

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

PETITION OF PIEDMONT NATURAL
GAS COMPANY, INC. FOR
APPROVAL OF ITS 2025 ANNUAL
REVIEW OF RATES MECHANISM
PURSUANT TO TENN. CODE ANN. §
65-5-103(D)(6)

Docket No. 25-00036

DIRECT TESTIMONY
of
WILLIAM H. NOVAK

ON BEHALF OF

**THE CONSUMER ADVOCATE DIVISION
OF THE
OFFICE OF THE TENNESSEE ATTORNEY GENERAL**

August 6, 2025

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1 ***Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND***
2 ***OCCUPATION FOR THE RECORD.***

3 ***A1.*** My name is William H. Novak. My business address is 19 Morning Arbor Place,
4 The Woodlands, TX, 77381. I am the President of WHN Consulting, a utility
5 consulting and expert witness services company.¹
6

7 ***Q2. PLEASE PROVIDE A SUMMARY OF YOUR BACKGROUND AND***
8 ***PROFESSIONAL EXPERIENCE.***

9 ***A2.*** I have both a Bachelor's degree in Business Administration with a major in
10 Accounting, and a Master's degree in Business Administration from Middle
11 Tennessee State University. I am a Certified Management Accountant and am
12 also licensed to practice as a Certified Public Accountant.
13

14 My work experience has centered on regulated utilities for over 40 years. Before
15 establishing WHN Consulting, I was Chief of the Energy & Water Division of the
16 Tennessee Public Utility Commission ("the Commission") where I had either
17 presented testimony or advised the Commission on a host of regulatory issues for
18 over 19 years. In addition, I was previously the Director of Rates & Regulatory
19 Analysis for two years with Atlanta Gas Light Company, a natural gas
20 distribution utility with operations in Georgia and Tennessee. I also served for
21 two years as the Vice President of Regulatory Compliance for Sequent Energy
22 Management, a natural gas trading and optimization entity in Texas, where I was

¹ State of Tennessee, Registered Accounting Firm ID 3682.

1 responsible for ensuring the firm's compliance with state and federal regulatory
2 requirements.

3

4 In 2004, I established WHN Consulting as a utility consulting and expert witness
5 services company. Since 2004 WHN Consulting has provided testimony or
6 consulting services to state public utility commissions and state consumer
7 advocates in at least ten state jurisdictions.

8

9 ***Q3. ON WHOSE BEHALF ARE YOU TESTIFYING?***

10 ***A3.*** I am testifying on behalf of the Consumer Advocate Division ("Consumer
11 Advocate" or the "CAD") of the Office of the Tennessee Attorney General.

12

13 ***Q4. HAVE YOU PRESENTED TESTIMONY IN ANY PREVIOUS DOCKETS***
14 ***REGARDING PIEDMONT NATURAL GAS COMPANY?***

15 ***A4.*** Yes. I presented testimony in Dockets U-85-7355, U-87-7499, 89-10491, 91-
16 02636, 11-00144, and 20-00086 concerning either Nashville Gas Company or
17 Piedmont Natural Gas Company (Piedmont or the Company) rate cases. In
18 addition, I advised the TPUC Commissioners on various issues in the rate case for
19 Docket No. 03-00313 where I did not present testimony. I also presented
20 testimony in Docket No. 14-00086 related to Piedmont's CNG Infrastructure
21 Rider and in Docket No. 14-00017 related to Piedmont's Deferred Income Tax
22 Reconciliation. In addition, I previously presented testimony concerning
23 Piedmont's Integrity Management Rider (IMR) in TPUC Docket Nos. 16-00140

1 and 19-00107. Finally, I presented testimony in Docket No. 24-00036 related to
2 Piedmont's Annual Review of Rates Mechanism which is the subject of this
3 current Docket.
4

5 ***Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS***
6 ***PROCEEDING?***

7 ***A5.*** My testimony will address the Consumer Advocate's analysis and review with
8 respect to Piedmont's proposed Annual Review of Rates Mechanism ("ARM")
9 reconciliation in this Docket with its books and records, including the calculations
10 supporting that reconciliation and the resulting revenue deficiency. I will also
11 address the implementation of new rates resulting from the ARM reconciliation.
12

13 ***Q6. WHAT DOCUMENTS HAVE YOU REVIEWED IN PREPARATION OF***
14 ***YOUR TESTIMONY?***

15 ***A6.*** I have reviewed the Company's Petition filed on May 20, 2025, along with the
16 accompanying testimony and exhibits. I have also reviewed Piedmont's
17 responses to the data requests submitted by the Consumer Advocate in this
18 Docket. Finally, I reviewed previous Commission's Orders associated with the
19 Company's ARM mechanism in TPUC Docket Nos. 21-00135, 23-00035 and 24-
20 00036.
21

22 ***Q7. PLEASE SUMMARIZE YOUR RECOMMENDATIONS AND CONCERNS***
23 ***IN THIS DOCKET.***

1 **A7.** My recommendations and concerns are summarized as follows:

- 2 • I recommend that the Commission accept the Consumer Advocate's Total
3 Amount to be Collected of \$10,403,479 as the appropriate recovery for this
4 ARM filing as shown in Attachment WHN-1 and summarized in Table 3 of
5 my testimony.
- 6
- 7 • I recommend that the Commission accept the rates shown on Attachment
8 WHN-2 and summarized on Table 5 of my testimony as appropriate to
9 recover \$1,859,052 from the ARM Surcharge.
- 10
- 11 • I recommend that the Commission reject the Company's Base Rate Reset rate
12 design proposal for Industrial customers.
- 13
- 14 • I recommend that the Commission accept the rates shown on Attachment
15 WHN-3 as appropriate for the Base Rate Reset revenue deficiency of
16 \$8,544,427 as summarized on Table 6 of my testimony.
- 17
- 18 • I recommend that the Commission accept the WNA Factors shown in
19 Attachment WHN-5 and summarized in Table 10 as appropriate in this
20 ARRM filing.
- 21
- 22 • I recommend that the Commission require the impact of Carrying Costs and
23 the Deferred Account Balance to be included by Piedmont on the lead
24 schedule in future ARM filings.
- 25
- 26 • I recommend that the Commission require the monthly Consolidating Income
27 Statements and Balance Sheets to be included by Piedmont on Schedules 41G
28 and 41H in future ARM filings.
- 29

I. BACKGROUND

Q8. WHAT IS THE PURPOSE OF THE ARM FILING?

A8. The ARM allows the Company to annually reconcile or “true-up” their actual earnings with the Commission approved rate of return. The initial overall structure for the ARM was approved by the Commission in TPUC Docket No. 21-00135. Since the establishment of the ARM structure, the Commission has approved the rate adjustments shown below on Table 1.

Table 1 – Prior ARM Rate Adjustment Approvals			
Docket Number	Historic Base Period Recon.	Annual Base Rate Reset	Total
23-00035 ²	\$10,996,205	\$29,212,489	\$40,208,694
24-00036 ³	14,877,598	5,451,474	20,329,072

Q9. WHAT IS PIEDMONT’S PROPOSED REVENUE DEFICIENCY IN THIS ARM FILING?

A9. As shown on Table 2 below, Piedmont has revised the Revenue Deficiency in this Docket since the initial filing from \$8,772,588 to \$8,971,162.

² Order Approving Settlement Agreement and Setting ARRM Rates, In re: Petition of Piedmont Natural Gas Company, Inc. to Adopt an Annual Review of Rates Mechanism Pursuant to Tenn. Code Ann. § 65-5-103(d)(6), p. 14, TPUC Docket No. 23-00035 (December 4, 2023).

³ Order Approving Stipulation & Settlement Agreement and Setting ARRM Rates, In 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), p. 18, TPUC Docket No. 24-00036 (December 4, 2024).

Table 2 – Piedmont ARM Revenue Deficiency Calculations			
Docket Number	Historic Base Period Recon.	Annual Base Rate Reset	Total
Initial Filing ⁴	\$93,330	\$8,679,258	\$8,772,588
1 st Revision ⁵	122,241	8,733,651	8,855,892
2 nd Revision ⁶	235,040	8,736,122	8,971,162

Q10. PLEASE DESCRIBE THE CHANGES IN REVENUE DEFICIENCY CALCULATION BETWEEN THE DIFFERENT VERSIONS SHOWN ON TABLE 1.

A10. Both the 1st and 2nd Revisions to the ARM filing reflect error corrections made by Piedmont in response to the Consumer Advocate’s discovery requests.

Q11. HOW IS THE ARM REVENUE DEFICIENCY CALCULATED?

A11. The ARM revenue deficiency is calculated in accordance with the terms of the Commission Order in TPUC Docket No. 23-00035. The overall methodology for the reconciliation calculation is shown below in Table 3 which provides a comparison of Piedmont’s 2nd revised filing with my own calculation.

⁴ Company filing, File <Schedule 1-12 Lead Schedules>, Tab “1-OpsResults”, (May 20, 2025).

⁵ Company Response to Consumer Advocate Discovery Request 1-2, File <Schedule 1-12 Lead Schedules Revised>, Tab “1-OpsResults”, TPUC Docket No. 25-00036 (June 20, 2025).

⁶ Company Response to Consumer Advocate Discovery Request 2-1 and 2-2, File <Updated CA 2-1 and 2-2_1-12_Lead Schedules_DR 1 and DR 2 Updates> Tab “1-OpsResults”, TPUC Docket No. 25-00036 (July 23, 2025).

Table 3 – ARM Revenue Deficiency Calculation⁷		
Item	Piedmont 2nd Revised Filing	Consumer Advocate Filing
Rate Base	\$1,379,895,897	\$1,379,908,377
Operating Income at Present Rates	89,493,112	89,635,617
Earned Rate of Return	6.49%	6.50%
Fair Rate of Return	6.95%	6.95%
Required Operating Income	\$95,947,970	\$95,948,838
Operating Income Deficiency	\$6,454,859	\$6,313,221
Gross Revenue Conversion Factor	1.353418	1.353418
Current Revenue Deficiency	\$8,736,122	\$8,544,427
Historic Base Period Reconciliation	235,040	14,832
Total Revenue Deficiency	\$8,971,162	\$8,559,259
Carrying Cost	18,962	1,196
Deferred Account Balance	1,843,024	1,843,024
Total Amount to be Collected	\$10,833,148	\$10,403,479

1

2 I have included the details for this revenue deficiency calculation in Attachment
3 WHN-1.

4

5 ***Q12. HAVE YOU REVIEWED THE CALCULATIONS SUPPORTING THE***
6 ***ARM FILING?***

7 A12. Yes. I reviewed the Company's ARM reconciliation filing. I also prepared
8 discovery requests for supplemental supporting information that was not
9 contained in the filing. In addition, I had continuing discussions with Piedmont
10 regarding the filing. The purpose of my review was to determine whether
11 Piedmont's ARM reconciliation was based on the actual amounts recorded in its
12 books.

