

1 **Q13. DID YOU REVIEW THE TESTIMONY FROM THE LAST NAVITAS TN RATE**
2 **CASE BEFORE THIS COMMISSION?**

3 **A13.** Yes. While I was not involved in that proceeding, from my review of the earlier case, it
4 appears there has been significant improvement in the accuracy and specificity of
5 information presented in this case contrasted with the last rate case.

6 **Q14. WHAT IS THE TEST PERIOD IN THIS CASE?**

7 **A14.** The test period in this case is calendar year 2018.

8 **Q15. WHAT IS THE ATTRITION PERIOD IN THIS CASE?**

9 **A15.** The attrition period is the calendar year 2020.

10 **Q16. BEGIN WITH A DISCUSSION OF THE RATE BASE YOU ARE PROPOSING.**

11 **A16.** I am proposing an overall attrition period Rate Base of \$568,991. This amount is shown
12 in Schedules 2, 3, and 3.1. This balance incorporates several adjustments to the ending test
13 period balances.

14 **Q17. BEGIN WITH A DISCUSSION OF THE CONSUMER ADVOCATE'S FIRST**
15 **ADJUSTMENT TO RATE BASE.**

16 **A17.** Consumer Advocate Adjustment No. 1 reduces Rate Base by \$535,374 by correctly
17 identifying the Acquisition Adjustment as a reduction to Rate Base. The Company has
18 incorrectly identified this balance as an increase in Rate Base, when instead it should be
19 recognized as a reduction. In this instance, the acquisition price paid by Navitas was less
20 than the net book value of the assets acquired. This negative acquisition adjustment amount
21 is necessary to reflect the actual investment made by Navitas in the acquired assets. The

1 Company has erroneously added this value to Rate Base rather than including it as a
2 reduction. Schedule 3.1 Column C sets forth the balances of the Rate Base components as
3 of December 31, 2018, totaling \$610,681.

4 **Q18. WHAT IS THE CONSUMER ADVOCATE'S SECOND ADJUSTMENT TO RATE**
5 **BASE?**

6 **A18.** The Consumer Advocate next increases Rate Base by \$26,431 by computing the test period
7 average Rate Base compared with the end-of-test-period Rate Base. This is indicative of a
8 declining Rate Base, since the test year end Rate Base is less than the January 1, 2018 Rate
9 Base. Capital investment during the period was \$4,378, while Accumulated Depreciation
10 (a reduction to Rate Base) increased by \$32,609 as a result of ongoing depreciation expense
11 computed on gross plant in service.

12 **Q19. HAVE YOU INCREASED TEST PERIOD NET PLANT IN SERVICE BALANCES**
13 **IN MOVING TO THE ATTRITION PERIOD?**

14 **A19.** No. As mentioned above, increases in gross plant in service totaled only \$4,378 in 2018.
15 Further, such increases were \$7,054 and \$4,001 in 2016 and 2017, respectively.⁴
16 Therefore, net plant, which considers the balance of Accumulated Depreciation, has
17 consistently declined in the past three years since the accrual of depreciation expense in
18 excess of \$30,000 annually far outpaces the growth in Net Plant. Had I used historic data
19 to project an attrition period balance of Rate Base, such balance would be much less than
20 is currently contained in the Consumer Advocate's proposal.

⁴ Sources: Navitas TN General Ledger (2018), Navitas TN General Ledger (2017) and MFR 51 (2016).

1 **Q20. PLEASE CONTINUE WITH AN EXPLANATION OF ADJUSTMENTS 3 AND 4**
2 **TO RATE BASE.**

3 **A20.** The Consumer Advocate’s second and third adjustments to Rate Base should be considered
4 in combination as they relate to the same asset and accumulated depreciation balances –
5 Other Long-Term Assets and Accumulated Amortization of Other Long-Term Assets.

6 Rate Base Adjustment No. 3 reduces Rate Base by \$60,276 as it removes the entire balance
7 of Other Long-Term Assets and associated Accumulated Depreciation based upon the test
8 period average balances. Within the Other Long-Term Asset category, there are two major
9 types of deferred asset costs: Organization Costs, which are essentially costs associated
10 with the Gasco acquisition, and various deferred legal and regulatory costs. With respect
11 to the Organization costs, it is my understanding that such costs have historically been
12 denied recovery by this Commission.⁵ In any event, the net balance (when considering
13 Accumulated Amortization) of these acquisition costs will be very close to zero by
14 December 31, 2020.⁶ For these reasons, I do not believe inclusion of Net Organization
15 Costs in Rate Base is appropriate.

16 The other portion of the Other Long-Term Asset balance relates to various deferred legal
17 costs, including prior rate case costs, costs associated with an inquiry into “city/district
18 utilities” in Tennessee, and intervention costs associated with the B&W Pipeline Company

⁵ Final Order Denying the Petition for Reconsideration, Docket 15-00042, August 4, 2016. In B&W Pipeline’s last rate case, 15-00042, the Commission stated that “(b)y rejecting the Company’s proposal to establish rates based on the purchase price, the Authority also tacitly rejected the acquisition costs related to the purchase.”

⁶ Information obtained informally from the Company indicates the net balance of the Acquisition costs were \$37,876 as of December 31, 2018. Further the Unamortized balance at December 31, 2019 was \$19,944, reflecting an annual amortization of \$17,932/yr (\$37,876 - \$19,944), leaving an unamortized balance at December 31, 2020 of \$2,012 (\$19,944 - \$17,932).

1 Rate Case. With respect to the prior rate case costs, these asset costs have been fully
 2 amortized; thus, there is no net Rate Base associated with this activity. This cost (and
 3 associated Accumulated Amortization) should be removed from the books of Navitas TN.
 4 It is unclear why the costs associated with legal research associated with city/district
 5 utilities should be deferred on the books of Navitas TN rather than expensed. This net asset
 6 balance at December 31, 2019, was only \$1,728, and in any case, it will be fully amortized
 7 in early 2021. The final component of Other Long-Term Assets is deferred legal costs
 8 associated with Navitas's intervention in B&W's rate case (a net asset of \$7,111 as of
 9 December 31, 2018). I believe this cost component has merit as discussed below in Rate
 10 Base Adjustment No. 4. For the sake of simplicity, I have eliminated the entire balance of
 11 Long-Term Assets within Rate Base Adjustment No. 3, resulting in a reduction to Rate
 12 Base of \$60,276.

13 The balances of these respective items are shown in the table below:

Summary of Consumer Advocate Recommendation			
Other Long-Term Assets			
Rate Base Adjustments 3			
	Original Cost	Accumulated Dep 12/31/2018	Net Asset Balance 12/31/18
Gasco Acquisition	\$ 179,327	\$ 141,451	\$ 37,876
Prior Navitas Rate Case	29,538	29,538	-
Inquiry into City/District Utility	11,311	8,338	2,973
B&W Intervention Costs	109,828	102,717	7,111
Total Other Long-Term Assets	\$ 330,004	\$ 282,044	\$ 47,960
Average Rate Base Balance	\$ 330,004	\$ 269,728	\$ 60,276

14

1 Rate Base Adjustment No. 4 proposes to increase Rate Base by \$36,649 to reflect a) the
2 December 31, 2018 unamortized balance of intervention costs in B&W's rate case (\$7,111)
3 and b) estimated rate case costs associated with the pending case (\$29,538).

4 **Q21. WHAT IS THE DISTINCTION BETWEEN YOUR ADJUSTMENT NOS. 3 AND 4**
5 **AS THEY RELATE TO THE BALANCE OF B&W RATE CASE INTERVENTION**
6 **COSTS?**

7 **A21.** In Adjustment No. 3, I simply removed the entire balance of Other Long-Term Assets since
8 I found the vast majority of the two accounts within that category to be properly excluded.
9 Within Adjustment No. 4, I reinserted the remaining net asset balance of the B&W
10 intervention costs and added in an estimate for the legal costs associated with this
11 proceeding. Such legal costs should be trued-up to the actual costs incurred in this case,
12 subject to reasonableness.

13 **Q22. CONTINUE WITH AN EXPLANATION OF ADJUSTMENT NO. 5 TO RATE**
14 **BASE.**

15 **A22.** Rate Base Adjustment No. 5 increases Working Capital (and Rate Base) by \$8,369 to
16 reflect the application of the one-eighth methodology to the Consumer Advocate's
17 proposed total Operating Expenses. This calculation is shown on Schedule 4. I have found
18 that the one-eighth application overstates the true level of Working Capital of natural gas
19 utilities, which is best determined based upon a lead-lag study. However, given the small
20 size of the utility, conducting a time-intensive lead-lag study was not practical.

21

1 **Q23. PLEASE DISCUSS ADJUSTMENT NO. 8 TO OPERATING INCOME.**

2 **A23.** Consumer Advocate Adjustment No. 8 reduces Amortization Expense by \$16,224 to a)
3 eliminate the test period costs associated with those items excluded from Rate Base in
4 Adjustment No. 3 discussed above and b) increase Amortization Expense by recognizing
5 an annual level of expense associated with the net asset balance of the B&W rate case costs
6 and a five-year amortization of the estimated legal costs associated with this docket. The
7 net of these adjustments results in a total Depreciation/Amortization Expense of \$42,162
8 as set forth on Consumer Advocate Schedules 5 and 6.

9 **Q24. PROVIDE AN OVERVIEW AND IDENTIFY THE ADJUSTMENTS YOU ARE**
10 **SPONSORING TO THE COMPANY'S REVENUE.**

11 **A24.** Schedule 9.1 sets forth the Revenue adjustments I am supporting in this proceeding.
12 Adjustment No. 1 increases pro-forma revenues by \$12,590 by adjusting the Company's
13 proposed revenue to that level of revenue based upon actual test period billing
14 determinants. The basis for this adjustment was monthly billing information provided by
15 the response to Consumer Advocate Request No. 1-43. The support for this calculation is
16 set forth in Exhibit DND-2. Pricing out the actual bills rendered, and volumes produces
17 total test period revenue of \$537,439 as shown on Schedule 9.1. This adjustment also
18 incorporates a reduction in Terms and Conditions revenue of \$1,193 to reflect the actual
19 level of revenue for Miscellaneous Charges that were generated in the test period.

20 Revenue Adjustment No. 2 reduces pro-forma revenue by \$34,433 to normalize for
21 abnormal weather. Within MFR No. 21, the Company has indicated it was 7% colder than
22 normal. I normalized test period volumes based upon the average consumption by rate

1 class for the period of 2011 – 2018. A more precise weather normalization determination,
2 relying upon actual temperature data and incorporating regression analysis, was not
3 available. However, relying upon the average consumption over a long time period is a
4 reasonable proxy for the more sophisticated weather normalization calculation. The
5 reduction in revenue is \$34,433, representing a 6.4%⁷ reduction in adjusted revenue, which
6 is close to the 7% claim by the Company. The 6.4% revenue reduction is further validated
7 when considering that the significant customer service charge portion of the Company's
8 revenue is unaffected by weather; thus, one would not expect temperatures that are 7%
9 colder than normal to have that level of reduction in Company revenue. The application
10 of these two revenue adjustments results in a Consumer Advocate adjusted revenue balance
11 of \$503,026.

12 **Q25. CAN YOU PROVIDE AN OVERVIEW OF SCHEDULE 10 RELATED TO THE**
13 **REVENUE CONVERSION FACTOR?**

14 **A25.** Yes. The Consumer Advocate computes the appropriate revenue conversion factor in this
15 case to be 1.002855. This factor incorporates a gross-up for uncollectible expense of
16 0.285%.

17 **Q26. HOW DO YOU PROPOSE TO SPREAD THE RECOMMENDED INCREASE OF**
18 **\$37,425 ACROSS NAVITAS TN'S CUSTOMER CLASSES?**

19 **A26.** Given the size of the utility, a comprehensive class cost of service study is not warranted.
20 I simply calculated the overall revenue increase to be 7.67% and applied that level of

⁷ \$34,433 is the amount of the adjustment divided by the Consumer Advocate's adjusted revenue (before weather normalization) of \$537,459 and results in a reduction in adjusted revenue of 6.4%.

1 increase to each customer class' pro-forma revenue levels. The resulting proposed
2 increases by customer class are as follows:

3 **Residential:** \$16,953

4 **Industrial:** \$10,241

5 **Commercial:** \$10,231

6 **Total:** \$37,245

7 **Q27. HOW DO YOU PROPOSE TO DESIGN RATES TO RECOVER THE**
8 **RECOMMENDED INCREASE PER CLASS?**

9 **A27.** The rate structure of the Company is unique in that it results in significant ratepayer costs
10 for minimal usage. For example, a residential customer using just under 1 MCF (10 CCF)
11 of gas in a given month would incur the \$9 Customer Charge, plus 9 units (CCF) at a rate
12 of \$1.67 CCF or \$15.03, for a total bill before application of PGA charges of \$24.03. A
13 customer using 9 CCF of gas in a month is a very minimal amount, and thus it is not
14 incorrect to view the \$24.03/month as a fixed charge from the customers' perspective for
15 much of the year. The Industrial and Commercial classes are designed in a similar fashion.
16 Given this rate structure, I recommend placing the entire rate increase for each customer
17 class on the volumetric consumption in excess of the first 9 CCF per month. Schedule 13
18 sets forth the resulting proposed rate using this methodology.

1 **Q28. DO YOU WISH TO DISCUSS ANY TARIFF MATTERS THAT HAVE COME TO**
2 **YOUR ATTENTION AS A RESULT OF YOUR REVIEW?**

3 **A28.** Yes. I would like to address two tariff matters related to reconnection fees and cold-weather
4 disconnections.

5 **Reconnection Fees:**

6 The Company's current Tariff permits it to charge 6 months' worth of meter charges for
7 any customer who disconnects service for two or more months. This provision applies to
8 all customers.

9 Customers, especially residential customers whose gas consumption is limited to space
10 heating, may terminate service in the spring and reconnect in the late fall when the customer
11 desires space heating. From the customers' perspective, they may consider this to be a
12 wise move to avoid the meter (customer) charge during those months in which they believe
13 it unlikely they will use natural gas, especially if they find themselves in a challenging
14 financial situation. If this approach were widely used by customers, it would result in cost
15 shifting from those customers disconnecting in the spring to those customers electing to
16 stay connected year-round. I certainly understand and do not disagree with a provision
17 designed to charge customers for those months they elect to be disconnected. My concern
18 is that if a customer were disconnected for two months, the Tariff permits the application
19 of six months' worth of meter charges. I recommend that the Commission require a change
20 in the Company's Tariff to apply the meter charge for the exact number of months
21 (including partial months) that the customer was disconnected.

1 **Cold Weather Disconnections**

2 During the course of our review, I became aware that Navitas TN did not have a formal
3 policy or Commission requirement regarding customer disconnections in the winter
4 months due to temperature conditions. Navitas indicated in an informal discussion that it
5 applies the cold-weather disconnect rules adopted by the Oklahoma Corporation
6 Commission to its Tennessee properties.⁸ It further indicates that it follows the Tennessee
7 disconnect rules applicable year round, but during cold-weather period, it adheres to the
8 additional cold-weather requirements applicable in Oklahoma to its Tennessee operations.

9 **Q29. WHAT IS THE LIMITATION FOR DISCONNECTING NAVITAS'S**
10 **OKLAHOMA CUSTOMERS DURING WINTER PERIODS?**

11 **A29.** The Oklahoma Commission rules prohibit disconnections if temperatures are 32 degrees
12 or less, or if the forecasted temperatures are 20 degrees or below at night. The Oklahoma
13 rules are attached to my testimony identified as Exhibit DND-3.

14 **Q30. ARE YOU AWARE OF SIMILAR RULES APPLICABLE TO TENNESSEE**
15 **NATURAL GAS UTILITIES?**

16 **A30.** No, I am not. To my knowledge, similar rules have not been adopted by the Commission.

⁸ For a related information see the Company's response to Consumer Advocate Request No. 2-9.

1 **Q31. DO YOU BELIEVE NATURAL GAS UTILITIES SHOULD OPERATE UNDER**
2 **DISCONNECT RULES THAT LIMIT DISCONNECTIONS BASED UPON**
3 **ACTUAL AND SHORT-TERM TEMPERATURE FORECAST?**

4 **A31.** Yes. I commend Navitas TN for adopting a practice of not disconnecting customers during
5 cold-weather periods; however, this would appear to be a voluntary action on behalf of the
6 Company. To my knowledge, there is nothing that would prohibit Navitas TN from
7 disconnecting customers during a period of extreme cold.

8 **Q32. WHAT IS YOUR RECOMMENDATION IN THIS REGARD?**

9 **A32.** My recommendation is two-fold. First, I recommend the Commission require modification
10 of the Company's Tariff to prohibit disconnections if the current temperature is 32 degrees
11 or less, or the forecasted temperature within the next 48 hours following disconnection are
12 expected to reach 20 degrees or less. This 48-hour window would allow a non-paying
13 customer to make other arrangements for either making an appropriate payment or seeking
14 other accommodations. Second, I recommend that the Commission open a docket to
15 identify cold weather disconnect policies of jurisdictional gas utilities, which would then
16 lead to a determination by the Commission of the appropriate policies that should be
17 adopted state-wide.

18 **Q33. ARE YOU AWARE OF A COMPLAINT FILED ON JANUARY 8, 2020 BY B&W**
19 **PIPELINE COMPANY AGAINST NAVITAS TN?**

20 **A33.** Yes, I am aware of the filing.

1 **Q34. SHOULD THIS COMPLAINT HAVE ANY IMPACT ON THE CURRENT**
2 **REQUEST OF NAVITAS TN?**

3 **A34.** While I am not well-versed at this writing of all the circumstances surrounding this
4 Complaint, to my knowledge, this Complaint should not impact the revenue requirement
5 determination in this proceeding. Further, I do not believe any legal costs incurred by
6 Navitas TN in addressing the Complaint should be built into the costs underlying the rates
7 adopted in this rate case.

8 **Q35. DOES THIS CONCLUDE YOUR TESTIMONY?**

9 **A35.** Yes. I reserve the right, however, to update my testimony if new information becomes
10 available.

David Dittmore

Experience

Areas of Specialization

Approximately thirty-years experience in evaluating and preparing regulatory analysis, including revenue requirements, mergers and acquisitions, utility accounting and finance issues and public policy aspects of utility regulation. Presented testimony on behalf of my employers and clients in natural gas, electric, telecommunication and transportation matters covering a variety of issues.

Tennessee Attorney General's Office; **Financial Analyst September, 2017 – Current**

Responsible for evaluation of utility proposals on behalf of the Attorney General's office including water, wastewater and natural gas utility filings. Prepare analysis and expert witness testimony documenting findings and recommendations.

Kansas Gas Service; **Director Regulatory Affairs 2014 – 2017; Manager Regulatory Affairs, 2007 - 2014**

Responsible for directing the regulatory activity of Kansas Gas Service (KGS), a division of ONE Gas, serving approximately 625,000 customers throughout central and eastern Kansas. In this capacity I have formulated strategic regulatory objectives for KGS, formulated strategic legislative options for KGS and led a Kansas inter-utility task force to discuss those options, participated in ONE Gas financial planning meetings, hired and trained new employees and provided recommendations on operational procedures designed to reduce regulatory risk. Responsible for the overall management and processing of base rate cases (2012 and 2016). I also played an active role, including leading negotiations on behalf of ONE Gas in its Separation application from its former parent, ONEOK, before the Kansas Corporation Commission. I have monitored regulatory earnings, and continually determine potential ratemaking outcomes in the event of a rate case filing. I ensure that all required regulatory filings, including surcharges are submitted on a timely and accurate basis. I also am responsible for monitoring all electric utility rate filings to evaluate competitive impacts from rate design proposals.

Strategic Regulatory Solutions; 2003 -2007

Principal; Serving clients regarding revenue requirement and regulatory policy issues in the natural gas, electric and telecommunication sectors

Williams Energy Marketing and Trading; 2000-2003

Manager Regulatory Affairs; Monitored and researched a variety of state and federal electric regulatory issues. Participated in due diligence efforts in targeting investor owned electric utilities for full requirement power contracts. Researched key state and federal rules to identify potential advantages/disadvantages of entering a given market.

MCI WorldCom; 1999 - 2000

Manager, Wholesale Billing Resolution; Manage a group of professionals responsible

for resolving Wholesale Billing Disputes greater than \$50K. During my tenure, completed disputes increased by over 100%, rising to \$150M per year.

Kansas Corporation Commission; 1984- 1999

Utilities Division Director - 1997 - 1999; Responsible for managing employees with the goal of providing timely, quality recommendations to the Commission covering all aspects of natural gas, telecommunications and electric utility regulation; respond to legislative inquiries as requested; sponsor expert witness testimony before the Commission on selected key regulatory issues; provide testimony before the Kansas legislature on behalf of the KCC regarding proposed utility legislation; manage a budget in excess of \$2 Million; recruit professional staff; monitor trends, current issues and new legislation in all three major industries; address personnel issues as necessary to ensure that the goals of the agency are being met; negotiate and reach agreement where possible with utility personnel on major issues pending before the Commission including mergers and acquisitions; consult with attorneys on a daily basis to ensure that Utilities Division objectives are being met.

Asst. Division Director - 1996 - 1997; Perform duties as assigned by Division Director.

Chief of Accounting 1990 - 1995; Responsible for the direct supervision of 9 employees within the accounting section; areas of responsibility included providing expert witness testimony on a variety of revenue requirement topics; hired and provided hands-on training for new employees; coordinated and managed consulting contracts on major staff projects such as merger requests and rate increase proposals;

Managing Regulatory Auditor, Senior Auditor, Regulatory Auditor 1984 - 1990; Performed audits and analysis as directed; provided expert witness testimony on numerous occasions before the KCC; trained and directed less experienced auditors on-site during regulatory reviews.

Amoco Production Company 1982 - 1984

Accountant Responsible for revenue reporting and royalty payments for natural gas liquids at several large processing plants.

Education

- B.S.B.A. (Accounting) Central Missouri State University
- Passed CPA exam; (Oklahoma certificate # 7562) – Not a license to practice

Navitas TN NG, LLC.
INDEX TO SCHEDULES
For the 12 Months Ending 12/31/2020

	<u>Schedule</u>
Results of Operations	1
Average Rate Base	2
Comparative Rate Base	3
Adjustments to Rate Base	3.1
Working Capital	4
Depreciation & Amortization	5
Attrition Year Income Statement at Current Rates	6
Comparative Attrition Year Income Statement at Current Rates	6.1
Taxes Other than Income Taxes	7
Income Statement at Proposed Rates	8
Margin & Revenue Summary at Current Rates	9
Adjusted Margin & Revenue Summary	9.1
Revenue Conversion Factor	10
Rate of Return Summary	11
Attrition Year Revenue Change	12
Attrition Year Rate Design	13
Attrition Year Rate Design Support	13.1

Navitas TN NG, LLC.
Results of Operations
For the 12 Months Ending 12/31/2020

Line No.		<u>CAPD</u>	<u>Company</u>	<u>Difference</u>
1	Rate Base	\$ 568,991 A/	\$ 1,093,192 E/	\$ -524,201
2	Operating Income At Current Rates	15,955 B/	-7,840	23,795
3	Earned Rate Of Return	2.80%	-0.72%	0
4	Fair Rate Of Return	9.36% C/	10.97%	0
5	Required Operating Income	53,273	119,924 F/	-66,651
6	Operating Income Deficiency	37,318	127,764 G/	-90,446
7	Gross Revenue Conversion Factor	<u>1.002855 D/</u>	<u>1.000000</u>	0
8	Revenue Deficiency	\$ <u>37,425</u>	\$ <u>127,764</u>	\$ <u>-90,339</u>

- A/ CAPD Exhibit, Schedule 3
- B/ CAPD Exhibit, Schedule 6
- C/ CAPD Exhibit, Schedule 11
- D/ CAPD Exhibit, Schedule 12
- E/ Company Filing, Item 12 Support for Tariff Charge, Item 12 Rate Base (56)
- F/ Company Filing, Item 12 Support for Tariff Charge, Item 12 Rev Req
- G/ Company Filing, Item 12 Support for Tariff Charge, Item 12 Rev Def

Navitas TN NG, LLC.
Average Rate Base
For the 12 Months Ending 12/31/2020

Line No.		A/		
		<u>Test Period</u>	<u>Adjustments</u>	<u>Attrition Period</u>
	Additions:			
1	Utility Plant in Service	\$ 1,840,684	\$ 0	\$ 1,840,684
2	Other Long-Term Assets	330,004	-293,355	36,649
3	Working Capital	<u>52,515</u>	8,369	<u>60,884</u>
4	Total Additions	<u>\$ 2,223,203</u>	<u>\$ -284,986</u>	<u>\$ 1,938,217</u>
	Deductions:			
5	Accumulated Depreciation	\$ 1,101,539	\$ 0	\$ 1,101,539
6	Accumulated Amortization of Other Long-Term Assets	269,728	-269,728	0
7	Acquisition Adjustment	<u>267,687</u>	0	<u>267,687</u>
8	Total Deductions	<u>\$ 1,638,954</u>	<u>\$ -269,728</u>	<u>\$ 1,369,226</u>
9	Rate Base	<u>\$ 584,249</u>	<u>\$ -15,258</u>	<u>\$ 568,991</u>

A/ CAPD Exhibit, Schedule 3.1

Navitas TN NG, LLC.
Comparative Rate Base
For the 12 Months Ending 12/31/2020

Line No.		<u>CAPD</u> A/	<u>Company</u> B/	<u>Difference</u>
Additions:				
1	Utility Plant in Service	\$ 1,840,684	\$ 1,842,872	\$ -2,188
2	Other Long-Term Assets	36,649	330,004	-293,355
3	Working Capital	<u>60,884</u>	<u>52,515</u>	<u>8,369</u>
4	Total Additions	<u>\$ 1,938,217</u>	<u>\$ 2,225,391</u>	<u>\$ -287,174</u>
Deductions:				
5	Accumulated Depreciation	\$ 1,101,539	\$ 1,117,842	\$ -16,303
6	Accumulated Amortizations	0	282,044	-282,044
7	Acquisition Adjustment	<u>267,687</u>	<u>-267,687</u>	<u>535,374</u>
8	Total Deductions	<u>\$ 1,369,226</u>	<u>\$ 1,132,199</u>	<u>\$ 237,027</u>
9	Rate Base	<u>\$ 568,991</u>	<u>\$ 1,093,192</u>	<u>\$ -524,201</u>

A/ CAPD Exhibit, Schedule 3

B/ Item 12 support for tariff change.xlsx

Navitas TN NG, LLC.
Adjustments to Rate Base
For the 12 Months Ending 12/31/2020

A	B	C	D	E	F	G	H	I	J	K	
Company Reported Rate Base - Per Company Item 12	Adjustment No. 1 to Move to December 31, 2018 Balances (Col C - Col A)	January 1, 2018 Balance	Net Activity (Col E - Col. C)	December 31, 2018 Test Period Per Book Balances	Adjustment No. 2 - To Adjust Rate Base to Average Test Period Balances (Col D/2)	Average Rate Base (Col E + Col F)	Less: Adjustment No. 3 to Remove Organization Costs	Plus: Adjustment No. 4 Deferred Costs/Net B&W Rate Case Costs	Plus Adjustment No. 5: To Adjust Working Capital	CA Adjusted Rate Base (Sum Col G through J)	
1720 - Land		\$ 260	0	\$ 260	\$ -	\$ 260				\$ 260	
1721 - Mains - Built systems		21,532	-	21,532	\$ -	\$ 21,532				\$ 21,532	
1722 - Services - Built systems		79,389	4,378	83,767	\$ (2,189)	\$ 81,578				\$ 81,578	
1724 - Mains - Acq systems		1,737,313	-	1,737,313	\$ -	\$ 1,737,313				\$ 1,737,313	
Utility Plant in Service	\$1,842,872	0	1,838,495	4,378	1,842,873	\$ (2,189)	\$ 1,840,684			1,840,684	
1831 - Organizational costs		179,327	-	179,327	\$ -	\$ 179,327	\$ (179,327)			\$ -	
1832 - Legal Costs		150,677	-	150,677	\$ -	\$ 150,677	\$ (150,677)			\$ -	
Deferred Rate Case Costs					\$ -			\$ 36,649		\$ 36,649	
Other Long-Term Assets	330,004	0	330,004	-	330,004		(330,004)	36,649		36,649	
Working Capital	52,515	0	52,515		52,515	\$ -	\$ 52,515		\$ 8,369	\$ 60,884	
1771 - A/D - Mains B/S		(5,646)	(942)	(6,588)	\$ 471	\$ (6,117)				\$ (6,117)	
1772 - A/D - Services B/S		(8,264)	(2,089)	(10,352)	\$ 1,044	\$ (9,308)				\$ (9,308)	
1774 - A/D - Mains A/S		(1,166,883)	(43,433)	(1,210,316)	\$ 21,717	\$ (1,188,599)				\$ (1,188,599)	
1777 - A/D - Mains A/A		92,386	13,198	105,584	\$ (6,599)	\$ 98,985				\$ 98,985	
1778 - A/D - Services A/A-		3,172	656	3,828	\$ (328)	\$ 3,500				\$ 3,500	
Accumulated Depreciation	(1,117,842)	0	(1,085,234)	(32,609)	(1,117,843)	16,305	\$ (1,101,539)			(1,101,539)	
1881 - A/A - Organizational costs		(123,518)	(17,933)	(141,451)	\$ 8,967	\$ (132,485)	\$ 132,485			\$ -	
1882 - A/A - Legal Costs		(133,894)	(6,699)	(140,593)	\$ 3,349	\$ (137,244)	\$ 137,244			\$ -	
Accumulated Amortization of Other Long Term Assets	(282,044)	0	(257,413)	(24,632)	(282,044)	12,316	\$ (269,728)	\$ 269,728		-	
1727 - Mains - Acq adjustment		(263,960)	-	(263,960)	\$ -	\$ (263,960)				\$ (263,960)	
1728 - Services - Acq adjustment		(3,727)	-	(3,727)	\$ -	\$ (3,727)				\$ (3,727)	
Acquisition Adjustment	267,687	(535,374)	(267,687)	(267,687)	-	\$ (267,687)				(267,687)	
Total Rate Base	\$1,093,192	(535,374)	\$ 610,681	\$ (52,863)	\$ 557,818	\$ 26,431	\$ 584,249	\$ (60,276)	\$ 36,649	\$ 8,369	\$ 568,991

Navitas TN NG, LLC.
Calculation of Working Capital Allowance

Method:

1/8th Method - applied to Pro-Forma Operating Expenses

This method is not reliable for larger utilities. In those situations a lead/lag study should be required for recognition of any Working Capital Allowance. However, due to the small size of the utility, we are adopting this simple methodology in this case.

Consumer Advocate Pro-Forma Operating Expenses	487,071 A/
Divided by 8	/ <u>8</u>
One-Eighth Working Capital Methodology	<u>\$ 60,884</u>

A/ CAPD Exhibit, Schedule 6

Navitas TN NG, LLC.
Calculation of Pro-Forma Depreciation and Amortization Expense
For the 12 Months Ending 12/31/2020

Test Period Depreciation Expense	\$ 32,617	No Adjustment Proposed by CA for Depreciation Expense
----------------------------------	-----------	---

Deferred Asset Balances at 12/31/18	Acquisition of Gasco	Prior TN Rate Case	Inquiry in City/District Utilities	Intervene in B&W Rate Case	2019/2020 Navitas Rate Case	Total
Asset	\$ 179,327	\$ 29,538	\$ 11,310	\$ 109,828	\$ -	
Less: Accumulated Amortization	141,451	29,538	8,337	102,717	0	
Net Regulatory Asset Balance @ 12/31/18	\$ 37,876	\$ -	\$ 2,973	\$ 7,111	0	
Regulatory Asset Included in Rate Base	\$ -	\$ -	\$ -	\$ 7,111	\$ 29,538	\$ 36,649
Reason for Exclusion	Costs of Acquisitions should be excluded	Zero Balance	Uncertain Benefit to Ratepayers; nearly fully amortized by date new rates are effective.	Included	Included - Estimate	
Annual Amortization for Ratemaking Purposes						
Balance @ 12/31/18				7,111		
Less: Balance @ 12/31/19				3,474	5 yr Amortization	
Annual Amortization Expense				\$ 3,637	\$ 5,908	

Total Depreciation/Amortization Expense	
Test Period Depreciation Expense	\$ 32,617
Amortization of B&W Intervention Costs	\$ 3,637
Estimated Amortization of 2019/2020 Rate Case Costs	\$ 5,908
Total Depreciation/Amortization Expense	\$ 42,162

Navitas TN NG, LLC.
Income Statement at Current Rates
For the 12 Months Ending 12/31/2020

Line No.		Test Period Actual Per G/L	Company Adjustments	Company Pro-Forma Attrition Period	CAPD Adjustments	CAPD Adjusted Attrition Period	
	Operating Revenues:						
1	Gas Sales & Transportation Revenues	508,333	A/ 0	508,333	A/ (20,650)	487,683	E/
2	Other Revenues	15,343	B/ 1,193	16,536	B/ (1,193)	15,343	E/
3	Total Revenue	523,676	1,193	524,869	(21,843)	503,026	
	Operating & Maintenance Expenses:						
			0				
4	Depreciation and Amortization Expense	57,241	C/ 1,145	58,386	D/ (16,224)	42,162	F/
5	Ad Valorem	12,847	C/ 257	13,104	D/ 488	13,592	G/
6	State Excise Taxes	0	C/ 0	0	D/ 0	0	
7	Federal Income Taxes	0	C/ 0	0	D/ 0	0	
8	Distribution Expenses - Operation	74,719	C/ 1,494	76,213	D/ 732	76,945	G/
9	Distribution Expenses - Maintenance Mains	3,727	C/ 75	3,802	D/ 65	3,867	G/
10	Distribution Expenses - Maintenance Meters	17,560	C/ 351	17,911	D/ 650	18,561	G/
11	Customer Accounts Expense	12,980	C/ 260	13,240	D/ 493	13,733	G/
12	Customer Accounts - Bad Debt	1,410	C/ 28	1,438	D/ 54	1,491	G/
13	Customer Accounts - Other	12,526	C/ 251	12,777	D/ 475	13,252	G/
14	Admin & General -Other	96,178	C/ 1,924	98,102	D/ 3,590	101,692	G/
15	Admin & General - Office Supplies	32,269	C/ 645	32,914	D/ 344	33,258	G/
16	Admin & General - Outside Services	38,985	C/ 780	39,765	D/ 2,189	41,953	G/
17	Admin & General - Insurance	23,282	C/ 466	23,748	D/ 947	24,695	G/
18	Admin & General - Safety / Security	6,940	C/ 139	7,079	D/ (3,071)	4,008	G/
19	Admin & General - Employee Benefits	46,110	C/ 922	47,032	D/ 1,606	48,638	G/
20	Admin & General - Regulatory Commission	1,343	C/ 27	1,370	D/ 51	1,421	G/
21	Admin & General - Rents	43,948	C/ 879	44,827	D/ 1,759	46,586	G/
22	Admin & General - Maintenance of Plant	1,127	C/ 23	1,150	D/ 69	1,219	G/
23	Total Operating Expenses	483,192	9,664	492,856	(5,784)	487,071	
24	Utility Operating Income	40,484		32,013		15,955	

A/ Item 12 support for tariff change.xlsx, Item 12 Rev Def, Item #11

B/ Item 12 support for tariff change.xlsx, Item 12 Rev Def, Item #27

C/ Navitas TN General Ledger 2018.xlsx

D/ As shown on Item 12 support for tariff charge.xlsx, item 12 Op Expns, Test Period Operating Expenses are increased by 2%

E/ CAPD Exhibit, Schedule 9.1

F/ CAPD Exhibit, Schedule 5

G/ Direct Testimony of Alex Bradley, Exhibit AB-1

Navitas TN NG, LLC.
Comparative Income Statement at Current Rates
For the 12 Months Ending 12/31/2020

Line No.		<u>CAPD</u> A/	<u>Company</u> B/	<u>Difference</u>
	Operating Revenues:			
1	Gas Sales & Transportation Revenues	\$ 487,683	\$ 508,333	\$ -20,650
2	Other Revenues	15,343	16,536	-1,193
3	Total Revenue	\$ 503,026	\$ 524,869	\$ -21,843
	Operating & Maintenance Expenses:			
4	Depreciation and Amortization Expense	42,162	58,386	-16,224
5	Ad Valorem	13,592	13,104	488
6	State Excise Taxes	0	0	0
7	Federal Income Taxes	0	0	0
8	Distribution Expenses - Operation	76,945	76,213	732
9	Distribution Expenses - Maintenance Mains	3,867	3,802	65
10	Distribution Expenses - Maintenance Meters	18,561	17,911	650
11	Customer Accounts Expense	13,733	13,240	493
12	Customer Accounts - Bad Debt	1,491	1,438	54
13	Customer Accounts - Other	13,252	12,777	475
14	Admin & General -Other	101,692	98,102	3,590
15	Admin & General - Office Supplies	33,258	32,914	344
16	Admin & General - Outside Services	41,953	39,765	2,189
17	Admin & General - Insurance	24,695	23,748	947
18	Admin & General - Safety / Security	4,008	7,079	-3,071
19	Admin & General - Employee Benefits	48,638	47,032	1,606
20	Admin & General - Regulatory Commission	1,421	1,370	51
21	Admin & General - Rents	46,586	44,827	1,759
22	Admin & General - Maintenance of Plant	1,219	1,150	69
23	Total Operating Expenses	\$ 487,071	\$ 492,856	\$ -15,736
24	Utility Operating Income	\$ 15,955	\$ 32,013	\$ -6,107

A/ CAPD Exhibit, Schedule 6
B/ Item 12 support for tariff change.xlsx

Navitas TN NG, LLC.
Taxes Other than Income Taxes
For the 12 Months Ending 12/31/2020

<u>Line No.</u>		<u>CAPD</u> A/	<u>Company</u> A/	<u>Difference</u>
1	Property Taxes	\$ 13,592	\$ 13,104	\$ 488
2	TRA Inspection Fee	0	0	0
3	Payroll Taxes	0	0	0
4	Franchise Tax	0	0	0
5	Gross Receipts Tax	0	0	0
6	Allocated & Other Taxes	<u>0</u>	<u>0</u>	<u>0</u>
7	Total	<u>\$ 13,592</u>	<u>\$ 13,104</u>	<u>\$ 488</u>

A/ CAPD Exhibit, Schedule 6

Navitas TN NG, LLC.
Income Statement at Proposed Rates
For the 12 Months Ending 12/31/2020

Line No.		Current Rates ^{A/}	Rate Increase	Proposed Rates
Operating Revenues:				
1	Gas Sales & Transportation Revenues	\$ 487,683	\$ 37,425	\$ 525,108
2	Other Revenues	15,343	0	15,343
3	Total Revenue	<u>\$ 503,026</u>	<u>\$ 37,425</u>	<u>\$ 540,451</u>
Operating & Maintenance Expenses:				
4	Purchased Gas Expense	\$ 0	\$ 0	\$ 0
5	Operations & Maintenance	431,318	107	431,424
6	Total Operating & Maintenance Expenses	<u>\$ 431,318</u>	<u>\$ 107</u>	<u>\$ 431,424</u>
Other Expenses:				
7	Depreciation Expense	\$ 42,162	\$ 0	\$ 42,162
8	General Taxes	13,592	0	13,592
9	State Excise Taxes	0	0	0
10	Federal Income Taxes	0	0	0
11	Total Other Expenses	<u>\$ 55,754</u>	<u>\$ 0</u>	<u>\$ 55,754</u>
12	Total Operating Expenses	<u>\$ 487,071</u>	<u>\$ 107</u>	<u>\$ 487,178</u>
13	Utility Operating Income	<u>\$ 15,955</u>	<u>\$ 37,318</u>	<u>\$ 53,273</u>

A/ CAPD Exhibit, Schedule 6

Navitas TN NG, LLC.
Margin & Revenue Summary at Current Rates
For the 12 Months Ending 12/31/2020

Line No.	Customer Class	Pro-Forma Billing Determinants	Current Rate C/	Revenue
Residential "R" Service:				
1	Meter Charge	5,248 A/	\$ 9.00	\$ 47,232
2	First 9 Ccf per Month	31,958 B/	1.665	53,210
3	Greater than 9 Ccf per month	151,541 B/	0.795	120,475
4	Total Residential Margin			\$ 220,917
Public, Industrial, & Institutional "PII" Service:				
5	Meter Charge	199 A/	\$ 14.00	\$ 2,786
6	First 9 Ccf per Month	1,372 B/	2.885	3,959
7	Greater than 9 Ccf per month	167,641 B/	0.755	126,569
8	Total Industrial Margin			\$ 133,314
Commerical "C" Service 12/12/2019				
9	Meter Charge	1,163 A/	\$ 9.00	\$ 10,467
10	First 9 Ccf per Month	6,551 B/	2.22	14,542
11	Greater than 9 Ccf per month	136,406 B/	0.7950	108,443
12	Total Commercial Margin			\$ 133,452
13	Total Sales Margin			\$ 487,683
14	Gas Cost			\$ 0
15	Total Sales Revenue			\$ 487,683

A/ Direct Testimony of David Dittmore, Exhibit DD-2

B/ CAPD Exhibit, Schedule 9.2

C/ TPUC Docket No. 12-00068, Amended Revisions to Tariff, August 22nd, 2013.

