

# Holland & Knight

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Electronically Filed in TPUC Docket  
Room on July 14, 2023 at 11:11 a.m.

July 14, 2023

## **VIA ELECTRONIC MAIL**

David Jones, Chairman  
c/o Ectory Lawless  
Tennessee Public Utility Commission  
502 Deaderick Street, Fourth Floor  
Nashville, Tennessee 37243

**Re: Petition of Piedmont Natural Gas Company, Inc. For Approval of its  
2023 Annual Review of Rates Mechanism Pursuant to Tenn. Code  
Ann. § 65-5-103(d)(6)  
Docket No. 23-00035**

Dear Chairman Jones:

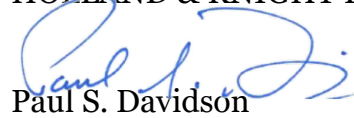
Pursuant to the Joint Proposed Procedural Schedule and Hearing Officer, Monica Smith-Ashford's, May 31, 2023, email regarding docket procedures, enclosed for filing please find an original and four (4) copies of Piedmont Natural Gas Company, Inc.'s ("Piedmont") response to the Consumer Advocate Division's informal discovery request, which was provided to the Consumer Advocate Division via email on July 10, 2023.

This material is also being filed today by way of email to the Tennessee Public Utility Commission docket manager, Ectory Lawless. Please file the original and provide a "filed" stamped copy of the same via email.

If you have any questions regarding this response, you may reach me at the number shown above.

Sincerely yours,

HOLLAND & KNIGHT LLP



Paul S. Davidson  
Equity Partner

PSD:jv

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David Jones, Chairman  
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## Enclosures

cc: Pia Powers  
Brian Heslin  
James H. Jeffries IV  
Brian Franklin  
Kelly Cashman-Grams  
Michelle Mairs  
David Foster  
Karen Stachowski  
Victoria Glover

**PIEDMONT NATURAL GAS COMPANY, INC.**  
**DOCKET NO. 23-00035**  
**2023 ARM FILING**  
**THIRD INFORMAL DATA REQUEST**  
**Issued: July 10, 2023**

**Request from David Dittmore:**

1. I want to go over a mechanical issue with the ARM to understand if we are in agreement. For sake of discussion, let's assume Piedmont is granted a \$30 million rate increase in the current case and such new rates are effective 9/1/23 and an additional \$10 million in revenue is generated from the new rate increase in 2023. The HBP results will reflect the actual results for 2023, inclusive of recognizing the partial year's \$30 million rate increase. I would expect in the next ARM filing that the Company would reflect a \$20 million proforma increase in operating revenue for purposes of computing the Annual Base Rate Reset results. This would be an appropriate annualization adjustment similar to the annualization of depreciation expense in the Adjusted Base Period.

Does Piedmont agree with this position?

**Response:** The pro forma adjustment of rates under the Annual Base Rate Reset in the Company's 2024 Annual ARM Filing (next year's ARM filing) would capture the full impact of the adjustment to Base Rates approved in this year's ARM Filing.

For support, I point you to the two references to "present Base Rates" shown in numbered paragraph 1 on Original Page 10 of 18 of Piedmont's ARM Tariff, which is included on the following page for ease of reference. In next year's ARM Filing, for the Annual Base Rate Reset, normalized per customer usage (therms) from the HBP would be priced out based on present Base Rates in effect at the time of the Company's 2024 Annual ARM Filing (meaning, priced out at Base Rates in effect at May 2024).

Per your example, a \$30M annual Base Rate increase in this proceeding, which would take effect in October 2023, means that the present Base Rates in effect at the time of Piedmont's 2024 Annual ARM Filing would embed that \$30M annual revenue requirement increase. Accordingly, by design of the pro forma revenue annualization process described in this section of the ARM Tariff, the annualized pro forma revenues utilized in the Company's 2024 Annual ARM Filing would functionally include the incremental \$30M of operating revenue (not \$20M).

*[Continued on following page.]*

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**Excerpt from ARM Tariff, Original Page 10 of 18:**

(decreased), the Commission shall order such increase (decrease) in the Base Rates be based upon the proposals of the parties or such other revenue allocation and rate design decision as it may find to be in the public interest.

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 simple linear regression analysis<sup>2</sup> 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.

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<sup>2</sup> The methodology for computing and updating base load and heat sensitivity factors shall be the simple linear regression analysis methodology ordered by the Commission for Atmos Energy Corporation in Docket No. 14-00146 and Chattanooga Gas Company in Docket No. 18-00017. The updated base load and heat sensitivity factors shall be

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

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

Response provided by Piedmont Natural Gas Company, Inc. on July 10, 2023.