

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

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

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- Q. **ARM Rider Rates** refer to the customer billing rates per therm intended to relieve the ARM Reconciliation Deferred Account Balance over a 12-month period. The ARM Rider Rates will be updated each year on the Effective Date of ARM Rates. In each Annual ARM Filing, the Company shall propose new ARM Rider Rates based on the ARM Deferred Account Balance at March 31 of the year after the HBP plus the current Annual ARM proceeding's HBP Revenue Requirement Deficiency (Sufficiency) and Carrying Costs.
- R. **Base Rates** refer to those base rates per therm shown in Columns <1>, <2> and <3> of the Company's Tariff Sheet No. 1.
- a. **Base Margin Rates** refer to those base rates per therm shown in Column <1> of the Company's Tariff Sheet No. 1. The Base Margin Rates will be adjusted each year on the Effective Date of ARM Rates in accordance with the approved Annual Base Rate Reset Revenue Requirement Deficiency (Sufficiency).
 - b. **Base PGA Rates** refer to those base rates per therm shown in Columns <2> and <3> of the Company's Tariff Sheet No. 1, which are subject to adjustment caused by changes in the cost of purchased gas in accordance with Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider".
- S. **Applicable Rate Schedules** are the Rate Schedules for which the ARM Rider Rates and the Base Margin Rates as updated under the ARM shall apply. The Applicable Rate Schedules are Rate Schedules 301, 302, 343, 352, 303, 304, 310, 313 and 314, which represent all of Piedmont's Rate Schedules.
- T. **Revenue Conversion Factor** shall be computed consistent with the paragraph 14.m. of the 2020 Rate Case Settlement.

Components of the Annual ARM Filing

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

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

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employees and retirees, pursuant to the requirements of para. 17.c. of the 2020 Rate Case Settlement.

4. Attestation from a Company officer, signed and notarized.
5. Proposed Tariff Changes.
6. Proposed Procedural Schedule.

II. HBP RECONCILIATION

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

Operating Revenues

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

Operating Expenses

5. **Purchased Gas Expenses [Cost of Gas]** shall be set equivalent to the PGA portion of the actual Gas Sales and Transportation Revenues during the HBP. Note that the actual

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purchased gas expenses are recorded to general ledger account 804, and are recovered by the Company through the PGA mechanism.

6. **Other Purchased Gas Expenses** shall reflect such actual expenses recorded during the HBP. Note that these are expenses not eligible for recovery by the Company through the PGA mechanism.
7. **Uncollectible & Bad Debt Expenses** shall reflect such actual expenses recorded during the HBP.
8. **Lobbying Expenses** recorded during the HBP shall be entirely excluded from the computation of Operating Expense. Such Lobbying expenses shall include indirect costs incurred in the support and supervision of the lobbying function.
9. **Employee Salaries & Wages Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities and any such costs deemed excessive or not otherwise in the public interest.
10. **Employee Incentive Compensation Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities. Also, fifty percent of the STIP expenses recorded during the HBP and one hundred percent of the LTIP expenses recorded during the HBP shall be excluded from the computation of Operating Expenses, consistent with paragraph 14.h. of the 2020 Rate Case Settlement.
11. **Amortization Expenses for Deferred Rate Case Expenses for Docket No. 20-00086** recorded during the HBP shall be entirely excluded from the computation of Operating Expense, consistent with paragraphs 14.k. and 17.f. of the 2020 Rate Case Settlement.
12. The Company may seek recovery of Environmental Costs incurred during the HBP upon a showing of prudence and that such costs are not recoverable through insurance policies.
13. The Company may seek recovery of pension costs based upon the jurisdictional portion of the minimum cash contributions necessary to avoid the Variable Rate Premium and the minimum annual contribution otherwise payable to the Pension Benefit Guaranty Corporation.
14. **Other Employee Benefit Expenses, including OPEB** shall reflect such actual payments incurred during the HBP, exclusive of those costs related to lobbying activities, including costs incurred in the support and supervision of the lobbying function.
15. **Expense for Allocated Return on DEBS Assets** shall reflect such actual expenses properly incurred, and charged to the Company's Tennessee jurisdiction during the HBP, adjusted to reflect a return based on the Authorized Return on Equity, and exclusive of any such expense related to return on DEBS pension assets. Such return shall applied to the balance of DEBS assets net of Accumulated Depreciation and Accumulated Deferred Income Taxes (ADIT). Recoverable expenses shall exclude any such expense related to the return on DEBS pension assets.
16. **Expense for TPUC Fee** shall reflect such actual expenses recorded during the HBP.
17. **Other O&M Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities and shall reflect costs necessary in the provision of natural gas service.