Navitas TN NG, LLC.
Adjusted Margin & Revenue Summary
For the 12 Months Ending 12/31/2020

	Test Period Revenue per Books	Navitas Unidentified Adjustment	Navitas Adjusted Attrition Revenues (1)	CA Adj No. 1 To reflect test period volumes	Subtotal	CA Adj No. 2 To normalize volumes	Subtotal
NC Revenue TCY							
Residential	\$ 229,506	\$ (9,303)	\$ 220,203	\$ 12,627	\$ 232,830	\$ (11,913)	\$ 220,917
Commercial	147,626		147,626	1,061	148,687	(15,235)	133,452
Industrial/Govt	140,504		140,504	95	140,599	(7,285)	133,314
Subtotal	517,636	(9,303)	508,333	13,783	522,116	(34,433)	487,683
Terms and Conditions Revenue	15,343	1,193	16,536	(1,193)	\$ 15,343	\$ -	\$ 15,343
Reconnection Revenue	-	-	-	0	\$ -	\$ -	\$ -
Total	\$ 532,979	\$ (8,110)	\$ 524,869	\$ 12,590	\$ 537,459	\$ (34,433)	\$ 503,026

Source: Navitas P&L
Statement
2018

(1) Navitas discusses the Impacts of weather in MFR response 1-21 and Indicates it Intends to use normalization during the rate design portion of the case. However, it did not quantify a weather normalization adjustment for purposes of computing its revenue requirement.

Summary of Adjustments

Navitas Unidentified Adjustment	(9,303)	Necessary to match Navitas Pro-Forma Revenue
To Reflect Test Period Revenues	13,783	
To Adjust to Historic Average Volumes	(34,433)	
Total Adjustments	(29,953)	

Navitas TN NG, LLC.
Revenue Conversion Factor
For the 12 Months Ending 12/31/2020

<u>Line No.</u>		<u>Amount</u>	<u>Balance</u>
1	Operating Revenues		540,344
2	Uncollectible Ratio	0.00285	0.00285
3	Revenue Conversion Factor		<u>1.002855</u>

Navitas TN NG, LLC.
Rate of Return Summary
For the 12 Months Ending 12/31/2020

Line No.	Class of Capital	CAPD		
		Percent of Total	Cost Rate A/	Weighted Cost Rate A/
1	Long and Short-Term Debt	67.00%	6.99%	4.68%
2	Common Equity	33.00%	14.18%	4.68%
3	Total	100.00%		9.36%
Interest Expense Long and Short-Term Debt:				
4	Rate Base			\$ 568,991 B/
5	Short-Term Weighted Debt Cost			4.68%
6	Short-Term Debt Interest Expense			\$ 26,648
7	Total Interest Expense			\$ 26,648

A/ Direct Testimony of Dr. Christopher C. Klein, Exhibit
B/ CAPD Exhibit, Schedule 2

A/ Klein Exhibit, Page 2 of 16.
B/ CA Exhibit, Schedule 2.

Navitas TN NG, LLC.
 CAPD Proposed Margin Change
 For the 12 Months Ending 12/31/2020

<u>Line No.</u>	<u>Customer Class</u>	<u>Current Rates</u> A/	<u>Proposed Rates</u>	<u>Revenue Change</u>	<u>Percent Change</u>
1	Residential	\$ 220,917	\$ 237,870	\$ 16,953	7.67%
2	Commercial	133,314	143,545	10,231	7.67%
3	Industrial	<u>133,452</u>	<u>143,693</u>	<u>10,241</u>	<u>7.67%</u>
4	Total Sales & Transportation Revenue	\$ 487,683	\$ 525,108	\$ 37,425	7.67%
5	Other Revenues	<u>15,343</u>	<u>15,343</u>	<u>0</u>	
6	Total Revenues	\$ <u>503,026</u>	\$ <u>540,451</u>	\$ <u>37,425</u>	

A/ CAPD Exhibit, Schedule 9

Navitas TN NG, LLC.
Rate Design
For the 12 Months Ending 12/31/2020

Line No.	Customer Class	Billing Determinant A/	Current Rate A/	ProForma Revenue A/	Revenue Increase B/	Proposed Revenues	Proposed Rates	Pro-Forma Revenue
Residential:								
1	Customer Charge	5,248	\$ 9.00	\$ 47,232	\$ 0	\$ 47,232	\$ 9.00	\$47,232
2	First 9 Ccf per Month	31,958	1.67	53,210	0	53,210	1.665	53,210
3	Commodity Charge (All Consumption)	151,541	0.80	120,475	16,953	137,428	0.907	137,428
4	Total Residential Margin			\$ 220,917	\$ 16,953	\$ 237,870		\$237,870
Industrial:								
5	Customer Charge	199	\$ 14.00	\$ 2,786	\$ 0	\$ 2,786	\$ 14.00	\$2,786
6	First 9 Ccf per Month	1,372	2.885	3,959	0	3,959	2.885	3,959
7	Commodity Charge (All Consumption)	167,641	0.76	126,569	10,241	136,810	0.816	136,810
8	Total Commercial Margin			\$ 133,314	\$ 10,241	\$ 143,555		\$143,555
Commercial								
9	Customer Charge	1,163	\$ 9.00	\$ 10,467	\$ 0	\$ 10,467	\$ 9.00	\$10,467
10	First 9 Ccf per Month	6,551	2.220	14,542	0	14,542	2.220	14,542
11	Commodity Charge (All Consumption)	136,406	0.80	108,443	10,231	118,674	0.870	118,674
12	Total Industrial Margin			\$ 133,452	\$ 10,231	\$ 143,683		\$143,683
13	Total Sales Margin			\$ 487,683	\$ 37,425	\$ 525,108		\$525,108

Navitas TN NG, LLC.
Weather Normalized Margin and Revenue
For the 12 Months Ending 12/31/2020

Line No.	Customer Class	Billing Determinants A/	Revenue A/	1st 9/ > 9 CCF Split	Meters & Average Volumes B/	Current Rate	Pro Forma Revenue
Residential "R" Service:							
1	Meter Charge	5,248	\$ 47,232		5,248	9.00	\$ 47,232
2	First 9 Ccf per Month	34,160	56,860	17.42%	31,958	1.665	53,210
3	Greater than 9 Ccf per month	161,935	128,738	82.58%	151,541	0.795	120,475
4	Total Residential Billing Determinants	196,085			183,499		\$ 220,917
	Total Residential Margin		\$ 232,830				
Public, Industrial, & Institutional "PII" Service:							
5	Meter Charge	199	\$ 2,786		199	14.00	\$ 2,786
6	First 9 Ccf per Month	1,449	4,180	0.81%	1,372	2.885	3,959
7	Greater than 9 Ccf per month	176,997	133,633	99.19%	167,641	0.755	126,569
8	Total Industrial Billing Determinants	178,446	\$ 140,599		169,013		\$ 133,314
	Total Industrial Margin		\$ 140,599				
Commercial "C" Service 12/12/2019							
9	Meter Charge	1,163	\$ 10,467		1,163	9.00	\$ 10,467
10	First 9 Ccf per Month	7,362	16,344	4.58%	6,551	2.22	14,542
11	Greater than 9 Ccf per month	153,303	121,876	95.42%	136,406	0.7950	108,443
12	Total Commercial Billing Determinants	160,665	\$ 148,687		142,956		\$ 133,462
	Total Commercial Margin		\$ 148,687				
13	Total Sales Margin		\$ 522,116				\$ 487,683
14	Gas Cost		\$ 0				
15	Total Sales Revenue						\$ 522,116

A/ Direct Testimony of David Dittmore, Exhibit DD-2

B/ Customer charge numbers are not included in total volume calculations, but are shown to price out customer charge revenue

For Reconciliation of Revenues

Service Class	R	PII	C
Meter Charge	9	14	9
First 9 Ccf per Month	1.665	2.885	2.22
Greater than 9 Ccf per month	0.795	0.755	0.795

Billing Determinants and Flows

		Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Totals
Residential	Customers	435	433	430	426	397	180	144	134	129	378	418	439	
	Meters	446	444	443	442	438	436	437	422	427	427	436	450	5,248
	Flow	56,081	28,240	25,465	16,149	4,020	1,032	957	1,052	905	5,568	23,928	32,688	
	First 9 CCF	3,915	3,897	3,870	3,834	3,573	1,032	957	1,052	905	3,402	3,762	3,951	34,150
	Remainder	52,166	24,343	21,595	12,315	447	-	-	-	-	2,166	20,166	28,737	161,935
Commercial	Customers	92	95	93	90	70	33	28	29	30	74	90	94	
	Meters	96	97	97	98	97	97	97	96	96	97	97	98	1,163
	Flow	43,816	20,512	20,925	10,653	6,027	5,295	4,740	4,902	4,372	7,107	12,155	20,161	
	First 9 CCF	828	855	837	810	630	297	252	261	270	666	810	846	7,362
	Remainder	42,988	19,657	20,088	9,843	5,397	4,998	4,488	4,641	4,102	6,441	11,345	19,315	153,303
Industrial	Customers	15	15	15	15	14	12	11	9	10	15	15	15	
	Meters	17	17	17	17	17	17	17	16	16	16	16	16	199
	Flow	37,281	22,735	21,056	16,713	8,101	6,076	5,502	5,600	4,604	7,123	19,093	24,562	
	First 9 CCF	135	135	135	135	126	108	99	81	90	135	135	135	1,449
	Remainder	37,146	22,600	20,921	16,578	7,975	5,968	5,403	5,519	4,514	6,988	18,958	24,427	176,997

Revenues

		Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Totals
Residential	Meter Charge	4,014	3,996	3,987	3,978	3,942	3,924	3,933	3,798	3,843	3,843	3,924	4,050	47,232
	First 9 Ccf	6,518	6,489	6,444	6,384	5,949	1,718	1,593	1,752	1,507	5,664	6,264	6,578	56,860
	> 9 Ccf	41,472	19,353	17,168	9,790	355	-	-	-	-	1,722	16,032	22,846	128,738
														232,830
Commercial	Meter Charge	864	873	873	882	873	873	873	864	864	873	873	882	10,467
	First 9 Ccf	1,838	1,898	1,858	1,798	1,399	659	559	579	599	1,479	1,798	1,878	16,344
	> 9 Ccf	34,175	15,627	15,970	7,825	4,291	3,973	3,568	3,690	3,261	5,121	9,019	15,355	121,876
														148,687
Industrial	Meter Charge	238	238	238	238	238	238	238	224	224	224	224	224	2,786
	First 9 Ccf	389	389	389	389	364	312	286	234	260	389	389	389	4,180
	> 9 Ccf	28,045	17,063	15,795	12,516	6,021	4,506	4,079	4,167	3,408	5,276	14,313	18,442	133,633
														140,599

Total 522,116

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

IN RE:)
)
PETITION OF NAVITAS TN NG, LLC)
FOR APPROVAL OF AN ADJUSTMENT) **Docket No. 19-00057**
IN THE RATES, CHARGES, AND)
TARIFFS)

**RESPONSE OF NAVITAS TO CONSUMER ADVOCATE'S SECOND DISCOVERY
REQUEST TO NAVITAS TN NG, LLC**

ATTACHMENT

Q. 2-9

Oklahoma

Date-based	no
Temperature-based	yes
Temperature	32° F or below (daytime), 20° F or below (night), or heat index 101° F or higher
Seasonal Policy	No disconnect if temperatures are 32° F or below during the day, 20° F or below at night or if the predicted heat index is 101° F or greater. 30 day delay and 30 day extension possible in case of life threatening condition. Commission may order a ban on all disconnections if severe weather or if dangerous to health of the customer.
Other	Disconnection may be delayed for 30 days with medical doctor or osteopath certification of a life-threatening condition or for life support equipment, certificate may be renewed once. Customer is required to negotiate a payment plan. Disconnection may be delayed for 20 days if the customer has applied for financial assistance including SSI.
Deferred Payments	No disconnection if a customer enters into a deferred payment plan.
PUC/PSC Contacts	405-521-2331 (OKC Metro), 800-522-8154
Complaint form	www.occeweb.com/Complaints/pucomplaints2.html

Tennessee

Date-based	no
Temperature-based	no
Seasonal Policy	30 day disconnect delay if physician, public health official or social service official certifies that a household member's health would be adversely affected.
Deferred Payments	Utilities are required to offer a payment plan.
PUC/PSC Contacts	Consumer line: 800-342-8359 TTY: 888-276-0677
Consumer FAQ/Bill of Rights	https://www.tn.gov/tra/topic/csd-utility-complaint-resources
Complaint form	https://www.tn.gov/tpuc/utility-complaint-resources/csd-online-utility-complaint-form.html

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

IN RE:)
)
PIEDMONT NATURAL GAS)
COMPANY, INC. PETITION FOR AN)
ADJUSTMENT OF RATES, CHARGES,) **DOCKET NO. 20-00086**
AND TARIFFS APPLICABLE TO)
SERVICE IN TENNESSEE)
)

PUBLIC DIRECT TESTIMONY

OF

DAVID N. DITTEMORE

November 30, 2020

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

3 **A1.** My name is David N. Dittmore. My business address is Office of the Tennessee
4 Attorney General, John Sevier Building, 500 Dr. Martin L King Jr. Blvd., Nashville,
5 TN 37243. I am a Financial Analyst employed by the Consumer Advocate Unit of the
6 Tennessee Attorney General's Office (Consumer Advocate).

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

9 **A2.** I received a Bachelor of Science Degree in Business Administration from the University
10 of Central Missouri in 1982. I am a Certified Public Accountant licensed in the state of
11 Oklahoma (#7562). I was previously employed by the Kansas Corporation Commission
12 (KCC) in various capacities, including Managing Auditor, Chief Auditor and Director
13 of the Utilities Division. For approximately, four years I was self-employed as a Utility
14 Regulatory Consultant representing primarily the KCC Staff in regulatory issues. I also
15 participated in proceedings in Georgia and Vermont, evaluating issues involving
16 electricity and telecommunications regulatory issues. Additionally, I performed a
17 consulting engagement for Kansas Gas Service (KGS), my subsequent employer during
18 this time frame. For eleven years I served as Manager, and subsequently, Director of
19 Regulatory Affairs for KGS, the largest natural gas utility in Kansas serving
20 approximately 625,000 customers. KGS is a division of One Gas, a natural gas utility
21 serving approximately two million customers in Kansas, Oklahoma, and Texas. I joined
22 the Tennessee Attorney General's Office in September 2017 as a Financial Analyst.
23 Overall, I have thirty years of experience in the field of public utility regulation.
24 Attached as Exhibit DND-1 is a detailed summary of my background.

1 **Q3. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE**
2 **TENNESSEE PUBLIC UTILITY COMMISSION (TPUC)?**

3 **A3.** Yes. I have submitted testimony in a number of dockets before the Commission.

4 **Q4. WHAT ASPECTS OF THE FILING ARE ADDRESSING WITHIN YOUR**
5 **TESTIMONY?**

6 **A4.** The outline of my Testimony is detailed below:

7 **I. Magnitude of Proposed Increase and Identification of Rate Increases Since Last Rate**
8 **Base**

9 **II. Scope of Review**

10 **III. Comments Concerning the Company's Plan to Submit a Request for an Annual Rate**
11 **Mechanism (ARM)**

12 **IV. Sponsored Adjustments**

13 1. Rate Base Adjustments

14 a. Deferred Pension Costs

15 b. Accumulated Deferred Income Taxes

c. Cash Working Capital

16 2. Other Revenue

17 a. HomeServe Program (Warranty Revenue)

b. Remove negative Revenue and Expense credits associated with certain Tax Cut
and Jobs Act (TCJA) amortizations.

18 3. Operating Expenses Adjustments

19 a. Eliminate Severance Costs

20 b. Eliminate Out of Period Lease Costs

21 c. Eliminate Non-Recurring Employee Transition Costs (see 2-34)

22 d. Eliminate out of period Outside Service Costs

23 e. Eliminate costs associated with the provision of Electric Service

24 f. Eliminate Allocated Costs based upon Error Rate Calculation

25 g. Adjust Amortization of Deferred Pension Costs

1 h. Eliminate and Adjust Certain Duke Energy Business Services (DEBS)
2 Allocated costs

3 **V. Warranty Revenue - HomeServe Program**

4 **VI. Deferred Accounting Orders Related to Environmental Cleanup Costs**

5 **I. Magnitude of Proposed Increase and Identification of Rate Increases Since Last Rate**
6 **Case**

7 **Q5. WHAT IS THE OVERALL PERCENTAGE INCREASE IN BASE RATES**
8 **SOUGHT IN THIS PROCEEDING FOR THE RESIDENTIAL CLASS?**

9 **A5.** The Company is seeking a 23.9% increase in the rates of the Residential class.¹

10 **Q6. WHAT IS THE OVERALL PERCENTAGE INCREASE IN BASE RATES**
11 **SOUGHT IN THIS PROCEEDING FOR ALL CLASSES?**

12 **A6.** The \$29.9 million increase sought by the Company translates to a proposed increase in
13 base rates of 19.8%.²

14 **Q7. DO YOU HAVE CONCERNS WITH THE MAGNITUDE OF THE PROPOSED**
15 **INCREASE IN THIS UNIQUE ECONOMIC CLIMATE?**

16 **A7.** Yes. The sizeable increase proposed by the Company comes at a time of extremely high
17 unemployment at least by recent standards.³

18 **Q8. HAS THE COMPANY BEEN CONSISTENT ACROSS ITS SERVICE**
19 **TERRITORY IN ITS TREATMENT OF CUSTOMERS WITH PAST DUE**
20 **BALANCES DURING THE PANDEMIC?**

¹ Direct Testimony of Kally Couzens at 13: 16-23 and Table 3A, TPUC Docket No. 20-00086 (July 2, 2020).

² *Id.*

³ As of November 7, 2020, 7,221 Tennesseans filed new unemployment claims and 58,298 unemployment claims continued. Tennessee Unemployment Claims Data Week Ending on November 7, 2020, Tennessee Department of Workforce and Development (November 12, 2020) (information is publicly available at <https://www.tn.gov/workforce/covid-19/news/2020/11/12/tennessee-unemployment-claims-data.html>). See Also: [County Unemployment Rates Reach Historic Highs in Tennessee \(tn.gov\)](https://www.tn.gov/workforce/covid-19/news/2020/11/12/tennessee-unemployment-claims-data.html) The economic impact from the pandemic is being currently be monitored by the Commission through monthly reports. Piedmont's most recent monthly report shows that 13,144 residential accounts and 1,246 non-residential accounts are currently delinquent. *Monthly Update of Piedmont Natural Gas company, Inc. November 16, 2020*, TPUC Docket No. 20-00047 (November 16, 2020).

1 **A8.** No. The Company offers extended payment plans of at least 12 months to its customers in
2 North Carolina,⁴ while customers with past due balances in Tennessee (and South Carolina)
3 are offered repayment plans of no longer than six months.⁵

4 **Q9. WHILE THE COMPANY HAS NOT HAD A BASE RATE CHANGE SINCE 2011,**
5 **HAVE PIEDMONT CUSTOMERS EXPERIENCED SIGNIFICANT RATE**
6 **INCREASES SINCE THAT TIME ASSOCIATED WITH PIEDMONT**
7 **OPERATIONS?**

8 **A9.** Yes. In Docket 17-00138 the Commission approved IMR rates designed to recover
9 additional revenue totaling \$29,963,610.⁶ When compared with total Operating Margin
10 approved in TRA Docket No. 11-00144 of \$105,504,145⁷, the resulting IMR revenue
11 represents an 28% rate increase in customer rates.

12 **II. Scope of Review**

13 **Q10. WHAT WAS YOUR SCOPE OF REVIEW IN THIS PROCEEDING?**

14 **A10.** The scope of my work included a review of cost allocations, the request for recovery of
15 deferred pension costs (Rate Base and Expense), general test period expenses, implications
16 of the TCJA on the Company's proposal, the appropriate balance of Accumulated Deferred
17 Income Tax Liability (ADIT), and Cash Working Capital. I also address issues concerning
18 the Company's assumption that it has a perpetual accounting order covering environmental
19 and pension contributions and the implications of this case on the Company's ongoing IMR
20 charge.

21 **III. Comments Concerning the Company's Plan to Submit a Request for an Annual Rate**
22 **Mechanism (ARM)**

23 **Q11. HAS THE COMPANY REQUESTED APPROVAL OF AN ARM MECHANISM IN**

⁴ Piedmont's COVID-19 Response, North Carolina which is publicly available at <https://www.piedmontng.com/customer-service/covid-19/covid-19-nc-response>.

⁵ Piedmont's COVID-19 Response, Tennessee, which is publicly available at <https://www.piedmontng.com/customer-service/covid-19/covid-19-tn-response>.

⁶ Order, p. 12, TPUC Docket No. 17-00138 (August 2, 2018).

⁷ Stipulation and Agreement, Attachment B, TRA Docket No. 11-00144 (December 21, 2011).

1 **THIS PROCEEDING?**

2 **A11.** No. However, it has signaled its intent to follow up this proceeding with a subsequent
3 request for an ARM mechanism.⁸

4 **Q12. WHAT HAS THE COMPANY STATED REGARDING THE ARM MECHANISM**
5 **IN THIS PROCEEDING?**

6 **A12.** In its Petition, the Company states:

7 *Section II of this Petition initiates a general rate case, and Piedmont*
8 *specifically requests that in the course of the general rate case that the*
9 *Commission adopt and approve ratemaking methodologies sufficient to*
10 *enable implementation of an ARM pursuant to Tennessee code Annotated*
11 *Section 65-5-103(d)(6) upon subsequent application by Piedmont for*
12 *adoption of such an Annual Review Mechanism.*⁹

13 **Q13. HAS ANY WITNESS ADDRESSED THE COMPANY’S INTENTION TO BE**
14 **REGULATED UNDER AN ARM MECHANISM?**

15 **A13.** Yes. Ms. Powers, in her testimony, comments that “[she finds] it important to note that
16 T.C.A. Section 65-5-103(d)(6)(A) provides that a public utility opting into the annual rate
17 review must do so ‘based upon the methodology adopted in its most recent rate case.’”¹⁰

18 **Q14. DO YOU AGREE WITH THE IMPLICATION THAT UTILITIES MAY SIMPLY**
19 **ELECT TO BE REGULATED UNDER AN ARM MECHANISM?**

20 **A14.** No. In 2013, the then-Chairman of the Tennessee Regulatory Authority, James A. Allison,
21 told a legislative committee that its intent was not to simply accept any request to be
22 regulated under an ARM mechanism. Instead, Chairman Allison assured the legislative
23 committee that there would need to be a finding that such a request was in the public
24 interest.¹¹

⁸ Direct Testimony of Pia K. Powers at 15:2 – 19:18.

⁹ *Petition* at p. 5.

¹⁰ Direct Testimony of Pia Powers at 19:6-9.

¹¹ More specifically, Chairman Allison stated that “alternative ratemaking procedures, all of them, are permissive and require a finding of the public interest like the Leader [Gerald McCormick] stated.” House Finance, Ways & Means Subcommittee at Time 9:54 – 10:28, HB0191 (March 13, 2013) (the video is publicly available at http://tnga.granicus.com/MediaPlayer.php?view_id=269&clip_id=7407).

1 **Q15. HAS THE COMPANY PROPOSED RATEMAKING METHDOLOGIES**
2 **NECESSARY TO CONSIDER ADOPTION OF AN ARM MECHANISM?**

3 **A15.** No.

4 **Q16. DO YOU BELIEVE THE COMPANY SHOULD HAVE THE BURDEN TO**
5 **IDENTIFY THE PROPOSED METHODOLOGIES THAT WOULD BE IN PLACE**
6 **WITHIN AN ARM MECHANISM WITHIN ITS PETITION?**

7 **A16.** Yes.

8 **Q17. HAS THE COMPANY BEEN CONSISTENT IN ITS POSITION REGARDING**
9 **THE NEXUS BETWEEN THIS CASE AND CONSIDERATION OF AN ARM**
10 **MECHANISM?**

11 **A17.** No. The Company is requesting recovery of consultant costs associated with the ARM in
12 the amount of ██████.¹² However, when questioned about the magnitude of risk
13 associated with a utility operating under an ARM, relative to the appropriate Return on
14 Equity (ROE) to be awarded in this case, it declined to provide a meaningful response,
15 indicating the Company has not yet filed a specifical proposal of its ARM.¹³ The request
16 to recover ██████ of consultant costs associated with the ARM mechanism should be
17 rejected consistent with the Company’s belief that any meaningful discussion of the ARM
18 is premature and not an appropriate topic in this case as contained in its response to
19 Consumer Advocate DR 2-38.

20 **Q18. DO YOU BELIEVE THE COMPANY WOULD BENEFIT FROM A REDUCTION**
21 **IN RISK ASSOCIATED WITH IMPLEMENTATION OF AN ARM**
22 **MECHANISM?**

23 **A18.** Yes. This view is shared by then-Commission Chairman Roberson, who indicated before
24 a legislative committee in 2009 that implementation of ARM legislation would lower the

¹² *Petition* at MFR 12, file “5B_DefrateCase Adj”, filed under seal.

¹³ Piedmont’s Response to Consumer Advocate DR 2-38.

1 risk for the company resulting in a 25-50 basis point reduction in risk.¹⁴

2 **Q19. DO YOU BELIEVE THAT A REDUCTION IN ROE SHOULD BE REFLECTED**
3 **IN THE ROE AUTHORIZED BY THE COMMISSION IN THIS PROCEEDING IN**
4 **ANTICIPATION OF IMPLEMENTATION OF AN ARM BY THE COMPANY?**

5 **A19.** Yes. I recommend the Commission factor in the Company's intent to request an ARM
6 mechanism into its determination of an appropriate ROE in this proceeding, which would
7 justify adoption of an ROE in the lower-end of the range supported by Consumer Advocate
8 witness Dr. Klein.

9 **Q20. IS IT A CERTAINTY THAT PIEDMONT WILL RECEIVE APPROVAL FOR AN**
10 **ARM?**

11 **A20.** No. However, my understanding is that the ROE adopted within an ARM mechanism must
12 be the same as was adopted in the utilities' last rate proceeding. Thus, this case represents
13 the opportunity to properly identify the appropriate ROE should Piedmont gain approval
14 of an ARM mechanism, especially in the wake of Piedmont notifying the Commission and
15 Consumer Advocate that it intends to make such a request.

16 **IV. Sponsored Adjustments**

17 **Q21. DO YOU HAVE A SCHEDULE IDENTIFYING ADJUSTMENTS YOU ARE**
18 **SPONSORING?**

19 **A21.** Yes. The adjustments I am sponsoring are set forth in Workpaper DND-Sum.

20 **(1) Rate Base Adjustments**

21 **Q22. PLEASE EXPLAIN THE FIRST ADJUSTMENT TO RATE BASE YOU ARE**

¹⁴ House Commerce Committee at Time 39:11 – 39:15, HB1349 (May 5, 2009) (the video is publicly available at http://tnga.granicus.com/MediaPlayer.php?view_id=77&clip_id=1406). Specifically, Chairman Eddie Roberson stated that the “lower the risk of the Company, which I believe, we’ve had testimony before this at the Authority, will reduce the rates of the Company anywhere from 25-50 basis points.” *Id.*

1 **SUPPORTING.**

2 **A22.** Rate Base Adjustment No. 1 reduces Rate Base by \$10,097,785 by eliminating deferred
3 debits associated with Pension funding.

4 **Q23. WHAT IS THE BASIS FOR THIS EXCLUSION?**

5 **A23.** There are several factors supporting exclusion of the Company’s request. First, the
6 Company’s request to recover its deferred debit balance is duplicated with its request to
7 recover the balance within its Pension and OPEB claim within its Revenue Requirement
8 Summary. Second, the Company, through discovery, was unable to confirm that its
9 contributions were necessary to avoid Pension Benefit Guarantee Corporation (PBGC)
10 insurance premiums.¹⁵ Essentially, the Company did not meet its burden of proof that
11 such contributions were necessary. Next, the Company’s claim primarily involves
12 pension contributions made a number of years ago, associated with a stand-alone
13 Piedmont pre-acquisition by Duke (in other words, a company that no longer exists), for a
14 pension plan that has been substantially modified from the date contributions were
15 made. And the claim relies upon regulatory orders that are silent regarding the eligibility
16 to include such contributions in Rate Base.

17 Further, the contributions for which the Company claims inclusion in Rate Base have
18 contributed to an [REDACTED] pension plan which is producing significant pension expense
19 credits that have accrued to the benefit of Piedmont shareholders, representing a situation
20 where ratepayers bear the costs of such contributions while shareholders reap the benefits
21 of an overfunded pension plan.

22 **Q24. FIRST TURN TO THE ISSUE OF THE DUPLICATION OF REQUESTS FOR**
23 **INCLUSION OF PENSION CONTRIBUTIONS IN RATE BASE. HOW HAS THE**
24 **COMPANY DUPLICATED ITS RATE BASE REQUESTS RELATED TO**
25 **PENSION ASSETS?**

26 **A24.** The Company has acknowledged it has duplicated its request to recover pension
27 contributions in its response to Consumer Advocate DR 2-10 between pension related

¹⁵ Piedmont’s Response to Consumer Advocate DR 2-7, filed under seal.

1 amounts found in its “Working Capital_adj” file and amounts found within its file
2 “5B_DefPension Amort adj”, both of which are rolled up into its claim for Working Capital
3 Recovery. The Company stated that:

4 *Piedmont confirms that the Company’s cash contributions to the pension*
5 *fund result in an increase to the Fair Value of Assets. Pension contributions*
6 *should not have been reflected in both schedules (tabs D & F).*

7 Mr. Novak is sponsoring the Consumer Advocate’s Adjustment to the Company’s request
8 to recover accrued Pension assets in Rate Base. Notwithstanding the evidence presented
9 by Mr. Novak related to the recovery of accrued pension assets in Rate Base, these balances
10 should not be recovered in both the Deferred Debit balance as well as the accrued Pension
11 Asset balances.

12 **Q25. HAVE YOU REVIEWED THE ACTUARIAL REPORTS OF PIEDMONT**
13 **NATURAL GAS’ PENSION PLANS FOR THE PERIOD 2017 – 2019?**

14 **A25.** Yes. [REDACTED]

15 [REDACTED]¹⁶

16 **Q26. WHAT HAS BEEN THE PENSION EXPENSE BALANCE FOR THE YEARS 2017**
17 **– 2020?**

18 **A26.** The table below identifies the accrued pension costs by year for the period 2017 – 2020.

¹⁶ *Petition* at MFR 37, filed under seal, and Piedmont’s Response to Consumer Advocate DR 2-31, filed under seal.

1

TABLE 2

Piedmont Natural Gas Pension Expense			
Source: Response to Consumer Advocate 1-69			
		Allocation	Tennessee
Year	Amount	Factor	Portion
2017	\$ 9,839,388	17%	\$ 1,672,696
2018	(3,075,715)	17%	\$ (522,872)
2019	(7,334,401)	17%	\$ (1,246,848)
2020	(5,603,424)	17%	\$ (952,582)
			\$ (1,049,606)

2

3 As noted in the table, the expense credits have been substantial since the 2016 Duke
4 acquisition.

5 **Q27. ARE THE PORTION OF THE CREDITS IDENTIFIED ABOVE INCLUDED AS A**
6 **REDUCTION TO O&M EXPENSES WITHIN THIS RATE FILING TO THE**
7 **BENEFIT OF RATEPAYERS?**

8 **A27.** No. However, I agree with this regulatory treatment given the Commission precedent to
9 allow recovery of cash contributions in the ratemaking process rather than accrued
10 expenses (or credits). While I agree with the Company’s elimination of these expense
11 credits for ratemaking purposes, the existence of these credits is relevant when considering
12 whether legacy pension contributions should be included in Rate Base and amortized as a
13 Pension Cost recoverable from ratepayers.

14 **Q28. WHAT IS THE FINANCIAL IMPLICATION OF THE EXPENSE CREDITS ON**
15 **THE BOOKS OF PIEDMONT?**

16 **A28.** These credits have increased the reported Net Income of Piedmont/Duke Energy.

17 **Q29. DURING THE PERIOD OF THESE SIGNIFICANT PENSION EXPENSE**
18 **CREDITS, WHAT HAS BEEN THE EMBEDDED LEVEL OF PENSION**
19 **EXPENSE RECOVERED IN RATES?**

1 **A29.** The Company has been recovering an annual expense from ratepayers associated with
2 pension contribution amortization from the last proceeding of \$2,686,343. This amount is
3 based upon a previously adopted deferred pension account balance of \$21,490,746.¹⁷

4 **Q30. WHAT HAS BEEN THE ANNUAL CONTRIBUTION TO THE PENSION PLAN**
5 **SINCE PIEDMONT’S LAST RATE PROCEEDING?**

6 **A30.** The Tennessee portion of the annual contributions are as follows:¹⁸

2012	\$	3,356,000
2013	\$	3,590,000
2014	\$	1,807,000
2015	\$	1,716,000
2016	\$	1,734,000
2017	\$	1,898,600

7
8 **Q31. IS THERE A NEXUS BETWEEN THE LEVEL OF PENSION CONTRIBUTIONS**
9 **AND THE LEVEL OF PENSION EXPENSE RECORDED BY A COMPANY?**

10 **A31.** Yes. There are a number of factors that impact the resulting level of pension expense
11 recorded on a company’s books pursuant to Generally Accepted Accounting Principles
12 (ASC 715), including the level of pension funding, the return earned on pension plan assets,
13 and the status of changes in how pension credits are earned. Other factors include variances
14 between the actual and forecasted actuarial assumptions embedded within the pension
15 expense calculation. Certainly, the level of pension funding plays an important role in the
16 calculation of pension expense, and the significant funding made by the stand-alone
17 Piedmont entity in 2012-2017 has contributed to the pension expense credits enjoyed by
18 Duke’s shareholders today. Left unchecked, the regulatory construct proposed by the
19 Company whereby all pension contributions are included in Rate Base as well as amortized
20 as an expense for ratemaking purposes and the resulting accrued pension expense credits
21 are assigned to shareholders creates an unhealthy incentive to overfund the pension plan.
22 Taken to its conclusion, Piedmont would have ratepayers pay a return on all pension
23 funding, plus amortize all such funding regardless of its size as an expense. To the extent

¹⁷ *Petition* at MFR 12 file “5B_DefPension Amort Adj”.

¹⁸ *Id.*

1 overfunding occurs, its shareholders would retain the benefit of such excess funding in the
2 form of expense credits.

3 **Q32. HAVE THERE BEEN ANY MAJOR CHANGES TO THE PIEDMONT PENSION**
4 **PLAN SINCE THE COMPANY WAS ACQUIRED BY DUKE?**

5 **A32.** Yes. Piedmont employees hired prior to January 1, 2008, who previously participated in
6 the Piedmont Pension Plan (Retirement Plan of Piedmont Natural Gas Company Inc.), had
7 their pension benefit accrued as of December 31, 2017, frozen and merged into the Duke
8 Energy Retirement Cash Balance Plan (RCBP).¹⁹ This modification is significant in that
9 no further liabilities will accrue under the Piedmont Pension Plan.

10 **Q33. HAVE YOU REVIEWED THE ORDERS THE COMPANY IS RELYING UPON**
11 **TO SUPPORT RATE BASE INCLUSION OF THE LEGACY PIEDMONT**
12 **PENSION CONTRIBUTIONS?**

13 **A33.** Yes.

14 **Q34. HAVE YOU SEEN ANYTHING IN THESE ORDERS WHICH REQUIRE RATE**
15 **BASE RECOGNITION ASSOCIATED WITH PENSION FUNDING?**

16 **A34.** No. In TRA Docket No. 96-00977, the agency stated the following:

17 *Further, the Authority will permit the Company to establish a deferred asset*
18 *for the difference between the amount of funded pension expense recognized*
19 *in the Company's last rate case – in this case, zero – and the amount of*
20 *pension expense funded in the future. In future rate cases, the amount of*
21 *funded expense that has been deferred will be recognized and rates*
22 *awarded to recover it.”²⁰*

23 **Q35. IS THERE ANOTHER COMMISSION ORDER WHICH REFLECTS THE**
24 **COMMISSION'S POSITION REGARDING COLLECTION OF PENSION**
25 **FUNDING IN RATES?**

26 **A35.** Yes. In TRA Docket No. 99-00994, the agency stated:

¹⁹ Piedmont's Response to Consumer Advocate DR 1-69.

²⁰ Order Clarifying 'Order of February 19, 1997'; Denying Motions for Reconsideration; Dismissing Motion to Strike; and Denying Motion for Stay, p. 4, TRA Docket No. 96-00977 (June 9, 1997). A copy of this order was provided in Piedmont's Response to Consumer Advocate DR 2-6.

1 *The Authority also approved the Stipulation with a final proviso. The*
2 *Authority's decision permitting the amortization of deferred pension costs*
3 *does not indicate in any way that the Authority is abandoning the rationale*
4 *for the treatment of pension costs as announced in its Orders of February*
5 *19, 1997 and June 9, 1997 in Docket No. 96-00977. In that proceeding, the*
6 *Authority responded to the fact that the Company's pension plan could drop*
7 *below a fully funded position before the Company's next rate filing by*
8 *allowing the establishment of a deferred regulatory asset and future*
9 *recovery. Nevertheless, the Authority has not abandoned the basic and*
10 *sound regulatory goal of matching current expenses with current*
11 *ratepayers. To the extent that the Company's future pension expenses*
12 *continue to surpass fully funded levels, the Authority will act appropriately*
13 *to match current expenses with current ratepayers, notwithstanding its*
14 *actions here.*²¹

15 The Company's proposal to recover an amortized portion of legacy pension contributions
16 from as far back as 2012 does not provide the appropriate principle of matching illustrated
17 in the agency's statement above.

18 **Q36. HAS THE COMPANY DEMONSTRATED THAT CONTRIBUTIONS IT HAS**
19 **CLAIMED FOR RATE BASE RECOGNITION HAVE BEEN REQUIRED TO**
20 **MAINTAIN A FULLY FUNDED PENSION PLAN?**

21 **A36.** No. The Company was unable to substantiate the minimum pension funding levels for the
22 period 2012 – 2016; therefore, the contributions made during this period should not be
23 recovered from ratepayers.²²

24 **Q37. WHAT IS THE CURRENT FUNDING STATUS OF PIEDMONT'S PENSION**
25 **PLAN?**

26 **A37.** A review of MFR 37 (Confidential) indicates that the current Piedmont pension plan is
27 ██████████ Its Benefit Obligation at the end of 2019 was ██████████, contrasted with

²¹ *Order Approving Application*, pp. 4-5, TRA Docket No. 99-00994 (July 18, 2000). A copy of this order was provided in Piedmont's Response to Consumer Advocate DR 1-85, Attachment 2 of 4.

²² Piedmont's ██████████
██████████
██████████

1 its pension plan asset values of [REDACTED] million at the end of the year, producing [REDACTED]
2 [REDACTED]²³

3 **Q38. WHAT IS THE DEFINITION OF AN [REDACTED] PENSION PLAN?**

4 **A38.** [REDACTED]
5 [REDACTED]
6 [REDACTED]

7 **Q39. IS YOUR ADJUSTMENT CONSISTENT WITH COMMISSION PRECEDENT**
8 **REGARDING THE TREATMENT OF PENSION ASSETS?**

9 **A39.** Yes. In TPUC Docket No. 18-00017, regarding recognition of Pension assets in Rate Base,
10 the Commission stated:

11 *The Consumer Advocate, however, states that pension and OPEB expenses*
12 *should be limited to cash contributions only, which results in no accrued*
13 *assets in this case. Mr. Novak correctly testified that the Commission has*
14 *a long-established ratemaking policy of only allowing rate recovery of the*
15 *minimum required contribution for pension and OPEB expenses.*²⁴

16 The application of this finding in the present situation means that amortization of these
17 funds as expenses that were in excess of those required to maintain minimum funding
18 levels would not be recoverable in rates, and thereby excluded from Rate Base.