13

7. Attachment WHN-1, Schedule 1.

1 ***Q13. WHAT WERE THE RESULTS OF YOUR REVIEW?***

2 A13. Overall, I found that Piedmont's 2nd Revised Filing appropriately reconciled the
3 actual revenues, expenses and net investment to the amounts recorded on the
4 Company's ledger. Likewise, I also found that the reconciliation generally
5 reflected the methodologies established in TPUC Docket No. 23-00035.

6
7 However, the Consumer Advocate has adjusted certain expenses in the ARM in
8 order to remove the impact of approximately \$200,000 in discretionary dues to
9 the American Gas Association and various Chambers of Commerce.⁸ The details
10 of this adjustment are discussed in the testimony of Consumer Advocate witness
11 Clark Kaml.

12
13 ***Q14. WHAT IS YOUR RECOMMENDATION FOR THE ARM REVENUE***
14 ***DEFICIENCY CALCULATION?***

15 A14. I recommend that the Commission accept the Consumer Advocate's calculation of
16 the Total Amount to be Collected of \$10,403,479 as the appropriate recovery for
17 this ARM filing as summarized above in Table 3 and presented in Attachment
18 WHN-1.

19
20

8 WHN Workpapers, Schedule 52P.3.

II. ARM RATE DESIGN

Q15. HOW ARE RATES ADJUSTED FOR THE CURRENT ARM RECONCILIATION?

A15. The process begins by segregating the Revenue Deficiency components between the Historical Base Period and the Base Rate Reset as shown below on Table 4. Next the Carrying Cost and the Deferred Account Balance are added to the Historical Base Period Revenue Deficiency.

Table 4 – Allocation of Revenue Deficiency			
Item	Historical Base Period	Base Rate Reset	Total
Revenue Deficiency	\$14,832	\$8,544,427	\$8,559,259
Carrying Cost	1,196	0	1,196
Deferred Account Balance	1,843,024	0	1,843,024
Total	\$1,859,052	\$8,544,427	\$10,403,479

For the Historical Base Period Revenue Deficiency, an ARM surcharge is then calculated based on the existing revenue margin for each customer class as shown on Attachment WHN-2 and summarized below in Table 5.

Table 5 – Historic Base Period Surcharge⁹				
Customer Class	Margin Percentage	Revenue Deficiency	Dekatherm Throughput	ARM Surcharge
Residential	60.01%	\$1,115,472	13,868,655	\$0.0804
Small General	31.42%	584,188	8,707,457	0.0671
Large General	5.04%	93,686	3,047,450	0.0307
Interruptible	3.53%	65,706	9,163,669	0.0072
Total	100.00%	\$1,859,052	34,787,231	

⁹ Attachment WHN-2.

1 As shown on Table 5, Residential customers would pay an ARM surcharge of
2 \$0.0804 per Dekatherm (\$0.00804 per Therm) of usage. The methodology for the
3 rate design calculated here is prescribed in the Commission Order in TPUC
4 Docket No. 21-00135.¹⁰ I would therefore recommend that the Commission
5 adopt the rates summarized on Table 5 and detailed in Attachment WHN-2 as
6 appropriate for the Historic Base Period Surcharge.

7
8 ***Q16. HOW WILL RATES BE ADJUSTED FOR THE BASE RATE RESET***
9 ***REVENUE DEFICIENCY?***

10 A16. For the Base Rate Reset calculation, the Revenue Deficiency of \$8,544,427 is first
11 allocated to the different customer classes on the basis of the current margin as
12 shown below in Table 6.

Table 6 – Base Rate Reset Revenue Deficiency Allocation¹¹				
Customer Class	Current Margin	Revenue Deficiency	Proposed Margin	Percent Increase
Residential	\$127,979,264	\$5,126,834	\$133,106,098	4.01%
Small General	54,137,568	2,168,744	56,306,312	4.01%
Medium General	12,887,143	516,257	13,403,400	4.01%
Large Firm	10,748,935	430,601	11,179,536	4.01%
Large Interruptible	7,538,487	301,991	7,840,478	4.01%
Total	\$213,291,397	\$8,544,427	\$221,835,824	4.01%

13
14 As can be seen from Table 6, the percentage increase from the Revenue
15 Deficiency is applied evenly to each customer class.

16
¹⁰ Order Approving Amended Annual Review of Rates Mechanism, In re: Petition of Piedmont Natural Gas Company, Inc. to Adopt an Annual Review of Rates Mechanism Pursuant to Tenn. Code Ann. § 65-5-103(d)(6) (November 1, 2022).

¹¹ Attachment WHN-3 and WHN Revenue Workpaper 26.4.

***Q17. HOW DO YOU PROPOSE TO ADJUST THE COMPANY'S RATES TO
ACHIEVE THE PROPOSED MARGIN THAT YOU'VE
RECOMMENDED FOR THE BASE RATE RESET REVENUE
DEFICIENCY ALLOCATION?***

A17. I recommend that the existing tariff usage rates for each customer class be adjusted to achieve the proposed margin shown in Table 6. A summary calculation of this rate design for residential customers is shown below in Table 7. A complete copy of my proposed Base Rate Reset rate design for all customer classes is contained in Attachment WHN-3.

