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Electronically Filed in TPUC Docket Room on June 26, 2024 at 2:18 p.m.

June 26, 2024

VIA ELECTRONIC MAIL
and Hand Delivery

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

Re: Petition of Piedmont Natural Gas Company, Inc. For Approval of its 2024 Annual Review of Rates Mechanism Pursuant to Tenn. Code Ann. § 65-5-103(d)(6)
Docket No. 24-00036

Dear Chairman Hilliard:

Pursuant to the Joint Procedural Schedule, enclosed for filing please find Piedmont Natural Gas Company, Inc.'s ("Piedmont") responses to the Consumer Advocate Division's *First Discovery Request* in the above-referenced docket. In addition to the tabbed and bound copy of the responses, you will find 1 flash drive which contains all public responses and attachments in native format. The confidential responses and attachments are on a separate flash drive to be filed under seal.

Some of the materials provided are confidential and proprietary trade secrets of Piedmont. Therefore, Piedmont respectfully requests that the Tennessee Public Utility Commission treat those materials in a manner consistent with that designation.

A PDF of the public responses is also being filed today by way of email to the Tennessee Public Utility Commission docket manager, Ectory Lawless. Please file the original and provide a "filed" stamped copy of the same to us.

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

Very truly yours,

Paul S. Davidson

PSD:
Enclosures

cc: Pia Powers
Brian Heslin
James H. Jeffries IV
Brian Franklin
Mason Maney
Kelly Cashman-Grams
Michelle Mairs
Cole McCormick
David Foster
Vance Broemel
Victoria Glover

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the attached was served via electronic mail upon the following:

Victoria B. Glover
Assistant Attorney General
Office of the Tennessee Attorney General
Consumer Advocate Division
P.O. Box 20207
Nashville, Tennessee 37202-0207
Email: Victoria.Glover@ag.tn.gov

Vance L. Broemel
Managing Attorney
Office of the Tennessee Attorney General
Consumer Advocate Division
P.O. Box 20207
Nashville, Tennessee 37202-0207
Email: Vance.Broemel@ag.tn.gov

This the 26th day of June 2024.

/s/ Paul S. Davidson
Paul S. Davidson

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1-1. Contributions in Aid of Construction. Refer to spreadsheet <Schedule 1-12 Lead Schedules>, tab "2-Rate Base" provided with the Company's filing. Specifically refer to Row 22 labeled "4 - Contributions in Aid of Construction" on this spreadsheet. This line has a zero ($0) balance for the HBP and Rate Reset but has a balance of $5,828,754 for the 13-month period ended December 31, 2023. Explain the reasons for eliminating the Contribution in Aid of Construction balance. If the Company believes this was done in error, then provide an updated schedule.

RESPONSE: The Contributions in Aid of Construction balance for the HBP and Annual Base Rate Reset in <Schedule 1-12 Lead Schedules>, tab "2-Rate Base" provided with the Company's May 20, 2024, filing was eliminated in error due to the formula in cell N22 being inadvertently deleted.

The computations in the Lead Schedules as filed on May 20, 2024, in Docket No. 24-00036 utilize new proposed depreciation rates for the purposes of the Annual Base Rate Reset (ABRR) only. On June 10, 2024, Piedmont provided the Consumer Advocate, through an informal data request, new ARM Schedules, which removed the impact of the new proposed depreciation rates by instead utilizing Piedmont's existing TPUC-approved depreciation rates for the computation of the ABRR. The schedules provided to the Consumer Advocate on June 10, 2024, did not contain the formula errors referenced in CA DRs 1-01, 1-02, 1-03, and 1-04.

See the following attachments for the Lead Schedules provided to the Consumer Advocate on June 10, 2024, utilizing Piedmont's existing depreciation rates: <CA DR 1-01_Proposed Modified ARM - Schedules 1-12_Lead Schedules_Exist Depr.xlsx> and <CA DR 1-01_Schedules 1-12_Lead Schedules_Exist Depr.xlsx>

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Name and title of responsible person: Kally Couzens, Director - Gas Rates & Regulatory Strategy

Name and title of preparer: Misty Lyons, Rates & Regulatory Strategy Manager

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-1 Attachments

Attachments Provided in Native Format

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1-2. Lead/Lag Study. Refer to spreadsheet <Schedule 1-12 Lead Schedules>, tab "2-Rate Base" provided with the Company's filing. Specifically refer to Row 55 labeled to "19 - Lead/Lag Study Requirement" on this spreadsheet. This line has a HBP balance of $2,354,096 and a Reset balance of $2,804,280. Explain why these amounts do not tie to the lead/lag calculations on Schedule 3. If the Company believes this calculation was made in error, then provide an updated schedule.

RESPONSE: The formula omissions noted in the Company's response to CA DR 1-01, 1-03, and 1-04, impacted the Lead/Lag calculations on Schedule 3, tab "3-LeadLagRslts" provided with the Company's May 20, 2024, filing. The Lead/Lag calculation on Schedule 3 should tie to Row 55, "19 - Lead/Lag Study Requirement" on Schedule 2 Rate Base.

The computations in the Lead Schedules as filed on May 20, 2024, in Docket No. 24-00036 utilize new proposed depreciation rates for the purposes of the Annual Base Rate Reset (ABRR) only. On June 10, 2024, Piedmont provided the Consumer Advocate, through an informal data request, new ARM Schedules, which removed the impact of the new proposed depreciation rates by instead utilizing Piedmont's existing TPUC-approved depreciation rates for the computation of the ABRR. The schedules provided to the Consumer Advocate on June 10, 2024, did not contain the formula errors referenced in CA DRs 1-01, 1-02, 1-03 and 1-04.

See the attachments provided in the Company's response to CA DR 1-01 for the Lead Schedules provided to the Consumer Advocate on June 10, 2024, utilizing Piedmont's existing depreciation rates.

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

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Name and title of preparer: Misty Lyons, Rates & Regulatory Strategy Manager

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1-3. Lead/Lag Study. Refer to spreadsheet <Schedule 1-12 Lead Schedules>, tabs "4A-WCExpLag for HBP" and "4B-WCExpLag for Rate Reset" provided with the Company's filing. Specifically refer to Row 22 "7 - Incentive Pay – STIP" on these spreadsheets that has a "Dollar Day" value of zero ($0). Explain why the dollar day calculation is not made for this item. If the Company believes this calculation was made in error, then provide an updated schedule.

RESPONSE: In <Schedule 1-12 Lead Schedules> provided with the Company's May 20, 2024 filing, tabs "4A-WCExpLag for HBP" and "4B-WCExpLag for Rate Reset" should not have a "Dollar Day" value of zero ($0) for Cell N22 "7 - Incentive Pay - STIP". The formula was inadvertently deleted.