19 Additionally, in TRA Docket No. 96-0977, the agency addressed the treatment of an
20 overfunded pension plan. In pertinent part, the order states:

21 *The Advocate proposes that the pension expense be excluded from the*
22 *Company's request. The Advocate correctly demonstrated that the*
23 *Company's plan is fully funded, and no contribution is necessary at this*
24 *time. For this reason, the Authority finds that to appropriately match the*
25 *Company's current pension expense with its current ratepayers, the*
26 *minimum required contribution should be adopted as the current pension*
27 *expense. Since the pension plan is fully funded, the Company's minimum*

[REDACTED]

²⁴ Amended Order, p. 44, TPUC Docket No. 18-00017 (January 15, 2019).

1 *required contribution for this case is zero dollars (\$0), therefore the*
2 *Authority adopts this dollar amount for the Company's pension expense.*²⁵

3 As stated earlier in my testimony, the Company has not demonstrated that these earlier
4 contributions qualify under the Commission's standard for pension related rate recovery,
5 much less for Rate Base recognition.

6 **Q40. HOW DID YOU QUANTIFY YOUR ADJUSTMENT TO RATE BASE?**

7 **A40.** [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]

13 The
14 calculations underlying this adjustment may be found in Workpapers DND-RB-1 through
15 DND-RB 1.2.

16 **Q41. THE COMPANY REFERENCES ITS RELIANCE UPON HISTORIC**
17 **ACCOUNTING ORDERS TO JUSTIFY ITS DEFERRAL OF LEGACY PENSION**
18 **CONTRIBUTIONS. DO YOU HAVE A RECOMMENDATION CONCERNING**
19 **WHETHER THE COMMISSION SHOULD SANCTION THE DEFERRAL OF**
20 **ONGOING PENSION COSTS?**

21 **A41.** Yes, I do not agree with the Company's proposal. The Commission should explicitly
22 terminate the Accounting Order relied upon by Piedmont to defer pension contributions on
23 its books and records on a prospective basis. There are several reasons for this. First, as
24 mentioned above, there has been a dramatic modification to Piedmont's pension plans. The
25 new plan is a cash funded plan and such funding amounts are included in this case and have
26 not been adjusted by the Consumer Advocate. Therefore, it is uncertain whether future
27 traditional pension funding may even be required. Second, it is not appropriate to provide
28 blanket authorization and deferral of any pension contribution regardless of the specific

²⁵ *Order*, p. 14, TRA Docket No. 96-00977 (February 19, 1997). A copy of this order was provided in Piedmont's Response to Consumer Advocate DR 1-86.

²⁶ Piedmont's Response to Consumer Advocate DR 2-7, filed under seal.

1 facts of a case, including the funding status of the pension plan and the amount of funding
2 relative to ERISA and PBGC funding requirements. A clear statement that Piedmont
3 should no longer defer pension contributions absent a specific finding by the Commission
4 does not prevent Piedmont from submitting a new request to the Commission containing
5 evidence of why such a deferral is in the public interest. Finally, I do not believe the
6 agency's Final Order in TRA Docket No. 99-00994 clearly binds parties to such an
7 approach regarding recovery of these expenses, especially in this specific situation where
8 an acquisition has occurred (*i.e.*, the order pertains to a Company that no longer exists), the
9 accrual of pension benefits have been frozen, and the current plan is [REDACTED]²⁷ All of
10 these factors may be further evaluated in a subsequent request by Piedmont in the event it
11 elects to seek deferred accounting authorization.

12 **Q42. PLEASE CONTINUE WITH AN EXPLANATION OF THE NEXT ADJUSTMENT**
13 **TO RATE BASE.**

14 **A42.** The adjustment located in Workpapers DND RB 2 through DND RB 2.3 reduces attrition
15 period Rate Base by \$3,324,640. This adjustment is necessary to eliminate certain book/tax
16 timing differences from the ADIT balances that are either unrelated to the provision of
17 Piedmont's Tennessee operations (South Carolina Bonus Depreciation Adjustment), or are
18 not consistent with the regulatory treatment of that item in Rate Base or Operating Margin
19 (accrued pension costs). Further, the adjustment eliminates the test year average balance
20 of the Net Operating Loss asset as such balance is reduced to zero in December 2019; thus,
21 the asset balance is non-recurring in the attrition period. The entire listing of excluded
22 items, which are a subset of the Company's proposed ADIT balance within Rate Base, is
23 shown in Workpaper DND RB 2.3.

24 **Q43. PLEASE TURN TO THE FINAL ADJUSTMENT YOU ARE SPONSORING TO**
25 **CASH WORKING CAPITAL.**

26 **A43.** The Cash Working Capital calculations are reflected in Consumer Advocate Exhibits 3 and
27 4. As reflected on line 5 of Consumer Advocate Exhibit 4, the Cash Working Capital
28 recommended by the Consumer Advocate is \$12,213,496. When compared with the

²⁷ See above Dittimore Direct Testimony at 14:24 – 15:2.

1 Company's proposal of \$9,935,993, this represents an increase in Rate Base of \$2,277,503.
2 The balance of the proposed Cash Working Capital reflects the impacts of Attrition period
3 balances of Rate Base, Revenues, and Expenses supported by the Consumer Advocate in
4 this Docket.

5 **(2) Other Revenue**

6 **Q44. NOW TURN TO YOUR ADJUSTMENT TO WARRANTY REVENUE AND**
7 **EXPLAIN WHY THIS INFORMATION IS APPROPRIATE FOR**
8 **CONSIDERATION.**

9 **A44.** My first revenue adjustment reflects Warranty Revenue, net of Home Warranty Operating
10 Expenses, as an above the line item, which increases attrition period Operating Revenue
11 by \$2,617,065. This adjustment is reflected in Workpapers DND-Rev-1 through DND-
12 Rev-1.2.

13 **Q45. HOW ARE THESE WARRANTY REVENUES GENERATED BY PIEDMONT?**

14 **A45.** Piedmont has partnered with HomeServe²⁸ to offer warranty service on natural gas lines as
15 well as certain natural gas appliances. Piedmont earns a commission when customers
16 initiate or renew these warranty plans through HomeServe. This third-party entity receives
17 personal customer information from Piedmont to initiate contact with Piedmont's customer
18 base. The first step in the process of generating the revenue stream involves Piedmont's
19 sharing of personal information²⁹ of its customer base that it has obtained via its status as
20 a government-sanctioned monopoly. Essentially, Piedmont is monetizing personal
21 customer information for private gain.

²⁸ A Customer mailing includes the following language regarding the relationship of Piedmont and its warranty partners (A copy of a Customer mailing is attached as Exhibit DND-5):

HomeServe USA Repair Management Corp. (HomeServe), with corporate offices located at 601 Merrit 7, 6th Floor, Norwalk, CT 06851, is an independent company separate from Piedmont Natural Gas and offers this optional service plan as an authorized representative of the contract issuer, National Home Repair Warranty, Inc., 59 Maiden Lane, 43rd Floor, New York, NY 10038. Your choice of whether to participate in the service plan will not affect the price, availability, or terms of service from Piedmont Natural Gas.

²⁹ Customer information shared with Home Serve includes name, secondary name, mailing address, city, state, mailing zip, service address and phone number. Piedmont's Response to Consumer Advocate DR 2-28.

1 **Q46. WHAT ROLE DOES PIEDMONT PLAY IN THIS PROCESS?**

2 **A46.** My review of contractual language³⁰ and the limited operational expenses charged to this
3 function³¹ lead me to conclude that Piedmont's role in the generation of this revenue is a
4 passive one; thus, the primary benefit Piedmont brings to the partnership is access to its
5 monopoly customer base. In pertinent part, the Home Service USA Service Plan
6 Agreement identifies Home Service responsibilities to include:

7 *Home Service shall have the exclusive right to market, sell and operate the*
8 *Program in accordance with the Service Standards and applicable laws.*³²

9 Therefore, Home Service is providing most of the resources in this partnership.

10 **Q47. ARE YOU AWARE OF ANY PROHIBITION IN TENNESSEE THAT WOULD**
11 **PREVENT A UTILITY FROM SHARING PERSONAL CUSTOMER**
12 **INFORMATION WITH A THIRD PARTY?**

13 **A47.** No.

14 **Q48. WHY DO YOU BELIEVE ALL OF THE REVENUE GENERATED BY**
15 **PIEDMONT IN THIS ENDEAVOR SHOULD FLOW BACK TO THE BENEFIT**
16 **OF RATEPAYERS?**

17 **A48.** I do not believe the Commission should provide a financial incentive to Piedmont through
18 retention of margins generated from the sharing of personal customer information to a third
19 party without the customers' knowledge and express consent. Permitting Piedmont to
20 retain any portion of these revenues would provide such an incentive, which I do not
21 believe to be in the public interest.

22 **Q49. DO YOU HAVE FURTHER TESTIMONY OUTLAYING YOUR CONCERNS**
23 **WITH THIS PROGRAM?**

24 **A49.** Yes. I have additional concerns with the warranty program, which I will address later in

³⁰ Piedmont's Response to Consumer Advocate DR 2-24, filed under seal.

³¹ Piedmont's Response to Consumer Advocate DR 1-61 and also contained in Workpaper DND-Rev-1.1

³² Piedmont's Response to Consumer Advocate DR 2-24, Attachment 2, ¶ 4.1.

1 my testimony.

2 **Q50. IDENTIFY AND DISCUSS THE NEXT ADJUSTMENT YOU ARE SPONSORING**
3 **TO REVENUE.**

4 **A50.** My second Revenue adjustment increases Revenue by \$9,333,186 and increases Income
5 Tax Expense by \$5,802,018 from that proposed by the Company by properly eliminating
6 the impacts of TCJA credits from the Revenue Requirement.

7 **Q51. WHY ARE SUCH ADJUSTMENTS NECESSARY?**

8 **A51.** The Company identifies Attrition Period Sale and Transportation of Gas Revenue as
9 \$202,921,922.³³ This amount is also set forth in Piedmont Exhibit KAC-3, Column L. As
10 the column header indicates, this balance is net of the negative revenue associated with the
11 flowback of certain unprotected excess ADIT credits and deferred liabilities. These
12 revenue credits are associated with the reduction in the federal Income Tax rate during the
13 interim period from January 1, 2018 through the implementation date reflecting such
14 expense reduction in base rates.³⁴

15 **Q52. WHAT IS THE EFFECT OF THE COMPANY'S CALCULATION OF PRO-**
16 **FORMA REVENUE BASED UPON THE REDUCTION IN REVENUE**
17 **ASSOCIATED WITH CERTAIN OF THE TCJA CREDITS?**

18 **A52.** This \$9,333,186 reduction in pro forma revenue has the effect of understating the revenue
19 currently generated by base rates and overstates the revenue deficiency associated with
20 Piedmont's Tennessee operations.

21 **Q53. WHY IS IT INAPPROPRIATE TO REFLECT THESE TAX CREDITS WITHIN**
22 **PRO-FORMA REVENUE AS PROPOSED BY PIEDMONT?**

23 **A53.** These credits are temporary and will terminate at such point that the previously defined

³³ *Petition*, Piedmont Revenue Requirement Summary file, Line 1, column 3.

³⁴ To clarify, this adjustment is not impacted by the base rate reduction identified in Paragraph 12a of the Settlement in TPUC Docket 18-00040, which relates to ongoing income tax expense savings. Instead, this adjustment refers to tax savings accruing from January 1, 2018 through August 6, 2019, the date of the Commission order approving the Settlement. *Order Approving Stipulation and Partial Settlement Agreement and Adjudicating Contested Issues Presented by the Parties*, TPUC Docket No. 18-00040 (August 6, 2019).

1 amounts are fully refunded to customers, designed to be three years from implementation
2 pursuant to the provisions of the Settlement Agreement between the parties and approved
3 by the Commission in an Order dated August 6, 2019.³⁵ The effect of these temporary
4 credits should not be used as an element to determine the gross revenue requirement of the
5 Company and subsequently incorporate into permanent base rates.

6 **Q54. IS THERE AN EXPENSE ADJUSTMENT NECESSARY TO PROPERLY**
7 **ELIMINATE THE IMPACT OF CERTAIN ASPECTS OF THE TCJA WITHIN**
8 **THE COMPANY'S REVENUE REQUIREMENT?**

9 **A54.** Yes. The other portion of adjustment increases Income Tax Expense by \$5,802, 018 as set
10 forth in Workpaper DND-Rev-2.2. This adjustment is necessary to eliminate those tax
11 expense credits the Company has reflected in the case associated with the amortization of
12 Excess Unprotected ADIT. The Company has reflected a total of \$6,877,608 in Income
13 Tax Expense reductions associated with amortization of both Protected and Unprotected
14 Excess ADIT. The portion of these amortizations related to Unprotected Excess ADIT
15 should be removed for identical reasons to that of associated negative revenue's removal.
16 These credits have been defined by the Commission, and the Company is ordered to
17 continue returning the credits until fully extinguished, projected to be three years from
18 implementation. As such, the credits' impacts on both revenues and expenses should not
19 be factored into the calculation of new base rates. The net of this expense adjustment is to
20 leave the \$1,075,590 Income Tax Expense credit in place related to the amortization of
21 Protected Excess ADIT.

22 **Q55. WHY SHOULD THE CREDITS ASSOCIATED WITH UNPROTECTED EXCESS**
23 **ADIT AND PROTECTED EXCESS ADIT BE TREATED DIFFERENTLY**
24 **WITHIN THE COMPANY'S REVENUE REQUIREMENT?**

25 **A55.** The distinction between the appropriate treatment of the two types of Excess ADIT is that
26 the Unprotected Excess ADIT credits are set forth in a separate rate and intended to
27 terminate within three years. Meanwhile, the credit associated with Protected Excess
28 ADIT is to be flowed back to ratepayers at the earlier of new base rates or at the expiration

³⁵ *Id.*

1 of the amortization of Excess Unprotected ADIT within the base rates of the Company.³⁶
 2 The Excess Unprotected ADIT balances have not been fully returned to ratepayers at this
 3 time; therefore, this proceeding is the first opportunity to flow back Protected ADIT to
 4 ratepayers. The projected ADIT amortization extends over a very long period and thus,
 5 there is no specific true-up provision of such balances as was adopted in the provisions of
 6 the Settlement Agreement between the parties in TPUC Docket No. 18-00040.

7 **(3) Operating Expenses Adjustments**

8 **Q56. CAN YOU PROVIDE A TABLE SUMMARIZING THE VARIOUS**
 9 **ADJUSTMENTS TO ADMINISTRATIVE AND GENERAL COSTS SPONSORED**
 10 **BY THE CONSUMER ADVOCATE?**

11 **A56.** Yes. The table below sets out the Consumer Advocate adjustments to A&G costs as well
 12 as the witness sponsoring each adjustment:

13

Table 1 - Reconciliation of Consumer Advocate Attrition Period A&G Costs				
Item	Amount	Reference	Witness Sponsor	
Attrition Period Forecast Before Adjustment	\$ 23,100,623	Workpaper E-40-1.00	Novak	
Less Elimination of Piedmont calculated lobbying expenses	\$ (61,821)	Workpaper E-40-1.00	Novak/Piedmont	
Less: Elimination of Severance Costs	\$ (96,110)	Workpaper DND-Exp 1	Dittmore	
Less: Elimination of Out-of-Period Costs (CA2-16)	\$ (129,402)	Workpaper DND-Exp 2	Dittmore	
Less: Elimination of Employee Transition Costs	\$ (382,079)	Workpaper DND-Exp 3	Dittmore	
Less: Elimination of Out-of-Period Costs (CA2-22)	\$ (46,461)	Workpaper DND-Exp-4	Dittmore	
Less: Elimination of Costs Improperly Allocated to Tennessee	\$ (54,913)	Workpaper DND-Exp-5	Dittmore	
Less: Elimination of Calculated Costs Improperly Allocated to T	\$ (202,123)	Workpaper DND-Exp-6	Dittmore	
Less: Adjustment to Properly Reflect Deferred Pension Contribu	\$ (4,024,982)	Workpaper DND Exp -7	Dittmore	
Less: Adjustment to Properly Reflect DEBS Asset Allocation C	\$ (134,558)	Workpaper DND Exp -8	Dittmore	
Less: Elimination of DEBS Depreciation Expense Allocation	\$ (1,803,342)	Workpaper DND Exp -9	Novak	
Less: Elimination of Incentive Compensation Costs	\$ (1,677,948)	Workpaper AB-1	Bradley	
Less: Elimination of Lobbying Costs	(54,665)	Workpaper AB-2	Bradley	
Net Attrition Period Forecast	\$ 14,432,218			

14

15 **Q57. NOW TURN TO YOUR ADJUSTMENTS TO OPERATING EXPENSES AND**
 16 **BEGIN BY PROVIDING AN EXPLANATION FOR YOUR FIRST ADJUSTMENT.**

³⁶ *Id.* at p. 16.

1 **A57.** My first adjustment to Operating Expenses increases operating margins by [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED] The support for this adjustment is contained in Workpaper DND Exp 1 and 1.1
7 (Confidential).

8 **Q58. PLEASE CONTINUE WITH AN EXPLANATION OF EXPENSE ADJUSTMENT**
9 **2.**

10 **A58.** Adjustment 2 increases operating margins by \$129,402 by eliminating [REDACTED]
11 [REDACTED]
12 [REDACTED] This information is set forth in Workpaper DND Exp-2 and 2.1 and
13 is based upon information provided in MFR 40 as well as the response to Consumer
14 Advocate DR 2-16. [REDACTED]
15 [REDACTED]
16 [REDACTED] Since these costs relate to a period prior to the test period, they
17 should be excluded from pro forma test period and attrition period costs.

18 **Q59. CONTINUE WITH AN EXPLANATION OF THE THIRD EXPENSE**
19 **ADJUSTMENT YOU ARE SUPPORTING.**

20 **A59.** The third adjustment I am sponsoring increases attrition period operating margins by
21 \$382,079 by eliminating costs associated with the transition of employee pension benefits
22 from the Piedmont Pension plan to the Duke cash pension plan. These costs were initiated
23 in 2017 with a three-year vesting and thus terminate effective December 31, 2020. Since
24 these costs are non-recurring, it is not appropriate to incorporate such costs within the
25 revenue requirement. The support for this adjustment is set forth in Workpapers DND
26 Exp-3 and 3.1.

³⁷ Piedmont's Response to Consumer Advocate DR 1-59, portion filed under seal.

1 **Q60. TURN TO THE FOURTH ADJUSTMENT YOU ARE SPONSORING AND**
2 **EXPLAIN WHY IT IS NECESSARY.**

3 **A60.** The adjustment identified on Workpaper DND Exp-4 increases operating margins by
4 \$46,461 by eliminating expenses that were recorded in the test period, but which relate to
5 services performed in December 2018. Costs incurred prior to the test period should be
6 excluded for purposes of determining an appropriate revenue requirement for the
7 Company. The support for this adjustment is evident from a review of Piedmont's
8 Response to Consumer Advocate DR 2-22 (Confidential).

9 **Q61. PLEASE CONTINUE WITH AN EXPLANATION OF THE FIFTH OPERATING**
10 **EXPENSE ADJUSTMENT YOU ARE SPONSORING.**

11 **A61.** My fifth adjustment increases operating margins by \$54,913 by eliminating expenses
12 allocated to Piedmont-Tennessee related to services provided to the electric operating
13 companies of Duke Energy. The support for this adjustment may be found on Workpaper
14 DND Exp-5 and 5.1 (Confidential). The initial source for the specific invoices is contained
15 in Piedmont's Response to Consumer Advocate DR 1-71 (Confidential).

16 **Q62. WHAT WERE THE NATURE OF ELECTRIC SERVICES ALLOCATED TO**
17 **PIEDMONT-TENNESSEE OPERATIONS?**

18 **A62.** In general, these costs involved outside vendors conducting [REDACTED]
19 [REDACTED]
20 [REDACTED]

21 **Q63. PROVIDE THE BACKGROUND INFORMATION SURROUNDING HOW YOU**
22 **IDENTIFIED THESE ELECTRIC COSTS CHARGED TO PIEDMONT'S**
23 **TENNESSEE OPERATIONS.**

24 **A63.** MFR 14 provides a listing of all outside services charged to Piedmont-Tennessee. The
25 Company responded with two separate tabs, one containing outside services which are
26 directly charged to Piedmont-Tennessee and the other list is those vendors whose costs are
27 allocated to Piedmont-Tennessee. I reviewed this file and, within the allocated file, I
28 selected nine transactions (out of a total of 6,876 lines of cost details) to sample supporting

1 invoice details.³⁸ The response supporting these nine line items included a total of seventy-
2 eight invoices. The point here is that, with the size and scope of the operations of Duke
3 Energy, it is very challenging to assess the accuracy of the Company's cost allocation
4 process.

5 **Q64. HOW MANY OF THE INVOICES THAT WERE PROVIDED WITHIN YOUR**
6 **NINE SAMPLED ITEMS DID YOU FIND TO BE IMPROPERLY CHARGED TO**
7 **TENNESSEE OPERATIONS?**

8 **A64.** Of the nine sampled line items, one contained costs erroneously charged to Piedmont-
9 Tennessee operations. Twenty-five of the invoices supporting the one item contained
10 amounts erroneously charged to Piedmont-Tennessee operations. In other words, the
11 twenty-five invoices at issue all rolled up to one of the nine-line items sampled by the
12 Consumer Advocate.

13 **Q65. HAS THE COMPANY AGREED WITH YOUR CONCLUSIONS THAT THE**
14 **SAMPLED INVOICES WERE IMPROPERLY CHARGED TO TENNESSEE**
15 **OPERATIONS?**

16 **A65.** The Company has confirmed that a number of the invoices contained within the adjustment
17 I am sponsoring were inadvertently charged to Piedmont's Tennessee operations.³⁹ I
18 requested confirmation of some of the larger invoices contained in the sample. As
19 referenced in the notations contained in Workpaper DND Exp-5.1 (Confidential), the
20 excluded invoices are related to electric operations. These invoices are highlighted from
21 those provided in Piedmont's Response to Consumer Advocate DR 1-71 (Confidential).

22 **Q66. ARE YOU CONFIDENT THAT YOU IDENTIFIED THE ENTIRE POPULATION**
23 **OF O&M EXPENSES THAT WERE IMPROPERLY CHARGED TO PIEDMONT-**
24 **TENNESSEE OPERATIONS?**

25 **A66.** No. It would be quite a stretch in logic to conclude that there are no other costs which are
26 improperly allocated to Piedmont-Tennessee operations contained in this filing and that

³⁸ The detail also contains a significant number of lines of credits which may offset certain charges within the file, so the likely number of transactions is less than 6,876, but without question there are a significant number of transactions which are charged to Piedmont-Tennessee.

³⁹ Piedmont's Responses to Consumer Advocate DRs3-37, 3-38, 3-40, 3-41,3-42 and 3-43.

1 our small sample request just happened to include the only charges that were allocated to
2 Tennessee in error. While the nominal amount of improperly charged costs as identified
3 in Workpaper DND Exp-5 are not significant in terms of the total Piedmont-Tennessee cost
4 of service, these errors are concerning from the standpoint of the error rate as a percent of
5 the sampled population and could be an indication of other issues in the allocation of cost
6 beyond those contained in MFR-14.

7 **Q67. ARE YOU SUPPORTING ANY OTHER ADJUSTMENT RELATED TO THE**
8 **SAMPLED INVOICES ERRONEOUSLY CHARGED TO PIEDMONT-**
9 **TENNESSEE OPERATIONS?**

10 **A67.** Yes. Adjustment 6 increases operating margins by \$202,123 by applying the error ratio of
11 sampled items pertaining to the cost allocation pool in which the errors were identified. As
12 contained in Workpaper DND Exp-6 through 6.2, I developed an error rate of the sampled
13 items as a component of the requested line item in MFR 14. I then applied that error rate
14 to the total test period costs within that cost pool to arrive at the appropriate adjustment.
15 This adjustment extrapolating the error rate to the cost pool in which the errors occurred is
16 appropriate.

17 **Q68. BASED UPON THE INVOICE SAMPLING AS SET FORTH IN DISCOVERY**
18 **REQUEST 1-71, ARE YOU CONCERNED WITH THE ACCURACY OF THE**
19 **COST ALLOCATION PROCESS?**

20 **A68.** Yes.

21 **Q69. HAVE YOU REVIEWED THE COMPANY'S COST ALLOCATION MANUAL?**

22 **A69.** Yes. I believe the Cost Allocation Manual provides sufficient detail and sets out
23 appropriate cost allocation methodologies. However, my concern is whether such policies
24 are being followed by Duke Energy. Page 17 of the Cost Allocation Manual (CAM) sets
25 out the following requirements (among others):⁴⁰

26 *1. Cross-subsidies involving DEC, DEP, or Piedmont and Duke*
27 *Energy, other Affiliates, or the Nonpublic Utility Operations are prohibited.*

⁴⁰ Piedmont's Response to Consumer Advocate DR 1-57, Attachment 2 of 7, p. 17.

1 2. *All costs incurred by personnel or representatives of DEC, DEP, or*
2 *Piedmont for or on behalf of Duke Energy, other Affiliates, or the Nonpublic*
3 *Utility Operations shall be charged to the entity responsible for the costs.*

4 The sampling issue coupled with the language found in the CAM raises the question of
5 whether the Company is following the terms of its own CAM. This is a challenging issue
6 to determine in the context of a large rate increase request involving a multi-state utility
7 such as Duke (especially when considering that this is Duke’s first general rate case before
8 TPUC).

9 **Q70. PLEASE CONTINUE WITH A DISCUSSION OF THE SEVENTH OPERATING**
10 **EXPENSE YOU ARE SPONSORING.**

11 **A70.** Adjustment No. 7 reduces Pension Amortization by \$4,024,982 as reflected in Workpaper
12 DND Exp-7 and 7.1. The magnitude of this adjustment reflects the elimination of legacy
13 funding that was not supported by the Company. In computing this adjustment, I have
14 used the same methodology as contained in the Company’s adjustment. I simply
15 eliminated the additional funding amounts discussed earlier in my testimony and amortized
16 the resulting negative balance over a three-year period, resulting in an attrition period
17 amortization of (\$70,655). The negative amortization amount to be built into rates reflects
18 the fact that the Company has expensed and recovered in rates amounts in excess of that
19 level of funding subject to amortization from the last rate proceeding.

20 **Q71. IN THE EVENT THE COMMISSION REJECTS YOUR EARLIER PROPOSAL**
21 **TO ELIMINATE PRIOR PERIOD FUNDING IN THE CALCULATION OF**
22 **PENSION EXPENSE, DO YOU HAVE AN ALTERNATIVE**
23 **RECOMMENDATION REGARDING THE APPROPRIATE AMORTIZATION**
24 **PERIOD TO USE?**

25 **A71.** Yes. The Company has proposed to amortize its \$11.8 million balance as of January 1,
26 2021 over a three-year period.⁴¹ Given that these contributions were made as early as 2012
27 and contain the sum of contributions over the past nine years⁴², and coupled with the
28 magnitude of the Company’s proposed unamortized balance and the significant impact

⁴¹ *Petition* at MFR12 file “5B_DefPension Amort Adj”, summary tab.

⁴² Workpaper DND-RB-1.2

1 from this rate filing, I recommend a ten-year amortization of these costs in the event the
2 Commission rejects my recommendation to eliminate recovery of the Company's
3 contributions for the period 2012 – 2016.

4 **Q72. PLEASE CONTINUE WITH AN EXPLANATION OF OPERATING EXPENSE**
5 **ADJUSTMENT 8 YOUR ARE SPONSORING.**

6 **A72.** Adjustment 8 increases operating margins by \$134,558 by reducing corporate cost
7 allocations to reflect the rate of return proposed by Dr. Klein (\$50,881) and to eliminate
8 the allocated return on DEBS pension assets (\$77,703). The application of the amount of
9 adjustment to the Attrition Period factor yields an attrition period adjustment of \$134,558.
10 The details supporting this adjustment may be found in Schedules DND Exp-8 through 8.3.

11 **Q73. HOW DOES THE PROPOSED RATE OF RETURN SUPPORTED BY THE**
12 **CONSUMER ADVOCATE IMPACT THE LEVEL OF COSTS ALLOCATED**
13 **FROM DEBS TO PIEDMONT'S TENNESSEE OPERATIONS?**

14 **A73.** The Company receives an allocation of costs from its affiliate DEBS calculated based upon
15 a return on the assets the Company claims are devoted to providing utility service and are
16 recorded on the books of DEBS. Mr. Novak discusses an adjustment to Depreciation
17 Expense associated with these assets in his testimony.⁴³ My adjustment replaces the rate
18 of return utilized by the Company of 8.65%⁴⁴ used in recording such costs on their books
19 with the pre-tax return of 8.00%, incorporating the 9.3% return on equity proposed by Dr.
20 Klein.⁴⁵

21 **Q74. WHY DO YOU BELIEVE THE RETURN ON PENSION ASSETS SHOULD BE**
22 **EXCLUDED FROM THE ALLOCATION OF DEBS COSTS TO PIEDMONT?**

23 **A74.** The company has provided no justification for the nature of the DEBS pension assets,
24 including whether they represent funding necessary to meet minimum requirements or
25 whether these are simply non-cash accrued assets on the books of DEBS. The Company
26 has further failed to provide any visibility as to the nature of these funds. More importantly,

⁴³ Direct Testimony of William H. Novak at 27:18 – 32:17.

⁴⁴ Piedmont's Response to Consumer Advocate DR 1-67.

⁴⁵ Workpaper DND Exp-8.2.

1 as contained in the testimony of Mr. Novak⁴⁶, these types of assets have not historically
2 been included by TPUC in Rate Base. The effect of attributing a return to these assets in
3 the form of an allocated expense is equivalent to incorporating the asset in Rate Base.
4 There is simply no justification for requiring ratepayers to incur an expense based upon the
5 balance of DEBS pension assets.

6 **Q75. DO YOU HAVE ANY OTHER ADJUSTMENTS YOU HAVE QUANTIFIED?**

7 **A75.** Yes. Mr. Novak supports the elimination of DEBS Depreciation Expense from this case
8 as explained in his testimony. I have quantified this adjustment increasing Operating
9 Margin \$1,803,342 as set forth in Workpapers DND Exp-9 and 9.1.

10 **V. Warranty revenue – HomeServe**

11 **Q76. CAN YOU PROVIDE FURTHER DISCUSSION OF YOUR CONCERNS WITH**
12 **THE WARRANTY PROGRAM JOINTLY OFFERED BY THE COMPANY AND**
13 **A THIRD-PARTY WARRANTY PROVIDER?**

14 **A76.** Yes, I have several concerns with the program. Foremost, the Company is sharing
15 customers' personal information with a third party without their knowledge or express
16 consent.⁴⁷

17 **Q77. TO YOUR KNOWLEDGE, IS THE COMPANY VIOLATING ANY COMMISSION**
18 **RULE OR LAW IN THIS TRANSFER OF PERSONAL INFORMATION?**

19 **A77.** No, although I do not believe this practice is in the public interest, there are no violations
20 associated with this practice this to my knowledge.

21 **Q78. WHY ARE YOU CONCERNED WITH THE COMPANY PROVIDING**
22 **CUSTOMER INFORMATION TO A THIRD PARTY?**

⁴⁶ Direct Testimony of William H. Novak at 40:17 – 42:8.

⁴⁷ Piedmont's Response to Consumer Advocate DR 2-28.

1 **A78.** The distinction between Piedmont and other entities who operate in a competitive setting
2 is that customers have no choice in doing business with Piedmont. The Company is a state-
3 sanctioned monopoly. If a customer does not care for a non-regulated company’s privacy
4 policy or its use of customer information in the competitive arena, the customer may
5 discontinue his patronage. Piedmont customers do not have the option of discontinuing
6 service.

7 **Q79. HOW DOES PIEDMONT MONETIZE CUSTOMER INFORMATION?**

8 **A79.** [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]

15 **Q80. DOES PIEDMONT PERFORM THE BILLING FOR THESE WARRANTY**
16 **SERVICES?**

17 **A80.** Yes.

18 **Q81. HOW ARE WARRANTY SERVICE CHARGES REFLECTED ON A**
19 **SUBSCRIBING CUSTOMER’S BILL?**

20 **A81.** The warranty charge is identified separately on customer bills, along with regulated natural
21 gas charges.⁵¹

22 **Q82. ARE YOU AWARE OF OTHER REGULATORY PROCEEDINGS INVOLVING**
23 **CUSTOMER PRIVACY ISSUES?**

48 [REDACTED]

⁴⁹ Piedmont’s Response to Consumer Advocate DR 2-24, Attachment 2, pp. 3-4.

⁵⁰ Piedmont’s Response to Consumer Advocate DR 1-61 – Attachment.

⁵¹ Piedmont’s Response to Consumer Advocate DR 2-25 –Attachment

1 **A82.** Yes. There are two regulatory proceedings in other states I wish to bring to the
2 Commission's attention.

3 Exhibit DND-2 is a rulemaking proceeding conducted by the Public Service Commission
4 of South Carolina in which the agency proposes to add a regulation pertaining to the
5 protection of jurisdictional public utility customer data. The rationale for the rulemaking
6 is stated as follows:

7 *Currently, no regulation exists which governs the protection of customer*
8 *data in the custody of public utilities. To protect the public interest, a*
9 *regulation should be promulgated which outlines the appropriate*
10 *parameters and standards regarding a public utility's use of customer*
11 *data.*⁵²

12 Exhibits DND-3⁵³ and DND-4⁵⁴ contain a Kansas Corporation Commission (KCC) Staff
13 Memorandum and KCC Order respectively concerning a customer complaint against a
14 Kansas electric utility for tariff violations involving the sale of customer information to
15 HomeServe. Regarding the marketing of Westar of the HomeServe warranty program, the
16 Commission found:

17 *While the unauthorized selling of customer information violates the tariff,*
18 *the Commission is particularly troubled that Westar essentially leveraged*
19 *its relationship with its customers to promote a third-party vendor. To*
20 *Westar customers, HomeServe's marketing material appears to be from*
21 *Westar as it is accompanied by a letter from Westar, identifying the*
22 *program as a Westar initiative to educate its customers on their*
23 *maintenance responsibilities. Only after a careful reading of the mailer*

⁵² *Verification of Filing with the South Carolina Legislative Council, Rulemaking Proceeding for the Purpose of Promulgating a Regulation to Help Prevent the Potential for Misleading Advertisements by Prohibiting the Sale of Customer Data by Regulated Utilities Absent a Customer's Direct Consent*, Public Service Commission of South Carolina, Docket No. 2019-387-A (November 18, 2020) (a copy of this verification is located at <https://dms.psc.sc.gov/Attachments/Matter/f3546828-8090-4afe-a235-c0717d25682d>).

⁵³ *Notice of Filing of Staff's Report and Recommendation*, State Corporation Commission of the State of Kansas, Docket No. 15-WSEE-509-COM (October 13, 2016) (a copy of this notice is publicly available at <https://estar.kcc.ks.gov/estar/portal/kscce/page/docket-docs/PSC/DocketDetails.aspx?DocketId=5fa86f4d-695b-460c-ad92-a714eb2de3d7>).

⁵⁴ *Order Assessing Fines for Tariff Violations*, State Corporation Commission of the State of Kansas, Docket No. 15-WSEE-509-COM (November 2, 2017) (a copy of this order is publicly available at <https://estar.kcc.ks.gov/estar/ViewFile.aspx/20171102103927.pdf?Id=a06b0430-7ad2-4fcb-b1e9-ad6d42f94533>)

1 *does it become clear that the insurance offering is from HomeServe, not*
2 *Westar.*⁵⁵
3

4 The KCC's 2017 order concludes by directing its Staff to file a report and recommendation
5 on steps to protect customer privacy.

6 I wish to be clear - I am not suggesting or implying that Piedmont has violated its tariff or
7 any Commission rule. It has not, to my knowledge. My point is to emphasize that other
8 state regulatory agencies have taken action to safeguard customer information, and I
9 propose that this Commission undertake similar measures. For instance, the KCC has
10 adopted tariff language for the state's largest electric utility which prohibits the sharing of
11 customer account information with HomeServe without obtaining customer consent, and I
12 believe doing so in Tennessee would be in the public interest.

13 **Q83. DO YOU HAVE A COPY OF THE CUSTOMER MAILER REFERENCED IN THE**
14 **KCC ORDER?**

15 **A83.** No. However, the conclusion contained within the Kansas order attached as Exhibit DND-
16 4 is applicable to Piedmont's mailer.

17 **Q84. DO YOU HAVE A COPY OF A CUSTOMER MAILER REFERRED TO ABOVE?**

18 **A84.** Yes. Attached as Exhibit DND-5 is a mailer identical to the customer mailer I received. I
19 am concerned that a typical subscriber may have made their decision due to a
20 misunderstanding or lack of knowledge of what is and is not their financial responsibility
21 as it relates to repair of a natural gas service line on their property.

22 **Q85. PLEASE POINT TO LANGUAGE IN EXHIBIT DND-5 THAT HIGHLIGHTS**
23 **YOUR CONCERN.**

24 **A85.** One concern with the language in the mailer centers around the lack of clarity concerning
25 the demarcation point where the customer's responsibility lies with respect to service line
26 repairs. In discovery, Piedmont states that absent a customer violating the Underground
27 Utility Damage Prevention Act, the utility is financially responsible for repairs of service

⁵⁵ *Id.* at p. 4, ¶ 13.

1 lines from the Main to the Meter.⁵⁶ However, this distinction is not clear in the following
2 sentence of the mailer:

3 *Without this optional non-regulated coverage, you may have to pay*
4 *hundreds of dollars to repair or replace the gas lines on your property if a*
5 *breakdown occurs.*⁵⁷

6
7 Another phrase that is confusing under the heading “What am I responsible for” is the
8 following:

9 *Just as you have always been responsible for the water pipes and electrical*
10 *wiring in your home, as a homeowner, you are also responsible for your*
11 *gas line up to your utility’s responsibility.*⁵⁸

12 My concern is that customers will not understand the definition of “utility’s responsibility.”

13 **Q86. IN YOUR OPINION IS PIEDMONT’S ROLE IN THIS PROGRAM CLEAR**
14 **WITHIN THE CUSTOMER MAILING?**

15 **A86.** No. The mailer comes in an envelope with a non-color version of Piedmont’s logo.
16 Language in the first page of the mailer includes that “...which Piedmont Natural Gas has
17 selected to make available to eligible customers.” The reader will likely assume that this
18 warranty program is provided by Piedmont.

19 **Q87. DO YOU HAVE ANY OTHER CONCERNS WITH THE MAILER?**

20 **A87.** Yes. On the acceptance page, the new subscriber is requested to sign an acknowledgement
21 that states the following in pertinent part:

22 *I agree Piedmont Natural Gas may share my name, postal address, and*
23 *account number with Home Serve.*⁵⁹

24
25 This statement implies that only upon signed authorization will this information be shared
26 with HomeServe. However, all customers of Piedmont-Tennessee have their name,

⁵⁶ Piedmont’s Response to DR 1-75. An example of such a customer violation would be if the customer caused damage during a dig-in when he/she did not first obtain line locates or when such marked and due to customer carelessness the service line was damaged. A close review of the exclusionary language contained in Exhibit DND-5 is the warranty would not cover damage due to accident or negligence.

⁵⁷ Exhibit DND-5 at p. 1, last sentence, first full paragraph.

⁵⁸ *Id.* at p. 2 under “What am I responsible for?”

⁵⁹ *Id.* at p. 5.

1 addresses, and phone numbers shared with HomeServe whether a customer provides
2 written authorization subscribing to the service or not.⁶⁰

3 Another concern is with the use of the Piedmont logo both on the mailing envelope and the
4 inside message, which leads the reader to believe the mailer is sent directly from and on
5 behalf of Piedmont. In reality, the mailer is sent at the behest of HomeServe.

6 Finally, language in the mailer indicates the Gas Line Coverage from HomeServe has been
7 selected by Piedmont to be made available to customers. While the Consumer Advocate
8 is concerned with the sharing of private customer information, to the extent such
9 information sharing is permitted, should the Company have all control and have the
10 authority to limit it to only those vendors it selects, thus impacting the competitive
11 marketplace for home warranty products? This appears to also be outside of the public
12 interest.

