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**Before the  
Tennessee Public Utility Commission**

**Docket No. 24-00036**

**2024 Annual ARM Filing**

**Direct Testimony  
of  
Pia Powers**

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



**May 20, 2024**

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

2 A. My name is Pia Powers. My business address is 525 S. Tryon Street,  
3 Charlotte, North Carolina.

4 **Q. By whom and in what capacity are you employed?**

5 A. I am the Managing Director of Gas Rates & Regulatory for Piedmont  
6 Natural Gas Company, Inc. ("Piedmont" or the "Company"). In this  
7 capacity, I am responsible for all regulatory matters pertaining to  
8 Piedmont and its state economic regulators, including the development  
9 and execution of rate requests, other petitions, and report filings.

10 **Q. Please describe your educational and professional background.**

11 A. I have a Bachelor of Arts degree in economics from Fairfield University  
12 and a Master of Science degree in environmental and resource  
13 economics from the University College London. Between earning my  
14 degrees, I undertook a year of research and study in Malta on economic  
15 development under a grant awarded by the Fulbright U.S. Student  
16 Program. From 1999 through 2003, I was employed as an Economist  
17 with the Energy Information Administration, the statistical agency of  
18 the U.S. Department of Energy, where I primarily focused on  
19 international energy and carbon emissions forecasting for the agency's  
20 annual publication of the *International Energy Outlook*. I was hired by  
21 Piedmont as a Regulatory Analyst in 2003. I have worked at Piedmont  
22 since 2003, first in Pipeline Services with primary responsibilities for  
23 the Company's upstream pipeline and storage capacity planning and

1 relations along with oversight of Federal Energy Regulatory  
2 Commission activities regarding interstate pipeline and storage services  
3 that Piedmont utilizes and related policy matters. In the time thereafter,  
4 I took on several roles of increasing responsibility within the  
5 Company's Rates and Regulatory Affairs area. In 2019, I assumed my  
6 current position as Managing Director – Gas Rates & Regulatory.

7 **Q. Have you previously testified before this Commission or any other**  
8 **regulatory authority?**

9 A. Yes. I have presented testimony on numerous occasions before the  
10 Tennessee Public Utility Commission ("TPUC" or "Commission") and  
11 its predecessor the Tennessee Regulatory Authority, as well as the  
12 Public Service Commission of South Carolina and the North Carolina  
13 Utilities Commission.

14 **Q. Please provide context for this proceeding.**

15 A. In Docket No. 21-00135, Piedmont sought and received Commission  
16 approval pursuant to Tenn. Code Ann. § 65-5-103(d)(6) to operate under  
17 new Service Schedule No. 318 – Annual Review Mechanism ("ARM"  
18 or "ARM Tariff"), effective January 1, 2022. The purpose of the ARM  
19 Tariff is expressly stated on page 1: "Pursuant to this ARM and the  
20 annual filings described herein, the Company's rates shall be adjusted  
21 to provide that the Company earns its Authorized Return on Equity on  
22 prudently incurred costs as defined by the [Commission]." This is the

1 Company's second Annual ARM Filing ("2024 Annual ARM Filing"),  
2 which utilizes calendar year 2023 as the Historic Base Period ("HBP").

3 **Q. What is the purpose of your testimony in this proceeding?**

4 A. My testimony supports Piedmont's 2024 Annual ARM Filing seeking  
5 the adjustment of rates in this docket effective October 1, 2024. My  
6 testimony will provide a brief description of Piedmont and its business  
7 during the HBP. I will summarize the relief and requests that Piedmont  
8 is seeking from and of the TPUC pursuant to this proceeding. I will also  
9 provide additional context and support for the Company's request in this  
10 proceeding to modify certain discrete elements of the Company's ARM  
11 Tariff.

12 **Q. Please describe Piedmont and its business.**

13 A. Piedmont is a wholly-owned subsidiary of Duke Energy Corporation  
14 ("Duke Energy"). The Company is principally engaged in the natural  
15 gas distribution business and, as of December 31, 2023, serves more  
16 than 1.1 million customers in three states, including approximately  
17 201,000 customers in Tennessee. Piedmont is fortunate to be able to  
18 provide service to a thriving and growing area in Tennessee. The  
19 Company's capital investments made prior to and during the HBP  
20 facilitated its ability to safely and reliably serve its Tennessee customer  
21 base under all weather conditions.

1 **Q. Please describe Piedmont's gas distribution business in Tennessee.**

2 A. Piedmont serves customers in a number of cities, towns, and  
3 communities in the greater Nashville metropolitan area of Davidson  
4 County and portions of the adjoining counties of Cheatham, Dickson,  
5 Robertson, Rutherford, Sumner, Trousdale, Williamson, and Wilson.  
6 Approximately 90% of Piedmont's Tennessee customers are residential  
7 customers who use gas directly in their home, largely for space heating  
8 and water heating needs. Piedmont also provides service to non-  
9 residential customers, who are mostly commercial, industrial, and  
10 manufacturing businesses.

11 **Q. What are Piedmont's most important business goals?**

12 A. Piedmont continuously strives to provide safe and reliable natural gas  
13 service to its customers at reasonable rates coupled with excellent  
14 customer service. Customer, public, and employee safety are absolutely  
15 critical to everything we do. Piedmont wants its current and future firm  
16 customers to feel certain that the Company will be ready to serve them  
17 on even the coldest of winter days, which is when the aggregated  
18 customer demand for natural gas delivered across Piedmont's  
19 Tennessee system to its customers is the highest and most critical to  
20 supporting human and community needs. Piedmont wants its customers  
21 to experience great customer service with each and every interaction.  
22 Finally, the Company seeks to exemplify excellent environmental  
23 stewardship.