The computations in the Lead Schedules as filed on May 20, 2024, in Docket No. 24-00036 utilize new proposed depreciation rates for the purposes of the Annual Base Rate Reset (ABRR) only. On June 10, 2024, Piedmont provided the Consumer Advocate, through an informal data request, new ARM Schedules which removed the impact of the new proposed depreciation rates by instead utilizing Piedmont's existing TPUC-approved depreciation rates for the computation of the ABRR. The schedules provided to the Consumer Advocate on June 10, 2024, did not contain the formula errors referenced in CA DRs 1-01, 1-02, 1-03 and 1-04.

See the attachments provided in the Company's response to CA DR 1-01 for the Lead Schedules provided to the Consumer Advocate on June 10, 2024, utilizing Piedmont's existing depreciation rates.

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

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Name and title of preparer: Misty Lyons, Rates & Regulatory Strategy Manager

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1-4. General Taxes. Refer to spreadsheet <Schedule 1-12 Lead Schedules>, tab "8-Excise&Income Tax" provided with the Company's filing. Specifically refer to Row 22 "8 - General Taxes" on this spreadsheet that has a "Annual Base Rate Reset" value of zero ($0). Explain why the Company has excluded General Taxes from the Excise & Income Tax calculation. If the Company believes this calculation was made in error, then provide an updated schedule.

RESPONSE: On <Schedule 1-12 Lead Schedules>, tab "8-Excise & Income Tax", provided with the Company's May 20, 2024, filing, the formula for General Taxes in Cell N22 was inadvertently deleted.

The computations in the Lead Schedules as filed on May 20, 2024, in Docket No. 24-00036 utilize new proposed depreciation rates for the purposes of the Annual Base Rate Reset (ABRR) only. On June 10, 2024, Piedmont provided the Consumer Advocate, through an informal data request, new ARM Schedules which removed the impact of the new proposed depreciation rates by instead utilizing Piedmont's existing TPUC-approved depreciation rates for the computation of the ABRR. The schedules provided to the Consumer Advocate on June 10, 2024, did not contain the formula errors referenced in CA DRs 1-01, 1-02, 1-03 and 1-04.

See the attachments provided in the Company's response to CA DR 1-01 for the Lead Schedules provided to the Consumer Advocate on June 10, 2024, utilizing Piedmont's existing depreciation rates.

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

Name and title of preparer: Misty Lyons, Rates & Regulatory Strategy Manager

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1-5. Purchased Gas Expense. Refer to spreadsheet <Schedule 1-12 Lead Schedules>, tab "6A-Rev Summary" provided with the Company's filing. Specifically refer to cell H17 which shows Purchased Gas Expense for the 12 Months Ended December 31, 2023, to be \$79,914,931. Next, refer to the tab "9-IncStmst" of this same spreadsheet. Specifically refer to cell G18 which shows Purchased Gas Expense for the 12 Months Ended December 31, 2023, to be \$78,819,749. Reconcile these two amounts for Purchased Gas Expense. If the Company believes the either of these two references are in error, then provide an updated schedule.

RESPONSE: In the Lead Schedules, tab "6A-Rev Summary", the \$79,914,931 shown per books is reflective of Purchase Gas Revenue, which is derived (and supported by ARM Schedule 21.0) from the amount of gas revenue collected from tariff rate schedule customers at the tariff authorized Purchased Gas Adjustment ("PGA") and Actual Cost Adjustment ("ACA") rates in effect during the year. Revenues associated with broker or customer cash-outs are separately reflected under "Other Revenue" in Line No. 10 of ARM Schedule 6A.

In the Lead Schedules, tab "9-IncStmt", the \$78,819,749 shown per books is reflective of the Purchased Gas Expense, which ties to the "Cost of Gas" shown on Piedmont's Allocated Income Statement in ARM Schedule 39. This expense amount is inclusive of broker or customer cash-outs that have been booked to Piedmont's Cost of Gas. The corresponding cash-out revenues have been booked to revenues. Additionally, Piedmont's Cost of Gas includes the journal entry (as supported in ARM Schedule 21.9) to book the amount authorized for the Performance Incentive Plan.

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The difference in the Per Book Purchased Gas Revenue presented on ARM Schedule 6A and the Per Book Purchased Gas Expense on ARM Schedule 9 is due to the amounts related to broker or customer cash-outs and the Performance Incentive Plan booked to Cost of Gas. While cash-outs and Performance Incentive Plan activities are presented in the Company's ARM Schedules for Per Book presentation purposes, pursuant to Piedmont's ARM Tariff, these items are removed for ratemaking purposes in the calculation of the revenue requirement for the Historic Base Period Reconciliation and the Annual Base Rate Reset.

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

Name and title of preparer: Misty Lyons, Rates & Regulatory Strategy Manager

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-6. Carrying Cost. Refer to the spreadsheet <Schedule 1-12 Lead Schedules>, tab "12-Carrying Cost ARM Recon Def" that was provided with the Company's filing. Also refer to the spreadsheet <Proposed Modified ARM -Schedule 1-12 Lead Schedules>, tab "12-Carrying Cost ARM Recon Def" that was provided with the Company's filing. Specifically refer to Row 24 "7 - ARM Reconciliation Deferred Account Balance" in both spreadsheets. In the first, regular scenario the value is $3,618,865; in the proposed modified scenario the value is $0. Reconcile these two amounts. If the Company believes the either of these two references are in error, then provide an updated schedule.

RESPONSE: The amounts shown in tab "12-Carrying Cost ARM Recon Def", Row 24 "7 - ARM Reconciliation Deferred Account Balance" in both spreadsheets are correct and shown as intended by the Company.

The ARM Reconciliation Deferred Account Balance in the spreadsheet <Schedule 1-12 Lead Schedules> reflects the actual balance as of March 31, 2024, which is compliant with Section Q of the Global Definitions in Piedmont's current ARM Tariff.

The ARM Reconciliation Deferred Account Balance in the spreadsheet <Proposed Modified ARM - Schedule 1-12 Lead Schedules>, does not utilize the actual March 31, 2024, balance for the reasons discussed beginning on Page 13 of 14 in the Direct Testimony of Company Witness Powers. Essentially, Piedmont's proposed ARM Tariff modifications around the computation of the ARM Rider Rates removes the prescriptive requirement to include the Company's actual March 31 ARM Reconciliation Deferred Account balance and allow flexibility in including any remaining ARM Deferred Account Balance as appropriate.

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

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Name and title of preparer: Misty Lyons, Rates & Regulatory Strategy Manager and

Kally Couzens, Director - Gas Rates & Regulatory Strategy

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-7. Depreciation Expense. Refer to spreadsheet <Schedule 14-Depreciation Expense>, tab "Schedule 14.2" provided with the Company's filing. Specifically refer to Cell K81 of this spreadsheet that calculates total depreciation expense of $48,290,564 using the Company's proposed depreciation rates. Provide a calculation of depreciation expenses in the same format as "Schedule 14.2" using the Company's current authorized depreciation rates for both Tennessee Direct and Joint plant in service.

RESPONSE: The Company revised Schedules 14.1 and 14.2 using the current authorized depreciation rates. See the revised schedules in the attached file <CA DR 1-07_Schedule 14_Depreciation Expense_Exist Depr.xlsx>.