13 **Q88. HAS THE CONSUMER ADVOCATE IDENTIFIED ITS CONCERNS WITH**
14 **HOMESERVE IN OTHER PROCEEDINGS BEFORE THE COMMISSION?**

15 **A88.** Yes. The Consumer Advocate filed a letter with the agency identifying its concerns
16 involving a HomeServe warranty program involving Kingsport Power.⁶¹

17 **Q89. WHAT IS YOUR RECOMMENDATION REGARDING CUSTOMER PRIVACY**
18 **ISSUES SURROUNDING THIS PROGRAM?**

19 **A89.** I recommend that the Commission open an investigation to determine whether Piedmont,
20 as well as any jurisdictional utility, should be permitted to share personal customer
21 information with a non-regulated entity for monetary gain and without the consent of the
22 customer. And as discussed earlier, I recommend all such net margins resulting from
23 Piedmont's relationship with HomeServe be credited to the Company's revenue
24 requirement.

25 **VI. Deferred Accounting orders related to environmental cleanup costs**

⁶⁰ Piedmont's Response to Consumer Advocate DR 2-28.

⁶¹ Letter from the Consumer Advocate to Chairman Herbert H. Hilliard, TRA Docket No. 15-00064 (September 30, 2015).

1 **Q90. PLEASE IDENTIFY THE ACCOUNTING ORDERS THE COMPANY HAS**
2 **RELIED UPON WITHIN THIS PROCEEDING.**

3 **A90.** The Company has relied upon accounting orders to defer on its books as a regulatory asset
4 costs associated with pension funding and environmental expenditures. I have discussed
5 my recommendation to terminate any Commission authority the Company believes it has
6 to defer pension costs on its books as discussed earlier in my testimony. The Company has
7 the opportunity, if it elects to do so, to petition the Commission for approval to defer
8 subsequent pension contributions if it believes appropriate given its current status of its
9 pension plans.

10 **Q91. DO YOU HAVE CONCERNS WITH THE CONTINUATION OF THE**
11 **ACCOUNTING ORDER RELATED TO ACCOUNTING FOR**
12 **ENVIRONMENTAL COSTS?**

13 **A91.** Yes.

14 **Q92. FIRST BEGIN BY DISCUSSING THE RELEVANT ACCOUNTING ORDER**
15 **UNDERLYING THE COMPANY'S DEFERRAL OF ENVIRONMENTAL COSTS.**

16 **A92.** In response to Consumer Advocate DR 1-85 requesting copies of orders that the Company
17 relies upon in its accounting for deferred environmental costs, the Company provided four
18 Commission orders, including three rate case orders and an initial order permitting deferral
19 of such costs from 1992.⁶² This initial order provides the Commission's reasoning at the
20 time the deferral was created. The Commission's order does not guarantee future recovery
21 of the Company's environmental costs.

22 **Q93. ARE YOU SUPPORTING ANY ADJUSTMENT TO THE COMPANY'S REQUEST**
23 **TO RECOVER AN AMORTIZED PORTION OF ITS ENVIRONMENTAL**
24 **COSTS?**

⁶² Order, *In re: Piedmont Natural Gas Company – Request for Approval of Special Accounting for Environmental Assessment and Cleanup Costs*, TPSC Docket No. 92-16160 (December 21, 1992) A copy of this order was provided in Piedmont's Response to Consumer Advocate DR 1-85, Attachment 1.

1 **A93.** No. However, such costs are relatively small in this proceeding, but indications from the
2 Company's books and records suggest such costs are anticipated to grow dramatically in
3 the coming years.⁶³

4 **Q94. WHAT LANGUAGE IN THE 1992 ORDER DO YOU WISH TO HIGHLIGHT⁶⁴?**

5 **A94.** The order references conclusions that I believe are pertinent in the current situation in
6 which there is a likelihood of greatly rising environmental costs in the future.

7 *We, therefore, approve Piedmont's request subject to the following or*
8 *similar language being included in Piedmont's financial statements:*

9 *'Authorizing past cleanup expenses as a regulatory asset does not*
10 *mean the Commission will authorize the Company to recover all*
11 *or part of these expenses from future ratepayers. It simply says*
12 *the Commission will consider this in a rate case when the*
13 *Commission will have evidence concerning the total amount of the*
14 *cleanup cost, who is responsible for the cleanup costs, and the*
15 *fairness of passing this cost on to ratepayers.'*⁶⁵

16 I think the Commission should continue to support this approach to recovery of any
17 deferred environmental costs and should remind the Company that it bears the burden of
18 proof in providing evidence that such cost recovery is in the public interest.

19 **Q95. WAS THERE A DISSENTING OPINION RENDERED IN THAT CASE THAT**
20 **YOU BELIEVE IS RELEVANT TO THE COSTS LIKELY FACING THE**
21 **COMPANY REGARDING ENVIRONMENTAL CLEANUP COSTS?**

22 **A95.** Yes. Chairman Steve Hewlett issued the following language:

23 *Currently, the Company's actual cleanup costs are small, consequently*
24 *there is no reason to postpone recognizing those expenses. When and if a*
25 *significant liability materializes, as a part of a rate case or otherwise, the*
26 *Commission should revise the evidence and arguments at that time and*

⁶³ Piedmont's Response to Consumer Advocate DR 3-26 identifies an environmental liability balance of \$4,202,658 and represents an estimate of future cash expenditures.

⁶⁴ *Order, In re: Piedmont Natural Gas Company – Request for Approval of Special Accounting for Environmental Assessment and Cleanup Costs*, TPSC Docket No. 92-16160 (December 21, 1992) A copy of this order was provided in Piedmont's Response to Consumer Advocate DR 1-85, Attachment 1.

⁶⁵ *Id.* at pp. 4-5.

1 *make a decision regarding the appropriateness of deferring the cost as an*
2 *asset and passing the cost on to the ratepayers.*⁶⁶

3 This statement from nearly thirty years ago now appears quite relevant in light of the
4 Company's recent accounting activity cited above.

5 The Consumer Advocate has not proposed an adjustment to either the level of Rate Base
6 associated with environmental costs or to the amortization of costs as an expense in this
7 proceeding. However, we reserve the right to further review our recommendations in this
8 area in future cases, especially given the likelihood of significant cost increases signaled
9 within the Company's accounting records. This is an area that will likely require additional
10 regulatory focus in the coming years and the Commission should require the Company to
11 proactively address the status of its environmental activity and period costs in future
12 proceedings in which rate increases are sought.

13 **Q96. PLEASE SUMMARIZE YOUR RECOMMENDATIONS IN THIS CASE.**

14 **A96.** I recommend the following:

- 15 1. The Commission should make clear to the Company that any subsequent approval
16 to enter into an ARM mechanism should be based upon a finding that the regulatory
17 treatment provided to Piedmont is in the public interest and that the Company has
18 the burden of proof in supporting that conclusion.
- 19 2. The Commission, in approving the implementation of interim rates, should ensure
20 the appropriate coordination of the Company's base rate increase with the
21 termination of its IMR surcharge, save for the true-up portion of the charge.
- 22 3. The Commission should adopt the adjustments to the Company's attrition period
23 Rate Base, Revenue, and Expenses that I support earlier in my testimony.
- 24 4. The Commission should terminate the provisions contained in its order in TPUC
25 Docket No. 96-00977 permitting the Company to defer pension funding on its
26 books and records. The Company's pension plans are significantly different than
27 at the time such Accounting Order was authorized. To the extent the Company

⁶⁶ *Id.* at Dissenting Opinion, p. 7.

1 believes an accounting order authorizing deferral of pension funding is appropriate
2 it may petition the Commission to obtain such approval based upon the specific
3 facts and circumstances it faces today.

4 5. The Commission should adopt an authorized ROE in the lower end of the range
5 supported by Dr. Klein given the potential that the Company will seek and
6 eventually receive an ARM mechanism.

7 6. The Commission should open an investigation to determine whether sharing of
8 personal customer information with third parties for the sole purposes of generating
9 income is in the public interest.

10 7. The Commission should re-endorse its position stated in its 1992 Accounting Order
11 in TPUC Docket No. 92-16160 and confirm that such environmental cost deferrals
12 do not imply such costs will necessarily be recoverable in Rate Base or as Operating
13 Expenses in subsequent rate proceedings.

14 **Q97. DOES THIS CONCLUDE YOUR TESTIMONY?**

15 **A97.** Yes, however I reserve the right to supplement my testimony if new information becomes
16 available.

IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

IN RE:)

PIEDMONT NATURAL GAS)
COMPANY, INC. PETITION FOR AN)
ADJUSTMENT OF RATES, CHARGES,)
AND TARIFFS APPLICABLE TO)
SERVICE IN TENNESSEE)

DOCKET NO. 20-00086

AFFIDAVIT

I, David N. Dittmore on behalf of the Consumer Advocate Unit 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 Unit.

David N. Dittmore
DAVID N. DITTEMORE

Sworn to and subscribed before me
this ___ day of _____, 2020.

11/25/2020

Terra Allen

NOTARY PUBLIC

TERRA ALLEN
Tennessee Notary Public
Online Notary Public
Hickman County, State Of Tennessee
My Commission Expires Sep 28, 2022

My commission expires: _____

8BC7E1FF-9BA0-4C29-9569-3B0ED32706DE -- 20201125 08:57:59 -6:00



David Dittmore

Experience

Areas of Specialization

Approximately thirty-year experience in evaluating and preparing regulatory analysis, including revenue requirements, mergers and acquisitions, utility accounting and finance issues and public policy aspects of utility regulation. Presented testimony on behalf of my employers and clients in natural gas, electric, telecommunication and transportation matters covering a variety of issues.

Tennessee Attorney General's Office; Financial Analyst September, 2017 – Current

Responsible for evaluation of utility proposals on behalf of the Attorney General's office including water, wastewater and natural gas utility filings. Prepare analysis and expert witness testimony documenting findings and recommendations.

Kansas Gas Service; Director Regulatory Affairs 2014 – 2017; Manager Regulatory Affairs, 2007 - 2014

Responsible for directing the regulatory activity of Kansas Gas Service (KGS), a division of ONE Gas, serving approximately 625,000 customers throughout central and eastern Kansas. In this capacity I have formulated strategic regulatory objectives for KGS, formulated strategic legislative options for KGS and led a Kansas inter-utility task force to discuss those options, participated in ONE Gas financial planning meetings, hired and trained new employees and provided recommendations on operational procedures designed to reduce regulatory risk. Responsible for the overall management and processing of base rate cases (2012 and 2016). I also played an active role, including leading negotiations on behalf of ONE Gas in its Separation application from its former parent, ONEOK, before the Kansas Corporation Commission. I have monitored regulatory earnings, and continually determine potential ratemaking outcomes in the event of a rate case filing. I ensure that all required regulatory filings, including surcharges are submitted on a timely and accurate basis. I also am responsible for monitoring all electric utility rate filings to evaluate competitive impacts from rate design proposals.

Strategic Regulatory Solutions; 2003 -2007

Principal; Serving clients regarding revenue requirement and regulatory policy issues in the natural gas, electric and telecommunication sectors

Williams Energy Marketing and Trading; 2000-2003

Manager Regulatory Affairs; Monitored and researched a variety of state and federal electric regulatory issues. Participated in due diligence efforts in targeting investor owned electric utilities for full requirement power contracts. Researched key state and federal rules to identify potential advantages/disadvantages of entering a given market.

MCI WorldCom; 1999 - 2000

Manager, Wholesale Billing Resolution; Manage a group of professionals responsible for resolving Wholesale Billing Disputes greater than \$50K. During my tenure, completed disputes increased by over 100%, rising to \$150M per year.

Kansas Corporation Commission; 1984- 1999

Utilities Division Director - 1997 - 1999; Responsible for managing employees with the goal of providing timely, quality recommendations to the Commission covering all aspects of natural gas, telecommunications and electric utility regulation; respond to legislative inquiries as requested; sponsor expert witness testimony before the Commission on selected key regulatory issues; provide testimony before the Kansas legislature on behalf of the KCC regarding proposed utility legislation; manage a budget in excess of \$2 Million; recruit professional staff; monitor trends, current issues and new legislation in all three major industries; address personnel issues as necessary to ensure that the goals of the agency are being met; negotiate and reach agreement where possible with utility personnel on major issues pending before the Commission including mergers and acquisitions; consult with attorneys on a daily basis to ensure that Utilities Division objectives are being met.

Asst. Division Director - 1996 - 1997; Perform duties as assigned by Division Director.
Chief of Accounting 1990 - 1995; Responsible for the direct supervision of 9 employees within the accounting section; areas of responsibility included providing expert witness testimony on a variety of revenue requirement topics; hired and provided hands-on training for new employees; coordinated and managed consulting contracts on major staff projects such as merger requests and rate increase proposals;

Managing Regulatory Auditor, Senior Auditor, Regulatory Auditor 1984 - 1990; Performed audits and analysis as directed; provided expert witness testimony on numerous occasions before the KCC; trained and directed less experienced auditors on-site during regulatory reviews.

Amoco Production Company 1982 - 1984

Accountant Responsible for revenue reporting and royalty payments for natural gas liquids at several large processing plants.

Education

- B.S.B.A. (Accounting) Central Missouri State University
- Passed CPA exam; (Oklahoma certificate # 7562) – Not a license to practice

Board Member, Financial Research Institute – 2007 - 2017

To initiate General Assembly review the following verification must be signed and returned to the Clerk of the State Register

VERIFICATION

This certifies that I have reviewed the text of this document and determined that, with the stricken text deleted and the new text incorporated, the text reads as the agency intends it to read.

November 18, 2020 
Date Reviewing Officer

Document No. 4969
PUBLIC SERVICE COMMISSION
CHAPTER 103
Statutory Authority: 1976 Code Section 58-3-140

103-823.2. Protection of Customer Data. (New)

Synopsis:

The Public Service Commission of South Carolina proposes to add a regulation which pertains to protection of jurisdictional public utility customer data. On November 27, 2019, the Office of Regulatory Staff (ORS) filed a Petition for Rulemaking with the Public Service Commission “for the purpose of promulgating a regulation to help prevent the potential for misleading advertisements by prohibiting the sale of customer data by regulated utilities absent a customer’s direct consent.” In its November 27, 2019, Petition for Rulemaking, the Office of Regulatory Staff noted that “[o]n November 25, 2019, in a regularly scheduled Commission Business Meeting, Commissioner Ervin addressed an article filed in *The State* newspaper regarding the sale of customer information from one regulated utility to an outside third party, which then proceeded to use that information to attempt to sell insurance by way of mail marketing.”

In the ORS’s Petition for Rulemaking, it stated that “the protection of the public interest requires that the Commission hold a rulemaking proceeding to determine appropriate parameters and standards regarding a utility’s use of customer data.” ORS further recommended in its Petition that “the regulations regarding a utility’s ability to sell customers’ data be examined. ORS recommend[ed] the Commission consider regulations to apply to all regulated utilities that help prevent the potential for misleading advertisements by prohibiting the sale of customer data by regulated utilities absent a customer’s consent.” After the ORS filed its Petition for Rulemaking “for the purpose of promulgating a regulation to help prevent the potential for misleading advertisements by prohibiting the sale of customer data by regulated utilities absent a customer’s direct consent”, the Commission issued Order Number 2019-877 on December 18, 2019. In Order Number 2019-877, the Commission approved the ORS’s request to initiate a rulemaking, and the Commission opened a docket for this rulemaking. On December 20, 2019, the ORS filed its Proposed Regulation to Protect Customer Data with the Public Service Commission.

The Notice of Drafting regarding this regulation was published on January 24, 2020, in the *State Register*, Volume 44, Issue 1.

Instructions:

Print the regulation as shown below.

Text:

103-823.2. Protection of Customer Data.

A. Definitions of Key Terms.

(1) **Aggregated Data.** The term “aggregated data” means customer data, alone or in combination with non-customer data, resulting from processing (e.g., average of a group of customers) or the compilation of customer data from which all unique identifiers have been removed.

(2) **Commission.** The term “Commission” means the Public Service Commission of South Carolina.

(3) **Customer Data.** For purposes of this section, “customer data” means data about a current or former customer’s electric, natural gas, water, or wastewater usage; information that is obtained as part of an advanced metering infrastructure; and personal identifying information, as defined in S.C. Code Ann. Section 39-1-90(D)(3) and S.C. Code Ann. Section 16-13-510(D), as may be amended, including the name, account number, billing history, address of the customer, email address, telephone number, and fax number, in the possession of electric, natural gas, water or wastewater public utilities.

Also, “customer data” means non-public retail customer-specific data or information that has been obtained or compiled by a public utility in connection with the supplying of Commission-regulated electric, natural gas, waste, or wastewater services. Customer data includes data or information that is: (a) collected from the meter, by the public utility, and stored in its data systems for billing purposes; (b) customer-specific usage information for regulated public utility service; (c) about the customer’s participation in regulated public utility programs, such as renewable energy, demand-side management, load management, or energy efficiency programs; or (d) any other non-public information specific to a customer that is related to electricity consumption, load profile, or billing history.

(4) **Non-Public Utility Operations.** The term “non-public utility operations” means all business enterprises engaged in by a public utility that are not regulated by the Commission or otherwise subject to public utility regulation at the state or federal level.

(5) **Primary Purpose.** The term “primary purpose” means the acquisition, storage or maintenance of customer data by a public utility, as defined by Title 58 of the South Carolina Code, which provides services pursuant to state law, federal law, or Order of the Commission.

(6) **Secondary Commercial Purpose.** The term “secondary commercial purpose” means any purpose that is not a primary purpose.

(7) **Third Party.** The term “third party” means a person who is not the customer, nor any of the following: (i) an agent of the customer designated by the customer with the public utility to act on the customer’s behalf; (ii) a regulated public utility serving the customer; or (iii) a contracted agent of the public utility. For purposes of this regulation, “third party” includes any non-public utility operations or affiliate of the public utility.

(8) **Unique Identifier.** The term “unique identifier” means a customer’s name, account number, meter number, mailing address, telephone number, or email address.

B. Aggregated data which has been aggregated to a degree that individual customer information is not identifiable shall not be considered “customer data.”

C. Customer Consent.

(1) A public utility shall not share, disclose, or otherwise make accessible to any third party a customer’s data, except as provided in subsection (F) or upon the consent of the customer.

(2) A public utility shall not sell a customer’s data for any purpose without the consent of the customer.

(3) The public utility or its contractors shall not provide an incentive or discount to the customer for accessing the customer’s data without the prior consent of the customer.

(4) Before requesting a customer’s consent for disclosure of customer data, a public utility shall be required to make a full disclosure to the customer of the nature and scope of the data proposed to be disclosed, the identity of the proposed recipient and the intended use of the data by the proposed recipient.

D. If a public utility contracts with a third party for a service that allows a customer to monitor the customer’s usage, and that third party uses the data for a secondary commercial purpose, the contract between the public utility and the third party shall provide that the third party prominently discloses that

secondary commercial purpose to the customer and secures the customer's consent to the use of his or her data for that secondary commercial purpose prior to the use of the data.

E. A public utility shall use reasonable security procedures and practices to protect a customer's unencrypted consumption data from unauthorized access, destruction, use, modification, disclosure, and to prohibit the use of the data for a secondary commercial purpose not related to the primary purpose of the contract without the customer's consent.

F. Exceptions to Sections A through E.

(1) This section shall not preclude a public utility from disclosing aggregated data for analysis, reporting, or program management.

(2) This section shall not preclude a public utility from disclosing customer data to a third party for system, grid, or operational needs, or the implementation of demand response, energy management, or energy efficiency programs, or for fraud prevention purposes, provided that the public utility has required by contract that the third party implement and maintain reasonable security procedures and practices appropriate to the nature of the information, to protect the personal identifying information contained in the customer data from unauthorized access, destruction, use, modification, or disclosure, and prohibits the use of the data for a secondary commercial purpose not related to the primary purpose of the contract without the customer's prior consent to that use.

(3) This section shall not preclude a public utility from disclosing customer data in the course of its operations:

(a) Where necessary to provide safe and reliable service;

(b) As required or permitted under state or federal law or regulation or by an Order of the Commission;

(c) Including disclosures pursuant to and permitted by the Fair Credit Reporting Act Section 1681 et seq., Title 15 of the United States Code including for purposes of furnishing account and payment history information to and procuring consumer reports from a consumer reporting agency as defined by 15 U.S.C. Section 1681;

(d) Upon valid request from law enforcement;

(e) To respond to an emergency;

(f) To respond to service interruption reports or service quality issues;

(g) To restore power after a storm or other disruption;

(h) To respond to customers' requests for line locations, installation or repair of streetlights, support for construction or tree trimming/removal by customer, or other service orders or requests;

(i) To inform customers as to tree trimming/vegetation control plans and schedules;

(j) To respond to claims for property damage by the customer resulting from tree trimming/vegetation control or public utility construction;

(k) To respond to customer complaints;

(l) To protect the health or welfare of the customer or to prevent damage to the customer's property;

(m) To assist the customer in obtaining assistance from social services, community action, or charitable agencies;

(n) To perform credit checks or review payment history where customer deposits might otherwise be required or retained;

(o) Where circumstances require prompt disclosure of specific information to protect customers' interests or meet customers' reasonable customer service expectations; or

(p) This section shall not preclude a public utility from, in its provision of regulated public utility service, disclosing customer data to a third party, consistent with the public utility's most recently approved Code of Conduct, to the extent necessary for the third party to provide goods or services to the public utility and upon written agreement by that third party to protect the confidentiality of such customer data.

(4) Nothing in this section precludes the utility from advising a municipality when service is disconnected.

G. If a customer discloses or authorizes the utility to disclose his or her customer data to a third party, the public utility shall not be responsible for the security of that data, or its use or misuse.

H. Public Utility Guidelines.

(1) Each electrical, natural gas, water or wastewater public utility shall develop and seek Commission approval of guidelines for implementation of this section.

(2) The electrical, natural gas, water or wastewater public utility shall file its initial guidelines within 180 days of the effective date of this regulation for Commission approval. The guidelines should, at minimum, address the following:

(a) Customer Notice and Awareness – practices to explain policies and procedures to customers.

(b) Customer Choice and Consent – processes that allow the customer to control access to customer data including processes for customers to monitor, correct or limit the use of customer data.

(c) Customer Data Access – procedures for use of customer data, purpose for collection, limitations of use of customer data and processes for customer non-standard requests.

(d) Data Quality and Security Procedures and Measures – procedures for security and methods to aggregate or anonymize data.

(e) Public Utility Accountability and Auditing – reporting of unauthorized disclosures, training protocol for employees, periodic evaluations, self-enforcement procedures, and penalties.

(f) Frequency of Notice to Customers – practices and procedures to provide initial and annual notification of its privacy policy to customers.

(g) Due Diligence Exercised by Utility When Sharing Customer Data with Third Parties – practices, policies, and procedures when selecting the third party with whom the utility will share data so as to minimize unauthorized or inadvertent disclosure of customer data.

I. No Private Right of Action. This regulation shall be enforced by regulatory enforcement actions only. No private right of action for damages is created hereby.

J. Penalties. Failure to comply with this section is subject to any authority granted to the Commission by statute or regulation.

Fiscal Impact Statement:

The Commission anticipates utilizing its current resources to address administrative and legal issues in dockets related to the protection of jurisdictional public utilities' customer data. The Commission does not anticipate a fiscal impact to the Agency as a result of the implementation of Regulation 103-823.2.

Statement of Rationale:

Currently, no regulation exists which governs the protection of customer data in the custody of public utilities. To protect the public interest, a regulation should be promulgated which outlines the appropriate parameters and standards regarding a public utility's use of customer data. There was no scientific or technical basis relied upon in the development of this regulation.

To initiate General Assembly review the following verification must be signed and returned to the Clerk of the State Register

VERIFICATION

This certifies that I have reviewed the text of this document and determined that it conforms to the text submitted by this agency to the Clerk of the State Register.

November 18, 2020
Date
Reviewing Officer

Document No. 4969
PUBLIC SERVICE COMMISSION
CHAPTER 103
Statutory Authority: 1976 Code Section 58-3-140

103-823.2. Protection of Customer Data. (New)

Synopsis:

The Public Service Commission of South Carolina proposes to add a regulation which pertains to protection of jurisdictional public utility customer data. On November 27, 2019, the Office of Regulatory Staff (ORS) filed a Petition for Rulemaking with the Public Service Commission “for the purpose of promulgating a regulation to help prevent the potential for misleading advertisements by prohibiting the sale of customer data by regulated utilities absent a customer’s direct consent.” In its November 27, 2019, Petition for Rulemaking, the Office of Regulatory Staff noted that “[o]n November 25, 2019, in a regularly scheduled Commission Business Meeting, Commissioner Ervin addressed an article filed in *The State* newspaper regarding the sale of customer information from one regulated utility to an outside third party, which then proceeded to use that information to attempt to sell insurance by way of mail marketing.”

In the ORS’s Petition for Rulemaking, it stated that “the protection of the public interest requires that the Commission hold a rulemaking proceeding to determine appropriate parameters and standards regarding a utility’s use of customer data.” ORS further recommended in its Petition that “the regulations regarding a utility’s ability to sell customers’ data be examined. ORS recommend[ed] the Commission consider regulations to apply to all regulated utilities that help prevent the potential for misleading advertisements by prohibiting the sale of customer data by regulated utilities absent a customer’s consent.” After the ORS filed its Petition for Rulemaking “for the purpose of promulgating a regulation to help prevent the potential for misleading advertisements by prohibiting the sale of customer data by regulated utilities absent a customer’s direct consent”, the Commission issued Order Number 2019-877 on December 18, 2019. In Order Number 2019-877, the Commission approved the ORS’s request to initiate a rulemaking, and the Commission opened a docket for this rulemaking. On December 20, 2019, the ORS filed its Proposed Regulation to Protect Customer Data with the Public Service Commission.

The Notice of Drafting regarding this regulation was published on January 24, 2020, in the *State Register*, Volume 44, Issue 1.

Instructions:

Print the regulation as shown below.

Text:

103-823.2. Protection of Customer Data.

A. Definitions of Key Terms.

(1) Aggregated Data. The term “aggregated data” means customer data, alone or in combination with non-customer data, resulting from processing (e.g., average of a group of customers) or the compilation of customer data from which all unique identifiers have been removed.

(2) Commission. The term “Commission” means the Public Service Commission of South Carolina.

(3) Customer Data. For purposes of this section, “customer data” means data about a current or former customer’s electric, natural gas, water, or wastewater usage; information that is obtained as part of an advanced metering infrastructure; and personal identifying information, as defined in S.C. Code Ann. Section 39-1-90(D)(3) and S.C. Code Ann. Section 16-13-510(D), as may be amended, including the name, account number, billing history, address of the customer, email address, telephone number, and fax number, in the possession of electric, natural gas, water or wastewater public utilities.

Also, “customer data” means non-public retail customer-specific data or information that has been obtained or compiled by a public utility in connection with the supplying of Commission-regulated electric, natural gas, waste, or wastewater services. Customer data includes data or information that is: (a) collected from the meter, by the public utility, and stored in its data systems for billing purposes; (b) customer-specific usage information for regulated public utility service; (c) about the customer’s participation in regulated public utility programs, such as renewable energy, demand-side management, load management, or energy efficiency programs; or (d) any other non-public information specific to a customer that is related to electricity consumption, load profile, or billing history.

(4) Non-Public Utility Operations. The term “non-public utility operations” means all business enterprises engaged in by a public utility that are not regulated by the Commission or otherwise subject to public utility regulation at the state or federal level.

(5) Primary Purpose. The term “primary purpose” means the acquisition, storage or maintenance of customer data by a public utility, as defined by Title 58 of the South Carolina Code, which provides services pursuant to state law, federal law, or Order of the Commission.

(6) Secondary Commercial Purpose. The term “secondary commercial purpose” means any purpose that is not a primary purpose.

(7) Third Party. The term “third party” means a person who is not the customer, nor any of the following: (i) an agent of the customer designated by the customer with the public utility to act on the customer’s behalf; (ii) a regulated public utility serving the customer; or (iii) a contracted agent of the public utility. For purposes of this regulation, “third party” includes any non-public utility operations or affiliate of the public utility.

(8) Unique Identifier. The term “unique identifier” means a customer’s name, account number, meter number, mailing address, telephone number, or email address.

B. Aggregated data which has been aggregated to a degree that individual customer information is not identifiable shall not be considered “customer data.”

C. Customer Consent.

(1) A public utility shall not share, disclose, or otherwise make accessible to any third party a customer’s data, except as provided in subsection (F) or upon the consent of the customer.

(2) A public utility shall not sell a customer’s data for any purpose without the consent of the customer.

(3) The public utility or its contractors shall not provide an incentive or discount to the customer for accessing the customer’s data without the prior consent of the customer.

(4) Before requesting a customer’s consent for disclosure of customer data, a public utility shall be required to make a full disclosure to the customer of the nature and scope of the data proposed to be disclosed, the identity of the proposed recipient and the intended use of the data by the proposed recipient.

D. If a public utility contracts with a third party for a service that allows a customer to monitor the customer’s usage, and that third party uses the data for a secondary commercial purpose, the contract between the public utility and the third party shall provide that the third party prominently discloses that

H. Public Utility Guidelines.

(1) Each electrical, natural gas, water or wastewater public utility shall develop and seek Commission approval of guidelines for implementation of this section.

(2) The electrical, natural gas, water or wastewater public utility shall file its initial guidelines within 180 days of the effective date of this regulation for Commission approval. The guidelines should, at minimum, address the following:

(a) Customer Notice and Awareness – practices to explain policies and procedures to customers.

(b) Customer Choice and Consent – processes that allow the customer to control access to customer data including processes for customers to monitor, correct or limit the use of customer data.

(c) Customer Data Access – procedures for use of customer data, purpose for collection, limitations of use of customer data and processes for customer non-standard requests.

(d) Data Quality and Security Procedures and Measures – procedures for security and methods to aggregate or anonymize data.

(e) Public Utility Accountability and Auditing – reporting of unauthorized disclosures, training protocol for employees, periodic evaluations, self-enforcement procedures, and penalties.

(f) Frequency of Notice to Customers – practices and procedures to provide initial and annual notification of its privacy policy to customers.

(g) Due Diligence Exercised by Utility When Sharing Customer Data with Third Parties – practices, policies, and procedures when selecting the third party with whom the utility will share data so as to minimize unauthorized or inadvertent disclosure of customer data.

I. No Private Right of Action. This regulation shall be enforced by regulatory enforcement actions only. No private right of action for damages is created hereby.

J. Penalties. Failure to comply with this section is subject to any authority granted to the Commission by statute or regulation.

Fiscal Impact Statement:

The Commission anticipates utilizing its current resources to address administrative and legal issues in dockets related to the protection of jurisdictional public utilities' customer data. The Commission does not anticipate a fiscal impact to the Agency as a result of the implementation of Regulation 103-823.2.

Statement of Rationale:

Currently, no regulation exists which governs the protection of customer data in the custody of public utilities. To protect the public interest, a regulation should be promulgated which outlines the appropriate parameters and standards regarding a public utility's use of customer data. There was no scientific or technical basis relied upon in the development of this regulation.

secondary commercial purpose to the customer and secures the customer's consent to the use of his or her data for that secondary commercial purpose prior to the use of the data.

E. A public utility shall use reasonable security procedures and practices to protect a customer's unencrypted consumption data from unauthorized access, destruction, use, modification, disclosure, and to prohibit the use of the data for a secondary commercial purpose not related to the primary purpose of the contract without the customer's consent.

F. Exceptions to Sections A through E.

(1) This section shall not preclude a public utility from disclosing aggregated data for analysis, reporting, or program management.

(2) This section shall not preclude a public utility from disclosing customer data to a third party for system, grid, or operational needs, or the implementation of demand response, energy management, or energy efficiency programs, or for fraud prevention purposes, provided that the public utility has required by contract that the third party implement and maintain reasonable security procedures and practices appropriate to the nature of the information, to protect the personal identifying information contained in the customer data from unauthorized access, destruction, use, modification, or disclosure, and prohibits the use of the data for a secondary commercial purpose not related to the primary purpose of the contract without the customer's prior consent to that use.

(3) This section shall not preclude a public utility from disclosing customer data in the course of its operations:

(a) Where necessary to provide safe and reliable service;

(b) As required or permitted under state or federal law or regulation or by an Order of the Commission;

(c) Including disclosures pursuant to and permitted by the Fair Credit Reporting Act Section 1681 et seq., Title 15 of the United States Code including for purposes of furnishing account and payment history information to and procuring consumer reports from a consumer reporting agency as defined by 15 U.S.C. Section 1681;

(d) Upon valid request from law enforcement;

(e) To respond to an emergency;

(f) To respond to service interruption reports or service quality issues;

(g) To restore power after a storm or other disruption;

(h) To respond to customers' requests for line locations, installation or repair of streetlights, support for construction or tree trimming/removal by customer, or other service orders or requests;

(i) To inform customers as to tree trimming/vegetation control plans and schedules;

(j) To respond to claims for property damage by the customer resulting from tree trimming/vegetation control or public utility construction;

(k) To respond to customer complaints;

(l) To protect the health or welfare of the customer or to prevent damage to the customer's property;

(m) To assist the customer in obtaining assistance from social services, community action, or charitable agencies;

(n) To perform credit checks or review payment history where customer deposits might otherwise be required or retained;

(o) Where circumstances require prompt disclosure of specific information to protect customers' interests or meet customers' reasonable customer service expectations; or

(p) This section shall not preclude a public utility from, in its provision of regulated public utility service, disclosing customer data to a third party, consistent with the public utility's most recently approved Code of Conduct, to the extent necessary for the third party to provide goods or services to the public utility and upon written agreement by that third party to protect the confidentiality of such customer data.

(4) Nothing in this section precludes the utility from advising a municipality when service is disconnected.

G. If a customer discloses or authorizes the utility to disclose his or her customer data to a third party, the public utility shall not be responsible for the security of that data, or its use or misuse.

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the Matter of the Complaint Against)
Westar by Cathy J. Pechin.) Docket No. 15-WSEE-509-COM

**NOTICE OF FILING OF STAFF'S
REPORT AND RECOMMENDATION**

COMES NOW, the Staff of the State Corporation Commission of the State of Kansas (Staff and Commission, respectively), and hereby files its Report and Recommendation in the instant proceeding. Regarding the Complaint, Staff recommends:

1. The Commission assess a \$1,500 civil penalty against Westar Energy Inc. (Westar) for failure to comply with Section 1.28 of its General Terms and Conditions;
2. Westar obtain customer consent prior to any future contact from HomeServe USA, Corp. (HomeServe) to Westar customers;
3. Any mailings from Westar to its customers regarding HomeServe should state Westar and HomeServe are business partners, and Westar receives compensation from HomeServe for the use of Westar's customer mailing list; and
4. In the event HomeServe products do not cover damage to customer electrical components caused by weather or wildlife, Westar should assure such exclusions are listed in the information regarding HomeServe provided to Westar's customers.

Staff hereby submits both public and confidential versions of its Report and Recommendation in the instant proceeding.

WHEREFORE, Staff submits its Report and Recommendation for Commission review and consideration, and for such other relief as the Commission deems just and proper.

Respectfully Submitted,

/s/ Robert Elliott Vincent
Robert Elliott Vincent, S. Ct. #26028
Litigation Counsel
Kansas Corporation Commission
1500 S.W. Arrowhead Road
Topeka, Kansas 66604
Phone: (785) 271-3273
Fax: (785) 271-3167
E-Mail: r.vincent@kcc.ks.gov

Attorney for Commission Staff

Utilities Division
1500 SW Arrowhead Road
Topeka, KS 66604-4027



Phone: 785-271-3220
Fax: 785-271-3357
<http://kcc.ks.gov/>

Jay Scott Emler, Chairman
Shari Feist Albrecht, Commissioner
Pat Apple, Commissioner

Sam Brownback, Governor

REPORT AND RECOMMENDATION UTILITIES DIVISION

TO: Chairman Jay Scott Emler
Commissioner Shari Feist Albrecht
Commissioner Pat Apple

FROM: Leo Haynos, Chief of Energy Operations and Pipeline Safety
Jeff McClanahan, Director of Utilities

DATE: September 22, 2016

SUBJECT: Docket Number: 15-WSEE-509-COM
In the Matter of the Complaint Against Westar Energy by Cathy J. Pechin

EXECUTIVE SUMMARY:

On April 27, 2015, Cathy J. Pechin (Complainant) filed a Complaint alleging Westar Energy (Westar) is using its public utility brand name and information acquired from its captive customers to promote a private insurance company, HomeServe USA, Corp. (HomeServe), that provides insurance coverage for home emergency service plans. The Complainant also alleges HomeServe does not fully disclose what components of a homeowner's electric service system are covered by the insurance plan. On May 30, 2015, the Complainant amended the Complaint to include the allegation that Westar violated the privacy policy found in its Commission approved tariff when it provided Westar's customers' personally-identifiable information (PII) to HomeServe. After reviewing the two filings from the Complainant, Staff believes the Complainant is requesting the Commission take the following action regarding the Complaint:

- For any mailings sent by HomeServe that include Westar's name and logo, require Westar to clearly disclose the business relationship between HomeServe and Westar;
- Provide clarity to its customers regarding the Westar practice of providing customer's PII to business partners; and
- Provide all information obtained by Staff in the course of this investigation to the Kansas Attorney General's office for further action by that Agency.

On September 10, 2015, Westar filed a Motion to Dismiss this Complaint stating its mailings and website posting related to HomeServe are part of a customer education program. As such, Westar contends its effort to provide a customer education service is

not part of Westar’s regulated duties as a public utility and, therefore, does not fall within the scope of the Commission’s oversight. Furthermore, Westar contends the Complainant has not demonstrated that Westar’s conduct is "unreasonable, unfair, unjust, unreasonably inefficient or insufficient, unjustly discriminatory or unduly preferential" as required by K.S.A. 66-101e.

After conducting discovery, reviewing the various responses and replies filed in this Docket, and reviewing Westar’s tariff, Staff believes Westar violated Section 1.28 of its tariff when it provided its customers’ PII to HomeServe without the consent of the customer. Staff also believes the use by Westar of the Westar Energy brand name as a public utility, when considered in combination with information obtained from utility customers that are captive to its retail certificated area, constitutes a service performed by the public utility that falls within the scope of K.S.A 66-101e.

Review of discovery responses indicates to Staff that the Westar/HomeServe relationship is not transparent to the customer nor is the scope of the insurance coverage clearly stated. In this regard, Staff believes the Commission should require Westar to acknowledge in its HomeServe related mailings or website posting that Westar is compensated by HomeServe for providing the offer to purchase insurance and also state which common electrical outage causes (e.g. storm events) are *not* covered by the HomeServe program.

Staff views Westar’s failure to comply with Section 1.28 of its Commission-approved tariff as a violation of K.S.A. 66-117. Therefore, Staff is recommending the Commission issue a civil penalty to Westar in the amount of \$1,500 as allowed by K.S.A. 66-138.

BACKGROUND:

In September 2014, Westar entered into a contract with HomeServe in which Westar agreed to provide HomeServe the following customer information:

** [REDACTED]

¹ In addition to customer information, the contract between Westar and HomeServe obliges Westar to:

[REDACTED]

¹ Response to Staff Data Request 236, Docket 15-WSEE-115-RTS.

• [REDACTED] **

As compensation for the services provided by Westar, HomeServe agreed to pay Westar** [REDACTED] ** Currently HomeServe has enrolled ** [REDACTED] ** with Westar customers² and, according to the contract, receives a monthly commission of ** [REDACTED] ** of the net revenue from HomeServe.³ For its part, HomeServe provides the agreed upon insurance coverage and ** [REDACTED] **⁴

The insurance plans offered by HomeServe and approved by Westar include coverage of exterior electric components, interior electric components, and surge protection for residential and small business customers. The contract requirements –including what is and what is not covered- for the insurance program are attached as confidential exhibit LMH-1⁵ to this Report and Recommendation. Staff’s review of the marketing material prepared by HomeServe with Westar’s approval⁶ are provided on Westar’s website or mailed by HomeServe to the eligible Westar customers. Although in small font, the marketing material informs the prospective customer of the many events that are not covered by the insurance policy, and it includes a contact number for the customer to get more information on what is not covered.

