

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

June 13, 2025

IN RE:	)	
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PIEDMONT NATURAL GAS COMPANY, INC.	)	DOCKET NO.
NOTICE OF FILING DEPRECIATION STUDY AND	)	24-00082
REQUEST FOR APPROVAL OF NEW	)	
DEPRECIATION RATES	)	

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ORDER APPROVING NEW DEPRECIATION RATES

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This matter came before Chairman David F. Jones, Vice Chairman John Hie, Commissioner Herbert H. Hilliard, Commissioner Clay R. Good, and Commissioner David Crowell of the Tennessee Public Utility Commission (the “Commission” or “TPUC”), the voting panel assigned to this docket. On April 14, 2025, the panel convened to hear and consider the *Notice of Filing of Depreciation Study and Request for Approval of New Depreciation Rates* (“Notice”) filed by Piedmont Natural Gas Company, Inc. (“Piedmont” or the “Company”) on December 5, 2024.

**I. NOTICE AND RELEVANT BACKGROUND**

On December 5, 2024, Piedmont filed a depreciation study and a request for approval of new depreciation rates for Piedmont’s wholly dedicated fixed assets for Tennessee and its Corporate Three-State dedicated fixed assets, which will produce a net increase in depreciation expense for Piedmont’s operations in Tennessee in comparison to existing depreciation rates.<sup>1</sup> The Company’s Annual Rate Review Mechanism (“ARRM”) Tariff, approved initially in Docket No. 21-00135, and revised in Docket No. 24-00036, provides that Piedmont must compute depreciation expensing using the depreciation rates approved by the Commission in the Company’s most recent general rate case

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<sup>1</sup> *Notice*, p. 1 (December 5, 2024).

or any subsequent approval.<sup>2</sup> Based on the completion of the depreciation study and related testimony filed in this docket, Piedmont is requesting authorization to use the study's depreciation rates to compute depreciation expense for its wholly dedicated fixed assets for Tennessee, as well as its Corporate three-State dedicated fixed assets, in its 2025 annual ARRM proceeding which will set forth Base Margin Rates effective October 1, 2025. Consistent with that timing, Piedmont also requests to utilize the new depreciation rates for its per-book depreciation purposes beginning October 1, 2025.<sup>3</sup>

The Company originally submitted this depreciation study as part of its 2024 ARRM filing Docket No. 24-00036; however, after a collaborative discussion with the Consumer Advocate, the parties agreed to exclude any new depreciation rates from the docket. Thus, the Commission did not act on the study as part of the Company's 2024 ARRM proceeding, nor were the proposed rates used in ratemaking within the docket.<sup>4</sup>

Neither the Consumer Advocate nor any other party sought to intervene in this docket. On February 27, 2025, the Administrative Judge issued a Notice of Public Comment announcing the hearing on the merits of the Company's petition for new depreciation rates and inviting members of the public to submit written comments. No public comments were filed.

Piedmont filed the testimony of Misty Lyons, Rates and Regulatory Strategy Manager for Piedmont, and Dane A. Watson, Partner of Alliance Consulting Group ("Alliance"), in support of its request for new depreciation rates. Piedmont hired Alliance to perform the depreciation study, which is attached to Mr. Watson's testimony as Exhibit DAW-2.<sup>5</sup> Mr. Watson has previously testified before the Commission in several other depreciation dockets, including Docket No. 20-00086, in which the

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<sup>2</sup> Notice, p. 1 (December 5, 2024).

<sup>3</sup> *Id.* p.2.

<sup>4</sup> Misty Lyons, Pre-Filed Direct Testimony, pp 3 (December 5, 2024) *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)*.

<sup>5</sup> Misty Lyons, Pre-Filed Direct Testimony, pp 2-3 (December 5, 2024); Dane A. Watson, Pre-Filed Direct Testimony and Exhibit DAW-2, pp. 2-3 (December 5, 2024).