Note: The attachment is the same file provided to the Consumer Advocate on June 10, 2024, through an informal data request for new ARM Schedules, which removed the impact of the new proposed depreciation rates by instead utilizing Piedmont's existing TPUC-approved depreciation rates for the computation of the ABRR.

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

Name and title of preparer: Misty Lyons, Rates & Regulatory Strategy Manager

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-7 Attachment

Attachment Provided in Native Format

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1-8. Depreciation Expense. Refer to spreadsheet <Schedule 14-Depreciation Expense>, tab "Schedule 14.3" provided with the Company's filing and provide the following information:

a. Provide the source and support for the amounts included Columns D, E, and F regarding Plant Balance, Allocated Book Reserve, and Theoretical Reserve that appear as unreferenced hard-coded amounts;

b. Provide a narrative explanation of the "Allocated Book Reserve" and "Theoretical Reserve" included in Columns E and G on this spreadsheet;

c. Provide the source and support for the 4-year amortization period included in Column H that appears as an unreferenced hard-coded amount; and

d. Identify where in the ARM filing that the Company considers the "Assets with Age > Average Service Life", and "Annual Amortization %" in Columns J and K that appear as unreferenced hard-coded amounts.

RESPONSE: Subject to and in consideration of the informal agreement based on which the Consumer Advocate Division submitted a joint e-mail with Piedmont to the TPUC Staff on June 18, 2024, regarding the use of 'proposed depreciation rates' in this ARM proceeding, Piedmont objects to and declines to produce documents or a narrative explanation on grounds of relevance and that it would be unduly burdensome to compute, gather, and produce information with respect to data request 1-8

Name and title of responsible person: Brian L. Franklin, Counsel

Name and title of preparer: Brian L. Franklin, Counsel

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-9. CWIP Adjustments. Refer to spreadsheet <Schedule 15-CWIP 13 Month Avg Bal>, tab "Schedule 15.0" provided with the Company's filing. Specifically refer to the adjustments to the average balance contained in Columns F through I. Explain why the Company does not include the cumulative impact of the previous ARM adjustments to CWIP that were recognized in TPUC Docket No. 23-00035.

RESPONSE: The Company does not include the cumulative impact of previous ARM adjustments to CWIP that were recognized in TPUC Docket No. 23-00035 because the prior year adjustments in the CWIP totals were accruals. Some of the projects which were included in the CWIP balance as of 12/31/2022, have been placed into service and may have had associated incentive and OPEB amount adjustments. The Company believes it would be incorrect to include those amounts which are no longer in CWIP, as they do not affect the current year balance.

It is the Company's position that it is most reasonable and efficient to provide the CWIP adjustments, STIP, LTIP and Pension/OPEB as of a date, and not a cumulative amount in order to avoid potential overstatement of adjustments.

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

Name and title of preparer: Misty Lyons, Rates & Regulatory Strategy Manager

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-10. ADIT Adjustments. Refer to the spreadsheet <Schedule 18 ADIT 13 End Month Avg Bal>, tab "Schedule 18.0" provided with the Company's filing. Also refer to the spreadsheet <Proposed Modified ARM- Schedule 18 ADIT 13 End Month Avg Bal>, tab "Schedule 18.0" provided with the Company's filing. Specifically refer to the adjustments contained in Columns G and H and provide the following information:

a. Explain why the Company does not compute the cumulative adjustments, in a similar manner to what was done on Schedule 15 for CWIP adjustments; and

b. Explain why the Company does not include the cumulative impact of the previous ARM adjustments to ADIT that were recognized in TPUC Docket No. 23-00035.

RESPONSE:

a. The ADIT adjustments shown for each month on Schedule 18 are cumulative adjustments, not a balance or activity for the month. As a result, it isn't necessary to compute cumulative adjustments similar to Schedule 15 for CWIP since the adjustment provided is already cumulative.

b. The ADIT adjustments shown on Schedule 18 relate to the total ADIT amount and are cumulative adjustments. Thus, including the impact of previous ARM adjustments would result in an overstatement of adjustments.

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

Name and title of preparer: Misty Lyons, Rates & Regulatory Strategy Manager

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-11. ADIT Adjustments. Refer to the spreadsheet <Schedule 18 ADIT 13 End Month Avg Bal>, tab "Schedule 18.0" provided with the Company's filing. Also refer to the spreadsheet <Proposed Modified ARM- Schedule 18 ADIT 13 End Month Avg Bal>, tab "Schedule 18.0" provided with the Company's filing. Specifically refer to the "Federal Protected EDIT and Regulatory Liabilities" in Column D of this spreadsheet. Explain why the monthly amounts for the regular and the proposed modified scenarios do not precisely match.

RESPONSE: The monthly amounts of the Federal Protected EDIT and Regulatory Liabilities in Column D on <Schedule 18 ADIT 13 End Month Avg Bal>, tab "Schedule 18.0" and <Proposed Modified ARM - Schedule 18 ADIT 13 End Month Avg Bal>, tab "Schedule 18.0" should precisely match.

The amounts on <Proposed Modified ARM - Schedule 18 ADIT 13 End Month Avg Bal>, Column D have been revised in the attached file. See the corrected and revised amounts in the attached file, <CA DR 1-11_Proposed Modified ARM - Schedule 18_ADIT 13 Month Avg Bal_Revised.xlsx.>

Note: Due to the timing associated with the Company's confirmation of the need for this correction through the development of this discovery request response, this correction is not reflected in the Lead Schedules provided in the Company's response to CA DR 1-01, nor is it reflected in the Lead Schedules reflecting Piedmont's existing TPUC-approved depreciation rates for the ABRR, which was provided through an informal data request response to the Consumer Advocate on June 10, 2024.

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

Name and title of preparer: Misty Lyons, Rates & Regulatory Strategy Manager

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1-11 Attachment

Attachment Provided in Native Format

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1-12. ADIT Adjustments. Refer to spreadsheet <Proposed Modified ARM -Schedule 18 ADIT 13 End Month Avg Bal>, tab "DBR Breakout" provided with the Company's filing. Provide the source and support for the pivot tables included on these schedules.

RESPONSE: See the six (6) attachments provided herewith. The underlying data is exported out of OneSource Tax Provision (OTP) on tab "DEFLDSHT PNG Only" and is then aggregated and recalculated on tab "Table Copy" for each jurisdiction. Tab "Table Copy" is then aggregated via Pivot Tables in tab "DBR Breakout" for each jurisdiction for ADIT balances and each jurisdictions respective rate.

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

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

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1-12 Attachments

Attachments Provided in Native Format

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1-13. Other Revenues. Refer spreadsheet <Schedule 23 Annual Base Rate Reset Other Revenues>, tab "Schedule 23.1" provided with the Company's filing. This schedule contains the monthly amounts for the Home Protection Plan Revenues that total to $2,287,315 for 2023. Provide the source and support for the monthly amounts included on this schedule that appear as unreferenced hard-coded amounts.