Table 7 – Base Rate Reset Revenue Deficiency Rate Design¹²			
Description	Billing Determinants	Proposed Rates	Proposed Margin
Residential			
Winter Bills	925,008	\$17.4500	\$16,141,390
Summer Bills	1,291,095	13.4500	17,365,228
Winter Usage (Dkt)	10,841,156	7.4624	80,901,040
Summer Usage (Dkt)	3,027,499	6.1761	18,698,137
Total			\$133,105,795

***Q18. DID THE COMPANY PROPOSE A SIMILAR RATE DESIGN
METHODOLOGY FOR THE BASE RATE RESET REVENUE
DEFICIENCY ALLOCATION?***

A18. Not exactly. For the Residential and Commercial tariffs, the Company proposed the same rate design methodology that I have used which allocates the Base Rate Reset Revenue Deficiency based on customer usage. However, for the Industrial customer class, the Company arbitrarily proposed variable increases to usage rates as shown below on Table 8.

¹² Attachment WHN-3.

1

Table 8 – Piedmont Proposed Industrial Rate Design¹³			
Description	Current Rate	Piedmont Proposed Rates	Percentage Change
Rate Schedules 303 & 313			
Customer Charge	\$800.0000	\$800.0000	0.00%
Demand Charge	8.0000	8.0000	0.00%
First 1,500 Dkt/Month	2.5652	2.7423	6.90%
Next 2,500 Dkt/Month	2.2832	2.4099	5.55%
Next 5,000 Dkt/Month	1.5391	1.5629	1.55%
Over 9,000 Dkt/Month	1.1800	1.2560	6.44%
Rate Schedules 304 & 314			
Customer Charge	\$800.0000	\$800.0000	0.00%
First 1,500 Dkt/Month	1.7493	1.8240	4.27%
Next 2,500 Dkt/Month	1.4694	1.7072	16.18%
Next 5,000 Dkt/Month	1.1196	1.1200	0.04%
Over 9,000 Dkt/Month	0.4626	0.4631	0.11%

2

3 As shown in Table 8, the Company has proposed different rate changes for the
4 four usage steps for the Industrial rate schedules. When questioned about its
5 proposed rate design for industrial customers, the Company was unable to provide
6 an acceptable response.¹⁴ This type of rate design certainly has disparate impacts
7 for smaller industrial customers. Since the Company has provided no testimony
8 that would justify such an arbitrary assignment of rates, I recommend that the
9 Company’s Base Rate Reset rate design proposal for Industrial customers be
10 rejected.

¹³ Company filing, File <Schedule 24, 25, 26, 28 Billing Determinants, Proposed Revenues & Rates, WNA>, Tab “Schedule 26.2”, TPUC Docket No. 25-00036 (May 20, 2025).

¹⁴ Company Response to Consumer Advocate Discovery Request 1-27, TPUC Docket No. 25-00036 (June 20, 2025).

**Q19. HAVE YOU PREPARED A COMPARISON OF THE COMPANY'S
CURRENT RATES AND YOUR PROPOSED RATES?**

A19. Yes. A summary comparison of the current rates and my proposed rates for residential customers is shown below in Table 9. A comparison of current and proposed rates for all customer classes is contained in Attachment WHN-4. The methodology for the rate design calculated here is prescribed in Commission Docket No. 21-00135.¹⁵ I would therefore recommend that the Commission accept the Consumer Advocate's proposed rate design shown in Attachment WHN-4 as appropriate for the recovery of the Revenue Deficiency in this ARM filing.

Table 9 – Current and Proposed Rates¹⁶

	Current Rates	Proposed Rates
Residential:		
Winter Customer Charge	\$17.4500	\$17.4500
Summer Customer Charge	13.4500	13.4500
Winter Usage (Dkt)	7.0783	7.4624
Summer Usage (Dkt)	5.8582	6.1761
ARM Surcharge (Dkt)	0.6703	0.0804

¹⁵ Order Approving Amended Annual Review of Rates Mechanism, In re: Petition of Piedmont Natural Gas Company, Inc. to Adopt an Annual Review of Rates Mechanism Pursuant to Tenn. Code Ann. § 65-5-103(d)(6) (November 1, 2022).

¹⁶ Attachment WHN-4.

1 **III. WEATHER NORMALIZATION ADJUSTMENT CALCULATION**

2

3 ***Q20. MR. NOVAK, HAVE YOU UPDATED THE COMPANY’S WEATHER***

4 ***NORMALIZATION ADJUSTMENT FACTORS?***

5 ***A20.*** Yes. The ARM filing requires an update to the Company’s Weather

6 Normalization Adjustment (WNA) factors. These updated factors are

7 summarized below on Table 10, and a complete copy of the WNA calculation is

8 contained in Attachment WHN-5.

9

Table 10 – Proposed WNA Factors (Per Therm)¹⁷				
Rate Schedule	Nov-Mar R Value	Oct & Apr R Value	Heat Sensitivity Factor	Base Load Factor
Residential	\$0.74624	\$0.61761	0.18449	11.37
Small General	0.74066	0.61868	0.68618	115.86
Medium General	0.62803	0.52460	8.09782	1,632.76

10 The methodology for the WNA factors calculated here is prescribed in

11 Commission Docket No. 21-00135. I would therefore recommend that the

12 Commission accept the Consumer Advocate’s proposed WNA Factors shown in

13 Attachment WHN-5 as appropriate in this ARM filing.

14

15

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17

18

¹⁷ Attachment WHN-5.