Commission approved Piedmont's current depreciation rates for its direct Tennessee operations. The Commission last approved the depreciation rates of Piedmont Corporate Three-State Assets in the 2023 annual ARRM proceeding, Docket No. 23-00035.<sup>6</sup>

Mr. Watson conducted his study on four general classes (also referred to as functional groups): Storage Plants, Distribution Plants, Transmission Plants, and General Plants. He excluded Intangible plants from the study.<sup>7</sup> The Storage Plant Class primarily consists of facilities that store natural gas for use as needed. The Transmission Plant Class mainly consists of high and intermediate-pressure transmission assets that deliver gas to various receipt points or city gates. The Distribution Plant Class primarily consists of lines and associated facilities used to distribute gas within the areas served by Piedmont. The General Plant Class is not location-specific and supports overall gas distribution to customers.<sup>8</sup> The account-level depreciation rates were developed based on the depreciable property recorded on Piedmont's books on December 31, 2022.<sup>9</sup>

The study was performed in four phases: data collection, actuarial analysis, evaluation, and calculation.<sup>10</sup> During the phase one data collection process, historical data from the Company's property records and general ledger systems was compiled and validated for accuracy by extracting and comparing it to other financial system sources.<sup>11</sup> To supplement the data collection process, engineers and field operations personnel were interviewed to gain insight into asset operation, maintenance, and salvage value. The second phase consisted of an actuarial analysis of the detailed property records information to develop observed life tables for life analysis.<sup>12</sup>

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<sup>6</sup> Misty Lyons, Pre-Filed Direct Testimony, pp 3-4; Docket No. 20-00086, *Order Approving Settlement Agreement Setting Rates and Approving the Procedures For Refunds To Customers* (May 6, 2021); Docket No. 23-00035, *Order Approving Settlement Agreement And Setting ARRM Rates* (December 4, 2023).

<sup>7</sup> Dane A. Watson, Pre-Filed Direct Testimony, p. 6 (December 5, 2024).

<sup>8</sup> *Id.* p. 6.

<sup>9</sup> *Id.* p. 7.

<sup>10</sup> *Id.* p. 5.

<sup>11</sup> Watson Exhibit DAW-2, p. 17.

<sup>12</sup> *Id.* p. 17.

The third phase entailed the evaluation process, which synthesized the analysis, interviews, and operational characteristics of assets into a final selection of asset life and net salvage value parameters.<sup>13</sup> The final phase involved calculating the depreciation rates, making recommendations, and documenting the conclusions.<sup>14</sup>

The computation of rates utilized the straight-line method, average life group (“ALG”) procedure, and remaining-life technique.<sup>15</sup> This approach calculated the remaining lives according to ALG group expectancy techniques using the Iowa Survivor Curves.<sup>16</sup> The difference between the surviving investment, adjusted for estimated net salvage, and the allocated book depreciation reserve was divided by the average remaining life to yield the annual depreciation expense for each plant account.<sup>17</sup> The study resulted in an approximately \$4.5 million increase in depreciation expense, comprised of approximately \$3.6 million for Tennessee Direct and \$0.9 million for Corporate three-State. Changes in removal costs, increased investment, reserve levels, and changes in useful lives drove the change in annual depreciation expense.<sup>18</sup>

Table 1 and Table 2 below summarize the functional rates and change between the currently approved and recommended depreciation rates for Tennessee Direct and Corporate Three-State, respectively:

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<sup>13</sup> Watson Exhibit DAW-2, p. 18.

<sup>14</sup> *Id.*.

<sup>15</sup> *Id.*

<sup>16</sup> The Iowa Curves are the result of an extensive investigation of the life characteristics of physical property made at the University of Iowa in the 1950s which organizes asset retirement dispersions into four broad classes: R Curves where the observed mode age is greater than the average life; L Curves where the observed mode age is less than the average life; S Curves where the observed mode age is about the same as the average life; and O Curves which is a special case of left modal dispersion within the origin modal curve family. Additional numerical designations of 1 through 6 are assigned to describe the relative magnitude of retirement frequencies at the mode, where a 1 indicates asset retirements that are greatly dispersed from the mode while a 6 indicates a small dispersion of retirements about the mode.

<sup>17</sup> Watson Exhibit DAW-2, p. 20.

<sup>18</sup> Dane A. Watson, Pre-Filed Direct Testimony, p. 4 (December 5, 2024).