RESPONSE: See the attached file <CA DR 1-13 Home Protection Plan Revenues.xlsx**>.** The source for the Home Protection Plan Revenues is the Company's general ledger, specific miscellaneous and other revenue accounts. The Home Protection Plan transactions are identified by additional code block detail such as process IDs and project IDs.

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

Name and title of preparer: Misty Lyons, Rates & Regulatory Strategy Manager

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1-13 Attachment

Attachment Provided in Native Format

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1-14. Rate Design. [redacted]

RESPONSE: [redacted]

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[redacted]

[redacted]

Name and title of responsible person: Kally Couzens, Director - Gas Rates & Regulatory Strategy

Name and title of preparer: Keith Goley, Senior Rates & Regulatory Strategy Analyst

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-15. Rate Design. Refer to spreadsheet <Schedule 24, 25, 26, 28 Billing Determinants, Proposed Revenues>, tab "Schedule 26.2" provided with the Company's filing. Specifically refer to Cells P64 and P83 which contain the Minimum Margin Agreement Revenues at Proposed Rates. It appears that the Company is not proposing to adjust the rates for Minimum Margin Agreement customers. Explain the Company's rationale for omitting any ARM adjustment to Minimum Margin Agreement customers.

RESPONSE: Piedmont is not omitting any ARM rate adjustments to the Company's two Minimum Margin Agreement ("MMA") customers. The two customers that have MMAs are served under Rate Schedules 303 - Large General Sales Service and 313 - Firm Transportation Service and are subject to the rates and charges due for service rendered under those rate schedules. Accordingly, the usage, number of bills, and calculated present and proposed revenues associated with those two customers are embedded in Rows 55 through 62 and 74 through 81 in the tab "Schedule 26.2". The amounts in Cells P64 and P83 reflect only the actual true-up recorded during the Historic Base Period for the customer's margin shortfall or prior prepayment. The two MMA customers are subject to any approved ARM rate adjustments.

Name and title of responsible person: Kally Couzens, Director - Gas Rates & Regulatory Strategy

Name and title of preparer: Keith Goley, Senior Rates & Regulatory Strategy Analyst

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

PIEDMONT NATURAL GAS COMPANY, INC.
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1-16. Rate Increase. Refer to the spreadsheet <Schedule 24, 25, 26, 28 Billing Determinants, Proposed Revenues>, tab "Schedule 26.4" provided with the Company's filing. Specifically refer to Cell M37 of this spreadsheet which contains the total target rate increase of $10,865,219. Identify the source of this amount which appears as an unreferenced hard-coded number.

RESPONSE: The computations in the file <Schedule 24, 25, 26, 28 Billing Determinants, Proposed Revenues & Rates, WNA> and in the Lead Schedules as filed on May 20, 2024, in Docket No. 24-00036 utilized new proposed depreciation rates. On June 10, 2024, Piedmont provided the Consumer Advocate, through an informal data request, new ARM Schedules which removed the impact of the new proposed depreciation rates by instead utilizing Piedmont's existing TPUC-approved depreciation rates. In the attached files, the amounts shown in tab "Schedule 26.4", Cell 37 tie the Annual Base Rate Reset Deficiency amount shown on Line 8, Column B of ARM Schedule 1 provided on June 10, 2024, and also provided in the attachments to CA DR 1-01.

See the two (2) attached files <CA DR 1-16_Schedule 24, 25, 26, 28_Billing Determinants, Proposed Revenues & Rates, WNA Exist DEPR> and <CA DR 1-16_Proposed Modified ARM - Schedule 24, 25, 26, 28_Billing Determinants, Proposed Revenues & Rates, WNA Exist DEPR>.

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

Name and title of preparer: Keith Goley, Senior Rates & Regulatory Strategy Analyst

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-16 Attachments

Attachment Provided in Native Format

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1-17. Rate Increase. Refer to the spreadsheet <Schedule 24, 25, 26, 28 Billing Determinants, Proposed Revenues>, tab "Schedule 26.5" provided with the Company's filing. Specifically refer to Cell H11 of this spreadsheet which contains the HBP Revenue Requirement plus Carry Costs of $14,694,288. The reference to this value states that it comes from "Line 6 of Schedule 12", however we are unable to trace this amount back to that supporting schedule. Identify the source of the $14,694,288 amount. If the Company believes that this amount is in error, then provide an updated schedule.

RESPONSE: The computations in the file <Schedule 24, 25, 26, 28 Billing Determinants, Proposed Revenues & Rates, WNA> and in the Lead Schedules as filed on May 20, 2024, in Docket No. 24-00036 utilize new proposed depreciation rates. On June 10, 2024, Piedmont provided the Consumer Advocate, through an informal data request, new ARM Schedules which removed the impact of the new proposed depreciation rates by instead utilizing Piedmont's existing TPUC-approved depreciation rates. In the files provided in the Company's response to CA DR 1-16, the amounts shown in tab "Schedule 26.5", Cell H11 tie to Line 6, Column B of ARM Schedule 12 provided on June 10, 2024, and also provided in the attachments to CA DR 1-01.

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

Name and title of preparer: Keith Goley, Senior Rates & Regulatory Strategy Analyst

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-18. Salary & Wages. Refer to the spreadsheet <Schedule 30 Employee Salaries and Wages Expense>, tab "Schedule 30.2" provided with the Company's filing. Specifically refer to Columns AD, AI and AJ of this spreadsheet which contain the "Monetary Amounts", "TN %", and "TN Amount" fields that total to $19,707,536 in Tennessee Labor Expense. The Consumer Advocate needs to confirm that the amounts included on this spreadsheet are complete and correct. Provide a reconciliation of the amounts included here with the amounts included on the Company's trial balance.

RESPONSE: The amount shown on Schedule 30.2 was sourced from the Company's general ledger using codeblock detail to identify labor expense.

The attached file <CA DR 1-18 Salary and Wages.xlxs>, tab "Summary by Resource Type", reconciles that the Tennessee Labor Expense amount shown on Schedule 30.2 is a component of the total Tennessee Allocated O&M expense on the Company's 2023 trial balance.

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

Name and title of preparer: Misty Lyons, Rates & Regulatory Strategy Manager

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-18 Attachment

Attachment Provided in Native Format

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1-19. Identification. Identify the monthly number of estimated bills issued during the test period.

RESPONSE: See the attached file <CA DR 1-19_TN Estimated Bills 2023.xlsx> for the monthly number of estimated bills issued during 2023. As shown therein, Piedmont rendered estimated bills during the Test Year (2023) on 59 occasions. In total, Piedmont rendered 2.4 million bills to customers in Tennessee in 2023. Therefore, 0.0025% of the bills rendered by Piedmont in 2023 to Tennessee customers were estimated.