1 **Q. Does Piedmont receive feedback on its customer service?**

2 A. Yes. Piedmont is rated on its provision of customer service in several  
3 ways, including periodic ratings from J.D. Power.

4 **Q. What can you report about Piedmont's customer service scores?**

5 A. Piedmont has continued to receive positive customer satisfaction and  
6 trusted brand scores from J.D. Power as a result of our steady focus on  
7 placing customers at the center of all that the Company does. In fact,  
8 Piedmont reached a new milestone in customer satisfaction in 2023,  
9 achieving the No. 1 residential customer satisfaction ranking for the  
10 second consecutive year among large gas utilities in the South under  
11 J.D. Power's U.S. Gas Utility Residential Customer Satisfaction Study  
12 for 2023. The year prior, Piedmont also achieved top ranking for  
13 residential customer satisfaction among all large gas utilities across the  
14 Unites States.<sup>1</sup>

15 Piedmont monitors customer satisfaction frequently by directly  
16 surveying its customers and using a net promoter score methodology  
17 that includes survey results from customers that rated the Company  
18 highly as well as those that did not. Piedmont continues to receive high  
19 net promoter scores among its residential customers, and also reviews

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<sup>1</sup> J.D. Power represents the voice of customers. Its 2022 and 2023 Gas Utility Residential Customer Satisfaction Studies each vetted the following factors: billing and payment, corporate citizenship, communications, customer care and safety and reliability. The study results were based on responses from over 57,000 (2022) and 61,000 (2023) online interviews conducted from January through October, with residential customers of the 84 (2022) and 85 (2023) largest natural gas utility brands, representing nearly 64.6 million households across the United States. In the South segment, Piedmont has ranked no. 1 for the past two years among six other large gas utilities.

1 all survey feedback for follow-up opportunities to improve customer  
2 satisfaction. The Company is also committed to maintaining a high  
3 standard for call center performance in support of customer satisfaction.  
4 Notably, the Company has striven for nearly two decades to answer at  
5 least 80% of incoming calls within twenty seconds or less, which is an  
6 exceedingly high standard for any call center to consistently achieve.  
7 Piedmont has met that standard for the majority of the past two decades,  
8 and in 2023 Piedmont's call center agents answered approximately 90%  
9 of the total 1.16 million incoming calls within the twenty second goal.

10 **Q. Do you have any exhibits to your direct testimony?**

11 A. Yes. The following two exhibits are part of my testimony:

- 12 • Exhibit\_(PKP-1): Red-lined format of proposed changes to the  
13 Company's ARM Tariff; and
- 14 • Exhibit\_(PKP-2): Clean format of proposed changes to the  
15 Company's ARM Tariff.

16 **Q. Were these exhibits prepared by you or under your direction?**

17 A. Yes.

18 **Q. Please summarize what Piedmont seeks from the Commission in  
19 this proceeding.**

20 A. Through this proceeding, Piedmont requests the Commission's  
21 approval to:

- 1           1. Recover the computed \$13.5 million HBP Revenue  
2           Requirement Deficiency plus \$0.87 million of carrying costs,  
3           which taken together represent \$14.6 million<sup>2</sup>;
- 4           2. Implement new ARM Rider Rates effective October 1, 2024, in  
5           replacement of the ARM Rider Rates that were authorized by  
6           the Commission in Docket No. 23-00035 addressing the  
7           Company's 2023 Annual ARM Filing;
- 8           3. Implement new Base Margin Rates (which were previously set  
9           in Docket No. 23-00035 addressing the Company's 2023  
10          Annual ARM Filing) for the computed \$10.8 million Annual  
11          Base Rate Reset Revenue Requirement Deficiency.<sup>3</sup> The pre-  
12          filed direct testimonies of Piedmont witnesses Kally Couzens,  
13          Misty Lyons and Keith Goley will walk through the specific cost  
14          of service component adjustments, revenue requirement  
15          deficiency computations and reasons for those deficiencies, and  
16          associated proposed rate changes;
- 17          4. Implement updated Weather Normalization Adjustment Factors  
18          (as discussed in witness Goley's direct testimony) effective  
19          October 1, 2024, concurrent with the implementation of the  
20          updated Base Margin Rates in this proceeding;

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<sup>2</sup> As shown in Proposed Modified ARM – Schedule 12 provided in Attachment 1A of the Company's 2024 Annual ARM Filing.

<sup>3</sup> As shown in Proposed Modified ARM – Schedule 1 provided in Attachment 1A of the Company's 2024 Annual ARM Filing.

1           5. Amortize and recover through updated Base Margin Rates in  
2           this proceeding certain deferred environmental expenses that  
3           have been incurred since Piedmont's last general rate case  
4           proceeding (as discussed in witness Lyons' testimony);

5           6. Implement new depreciation rates for Piedmont's Tennessee  
6           direct and three-state joint property assets effective October 1,  
7           2024, concurrent with the implementation of the updated Base  
8           Margin Rates in this proceeding (as discussed in witness Lyons'  
9           testimony). The derivation and support for the new depreciation  
10          rates is the updated depreciation rate study that is being  
11          incorporated into this proceeding through Attachment 7 of this  
12          2024 Annual ARM Filing; and

13          7. Operate pursuant to the proposed modified ARM Tariff, as  
14          shown in the exhibits to my direct testimony and as further  
15          discussed below.