The General Terms and Conditions section of Westar’s tariff includes a clause that addresses Westar’s obligation to protect the confidentiality of its customers’ PII. This section of the tariff is quoted in part as follows:

Section 1.28: "Confidentiality" Company's treatment of customer-specific information: This information, which shall include all billing statement information, usage data and agent information, shall not be released to any other party without the customer's consent, except that neither notice nor customer consent shall be required when customer-specific information is released in response to a request of the Commission or its staff..."

While the tariff does not specifically list the PII noted in the Westar/HomeServe contract, it is clear to Staff that Section 1.28 is applicable in the case of the Westar providing this information to HomeServe.

ANALYSIS

Commission Jurisdiction over the Westar/HomeServe Business Partnership:

In its Motion to Dismiss, Westar argues its business arrangement with HomeServe is a customer education program that does not relate to Westar’s duties as an electric public utility. Therefore, Westar believes the program does not fall within the Commission’s jurisdiction and the Complaint should be dismissed. Staff does not agree with Westar’s

² Response to Staff Data Request 28.

³ Response to Staff Data Request 236, Docket 15-WSEE-115-RTS, page 4 of contract.

⁴ Response to Staff Data Request 236, Docket 15-WSEE-115-RTS, page 2, Exhibit E statement of work.

⁵ Response to Staff Data Request 236, Docket 15-WSEE-115-RTS, Exhibit E statement of work.

⁶ Response to Staff Data Request 14B.

argument. Westar's customers are captive to Westar's retail certificated area. If the customer wishes electric service, it must purchase such service from Westar, and Westar is obliged to provide that service pursuant to the terms and conditions of its tariff approved by the Commission. As such, Staff believes any information related to the customer that is necessary to conduct the business of a public utility and any related practice using that information that affects that customer falls under the purview of the Commission's authority to require an electric public utility to provide reasonably sufficient and efficient service. K.S.A. 66-101e allows the Commission to investigate the reasonableness of *any* practice related to *any* service performed by the utility. In Staff's opinion, Westar's customer list is a necessary component of operating a public utility and should be considered an asset of the utility. The customer list and Westar's relationship with its customer as their electric public utility service provider are the foundation of the contract between Westar and HomeServe. Therefore, in Staff's opinion, the practice of promoting insurance coverage to customers regarding repairs related to electric utility service may be evaluated by the Commission for reasonableness. While an ulterior motive of Westar in promoting the HomeServe products may be to educate its customers, it is clear from review of the contract the primary focus of the Westar/HomeServe relationship is to sell insurance policies.

We also note the fact that Westar is compensated by HomeServe for the use of this public utility asset (i.e. the customer list) places the contract between Westar and HomeServe under the Commission's purview. The contract contemplates this concept in its introductory statement which says, ** [REDACTED] **⁷ Westar has not submitted this contract to the Commission for approval.⁸

Violation of Westar Tariff Related to Customer Confidentiality:

As noted above, section 1.28 of Westar's tariff requires consent from customers before releasing customer-specific information to any party except Staff. In Staff's view, the information provided by Westar to HomeServe is not only customer-specific but is also considered to be PII. In response to Staff's data request, Westar states it does not supply HomeServe with customer's phone numbers or email addresses⁹ ** [REDACTED] **¹⁰ Westar does supply the names and addresses of its customers, their status as an owner or tenant, and an indication of the customer's tax exempt status. Westar contends such information is readily available to the public at large. Westar does not consider this information to be customer PII because Westar requires HomeServe to have an identity theft prevention plan in place as part of their contract.¹⁰ In Staff's view, the fact that an identity theft prevention plan is a contractual requirement offers further proof that the customer information is PII. At any rate, the terms of the tariff require customer consent for the relatively low threshold of "customer-specific information" to any party except Staff regardless of contractual obligations.

⁷ Response to Staff Data Request 236, Docket 15-WSEE-115-RTS, page 1 of contract.

⁸ Response to Staff Data Request 20.

⁹ Response to Staff Data Request 4A3.

¹⁰ Response to Staff Data Request 4A1.

K.S.A. 66-117 requires a public utility to comply with the terms of its Commission-approved tariff. Failure to comply with the provisions of its tariff subjects the public utility to civil penalties of up to \$5,000 for each offence.¹¹ In this case, Staff alleges Westar unilaterally altered the provisions of its tariff when it provided HomeServe with customer-specific information without first gaining its customers' consent. Westar took this action without seeking Commission approval to modify the provisions of its tariff. Under this scenario, Staff believes a civil penalty of \$1,500 is appropriate. Exhibit LMH-2 provides Staff's rationale at arriving at the recommended amount for a civil penalty.

Presently, ** [REDACTED] ** of Westar's customers have insurance policies with HomeServe. These customers acceptance of HomeServe presumably serves as the customers' consent to Westar to allow HomeServe access to their PII. For those customers accessing the HomeServe information through the Westar website, HomeServe's privacy policy clearly states its terms of use of customer PII which the customer agrees to by using the website.¹² For Westar's remaining customers, Staff recommends Westar be required to obtain the customer's consent before allowing HomeServe to mail out additional marketing material.

Transparency of Westar/HomeServe Business Relationship and Customer Satisfaction:

HomeServe's insurance products appear to be beneficial to customers that have insurance needs for the very focused and limited areas in which the coverage is applicable. Westar notes that since inception, there have been ** [REDACTED] ** resulted in a claim being paid.¹³ In its filings, the Complainant included several articles regarding customer dissatisfaction with various HomeServe products offered across the nation and implied that HomeServe may not be a reliable company. While there have been inquiries with the Kansas Attorney General (AG) regarding HomeServe performance and while Staff has had at least two informal complaints regarding HomeServe,¹⁴ the evidence available to Staff regarding customer dissatisfaction appears to be relatively limited. Of the complaints received, three - including the Complainant - expressed a concern about the HomeServe mailer posing as Westar correspondence. The remaining inquiry to the AG office complained of getting a mixed message from Westar personnel that weather related events were covered while the HomeServe representative explained weather events are not covered. As demonstrated in Exhibit LMH-3¹⁵, the Westar marketing material is correspondence from Westar. In fact, Westar identifies the material as part of a *Westar* initiative to educate its customers on their maintenance responsibilities.¹⁶ Careful reading of the mailer, however, demonstrates that the insurance offering is from HomeServe and not Westar. It appears to Staff that HomeServe's advertising strategy is to use the Westar public utility logo and reputation

¹¹ K.S.A. 66-138(a) If any common carrier or public utility governed by the provisions of this act violates any of the provisions of this act... or fails, neglects or refuses to obey any lawful requirement or order made by the commission,... it shall, for every such violation, failure or refusal, forfeit and pay to the state treasurer ... (2) a sum not less than \$100 and not more than \$5,000 for such offense if the violator is any other common carrier or public utility.

¹² <http://www.homeserveusa.com/privacy-policy>.

¹³ Response to Staff Data Request 29.

¹⁴ Response to Staff Data Request 28B.

¹⁵ Response to Staff Data Request 14B.

¹⁶ See Westar Motion to Dismiss.

as a means to get introduced to potential customers. The fact that Westar approves all of HomeServe's mailings demonstrates their agreement with this strategy. While this approach toward selling a home insurance product may be less than forthright, Staff notes that a careful reading of the advertisement explains that HomeServe -- not Westar -- is offering the insurance product.

Westar's contract with HomeServe allows Westar to ** [REDACTED] **¹⁷ By assuming this role, Westar is more than just a passive business partner of HomeServe. It follows, therefore, that Westar is responsible to make sure HomeServe provides clear descriptions of what its insurance product covers, and that it provides professional and prompt repairs. Westar's oversight also extends to the area of assuring that HomeServe meets performance obligations to protect PII and provide professional and prompt resolution of insurance claims. Staff notes that of the ** [REDACTED] ** claims that HomeServe has denied, it appears that approximately 50% of the denied claims were due to one of the many scenarios excluded from HomeServe coverage.¹⁸ Although not specifically noted as exclusions in the HomeServe mailers sent to customers, it is Staff's understanding that common outage events such as those related to weather would not be covered by HomeServe. Staff believes weather and wildlife related outages would be a significant cause of necessary repairs to a customer's exterior electrical components.¹⁹ In order to minimize confusion regarding policy coverage and provide more transparency to its customers, Staff recommends the Commission order Westar to revise the HomeServe mailers to clearly state Westar is HomeServe's business partner in providing the insurance product to customers. Staff also recommends that if customer-owned electrical components damaged due to wildlife and weather are not covered by the product offering, the customer correspondence should state that fact in the list of exclusions. As stated earlier, the customer list procured by Westar by virtue of its electric public utility certification is the basis of the Westar/HomeServe business partnership. As such, Staff believes the Commission is fully within its authority to order Westar to amend the advertisements it provides to its customers regarding Westar's role in the insurance offering and offer more clarity as to what events are excluded from coverage.

CONCLUSION:

Westar has elected to include HomeServe as a business partner in offering a service to its public utility customers. Westar is compensated by HomeServe for the use of its customer contact database, and it sets minimum performance standards for HomeServe in dealing with Westar customers. Although the Westar tariff requires customer consent prior to releasing customer-specific information to other entities, Westar did not obtain consent from each customer before releasing names, addresses, and home ownership status to HomeServe. The HomeServe program has paid some insurance claims in Kansas, and it generally pays more claims than it refuses. Complaints received by the

¹⁷ Response to Staff Data Request 236, Docket 15-WSEE-115-RTS, Exhibit E, Statement of Work of contract.

¹⁸ Response to Staff Data Request 29C.

¹⁹ Approximately 30% of outages Westar experienced on its equipment in 2013 were due to weather or wildlife related events; see response to Staff Data Request 95 in Docket 15-WSEE-115-RTS.

Commission and by the Kansas Attorney General's office regarding the HomeServe program have been few in number. Of the complaints reviewed, the main issue appears to be the confusion created by the HomeServe marketing program regarding Westar's role in the program. Other complaints focus on the number and types of exclusions that are part of the HomeServe insurance coverage.

Staff believes all aspects of Westar's relationship with HomeServe are subject to Commission oversight because the basis of the business partnership is the customer contact list which is a public utility asset. Staff alleges Westar is in violation of its tariff and recommends a civil penalty as per the requirements found in K.S.A. 66-138. Staff also believes it is appropriate for the Commission to require Westar to modify the HomeServe marketing information to include the fact Westar is a business partner of HomeServe and is compensated by HomeServe for the use of its customer list. Staff also recommends the marketing material clearly state if weather or wildlife related outages are excluded from the HomeServe coverage.

RECOMMENDATION:

Regarding this Complaint, Staff recommends the following:

1. The Commission should issue a civil penalty to Westar in the amount of \$1,500 for the failure of Westar to comply with Section 1.28 of its General Terms and Conditions found in its Tariff.
2. Westar should obtain customer consent for any future contacts from HomeServe to Westar customers.
3. Any mailings from Westar to its customers regarding HomeServe should state that Westar is a business partner with HomeServe and is compensated for the use of its customer mailing list.
4. If HomeServe insurance products do not cover damage to customer electrical components that are caused by weather or wildlife causes, Westar should assure that such exclusions are listed in the information regarding HomeServe that is provided to its customers.

EXHIBIT LMH-1

CONFIDENTIAL

EXHIBIT LMH-2

Public Utility Penalty Calculator

Penalty Categories

	<u>Base penalty</u>	<u>Yes/No</u>	<u>Calculated Base Penalty</u>	<u>Explanation (if applicable)</u>
Failure to comply with statutory requirement.	\$500.00	no	\$0.00	
Failure to comply with Commission Order.	\$500.00	no	\$0.00	
Failure to comply with Commission approved tariff.	\$500.00	Yes	\$500.00	66-117a) Unless the state corporation commission otherwise orders, no common carrier or public utility over which the commission has control shall make effective any changed rate, joint rate, toll, charge or classification or schedule of charges, or any rule or regulation or practice pertaining to the service or rates of such public utility or common carrier except by filing the same with the commission at least 30 days prior to the proposed effective date.
			\$500.00 Total Base Penalty	

Aggravating Circumstances

<u>Description</u>	<u>Multiplier</u>	<u>Yes/No</u>	<u>Calculated Multiplier</u>	<u>Explanation (if applicable)</u>
<i>Select ONLY the most serious of the three circumstances below</i>				
Violation caused property damage >\$10,000	5		1	
Violation contributed to injury	10		1	
Violation contributed to fatality	20		1	
Violation caused mass service outage (>100 customers)	3		1	
Repeat violation within past 5 years	2		1	
Economic benefit gained from the violation	3	yes	3	
No measures taken to prevent recurrence	2		1	
Operator uncooperative in resolution of the violation	5		1	
Gross negligence/willful or wanton conduct	10	no	1	
			3 Aggravating Multiplier	
			\$1,500.00 Aggravated Penalty	
Number of Violation Occurrences	1			\$1,500.00 TOTAL AGGRAVATED PENALTY

Mitigating Circumstances

		<u>Yes/No</u>	<u>Calculated Multiplier</u>	<u>Explanation (if applicable)</u>
customers < 250	0.25	no	1	
250 < customers < 1000	0.5	no	1	
1000 < customers < 10,000	0.75	no	1	
customers > 10,000	1	no	1	
Other Reasons*	1		1	
			1 Mitigating Multiplier	
			\$1,500.00 Final Recommended Penalty Amount	

Exhibit LMH-3; page 1

Home services from Westar Energy

Protection and repair plans

There's never a good time for something to break at home. Whether it's as simple as a blown circuit or as serious as damage to the exterior line or hardware, you want it repaired or replaced fast - and you want the job done right.

Westar provides you with a simple and easy way to deal with home repair of electrical lines, so that all you need to do is make one call for fast and reliable emergency repair services.

Low monthly rates are available for the following coverage plans:

- Exterior Electrical Line Coverage for \$4.99/mo.
- Interior Electrical Line Coverage for \$4.99/mo.
- Interior Electrical Plus Coverage for \$5.99/mo.
- Electrical Surge Coverage for \$5.99/mo. (currently available to renters only)
- Residential Electrical Line Coverage for \$9.98/mo
- Water Heater Repair and Replacement for \$7.99/mo
- Electrical Line Coverage for Small Businesses for \$14.99/mo
- Check back for additional coverage plans in the coming weeks

[Repair plans](#)

Frequently asked questions

What is Home Services from Westar Energy?

Home Services is a group of optional premium home repair and coverage plans that provide customers with protection against costly repairs to both external and internal electrical lines and components.

What elements of my above ground exterior electric service am I responsible for?

This [simple diagram](#) can help you understand your home's overhead service.

How can I tell if I am responsible for my home's underground service?

These [simple diagrams](#) can help you understand your home's underground service. If you have direct buried, your home will have a junction box below the meter can.

How can I tell if I have service rated less than 80 amps?

Your electric meter would not have a [meter can](#) around it.

Have any other utilities offered the same coverage plans to their customers?

Yes, the coverage plans included within Home Services are offered by HomeServe in partnership with other regional electric utilities, and have resulted in positive customer feedback.

Do these services cost anything extra?

Yes, for a low monthly fee, Home Services provides premium services to customers who choose to participate. The fees vary according to the coverage plan(s) selected.

Where can I learn more about the coverage plans from Westar?

Visit WestarRepairPlans.com or call HomeServe at 844-219-9213 to learn more.

How do I sign-up?

Visit WestarRepairPlans.com or call HomeServe at 844-219-9213 to sign up.

Will this charge be added to my electric bill?

No, customer payments are processed through various options offered by HomeServe, the billing company.

Who is HomeServe?

HomeServe is an independent provider of home repair service plans. For over a decade, HomeServe has protected millions of homeowners across the globe against untimely expenses associated with electric and other home repairs by providing affordable coverage and quality service.

Is this program subsidized by Westar Energy customers?

No, the expenses associated with Home Services from Westar Energy are not recovered from Westar Energy ratepayers. Westar Energy electric service customers do not subsidize any portion of Home Services program expenditures. Home Services from Westar Energy are provided as an option to customers and are paid for only by customers who choose to initiate a premium coverage plan. Home Services from Westar Energy are not regulated by the Kansas Corporation Commission.

Who is eligible to purchase a coverage plan?

Home Services from Westar Energy coverage plans make sense for customers who are responsible for the expenses associated with the care and upkeep of their home.

Which small business customers are eligible to participate?

Westar small business customers with typical energy consumption of 5,000 kWh or less per month will be eligible for coverage.

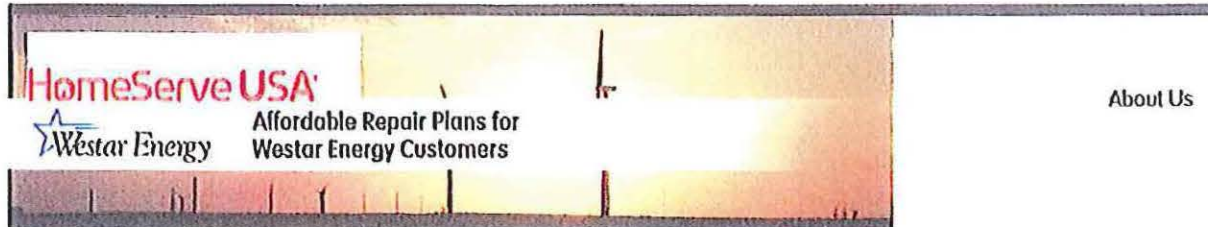
How do I cancel my plan?

Visit WestarRepairPlans.com or call HomeServe at 844-219-9213 in order to cancel coverage.

I would like to speak with Westar more in detail about Home Services. How do I reach the appropriate Westar contact?

Please contact the Home Services from Westar Energy program manager directly at home.services@westarenergy.com.

If you need to file a claim related to property damage done by Westar Energy, please visit our [file a claim page](#).

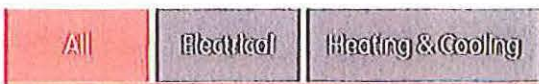


Westar Energy has partnered with HomeServe to provide their customers affordable emergency repair plans that can help provide protection against costly and inconvenient repairs to systems through their homes and properties.

Home emergency repairs can be expensive and time-consuming. With a repair plan from HomeServe, you can get access to our 24/7 hotline where you can schedule a repair for the systems in and around your home. There's never a deductible, we pay the technician's bill up to the benefit amount and we guarantee all covered repairs for one year!

GET STARTED TODAY!
Order Online in 2 Easy Steps...

- 1 Add Plans to Your Cart
- 2 Complete Secure Checkout!



Electrical Repair Plans Available

Exterior Electrical Line Coverage




★★★★

Exhibit LMH-3; page 6

December 2014

the
Westar Wire
 Knowledge is power



Happy holidays from your friends at Westar Energy.

A NEW OPTION FOR HOME EMERGENCY REPAIR PLANS

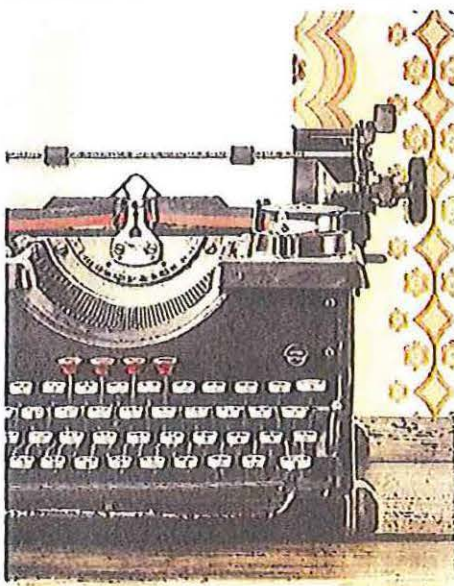
There's never a good time for something to break at home. Whether it's as simple as a blown circuit or as serious as damage to the exterior electric line or hardware, you want it repaired or replaced fast — and you want the job done right.

Many people don't realize they are responsible for certain electrical components outside of their homes until an untimely and costly repair is needed.

Westar is partnering with HomeServe USA to provide affordable emergency repair service plans that will provide plan holders access to a 24/7 repair hotline connecting them to local, licensed and insured contractors. The plans can also save homeowners hundreds of dollars across a variety of electrical system repairs that are typically not covered by basic homeowner's insurance.



For more information, visit www.WestarEnergy.com/HomeServices.



YOUR EBILL OPTIONS

Rotary phones.
Typewriters. Paper bills.

All made obsolete because there's just a better way—like paperless billing from Westar Energy. It's the simple way to go digital and get your bill emailed to you every month. Plus, it makes it even easier to pay your bill online. Learn more at www.WestarEnergy.com/OldHabits.

Go paperless by Jan. 15, 2015, to get a:

\$5
credit on your next energy bill



\$5
donation to a Kansas food bank from Westar

Exhibit LMH-3; page 7

March 2015

the

Westar Wire

Knowledge is power



Cold Weather Rule ends March 31: For more information, search "Rates and Regulations" at WestarEnergy.com or call our Customer Relations Center at 800-383-1183.

A new option for home emergency repair plans

Westar Energy is partnering with HomeServe USA to provide homeowners with optional and affordable emergency repair plans that provide protection against costly and inconvenient repairs to systems throughout their homes and properties. Plans currently available to Westar customers include:

Exterior Electrical Line Coverage: \$4.99/mo

Interior Electrical Line Coverage: \$4.99/mo

Interior Electrical Line Plus Coverage: \$5.99/mo

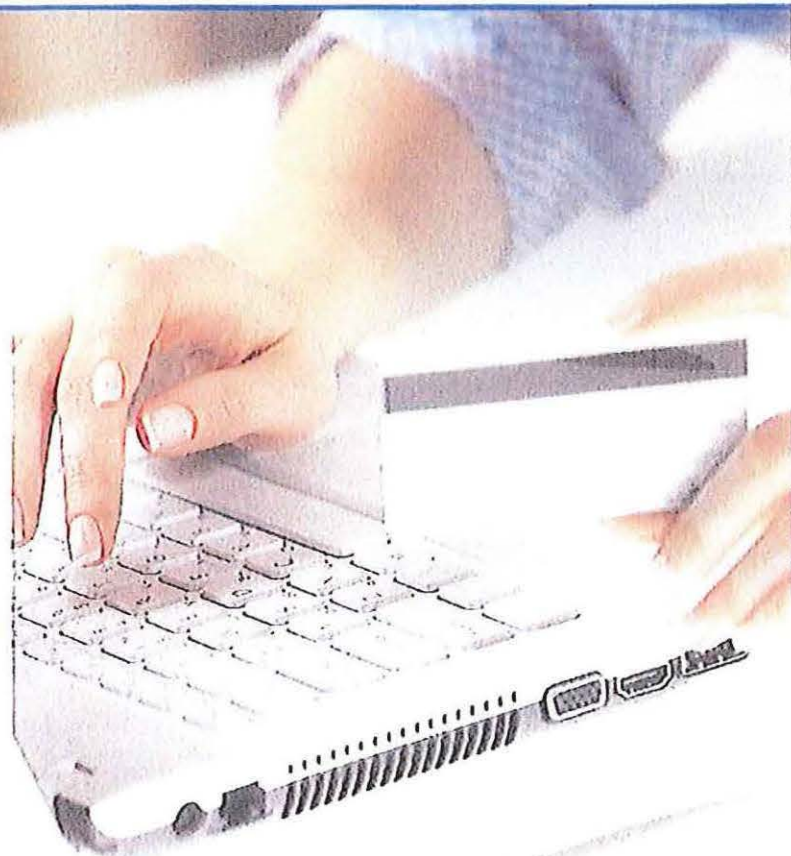


In addition, a surge coverage option will soon be available. Visit WestarRepairPlans.com for more information or call 844-219-9213 to sign-up today.

You asked, we listened.

Goodbye credit card convenience fees! Residential customers no longer pay a \$2.95 convenience fee when making credit or debit card payments. Paying online? Reduce clutter and switch to the ease and security of paperless billing.

Learn more at WestarEnergy.com/paperless-billing.



APRIL
2016

CUSTOMER SPOTLIGHT | Dean & DeLuca Standard Beverage Corporation, Wichita

Kansas is full of people and businesses that move our state forward. Here's one of their stories.

EV forklifts drive quiet improvements



SAFE AND QUIET: Quiet electric forklifts make communication easier on site, which increases safety and efficiency.

More online: For more information on the use of electric forklifts for your business, visit WestarEnergy.com/ElectricForklifts or email us at forklifts@westarenergy.com.

For Marty Hammer, Facilities Director for Dean & DeLuca and Standard Beverage Corporation in Wichita, the decision to use electric (EV) forklifts in the company's warehouse operations was an easy one.

On the Dean & DeLuca side, the use of EV forklifts is mandated because of the work they do with food distribution, and once he saw the benefits they offer, it was a no-brainer to use them on the Standard Beverage side of the business.

"We see savings in things like the costs associated with fuel and maintenance of the machines, but the cleanliness is also huge," Hammer said.

With zero emissions and quieter operation, the work environment is safer for everyone, but he also likes the space EV forklifts free up and knowing that fuel is always available. "We don't have to store propane tanks and wonder if they are empty or full; the only space we need is for our chargers, it's really nice," he said.

Hammer has been running EV forklifts for the last 15 years at Standard Beverage and would recommend every industry consider it.

"For total cost of ownership, you can't really beat the benefits," he said.

APRIL
2016

Knowledge is power.

Westar Wire

IMPORTANT NOTICE

for residential customers concerning medical equipment in your home

Please contact Westar Energy at 866-515-0857 if you or a permanent member of your household uses medical equipment that requires life-sustaining, continuous electric service, such as:

- Oxygen concentrator
- Kidney dialysis machine

- Infant apnea monitor
- Electric feeding pump

Our customer advisors will provide additional information and instructions on how to learn if you are qualified for our Life Support Program.

NOTICE TO OUR CUSTOMERS

Rate summaries available upon request

Electric service rate summaries for residential, commercial and industrial customers are available on our website, WestarEnergy.com, or upon request. The commercial and industrial rate summaries may help you to determine which rate is most suitable for your electric energy needs. Residential customers have two rate schedules: residential standard service and residential standard distributed generation. Those customers

installing renewable generation, which includes photovoltaic as well as other resources, must take service under the residential standard distributed generation rate schedule.

A time of use rate is also available to residential customers. For more information about our rates, please call 1-800-383-1183.

Westar Wire

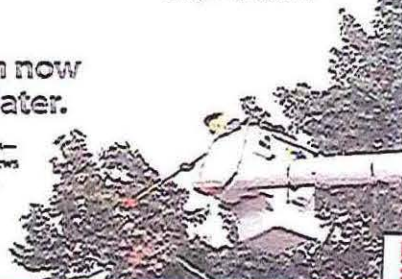
Photo: © Ken Kasper / iStockphoto.com; © iStockphoto.com; © iStockphoto.com



ReliabilTree crews trim now to keep your lights on later.

There's a science to preventing tree-related power outages—and it starts in your yard. That's why our ReliabilTree crews are trimming branches in neighborhoods across Kansas. In trimmed areas, tree-related power outages have dropped by more than 60 percent. It's a great way to keep our neighborhoods safe and our trees healthy.

Continue reading inside >



Food for thoughtfulness.

Thanks to you, Westar Energy raised over 530,000 for Kansas food banks by donating 5¢ for every customer who switched to paperless billing in November and December. The results were amazing—both for our environment and our local communities. Ready to make the switch? Sign up at WestarEnergy.com/Paperless.



Be prepared, get protected.

Did you know if certain parts of your exterior electrical system need to be repaired, you are responsible?

Westar is partnering with HomeServe to offer optional coverage plans starting at \$4.99 per month to help you prepare for those unexpected repairs to your exterior electrical system and more.

Visit WestarRepairPlans.com to learn more.

Kansas' green energy options keep growing.

Westar is proud to be leading green energy efforts in Kansas, and we are continuing to invest in more green energy.

The new Kingman Wind Energy Center in Kingman County will be fully operational by this time next year, supplying more green energy to Kansas. With this addition, 33 percent of our retail energy will come from wind. More than 6,000 Kansans have signed up for Westar Wind in the last three months. It would take to run them, visit WestarEnergy.com/Wind

The bright Kansas sun also provides clean, natural energy. We're currently invested in 20 educational solar array projects across Kansas that generate green energy. Plus, two of the solar panels installed last summer recently became fully operational and a third one will soon follow. To learn more about our solar projects, visit WestarEnergy.com/Solar-Project

Sign into your account and click on My Options Wizard to learn more about Westar Wind and other opportunities to support green energy.

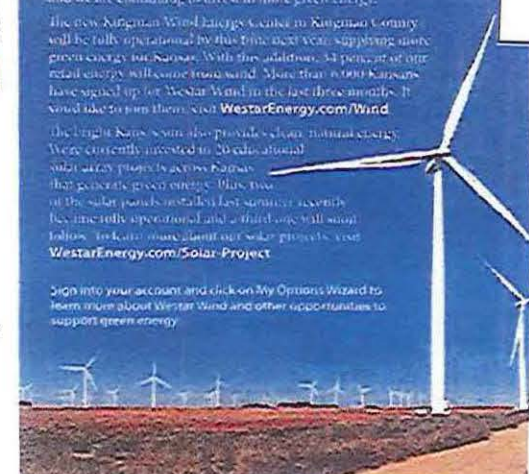


Exhibit LMH-3; page 8

Exhibit DND-3

Exhibit LMH-3; page 9

**Home Emergency Repair
Plans Available to
WESTAR ENERGY
Customers**

At Westar Energy we value our customers and strive to provide superior service. With an optional coverage plan from HomeServe, a world leader in the home repair services business, you will be protected against the cost and inconvenience of emergency repairs to the systems in your home you choose to protect. See the reverse of this card for the coverage plans currently offered.

For more information call toll-free:

1-844-219-9213

Available: Mon-Fri 7am-7pm | Sat 9am-3pm CST

WestarRepairPlans.com





CURRENT COVERAGE PLANS AVAILABLE

EXTERIOR ELECTRICAL LINE COVERAGE*

Up to \$3,000 per year

\$4.99
per month

INTERIOR ELECTRICAL LINE COVERAGE*

Up to \$2,500 per year

\$4.99
per month

INTERIOR ELECTRICAL LINE PLUS COVERAGE*

Unlimited coverage per year

\$5.99
per month

New plans are being developed. Please visit our website periodically for more coverage options.

WestarRepairPlans.com

All plans include multiple service calls up to the stated annual benefit amount (30-day wait period with a money-back guarantee) for covered repairs. Certain limitations and exclusions apply. To receive Terms & Conditions prior to enrollment, call toll-free 1-844-219-9213.

HomeServe USA Repair Management Corp. ('HomeServe'), with corporate offices located at 601 Meritt 7, 6th Floor, Norwalk, CT 06851, is an independent company separate from Westar Energy and offers this optional service plan as an authorized representative of the contract issuer, AMT Warranty Corp., 59 Maiden Lane, 43rd Floor, New York, NY 10038. Your choice of whether to participate in this service plan will not effect the price, availability or terms of service from Westar Energy.

15_WS_RC

15_WS_RC 2

15_WS_RC 2

2/12/15 2:05 PM

CERTIFICATE OF SERVICE

15-WSEE-509-COM

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing of Staff's Report and Recommendation was served by electronic service on this 13th day of October, 2016, to the following:

CATHY J. PECHIN
902 TOPEKA
EMPORIA, KS 66801
brookside1954@gmail.com

* ROBERT VINCENT, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604-4027
Fax: 785-271-3354
r.vincent@kcc.ks.gov

* CATHRYN J. DINGES, SENIOR CORPORATE COUNSEL
WESTAR ENERGY, INC.
818 S KANSAS AVE
PO BOX 889
TOPEKA, KS 66601-0889
Fax: 785-575-8136
cathy.dinges@westarenergy.com

* JEFFREY L. MARTIN, VICE PRESIDENT, REGULATORY
AFFAIRS
WESTAR ENERGY, INC.
818 S KANSAS AVE
PO BOX 889
TOPEKA, KS 66601-0889
jeff.martin@westarenergy.com

/S/ Pamela Griffeth

Pamela Griffeth
Administrative Specialist

* Denotes those receiving the Confidential version

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners: Pat Apple, Chairman
Shari Feist Albrecht
Jay Scott Emler

In the Matter of the Complaint Against)
Westar Energy by Cathy J. Pechin.) Docket No. 15-WSEE-509-COM

ORDER ASSESSING FINES FOR TARIFF VIOLATIONS

This matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed the pleadings and record, the Commission makes the following findings:

1. On April 27, 2015, Cathy J. Pechin, a Westar Energy, Inc. (Westar) residential customer, filed a formal Complaint alleging Westar improperly promoted a private insurance policy by sending its customers an offer for HomeServe insurance.¹

2. Following the Commission's initial rejection of her Complaint for failing to cite to any tariff, regulation, or statute and not providing sufficient facts to determine if any tariff, regulation, or statute was violated,² on May 30, 2015, Pechin filed an Amended Complaint. The Amended Complaint asserted that by sharing her name and address with HomeServe, Westar violated its privacy policy.

3. On August 27, 2015, the Commission found Pechin's Amended Complaint established a prima facie case for Commission action and directed Commission Staff (Staff) to investigate the matter and file a Report and Recommendation (R&R).³

¹ Complaint, Apr. 27, 2015.

² Order Adopting Staff's Memorandum, May 21, 2015, p. 1.

³ Order Adopting Staff's Memorandum, Aug. 27, 2015, p. 3.

4. On September 10, 2015, Westar filed a Motion to Dismiss, alleging the Complaint does not relate to Westar's duties as an electric public utility, and must be dismissed as it is outside the scope of the Commission's jurisdiction.⁴ Westar characterized its arrangement with HomeServe as an optional service offered to Westar customers.⁵

5. On October 13, 2016, Staff filed its R&R suggesting the Commission: (1) levy a \$1,500 civil penalty against Westar for violating Section 1.28 of its tariff; (2) require Westar obtain customer consent before HomeServe contacts Westar customers; (3) require any mailings to explain Westar receives compensation from HomeServe to use Westar's customer mailing list; and (4) ensure any damages to customer electric components due to weather or wildlife not covered by HomeServe should be listed as exclusions in the information provided to Westar customers.⁶

6. On October 24, 2016, Westar filed its Response to Staff's R&R, claiming it did not violate Section 1.28 of its Tariff, in part because the information provided to HomeServe is not "customer-specific information" as referenced in the Tariff.⁷ Instead, Westar claims the information provided to HomeServe is "personally identifiable information," disclosure of which is governed by state and federal statutes.⁸

7. On June 27, 2017, the Commission issued an Order Denying Motion to Dismiss of Westar Energy, Inc., finding under the plain language of the Tariff, "all billing statement information, usage data and agent information" is within the definition of "customer-specific information" and that account numbers are included in "all billing statement information."⁹ By

⁴ Motion to Dismiss of Westar Energy, Inc., Sept. 10, 2015, ¶ 3.

⁵ *Id.*, ¶ 9.

⁶ Notice of Filing of Staff's Report and Recommendation, Oct. 13, 2016, p. 1.

⁷ Response of Westar Energy, Inc. to Staff's Report and Recommendation (Westar Response), Oct. 24, 2016, ¶¶ 5, 7.

⁸ *Id.*, ¶ 7.

⁹ Order Denying Motion to Dismiss of Westar Energy, Inc., June 27, 2017, ¶ 9.

sharing Pechin's account information with HomeServe without getting her consent, Westar violated Section 1.28 of its Tariff.¹⁰

8. To determine the appropriate civil penalty for Westar's tariff violation, the Commission directed Westar to provide additional information as to the scope of Westar's tariff violation.¹¹

9. On July 26, 2017, Westar filed its Response to the Commission's Order Denying Motion to Dismiss, admitting that since it began its relationship with HomeServe in October 2014, HomeServe has marketed to up to 388,000 Westar customers.¹² Of those 388,000 customers, approximately 22,000 households have signed up for HomeServe's service.¹³ Westar has received approximately 40 customer complaints related to this marketing practice, including 21 requests to be removed from HomeServe's mailing list.¹⁴ HomeServe sent out a total of 16 rounds of mailings.¹⁵ Of those rounds, 12 were sent to between 340,000 and 388,000 customers.¹⁶ There were four other mailings that went to an unspecified, smaller subset of Westar customers.¹⁷

10. K.S.A. 66-138(a)(2) authorizes the Commission to impose a civil penalty ranging from \$100 to \$5,000 for each violation of the public utilities act, including tariff violations. The question before the Commission is how times did Westar violate its tariff by improperly sharing customer account information with HomeServe.

11. In its R&R Staff recommended a \$1,500 penalty, by starting with a base fine of \$500 and applying an aggravating multiplier because Westar gained an economic benefit from

¹⁰ *Id.*, 11.

¹¹ *Id.*, 12.

¹² Response of Westar Energy, Inc. to Commission Order Denying Motion to Dismiss, July 26, 2017, ¶ 7.

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

the violation.¹⁸ Westar accepted Staff's recommended penalty,¹⁹ but in the alternative, recommended the Commission find each of the 16 batches of mailings are counted as a single violation of Westar's Tariff, for a total of 16 violations.²⁰ Claiming that it has already taken action to address the violation before the Commission acted, and there have been few complaints regarding the program, Westar "requests that the Commission assess a penalty of \$1,500 per violation."²¹ Under Westar's alternative request, Westar would receive a \$24,000 civil penalty for violating its Tariff.

12. Staff's recommendation of a \$1,500 penalty was made before the scope of Westar's tariff violation was known. Now that the record demonstrates HomeServe has marketed to up to 388,000 Westar customers through a total of 16 rounds of mailings, generating approximately 40 customer complaints, it is apparent that a \$1,500 penalty is woefully inadequate.

13. While the unauthorized selling of customer information violates the tariff, the Commission is particularly troubled that Westar essentially leveraged its relationship with its customers to promote a third-party vendor. To Westar customers, HomeServe's marketing material appears to be from Westar as it is accompanied by a letter from Westar, identifying the program as a Westar initiative to educate its customers on their maintenance responsibilities.²² Only after a careful reading of the mailer does it become clear that the insurance offering is from HomeServe, not Westar.²³ Similarly, Westar's website repeatedly refers to the offerings as "Home Service from Westar" and advises customers to "contact the Home Services from Westar

¹⁸ Exhibit LMH-2, attached to Staff's R&R.

¹⁹ Response of Westar Energy, Inc. to Commission Order Denying Motion to Dismiss, ¶ 9.

²⁰ *Id.*, ¶ 10.

²¹ *Id.*

²² See Staff's R&R, p. 5.

²³ *Id.*

Energy program manager directly at home.services@westarenergy.com” for more detailed information about Home Services.²⁴ Westar allowed HomeServe to use Westar’s logo and reputation as a means to convince potential customers that Westar endorsed the HomeServe offerings.²⁵ Westar essentially sold its goodwill with its customers to HomeServe and allowed HomeServe to market its service under the guise of a regulated utility. In doing so, Westar breached the public trust. The Commission believes the gravity of the violation calls for a maximum penalty of \$5,000 per violation.

14. The Commission agrees with Westar’s suggestion to count each of the 16 batches of mailings as a violation. Therefore, the Commission fines Westar \$80,000 for violating Section 1.28 of its Tariff by sharing customer account information with HomeServe without obtaining customer consent.

15. The Commission continues to believe Westar should be required to disclose that it is receiving compensation for sharing its customer list with HomeServe. Accordingly, the Commission reiterates that Westar is required to add language to its customer mailings informing its customers that Westar received compensation for sharing their information with HomeServe.

16. In its Response to Staff’s R&R, Westar expressed a willingness to add additional language to address concerns that the HomeServe policy excludes coverage for damage caused by natural disasters.²⁶ In its review of the HomeServe marketing material available on Westar’s website or mailed to Westar customers,²⁷ the Commission was unable to find any language advising Westar customers of exclusions to the HomeServe policy. Accordingly, the

²⁴ Exhibit LMH-3, pp. 3-4, attached to Staff’s R&R

²⁵ *Id.*, pp. 5-6.

²⁶ *Id.*, ¶ 16.

²⁷ See Exhibit LMH-3, attached to Staff’s R&R.

Commission directs Westar to add language advising its customers that the HomeServe policy excludes coverage for damage caused by weather or wildlife.

17. The Commission is concerned that there may not be uniformity in how regulated utilities safeguard customer information. Therefore, the Commission directs Staff to file a report and recommendation regarding what steps should be taken to ensure the billing standards and tariff language of the utilities regulated by the Commission are consistent and follow best practices for protecting customers' privacy.

THEREFORE, THE COMMISSION ORDERS:

A. Westar is assessed a civil penalty of \$80,000 for violating Section 1.28 of its Tariff by sharing customer account information with HomeServe without obtaining customer consent.