Name and title of responsible person: Patrick McGrew, Director - Customer Account Services and Yolanda Holiday, GM - PNG Customer Experience

Name and title of preparer: Amanda Adkins, Supervisor - Revenue Services Business Operations and Kally Couzens, Director - Gas Rates & Regulatory Strategy

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-19 Attachment

Attachment Provided in Native Format

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1-20. Identification. Identify any internal metrics the Company has in place to evaluate its success in minimizing estimated bills.

RESPONSE: Piedmont monitors the number and percentage of estimated bills rendered each month as a metric for evaluating its success in minimizing estimated bills. See the Company's response to CA DR 1-19 for the Company's actual performance on that metric in 2023.

Name and title of responsible person: Patrick McGrew, Director - Customer Account Services and Yolanda Holiday, GM - PNG Customer Experience

Name and title of preparer: Amanda Adkins, Supervisor - Revenue Services Business Operations

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1-21. Identification. Identify the ratio of estimated bills to total bills issued for the test period.

RESPONSE: Please see the attachment provided in the Company's response to CA DR 1-19.

Name and title of responsible person: Patrick McGrew, Director - Customer Account Services and Yolanda Holiday, GM - PNG Customer Experience

Name and title of preparer: Amanda Adkins, Supervisor - Revenue Services Business Operations

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1-22. Source & Support. Provide a copy of any research or studies the Company has done to identify the causes of estimated bills.

RESPONSE: The Company does not possess any such research or studies. Nevertheless, the Company has identified through subsequent direct observation on a case-by-case basis that the cause of many of the instances of estimated bills is meter equipment malfunction. An estimated cycle bill is rendered to a customer on the occasion when there is an absence of a confirmed meter read for that month. The identification of meter equipment malfunction as the cause is revealed when Company subsequently sends a technician to the premise to investigate, and finds reason to believe that the metering equipment is malfunctioning, which then results in the replacement of the customer's meter. In those instances where the meter needs to be replaced, a true-up bill for the previously rendered estimated bill cannot ever be generated because the actual meter read for the prior period will never be known. (Refer to the Company's response to CA DR 1-23 for an explanation of when and how the Company is able to render a true-up bill following the issuance of an estimated bill.) As noted in the Company's response to CA DR 1-25, the Company was able to render 27 true-up bills in 2023, whereas, the number of estimated bills rendered in 2023 was 59.

Name and title of responsible person: Patrick McGrew, Director - Customer Account Services and Yolanda Holiday, GM - PNG Customer Experience

Name and title of preparer: Amanda Adkins, Supervisor - Revenue Services Business Operations and Pia Powers, Managing Director - Gas Rates & Regulatory

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-23. Explanation. Describe the process used to true-up customer bills following the issuance of an estimated bill.

RESPONSE: The true-up of a customer bill following the issuance of an estimated bill begins with a confirmed meter read being acquired from the same meter at the customer's premise – meaning the meter that had been producing confirmed meter reads for that customer premise prior to the instance of an absence of a meter read that lead to Piedmont rendering the estimated bill. A confirmed meter read is sought when Piedmont sends a technician to the premise to attempt to capture a meter read and/or to investigate (which includes an attempt to read the meter manually and/or electronically). If that attempt results in acquiring a confirmed meter read from the existing meter at the premise, Piedmont prepares and renders a bill to the customer utilizing the actual confirmed read and making the appropriate billing adjustment for the previously rendered estimated bill.

Note that each estimated cycle bill rendered by Piedmont will not necessarily lead to a corrected/true-up bill. If Piedmont suspects or identifies the customer's meter to be malfunctioning, the customer's meter will be replaced. In those instances where the meter needs to be replaced, a corrected/true-up bill for the previously rendered estimated bill cannot ever be generated because the actual meter read for the prior period will never be known.

Name and title of responsible person: Patrick McGrew, Director - Customer Account Services; and Yolanda Holiday; General Manager - PNG Customer Experience

Name and title of preparer: Patrick McGrew, Director - Customer Account Services and Pia Powers, Managing Director - Gas Rates & Regulatory

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-24. Explanation. Does the Company include any information on a customer bill identifying that the usage was estimated?

RESPONSE: Yes. All bills rendered to customers specifically denote if the current meter reading utilized for the billed amount is based on actual reading or an estimated reading.

Name and title of responsible person: Patrick McGrew, Director - Customer Account Services and Yolanda Holiday, GM - PNG Customer Experience

Name and title of preparer: Amanda Adkins, Supervisor - Revenue Services Business Operations

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-25. Identification. Identify the number of corrected bills issued by month, by customer class, during the test period.

RESPONSE: The Billing Adjustment Matrix report, created using data from the Company's customer billing system, identifies the total number of bills rendered each month in resolution of previously rendered estimated bills. The report does not delineate the bill count by customer class. See the attached file <CA DR 1-25_Bill Corrections 2023.xlsx> reflecting that Piedmont rendered 27 bills during the Test Year (2023) in resolution of previously rendered estimated bills.

Name and title of responsible person: Patrick McGrew, Director - Customer Account Services

Name and title of preparer: Amanda Adkins, Supervisor - Revenue Services Business Operations

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-25 Attachment

Attachment Provided in Native Format

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1-26. Identification and Source & Support. Refer to <Proposed Modified ARM - Schedule 18_ADIT 13 End Month Avg Bal> in TPUC Docket No. 23-00035. Identify the state tax rate used to arrive at the monthly ADIT balances reflected on this schedule. Provide supporting documentation for applying the state tax rate when arriving at these monthly balances.

RESPONSE: Referencing <Proposed Modified ARM - Schedule 18_ADIT 13 End Month Avg Bal> as filed on May 20, 2024, in TPUC Docket No. 24-00036, the TN Excise Tax rate of 6.5% is the state rate used to arrive at the TN monthly ADIT balances in the schedule.

The application of using of a Tennessee-specific excise tax rate, as established in Tenn. Code Ann. § 67-4-2007(a), for the purpose of recording the Company's ADIT liability would be upon Commission approval of the Company's proposed ARM Tariff changes to allow a proforma ADIT balance calculation to be included.

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

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

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-27. Explanation. Refer to <Proposed Modified ARM - Schedule 18_ADIT 13 End Month Avg Bal> provided with the Company's filing in the present docket, TPUC Docket No. 24-00036. Provide a comprehensive explanation supporting the use of the same ADIT balance represented as the December 31, 2022, balance in the current docket where the Company is supporting the use of the actual Tennessee excise tax rate as was represented as the December 2022 ADIT balance in TPUC Docket No. 23-00035 in which a composite state tax rate was used.

RESPONSE: In Piedmont's May 20, 2024, filing, the Company recalculated each component of ADIT and updated all balances in the 13-month average balance when preparing the <Proposed Modified ARM - Schedule 18_ADIT 13 End Month Avg Bal>.