16 **Q.     Please describe the proposed modifications to the Company's ARM**  
17 **Tariff.**

18 A.     The proposed modifications primarily pertain to the use of Tennessee's  
19         statutory state income tax rate<sup>4</sup> in lieu of the Company's composite state  
20         income tax rate for the calculation of the amounts of State Excise Tax  
21         Expense and ADIT used in development of the HBP Revenue

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<sup>4</sup> Tennessee has an excise tax, rather than an income tax. See Tenn. Code Ann. § 64-4-2007(a). For purposes of my direct testimony, the terms are used interchangeably.

1 Requirement Deficiency (Sufficiency) and Annual Base Rate Reset  
2 Revenue Requirement Deficiency (Sufficiency) for each Annual ARM  
3 Filing. These tax-related modifications are shown on pages 7 – 8 and  
4 13 – 14 of Exhibit\_(PKP-1). There is also an additional proposed  
5 modification to the ARM Tariff, shown on page 4 of Exhibit\_(PKP-1),  
6 which pertains to how the ARM Rider Rates are to be computed with  
7 respect to the inherent variability of the ARM Reconciliation Deferred  
8 Account Balance over time.

9 **Q. For context, can you provide some background on the use of the**  
10 **state tax rate in rates for Piedmont set by this Commission?**

11 A. In Piedmont's tax Docket No. 18-00040, Consumer Advocate witness  
12 David Dittmore stated that using the Company's 3.46% composite  
13 state tax rate for computation of Excess ADIT for Piedmont while using  
14 the 6.5% Tennessee statutory rate to compute tax expenses is  
15 inconsistent treatment in the tax calculation, and results in Tennessee  
16 ratepayers paying a higher tax expense but receiving lower credit.

17 As reflected in its *Order Approving Settlement Agreement*  
18 *Setting Rates and Approving the Procedures for Refunds to Customers*  
19 that the Commission issued in Piedmont's last general rate case (Docket  
20 No. 20-00086) on May 6, 2021, Piedmont agreed that there should be  
21 no inconsistency in the tax rates used to compute ADIT and tax expense,  
22 and the parties ultimately agreed to use the Company's composite state  
23 tax rate to calculate both ADIT and tax expense.

1           In Docket No. 21-00135, where the Commission ultimately  
2           approved the current ARM Tariff, the Company initially proposed using  
3           its composite state tax rate for state income tax expense and ADIT,  
4           whereas witness Dittmore recommended using the Tennessee statutory  
5           rate. Ultimately, the parties agreed to use the composite state tax rate  
6           for computing both ADIT and state tax expense under the ARM Tariff.  
7           Although the Commission initially issued an *Order Denying Proposed*  
8           *Annual Review of Rates Mechanism* on July 25, 2022 (“Initial TPUC  
9           Order Regarding Piedmont’s Proposed ARM”), on grounds unrelated to  
10          state income tax and ADIT, its findings and conclusions confirmed the  
11          reasonableness of the parties’ agreement with respect to state income  
12          tax and ADIT.<sup>5</sup>

13          In Piedmont’s 2023 Annual ARM proceeding, witness  
14          Dittmore also recommended, among other issues, that the Company  
15          address in the 2024 Annual ARM filing the implications of state tax rate  
16          changes on the balance of ADIT assigned to Tennessee within the  
17          present ARM filing and future ARM filings. Ultimately, the parties  
18          settled the issue and the Commission approved the settlement provision  
19          that: “[I]n its next Annual Rate Review Mechanism filing, the Company

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<sup>5</sup> See Initial TPUC Order Regarding Piedmont Proposed ARM at 45, stating, “Although the use of the Tennessee statutory rate for computing ADIT and tax expense is appropriate, the continued use of the composite state tax rate, as proposed by the parties, is reasonable. Use of the composite state tax rate will also avoid the need to recompute the Excess ADIT amounts determined in Piedmont’s tax docket to prevent inconsistency between the computation of Excess ADIT regulatory liabilities and annual tax expense. Therefore, the hearing panel agrees with the parties’ resolution of this issue.”

1 will address the implications of state tax rate changes on the  
2 Accumulated Deferred Income Tax balance assigned to Tennessee. The  
3 Parties specifically agree that Tennessee customers shall be held  
4 harmless from any related accounting entries made in 2022 and 2023 to  
5 date.”<sup>6</sup>

6 **Q. Why does the Company propose these tax-related changes to the**  
7 **ARM Tariff at this time?**

8 A. The Company proposes these changes to the ARM Tariff to correct and  
9 improve a complex tax-ratemaking matter based on its now more  
10 comprehensive understanding and direct experience gained over the  
11 past few years since switching to a composite tax rate for tax expense  
12 and ADIT for ratemaking purposes in Tennessee. Additionally, in doing  
13 so, Piedmont is complying with the terms of its Settlement Agreement  
14 with the Consumer Advocate, as well as the Commission’s Order in  
15 Docket No. 23-00035. This greater understanding and direct experience  
16 led to Piedmont’s recent determination that using a composite state tax  
17 rate to quantify State Excise Tax Expense and ADIT balances for  
18 ratemaking purposes, as prescribed in the current ARM Tariff, yields  
19 unintended and unreasonable ratemaking results that, at times, can  
20 inappropriately burden Piedmont’s Tennessee customers with an  
21 unwarranted level of state income tax cost assignment. Using

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<sup>6</sup> See TPUC *Order Approving Settlement Agreement and Setting ARRM Rates*, December 4, 2023 (Docket No. 23-00035), at 18.