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18. **Other Expense Adjustments** shall reflect adjustments made by the Company to exclude any known expenses improperly recorded as an Operating Expense during the HBP.
19. **Depreciation Expenses** shall reflect such actual expenses recorded during the HBP, net of credits recorded during the HBP related to Depreciation Expense Deferrals.
20. **Amortization Expenses for ARM Regulatory Asset** shall reflect such actual expenses recorded during the HBP related to relieving the ARM Regulatory Asset pursuant to approvals granted in prior Annual ARM Proceedings.
21. **Payroll Tax Expenses** shall reflect such actual expenses recorded during HBP, adjusted to comport with the labor and other compensation expense adjustments described herein.
22. **Property Tax Expenses** shall reflect such actual expenses recorded during the HBP.
23. **Other General Tax Expense** shall reflect such actual expenses recorded during the HBP.
24. **Amortization of Investment Tax Credit** shall reflect such actual expenses recorded during the HBP.
25. **State Excise Tax Expense** shall be computed using the Company's Tennessee state tax rate in effect December 31 of the HBP, and in alignment with the representation of the adjusted revenues and expenses herein including synchronized interest on debt.
26. **Federal Income Tax Expense** shall be computed using the statutory federal tax rate in effect as of December 31 of the HBP, and in alignment with the representation of the adjusted revenues and expenses herein including synchronized interest on debt. Federal Income Tax Expense shall be further adjusted for the amortized return of protected federal excess accumulated deferred income taxes ("EDIT") resulting from the 2017 Tax Act.

Adjustments to Net Operating Income

27. **AFUDC** shall be computed as the CWIP balance described below multiplied by the last authorized Overall Cost of Capital for the Company. The AFUDC recorded as net operating income should be consistent with AFUDC charges recorded to Construction Work in Progress during the HBP.
28. **Interest on Customer Deposits** shall reflect such actuals recorded during the HBP.

Rate Base Components

29. **Utility Plant in Service** shall reflect the 13-month average of the actual end-of-month ("EOM") balances for the HBP and the month prior to the HBP. Any amount recorded to plant in service, that is not truly used in providing service to customers should be removed from Account 101 and either written off or reclassified to an appropriate account. The Company has the burden to demonstrate the accuracy of recordings to Plant in Service.
30. **Accumulated Depreciation** shall reflect the 13-month average of the actual EOM balances for the HBP and the month prior to the HBP.
31. **CWIP** shall reflect the 13-month average of the actual EOM balances, exclusive of fifty percent of STIP costs and one hundred percent of LTIP costs recorded to CWIP during the HBP and the month prior to the HBP, consistent with paragraph 14.h. of the 2020 Rate

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Case Settlement. Pension and OPEB loadings to construction projects should be accounted for consistent with how such expenses are recoverable in the HBP.

32. **ARM Regulatory Asset** shall reflect the 13-month average of the actual EOM balances for the HBP, excluding the components of such balance associated with the Interest Deferrals.
33. **ADIT** shall reflect the 13-month average of the actual EOM balances for the HBP and the month prior to the HBP, exclusive of any amounts related to unprotected federal EDIT subject to refund to customers pursuant to the TPUC's August 6, 2019 Order in Docket No. 18-00040. The ADIT as well as any claimed NOL Deferred Tax Asset should be calculated using the Tennessee State tax rate. Items included in the ADIT balance should be determined consistent with the inclusion/exclusion of revenue and expense items included in the HBP.
34. Cash Working Capital (Lead-Lag) shall be computed in conformity with the lag days and categories of revenue and expense in the 2020 Rate Case Settlement. . Non-cash items should be removed from the lead lag study.
35. Other Working Capital shall reflect the 13-month average of the actual EOM balances for the HBP and the month prior to the HBP, for the following:
 - a. Material and Supplies
 - b. Gas Inventory
 - c. Prepaid Insurance
 - d. Fleets & Overheads
 - e. Accounts Payables applicable to CWIP
 - f. Accounts Payables applicable to Materials and Supplies
 - g. Customer Deposits
 - h. Interest on Customer Deposits
 - i. Accrued Vacation