The Docket No. 24-00036 December 31, 2022, ADIT balance included on the <Proposed Modified ARM - Schedule 18_ADIT 13 End Month Avg Bal> is not the same as the December 31, 2022, ADIT balance as computed for the Settlement for ARM Schedule 18 in Docket No. 23-00035. See the following attachments supporting the Docket No. 23-00035 ARM Settlement: <CA DR 1-27_attachment 1 of 2_Sch 18 ARM Settlement> and <CA DR 1-27_attachment 2 of 2_Settlement Lead Schedules>.

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

Name and title of preparer: Misty Lyons, Rates & Regulatory Strategy Manager

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-27 Attachments

Attachments Provided in Native Format

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1-28. Identification. In TPUC Docket No. 21-00035, the Company filed rebuttal testimony in support of the use of a composite state tax rate and stated the following:

> *"This history on this matter before this Commission is important because this exact recommendation has already been litigated and resolved by this Commission in Docket No. 18-00040, and subsequently affirmed in the Company's 2020 general rate case."*[1]

Concerning the history of the use of the specific State Tennessee excise tax rate versus that of the composite rate, identify which type of state tax rate (Composite or TN Specific) was adopted in each revenue requirement component in the following dockets:

For each revenue requirement component, identify whether the Composite or TN specific state tax rate was adopted by the Commission in each docket identified below.

Docket Number		State Income Tax Expense	Accumulated Deferred Income Tax Liability (ADIT)
11-00144			
14-00017			
18-00040			
20-00086			
21-00135			
23-00035			

RESPONSE: See tax rate information in the attached file <CA DR 1-28 Tax Rates.xlsx>.

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

Name and title of preparer: Misty Lyons, Rates & Regulatory Strategy Manager

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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[1] *Rebuttal Testimony of Pia K. Powers*, at 20: 7-10, TPUC Docket No. 21-000135 (Feb. 7, 2022).

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1-28 Attachment

Attachment Provided in Native Format

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1-29. Source & Support. Provide the composite Piedmont state tax rate by year for 2015 – 2024.

RESPONSE: The current composite state tax rate by year is as follows:

Tax Year Ending	Current Composite State Tax Rate
10/31/2015	6.000%
10/3/2016	.268%
12/31/2016	4.543%
12/31/2017	3.818%
12/31/2018	3.818%
12/31/2019	3.455%
12/31/2020	3.455%
12/31/2021	3.455%
12/31/2022	3.455%
12/31/2023	3.520%
12/31/2024	3.520%

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

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

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1-30. Explanation. Refer to spreadsheet < Proposed Modified ARM - Schedule 1-12_Lead Schedules>, tab "8- Excise&Income Tax" provided with the Company's filing. Confirm that the Company has used the Tennessee-specific state tax rate to compute Income Tax Expenses on its 2023 financial statements.

RESPONSE: The Company used the composite tax rate to calculate Income Tax Expense on its 2023 financial statements. For Income Tax Expense, the Company uses a total composite rate. The Tennessee statutory excise tax rate is a component of the total composite rate.

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

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

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-31. Explanation. Provide a comprehensive explanation for modifying the ARM (adopting the Tennessee State Excise Tax rate) in such a manner as to apply the change to 2023 results based upon a 2024 tariff revision.

RESPONSE: It is Piedmont's position that modifications to any tariff provisions be applied as ordered/approved by the Commission.

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

Name and title of preparer: Misty Lyons, Rates & Regulatory Strategy Manager

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-32. Explanation. Provide a comprehensive explanation supporting the state excise tax rate change upon determining Excess Deferred Income Taxes in TPUC Docket No. 18-00040.

RESPONSE: The statutory TN excise tax rate change would not retroactively impact the Excess Deferred Income Taxes in TPUC Docket No. 18-00040. The amount of the EDIT balance that Piedmont was authorized to refund to customers per the TPUC's orders in Docket No. 18-00040 remains appropriate even if the TPUC approves Piedmont's proposal in this ARM docket to utilize the statutory TN excise tax rate for ratemaking under the ARM. Similarly, the amount of the EDIT balance authorized to refund to customers would not have changed had Piedmont proposed, and the TPUC approved, the use of the statutory TN excise tax rate in Piedmont's 2020 rate case proceeding. The Federal Benefit of State Taxes was a component of the Excess Deferred Income Taxes in TPUC Docket No. 18-00040.

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

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

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1-33. Identification. TPUC Docket No. 14-00017 addressed Excess Deferred Income Taxes. Identify the extent, if any, to which the North Carolina state income tax rate impacted the results of that docket, and if so, identify the North Carolina state tax rate used in that docket for (a) determining Income Tax Expenses, and (b) determining excess ADIT.

RESPONSE: The North Carolina state income tax rate may have had an impact on Excess Deferred Income Taxes (EDIT) since Accumulated Deferred Income Taxes (ADIT) were calculated using a composite rate that included the North Carolina state income tax rate as an input to determine the composite rate used to calculate ADIT.

The EDIT in TPUC Docket No. 14-00017 is not specific to, and did not originate from, a rate change to the North Carolina state income tax rate, but rather relates to book-tax differences in Piedmont's normal course of business that were no longer supportable from a deferred income tax perspective, as outlined in the Settlement Testimony of Lynn Boyette in TPUC Docket No. 14-00017.

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

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

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1-34. Identification and Source & Support. Regarding the North Carolina state tax rate, respond to the following:

a. Provide the calculations supporting the Tennessee portion of excess deferred taxes associated with each North Carolina state tax rate change since January 1, 2017, incorporating such rate changes occurring through December 31, 2027, with separate calculations for (i) Income Tax Expenses, and (ii) ADIT; and

b. Identify how such amounts are reflected on the books of the Company's Tennessee jurisdiction.

RESPONSE: There is no Tennessee portion of excess deferred taxes associated with North Carolina state tax rate changes.

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

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

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-35. Explanation. Provide a comprehensive discussion supporting the Company's position that it should be permitted to retain the Tennessee portion of excess deferred income taxes resulting from the ongoing annual decreases in the North Carolina state tax rate.

RESPONSE: There is no Tennessee portion of EDIT associated with the change in the North Carolina state tax rate.

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

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

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-36. Explanation. Provide a comprehensive discussion regarding the criteria by which modifications in the agreed-upon ARM should be considered. Is it the position of the Company that the Consumer Advocate may propose modifications to existing ARM provisions, and if so, may those modifications be applied to the historic period under review?

RESPONSE: It is Piedmont's position that modifications to any tariff provisions be applied as ordered/approved by the Commission.

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

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

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-37. Identification. Does the Company believe, in hindsight, that it violated the normalization provisions of the Internal Revenue Code as a result of any Commission-adopted Income Tax Expense/ADIT determinations adopted by the Commission in the following dockets:

a. 18-00040

b. 20-00086

c. 21-00035

d. 23-00035

If so, identify the nature of the normalization violation.

RESPONSE: No, there are no normalization violations as a result of any Commission-adopted Income Tax Expense/ADIT determinations adopted by the Commission in the above dockets.

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

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

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-38. Source & Support. Provide a copy of any written material in the possession of the Company or any affiliate prepared by any tax vendor or professional consulting firm with expertise in tax matters, which contains any analysis or commentary discussing the implication of the Company's use of either the composite or Tennessee specific tax rate in regulatory proceedings.