1 IV. OTHER ISSUES

2

3 ***Q21. MR. NOVAK, DO YOU HAVE ANY RECOMMENDATIONS FOR THE***

4 ***COMMISSION TO CONSIDER IN FUTURE ARM FILINGS?***

5 ***A21.*** Yes. I recommend that Piedmont include the recovery impact of Carrying Costs

6 and the Deferred Account Balance on Schedule 1 of the ARM in future filings. I

7 also recommend that the Company provide its monthly consolidating income

8 statements and balance sheets in future ARM filings.

9

10 ***Q22. PLEASE ELABORATE ON YOUR RECOMMENDATION FOR THE***

11 ***COMPANY INCLUDING THE RECOVERY IMPACT OF CARRYING***

12 ***COSTS AND THE DEFERRED ACCOUNT BALANCE ON THE LEAD***

13 ***SCHEDULE IN FUTURE ARM FILINGS.***

14 ***A22.*** Currently, the Company only includes the revenue deficiency for the Historic

15 Base Period and the Annual Base Rate Reset on Schedule 1 of the ARM filing.

16 Another component of the ARM filing that flows to customers bills is the impact

17 of Carrying Costs and the Deferred Account Balance. As shown earlier on Table

18 4, the impact from these two charges on the current filing is \$1,844,220. Because

19 these two items have such a material impact on the customer rates from the ARM

20 calculation, I recommend that they be included on Schedule 1 in future filings.

21

1 ***Q23. PLEASE ELABORATE ON YOUR RECOMMENDATION FOR THE***
2 ***COMPANY INCLUDING THE CONSOLIDATING MONTHLY INCOME***
3 ***STATEMENTS AND BALANCE SHEETS IN FUTURE ARM FILINGS.***

4 ***A23.*** The Company's consolidating monthly income statements and balance sheets
5 include the account level impacts for North Carolina, South Carolina and
6 Tennessee. They are also necessary to complete certain calculations within the
7 ARM filing. However, these financial statements are not currently included with
8 the ARM filing and instead must be formally requested.¹⁸ I therefore recommend
9 that the Company include the consolidating monthly income statements and
10 balance sheets in future ARM filings as Schedules 41G and 41H.
11
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¹⁸ Company Response to Consumer Advocate Discovery Request 1-1, TPUC Docket No. 25-00036 (June 20, 2025).

1 **V. RECOMMENDATIONS**

2

3 ***Q24. MR. NOVAK, PLEASE SUMMARIZE YOUR RECOMMENDATIONS TO***

4 ***THE COMMISSION ON ARM FILING.***

5 ***A24.*** My recommendations are as follows:

- 6 • I recommend that the Commission accept the Consumer Advocate's Total
- 7 Amount to be Collected of \$10,403,479 as the appropriate recovery for this
- 8 ARM filing as shown in Attachment WHN-1 and summarized in Table 3 of
- 9 my testimony.
- 10
- 11 • I recommend that the Commission accept the rates shown on Attachment
- 12 WHN-2 and summarized on Table 5 of my testimony as appropriate to
- 13 recover \$1,859,052 from the ARM Surcharge.
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- 15 • I recommend that the Commission reject the Company's Base Rate Reset rate
- 16 design proposal for Industrial customers.
- 17
- 18 • I recommend that the Commission accept the rates shown on Attachment
- 19 WHN-3 as appropriate for the Base Rate Reset revenue deficiency of
- 20 \$8,544,427 as summarized on Table 6 of my testimony.
- 21
- 22 • I recommend that the Commission accept the WNA Factors shown in
- 23 Attachment WHN-5 and summarized in Table 10 as appropriate in this ARM
- 24 filing.
- 25
- 26 • I recommend that the Commission require the impact of Carrying Costs and
- 27 the Deferred Account Balance to be included by Piedmont on the lead
- 28 schedule in future ARM filings.
- 29
- 30 • I recommend that the Commission require the monthly Consolidating Income
- 31 Statements and Balance Sheets to be included by Piedmont on Schedules 41G
- 32 and 41H in future ARM filings.
- 33

34 ***Q25. DOES THIS COMPLETE YOUR TESTIMONY?***

35 ***A25.*** Yes, it does. However, I reserve the right to incorporate any new information that

36 may subsequently become available.

37

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION
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IN RE:

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GAS COMPANY, INC. FOR APPROVAL
OF ITS 2025 ANNUAL REVIEW OF
RATES MECHANISM PURSUANT TO
TENN. CODE ANN. § 65-5-103(d)(6)


DOCKET NO. 25-00036

AFFIDAVIT

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


WILLIAM H. NOVAK

Sworn to and subscribed before me
this 29th day of July, 2025.


NOTARY PUBLIC



My commission expires: 1/31/2027.