1 Tennessee's statutory state tax rate to quantify Piedmont's State Excise  
2 Tax Expense and ADIT balances for ratemaking purposes under the  
3 ARM, as *proposed* herein, would consistently yield just and reasonable  
4 results over time. Specifically, it would yield revenue requirement  
5 deficiencies (sufficiencies) under the ARM that provide warranted and  
6 reasonable levels of tax cost recovery over time from Piedmont's  
7 Tennessee customers through the ratemaking process. Piedmont  
8 witness John Panizza's pre-filed direct testimony provides for this  
9 proposed approach.

10 **Q. Are the proposed tax-related modifications to the ARM Tariff in**  
11 **the public interest?**

12 A. Yes. The proposed ARM Tariff changes related to State Excise Tax  
13 Expense and ADIT are aligned in enabling the Company to properly  
14 recover its costs pertaining to state income tax that are entirely  
15 associated with Piedmont's Tennessee operations. Also, the  
16 Commission has already recognized what Piedmont now more clearly  
17 recognizes and proposes with its ARM Tariff change herein – that the  
18 use of the Tennessee statutory rate for computing ADIT and tax expense  
19 is appropriate.<sup>7</sup>

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<sup>7</sup> See Initial TPUC Order Regarding Piedmont Proposed ARM at 45, stating that “that the use of the Tennessee statutory rate for computing ADIT and tax expense is appropriate.”

1 **Q. Please describe the Company's other proposed modification to the**  
2 **ARM Tariff, which pertains to the calculation of the ARM Rider**  
3 **Rates.**

4 A. This proposed modification removes the prescriptive requirement to  
5 include the amount of the Company's actual March 31 ARM  
6 Reconciliation Deferred Account Balance in the determination of ARM  
7 Rider Rates in each Annual ARM Filing. Furthermore, the proposed  
8 modification inserts some warranted flexibility around the timing for  
9 which any remaining ARM Deferred Account Balance is rolled-into the  
10 annual update of the ARM Rider Rates.

11 **Q. Why does Piedmont propose this modification to the computation**  
12 **of the ARM Rider Rates?**

13 A. As stated in the definition of ARM Rider Rates in the current ARM  
14 Tariff, its intent is "to relieve the ARM Reconciliation Deferred  
15 Account Balance over a 12-month period." The definition also states  
16 that "[t]he ARM Rider Rates will be updated each year on the Effective  
17 Date of ARM Rates." Piedmont proposes this modification consistent  
18 with the intent of the ARM Rider Rates – specifically, in recognition of  
19 the fact that at times it may be unnecessary and unhelpful to the public  
20 interest to *require* the amount of the Company's actual March 31 ARM  
21 Reconciliation Deferred Account Balance be included in the proposed  
22 ARM Rider Rates. The proposed insertion of language providing  
23 flexibility in this regard enables the application of appropriate discretion

1 where necessary. As an example, the 2023 Annual ARM proceeding  
2 established the Company's *initial* ARM Rider Rates effective October  
3 1, 2023, to relieve an approximate \$11 million under-collected starting  
4 balance over a 12-month period ending September 30, 2024. The 12-  
5 month period for the initial ARM Rider Rates, however, has not yet fully  
6 run its course. Adhering to the existing ARM Tariff at this time would  
7 not take into account how the initial ARM Rider Rates will continue to  
8 mitigate the remaining balance in the deferred account over the  
9 remaining six-month period of its initial run (i.e., April 2024 through  
10 September 2024).

11 **Q. Does this conclude your pre-filed direct testimony?**

12 **A.** Yes.

**PIEDMONT NATURAL GAS COMPANY, INC.**  
**2024 ANNUAL ARM FILING**

**EXHIBIT\_(PKP-1)**

## **SERVICE SCHEDULE NO. 318**

### **Annual Review Mechanism (ARM)**

#### **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 to opt into 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 on prudently incurred costs as defined by the Tennessee Public Utility Commission (“TPUC” or the “Commission”). 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 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.

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

##### 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 Annual ARM Filing shall be submitted by May 20, 2023 and shall include results for the Historical 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.
- 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. The initial HBP shall be the 12-month fiscal year ended December 31, 2022.
- E. **Effective Date of ARM Rates** refers to the date that 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 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. 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 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. 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.
- 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, plus any remaining ARM Deferred Account Balance, as appropriate.

- 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.
- i. **Base Margin Rates** refer to ~~these~~ 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).
  - ii. **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 employees and retirees, pursuant to the requirements of para. 17.b. of the 2020 Rate Case Settlement.<sup>1</sup>

<sup>1</sup> Pursuant to Commission Order issued July 25, 2022 in Docket No. 21-00135, no additional regulatory asset for pension or OPEB above the amount that was authorized for recovery in Piedmont's last rate case shall be established for ratemaking purposes unless the Company first obtains express approval from the Commission.

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 based on 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.

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. In its Annual ARM Filing, Piedmont shall make a proposal for how to allocate any amount of HBP Revenue Requirement Deficiency (Sufficiency) among the Applicable Rate Schedules and the specific design for how the ARM Rider Rates are to be increased (decreased) for each Applicable Rate Schedule in accordance with the approved methodologies. Any intervenor party may make its own proposal for how the revenue deficiency (sufficiency) should be allocated to the Applicable Rate Schedules and the rate design for any increase (decrease) in the ARM Rider Rates. Based upon a final determination that the ARM Rider Rates need to be increased (decreased), the Commission shall order such increase (decrease) in the ARM Rider 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 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 related to service provided to customers pursuant to the provisions of Company's TPUC-approved rates and charges (including special contracts) and HomeServe Warranty Program revenues as 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.