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

Capitalization

36. **Capital Structure** shall reflect the long-term debt, short-term-debt and common equity (not including the impact of goodwill) each as a percentage of total capitalization reflecting the 13-month averages as referenced elsewhere in this tariff.. Adjustments shall be made eliminate any double leverage implications. The Company should identify whether it received an infusion of capital from any affiliate and if so the amount, the date of the receipt of the capital and how such funds were recorded.
37. **Long Term Debt Cost** shall reflect the average cost rate of long-term debt during the HBP. The computation of the embedded cost of long-term best shall include an adjustment for unamortized loss on reacquired debt and credit facility fees. The Company shall have the burden to demonstrate such retirements were economical and in the public interest.

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38. **Short Term Debt Cost** shall reflect the computed average cost rate of short-term debt borrowings (Piedmont's intercompany money pool borrowings) during the HBP.
39. **Authorized Return on Equity** as defined in Section I of this tariff.

III. ANNUAL BASE RATE RESET

The following methodologies shall be used in the ARM Filing Schedules, supporting workpapers and computations necessary to calculate the Company's Annual Base Rate Reset Revenue Requirement Deficiency (Sufficiency). These methodologies incorporate the approved methodologies underlying the revenue requirement from the 2020 Rate Case Settlement.

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

Operating Revenues

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

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Base Rates (clean rates, which are the rate components shown in columns <1>, <2> and <3> on the Company's Tariff Sheet No. 1, and excluding ARM Rider Rates and all other non-base rates) to the actual monthly customer usage and customer count for each rate schedule during the HBP.

- c. For service rendered under special contracts, revenues shall be the actuals recorded during the HBP. Should a special contract customer move to a tariff rate during or after the completion of the HBP, the revenue for that customer shall instead be computed pursuant to subpart a or b above, as warranted.
- 2) **Forfeited Discount Revenues** shall reflect such actual revenues related to service provided to customers pursuant to the provisions of Company's TPUC-approved rates and charges (including special contracts) and recorded during the HBP.
- 3) **Other Revenues** shall reflect such actual revenues including those related to service provided to customers pursuant to the provisions of Company's TPUC-approved rates and charges (including special contracts) and recorded during the HBP, exclusive of revenues related to off system sales, other gas supply and capacity secondary marketing activities, and customer cash-out activities. Margins from Home Serve Revenue or related warranty revenue shall be included in Other Revenues.
- 4) **Margin Revenues** shall reflect the sum of the Gas Sales and Transportation Revenues, Forfeited Discount Revenues and Other Revenues, net of the amount of Purchased Gas Expenses.

Operating Expenses

- 5) **Purchased Gas Expenses [Cost of Gas]** shall be set equivalent to the computed PGA portion of Gas Sales and Transportation Revenues.
- 6) **Other Purchased Gas Expenses** shall reflect such actual expenses recorded during the HBP. Note that these are expenses not recovered by the Company through the PGA mechanism.
- 7) **Uncollectible & Bad Debt Expenses** shall reflect such actual expenses recorded during the HBP.
- 8) **Lobbying Expenses** recorded during the HBP shall be entirely excluded from the computation of Operating Expense. Such Lobbying expenses shall include indirect costs incurred in the support and supervision of the lobbying function.
- 9) **Employee Salaries & Wages Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities and any such costs deemed excessive or not otherwise in the public interest.
- 10) **Employee Incentive Compensation Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities. Also, fifty percent of the STIP expenses recorded during the HBP and one hundred percent of the LTIP expenses recorded during the HBP shall be excluded from Operating Expenses, consistent with paragraph 14.h. of the 2020 Rate Case Settlement.