ATTACHMENT WHN-1

Revenue Deficiency

Calculation

Item	WHN Calculations ¹		Piedmont Calculations ²		Difference	
	HBP	Rate Reset	HBP	Rate Reset	HBP	Rate Reset
Rate Base	1,300,593,646	1,379,908,377	1,300,595,275	1,379,895,895	-1,629	12,482
Operating Income	91,922,986	89,635,617	91,760,396	89,493,112	162,589	142,505
Earned Rate of Return	7.07%	6.50%	7.06%	6.49%	0.01%	0.01%
Fair Rate of Return	7.07%	6.95%	7.07%	6.95%	0.00%	0.00%
Required Operating Income	91,933,945	95,948,838	91,934,060	95,947,970	-115	868
Operating Income Deficiency/(Excess)	10,959	6,313,221	173,663	6,454,858	-162,705	-141,637
Revenue Conversion Factor	1.353418	1.353418	1.353418	1.353418	0.000000	0.000000
Revenue Deficiency/(Surplus)	14,832	8,544,427	235,039	8,736,122	-220,207	-191,694
Total Revenue Deficiency/(Surplus)		8,559,259		8,971,161		
Carrying Cost		1,196		18,962		
Deferred Account Balance		1,843,024		1,843,024		
Total Amount to be Collected		10,403,479		10,833,147		

¹ WHN Workpapers, Schedule 1-Revenue Deficiency.² Piedmont Response to Consumer Advocate Discovery Request 2-1.

Item	WHN Calculations ¹		Piedmont Calculations ²		Difference	
	HBP 12/31/23	Base Rate Reset	HBP 12/31/23	Base Rate Reset	HBP 12/31/23	Base Rate Reset
Additions:						
Utility Plant in Service	1,994,342,365	2,057,396,986	1,994,342,365	2,057,396,986	0	0
Construction Work in Progress	83,619,379	96,611,462	83,619,380	96,611,462	-1	0
Gas Inventory	10,898,085	10,898,085	10,898,085	10,898,085	0	0
Materials & Supplies	1,006,933	1,006,933	1,006,933	1,006,933	0	0
Deferred Debits - Hedging	451,671	451,671	451,671	451,671	0	0
Deferred Debits - Environmental	1,057,190	1,057,190	1,057,191	1,057,191	-1	-1
Deferred Debits - Pension	5,190,054	5,190,054	5,190,054	5,190,054	0	0
Prepaid Insurance	192,093	192,093	192,093	192,093	0	0
Fleets & Other Overheads	1,082,553	1,082,553	1,082,553	1,082,553	0	0
ARM Regulatory Asset	7,618,780	30,179,457	7,618,867	30,163,180	-87	16,277
Lead/Lag Study	6,846,650	8,575,820	6,848,040	8,579,614	-1,390	-3,794
Total Additions	2,112,305,753	2,212,642,304	2,112,307,232	2,212,629,821	-1,479	12,482
Deductions:						
Accumulated Depreciation	554,119,137	564,212,572	554,119,137	564,212,572	0	0
Accumulated Deferred Income Taxes	230,717,616	241,646,000	230,717,466	241,646,000	150	0
Contributions in Aid of Construction	5,828,754	5,828,754	5,828,754	5,828,754	0	0
Customer Deposits	3,874,423	3,874,423	3,874,423	3,874,423	0	0
Accumulated Interest on Customer Deposits	630,138	630,138	630,138	630,138	0	0
Accounts Payable - CWIP	15,810,638	15,810,638	15,810,638	15,810,638	0	0
Accounts Payable - Materials & Supplies	64,155	64,155	64,155	64,155	0	0
Accrued Vacation	667,244	667,244	667,244	667,244	0	0
Total Deductions	811,712,107	832,733,926	811,711,956	832,733,926	150	0
Rate Base	1,300,593,646	1,379,908,377	1,300,595,275	1,379,895,895	-1,629	12,482

¹ WHN Workpapers, Schedule 2-Rate Base.

² Piedmont Response to Consumer Advocate Discovery Request 2-1.

Item	WHN Calculations ¹		Piedmont Calculations ²		Difference	
	HBP 12/31/23	Base Rate Reset	HBP 12/31/23	Base Rate Reset	HBP 12/31/23	Base Rate Reset
Operating Revenues						
Gas Sales & Transportation Revenues	283,368,966	342,054,327	283,358,436	342,095,149	10,530	-40,822
Forfeited Discount Revenues	717,199	717,199	717,199	717,199	0	0
Other Operating Revenues	3,293,015	2,722,393	3,283,291	2,722,394	9,724	-1
Total Operating Revenue	287,379,180	345,493,919	287,358,926	345,534,742	20,254	-40,823
Purchased Gas Expense	79,440,981	128,762,930	79,440,978	128,796,856	3	-33,926
Total Margin Operating Revenues	207,938,199	216,730,989	207,917,948	216,737,886	20,251	-6,897
Operating & Maintenance Expenses	55,272,256	55,424,868	55,472,467	55,625,079	-200,211	-200,211
Other Operating Expenses:						
Depreciation Expense	39,217,273	51,958,622	39,216,939	51,958,622	334	0
Amortization Expense for ARM Regulatory Asset	97,899	831,445	97,899	830,955	0	490
Amortization Expense for Investment Tax Credit	-8,087	-8,087	-8,087	-8,087	0	0
General Tax Expense	7,319,735	7,319,735	7,319,738	7,319,738	-3	-3
State Excise Tax Expense	5,130,616	4,698,763	5,116,305	4,686,248	14,311	12,515
Federal Income Tax Expense	14,713,155	13,408,627	14,669,924	13,370,821	43,231	37,806
Total Other Operating Expenses	66,470,591	78,209,106	66,412,718	78,158,297	57,873	50,808
Total Operating Expenses	121,742,847	133,633,974	121,885,185	133,783,376	-142,338	-149,402
Net Operating Income	86,195,352	83,097,015	86,032,763	82,954,510	162,589	142,505
Adjustments to Net Operating Income:						
AFUDC - Debt	1,864,712	2,183,419	1,864,712	2,183,419	0	0
AFUDC - Equity	4,038,816	4,531,078	4,038,816	4,531,078	0	0
Interest on Customer Deposits	-175,895	-175,895	-175,895	-175,895	0	0
Total Adjustments to Net Operating Income	5,727,633	6,538,602	5,727,633	6,538,602	0	0
Net Operating Income For Return	91,922,986	89,635,617	91,760,396	89,493,112	162,589	142,505

¹ WHN Workpapers, Schedule 9-Income Statement.