- 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 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.
- 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) **Amortization Expenses for Deferred Environmental Costs** shall reflect the unamortized portion of previously-approved deferred environmental costs in accordance with the previously-approved amortization period. The Company may seek recovery of Environmental Costs incurred during the HBP, in accordance with Section III. Annual Base Rate Reset of this Tariff, upon a showing of prudence and that such costs are not recoverable through insurance policies.
- 13) **Amortization Expenses for Deferred Pension Costs** shall reflect the annual expense for unamortized balance of the pension regulatory asset included in the agreed-upon rate base in the Company's last rate case in accordance with the approved amortization period from the Company's last rate case.
- 14) **Other Pension Expenses and OPEB Expenses** shall be the Tennessee jurisdictional portion of the actuarially-determined minimum contribution requirement. Any Pension and

OPEB expenses computed and recorded in accordance with GAAP, including actual contributions, during the HBP shall be excluded.

- 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 be 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 including HomeServe Warranty Program expenses, as well as recoverable promotional and advertising expenses consistent with Commission Rule 1220-04-05-.45, 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, 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's statutory 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. ~~The Company shall notify the Commission and the Consumer Advocate of any change in the state tax rates which comprise the Company's composite state tax rate.~~
- 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 reflect the 13-month average CWIP balance during the HBP multiplied by the Overall Cost of Capital in the HBP including the Authorized Return on Equity.
- 28) **Interest on Customer Deposits** shall reflect such actuals recorded during the HBP.

Rate Base

- 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 general ledger account 101 and either written off or reclassified to an appropriate general ledger 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 cost loadings to construction projects and accounted for in CWIP shall be accounted for consistent with how such expenses are recoverable in the HBP (see above item 14 – Other Pension and OPEB expenses).
- 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. Items included in ADIT should be determined consistent with the inclusion/exclusion of revenue and expense items represented in the HBP and consistent with Tennessee's state tax rate in effect at December 31 of the HBP. ~~The Company shall notify the Commission and the Consumer Advocate of any change in the state tax rates which comprise the Company's composite state tax rate.~~ Any state tax rate change will result in an excess or deficient ADIT balance and that such excess or deficiency should be preserved on the Company's books for appropriate regulatory treatment within subsequent ARM filings.
- 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.
- 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. The Company shall bear the burden of proof that such costs are appropriately included in rate base.
- k. Pension Costs: Piedmont shall be allowed to recover through the ARM the unamortized balance of the pension regulatory asset included in the agreed-upon rate base in the Company's last rate case in Docket No. 20-00086 through annual expense amortizations over the remaining portion of the authorized eight-year amortization period. No additional regulatory asset for pensions or OPEBs above the amount that was authorized in Piedmont's last rate case shall be established for ratemaking purposes unless the Company first obtains express approval from the Commission.

### Capitalization

- 36) **Capital Structure** shall reflect the actual long-term debt, short-term-debt and common equity (not including the impact of goodwill) each as a percentage of total average capitalization for the 13-month period ending December 31 of the HBP.
- 37) **Long Term Debt Cost** shall reflect the actual average embedded cost of long-term debt for the 13-month period ending 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.
- 38) **Short Term Debt Cost** shall reflect the actual average cost rate of short-term debt borrowings (Piedmont's intercompany money pool borrowings) for the 13-month period ending December 31 of 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).

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 in Section III of this Tariff herein. In its Annual ARM Filing, Piedmont shall make a proposal for how to allocate any amount of Annual Base Rate Reset Revenue Requirement Deficiency (Sufficiency) among the Applicable Rate Schedules and the

specific design for how the updated Base Rates are to be increased (decreased) for each Applicable Rate Schedule in accordance with the approved methodologies. Any intervenor party may make its own proposal for how the revenue deficiency (sufficiency) should be allocated to the Applicable Rate Schedules and the rate design for any increase (decrease) in the Base Rates for the Annual Base Rate Reset. Based upon a final determination that the Base Rates need to be increased (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.

<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 utilized for the Company's WNA for the applicable period of time immediately following the TPUC's decision on the Company's Annual ARM Filing.

- 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 related to service provided to customers pursuant to the provisions of Company's TPUC-approved rates and charges (including special contracts) and HomeServe Warranty revenues as 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.
- 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.
- 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) **Amortization Expenses for Deferred Environmental Costs** shall reflect the unamortized portion of previously-approved deferred environmental costs in accordance with the previously-approved amortization period. The Company may also herein seek recovery of Environmental Costs incurred during the HBP upon a showing of prudence and that such costs are not recoverable through insurance policies, and such Environmental Costs shall be represented herein in accordance with the previously-approved amortization period.
- 13) **Amortization Expenses for Deferred Pension Costs** shall reflect the unamortized balance of the pension regulatory asset included in the agreed-upon rate base in the Company's last rate case in accordance with the approved amortization period from the Company's last rate case.
- 14) **Other Pension Expenses and OPEB Expenses** shall be the Tennessee jurisdictional portion of the actuarially-determined minimum contribution requirement. Any Pension and OPEB expenses computed and recorded in accordance with GAAP, including actual contributions, during the HBP shall be excluded.
- 15) **Expense for Allocated Return on DEBS Assets** shall reflect such actual expenses properly incurred, and charges 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 including HomeServe Warranty Program expenses, as well as recoverable promotional and advertising expenses consistent with Commission Rule 1220-04-05-.45, 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's ~~statutory~~ 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. ~~The Company shall notify the Commission and the Consumer Advocate of any change in the state tax rates which comprise the Company's composite state tax rate.~~
- 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 Cuts and Jobs Act.