RESPONSE: The Company received an email with an attached spreadsheet showing a composite rate example from Ernst & Young. See the attached files, <CA DR 1-38_attachment 1 of 2_email.PDF> and <CA DR 1-38_attachment 2 of 2_TN Composite Rate Example.xlsx>

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

Name and title of preparer: Misty Lyons, Rates & Regulatory Strategy Manager

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

PIEDMONT NATURAL GAS COMPANY, INC.
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1-38 Attachments

Attachments Provided in Native Format

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1-39. Explanation and Source & Support. Refer to Revenue Procedure 2023-15: Safe Harbor Method of Accounting for Expenses Related to Natural Gas Transmission and Distribution Property ("Safe Harbor Provisions") and respond to the following:

a. Has the Company assessed the implications of Revenue Procedure No. 2023-132 issued April 14, 2023;

b. Provide a copy of any written material in possession of the Company or any affiliate that contains an analysis or commentary of the impact of the Safe Harbor Provisions on either Piedmont Natural Gas in general and/or its Tennessee operations;

c. Discuss the general impact of the issuance of the Safe Harbor Provisions on the Company's current and future tax deductions. This would include a discussion of whether this guidance will impact the Company's use of the Repair Deduction compared with the historic level of the deduction and any strategy the Company intends to pursue in future income tax filings; and

d. If the Company made a retroactive application of the Repair Deductions associated with prior periods, discuss how the Company believes this should be reflected in its annual ARM results.

RESPONSE:

a. The Company has assessed the implications of Revenue Procedure No. 2023-15 issued April 14, 2023. A 481(a) method change is being filed commensurate with the 2023 tax return to implement Revenue Procedure No. 2023-15 for Piedmont, including its Tennessee operations.

b. The method change impact is a decrease to tax repairs for federal income taxes of $14,741,217 from what was previously taken for Piedmont Natural Gas Tennessee Operations. This amount was calculated by reviewing work orders for the 3-year test period of 2020 through 2022 and extrapolating those results to prior years. This unfavorable adjustment (increase to taxable income) will be recognized over 4 years beginning with the 2023 tax return (year of change) in accordance with IRS requirements. The primary drivers of the reduction in tax repairs are the requirement to capitalize costs related to cathodic protection and the difference in the tax units of property for Measuring and Regulating stations and LNG plants as compared to the tax units of property currently in use by the Company prior to the release of Revenue Procedure No. 2023-15.

c. The requirement to capitalize cathodic protection costs will continue to make the tax repair amounts lower in future years than in historical years when those costs were being deducted as part of tax repairs prior to the issuance of Revenue Procedure No. 2023-15. In addition, the change to the tax units of property in the revenue procedure for Measuring and Regulating stations and LNG plants will lower the tax repair amounts slightly in the future as compared to prior years.

d. The 481(a) adjustment will be recognized over 4 years beginning with the 2023 tax return (year of change) in accordance with IRS requirements. This will automatically be reflected in the ADIT balance in the ARM results as it is recognized in the Tax Provision and on Tax Returns. Other than inclusion to the ADIT balance, no other changes need to be reflected in the annual ARM results.

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

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

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-40. Identification. Identify the costs incurred and reflected as an expense on the Company's 2023 financial results related to the review and analysis of the impact of the Safe Harbor Provisions. Provide the name of any consulting/accounting firm providing such analysis.

RESPONSE: No incurred costs were expensed in the 2023 financial results related to the review and analysis of the impact of the Safe Harbor Provision. EY completed the analysis.

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

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

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-41. Identification and Source & Support. Identify the impact on the Company's Tennessee franchise tax expense for 2023 and all applicable historical periods resulting from the pending Tennessee Franchise Tax legislation. Provide the underlying calculations supporting this response.

RESPONSE: Piedmont's financial statements for 2023 do not reflect any impact associated with that Tennessee bill regarding Franchise Tax. The impact of that legislation will be reflected in Piedmont's financial statements for 2024 and thereafter. Such Franchise Tax Expense is a component of "Other General Tax Expense". Under the anticipated routine operation of the ARM tariff, Piedmont's per book Other General Tax Expense recorded in 2024 will flow through the schedules and ratemaking process pursuant to Piedmont's Annual ARM Filing for the 2024 historical base period, which will be filed with the TPUC on May 20, 2025.

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

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

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-42. Explanation. Provide a comprehensive discussion supporting the Company's position regarding the appropriate ARM treatment of the reduction in Franchise tax expense applicable to historical periods.

RESPONSE: Please see the Company's response to CA DR 1-41.

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

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

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1-43. Explanation. Indicate whether the Repair Deduction is permitted as a deduction on the Company's Tennessee Excise Tax return.

RESPONSE: Yes, the Repair Deduction is permitted as a deduction on the Company's Tennessee Excise Tax return.

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

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

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1-44. Source & Support. Provide a copy of the Company's state Excise Returns for the period 2021 – 2023 (if available).

RESPONSE: Please see the following CONFIDENTIAL attachments for the 2021 and 2022 Excise Tax returns, respectively: <CA DR 1-44 Attachment 1 of 2_CONFIDENTIAL> and <CA DR 1-44 Attachment 2 of 2_CONFIDENTIAL>. The 2023 Excise Return has not been completed.

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

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

Response provided by Piedmont Natural Gas Company, Inc. on June 21, 2024.

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1-44 Attachments

Confidential Attachments Filed Under Seal

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1-45. Explanation and Identification. Identify the account balances (or portion of account balances), if any, included in the ARM docket associated with recognizing the implications of the Corporate Alternative Minimum Tax ("CAMT"). Explain the accounting entries made on the books of Piedmont regarding the CAMT and how it has impacted the historic ARM results and the Annual Base Rate Reset calculations.

RESPONSE:

The CAMT was booked for the first time in December 2023 and is included in the ADIT balance. Tennessee's allocated portion is $2,179,650. The accounting entries are as follows:

Cr. 236 – Income Taxes Payable
Dr. 409 – Current Income Tax Expense/(Benefit)
Cr. 410 – Deferred Income Tax Expense/(Benefit)
Dr. 190 – Deferred Income Taxes (Deferred Tax Asset)

The CAMT has not impacted the previous 2023 ARM Filing results. The CAMT does impact this Historical Base Period Reconciliation and the Annual Base Rate Reset calculation for the 2024 ARM Filing. As described above, the Company is paying cash for the CAMT liability and establishing a deferred tax asset that can be used when Regular Tax exceeds the Alternative Tax in future years. This impacts the Historical Base Period Reconciliation and the Annual Rate Base Reset calculations because a deferred tax asset for CAMT paid is included in the ADIT balance for December 2023, which is a component of rate base.