² Piedmont Response to Consumer Advocate Discovery Request 2-1.

Item	WHN Calculations ¹			Piedmont Calculations ²		
	Capital Structure	Cost Rate	Weighted Cost	Capital Structure	Cost Rate	Weighted Cost
Historic Base Period:						
Short-Term Debt	6.73%	5.32%	0.36%	6.73%	5.32%	0.36%
Long-Term Debt	43.94%	4.27%	1.88%	43.94%	4.27%	1.88%
Common Equity	49.33%	9.80%	4.83%	49.33%	9.80%	4.83%
Total	100.00%		7.07%	100.00%		7.07%
Base Rate Reset:						
Short-Term Debt	8.13%	4.70%	0.38%	8.13%	4.70%	0.38%
Long-Term Debt	43.98%	4.27%	1.88%	43.98%	4.27%	1.88%
Common Equity	47.89%	9.80%	4.69%	47.89%	9.80%	4.69%
Total	100.00%		6.95%	100.00%		6.95%

¹ WHN Workpapers, Schedule 10-Cost of Capital.

² Piedmont Response to Consumer Advocate Discovery Request 2-1.

ATTACHMENT WHN-2

Historic Base Period

Rate Design

Description	Residential	Small General Service	Large General Service-Firm	Large General Service-Int	Total
Customer Class Margin Apportionment Percentage	60.00%	31.42%	5.04%	3.53%	100.00%
HBP Revenue Requirement Deficiency plus Carrying Costs for Recovery	9,617	5,037	808	567	16,028
ARM Reconciliation Deferred Account Balance @ March 31 of year after HBP	1,105,852	579,152	92,881	65,140	1,843,024
Total Amount for Recovery in this Rider	1,115,469	584,189	93,689	65,706	1,859,052
Throughput from Annual Base Rate Reset (Dekatherms)	13,868,655	8,707,457	3,047,450	9,163,669	34,787,231
Rate per Dekatherm	0.08040	0.06710	0.03070	0.00720	
Proposed ARM Rider Rate per therm	0.00804	0.00671	0.00307	0.00072	

SOURCE: WHN Workpaper 26.5.

ATTACHMENT WHN-3

Base Rate Reset

Rate Design

Tariff	Current Rates			Proposed Rates			
	Billing Determinants	Margin Rates	Total Margin	Margin Rates	Total Margin	Margin Change	Percentage Change
301 - Residential Service							
Bills - Winter	925,008	17.45	16,141,390	17.45	16,141,390	0	0.00%
Bills - Summer	1,291,095	13.45	17,365,228	13.45	17,365,228	0	0.00%
DTs - Winter	10,841,156	7.0783	76,736,952	7.4624	80,901,040	4,164,088	5.43%
DTs - Summer	3,027,499	5.8582	17,735,695	6.1761	18,698,137	962,442	5.43%
Total		82.76%	127,979,264		133,105,794	5,126,530	4.01%
302 - Small General Service							
Bills - Annual	216,036	44.00	9,505,584	44.00	9,505,584	0	0.00%
DTs - Winter	4,631,006	7.0634	32,710,649	7.4066	34,300,010	1,589,361	4.86%
DTs - Summer	2,020,531	5.9001	11,921,335	6.1868	12,500,621	579,286	4.86%
Total		83.53%	54,137,568		56,306,215	2,168,648	4.01%
352 - Medium General Service							
Bills - Annual	5,214	225.00	1,173,150	225.00	1,173,150	0	0.00%
DTs - Winter	1,396,948	6.0152	8,402,923	6.2803	8,773,254	370,331	4.41%
DTs - Summer	658,972	5.0246	3,311,070	5.2460	3,456,966	145,896	4.41%
Total		83.53%	12,887,143		13,403,370	516,227	4.01%
303 - Large General Sales Service							
Bills - Annual	737	800.00	589,600	800.00	589,600	0	0.00%
DTs - Demand	103,006	8.00	824,048	8.00	824,048	0	0.00%
DTs - First 1,500	664,672	2.5652	1,705,016	2.7204	1,808,173	103,157	6.05%
DTs - Next 2,500	313,000	2.2832	714,642	2.4213	757,879	43,237	6.05%
DTs - Next 5,000	25,656	1.5391	39,487	1.6322	41,876	2,389	6.05%
DTs - Over 9,000	0	1.1800	0	1.2514	0	0	
Minimum Margin Agreement Revenues			15,139		15,139	0	0.00%
Total			3,887,932		4,036,716	148,783	3.83%
313 - Firm Transportation Service							
Bills - Annual	857	800.00	685,600	800.00	685,600	0	0.00%
DTs - Demand	162,147	8.0000	1,297,176	8.00	1,297,176	0	0.00%
DTs - First 1,500	1,026,156	2.5652	2,632,295	2.7204	2,791,554	159,259	6.05%
DTs - Next 2,500	662,161	2.2832	1,511,846	2.4213	1,603,316	91,470	6.05%
DTs - Next 5,000	258,180	1.5391	397,365	1.6322	421,406	24,041	6.05%
DTs - Over 9,000	97,626	1.1800	115,198	1.2514	122,168	6,970	6.05%
Minimum Margin Agreement Revenues			221,523		221,523	0	0.00%
Total			6,861,003		7,142,743	281,740	4.11%
304 - Interruptible General Sales Service							
Bills - Annual	38	800.00	30,400	800.00	30,400	0	0.00%
DTs - First 1,500	28,788	1.7493	50,359	1.8241	52,513	2,153	4.28%
DTs - Next 2,500	6,376	1.4694	9,369	1.5322	9,769	401	4.28%
DTs - Next 5,000	0	1.1196	0	1.1675	0	0	
DTs - Over 9,000	0	0.4626	0	0.4824	0	0	
Minimum Margin Agreement Revenues			0		0	0	
Total			90,128		92,682	2,554	2.83%
314 - Interruptible Transportation Service							
Bills - Annual	552	800.00	441,600	800.00	441,600	0	0.00%
DTs - First 1,500	763,666	1.7493	1,335,880	1.8241	1,393,003	57,122	4.28%
DTs - Next 2,500	1,019,732	1.4694	1,498,395	1.5322	1,562,466	64,071	4.28%
DTs - Next 5,000	1,179,053	1.1196	1,320,067	1.1675	1,376,513	56,446	4.28%
DTs - Over 9,000	6,166,055	0.4626	2,852,417	0.4824	2,974,386	121,969	4.28%
Minimum Margin Agreement Revenues			0		0	0	
Total			7,448,359		7,747,968	299,609	4.02%
Total Revenue			213,291,397		221,835,488	8,544,091	4.01%