#### Adjustments to Net Operating Income

- 27) **AFUDC** shall be represented as the CWIP balance at December 31st of the HBP multiplied by the Overall Cost of Capital at December 31st of the HBP including the Authorized Return on Equity.
- 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 cost loadings to construction projects and accounted for in CWIP shall be accounted for consistent with how such expenses are recoverable in the HBP (see above item 14 – Other Pension and OPEB expenses).
- 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. Items included in ADIT should be determined consistent with the inclusion/exclusion of revenue and expense items reflected in the HBP and consistent with Tennessee's state tax rate in effect at December 31 of 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.
- 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. It shall bear the burden of proof that such costs are appropriately included in Rate Base.
  - k. Pension Costs: Piedmont shall be allowed to recover through the ARM the unamortized balance of the pension regulatory asset included in the agreed-upon rate base in the Company's last rate case in Docket No. 20-00086 through annual expense amortizations over the remaining portion of the authorized eight-year amortization period. No additional regulatory asset for pensions or OPEBs above the amount that was authorized in Piedmont's last rate case shall be established for ratemaking purposes unless the Company first obtains express approval from the Commission.

#### 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.
- 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 debt shall include an adjustment for unamortized loss on reacquired debt and credit facility fees.
- 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. ARM FILING SCHEDULES**

<b>LEAD SCHEDULES</b>	
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

<b>RATE BASE SCHEDULES</b>	
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

<b>REVENUE SCHEDULES</b>	
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)

<b>O&amp;M EXPENSE SCHEDULES</b>	
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
37	Lobbying Expense, Charitable Contribution, Social Club Membership Adjustment
38	Promotional and Advertising Expenses, consistent with Commission Rule 1220-04-05-.45

<b>FINANCIAL REPORTS</b>	
39	Tennessee Allocated Income Statement, including details of all revenues and expenses for the HomeServe Warranty Program
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

<b>OTHER INFORMATIONAL SCHEDULES</b>	
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

<b>Schedule 52: List of Additional Workpapers</b>	
<b>RATE BASE WORKPAPERS</b>	
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	
<b>REVENUE WORKPAPERS</b>	
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	
<b>O&amp;M EXPENSE WORKPAPERS</b>	
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	
<b>OTHER WORKPAPERS</b>	
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	
Statutory State 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	

Other Schedules

- 53) Variance Reporting: As part of its Annual ARM filing, Piedmont shall prepare and file with the 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 Tennessee Code Annotated Section 65-5-103(d)(6)(C) by 5% and \$30,000.
- 54) The monthly balances of short-term debt, long-term debt and equity at December 31st of the month preceding the beginning of the HBP as well as month end balances throughout the HBP.
- 55) The amount of accrued expenses recorded in the HBP along with a full explanation identifying the nature of each accrual, further identified between direct and allocated charges.
- 56) If not in the Cost Allocation Manual, the Company shall supply a description of each 'Operating Unit', 'Allocation Pool ID', 'Resource Type ID', 'Source CD JD', and 'Project ID CB' included within its O&M Expense workpaper: General Ledger transaction level detail for all O&M Charges allocated to Tennessee operations from DEBS.
- 57) A description of each DEBS asset whose allocated costs to Piedmont-Tennessee operations is \$50,000 annually or more.
- 58) A schedule of the Company's HBP accounting entries made for the 'return to provision' transaction reflecting the impacts of its filed tax return made in the year subsequent to the HBP, along with an explanation of the impact of the transaction on the regulate return in the period the entry is made.
- 59) The following operating metrics for the HBP:
- a. Response Time to Emergency Calls
  - b. Age of Natural Gas Leaks
  - c. Number of Natural Gas Leaks by Grade.

## V. OTHER

### Consumer Advocate Authority to Petition

The Consumer Advocate shall have the right in its sole discretion to file a petition or complaint asking the Commission to terminate or modify any ARM Tariff resulting from Docket No. 21-00135 or any directly or indirectly related docket or to take any other action contemplated by Tennessee Code Annotated Section 65-5-103(d)(6). The Company 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 the Company 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.

**PIEDMONT NATURAL GAS COMPANY, INC.**  
**2024 ANNUAL ARM FILING**

**EXHIBIT\_(PKP-2)**

## **SERVICE SCHEDULE NO. 318**

### **Annual Review Mechanism (ARM)**

#### **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 to opt into 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 on prudently incurred costs as defined by the Tennessee Public Utility Commission (“TPUC” or the “Commission”). 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 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.

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

##### 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 Annual ARM Filing shall be submitted by May 20, 2023 and shall include results for the Historical Base Period of calendar year 2022.

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- C. **Annual ARM Proceeding** refers to the annual docketed proceedings in which the Company's Annual ARM Filings shall be reviewed.
- 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. The initial HBP shall be the 12-month fiscal year ended December 31, 2022.
- E. **Effective Date of ARM Rates** refers to the date that 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 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. 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

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yet been included in rate base. The Company shall be authorized to establish and include in rate 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. 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.
- 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 current

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Annual ARM Proceeding's HBP Revenue Requirement Deficiency (Sufficiency) and Carrying Costs, plus any remaining ARM Deferred Account Balance, as appropriate.