**Table 1- Tennessee Direct**

<b>Description</b>	<b>Existing</b>			<b>Recommended</b>		
	<b>Plant Balance at 12/31/22</b>	<b>Rates (%)</b>	<b>Annual Accrual</b>	<b>Rates (%)</b>	<b>Annual Accrual</b>	<b>Increase/ Decrease</b>
Total Storage Plant	73,553,230	3.51%	2,578,571	3.20%	2,352,327	(226,245)
Total Transmission Plant	401,908,379	1.46%	5,855,891	1.99%	8,016,633	2,160,742
Total Distribution Plant	1,168,010,888	2.05%	23,904,870	2.24%	26,161,863	2,256,993
Total Depreciated Plant	1,689,110,028	2.02%	34,111,938	2.23%	37,712,538	3,600,600
Total General Amortized Plant	7,692,491.01	5.21%	400,726.66	5.21%	392,992	(7,735)
Total Depreciated & Amortized Plant	\$1,696,802,519	2.03%	\$34,512,665	2.25%	\$ 38,105,530	\$ 3,592,865

**Table 2- Corporate Three-State**

<b>Description</b>	<b>Existing</b>			<b>Recommended</b>		
	<b>Plant Balance at 12/31/22</b>	<b>Rates (%)</b>	<b>Annual Accrual</b>	<b>Rates (%)</b>	<b>Annual Accrual</b>	<b>Increase/ Decrease</b>
Total Distribution Plant	30,574,945	10.40%	3,180,107	3.85%	1,177,655	(2,002,452)
Total General Depreciated Plant	5,192,254	6.18%	320,656	10.94%	567,873	247,216
Total General Amortized Plant	43,774,234	9.47%	4,144,141	15.43%	6,755,721	2,611,580
Total Depreciated & Amortized Plant (excludes land)	\$ 79,541,433	9.61%	\$7,644,904	10.69%	\$ 8,501,248	\$ 856,345

## **II. THE HEARING**

As duly noticed on April 4, 2025, the Commission convened a public meeting for panel deliberations via the Webex telephonic platform on April 14, 2025. Participating in the Hearing were the following parties and their respective counsel:

Piedmont Natural Gas Company- Paul S. Davidson Esq., Holland & Knight, LLP 511 Union Street, Suite 2700 Nashville, Tennessee 37219, James H. Jeffries, IV, McGuire Woods, LLP 201 North Tyron Street, Suite 3000, Charlotte, Mecklenburg County, North Carolina, 28202, and Misty Lyons, Rates and Regulatory Strategy Manager for Piedmont Natural Gas Company, 525 S. Tryon Street, Charlotte, North Carolina.

## **III. FINDINGS & CONCLUSIONS**

Based on the presentations of the Company and the evidentiary record in its entirety, the panel found that the annual depreciation rates for Piedmont's Tennessee Direct Operations and Corporate Three-State Operations identified in Appendices B-3 and B-5 to the Depreciation Study filed in this docket as Exhibit DAW-2 to be just and reasonable. Based on these findings, the panel voted unanimously to approve the proposed annual depreciation rates for Piedmont's Tennessee Direct

Operations and Corporate Three-State Operations, identified in Appendices B-3 and B-5 to the Depreciation Study and filed as Exhibit DAW-2. In addition, the panel directed Piedmont to calculate depreciation expense using the newly approved rates in its subsequent Annual Rate Review Mechanism filings.

**IT IS THEREFORE ORDERED THAT:**

1. Piedmont Natural Gas Company's Notice of Filing Depreciation Study and Request for Approval of New Depreciation Rates, filed on December 5, 2024, is approved.
2. Piedmont Natural Gas Company, Inc., shall calculate depreciation expense using the newly approved rates in its subsequent Annual Review Mechanism filings.
3. Any person aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within fifteen (15) days from the date of this Order.
4. Any person aggrieved by the Commission's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from the date of this Order.

**FOR THE TENNESSEE PUBLIC UTILITY COMMISSION**

**Chairman David F. Jones,  
Vice Chairman John Hie,  
Commissioner Herbert H. Hilliard,  
Commissioner Clay R. Good, and  
Commissioner David Crowell concurred.**

None dissented.

**ATTEST:**

A handwritten signature in dark ink, appearing to read "Earl Taylor" with a stylized flourish at the end.

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**Earl R. Taylor, Executive Director**