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- 11) **Amortization Expenses for Deferred Rate Case Expenses for Docket No. 20-00086** recorded during the HBP shall be entirely excluded from the computation of Operating Expense, consistent with paragraphs 14.k. and 17.f. of the 2020 Rate Case Settlement.
- 12) The Company may seek recovery of Environmental Costs incurred during the HBP upon a showing of prudence and that such costs are not recoverable through insurance policies.
- 13) The Company may seek recovery of pension costs based upon the jurisdictional portion of the minimum cash contributions necessary to avoid the Variable Rate Premium and the minimum contribution required by the Pension Benefit Guaranty Corporation.
- 14) Other Employee Benefit Expenses, including OPEB shall reflect such actual payments incurred during the HBP, exclusive of those costs related to lobbying activities, including costs incurred in the support and supervision of the lobbying function.
- 15) **Expense for Allocated Return on DEBS Assets** shall reflect such actual expenses properly incurred, and charged to the Company's Tennessee jurisdiction during the HBP, adjusted to reflect a return based on the Authorized Return on Equity, and exclusive of any such expense related to return on DEBS pension assets. Such return shall apply to the balance of DEBS assets net of Accumulated Depreciation and Accumulated Deferred Income Taxes (ADIT). Recoverable expenses shall exclude any such expense related to the return on DEBS pension assets.
- 16) **Expense for TPUC Fee** shall reflect such actual expenses recorded during the HBP.
- 17) **Other O&M Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities and shall reflect costs necessary in the provision of natural gas service.
- 18) **Other Expense Adjustments** shall reflect adjustments made by the Company to exclude any known expenses improperly recorded as an Operating Expense during the HBP.
- 19) **Depreciation Expenses** shall be computed as annualized depreciation expense aligned with the actual December 31 HBP balance of Utility Plant in Service. Depreciation expenses shall be computed using the depreciation rates approved by the Commission in the Company's most recent general rate case or any subsequent approval.
- 20) **Amortization Expenses for ARM Regulatory Asset** shall be computed as annualized amortization expense aligned with the actual December 31 HBP balance of the ARM Regulatory Asset pursuant to approvals granted in prior Annual ARM Proceedings.
- 21) **Payroll Tax Expenses** shall reflect such actual expenses recorded during HBP, adjusted to comport with the labor and other compensation expense adjustments.
- 22) **Property Tax Expenses** shall reflect such actual expenses recorded during the HBP.
- 23) **Other General Tax Expense** shall reflect such actual expenses recorded during the HBP.
- 24) **Amortization of Investment Tax Credit** shall reflect such actual expenses recorded during the HBP.
- 25) **State Excise Tax Expense** shall be computed using the Company's Tennessee state tax rate in effect as of December 31 of the HBP, and in alignment with the representation of the adjusted revenues and expenses as described including synchronized interest on debt.
- 26) **Federal Income Tax Expense** shall be computed using the statutory federal tax rate in effect as of December 31 of the HBP, and in alignment with the representation of the adjusted revenues and expenses herein including synchronized interest on debt. Federal

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

Adjustments to Net Operating Income

27) **AFUDC** shall be computed as the CWIP balance described below multiplied by the Overall Cost of Capital including the Authorized Return on Equity, for the HBP. The AFUDC recorded as net operating income should be consistent with AFUDC charges recorded to Construction Work in Progress during the HBP.

28) **Interest on Customer Deposits** shall reflect such actuals recorded during the HBP.

Rate Base

29) **Utility Plant in Service** shall reflect the actual December 31 HBP balance. Any amount recorded to plant in service, that is not truly used in providing service to customers should be removed from Account 101 and either written off or reclassified to an appropriate account. The Company has the burden to demonstrate the accuracy of recordings to Plant in Service.

30) **Accumulated Depreciation** shall reflect the actual December 31 HBP balance.

31) **CWIP** shall reflect the actual December 31 HBP balance, exclusive of fifty percent of STIP costs and one hundred percent of LTIP costs recorded to CWIP during the HBP, consistent with paragraph 14.h. of the 2020 Rate Case Settlement. Pension and OPEB loadings to construction projects should be accounted for consistent with how such expenses are recoverable in the HBP.

32) **ARM Regulatory Asset** shall reflect the actual unamortized December 31 HBP balance.

33) **ADIT** shall reflect the actual December 31 HBP balance, exclusive of any amounts related to the unprotected federal EDIT subject to refund to customers pursuant to the TPUC's August 6, 2019 Order in Docket No. 18-00040. The ADIT as well as any claimed NOL Deferred Tax Asset should be calculated using the Tennessee State tax rate. Items included in the ADIT balance should be determined consistent with the inclusion/exclusion of revenue and expense items included in the HBP. Any requested NOL Asset should be determined based upon Tennessee stand-alone operating results.

34) **Cash Working Capital (Lead-Lag)** shall be computed in conformity with the lag days and categories of revenue and expense in the 2020 Rate Case Settlement. Non-cash items should be removed from the lead lag study.