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

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

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1-46. Explanation. Refer to *Direct Testimony of John Panizza*, page 8: 9-22, and respond to the following:

a. Are the ADIT components referenced in this testimony passage directly assigned to Tennessee's operations, or are they apportioned (or allocated) from a total book/tax timing difference to Tennessee's operations? For example, is the tax depreciation identified for a given year specifically based on a calculation of such depreciation on the newly installed Tennessee plant?

b. What was the effective date of this change in the use of a Tennessee-specific excise tax rate that occurred for the purpose of recording the Company's ADIT liability?

RESPONSE:

a. The ADIT components are directly assigned to Tennessee's operations when they relate to the Tennessee direct business unit. The ADIT components are allocated to Tennessee's operations when they relate to the Three-State business unit. The ADIT related to tax depreciation for newly installed Tennessee plant that is in the Tennessee direct business unit would be directly assigned to Tennessee's operations.

b. The effective date for the change in use of a Tennessee-specific excise tax rate that occurred for the purpose of recording the Company's ADIT liability would be upon Commission approval of the proposed Tariff change to allow a proforma ADIT balance calculation to be included.

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

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

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1-47. Explanation. Refer to spreadsheet <Schedule 18_ADIT - 13 End Month Avg Bal>, the monthly ADIT balances. Provide a comprehensive explanation supporting why Piedmont does not update its ADIT balances monthly.

RESPONSE: Piedmont updates its ADIT to produce financial statements that are required to be filed externally for quarterly and annual reporting (i.e. 10Qs, 10K, etc.) as required by U.S. GAAP.

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

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

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1-48. Explanation. Given the use of monthly balances to compute other Rate Base components, does the Company believe it would also be appropriate to determine monthly balances of ADIT for inclusion in Rate Base?

RESPONSE: The current process is the most efficient, while at the same time provides the most up-to-date estimate. The ADIT balances provided reflect the ledger balances each month. The tax department completes the income tax provisions on a quarterly basis.

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

Name and title of preparer: Misty Lyons, Rates & Regulatory Strategy Manager

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1-49. Explanation. Refer to the spreadsheet <Schedule 18_ADIT - 13 End Month Avg Bal>, "DBR Breakout" tab. Specifically, refer to Cell I438, referencing UTP (R&D) in the amount of ($524,501). Provide a discussion of the nature of this credit and all supporting documentation for the underlying calculation.

RESPONSE: Piedmont claimed research credits on its tax returns under IRC Sec. 41 for several years and reflected the gross amount claimed as a deferred tax asset in FERC 190. FASB Interpretation Number 48, Accounting for Uncertainty in Income Taxes (e.g. FIN 48) requires that the benefit reflected in the financial statements be limited to the largest amount of benefit more likely than not to be realized and sustained upon audit. Therefore, the deferred tax liability balance of $(524,501) in FERC 283 represents the cumulative reduction to the gross tax credits claimed to arrive at the largest amount of benefit more likely than not to be realized upon resolution (e.g. audits, statute expiration, etc.).

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

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

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1-50. Explanation. Refer to the spreadsheet <Schedule 18_ADIT - 13 End Month Avg Bal>, "DBR Breakout" tab. Provide a description that clearly identifies the nature of the book/tax timing differences for each of the codes referenced in column B.

RESPONSE: See the attachments provided in the Company's response to CA DR 1-12. For each attachment, a description has been added in Column A for each item in Column B on tab "Pivot – Total Allocated".

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

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

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1-51. Explanation. Confirm that a portion of the Company's ADIT balance in this case incorporates Net Operating Loss balances associated with Tennessee, North Carolina and South Carolina. For reference, see values in excel spreadsheet <Schedule 18_ADIT - 13 End Month Avg Bal>, "DBR Breakout December 22" tab, Rows 9-13. If this is confirmed, justify the inclusion of these balances in the revenue requirement. If this is not confirmed, identify where such balances have been removed from the proposed ADIT balance.

RESPONSE: The Company confirms that a portion of the Company's ADIT balance in this case incorporates State Net Operating Losses, all of which have been allocated using the 3-State allocation. Total Company tax attributes, unless specifically assignable to a jurisdiction, are treated as a 3-State item.

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

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

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1-52. Identification and Explanation. Identify the code and amount of the Repair Deduction incorporated in spreadsheet <Schedule 18_ADIT - 13 End Month Avg Bal>, "DBR Breakout December 22" tab, and explain how this amount was determined.

RESPONSE: In December 2022, the Tennessee ADIT per the Schedule 18 calculation was $(38,038,704) for the Repair Deduction, which is captured on Line 33, 'T13B33 – T&D Repairs – Annual Adj'.

For the 2022 tax Repair Deduction, work orders were individually evaluated to determine those that qualify for tax repairs based on the method utilized by the Company for many years. The linear gas main work orders are included in the tax repair calculation when the work orders are unitized. The Measuring and Regulating stations and LNG plant work orders are included in the tax repair calculation when the work orders are completed. Tracking of these repair amounts is done within the PowerPlan software system used by Piedmont.

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

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

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1-53. Source & Support. Refer to spreadsheet <Schedule 18_ADIT - 13 End Month Avg Bal>, "DBR Breakout December 22" tab. Provide all underlying calculations supporting the $16,087,562 identified as F_RGAL_NC_Rate Chng_Gross Up_190001-254030.

RESPONSE: See item J below for the calculation of the $16,087,562 identified as F_RGAL_NC_Rate Chng_Gross Up_190001-254030 in December 2022.

A - Federal Tax Rate	21.0000%
B - Total SIT Apport Rate	3.4550%
C - FIT Rate Net of State Benefit	20.2745%
D - Combined FIT & SIT Rate	23.72945%
E – One Minus Tax Rate (1-D)	76.2706%
F - Gross up Rate (1/E)	1.31112
G - NC SEDIT	(60,519,876)
H - Gross up factor (E)	1.31112
I - Gross up Amount (G*H)	(79,348,943)
J - Federal Gross Up (I*C)	(16,087,562)
K - State Gross Up (I*B)	(2,741,506)

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

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

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1-54. Explanation. Refer to spreadsheet <Schedule 18_ADIT - 13 End Month Avg Bal>, "DBR Breakout December 22" tab. Confirm that the amounts associated with the items listed below are included in the Company's ADIT balances. If confirmed, provide a comprehensive explanation supporting their inclusion in the Company's proposed Tennessee Rate Base. If not confirmed, provide the location within the filing where such balances were removed:

a. AT_OTH_190_NC_Alt Fuel Credit; and

b. AT_OTH_190_NC_R&D_CREDIT.

RESPONSE: The amounts associated with the items listed, "AT_OTH_190_NC_Alt Fuel Credit" and "AT_OTH_190_NC_R&D_CREDIT", are included in the Company's ADIT balances. For the sake of clarity, the 'NC' in the code descriptions above stand for non-current and not North Carolina. These are not North Carolina specific credits. Deferred taxes represent Piedmont's future cash flows related to the overall tax obligation of the company. These deferred tax assets are part of the company's future tax obligation and are therefore included in Tennessee Rate Base.

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

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

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