B. Westar is directed to add language to its customer mailings informing its customers that Westar received compensation for sharing their information with HomeServe and of the exclusions to the HomeServe policy.

C. Staff is directed to file a report and recommendation studying the billing standards and tariff language regarding privacy to ensure best and consistent practices are used by all regulated utilities.

D. The parties have fifteen (15) days from the date this Order was electronically served to petition for reconsideration.²⁸

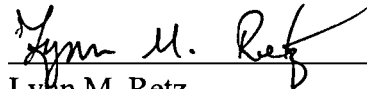
E. The Commission retains jurisdiction over the subject matter and parties for the purpose of entering such further orders as it deems necessary.

²⁸ K.S.A. 66-118b; K.S.A. 77-529(a)(1).

BY THE COMMISSION IT IS SO ORDERED.

Apple, Chairman; Albrecht, Commissioner; Emler, Commissioner

Dated: NOV 02 2017



Lynn M. Retz
Secretary to the Commission

BGF

EMAILED

NOV 02 2017

CERTIFICATE OF SERVICE

15-WSEE-509-COM

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of

Electronic Service on NOV 02 2017.

CATHY J. PECHIN
902 TOPEKA
EMPORIA, KS 66801
brookside1954@gmail.com

BRIAN G. FEDOTIN, DEPUTY GENERAL COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604-4027
Fax: 785-271-3314
b.fedotin@kcc.ks.gov

ROBERT VINCENT, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604-4027
Fax: 785-271-3354
r.vincent@kcc.ks.gov

CATHRYN J. DINGES, SENIOR CORPORATE COUNSEL
WESTAR ENERGY, INC.
818 S KANSAS AVE
PO BOX 889
TOPEKA, KS 66601-0889
Fax: 785-575-8136
cathy.dinges@westarenergy.com

JEFFREY L. MARTIN, VICE PRESIDENT, REGULATORY
AFFAIRS
WESTAR ENERGY, INC.
818 S KANSAS AVE
PO BOX 889
TOPEKA, KS 66601-0889
jeff.martin@westarenergy.com

/s/ DeeAnn Shupe
DeeAnn Shupe

EMAILED

NOV 02 2017

INFORMATION FOR [REDACTED]

Re: Gas Line



Exhibit DND-5

[REDACTED]

1287

Response Requested

Status: Not Covered



We are writing to customers to help them understand their responsibility for the gas lines on their property.

Piedmont is always looking for ways to make your natural gas service easier and more convenient. This includes helping you manage your responsibility for the gas lines that run from your natural gas meter outlet connection to your outdoor and indoor appliances, water heater and heating system. Your property is not covered with Gas Line Coverage from HomeServe, which Piedmont Natural Gas has selected to make available to eligible customers. Without this *optional* non-regulated coverage, you may have to pay hundreds of dollars to repair or replace the gas lines on your property if a breakdown occurs.

This protection provides an annual benefit amount of \$8,000 and multiple service calls up to that amount (30-day wait period includes a money-back guarantee). For just \$5.49 per month, you can help protect yourself from the unplanned financial burden of covered repairs to the gas line on your property.

Please respond. Complete and return the enclosed form or call 1.888.302.0141.

For fastest processing, visit www.PiedmontRepairPlans.com.

HomeServe USA Repair Management Corp. ("HomeServe"), with corporate offices located at 601 Merritt 7, 6th Floor, Norwalk, CT 06851, is an *independent company separate from Piedmont Natural Gas* and offers this optional service plan as an authorized representative of the contract issuer, National Home Repair Warranty, Inc., 59 Maiden Lane, 43rd Floor, New York, NY 10038. Your choice of whether to participate in this service plan will not affect the price, availability or terms of service from Piedmont Natural Gas.

What am I responsible for?

Just as you have always been responsible for the water pipes and electrical wiring in your home, as a homeowner, you are also responsible for your gas line up to your utility's responsibility.

Does my homeowners insurance cover this?

Most basic homeowners insurance policies do not cover repair or replacement due to normal wear and tear of the gas lines.

Who is eligible for coverage?

An owner of a residential single structure, or a unit within a structure, that is not intended to be moved may be eligible for coverage. If you own a multi-family home or multiple housing units, you must provide the specific mailing address for each service agreement you purchase. If your gas line extends beyond the walls of your home, you must own the land on which it is located. You are not eligible if your property is used for commercial purposes; you know of any current problems with your gas line before enrollment; or your gas line is shared with a 3rd party or covered by a homeowners' association or the like. In IA, properties with more than 4 dwelling units are not eligible.

What should I know about this coverage?

What's covered: Coverage provides, up to the applicable benefit limit, to repair or replace a gas line, for which you have sole responsibility, from the meter or propane tank outlet connection, including pressure regulating devices, up to and including the connectors to each natural gas/propane appliance on your property, whether inside or outside your residence, up to and including the appliance connectors on the extension gas lines that exit your home, that is damaged due to normal wear and tear, not accident or negligence.

These service plans are not part of Piedmont's regulated utility service offerings, nor are they in any way sanctioned by the North Carolina Utilities Commission, South Carolina Public Service Commission, or Tennessee Public Utility Commission. Purchasers of these service plans will receive no preference or special treatment from Piedmont Natural Gas. A customer does not have to buy these services in order to continue to receive the same safe reliable natural gas service from Piedmont Natural Gas.

Not covered: Meter moves or replacements except when required by local code; appliances, fixtures; lines not supplied by a utility; and damage from accidents, negligence or otherwise caused by you, others or unusual circumstances. Additional exclusions apply. Disputes resolved by arbitration, without class action or jury trial, unless otherwise stated in your full Terms and Conditions.

When can I make a service call?

Your plan starts the day your enrollment is processed. There is an initial 30-day waiting period before you can make a repair service call, giving you 11 months of coverage during the first year. Upon renewal/reactivation (if applicable), there is no waiting period.

What is the cancellation policy?

Cancel any time by calling HomeServe at 1.888.302.0141. If you cancel within 30 days of your start date, you will get a full refund (less claims paid, where applicable). Cancellations after the first 30 days will result in a pro-rata refund (less claims paid, where applicable).

What is the term of my service agreement?

The plan is annual. Unless you cancel, your plan automatically renews annually at the then-current renewal price and is billed monthly through your utility bill.

Who is HomeServe?

HomeServe is an independent company, separate from Piedmont Natural Gas. Coverage is optional. If you would prefer not to receive solicitations from HomeServe, please call 1.888.302.0141.

Many homeowners aren't aware that they are financially responsible for the natural gas line that runs from the outlet side of the utility's responsibility and inside their home. Repairing this line may cost you hundreds of dollars. Gas Line Coverage from HomeServe gives you multiple service calls annually up to \$8,000 per call year for covered repairs (30-day wait includes a money-back guarantee). You will also have 24/7 access to our members-only hotline 365 days a year.

This coverage could be an important financial help if your natural gas line breaks down. Gas line breakdowns are difficult to predict and can happen at any time. Accept coverage today and rest easy knowing your finances will be protected for covered repairs.

KNOW YOUR RESPONSIBILITY

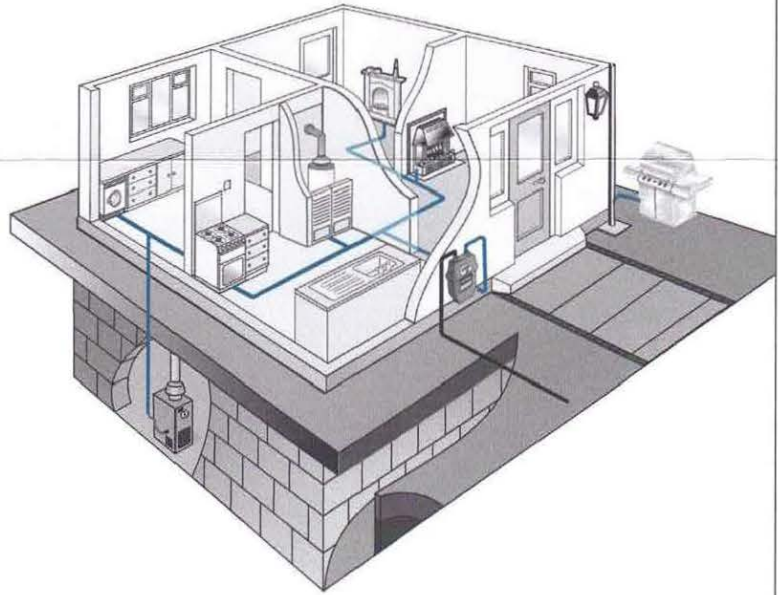
The illustration shows the natural gas line that is typically your responsibility as a homeowner. Also shown are repairs that are commonly performed on this line and how much a licensed and insured contractor would typically charge a homeowner for repairs. How would you cope if it happened to you?

With Gas Line Coverage from HomeServe, it's not something you have to worry about; you'll benefit from a priority response and no bill to pay for covered repairs, up to \$8,000 per year.

Repair section of natural gas supply line (up to 25 ft.)
\$722
Plan Members:
NO CHARGE[†]

Repair/replace gas safety shutoff valve **\$439**
Plan Members:
NO CHARGE[†]

Replace flexible gas connector from shutoff valve to appliance **\$152**
Plan Members:
NO CHARGE[†]



Typical Homeowner's Responsibility

[†]National average repair costs within the HomeServe network as of March 2018. No charge for covered repairs up to your annual benefit amount.

FOR MORE INFORMATION CALL 1.888.302.0141

Sign and return the enclosed form, call 1.888.302.0141 or visit www.PiedmontRepairPlans.com.

ACCEPTANCE FORM



Please correct name and address information below, if necessary, before submitting.



PLEASE REPLY BY:

10/9/2020

Exhibit DND-5

By providing my e-mail address, I request that I be notified when my current and future service agreements and any related documents are available at www.MyHomeServeUSA.com, and I acknowledge that I can access these documents. I can change my preferences or request paper copies online or by calling HomeServe.

E-mail Address: _____ Phone #: _____

YES, please sign me up for Gas Line Coverage from HomeServe and include the \$5.49 monthly charge, plus any applicable taxes, on my Piedmont Natural Gas bill. I understand that this optional coverage is billed on a monthly basis and based on an annual service agreement that will be *automatically renewed annually* at the then-current renewal price. I have the option to cancel this agreement at any time without additional cost to me by calling 1.888.302.0141. I agree Piedmont Natural Gas may share my name, postal address, and account number with HomeServe. I confirm that I am the homeowner and have read the information in this package, understand there are limitations and exclusions, and meet the eligibility requirements for this coverage.

Signature (required)

H3MZRCDM



5298-2001-CA01-184655

2008xZPTK068:xxx

2008_PT_CAN_GL

PLEASE RETURN IN POSTAGE-PAID ENVELOPE

Workpaper DND-SUM

	DND RB-1	DND RB-2	DND Rev 1	DND Rev 2	DND Exp 1	DND Exp 2	DND Exp 3	DND Exp 4	DND Exp 5	DND Exp 6	DND Exp 7	DND Exp 8	DND Exp 9 (1)
Item	To Eliminate Unsupported Contributions	To Eliminate Non-Jurisdictional Book/Tax Timing Differences	To Include Warranty Margins Above the Line	To Properly Reflect the Elimination of Deferred Tax Liability from Operating Revenue and	To Eliminate Severance Costs from the Attrition Period	To Eliminate out of Period Costs	To Eliminate Employee Transition Costs	To Eliminate out of Period Costs	To Eliminate Costs Improperly Allocated to Piedmont Tennessee	To Eliminate Calculated Costs Improperly Allocated to Piedmont Tennessee	To Properly Reflect Deferred Pension Contribution Amortization	To Properly Reflect DEBS Asset Allocation Costs	To Eliminate DEBS Depreciation Expense Allocation
Utility Plant in Service													
Construction Work in Progress													
Accumulated Depreciation													
Contributions in Aid of Construction													
Accumulated Deferred Income Taxes		\$ (3,023,348)											
Total Net Plant Investment	\$ -	\$ (3,023,348)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gas Inventory													
Customer Deposits													
Accrued Interest on Customer Deposits													
Cash Working Funds													
Materials & Supplies													
Deferred Debits	\$ (10,062,456)												
Prepaid Insurance													
Deferred Pension & Other Post-Employment Expenses													
Fleets & Overheads													
Accounts Payable Related to CWIP													
Accounts Payable Related to M&S													
Accrued Vacation													
Lead/Lag Study Requirement													
Total Working Capital	\$ (10,062,456)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Rate Base	\$ (10,062,456)	\$ (3,023,348)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Revenue				\$ 9,333,186									
Non-Operating Revenue													
Warranty Operating Margin			\$ 2,617,065										
Total Revenue	\$ -	\$ -	\$ 2,617,065	\$ 9,333,186	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Purchased Gas Expense (735 - 807)													
Gas Storage Expense (814 - 843)													
Transmission Expense (850 - 867)													
Distribution Expense (870 - 899)													
Customer Accounts & Customer Service Expense (901 - 910)													
Sales Expense (911 - 917)													
Administrative & General Expense (920 - 935)				\$ (96,110)	\$ (129,402)	\$ (382,079)	\$ (46,461)	\$ (54,913)	\$ (202,123)	\$ (4,024,982)	\$ (134,558)	\$ (1,803,342)	
Depreciation & Amortization													
Taxes Other Than Income													
Investment Tax Credit													
State Income Taxes													
Federal Income Taxes				\$ 5,802,018									
Total Expenses	\$ -	\$ -	\$ -	\$ 5,802,018	\$ (96,110)	\$ (129,402)	\$ (382,079)	\$ (46,461)	\$ (54,913)	\$ (202,123)	\$ (4,024,982)	\$ (134,558)	\$ (1,803,342)
Net Operating Margin	\$ -	\$ -	\$ 2,617,065	\$ 3,531,168	\$ 96,110	\$ 129,402	\$ 382,079	\$ 46,461	\$ 54,913	\$ 202,123	\$ 4,024,982	\$ 134,558	\$ 1,803,342
Cash Working Capital Classification	N/A	N/A	Other Revenue	N/A	Labor	Other O&M Expenses	Employee Pension and Benefits	Other O&M Expenses	Outside Services	Outside Services	Other O&M Expense	Other O&M Expense	Other O&M Expense

(1) Adjustment Sponsored by Mr. Novak

Piedmont Natural Gas Company, Inc.
Docket No. 20-00086
Summary of Consumer Advocate Adjustments to A&G Expense

Table 1 - Reconciliation of Consumer Advocate Attrition Period A&G Costs

Item	Amount	Reference	Witness Sponsor
Attrition Period Forecast Before Adjustment	\$ 23,100,623	Workpaper E-40-1.00	Novak
Less Elimination of Piedmont calculated lobbying expenses	\$ (61,821)	Workpaper E-40-1.00	Novak/Piedmont
Less: Elimination of Severance Costs	\$ (96,110)	Workpaper DND-Exp 1	Dittemore
Less: Elimination of Out-of-Period Costs (CA2-16)	\$ (129,402)	Workpaper DND-Exp 2	Dittemore
Less: Elimination of Employee Transition Costs	\$ (382,079)	Workpaper DND-Exp 3	Dittemore
Less: Elimination of Out-of-Period Costs (CA2-22)	\$ (46,461)	Workpaper DND-Exp-4	Dittemore
Less: Elimination of Costs Improperly Allocated to Tennessee	\$ (54,913)	Workpaper DND-Exp-5	Dittemore
Less: Elimination of Calculated Costs Improperly Allocated to T	\$ (202,123)	Workpaper DND-Exp-6	Dittemore
Less: Adjustment to Properly Reflect Deferred Pension Contribu	\$ (4,024,982)	Workpaper DND Exp -7	Dittemore
Less: Adjustment to Properly Reflect DEBS Asset Allocation C	\$ (134,558)	Workpaper DND Exp -8	Dittemore
Less: Elimination of DEBS Depreciation Expense Allocation	\$ (1,803,342)	Workpaper DND Exp -9	Novak
Less: Elimination of Incentive Compensation Costs	\$ (1,677,948)	Workpaper AB-1	Bradley
Less: Elimination of Lobbying Costs	(54,665)	Workpaper AB-2	Bradley
Net Attrition Period Forecast	<u>\$ 14,432,218</u>		

Piedmont Natural Gas Company, Inc.
Docket No. 20-00086
To Calculate Consumer Advocate Deferred Pension Balances

Workpaper DND - RB-1

Item	Piedmont Deferred Debit Request - Attrition Period	Consumer Advocate Adjustment	Consumer Advocate Balance - Attrition Period
Deferred Debits	A/ \$ 9,885,818	\$ (10,062,456) B/	\$ (176,638)

A/ Piedmont WorkingCapital_Adj file/ Tab D

B/ Workpaper DND RB 1.2

Piedmont Natural Gas Company, Inc.
Docket No. 20-00086
Attrition Period Pension Balance

Workpaper DND - RB-1.1

TN Deferred Pension	A/ Amounts Per Piedmont		Consumer Advocate Adjustment	Regulatory Amortization	Consumer Advocate Attrition Period	
	Regulatory Amortization	Balance				5 (Prior Balance - Column 4)
	1	2				3
March 31, 2020 (end of Test Period)		\$ 13,877,738	C/ \$ (12,074,947)		\$ 1,802,792	
April 30, 2020	\$ (223,862)	\$ 13,653,876		D/ \$ (223,862)	\$ 1,578,930	
May 31, 2020	\$ (223,862)	\$ 13,430,014		\$ (223,862)	\$ 1,355,068	
June 30, 2020	\$ (223,862)	\$ 13,206,152		\$ (223,862)	\$ 1,131,206	
July 31, 2020	\$ (223,862)	\$ 12,982,291		\$ (223,862)	\$ 907,344	
August 31, 2020	\$ (223,862)	\$ 12,758,429		\$ (223,862)	\$ 683,482	
September 30, 2020	\$ (223,862)	\$ 12,534,567		\$ (223,862)	\$ 459,620	
October 31, 2020	\$ (223,862)	\$ 12,310,705		\$ (223,862)	\$ 235,758	
November 30, 2020	\$ (223,862)	\$ 12,086,843		\$ (223,862)	\$ 11,896	
December 31, 2020	\$ (223,862)	\$ 11,862,981		\$ (223,862)	\$ (211,966)	
January 31, 2021	\$ (329,527)	\$ 11,533,454		E/ \$ 5,888	\$ (206,078)	
February 28, 2021	\$ (329,527)	\$ 11,203,926		\$ 5,888	\$ (200,190)	
March 31, 2021	\$ (329,527)	\$ 10,874,399		\$ 5,888	\$ (194,302)	
April 30, 2021	\$ (329,527)	\$ 10,544,872		\$ 5,888	\$ (188,414)	
May 31, 2021	\$ (329,527)	\$ 10,215,345		\$ 5,888	\$ (182,526)	
June 30, 2021	\$ (329,527)	\$ 9,885,818		\$ 5,888	\$ (176,638)	
July 31, 2021	\$ (329,527)	\$ 9,556,290		\$ 5,888	\$ (170,750)	
August 31, 2021	\$ (329,527)	\$ 9,226,763		\$ 5,888	\$ (164,862)	
September 30, 2021	\$ (329,527)	\$ 8,897,236		\$ 5,888	\$ (158,974)	
October 31, 2021	\$ (329,527)	\$ 8,567,709		\$ 5,888	\$ (153,086)	
November 30, 2021	\$ (329,527)	\$ 8,238,181		\$ 5,888	\$ (147,198)	
December 31, 2021 (end of Attrition Period)	\$ (329,527)	\$ 7,908,654		\$ 5,888	\$ (141,310)	
13-Month Average: Dec 2020 - Dec 2021		B/ \$ 9,885,818			\$ (176,638)	

A/ Piedmont File 5B_DefPensionAmort/Attrition Balance Tab. Balances Carried forward to Piedmont proposed Rate Base

B/ Piedmont Balance Transferred to Piedmont Working Capital Adjustment Tab D

C/ Workpaper DND RB 1.2

D/ Piedmont File 5B_DefPensionAmort Adj/Summary Tab, Note (a)

E/ The Monthly portion of the annual credit (\$70,655) computed in CA Deferred Pension Expense Workpaper

Piedmont Natural Gas Company, Inc.
Docket No. 20-00086
To Calculate Consumer Advocate Eligible Pension Funding

Workpaper DND - RB-1.2

			<u>Piedmont Funding Request</u>	<u>Consumer Advocate Adjustment</u>		<u>Consumer Advocate Eligible Funding</u>
FY	2012	A/	\$ 3,356,000	\$ (3,356,000)	B/	0
FY	2013	"	\$ 3,590,000	\$ (3,590,000)		0
FY	2014	"	\$ 1,807,000	\$ (1,807,000)		0
FY	2015	"	\$ 1,716,000	\$ (1,716,000)		0
FY	2016	"	\$ 1,734,000	\$ (1,734,000)		0
FY	2017	"	\$ 1,898,600	\$ -		\$ 1,898,600
FY	2018	"	\$ -	\$ -		\$ -
FY	2019	"	\$ -	\$ 128,053		\$ 128,053
FY	2020	"	\$ -	\$ -		\$ -
TOTAL			\$ 14,101,600	\$ (12,074,947)		\$ 2,026,653

			<u>Contributions necessary to aovoide PBGC Insurance Premiums</u>	<u>Tennessee Allocation Percentage</u>		<u>Eligible Contributions</u>
	2017	B/	\$ 11,000,000	17.00%	C/	\$ 1,870,000
	2018	"	\$ -	17.00%		\$ -
	2019	"	\$ 753,255	17.00%		\$ 128,053

A/ Piedmont Schedule 5B_DefPensionAmort

B/ Response to Consumer Advocate Request 2-7

C/ Approximates Value Requested by Piedmont; therefore no adjustment necessary

Piedmont Natural Gas Company, Inc.
Docket No. 20-00086
Adjustment to Remove Non-Revenue
Requirement Book/Tax Differences

Workpaper DND RB 2

<u>Line No</u>	<u>Column A</u>	<u>Column B</u>	<u>Column C</u>
	<u>Test Period Per Piedmont</u>	<u>Consumer Advocate Adjustment</u>	<u>Consumer Advocate Balance</u>
1	A/ \$ (109,883,557)	B/ \$ (2,891,695)	A/ \$ (112,775,252)
2		C/ <u>1.046</u>	
3		\$ (3,023,348)	

<u>Consumer Advocate ADIT Attrition Factor</u>		This factor is based upon ADIT balances and does not include the regulatory liability which is amortized on a separate timeline established by the Commission	
4	CA Attrition Period ADIT Before Adjustment	D/ \$ (129,979,358)	
5	Attrition Period ADIT per Piedmont	E/ <u>(124,319,362)</u>	
6	Attrition Period Factor		1.046

A/ Workpaper DND RB 2.1
 B/ Column C - Column A
 C/ Line 6
 D/ Workpaper RB - 30-2.00
 E/ Piedmont QPB Exhibit_6 ADIT Summary

Piedmont Natural Gas Company, Inc.
Docket No. 20-00086
To eliminate Below the Line and non-recurring ADIT Components

Workpaper DND RB 2.1

Line No.	Test Period		Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	13month Avg
1	Accumulated Deferred Income Taxes	A/	\$ (102,672,210)	\$ (102,672,210)	\$ (104,176,336)	\$ (105,006,112)	\$ (105,006,112)	\$ (108,973,155)	\$ (118,448,307)	\$ (118,448,307)	\$ (122,353,527)	\$ (109,324,181)	\$ (109,261,461)	\$ (109,261,461)	\$ (112,882,864)	(109,883,557)
2	Regulatory Liability		(83,911,377)	(83,911,377)	(83,911,377)	(83,644,950)	(83,644,950)	(83,178,112)	(83,001,762)	(82,914,757)	(81,265,719)	(79,987,034)	(79,987,034)	(78,626,173)	(76,385,401)	(81,874,617)
3	Total ADIT and EDIT		(186,583,587)	(186,583,587)	(188,087,713)	(188,651,062)	(188,651,062)	(192,151,267)	(201,450,069)	(201,363,064)	(203,619,246)	(189,311,215)	(189,248,495)	(187,887,634)	(189,268,265)	(191,758,174)
4	Excluded ADIT Components	B/	11,447,643	11,447,643	11,049,234	9,988,819	9,988,819	9,502,558	(1,057,812)	(1,057,812)	(4,045,660)	(4,833,383)	(4,833,383)	(4,833,383)	(5,171,248)	2,891,695
5	Net ADIT Balance (Line 1 + Line 4)		(114,119,853)	(114,119,853)	(115,225,570)	(114,994,931)	(114,994,931)	(118,475,713)	(117,390,495)	(117,390,495)	(118,307,867)	(104,490,798)	(104,428,078)	(104,428,078)	(107,711,616)	(112,775,252)
6	Consumer Advocate Test Period ADIT/Regulatory Liability Balance		(198,031,230)	(198,031,230)	(199,136,947)	(198,639,880)	(198,639,881)	(201,653,825)	(200,392,257)	(200,305,252)	(199,573,586)	(184,477,833)	(184,415,113)	(183,054,251)	(184,097,016)	(194,649,869)

A/ Workpaper WHN RB-30-2.00
B/ Workpaper DND RB 2.3

Page Name March-18 April-18 May-18 June-18 July-18 August-18 September-18 October-18 November-18 December-18 January-19 February-19 March-19

Code	Name	March-19	April-19	May-19	June-19	July-19	August-19	September-19	October-19	November-19	December-19	January-20	February-20	March-20
Total	Subtotal Excluded Items	11,447,643	11,447,643	11,049,234	9,988,819	9,988,819	9,502,558	(1,057,812)	(1,057,812)	(4,045,660)	(4,833,383)	(4,833,383)	(4,833,383)	(5,171,248)

Piedmont Natural Gas Company, Inc.
Docket No. 20-00086
To eliminate non-recurring Severance Costs

CONFIDENTIAL

Workpaper DND Exp-1

Source: Response to Consumer Advocate Request 1-59

Total Piedmont Charges				
Account	Direct-charged to Piedmont	Allocated from DEBS	Average TN Allocation	Test Period Adjustment by Account
A/	0920000		16.93%	
	0930200		16.93%	
	0903100		16.93%	
	0903200		16.93%	
	0903300		16.93%	

Amounts tie to the respons:

Test Period Adjustment	\$	(91,264)
Attrition Factor	B/	<u>1.053089</u>
Attrition Period Adjustment	\$	<u>(96,110)</u>

Determination of Effective Piedmont-Tennessee Allocator	
<i>(Source 1-59)</i>	
Amount allocated to Piedmont Tennessee	
Total Piedmont Costs	<hr/>
Effective Allocation to Piedmont - Tennessee	

A/ Response to Consumer Advocate 1-59

B/ WHN Workpaper E-40-3.00

Piedmont Natural Gas Company, Inc.
 Docket No. 20-00086
 CAD Data Request No. 1, Item 59
 Severance Costs 04.2019 - 03.2020

CONFIDENTIAL

Workpaper DND-Exp 1.1

This worksheet is identical to the response to Consumer Advocate Request 1-59

Account	Direct-charged to Piedmont	Allocated from DEBS	Total Charged to Piedmont
0920000			
0920000			
0930200			
0903100			
0903200			
0903300			
0920000			
0920000			
Total			
Approximate TN Portion - 16.85% of 2019 costs, 17% of 2020 costs			91,264
Effective Allocation % to Piedmont Tennessee			16.93%

Piedmont Natural Gas Company, Inc.
Docket No. 20-00086
To eliminate out of Period Rent Expense

Workpaper DND Exp 2

Confidential

	Account		Amount	Source
To Eliminate out of period charges from the Test Period	931001	A/		CA Discovery Response 2-16, Attachment 1; See Workpaper DND Exp 2.1
To Eliminate out of period credits from the Test Period	931001	A/		
Test Period Adjustment				
Attrition Factor	931001	B/	1.046460	
Attrition Period Adjustment			\$ (129,402)	

A/ Workpaper DND Exp 2.1; Response to Consumer Advocate 2-16, Attachment 1

B/ WHN Workpaper E-40-4.00

Piedmont Natural Gas Company, Inc.
Docket No. 20-00086
To eliminate out of Period Rent Expense

Confidential
Workpaper DND Exp 2.1

Company Response to Consumer Advocate 2-16, Item 1

	January 2019	February 2019	March 2019	Total	TN %	Allocated TN
Total Rent & CAM from invoice						
Minus CAM						
Rent portion						
Voucher ID						

Company Response 2-16 (b)

b. These transactions were to allocate 30% of the PTC rent and CAM cost to DEBS for the months of January 2019 through April 2019. Due to implementation of the new Lease Accounting standard ASC-842 in January 2019, the allocation was not recorded in January through March so it was caught up in April. See 2-16 Attachment 1 of 2 for the supporting documentation of the \$187,455 charge.

Company Response to Consumer Advocate 2-16, Item 2

d. April 2019 includes a credit of \$85,063.92 which equates to 4 months of the monthly credit amount since a YTD catch up was done. Twelve monthly credits should be included to achieve a normalized level of expense.

Total Credits Recorded in Test Period applicable to January - April, 2019	\$	85,064
Months Associated with Credits		4
Credit per Month	\$	21,266
Months credited outside the Test Period		3
Credit Associated with Months prior to the Test Period	\$	63,798

Piedmont Natural Gas Company, Inc.
Docket No. 20-00086
To eliminate non-recurring Transition Costs

Workpaper DND Exp 3

Source: Consumer Advocate Request 2-32 (b)

<u>Line No</u>	<u>Account</u>	<u>Description</u>	<u>Amount</u>	<u>Notes</u>
1	926000	To remove non-recurring transition costs in the Test Period (Gross)	A/ \$ 528,235	
2		Less: Capitalized Portion	B/ <u>30.88%</u>	
3		Capitalized Portion	<u>\$ 163,119</u>	Line 1 * Line 2
4		O&M Test Period Adjustment	\$ (365,116)	Line 1 - Line 3
5		Attrition Factor	C/ <u>1.046460</u>	
6	926000	Attrition Period Adjustment	<u><u>\$ (382,079)</u></u>	Line 4 * Line 5

A/ Response to Consumer Advocate 2-32
B/ Piedmont Schedule 5F_Other; Ben/RSP Tab
C/ WHN Workpaper E-40-4.00

CAD DR 2 Item 32 Attachment

2-32. Refer to file 5F_OtherBen Adj, the response to Consumer Advocate Requests 1-68 and 1-69. Regarding costs identified within the RSP tab of file 5F and supporting in the RSP details tab, provide the following: a) the extent to which these costs reflect cash payments along with the identification of the entity receiving the funding, b) Provide a complete definition for each cost type found within column R, "Journal Line Descr" with a total in excess of \$10,000.

Sum of TN Amount	
Journal Line Descr JD	Total
330 401ER	454,584
330 401KMAT	1,251,924
330 FAPER	528,235
Grand Total	2,234,742

The cost above is the RSP match which represents the cash funds that were transferred from Duke Energy to Fidelity and posted to individual employees' saving accounts

b)

Sum of TN Amount		
Journal Line Descr JD	Total	
330 401ER	454,584	Employer Retirement Contribution provides 4% of eligible pay for each pay period to non-pension eligible RSP participants, subject to IRS limits
330 401KMAT	1,251,924	Company provides 100% matching contributions for pre-tax and/or Roth contributions up to 6% of eligible pay for each pay period to RSP participants, subject to IRS limits
330 FAPER	528,235	Active participants of the Piedmont Retirement plan on Dec. 31, 2017 receive employer transition credit contributions of 3%, 4% or 5% of eligible pay based on vesting service as of Dec. 31, 2017 for the 3-year period ending Dec. 31, 2020, subject to continued employment and IRS limits
401Kexpense	4,078	Accrual/Reversal of RSP match on incentive payout
EMPL PENSIONS AND BENEFIT	37,457	Accrual/Reversal of RSP match of bi-weekly employees for the last December payroll that occurs in January
Grand Total	2,276,277	

Piedmont Natural Gas Company, Inc.
Docket No. 20-00086
Other Benefit Costs

Piedmont Natural Gas - File 5f_OtherBen Adj
Tab: RSP details

Workpaper DND Exp 3.2

Accounting Period	CMD	Fiscal Year	CMD	Journal Date	JD	Bus Unit	Oper Unit	Oper Unit	Long Descr	CB	Account ID	CB	Account	Long Descr	CE	All	RC	Long Descr	CB	Journal Line	De	Monetary Amount	JD	Voucher ID	JD	TN %	TN Amount
3		2020		3/31/2020	47158	PNGN	PNG Gas Other - Three St	0926000	Employee Benefits				Employee Benefits	Employee Benefits				330 FAPER				487950.65				0.17	82951.6105
4		2019		4/30/2019	47158	PNGN	PNG Gas Other - Three St	0926000	Employee Benefits				Employee Benefits	Employee Benefits				330 FAPER				231372.51				0.1685	38986.26794
5		2019		5/31/2019	47158	PNGN	PNG Gas Other - Three St	0926000	Employee Benefits				Employee Benefits	Employee Benefits				330 FAPER				231203.42				0.1685	38957.77627
6		2019		6/30/2019	47158	PNGN	PNG Gas Other - Three St	0926000	Employee Benefits				Employee Benefits	Employee Benefits				330 FAPER				229247.52				0.1685	38628.20712
7		2019		7/31/2019	47158	PNGN	PNG Gas Other - Three St	0926000	Employee Benefits				Employee Benefits	Employee Benefits				330 FAPER				230749.23				0.1685	38881.24526
8		2019		8/31/2019	47158	PNGN	PNG Gas Other - Three St	0926000	Employee Benefits				Employee Benefits	Employee Benefits				330 FAPER				294286.34				0.1685	49587.24829
9		2019		9/30/2019	47158	PNGN	PNG Gas Other - Three St	0926000	Employee Benefits				Employee Benefits	Employee Benefits				330 FAPER				229684.97				0.1685	38701.91745
10		2019		10/31/2019	47158	PNGN	PNG Gas Other - Three St	0926000	Employee Benefits				Employee Benefits	Employee Benefits				330 FAPER				233355.24				0.1685	39320.35794
2		2020		2/29/2020	47158	PNGN	PNG Gas Other - Three St	0926000	Employee Benefits				Employee Benefits	Employee Benefits				330 FAPER				219278.82				0.17	37277.3994
1		2020		1/31/2020	47158	PNGN	PNG Gas Other - Three St	0926000	Employee Benefits				Employee Benefits	Employee Benefits				330 FAPER				275773.99				0.17	46881.5783
11		2019		11/30/2019	47158	PNGN	PNG Gas Other - Three St	0926000	Employee Benefits				Employee Benefits	Employee Benefits				330 FAPER				235266.2				0.1685	39642.3547
12		2019		12/31/2019	47158	PNGN	PNG Gas Other - Three St	0926000	Employee Benefits				Employee Benefits	Employee Benefits				330 FAPER				228006.57				0.1685	38419.10705
																						13,478,617.25			2,276,834.94		
																						Total 330 FAPER		\$	528,235		

Piedmont Natural Gas Company, Inc.
 Docket No. 20-00086
 To Remove out of Period Costs

CONFIDENTIAL

Workpaper DND Exp 4

Line No.	Account	Description	Amount	Notes
1				Work Integration Process Services; Confidential Attachment 2-22 Attachment 1.
2		Total Test Year Reduction to Operating Expenses	\$ (44,398)	
3		Attrition Factor	B/ <u>1.04646</u>	
4		Attrition Period Adjustment	<u>\$ (46,461)</u>	

A/ Source: Response to Consumer Advocate Request 2-22, accounts identified on Exhibit PMN-3, page 231.

B/ WHN Workpaper E-40-4.00

Piedmont Natural Gas Company, Inc.
Docket No. 20-00086
To Remove Allocated Costs Unrelated to
Piedmont Tennessee operations

Workpaper DND Exp 5

<u>Account</u>	<u>Item</u>	<u>Amount</u>
92300	To Remove Costs Related to the Provision of Electric Service	A/ \$ (52,475)
	Attrition Factor	B/ <u>1.046460</u>
92300	Total Attrition Period Adjustment	<u>\$ (54,913)</u>

A/ Workpaper DND - 5.1
B/ WHN Workpaper E-40-4.00

Piedmont Natural Gas Company, Inc.
Docket No. 20-00086
To Remove Allocated Costs Unrelated to Piedmont
Tennessee operations

CONFIDENTIAL

Workpaper DND Exp 5.1

Source for invoice references: Response to Consumer Advocate 1-71 Attachments (Outside Services)

Amount	Description	File Source
	Accounting Firms - Tax Studies	

5,531,532 Total Costs Improperly Allocated to Piedmont-Tennessee

5.63% DR 1-71 attachment 6 of 10 CONFIDENTIA Item 5L

16.85% DR 1-71 attachment 6 of 10 CONFIDENTIA Item 5L

52,475 Excluded Piedmont-Tennessee Expenses - Account 923.