- 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.
- i. **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).
  - ii. **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 employees and retirees, pursuant to the requirements of para. 17.b. of the 2020 Rate Case Settlement.<sup>1</sup>
4. Attestation from a Company officer, signed and notarized.

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<sup>1</sup> Pursuant to Commission Order issued July 25, 2022 in Docket No. 21-00135, no additional regulatory asset for pension or OPEB above the amount that was authorized for recovery in Piedmont's last rate case shall be established for ratemaking purposes unless the Company first obtains express approval from the Commission.

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 based on 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.

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. In its Annual ARM Filing, Piedmont shall make a proposal for how to allocate any amount of HBP Revenue Requirement Deficiency (Sufficiency) among the Applicable Rate Schedules and the specific design for how the ARM Rider Rates are to be increased (decreased) for each Applicable Rate Schedule in accordance with the approved methodologies. Any intervenor party may make its own proposal for how the revenue deficiency (sufficiency) should be allocated to the Applicable Rate Schedules and the rate design for any increase (decrease) in the ARM Rider Rates. Based upon a final determination that the ARM Rider Rates need to be increased (decreased), the Commission shall order such increase (decrease) in the ARM Rider 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 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 related to service provided to customers pursuant to the provisions of Company's TPUC-approved rates and charges (including special contracts) and HomeServe Warranty Program revenues as 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.

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- 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 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.
- 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) **Amortization Expenses for Deferred Environmental Costs** shall reflect the unamortized portion of previously-approved deferred environmental costs in accordance with the previously-approved amortization period. The Company may seek recovery of Environmental Costs incurred during the HBP, in accordance with Section III. Annual Base Rate Reset of this Tariff, upon a showing of prudence and that such costs are not recoverable through insurance policies.
- 13) **Amortization Expenses for Deferred Pension Costs** shall reflect the annual expense for unamortized balance of the pension regulatory asset included in the agreed-upon rate base in the Company's last rate case in accordance with the approved amortization period from the Company's last rate case.
- 14) **Other Pension Expenses and OPEB Expenses** shall be the Tennessee jurisdictional portion of the actuarially-determined minimum contribution requirement. Any Pension and OPEB expenses computed and recorded in accordance with GAAP, including actual contributions, during the HBP shall be excluded.

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- 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 be 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 including HomeServe Warranty Program expenses, as well as recoverable promotional and advertising expenses consistent with Commission Rule 1220-04-05-.45, 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, 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 Tennessee's statutory 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 reflect the 13-month average CWIP balance during the HBP multiplied by the Overall Cost of Capital in the HBP including the Authorized Return on Equity.
- 28) **Interest on Customer Deposits** shall reflect such actuals recorded during the HBP.

Rate Base

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- 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 general ledger account 101 and either written off or reclassified to an appropriate general ledger 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 cost loadings to construction projects and accounted for in CWIP shall be accounted for consistent with how such expenses are recoverable in the HBP (see above item 14 – Other Pension and OPEB expenses).
- 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. Items included in ADIT should be determined consistent with the inclusion/exclusion of revenue and expense items represented in the HBP and consistent with Tennessee's state tax rate in effect at December 31 of the HBP. Any state tax rate change will result in an excess or deficient ADIT balance and that such excess or deficiency should be preserved on the Company's books for appropriate regulatory treatment within subsequent ARM filings.
- 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.
- 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. The Company shall bear the burden of proof that such costs are appropriately included in rate base.

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- k. **Pension Costs:** Piedmont shall be allowed to recover through the ARM the unamortized balance of the pension regulatory asset included in the agreed-upon rate base in the Company's last rate case in Docket No. 20-00086 through annual expense amortizations over the remaining portion of the authorized eight-year amortization period. No additional regulatory asset for pensions or OPEBs above the amount that was authorized in Piedmont's last rate case shall be established for ratemaking purposes unless the Company first obtains express approval from the Commission.

### Capitalization

- 36) **Capital Structure** shall reflect the actual long-term debt, short-term-debt and common equity (not including the impact of goodwill) each as a percentage of total average capitalization for the 13-month period ending December 31 of the HBP.
- 37) **Long Term Debt Cost** shall reflect the actual average embedded cost of long-term debt for the 13-month period ending 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.
- 38) **Short Term Debt Cost** shall reflect the actual average cost rate of short-term debt borrowings (Piedmont's intercompany money pool borrowings) for the 13-month period ending December 31 of 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).

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 in Section III of this Tariff herein. In its Annual ARM Filing, Piedmont shall make a proposal for how to allocate any amount of Annual Base Rate Reset Revenue Requirement Deficiency (Sufficiency) among the Applicable Rate Schedules and the specific design for how the updated Base Rates are to be increased (decreased) for each Applicable Rate Schedule in accordance with the approved methodologies. Any intervenor party may make its own proposal for how the revenue deficiency (sufficiency) should be allocated to the Applicable Rate Schedules and the rate design for any increase (decrease) in the Base Rates for the Annual Base Rate Reset. Based upon a final determination that the Base Rates need to be increased (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.

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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.
  - 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.

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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 utilized for the Company's WNA for the applicable period of time immediately following the TPUC's decision on the Company's Annual ARM Filing.