Source: WHN Workpapers, Schedule 26.2.

ATTACHMENT WHN-4
Current and Proposed Rate
Comparison

Tariff	Current Rates	Proposed Rates
301 - Residential Service		
Bills - Winter	\$17.45	\$17.45
Bills - Summer	13.45	13.45
DTs - Winter	7.0783	7.4624
DTs - Summer	5.8582	6.1761
DTs - ARM Surcharge	0.6703	0.0804
302 - Small General Service		
Bills - Annual	\$44.00	\$44.00
DTs - Winter	7.0634	7.4066
DTs - Summer	5.9001	6.1868
DTs - ARM Surcharge	0.5578	0.0671
352 - Medium General Service		
Bills - Annual	\$225.00	\$225.00
DTs - Winter	6.0152	6.2803
DTs - Summer	5.0246	5.2460
DTs - ARM Surcharge	0.5578	0.0671
303 - Large General Sales Service		
Bills - Annual	\$800.00	\$800.00
DTs - Demand	8.0000	8.0000
DTs - First 1,500	2.5652	2.7204
DTs - Next 2,500	2.2832	2.4213
DTs - Next 5,000	1.5391	1.6322
DTs - Over 9,000	1.1800	1.2514
DTs - ARM Surcharge	0.2574	0.0307
313 - Firm Transportation Service		
Bills - Annual	\$800.00	\$800.00
DTs - Demand	8.0000	8.0000
DTs - First 1,500	2.5652	2.7204
DTs - Next 2,500	2.2832	2.4213
DTs - Next 5,000	1.5391	1.6322
DTs - Over 9,000	1.1800	1.2514
DTs - ARM Surcharge	0.2574	0.0307
304 - Interruptible General Sales Service		
Bills - Annual	\$800.00	\$800.00
DTs - First 1,500	1.7493	1.8241
DTs - Next 2,500	1.4694	1.5322
DTs - Next 5,000	1.1196	1.1675
DTs - Over 9,000	0.4626	0.4824
DTs - ARM Surcharge	0.0605	0.0072
314 - Interruptible Transportation Service		
Bills - Annual	\$800.00	\$800.00
DTs - First 1,500	1.7493	1.8241
DTs - Next 2,500	1.4694	1.5322
DTs - Next 5,000	1.1196	1.1675
DTs - Over 9,000	0.4626	0.4824
DTs - ARM Surcharge	0.0605	0.0072

Source:

Current ARM Surcharge - WHN Workpaper 22.10.

Proposed ARM Surcharge - WHN Workpaper 26.5.

Current and Proposed Base Rates - WHN Workpaper 26.2.

ATTACHMENT WHN-5

WNA Factors

Rate Schedule	Nov - Mar R Value	Oct & Apr R Value	Heat Sensitivity Factor	Base Load Factor
301 - Residential Service	0.74624	0.61761	0.18449	11.36675
302 - Small General Service	0.74066	0.61868	0.68618	115.86404
352 - Medium General Service	0.62803	0.52460	8.09782	1,632.76206

Month	Normal Cycle Heating Degree Days
January	734.8
February	773.4
March	489.2
April	292.4
May	102.4
June	11.3
July	0.0
August	0.1
September	1.3
October	50.2
November	303.3
December	569.5
Total	3,327.9
Winter	2,870.2
Summer	457.7
Total	3,327.9

SOURCE: WHN Workpapers, Schedule 28.0.