Piedmont Natural Gas Company, Inc.
Docket No. 20-00086
To Remove Costs Assigned Using Factor
DGOV3FFACT

CONFIDENTIAL

Workpaper DND Exp 6

<u>Line No.</u>	<u>Account</u>	<u>Description</u>	<u>Amount</u>
1			
2			
3			
4			
5		Calculated Error DV03FFACT	Line 3* Line 4 \$ (245,624)
6		Less: Specific Adjustment	Line 1 A/ \$ 52,475
7		Additional Exclusion Based Upon Sample	Line 5 - Line 6 \$ (193,149)
8		Attrition Factor	D/ 1.046460
9		Attrition Period Reduction to A&G	Line 7 * Line 8 \$ (202,123)

- A/ DND Workpaper Exp 5
- B/ Response to Consumer Advocate Request 1-71; Attachment 1 of 10.
- C/ Response to Consumer Advocate Request 1-57; Piedmont file 5K Other AG Adj
- D/ WHN Workpaper E-40-4.00

Piedmont Natural Gas Company Inc
Docket 20-00086
To Remove Allocated Costs Erroneously Charged to Piedmont-Tennessee

CAD Data Request No. 1, Item 71
Account 923 Outside Services
Sample of invoices and any supporting accounting information
Source: MFR 14

Workpaper DND Exp 6.1

Item	Accounting	Fiscal Year	Bus Unit ID	Jurisdiction	Account Long Des	Allocation Pool	Resource Type Long Des	Journal Descr JD	Source CD	Monetary Amount	Vendor Name JD	TN %	TN Amount	
1	12	2019	47151	3 State	Outside Services E		Direct Mat/Purchases Acct	Accounting Entries from Max	EAM Maxim	159,786.00	EMC CORPORATIO	16.85%	26,923.94	DR 1-71 attachment 1 of 9
2	12	2019	47156	3 State	Outside Services E		Consultant	To record Legal accruals for	DEBS Fin A	13,200.00		16.85%	2,224.20	DR 1-71 attachment 2 of 9
3	12	2019	47158	3 State	Outside Services E	ENT3FFENV	Other Contracts	Env Afirs 3FF ENT	GL Allocat	12,677.10		16.85%	2,136.09	DR 1-71 attachment 3 of 9
4	5	2019	47156	3 State	Outside Services E		Consultant	Reclass Gas CTA work to fu	Gas Perform	2,412,274.24		16.85%	406,468.21	DR 1-71 attachment 4 of 9
5	10	2019	47150	3 State	Outside Services E	DGOV3FFACT	Consultant	Misc 3FF Gvrnce ENT - New	GL Allocat	349,732.90		16.85%	58,929.99	DR 1-71 attachment 5 of 9
6	2	2019	47151	3 State	Outside Services E		Consultant	Accounts Payable - Accrual	Accounts P	268,574.00	PWC HOLDINGS N	16.85%	45,254.72	DR 1-71 attachment 6 of 9
7	10	2019	47156	3 State	Outside Services E		Consultant	Accounts Payable - Accrual	Accounts P	19,783.80	MCGUIRE WOODS	16.85%	3,333.57	DR 1-71 attachment 7 of 9
8	7	2019	47156	3 State	Outside Services E		Consultant	Accounts Payable - Accrual	Accounts P	18,756.83	MCGUIRE WOODS	16.85%	3,160.53	DR 1-71 attachment 8 of 9
9	9	2019	47136	Tennessee	Outside Services Employed		Consultant	Accounts Payable - Accrual	Accounts P	43,056.50	WALLER LANSDE	100.00%	43,056.50	DR 1-71 attachment 9 of 9

Grand Total 591,488

Total Excluding Reclass 185,020

Piedmont Natural Gas Company, Inc.
 Docket No. 20-0086
 To Identify Costs Associated with DCOV3FFACT Allocation Pool

Worksheet DND 6.2

Source: Piedmont File SK Other AG ADJ/ Tab Other A&G Detail

Accounting	Fiscal Year	Journal Date	Bus Unit	Account ID	Allocation Pool	ID	CB	Reso	Centr	Resource Type	Long Descr	CB	Monetary	Amour	TN %	TN Amount
1	2019	4/30/2019	47150	0921400	DCOV3FFACT	6969		IT Hardware Purchase			IT Hardware Purchase		4.47	0.1685		0.75
5	2019	5/31/2019	47150	0921400	DCOV3FFACT	9526		IT Hardware Purchase			IT Hardware Purchase		3.08	0.1685		0.52
6	2019	6/30/2019	47150	0921400	DCOV3FFACT	6969		IT SOFTWARE MAINTENANCE			IT SOFTWARE MAINTENANCE		175.52	0.1685		29.58
7	2019	7/31/2019	47150	0921400	DCOV3FFACT	6969		IT Hardware Purchase			IT Hardware Purchase		4.35	0.1685		0.73
8	2019	8/31/2019	47150	0921400	DCOV3FFACT	6969		IT Hardware Purchase			IT Hardware Purchase		6.04	0.1685		1.02
9	2019	9/30/2019	47150	0921400	DCOV3FFACT	6969		IT Hardware Purchase			IT Hardware Purchase		1.51	0.1685		0.25
10	2019	10/31/2019	47150	0921400	DCOV3FFACT	9613		IT Hardware Purchase			IT Hardware Purchase		10.9	0.1685		1.84
12	2019	12/31/2019	47150	0921400	DCOV3FFACT	9613		IT SOFTWARE MAINTENANCE			IT SOFTWARE MAINTENANCE		47.22	0.1685		7.96
2	2020	2/29/2020	47150	0921400	DCOV3FFACT	6969		IT Software Purchase			IT Software Purchase		9.88	0.17		1.68
2	2020	2/29/2020	47150	0921100	DCOV3FFACT	9613		Dues - Deductible			Dues - Deductible		4.58	0.17		0.78
2	2020	2/29/2020	47150	0921100	DCOV3FFACT	9526		PersMobileDevice reimbursement			PersMobileDevice reimbursement		17.19	0.17		2.92
2	2020	2/29/2020	47150	0921100	DCOV3FFACT	9526		Air Travel Cost			Air Travel Cost		21.05	0.17		3.58
2	2020	2/29/2020	47150	0921100	DCOV3FFACT	9526		Travel Expenses			Travel Expenses		88.7	0.17		15.08
2	2020	2/29/2020	47150	0921100	DCOV3FFACT	8727		Dues - Deductible			Dues - Deductible		15.79	0.17		2.68
2	2020	2/29/2020	47150	0921100	DCOV3FFACT	8727		Meals and Entertainment (50%)			Meals and Entertainment (50%)		0.54	0.17		0.09
2	2020	2/29/2020	47150	0921100	DCOV3FFACT	8727		PersMobileDevice reimbursement			PersMobileDevice reimbursement		5.73	0.17		0.97
2	2020	2/29/2020	47150	0921100	DCOV3FFACT	8727		Travel Expenses			Travel Expenses		78.92	0.17		13.69
2	2020	2/29/2020	47150	0921100	DCOV3FFACT	8262		Dues - Deductible			Dues - Deductible		16.73	0.17		2.84
2	2020	2/29/2020	47150	0921100	DCOV3FFACT	6969		Dues - Deductible			Dues - Deductible		5.73	0.17		0.97
2	2020	2/29/2020	47150	0921100	DCOV3FFACT	6969		Meals and Entertainment (50%)			Meals and Entertainment (50%)		7.87	0.17		1.34
2	2020	2/29/2020	47150	0921100	DCOV3FFACT	6969		PersMobileDevice reimbursement			PersMobileDevice reimbursement		45.84	0.17		7.79
2	2020	2/29/2020	47150	0921100	DCOV3FFACT	6969		Air Travel Cost			Air Travel Cost		38.84	0.17		6.60
2	2020	2/29/2020	47150	0921100	DCOV3FFACT	6969		Travel Expenses			Travel Expenses		54.15	0.17		9.21
2	2020	2/29/2020	47150	0921100	DCOV3FFACT	6969		Direct Purchases			Direct Purchases		0.65	0.17		0.11
1	2020	1/31/2020	47150	0921100	DCOV3FFACT	9613		PersMobileDevice reimbursement			PersMobileDevice reimbursement		8.6	0.17		1.46
1	2020	1/31/2020	47150	0921100	DCOV3FFACT	9613		Travel Expenses			Travel Expenses		39.69	0.17		6.75
1	2020	1/31/2020	47150	0921100	DCOV3FFACT	9526		PersMobileDevice reimbursement			PersMobileDevice reimbursement		8.6	0.17		1.46
1	2020	1/31/2020	47150	0921100	DCOV3FFACT	9526		Air Travel Cost			Air Travel Cost		43.56	0.17		7.41
1	2020	1/31/2020	47150	0921100	DCOV3FFACT	9526		Travel Expenses			Travel Expenses		6.58	0.17		1.14
1	2020	1/31/2020	47150	0921100	DCOV3FFACT	9511		Travel Expenses			Travel Expenses		3.79	0.17		0.66
1	2020	1/31/2020	47150	0921100	DCOV3FFACT	8727		PersMobileDevice reimbursement			PersMobileDevice reimbursement		5.83	0.17		0.97
1	2020	1/31/2020	47150	0921100	DCOV3FFACT	8727		Travel Expenses			Travel Expenses		169.01	0.17		30.25
1	2020	1/31/2020	47150	0921100	DCOV3FFACT	6969		Personal Vehicle Mileage Reimb			Personal Vehicle Mileage Reimb		13.21	0.17		2.25
1	2020	1/31/2020	47150	0921100	DCOV3FFACT	6969		Meals and Entertainment (50%)			Meals and Entertainment (50%)		5.68	0.17		0.97
1	2020	1/31/2020	47150	0921100	DCOV3FFACT	6969		PersMobileDevice reimbursement			PersMobileDevice reimbursement		25.73	0.17		4.37
1	2020	1/31/2020	47150	0921100	DCOV3FFACT	6969		Air Travel Cost			Air Travel Cost		20.42	0.17		3.47
1	2020	1/31/2020	47150	0921100	DCOV3FFACT	6969		Travel Expenses			Travel Expenses		15.24	0.17		2.59
1	2020	1/31/2020	47150	0921100	DCOV3FFACT	6969		Direct Material Purchases			Direct Material Purchases		0.39	0.17		0.07
1	2020	1/31/2020	47150	0921100	DCOV3FFACT	6969		Direct Purchases			Direct Purchases		0.82	0.17		0.14
12	2019	12/31/2019	47150	0921100	DCOV3FFACT	6969		Dues - Deductible			Dues - Deductible		20.55	0.1685		3.46
12	2019	12/31/2019	47150	0921100	DCOV3FFACT	9613		Meals and Entertainment (50%)			Meals and Entertainment (50%)		2.4	0.1685		0.40
12	2019	12/31/2019	47150	0921100	DCOV3FFACT	9613		Meals and Entertainment (50%)			Meals and Entertainment (50%)		1.64	0.1685		0.28
12	2019	12/31/2019	47150	0921100	DCOV3FFACT	8727		Meals and Entertainment (50%)			Meals and Entertainment (50%)		2.14	0.1685		0.36
12	2019	12/31/2019	47150	0921100	DCOV3FFACT	6969		Meals and Entertainment (50%)			Meals and Entertainment (50%)		46.49	0.1685		7.83
12	2019	12/31/2019	47150	0921100	DCOV3FFACT	9613		PersMobileDevice reimbursement			PersMobileDevice reimbursement		14.08	0.1685		2.37
12	2019	12/31/2019	47150	0921100	DCOV3FFACT	9526		PersMobileDevice reimbursement			PersMobileDevice reimbursement		14.08	0.1685		2.37
12	2019	12/31/2019	47150	0921100	DCOV3FFACT	8727		PersMobileDevice reimbursement			PersMobileDevice reimbursement		19.71	0.1685		3.32
12	2019	12/31/2019	47150	0921100	DCOV3FFACT	7266		PersMobileDevice reimbursement			PersMobileDevice reimbursement		16.89	0.1685		2.85
12	2019	12/31/2019	47150	0921100	DCOV3FFACT	6969		PersMobileDevice reimbursement			PersMobileDevice reimbursement		78.82	0.1685		13.28
12	2019	12/31/2019	47150	0921100	DCOV3FFACT	9613		Air Travel Cost			Air Travel Cost		3.38	0.1685		0.57
12	2019	12/31/2019	47150	0921100	DCOV3FFACT	6969		Air Travel Cost			Air Travel Cost		39.08	0.1685		6.49
12	2019	12/31/2019	47150	0921100	DCOV3FFACT	9613		Travel Expenses			Travel Expenses		92.2	0.1685		15.54
12	2019	12/31/2019	47150	0921100	DCOV3FFACT	9526		Travel Expenses			Travel Expenses		16.79	0.1685		2.83
12	2019	12/31/2019	47150	0921100	DCOV3FFACT	9511		Travel Expenses			Travel Expenses		14.27	0.1685		2.42
12	2019	12/31/2019	47150	0921100	DCOV3FFACT	8727		Travel Expenses			Travel Expenses		14.26	0.1685		2.40
12	2019	12/31/2019	47150	0921100	DCOV3FFACT	6969		Travel Expenses			Travel Expenses		259.53	0.1685		43.73
11	2019	11/30/2019	47150	0921100	DCOV3FFACT	6969		Direct Purchases			Direct Purchases		1.61	0.1685		0.28
11	2019	11/30/2019	47150	0921100	DCOV3FFACT	8262		Dues - Deductible			Dues - Deductible		16.05	0.1685		2.70
11	2019	11/30/2019	47150	0921100	DCOV3FFACT	6969		Meals and Entertainment (50%)			Meals and Entertainment (50%)		7.63	0.1685		1.29
11	2019	11/30/2019	47150	0921100	DCOV3FFACT	9613		PersMobileDevice reimbursement			PersMobileDevice reimbursement		5.63	0.1685		0.95
11	2019	11/30/2019	47150	0921100	DCOV3FFACT	9526		PersMobileDevice reimbursement			PersMobileDevice reimbursement		14.08	0.1685		2.37
11	2019	11/30/2019	47150	0921100	DCOV3FFACT	8727		PersMobileDevice reimbursement			PersMobileDevice reimbursement		5.63	0.1685		0.95
11	2019	11/30/2019	47150	0921100	DCOV3FFACT	6969		PersMobileDevice reimbursement			PersMobileDevice reimbursement		42.23	0.1685		7.12
11	2019	11/30/2019	47150	0921100	DCOV3FFACT	6969		Air Travel Cost			Air Travel Cost		3.38	0.1685		0.57
11	2019	11/30/2019	47150	0921100	DCOV3FFACT	9526		Travel Expenses			Travel Expenses		12.2	0.1685		2.06
11	2019	11/30/2019	47150	0921100	DCOV3FFACT	9511		Travel Expenses			Travel Expenses		16.44	0.1685		2.77
11	2019	11/30/2019	47150	0921100	DCOV3FFACT	8262		Dues - Deductible			Dues - Deductible		7.03	0.1685		1.18
11	2019	11/30/2019	47150	0921100	DCOV3FFACT	6973		Travel Expenses			Travel Expenses		1.56	0.1685		0.26
11	2019	11/30/2019	47150	0921100	DCOV3FFACT	6969		Travel Expenses			Travel Expenses		71.08	0.1685		11.98
10	2019	10/31/2019	47150	0921100	DCOV3FFACT	6969		Direct Purchases			Direct Purchases		0.12	0.1685		0.02
10	2019	10/31/2019	47150	0921100	DCOV3FFACT	8727		Dues - Deductible			Dues - Deductible		32.09	0.1685		5.41
10	2019	10/31/2019	47150	0921100	DCOV3FFACT	9552		Meals and Entertainment (50%)			Meals and Entertainment (50%)		4.78	0.1685		0.81
10	2019	10/31/2019	47150	0921100	DCOV3FFACT	8727		Meals and Entertainment (50%)			Meals and Entertainment (50%)		14.03	0.1685		2.35
10	2019	10/31/2019	47150	0921100	DCOV3FFACT	6969		Meals and Entertainment (50%)			Meals and Entertainment (50%)		67.39	0.1685		11.36
10	2019	10/31/2019														

Piedmont Natural Gas Company, Inc.
 Docket No. 20-00088
 To Identify Costs Associated with DCOV3FFACT Allocation Pool

Worksheet DND 6.2

Source: Piedmont File SK Other AG ADJ/ Tab Other A&G Detail

Accounting	Fiscal Year	Journal Date	Bus Unit	Account ID	Allocation Pool	ID	CB	Resp	Centr	Resource Type	Long Descr	CB	Monetary	Amount	TN %	TN Amount
7	2019	7/31/2019	47150	0921100	DCOV3FFACT	9690					Travel Expenses		8.22	0.1685	1.38	
7	2019	7/31/2019	47150	0921100	DCOV3FFACT	9613					Travel Expenses		17.74	0.1685	2.99	
7	2019	7/31/2019	47150	0921100	DCOV3FFACT	9526					Travel Expenses		1.86	0.1685	0.31	
7	2019	7/31/2019	47150	0921100	DCOV3FFACT	8727					Travel Expenses		120.85	0.1685	20.39	
7	2019	7/31/2019	47150	0921100	DCOV3FFACT	6969					Travel Expenses		239.05	0.1685	40.28	
7	2019	7/31/2019	47150	0921100	DCOV3FFACT	6969					Direct Purchases		7.22	0.1685	1.22	
6	2019	6/30/2019	47150	0921100	DCOV3FFACT	9526					Dues - Deductible		6.76	0.1685	1.14	
6	2019	6/30/2019	47150	0921100	DCOV3FFACT	8727					Dues - Deductible		3.38	0.1685	0.57	
6	2019	6/30/2019	47150	0921100	DCOV3FFACT	6969					Dues - Deductible		58.95	0.1685	9.93	
6	2019	6/30/2019	47150	0921100	DCOV3FFACT	6969					Personal Vehicle Mileage Reimb		12.58	0.1685	2.12	
6	2019	6/30/2019	47150	0921100	DCOV3FFACT	8262					Meals and Entertainment (50%)		5.4	0.1685	0.91	
6	2019	6/30/2019	47150	0921100	DCOV3FFACT	6969					Meals and Entertainment (50%)		25.28	0.1685	4.26	
6	2019	6/30/2019	47150	0921100	DCOV3FFACT	9613					Pers/MobileDevice reimbursement		5.63	0.1685	0.95	
6	2019	6/30/2019	47150	0921100	DCOV3FFACT	9526					Pers/MobileDevice reimbursement		8.45	0.1685	1.42	
6	2019	6/30/2019	47150	0921100	DCOV3FFACT	8727					Pers/MobileDevice reimbursement		2.82	0.1685	0.48	
6	2019	6/30/2019	47150	0921100	DCOV3FFACT	8262					Pers/MobileDevice reimbursement		14.08	0.1685	2.37	
6	2019	6/30/2019	47150	0921100	DCOV3FFACT	6969					Pers/MobileDevice reimbursement		59.12	0.1685	9.96	
6	2019	6/30/2019	47150	0921100	DCOV3FFACT	6969					Air Travel Cost		119.07	0.1685	20.06	
6	2019	6/30/2019	47150	0921100	DCOV3FFACT	9613					Travel Expenses		78.94	0.1685	13.23	
6	2019	6/30/2019	47150	0921100	DCOV3FFACT	9526					Travel Expenses		8.33	0.1685	1.40	
6	2019	6/30/2019	47150	0921100	DCOV3FFACT	8727					Travel Expenses		36.07	0.1685	6.08	
6	2019	6/30/2019	47150	0921100	DCOV3FFACT	6969					Travel Expenses		6.06	0.1685	1.02	
6	2019	6/30/2019	47150	0921100	DCOV3FFACT	6969					Travel Expenses		214.07	0.1685	36.07	
6	2019	6/30/2019	47150	0921100	DCOV3FFACT	8744					Office Supplies & Expenses		2.24	0.1685	0.38	
6	2019	5/31/2019	47150	0921100	DCOV3FFACT	9613					Telephone/Communications		5.63	0.1685	0.95	
5	2019	5/31/2019	47150	0921100	DCOV3FFACT	9613					Dues - Deductible		6.76	0.1685	1.14	
5	2019	5/31/2019	47150	0921100	DCOV3FFACT	9526					Dues - Deductible		11.54	0.1685	1.94	
5	2019	5/31/2019	47150	0921100	DCOV3FFACT	8727					Dues - Deductible		3.38	0.1685	0.57	
5	2019	5/31/2019	47150	0921100	DCOV3FFACT	6969					Personal Vehicle Mileage Reimb		17.64	0.1685	2.97	
5	2019	5/31/2019	47150	0921100	DCOV3FFACT	9526					Meals and Entertainment (50%)		1.24	0.1685	0.21	
5	2019	5/31/2019	47150	0921100	DCOV3FFACT	8727					Meals and Entertainment (50%)		6.95	0.1685	1.16	
5	2019	5/31/2019	47150	0921100	DCOV3FFACT	6969					Meals and Entertainment (50%)		158.84	0.1685	26.76	
5	2019	5/31/2019	47150	0921100	DCOV3FFACT	9613					Pers/MobileDevice reimbursement		8.45	0.1685	1.42	
5	2019	5/31/2019	47150	0921100	DCOV3FFACT	9526					Pers/MobileDevice reimbursement		59.41	0.1685	9.64	
5	2019	5/31/2019	47150	0921100	DCOV3FFACT	8727					Pers/MobileDevice reimbursement		22.52	0.1685	3.79	
5	2019	5/31/2019	47150	0921100	DCOV3FFACT	6969					Pers/MobileDevice reimbursement		81.64	0.1685	13.76	
5	2019	5/31/2019	47150	0921100	DCOV3FFACT	6969					Air Travel Cost		25.72	0.1685	4.33	
5	2019	5/31/2019	47150	0921100	DCOV3FFACT	9526					Travel Expenses		3.05	0.1685	0.51	
5	2019	5/31/2019	47150	0921100	DCOV3FFACT	9526					Travel Expenses		257.32	0.1685	43.36	
5	2019	5/31/2019	47150	0921100	DCOV3FFACT	8727					Travel Expenses		71.45	0.1685	12.04	
5	2019	5/31/2019	47150	0921100	DCOV3FFACT	6969					Travel Expenses		400.85	0.1685	67.49	
4	2019	4/30/2019	47150	0921100	DCOV3FFACT	9526					Dues - Deductible		6.76	0.1685	1.14	
4	2019	4/30/2019	47150	0921100	DCOV3FFACT	8727					Dues - Deductible		24.3	0.1685	4.09	
4	2019	4/30/2019	47150	0921100	DCOV3FFACT	6969					Dues - Deductible		15.7	0.1685	2.65	
4	2019	4/30/2019	47150	0921100	DCOV3FFACT	9526					Meals and Entertainment (50%)		2.19	0.1685	0.37	
4	2019	4/30/2019	47150	0921100	DCOV3FFACT	9613					Pers/MobileDevice reimbursement		5.63	0.1685	0.95	
4	2019	4/30/2019	47150	0921100	DCOV3FFACT	9526					Pers/MobileDevice reimbursement		11.26	0.1685	1.91	
4	2019	4/30/2019	47150	0921100	DCOV3FFACT	8727					Pers/MobileDevice reimbursement		2.82	0.1685	0.48	
4	2019	4/30/2019	47150	0921100	DCOV3FFACT	7266					Pers/MobileDevice reimbursement		8.45	0.1685	1.42	
4	2019	4/30/2019	47150	0921100	DCOV3FFACT	6969					Pers/MobileDevice reimbursement		22.52	0.1685	3.79	
4	2019	4/30/2019	47150	0921100	DCOV3FFACT	9526					Air Travel Cost		3.38	0.1685	0.57	
4	2019	4/30/2019	47150	0921100	DCOV3FFACT	8727					Air Travel Cost		14.54	0.1685	2.46	
4	2019	4/30/2019	47150	0921100	DCOV3FFACT	9613					Travel Expenses		9.37	0.1685	1.59	
4	2019	4/30/2019	47150	0921100	DCOV3FFACT	9526					Travel Expenses		116.43	0.1685	19.62	
4	2019	4/30/2019	47150	0921100	DCOV3FFACT	8727					Travel Expenses		0.17	0.1685	0.03	
4	2019	4/30/2019	47150	0921100	DCOV3FFACT	6969					Travel Expenses		7.37	0.1685	1.23	
4	2019	4/30/2019	47150	0921100	DCOV3FFACT	6969					Direct Purchases		3.72	0.1685	0.63	
10	2020	10/31/2020	47150	0930200	DCOV3FFACT	9659					Accounting Entry		1288	0.1685	217.03	
2	2020	2/28/2020	47150	0921200	DCOV3FFACT	9511					Accounting Entry		5672.82	0.17	951.17	
2	2020	2/28/2020	47150	0921200	DCOV3FFACT	9511					Unclaimed Property		-1626.33	0.17	(276.47)	
2	2020	2/28/2020	47150	0921200	DCOV3FFACT	6969					Telephone/Communications		13.03	0.17	2.22	
2	2020	2/28/2020	47150	0921200	DCOV3FFACT	6969					Direct Mat/Purchases Accrual		-271.57	0.17	(46.17)	
2	2020	2/28/2020	47150	0921200	DCOV3FFACT	6969					Office Supplies & Expenses		64.12	0.17	10.90	
2	2020	2/28/2020	47150	0921200	DCOV3FFACT	6969					Direct Purchases		2.01	0.17	0.34	
1	2020	1/31/2020	47150	0921200	DCOV3FFACT	9800					Accounting Entry		-5.14	0.17	(0.87)	
1	2020	1/31/2020	47150	0921200	DCOV3FFACT	9613					Accounting Entry		6570.81	0.17	1,111.29	
1	2020	1/31/2020	47150	0921200	DCOV3FFACT	9526					Accounting Entry		1952.07	0.17	331.85	
1	2020	1/31/2020	47150	0921200	DCOV3FFACT	9511					Unclaimed Property		-889.83	0.17	(151.27)	
1	2020	1/31/2020	47150	0921200	DCOV3FFACT	6969					Direct Mat/Purchases Accrual		90.39	0.17	15.62	
1	2020	1/31/2020	47150	0921200	DCOV3FFACT	6969					Office Supplies & Expenses		31.8	0.17	5.41	
1	2020	1/31/2020	47150	0921200	DCOV3FFACT	6969					Direct Purchases		1.23	0.17	0.21	
12	2019	12/31/2019	47150	0921200	DCOV3FFACT	9853					Accounting Entry		-27493.3	0.1685	(4,652.99)	
12	2019	12/31/2019	47150	0921200	DCOV3FFACT	1404					Accounting Entry		1784.42	0.1685	300.67	
12	2019	12/31/2019	47150	0921200	DCOV3FFACT	1404					Accounting Entry		42855.64	0.1685	7,221.18	
12	2019	12/31/2019	47150	0921200	DCOV3FFACT	9853					Accounting Entry		110.44	0.1685	19.00	
12	2019	12/31/2019	47150	0921200	DCOV3FFACT	9526					Accounting Entry		6840.41	0.1685	1,152.81	
12	2019	12/31/2019	47150	0921200	DCOV3FFACT	8727					Accounting Entry		-289.44	0.1685	(48.77)	
12	2019	12/31/2019	47150	0921200	DCOV3FFACT	8727					Lease variable costs		1.23	0.1685	0.21	
12	2019	12/31/2019	47150	0921200	DCOV3FFACT	9800					Meals and Entertainment (50%)		10.37	0.1		

Piedmont Natural Gas Company, Inc.
Docket No. 20-40068
To Identify Costs Associated with DGOV3FFACT Allocation Pool

Worksheet DND 6.2

Source: Piedmont File 6K Other AG ADJ/ Tab Other A&G Detail

Accounting	Fiscal Year	Journal Date	Bus Unit ID	Account ID	Allocation Pool ID	CB	Rate	Resource Type	Long Descr	CB	Monetary	Amount	TN %	Amount
1	2019	4/30/2019	47150	0923000	DGOV3FFACT	9529	5.07	Direct Purchases	Lease variable costs		1.83	0.1685		0.31
4	2019	4/30/2019	47150	0921200	DGOV3FFACT	8727		Unclaimed Property			-3185	0.1685		(536.67)
4	2019	4/30/2019	47150	0921200	DGOV3FFACT	9511		Direct Mat/Purchases Accrual			3.32	0.1685		0.56
2	2020	2/29/2020	47150	0923000	DGOV3FFACT	9526		Other Contracts			453.38	0.17		77.07
2	2020	2/29/2020	47150	0923000	DGOV3FFACT	8727		Consultant			38947.8	0.17		6,621.13
2	2020	2/29/2020	47150	0923000	DGOV3FFACT	9526		Tumkey Service Contract Labor			370.68	0.17		64.38
2	2020	2/29/2020	47150	0923000	DGOV3FFACT	8396		Consultant			44.34	0.17		7.54
2	2020	2/29/2020	47150	0923000	DGOV3FFACT	9699		Consultant			5210.88	0.17		886.85
2	2020	2/29/2020	47150	0923000	DGOV3FFACT	9699		Direct Mat/Purchases Accrual			-701.47	0.17		(119.25)
1	2020	1/31/2020	47150	0923000	DGOV3FFACT	9613		Other Contracts			24945.65	0.17		4,240.76
1	2020	1/31/2020	47150	0923000	DGOV3FFACT	9526		Direct Mat/Purchases Accrual			70.82	0.17		12.01
1	2020	1/31/2020	47150	0923000	DGOV3FFACT	8966		Consultant			348.1	0.17		59.18
1	2020	1/31/2020	47150	0923000	DGOV3FFACT	8755		Consultant			57998.31	0.17		9,857.67
1	2020	1/31/2020	47150	0923000	DGOV3FFACT	8755		Contract/Outside Services NLRB			-50145.69	0.17		(8,524.77)
1	2020	1/31/2020	47150	0923000	DGOV3FFACT	8727		Consultant			6269.98	0.17		1,069.30
1	2020	1/31/2020	47150	0923000	DGOV3FFACT	8396		Tumkey Service Contract Labor			538.65	0.17		91.57
1	2020	1/31/2020	47150	0923000	DGOV3FFACT	9699		Other Contracts			2.15	0.17		0.37
1	2020	1/31/2020	47150	0923000	DGOV3FFACT	9699		Tumkey Service Contract Labor			-18.11	0.17		(3.08)
12	2019	12/31/2019	47150	0923000	DGOV3FFACT	9526		Other Contracts			780.16	0.17		129.23
12	2019	12/31/2019	47150	0923000	DGOV3FFACT	8727		Accounting Entry			-2392.75	0.1685		(403.18)
12	2019	12/31/2019	47150	0923000	DGOV3FFACT	9613		Other Contracts			2424.88	0.1685		408.59
12	2019	12/31/2019	47150	0923000	DGOV3FFACT	9699		Other Contracts			334.22	0.1685		58.32
12	2019	12/31/2019	47150	0923000	DGOV3FFACT	9699		Other Contracts			1.97	0.1685		0.33
12	2019	12/31/2019	47150	0923000	DGOV3FFACT	9699		Tumkey Service Contract Labor			7345.92	0.1685		1,237.79
12	2019	12/31/2019	47150	0923000	DGOV3FFACT	8755		Consultant			30476.71	0.1685		6,651.83
12	2019	12/31/2019	47150	0923000	DGOV3FFACT	8727		Consultant			41218.95	0.1685		6,945.39
12	2019	12/31/2019	47150	0923000	DGOV3FFACT	9699		Consultant			839.04	0.1685		141.38
12	2019	12/31/2019	47150	0923000	DGOV3FFACT	9699		Contract/Outside Services NLRB			281.5	0.1685		46.25
12	2019	12/31/2019	47150	0923000	DGOV3FFACT	8755		Contract/Outside Services NLRB			-22617.09	0.1685		(3,810.98)
12	2019	12/31/2019	47150	0923000	DGOV3FFACT	9511		Audit Fees			45978.3	0.1685		7,747.34
12	2019	12/31/2019	47150	0923000	DGOV3FFACT	9699		Direct Mat/Purchases Accrual			112.07	0.1685		19.38
11	2019	11/30/2019	47150	0923000	DGOV3FFACT	8755		Accounting Entry			8837.92	0.1685		1,489.19
11	2019	11/30/2019	47150	0923000	DGOV3FFACT	8727		Accounting Entry			-15299.24	0.1685		(2,577.92)
11	2019	11/30/2019	47150	0923000	DGOV3FFACT	9613		Other Contracts			4	0.1685		0.67
11	2019	11/30/2019	47150	0923000	DGOV3FFACT	9699		Tumkey Service Contract Labor			8348.41	0.1685		1,406.71
11	2019	11/30/2019	47150	0923000	DGOV3FFACT	8755		Consultant			8445	0.1685		1,422.98
11	2019	11/30/2019	47150	0923000	DGOV3FFACT	8727		Consultant			36178.9	0.1685		6,078.29
11	2019	11/30/2019	47150	0923000	DGOV3FFACT	9699		Consultant			683.41	0.1685		116.60
11	2019	11/30/2019	47150	0923000	DGOV3FFACT	8755		Contract/Outside Services NLRB			-8445	0.1685		(1,422.98)
11	2019	11/30/2019	47150	0923000	DGOV3FFACT	9511		Audit Fees			45978.3	0.1685		7,747.34
10	2019	10/31/2019	47150	0923000	DGOV3FFACT	9526		Direct Mat/Purchases Accrual			50.64	0.1685		8.62
10	2019	10/31/2019	47150	0923000	DGOV3FFACT	9613		Other Contracts			14.35	0.1685		2.42
10	2019	10/31/2019	47150	0923000	DGOV3FFACT	9526		Other Contracts			4	0.1685		0.67
10	2019	10/31/2019	47150	0923000	DGOV3FFACT	9699		Other Contracts			5.07	0.1685		0.86
10	2019	10/31/2019	47150	0923000	DGOV3FFACT	9699		Tumkey Service Contract Labor			-8348.4	0.1685		(1,406.71)
10	2019	10/31/2019	47150	0923000	DGOV3FFACT	8755		Consultant			309681.86	0.1685		52,181.39
10	2019	10/31/2019	47150	0923000	DGOV3FFACT	8727		Consultant			38952.42	0.1685		6,560.48
10	2019	10/31/2019	47150	0923000	DGOV3FFACT	9699		Consultant			1098.62	0.1685		185.12
10	2019	10/31/2019	47150	0923000	DGOV3FFACT	8755		Contract/Outside Services NLRB			-292722.42	0.1685		(49,323.73)
10	2019	10/31/2019	47150	0923000	DGOV3FFACT	8727		Contract/Outside Services NLRB			-2295.38	0.1685		(385.73)
10	2019	10/31/2019	47150	0923000	DGOV3FFACT	9511		Audit Fees			57238.35	0.1685		9,644.66
9	2019	9/30/2019	47150	0923000	DGOV3FFACT	9613		Other Contracts			355.87	0.1685		59.96
9	2019	9/30/2019	47150	0923000	DGOV3FFACT	9526		Other Contracts			2201.32	0.1685		370.92
9	2019	9/30/2019	47150	0923000	DGOV3FFACT	9699		Other Contracts			75.49	0.1685		12.72
9	2019	9/30/2019	47150	0923000	DGOV3FFACT	9699		Tumkey Service Contract Labor			8348.4	0.1685		1,406.71
9	2019	9/30/2019	47150	0923000	DGOV3FFACT	9699		SA Vndr Emp Exp - 100% Deduct			0.06	0.1685		0.01
9	2019	9/30/2019	47150	0923000	DGOV3FFACT	9699		SA Vendor Emp Exp-Per Diem			4.79	0.1685		0.81
9	2019	9/30/2019	47150	0923000	DGOV3FFACT	9699		SA Crct Emp Exp-50% Deduct			1.24	0.1685		0.21
9	2019	9/30/2019	47150	0923000	DGOV3FFACT	9699		Consultant			4216.46	0.1685		716.24
9	2019	9/30/2019	47150	0923000	DGOV3FFACT	8755		Contract/Outside Services NLRB			375693.09	0.1685		63,304.29
9	2019	9/30/2019	47150	0923000	DGOV3FFACT	8727		Contract/Outside Services NLRB			37952.02	0.1685		6,394.92
9	2019	9/30/2019	47150	0923000	DGOV3FFACT	9511		Audit Fees			61179.35	0.1685		10,306.72
9	2019	9/30/2019	47150	0923000	DGOV3FFACT	9699		Direct Mat/Purchases Accrual			-8482.89	0.1685		(1,507.88)
9	2019	9/30/2019	47150	0923000	DGOV3FFACT	9699		Direct Mat/Purchases Accrual			-1403.47	0.1685		(236.48)
8	2019	8/31/2019	47150	0923000	DGOV3FFACT	9526		Other Contracts			2342.08	0.1685		394.64
8	2019	8/31/2019	47150	0923000	DGOV3FFACT	9699		Other Contracts			1.97	0.1685		0.33
8	2019	8/31/2019	47150	0923000	DGOV3FFACT	9699		Tumkey Service Contract Labor			10214.4	0.1685		1,721.13
8	2019	8/31/2019	47150	0923000	DGOV3FFACT	9699		SA Vndr Emp Exp - 100% Deduct			0.35	0.1685		0.06
8	2019	8/31/2019	47150	0923000	DGOV3FFACT	9699		SA Vendor Emp Exp-Per Diem			19.15	0.1685		3.23
8	2019	8/31/2019	47150	0923000	DGOV3FFACT	9699		SA Crct Emp Exp-50% Deduct			4.01	0.1685		0.68
8	2019	8/31/2019	47150	0923000	DGOV3FFACT	9699		Consultant			1818.54	0.1685		306.42
8	2019	8/31/2019	47150	0923000	DGOV3FFACT	9526		Contract/Outside Services NLRB			117.37	0.1685		19.63
8	2019	8/31/2019	47150	0923000	DGOV3FFACT	8755		Contract/Outside Services NLRB			26674.21	0.1685		4,494.60
8	2019	8/31/2019	47150	0923000	DGOV3FFACT	8727		Contract/Outside Services NLRB			35726.12	0.1685		6,019.85
8	2019	8/31/2019	47150	0923000	DGOV3FFACT	9511		Audit Fees			57238.35	0.1685		9,644.66
8	2019	8/31/2019	47150	0923000	DGOV3FFACT	9699		Direct Mat/Purchases Accrual			1929.99	0.1685		325.20
3	2020	3/31/2020	47150	0923000	DGOV3FFACT	9699		Consultant			436.25	0.17		74.16
3	2020	3/31/2020	47150	0923000	DGOV3FFACT	9699		Tumkey Service Contract Labor			15045.49	0.17		2,557.73
3	2020	3/31/2020	47150	0923000	DGOV3FFACT	8396		Consultant			6.12	0.17		1.04
3	2020	3/31/2020	47150	0923000	DGOV3FFACT	8396		Tumkey Service Contract Labor						

Piedmont Natural Gas Company, Inc.
Docket No. 20-00086
To Adjust Deferred Pension Cost
Amortization

Workpaper DND Exp 7

		<u>Piedmont Request Attrition Period</u>	<u>Consumer Advocate Adjustment</u>		<u>Consumer Advocate Attrition Period</u>
Annual Attrition Period Amortization	A/	\$ 3,954,327	\$ (4,024,982)	B/	\$ (70,655)

A/ Piedmont File 5B_DefPensionAmortAdj; Line 8

B/ Workpaper DND Exp 7.1

Piedmont Natural Gas Company, Inc.
Docket No. 20-00086
To Adjust Deferred Pension Cost
Amortization

Piedmont Exhibit 5B_DefPensionAmort Adj

Piedmont Natural Gas Company, Inc.
 TN Deferred Pension Account -A/C 018617 (2012-2016)/ A/C 0182627 & 0182300 (2017 - current)
 Defined Benefit Pension Summary Worksheet

Workpaper DND - Exp 7.1
Workpaper DND - RB-1.5

Line No.		Piedmont Request	Consumer Advocate Adjustment	Consumer Advocate Attrition Period
1	TN Deferred Pension Account Balance as of 2/29/2012 as approved in Docket No. 11-0014	A/ \$ 21,490,746		\$ 21,490,746
2	Less: Total Amortized Expenses from 3/1/2012-3/31/2020 (a)	A/ \$ 21,714,608		\$ 21,714,608
3	Plus: Incremental Pension Funding , as deferred (b)	A/ \$ 14,101,600	\$ (12,074,947) B/	\$ 2,026,653
4	Account Balance as of March 31, 2020 (Line 1 - Line 2 + Line 3)	\$ 13,877,738	\$ (12,074,947)	\$ 1,802,792
5	Less: Total Amortized Expenses from 4/1/2020 - 12/31/2020 (f)	A/ \$ 2,014,757		\$ 2,014,757
6	Unamortized Account Balance as of January 1, 2021 (Line 4 - Line 5)	\$ 11,862,981		\$ (211,966)
7	Proposed amortization period, in years	3		3
8	Annual amortization amount (Line 6 / Line 7)	\$ 3,954,327	\$ (4,024,982)	\$ (70,655)
9	Less: Annual Amortization Amount recorded in the Test Period (a)	\$ 2,686,343		
10	Increase (Decrease) in Attrition adjustment (Line 8 - Line 9)	<u>\$ 1,267,984</u>		

Notes (Piedmont)

(a) Amortized expense recovery of \$223,861.94/month (\$2,686,343 annual amortization) as allowed per Docket No. 11-00144 Paragraph 14a:

\$223,861.94/month for 97 months (3/1/2012 - 3/31/2020) = \$ 21,714,608

(b) These expenses have been deferred pursuant to the regulatory accounting treatment granted in Docket No. 96-

(c) No contributions were made to the plan on behalf of Piedmont during 2018.

Effective January 1, 2018, Duke restructured its qualified non-contributory defined benefit retirement plans (including the acquired Piedmont plan) into a single active plan

(d) No deferral was made to the regulatory asset during 2019.

(e) No contributions are expected for fiscal year 2020.