35) **Other Working Capital** shall reflect the 13-month average of the actual EOM balances for the HBP and the month prior to the HBP, for the following:

- l. Material and Supplies
- m. Gas Inventory

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- n. Prepaid Insurance
- o. Fleets & Overheads
- p. Accounts Payables applicable to CWIP
- q. Accounts Payables applicable to Materials and Supplies
- r. Customer Deposits
- s. Interest on Customer Deposits
- t. Accrued Vacation
- u. The Company may request recovery of any Deferred Debits for Environmental Costs and Pension Costs. It shall bear the burden of proof that such costs are appropriately included in Rate Base.

Capitalization Components

- 36) **Capital Structure** shall reflect the long-term debt, short-term-debt and common equity (not including the impact of goodwill) each as a percentage of total capitalization as of December 31 of the HBP reflecting the 13-month averages as referenced elsewhere in this tariff. Adjustments shall be made eliminate any double leverage implications. The Company should identify whether it received an infusion of capital from any affiliate and if so the amount, the date of the receipt of the capital and how such funds were recorded.
- 37) **Long Term Debt Cost** shall reflect the average cost rate of long-term debt during the HBP. The computation of the embedded cost of long-term best shall include an adjustment for unamortized loss on reacquired debt and credit facility fees. The Company shall have the burden to demonstrate such retirements were economical and in the public interest.
- 38) **Short Term Debt Cost** shall reflect the computed average cost rate of short-term debt borrowings (Piedmont's intercompany money pool borrowings) during the HBP.
- 39) **Authorized Return on Equity** as defined in Section I of this tariff.

IV. OTHER ITEMS

- 40) **Variance Reporting** - As part of its Annual ARM Filing, Piedmont shall prepare and file with TPUC, with a copy to the Consumer Advocate, a Variance Report that identifies and explains each and every Piedmont revenue and operating expense account and/or subaccount for which the Tennessee amount (including amounts allocated to Tennessee) either exceeds the prior year's amount (based on amounts either as filed by Piedmont in the Annual ARM Filing or as adjusted by the TPUC under Tenn. Code Ann. § 65-5-103(d)(6)(C)) by 5% and \$30,000
- 41) **Consumer Advocate Authority to Petition** -- The Consumer Advocate shall have the right in its sole discretion to file a petition or complaint asking the TRA to terminate or modify any ARM Tariff resulting from this Docket or any directly or indirectly related docket or to take any other action contemplated by Tenn. Code Ann. § 65-5-103(d)(6). Atmos Energy shall not oppose the Consumer Advocate's petition or complaint filed under

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this Section on the grounds that such a proceeding is not statutorily authorized or that Consumer Advocate is not authorized to bring such a proceeding; provided, however, that Atmos Energy reserves all rights with regard to the merits of any termination or modification or other relief that the Consumer Advocate may request or position that the Consumer Advocate may assert in any such proceeding.

V. ARM FILING SCHEDULES

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

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

REVENUE SCHEDULES	
21	Historic Base Period Revenue Components by Rate Schedule & Special Contract

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22A	Annual Base Rate Reset Total Revenues by Rate Schedule and Special Contract
22B	Annual Base Rate Reset Revenue Components by Rate Schedule and Special Contract
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24	Summary of Normalized Billing Determinants and Proposed Margin Revenues
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27	Normal Heating Degree Days
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30	Employee Salary and Wage Expense
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40A	Total Piedmont Regulatory View Year End Income Statement
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42	Piedmont Capital Budget for Tennessee operations for year subsequent to HBP
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46	Cost Allocation Manual
47	Corporate Organizational Structure
48	List of Company Officers
49	Pension and OPEB actuarial reports
50	Employee Incentive Compensation Plan documents
51	Impact of any new accounting pronouncements
52	Additional workpapers as required, and referenced to applicable ARM Filing Schedule

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

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OTHER WORKPAPERS	
Calculation of O&M Expense for Lead/Lag, to provide support for ARM Schedules 4A and 4B Lines 5 through 19	
Calculation of General Taxes, to provide support for ARM Schedule 7	
Calculation of Composite Excise Tax Rate, to provide support for ARM Schedule 11 Line 6 and 12	
Calculation of Annual EDIT Amortization for Protected PPE, to provide support for ARM Schedule 8 Line 21	
Capital Structure and Cost Rates, to provide support for ARM Schedule 10	
ARM Reconciliation Deferred Account Activity by month, to provide support for ARM Schedule 12	

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