- 3) **Other 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 HomeServe Warranty revenues as 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.
- 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.
- 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) **Amortization Expenses for Deferred Environmental Costs** shall reflect the unamortized portion of previously-approved deferred environmental costs in accordance with the previously-approved amortization period. The Company may also herein seek recovery of Environmental Costs incurred during the HBP upon a showing of prudence and that such costs are not recoverable through insurance policies, and such Environmental Costs shall be represented herein in accordance with the previously-approved amortization period.
- 13) **Amortization Expenses for Deferred Pension Costs** shall reflect the unamortized balance of the pension regulatory asset included in the agreed-upon rate base in the

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Company's last rate case in accordance with the approved amortization period from the Company's last rate case.

- 14) **Other Pension Expenses and OPEB Expenses** shall be the Tennessee jurisdictional portion of the actuarially-determined minimum contribution requirement. Any Pension and OPEB expenses computed and recorded in accordance with GAAP, including actual contributions, during the HBP shall be excluded.
- 15) **Expense for Allocated Return on DEBS Assets** shall reflect such actual expenses properly incurred, and charges 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 including HomeServe Warranty Program expenses, as well as recoverable promotional and advertising expenses consistent with Commission Rule 1220-04-05-.45, 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 Tennessee's statutory 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.

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- 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 Cuts and Jobs Act.

Adjustments to Net Operating Income

- 27) **AFUDC** shall be represented as the CWIP balance at December 31st of the HBP multiplied by the Overall Cost of Capital at December 31st of the HBP including the Authorized Return on Equity.
- 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 cost loadings to construction projects and accounted for in CWIP shall be accounted for consistent with how such expenses are recoverable in the HBP (see above item 14 – Other Pension and OPEB expenses).
- 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. Items included in ADIT should be determined consistent with the inclusion/exclusion of revenue and expense items reflected in the HBP and consistent with Tennessee's state tax rate in effect at December 31 of 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.
- 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

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- 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. It shall bear the burden of proof that such costs are appropriately included in Rate Base.
- k. Pension Costs: Piedmont shall be allowed to recover through the ARM the unamortized balance of the pension regulatory asset included in the agreed-upon rate base in the Company's last rate case in Docket No. 20-00086 through annual expense amortizations over the remaining portion of the authorized eight-year amortization period. No additional regulatory asset for pensions or OPEBs above the amount that was authorized in Piedmont's last rate case shall be established for ratemaking purposes unless the Company first obtains express approval from the Commission.

#### 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.
- 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 debt shall include an adjustment for unamortized loss on reacquired debt and credit facility fees.
- 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. 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

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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

<b>RATE BASE SCHEDULES</b>	
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

<b>REVENUE SCHEDULES</b>	
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)

<b>O&amp;M EXPENSE SCHEDULES</b>	
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
37	Lobbying Expense, Charitable Contribution, Social Club Membership Adjustment
38	Promotional and Advertising Expenses, consistent with Commission Rule 1220-04-05-.45

<b>FINANCIAL REPORTS</b>	
39	Tennessee Allocated Income Statement, including details of all revenues and expenses for the HomeServe Warranty Program

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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

<b>OTHER INFORMATIONAL SCHEDULES</b>	
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

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<b>Schedule 52: List of Additional Workpapers</b>	
<b>RATE BASE WORKPAPERS</b>	
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	
<b>REVENUE WORKPAPERS</b>	
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	
<b>O&amp;M EXPENSE WORKPAPERS</b>	
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	
<b>OTHER WORKPAPERS</b>	
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	
Statutory State 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	

Other Schedules

- 53) Variance Reporting: As part of its Annual ARM filing, Piedmont shall prepare and file with the TPUC, with a copy to the Consumer Advocate, a Variance Report that identifies and explains each and every Piedmont revenue and operating expense

Effective: \_\_\_\_\_

- 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 Tennessee Code Annotated Section 65-5-103(d)(6)(C) by 5% and \$30,000.
- 54) The monthly balances of short-term debt, long-term debt and equity at December 31st of the month preceding the beginning of the HBP as well as month end balances throughout the HBP.
- 55) The amount of accrued expenses recorded in the HBP along with a full explanation identifying the nature of each accrual, further identified between direct and allocated charges.
- 56) If not in the Cost Allocation Manual, the Company shall supply a description of each 'Operating Unit', 'Allocation Pool ID', 'Resource Type ID', 'Source CD JD', and 'Project ID CB' included within its O&M Expense workpaper: General Ledger transaction level detail for all O&M Charges allocated to Tennessee operations from DEBS.
- 57) A description of each DEBS asset whose allocated costs to Piedmont-Tennessee operations is \$50,000 annually or more.
- 58) A schedule of the Company's HBP accounting entries made for the 'return to provision' transaction reflecting the impacts of its filed tax return made in the year subsequent to the HBP, along with an explanation of the impact of the transaction on the regulate return in the period the entry is made.
- 59) The following operating metrics for the HBP:
- a. Response Time to Emergency Calls
  - b. Age of Natural Gas Leaks
  - c. Number of Natural Gas Leaks by Grade.

## V. OTHER

### Consumer Advocate Authority to Petition

The Consumer Advocate shall have the right in its sole discretion to file a petition or complaint asking the Commission to terminate or modify any ARM Tariff resulting from Docket No. 21-00135 or any directly or indirectly related docket or to take any other action contemplated by Tennessee Code Annotated Section 65-5-103(d)(6). The Company 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 the Company 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.

Effective: \_\_\_\_\_