(f) Amortized annual expense recovery of \$223,861.94, as allowed per Docket No. 11-00144 Paragraph 14a:

\$223,861.94/month for 9 months (4/1/2020 - 12/31/2020) = \$ 2,014,757

A/ Piedmont Exhibit 5B_DefPensionAmort Adj

B/ See Workpaper DND-RB-1.2

Company, Inc.
Docket No. 20-00086
To Adjust Allocation of Duke Energy Business Services Assets (DEBS)

Workpaper DND Exp 8

Line No.	Description	Piedmont Test Period Amount	Consumer Advocate Adjustment	Consumer Advocate Test Period
	Piedmont TN Allocated Costs from DEBS	A/ \$ 528,647		A/ \$ 528,647
	Less: Adjust to Reflect CA Rate of Return		\$ (50,881)	B/ \$ 477,765
	Less: Adjust to Remove Return on Pension Assets		B/ \$ (77,703)	\$ 400,062
	Total	\$ 528,647	\$ (128,584)	<u>\$ 400,062</u>
	Attrition Period Factor		C/ <u>1.04646</u>	
	Attrition Period Adjustment		<u>\$ (134,558)</u>	

Net of CA Rate of
Return Adjustment

Net of CA Rate of
Return Adjustment and
Removal of Return on
Pension Assets

A/ Response to Consumer Advocate Request
3-8 (e); DND Exp 8.3
B/ Workpaper DND Exp 8.1
WHN Workpaper E-40-4.00

Piedmont Natural Gas Company, Inc.
Docket 20-00086
Recalculation of DEBS Allocation Using CA Rate of Return

Source: CA DR 3-8.e; DND Exp 8.2

Workpaper DND Exp 8.1

RETURN ON INVENTORY CALCULATION					RETURN ON PENSION CALCULATION					RETURN ON PPE CALCULATION					Total DEBS Return on Assets			
(A)	(B)	(C)	(A) * (B) * (C)		(A)	(B)	(C)	(A) * (B) * (C)		(A)	(B)	(C)	(A) * (B) * (C)		Charged to Piedmont	TN %	TN Amount	
DEBS Inventory Balance	CAM % - DURR	Annual ROR	Monthly ROR	Return on Inventory	DEBS Pension Balances	CAM % - PLIB	Annual ROR	Monthly ROR	Return on Pension	DEBS PPE Balances	CAM % - DURR	Annual ROR	Monthly ROR	Return on PPE				
201904	24,933,019.37	5.63%	8.00%	0.67%	9,355	143,895,421.08	4.29%	8.00%	0.67%	41,139	471,764,592.12	5.63%	8.00%	0.67%	177,004	227,497.93	16.85%	38,333
201905	25,142,267.11	5.63%	8.00%	0.67%	9,433	144,404,513.74	4.29%	8.00%	0.67%	41,285	468,941,622.10	5.63%	8.00%	0.67%	175,945	226,662.83	16.85%	38,193
201906	25,039,645.04	5.63%	8.00%	0.67%	9,395	143,819,682.65	4.29%	8.00%	0.67%	41,117	465,581,549.66	5.63%	8.00%	0.67%	174,684	225,196.44	16.85%	37,946
201907	25,017,329.89	5.63%	8.00%	0.67%	9,386	132,880,374.39	4.29%	8.00%	0.67%	37,990	475,396,954.71	5.63%	8.00%	0.67%	178,333	225,709.50	16.85%	38,032
201908	25,389,052.99	5.63%	8.00%	0.67%	9,529	132,992,799.91	4.29%	8.00%	0.67%	38,022	488,864,531.40	5.63%	8.00%	0.67%	183,420	230,967.78	16.85%	38,918
201909	25,415,672.84	5.63%	8.00%	0.67%	9,536	138,903,640.83	4.29%	8.00%	0.67%	39,712	504,224,700.62	5.63%	8.00%	0.67%	189,183	238,430.80	16.85%	40,176
201910	25,808,063.30	5.63%	8.00%	0.67%	9,683	134,391,881.18	4.29%	8.00%	0.67%	38,422	505,154,369.63	5.63%	8.00%	0.67%	189,532	237,636.94	16.85%	40,042
201911	24,932,865.83	5.63%	8.00%	0.67%	9,355	133,046,606.57	4.29%	8.00%	0.67%	38,037	500,602,356.19	5.63%	8.00%	0.67%	187,824	235,216.07	16.85%	39,534
201812	24,506,050.12	5.63%	8.00%	0.67%	9,195	132,809,635.75	4.29%	8.00%	0.67%	37,970	523,803,970.75	5.63%	8.00%	0.67%	196,529	243,693.99	16.85%	41,952
202001	24,452,295.49	5.73%	8.00%	0.67%	9,337	127,591,412.20	4.18%	8.00%	0.67%	35,514	530,082,991.20	5.73%	8.00%	0.67%	202,418	247,268.91	17.00%	42,036
202002	24,588,235.67	5.73%	8.00%	0.67%	9,389	127,847,343.92	4.18%	8.00%	0.67%	35,585	519,750,316.41	5.73%	8.00%	0.67%	198,472	243,446.42	17.00%	41,386
202003	24,931,862.87	5.73%	8.00%	0.67%	9,520	127,195,551.90	4.18%	8.00%	0.67%	35,404	529,470,421.14	5.73%	8.00%	0.67%	202,184	247,107.94	17.00%	42,008
Test Period Totals				\$ 113,110	Tennessee Jurisdictional Portion (April - Dec total * 16.85% + Jan-March total * 17%)				\$ 460,197	77,703	\$ 2,255,528				\$ 477,765			

Piedmont Natural Gas Company, Inc.
Docket 20-00086
CA DR 2-15 Attachment

Workpaper Exp 8.2

To Recalculate DEBS Return using Consumer Advocate Proposed Return on Equity

Question Detail: 2-15. Regarding the response to Consumer Advocate Request 1-67, provide the following

b. Provide the underlying calculation for the 8.65% revenue requirement factor.

Piedmont Natural Gas Company
State of North Carolina
Computation of Revenue Requirement Rate Excluding Gross Receipts Tax
Updated 10/22/19, Effective 11/1/2019

	<i>Docket No.</i> G-9 Sub 743 Capital Structure	<i>Docket No.</i> G-9 Sub 743 Cost Rates	Weighted Cost/Return %	Income Tax Factors	Net of Tax Overall Rate of Return	Income Taxes Factor	Revenue Requirement Excluding Gross Receipts Tax
Long-term debt	45.50%	4.14%	1.88%	0.770250	1.45%	1.000000	1.88%
Short-term debt	4.00%	0.40%	0.02%	0.770250	0.01%	1.000000	0.02%
Common equity	50.50%	9.30%	4.70%	1.000000	4.70%	0.770250	6.10%
Total	100.00%		6.60%		6.16%		8.00%

Gross revenue	1.000000
State income tax rate	0.025000
Gross revenue after state income tax	0.975000
Federal income tax rate	0.210000
Federal income tax	0.204750
State income tax rate	0.025000
Composite income tax rate	0.229750
Tax factor	0.770250

Indicates input cell

Support: Exhibit B - Calculation of Gross Revenue Effect Factors For the Test Period Ended December 31, 2018, NC General Rate Case 2019, Docket No. G-9, Sub 743.

A/ See Testimony of Consumer Advocate Witness Chris Klein

RETURN ON INVENTORY CALCULATION					
(A)	(B)	(C)	(A) * (B) / (C)		
DEBS Inventory Balance	CAM % - DURR	Annual ROR	Monthly ROR	Return on Inventory	
201701	\$ 25,879,816.95	5.86%	10.48%	0.87%	13,244.60
201702	25,799,811.00	5.86%	10.48%	0.87%	13,203.66
201703	26,053,562.29	5.86%	10.48%	0.87%	13,333.52
201704	25,739,834.29	5.86%	10.48%	0.87%	13,172.96
201705	25,518,762.15	5.86%	10.48%	0.87%	13,059.82
201706	25,330,585.88	5.86%	10.48%	0.87%	12,963.52
201707	25,267,518.02	5.86%	10.48%	0.87%	12,931.24
201708	24,823,731.05	5.86%	10.48%	0.87%	12,704.12
201709	25,312,609.91	5.86%	10.48%	0.87%	12,954.32
201710	24,572,777.70	5.86%	10.48%	0.87%	12,575.69
201711	24,726,137.72	5.86%	10.48%	0.87%	12,654.18
201712	23,163,364.45	5.86%	10.48%	0.87%	11,854.39
201801	23,228,635.11	5.47%	9.06%	0.76%	11,097.08
201802	23,365,582.09	5.47%	9.06%	0.76%	8,145.63
201803	23,255,796.11	5.47%	9.06%	0.76%	9,604.29
201804	24,036,046.11	5.47%	9.06%	0.76%	9,926.53
201805	23,540,620.50	5.47%	9.06%	0.76%	9,721.92
201806	23,397,050.71	5.47%	9.06%	0.76%	9,662.63
201807	23,422,858.63	5.47%	9.06%	0.76%	9,673.29
201808	23,409,400.37	5.47%	9.06%	0.76%	9,667.73
201809	23,388,374.34	5.47%	9.06%	0.76%	9,659.05
201810	23,856,650.63	5.47%	9.06%	0.76%	9,852.44
201811	24,263,477.76	5.47%	9.06%	0.76%	10,020.45
201812	24,234,984.09	5.47%	9.06%	0.76%	10,008.68
201901	24,370,422.98	5.63%	9.06%	0.76%	10,359.01
201902	24,696,857.83	5.63%	9.06%	0.76%	10,497.77
201903	24,799,955.59	5.63%	9.06%	0.76%	10,541.59
201904	24,933,019.37	5.63%	9.06%	0.76%	10,598.15
201905	25,142,267.11	5.63%	9.06%	0.76%	10,687.10
201906	25,030,645.04	5.63%	9.06%	0.76%	10,643.48
201907	25,017,329.89	5.63%	9.06%	0.76%	10,633.99
201908	25,389,052.99	5.63%	9.06%	0.76%	10,762.00
201909	25,415,672.84	5.63%	9.06%	0.76%	10,803.31
201910	25,808,963.30	5.63%	8.65%	0.72%	10,473.66
201911	24,932,865.83	5.63%	8.65%	0.72%	10,118.48
201912	24,506,050.12	5.63%	8.65%	0.72%	9,945.27
202001	24,452,295.49	5.73%	8.65%	0.72%	10,059.71
202002	24,586,235.67	5.73%	8.65%	0.72%	10,155.88
202003	24,931,862.87	5.73%	8.65%	0.72%	10,297.79

Test Period Totals

125,249

RETURN ON PENSION CALCULATION					
(A)	(B)	(C)	(A) * (B) / (C)		
DEBS Pension Balances	CAM % - PLIB	Annual ROR	Monthly ROR	Return on Pension	
201701	\$ -	-	-	-	-
201702	-	-	-	-	-
201703	-	-	-	-	-
201704	-	-	-	-	-
201705	-	-	-	-	-
201706	-	-	-	-	-
201707	-	-	-	-	-
201708	-	-	-	-	-
201709	-	-	-	-	-
201710	-	-	-	-	-
201711	-	-	-	-	-
201712	-	-	-	-	-
201801	141,471,308.41	1.54%	9.06%	0.76%	19,028.87
201802	142,944,091.73	1.54%	9.06%	0.76%	14,042.11
201803	142,360,486.74	1.54%	9.06%	0.76%	16,552.25
201804	141,237,488.01	1.54%	9.06%	0.76%	16,421.68
201805	140,399,954.96	1.54%	9.06%	0.76%	16,324.30
201806	139,198,248.07	1.54%	9.06%	0.76%	16,184.58
201807	138,153,320.44	1.54%	9.06%	0.76%	16,063.00
201808	137,217,153.97	1.54%	9.06%	0.76%	15,954.24
201809	135,821,484.18	1.54%	9.06%	0.76%	15,791.96
201810	134,395,998.06	1.54%	9.06%	0.76%	15,626.21
201811	133,456,431.20	1.54%	9.06%	0.76%	15,514.65
201812	132,456,019.02	1.54%	9.06%	0.76%	15,400.66
201901	140,234,675.02	4.29%	9.06%	0.76%	45,421.31
201902	140,404,490.21	4.29%	9.06%	0.76%	45,476.31
201903	141,013,749.25	4.29%	9.06%	0.76%	45,673.65
201904	143,895,421.08	4.29%	9.06%	0.76%	46,607.01
201905	144,404,513.74	4.29%	9.06%	0.76%	46,771.90
201906	143,919,862.65	4.29%	9.06%	0.76%	46,582.48
201907	143,880,374.39	4.29%	9.06%	0.76%	47,306,954.71
201908	132,992,799.91	4.29%	9.06%	0.76%	43,076.70
201909	138,903,640.83	4.29%	9.06%	0.72%	44,990.19
201910	134,391,981.18	4.29%	8.65%	0.72%	41,550.01
201911	133,046,606.57	4.29%	8.65%	0.72%	41,143.00
201912	132,809,835.75	4.29%	8.65%	0.72%	41,069.78
202001	127,591,412.20	4.18%	8.65%	0.72%	38,413.57
202002	127,947,343.92	4.18%	8.65%	0.72%	38,490.62
202003	127,195,551.90	4.18%	8.65%	0.72%	38,294.39

510,037

RETURN ON PPE CALCULATION					
(A)	(B)	(C)	(A) * (B) / (C)		
DEBS PPE Balances	CAM % - DURR	Annual ROR	Monthly ROR	Return on PPE	
201701	\$ 260,868,111.39	5.86%	10.48%	0.87%	133,505.34
201702	264,310,979.70	5.86%	10.48%	0.87%	135,267.31
201703	260,335,592.33	5.86%	10.48%	0.87%	133,232.81
201704	256,442,243.68	5.86%	10.48%	0.87%	131,240.30
201705	252,480,264.56	5.86%	10.48%	0.87%	129,212.67
201706	248,291,787.36	5.86%	10.48%	0.87%	127,069.12
201707	262,056,572.03	5.86%	10.48%	0.87%	134,113.57
201708	259,982,846.84	5.86%	10.48%	0.87%	133,052.29
201709	288,534,055.60	5.86%	10.48%	0.87%	147,964.04
201710	250,866,890.29	5.86%	10.48%	0.87%	128,386.98
201711	306,583,241.35	5.86%	10.48%	0.87%	156,901.13
201712	305,201,144.13	5.86%	10.48%	0.87%	156,193.81
201801	366,111,629.34	5.47%	9.06%	0.76%	174,896.61
201802	375,741,453.35	5.47%	9.06%	0.76%	131,477.58
201803	381,507,607.20	5.47%	9.06%	0.76%	157,556.92
201804	402,658,380.22	5.47%	9.06%	0.76%	166,291.87
201805	391,572,638.28	5.47%	9.06%	0.76%	161,713.63
201806	389,641,272.31	5.47%	9.06%	0.76%	165,045.85
201807	440,697,822.53	5.47%	9.06%	0.76%	182,001.59
201808	437,358,374.18	5.47%	9.06%	0.76%	180,622.45
201809	435,062,419.77	5.47%	9.06%	0.76%	179,674.25
201810	452,541,366.06	5.47%	9.06%	0.76%	186,892.80
201811	458,958,050.41	5.47%	9.06%	0.76%	189,542.79
201812	480,607,333.62	5.47%	9.06%	0.76%	198,483.62
201901	448,799,688.02	5.63%	9.06%	0.76%	191,194.10
201902	458,871,469.55	5.63%	9.06%	0.76%	195,050.20
201903	458,544,830.86	5.63%	9.06%	0.76%	194,911.36
201904	471,764,582.12	5.63%	9.06%	0.76%	200,530.61
201905	468,941,622.10	5.63%	9.06%	0.76%	199,330.67
201906	465,581,549.86	5.63%	9.06%	0.76%	197,902.42
201907	475,306,954.71	5.63%	9.06%	0.76%	202,036.35
201908	488,864,331.40	5.63%	9.06%	0.76%	207,799.12
201909	504,224,700.62	5.63%	9.06%	0.76%	214,328.27
201910	505,154,369.63	5.63%	8.65%	0.72%	205,006.38
201911	500,602,356.19	5.63%	8.65%	0.72%	203,159.04
201912	523,809,970.75	5.63%	8.65%	0.72%	212,574.93
202001	530,082,391.20	5.73%	8.65%	0.72%	218,944.15
202002	519,750,316.41	5.73%	8.65%	0.72%	214,876.37
202003	529,470,421.14	5.73%	8.65%	0.72%	218,691.14

2,494,979

Total DEBS Return on Assets Charged to Piedmont			
	TN %	TN Amount	
\$	146,749.94	17.26%	\$ 25,329.04
	148,470.97	17.26%	25,626.09
	146,566.33	17.26%	25,297.35
	144,413.26	17.26%	24,925.73
	142,272.49	17.26%	24,556.23
	140,032.63	17.26%	24,169.63
	147,044.81	17.26%	25,379.93
	145,756.41	17.26%	25,157.56
	160,618.35	17.26%	27,722.73
	140,862.98	17.26%	24,330.16
	169,555.31	17.26%	29,265.25
	168,048.20	17.26%	29,005.12
	205,020.56	17.24%	35,345.54
	153,665.33	17.24%	26,491.90
	183,713.47	17.24%	31,672.20
	192,640.08	17.24%	33,211.15
	161,713.63	17.24%	32,369.80
	190,893.06	17.24%	32,909.96
	207,737.97	17.24%	35,814.03
	206,244.42	17.24%	35,554.54
	205,125.27	17.24%	35,363.80
	212,371.45	17.24%	36,612.84
	215,077.90	17.24%	37,079.43
	198,483.62	17.24%	38,599.15
	246,974.43	16.85%	41,615.19
	251,024.28	16.85%	42,297.59
	194,911.36	16.85%	42,314.83
	257,735.77	16.85%	43,428.48
	256,789.67	16.85%	43,269.06
	255,149.86	16.85%	42,889.13
	255,709.63	16.85%	43,087.07
	261,666.82	16.85%	44,090.86
	270,121.78	16.85%	45,152.52
	257,039.05	16.85%	43,311.08
	254,420.52	16.85%	42,869.86
	212,574.93	16.85%	44,414.91
	267,457.44	17.00%	45,467.76
	214,876.37	17.00%	44,764.89
	267,283.32	17.00%	45,438.16

528,647

**Piedmont Natural
Gas Company, Inc.
Docket No. 20-
To Adjust Allocation of Duke Energy Business Services Assets (DEBS) Depreciation**

Workpaper DND Exp 9

<u>Item</u>		<u>Piedmont Test Period</u>	<u>Consumer Advocate Adjustment</u>	<u>Consumer Advocate Test Period</u>
DEBS Depreciation	A/	\$ 1,723,278	\$ (1,723,278)	\$ -
Attrition Period Factor			B/ <u>1.04646</u>	
Attrition Period Adjustment			\$ (1,803,342)	

A/ DND Workpaper 9.1

B/ WHN Workpaper E-40-4.00

**Piedmont Natural Gas
Company, Inc.
Docket No. 20-00086**

To Adjust Allocation of Duke Energy Business Services Assets (DEBS) Depreciation

Workpaper DND Exp 9.1

Year	Account No.	Month	Piedmont Amount	Allocation %	Piedmont-TN Allocation		
2019	921980	April	A/ \$ 641,989	B/ 16.85%	\$ 108,175		
		May	602,810	16.85%	101,573		
		June	639,454	16.85%	107,748		
		July	613,601	16.85%	103,392		
		August	693,540	16.85%	116,861		
		September	1,520,282	16.85%	256,167		
		October	1,304,557	16.85%	219,818		
		November	888,420	16.85%	149,699		
		December	796,882	16.85%	134,275		
		2020		January	795,368	17.00%	135,213
				February	866,912	17.00%	147,375
				March	841,072	17.00%	142,982
			\$ 10,204,886		\$ 1,723,278		

A/ Response to Consumer Advocate Request 1-36 - Supplemental

B/ Response to Consumer Advocate Request 1-36

Piedmont Natural Gas Company, Inc.
Docket No. 20-00086
Adjustment to Reclassify Home Serve Net Income

Workpaper DND-Rev-1

Month	Year	Amount
April	2019 A/	\$ (234,284)
May		(223,176)
June		(214,471)
July		(235,531)
August		(229,468)
September		(219,935)
October		(233,997)
November		(218,330)
December		(233,544)
January	2020	(218,086)
February		(193,331)
March		(243,032)
<hr/>		
Test Period Revenue		\$ (2,697,184)
Attrition Period Factor	B/	0.97030
<hr/>		
Attrition Period Revenue Adjustment		\$ (2,617,065)

A/ Workpaper DND Revenue 1.1; Response to Consumer Advocate Request 1-61

B/ Workpaper DND Revenue 1.2

Piedmont Natural Gas Company, Inc.
Docket No. 20-00086
CAD Data Request No. 1, Item 61

Workpaper DND Revenue 1.1

2019 HomeServe Revenue and expense by month and account name and number

MONTH	Expense Acct # and Name	Revenue Acct # and Name	HomeServe Net Income
Sum of amount	Column Labels		
Row Labels	0401100 Non-reg Operation Expense	0417310 Products and Svcs - NonReg Rev	Grand Total
201901	5,068	-219,131	-214,062
201902	9,525	-203,411	-193,886
201903	12,094	-222,506	-210,413
201904	4,243	-238,527	-234,284
201905	11,635	-234,812	-223,176
201906	9,677	-224,148	-214,471
201907	9,504	-245,034	-235,531
201908	9,608	-239,076	-229,468
201909	7,295	-227,231	-219,935
201910	8,451	-242,448	-233,997
201911	10,038	-228,368	-218,330
201912	8,295	-241,839	-233,544
Grand Total	105,434	-2,766,531	-2,661,097

MONTH	Expense Acct # and Name	Expense Acct # and Name	Revenue Acct # and Name	Expense Acct # and Name	Expense Acct # and Name	HomeServe Net Income
Sum of amount	Column Labels					
Row Labels	0401100 Non-reg Operation Expense	0408960 Allocated Payroll Taxes	0417310 Products and Svcs -	0417320 Exp-Unreg Produc	0926600 Employee Benefit	Grand Total
202001	8,535	308	(228,200)		1,272	(218,086)
202002	9,931	420	(205,339)		1,657	(193,331)
202003	(18,466)	326	(253,501)	35,799	(7,190)	(243,032)
202004	1,568	84	(215,194)	10,011	275	(203,257)
202005	531	29	(224,158)	9,680	94	(213,823)
202006	(1,928)	22	(229,896)	8,508	73	(223,221)
202007	214	16	(242,727)	10,557	67	(231,872)
Grand Total	385	1,204	(1,599,014)	74,555	(3,752)	(1,526,622)

Piedmont Natural Gas Company, Inc.
Docket No. 20-00086
Computation of Home Serve Attrition Factor

Workpaper DND Revenue 1.2

Month	Year		Net Income Amount	Source
January	2017	A/	\$ (144,981)	A/ Response to Consumer Advocate Request 1-61
February			(138,486)	
March			(156,766)	
April			(128,072)	
May			(147,179)	
June			(159,293)	
July			(153,327)	
August			(170,365)	
September			(159,481)	
October			(172,627)	
November			(316,219)	
December			(33,047)	
Total 2017			\$ (1,879,843)	
January	2018	A/	\$ (963,325)	A/ Response to Consumer Advocate Request 1-61
February			(978,829)	
March			1,402,201	
April			(191,700)	
May			(197,379)	
June			(263,283)	
July			(209,579)	
August			(200,999)	
September			(183,875)	
October			(229,548)	
November			(179,612)	
December			(199,984)	
			\$ (2,395,912)	
January	2019	A/	\$ (214,062)	A/ Response to Consumer Advocate Request 1-61
February			(193,886)	
March			(210,413)	
April			(234,284)	
May			(223,176)	
June			(214,471)	
July			(235,531)	
August			(229,468)	
September			(219,935)	
October			(233,997)	
November			(218,330)	
December			(233,544)	
			\$ (2,661,097)	
January	2020	A/	\$ (218,086)	A/ Response to Consumer Advocate Request 1-61
February			(193,331)	
March			(243,032)	
April			(203,257)	
May			(213,823)	
June			(223,221)	
July			(231,872)	
Seven Month Total Through July 2020			\$ (1,526,622)	Growth in 2020 - immaterial
Seven Month Total Through July 2019			\$ (1,525,824)	
2020 Annualized			\$ (2,617,065)	
Test Year Actual			(2,697,184)	
Attrition Factor			0.97030	

Piedmont Natural Gas Company, Inc.
Docket No. 20-00086
To Properly Reflect Revenue Requirement Components of the Tax Cuts and Jobs Act (TCJA)

Workpaper DND - Revenue 2

<u>Line No.</u>	<u>Item</u>	<u>Piedmont Attrition Period Amount</u>	<u>Consumer Advocate Attrition Period Adjustment</u>	<u>Consumer Advocate Attrition Period</u>	<u>Notes</u>
<u>Revenue (Decrease to Revenue)</u>					
	Excess ADIT Revenue (Reduction) A/	(\$9,333,186)	\$9,333,186	\$0	Adjustment Increases Revenue by eliminating Surcharge Credits from Attrition Period Revenue
<u>Income Taxes (Decrease to Expense)</u>					
	Excess Protected ADIT B/	\$ (1,075,590)	\$ -	\$ (1,075,590)	TPUC Order Requires Recognition in Base Rates at the date new base rates are implemented.
	Excess Unprotected ADIT - PPE B/	\$ (3,905,351)	\$ 3,905,351	\$ -	
	Excess Unprotected Non-PPE B/	\$ (1,896,667)	\$ 1,896,667	\$ -	
	Total Income Tax	\$ (6,877,608)	\$ 5,802,018	\$ (1,075,590)	
	<u>Operating Margin Impact (Reduction)</u>	(\$2,455,578)	\$3,531,168	\$1,075,590	

A/ Amount from Piedmont Exhibit KAC -2, line 135

B/ See QPB Exhibits / EDIT Amortization tab

Components of Pro forma Revenues		Attrition Period	"Clean"	Attrition Period	"Clean"	Attrition Period	Current	Attrition Period	Current	Attrition Period	Current	Current	Attrition Period	Current	Attrition Period
Line No.	Rate Schedule	Billing Determinants (A)	Total Rate	Revenues Before Excess ADIT Refund	Total Rate plus Unprotected Excess ADIT Refund	Revenues including Unprotected Excess ADIT Refund	Base Margin Rate Component (B)	Margin Revenues (C)	COG Demand Rate Component (D)	COG Demand Revenues (E)	COG Commodity Rate Component (F)	COG Commodity Revenues (G)	Unprotected ADIT Refund Rate Component (H)	Unprotected Excess ADIT Refund Revenues (I)	
44	Revenues			\$70,002,085		\$66,983,790		\$47,603,676		\$6,217,951		\$16,180,459		(\$3,018,295)	
45	303 - Large General Sales Service														
46	Bills - Annual	607	\$800.00	\$485,600	\$800.00	\$485,600	\$800.00	\$485,600							
47	DTs - Demand	80,238	\$16.2829	\$1,306,509	\$16.2829	\$1,306,509	\$8.0000	\$641,905	8.28290	\$664,604					
48	DTs - First 1,500	557,719	\$2.8912	\$1,612,478	\$2.8227	\$1,574,274	\$0.9195	\$512,823			\$1.9717	\$1,099,655	(\$0.0685)	(\$38,204)	
49	DTs - Next 2,500	217,725	\$2.8183	\$613,613	\$2.7498	\$598,699	\$0.8466	\$184,326			\$1.9717	\$429,288	(\$0.0685)	(\$14,914)	
50	DTs - Next 5,000	8,763	\$2.5680	\$22,504	\$2.4995	\$21,904	\$0.5963	\$5,226			\$1.9717	\$17,279	(\$0.0685)	(\$600)	
51	DTs - Over 9,000	-	\$2.1994	\$0	\$2.1309	\$0	\$0.2277	\$0			\$1.9717	\$0	(\$0.0685)	\$0	
52	Integrity Management Rider Revenues			\$478,997		\$478,997		\$478,997							
53	Minimum Margin Agreement Revenues			\$13,505		\$13,505		\$13,505							
54	303 / 343 - Large General Sales Service														
55	Motor Vehicle Fuel														
56	Bills - Annual	12	\$800.00	\$9,600	\$800.00	\$9,600	\$800.00	\$9,600							
57	DTs - Demand	720	\$16.2829	\$11,724	\$16.2829	\$11,724	\$8.0000	\$5,760	8.28290	\$5,964					
58	DTs - First 1,500	12,946	\$2.8912	\$37,430	\$2.8227	\$36,543	\$0.9195	\$11,904			\$1.9717	\$25,526	(\$0.0685)	(\$887)	
59	DTs - Next 2,500	0	\$2.8183	\$0	\$2.7498	\$0	\$0.8466	\$0			\$1.9717	\$0	(\$0.0685)	\$0	
60	DTs - Next 5,000	-	\$2.5680	\$0	\$2.4995	\$0	\$0.5963	\$0			\$1.9717	\$0	(\$0.0685)	\$0	
61	DTs - Over 9,000	-	\$2.1994	\$0	\$2.1309	\$0	\$0.2277	\$0			\$1.9717	\$0	(\$0.0685)	\$0	
62	304 - Interruptible General Sales Service														
63	Bills - Annual	24	\$800.00	\$19,200	\$800.00	\$19,200	\$800.00	\$19,200							
64	DTs - First 1,500	18,010	\$2.8912	\$52,069	\$2.8227	\$50,835	\$0.9195	\$16,560			\$1.9717	\$35,509	(\$0.0685)	(\$1,234)	
65	DTs - Next 2,500	7,384	\$2.8183	\$20,811	\$2.7498	\$20,305	\$0.8466	\$6,251			\$1.9717	\$14,559	(\$0.0685)	(\$506)	
66	DTs - Next 5,000	-	\$2.5680	\$0	\$2.4995	\$0	\$0.5963	\$0			\$1.9717	\$0	(\$0.0685)	\$0	
67	DTs - Over 9,000	-	\$2.1994	\$0	\$2.1309	\$0	\$0.2277	\$0			\$1.9717	\$0	(\$0.0685)	\$0	
68	Integrity Management Rider Revenues			\$4,661		\$4,661		\$4,661							
69	304 / 343 - Interruptible General Sales Service														
70	Motor Vehicle Fuel														
71	Bills - Annual	-	\$800.00	\$0	\$800.00	\$0	\$800.00	\$0							
72	DTs - First 1,500	-	\$2.8912	\$0	\$2.8227	\$0	\$0.9195	\$0			\$1.9717	\$0	(\$0.0685)	\$0	
73	DTs - Next 2,500	-	\$2.8183	\$0	\$2.7498	\$0	\$0.8466	\$0			\$1.9717	\$0	(\$0.0685)	\$0	
74	DTs - Next 5,000	-	\$2.5680	\$0	\$2.4995	\$0	\$0.5963	\$0			\$1.9717	\$0	(\$0.0685)	\$0	
75	DTs - Over 9,000	-	\$2.1994	\$0	\$2.1309	\$0	\$0.2277	\$0			\$1.9717	\$0	(\$0.0685)	\$0	
76	313 - Firm Transportation Service														
77	Bills - Annual	892	\$800.00	\$713,600	\$800.00	\$713,600	\$800.00	\$713,600							
78	DTs - Demand	150,547	\$16.2829	\$2,451,347	\$16.2829	\$2,451,347	\$8.0000	\$1,204,378	8.28290	\$1,246,968					
79	DTs - First 1,500	1,021,090	\$0.9195	\$938,892	\$0.8510	\$868,947	\$0.9195	\$938,892			-	\$0	(\$0.0685)	(\$69,945)	
80	DTs - Next 2,500	603,062	\$0.8466	\$510,552	\$0.7781	\$469,243	\$0.8466	\$510,552			-	\$0	(\$0.0685)	(\$41,310)	
81	DTs - Next 5,000	245,047	\$0.5963	\$146,121	\$0.5278	\$129,336	\$0.5963	\$146,121			-	\$0	(\$0.0685)	(\$16,786)	
82	DTs - Over 9,000	26,964	\$0.2277	\$6,140	\$0.1592	\$4,293	\$0.2277	\$6,140			-	\$0	(\$0.0685)	(\$1,847)	
83	Integrity Management Rider Revenues			\$1,284,614		\$1,284,614		\$1,284,614							
84	Minimum Margin Agreement Revenues			238,800		238,800		238,800							
85	313 / 343 - Firm Transportation Service														
86	Motor Vehicle Fuel														
87	Bills - Annual	36	\$800.00	\$28,800	\$800.00	\$28,800	\$800.00	\$28,800							
88	DTs - Demand	9,734	\$16.2829	\$158,498	\$16.2829	\$158,498	\$8.0000	\$77,872	8.28290	\$80,626					
89	DTs - First 1,500	54,000	\$0.9195	\$49,653	\$0.8510	\$45,954	\$0.9195	\$49,653			-	\$0	(\$0.0685)	(\$3,699)	
90	DTs - Next 2,500	40,200	\$0.8466	\$34,033	\$0.7781	\$31,280	\$0.8466	\$34,033			-	\$0	(\$0.0685)	(\$2,754)	
91	DTs - Next 5,000	60,000	\$0.5963	\$35,778	\$0.5278	\$31,668	\$0.5963	\$35,778			-	\$0	(\$0.0685)	(\$4,110)	
92	DTs - Over 9,000	52,780	\$0.2277	\$12,018	\$0.1592	\$8,403	\$0.2277	\$12,018			-	\$0	(\$0.0685)	(\$3,615)	
93	314 - Interruptible Transportation Service														
94	Bills - Annual	588	\$800.00	\$470,400	\$800.00	\$470,400	\$800.00	\$470,400							

Components of Pro forma Revenues		Attrition Period	"Clean"	Attrition Period	"Clean"	Attrition Period	Current	Attrition Period	Current	Attrition Period	Current	Attrition Period	Current	Attrition Period
Line No.	Rate Schedule	Billing Determinants (A)	Total Rate	Revenues Before Excess ADIT Refund	Total Rate plus Unprotected Excess ADIT Refund	Revenues including Unprotected Excess ADIT Refund	Base Margin Rate Component (B)	Margin Revenues (C)	COG Demand Rate Component (D)	COG Demand Revenues (E)	COG Commodity Rate Component (F)	COG Commodity Revenues (G)	Unprotected Excess ADIT Refund Rate Component (H)	Unprotected Excess ADIT Refund Revenues (I)
95	DTs - First 1,500	828,004	\$0.9195	\$761,349	\$0.8510	\$704,631	\$0.9195	\$761,349	-	\$0	-	\$0	(\$0.0685)	(\$56,718)
96	DTs - Next 2,500	1,092,995	\$0.8466	\$925,330	\$0.7781	\$850,460	\$0.8466	\$925,330	-	\$0	-	\$0	(\$0.0685)	(\$74,870)
97	DTs - Next 5,000	1,182,198.0	\$0.5963	\$704,945	\$0.5278	\$623,964	\$0.5963	\$704,945	-	\$0	-	\$0	(\$0.0685)	(\$80,981)
98	DTs - Over 9,000	6,344,226	\$0.2277	\$1,444,580	\$0.1592	\$1,010,001	\$0.2277	\$1,444,580	-	\$0	-	\$0	(\$0.0685)	(\$434,579)
99	Integrity Management Rider Revenues			\$1,504,393		\$1,504,393		\$1,504,393						
100	314 / 343 - Interruptible Transportation Service													
101	Motor Vehicle Fuel													
102	Bills - Annual	-	\$800.00	\$0	\$800.00	\$0	\$800.00	\$0						
103	DTs - First 1,500	-	\$0.9195	\$0	\$0.8510	\$0	\$0.9195	\$0			-	\$0	(\$0.0685)	\$0
104	DTs - Next 2,500	-	\$0.8466	\$0	\$0.7781	\$0	\$0.8466	\$0			-	\$0	(\$0.0685)	\$0
105	DTs - Next 5,000	-	\$0.5963	\$0	\$0.5278	\$0	\$0.5963	\$0			-	\$0	(\$0.0685)	\$0
106	DTs - Over 9,000	-	\$0.2277	\$0	\$0.1592	\$0	\$0.2277	\$0			-	\$0	(\$0.0685)	\$0
107	310 - Resale Service													
108	Bills - Annual	24												
109	DTs - Demand	1,800	\$16.2829	\$29,309	\$16.2829	\$29,309	8.0000	\$14,400	8.2829	\$14,909				
110	DTs - Annual	3,105	\$2.7235	\$8,456	\$2.5149	\$7,809	0.7518	\$2,334			1.97170	\$6,122	(\$0.2086)	(\$648)
111	Integrity Management Rider Revenues			\$10,039		\$10,039		\$10,039						
112	310 / 343- Resale Service													
113	Motor Vehicle Fuel													
114	Bills - Annual	-												
115	DTs - Demand	-	\$16.2829	\$0	\$16.2829	\$0	8.0000	\$0	8.2829	\$0				
116	DTs - Annual	-	\$2.7235	\$0	\$2.5149	\$0	0.7518	\$0			1.97170	\$0	(\$0.2086)	\$0
117	TOTAL TARIFF LARGE VOLUME													
118	Bills - Annual	2,183												
119	DTs - Demand	243,039												
120	DTs - Annual	12,376,216												
121	Revenues			\$17,156,348		\$16,308,142		\$13,515,339		\$2,013,071		\$1,627,938		(\$848,206)
122	Special Contracts													
123	Bills - Annual	12												
124	DTs - Annual	603,311		\$259,159		\$259,159		\$259,159		0		0		
125	GRAND TOTAL - ALL TARIFF & SPECIAL CONTRACT													
126	Bills - Annual	2,326,219												
127	DTs - Demand	243,039												
128	DTs - Annual	34,167,792												
129	Revenues			\$212,255,107		\$202,921,922		\$150,782,847		\$18,067,420		\$43,404,841		(\$9,333,186)
130	Base Margin Revenues													
131	IMR Margin Revenues							\$114,929,817		\$35,853,030				
132	SALES AND TRANSPORTATION													
133	Total Sales	22,013,917		\$199,576,105		\$191,034,133		\$139,431,439		\$16,739,826		\$43,404,841		(8,541,972)
134	Total Transportation	12,153,875		\$12,679,002		\$11,887,788		\$11,351,408		\$1,327,594		-		(791,214)
135	Total Annual	34,167,792		\$212,255,107		\$202,921,922		\$150,782,847		\$18,067,420		\$43,404,841		(\$9,333,186)
	Monthly Charge Revenues			44,448,187		44,448,187		44,448,187		-		-		-
	Demand Revenues			3,957,386		3,957,386		1,944,315		2,013,071		-		-
	Volumetric Revenues			127,485,040		118,151,855		68,025,851		16,054,349		43,404,841		(9,333,186)

Components of Pro forma Revenues

Line No.	Rate Schedule	Attrition Period Billing Determinants (A)	"Clean" Total Rate	Attrition Period Revenues		"Clean" Total Rate plus Unprotected Excess ADIT Refund Rate	Attrition Period Revenues		Current Base Margin Rate Component (B)	Attrition Period Margin Revenues (C)	Current COG Demand Rate Component (D)	Attrition Period COG Demand Revenues (E)	Current COG Commodity Rate Component (F)	Attrition Period COG Commodity Revenues (G)	Current Unprotected Excess ADIT Refund Rate Component (H)	Attrition Period Unprotected Excess ADIT Refund Revenues (I)
				Before Unprotected Excess ADIT Refund	including Unprotected Excess ADIT Refund		Current COG Demand Rate Component	Attrition Period COG Demand Revenues								
	Special Contract Revenues			259,159		259,159										
	Integrity Management Rider Revenues			35,853,030		35,853,030										
	Minimum Margin Agreement Revenues			252,305		252,305										
	Total Revenues			212,255,107		202,921,922			150,782,847			18,067,420		43,404,841		(9,333,186)
				-		-			-			-		-		-

Piedmont Natural Gas Company, Inc.
Docket No. 20-00086
Amortization of TCJA Excess ADIT

Workpaper DND Rev. 2.2
QPB Exhibits - EDIT Amort

	"2017 Tax Act" Excess Deferreds ¹	Allocation % ²	TN Amount	Amortization Rate	Amortization Amount
EDIT for Protected PPE					
TN Direct	\$ (44,059,244)	100.00%	\$ (44,059,244)	1.75% ³	\$ (772,190)
3-State JP	\$ (15,471,587)	16.33%	\$ (2,526,510)	12.01% ³	\$ (303,400)
Total			\$ (46,585,754)	2.31%	\$ (1,075,590)
EDIT for Unprotected PPE					
TN Direct	\$ (10,194,113)	100.00%	\$ (10,194,113)	33.33% ⁴	\$ (3,398,038)
3-State JP	\$ (9,319,907)	16.33%	\$ (1,521,941)	33.33% ⁴	\$ (507,314)
Total			\$ (11,716,054)	33.33%	\$ (3,905,351)
EDIT for Unprotected Non-PPE					
TN Direct	\$ (3,385,154)	100.00%	\$ (3,385,154)	33.33% ⁵	\$ (1,128,385)
3-State JP	\$ (14,114,186)	16.33%	\$ (2,304,847)	33.33% ⁵	\$ (768,282)
Total			\$ (5,690,001)	33.33%	\$ (1,896,667)
Grand Total TN EDIT Giveback, As Amortized			\$ (63,991,809.17)	10.75%	\$ (6,877,608)
Exclude Tax Expense Credit associated with EDIT Unprotected Amortization					\$ (5,802,018)
Retain Tax Expense Credit associated with EDIT Protected Amortization					\$ (1,075,590)
Total EDIT Amortizations					\$ (6,877,608)

Notes

- 1/ EDIT Balances at 12/31/2017 as trued-up to the 2017 income tax return.
- 2/ Joint Property-related EDIT allocated on the basis of Total Net Plant Excluding Joint Property as of 12/31/17.
- 3/ Reflects current estimated computation of the ARAM rate ("2020 ARAM Rate").
- 4/ Per settlement and order in Docket No. 18-00040; this amortization will conclude on 5/31/22.
- 5/ Per settlement and order in Docket No. 18-00040; this amortization will conclude on 5/31/22.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC FOR AN ADJUSTMENT OF SEWAGE RATES

2. Please state whether you have evaluated the effects your recommendations will have on Bluegrass Water's financial integrity and provide all such studies, analyses, and related documents and calculations, including any in electronic format. In the event you have evaluated such effects, please identify your conclusion(s) and describe in detail the basis for those conclusions.

Response: Objection. Counsel for Bluegrass has failed to identify a witness to respond to this question, but instead is posing the question to the Attorney General. Pursuant to the Kentucky Supreme Court Rule 3.130, Rules of Professional Conduct Rule 3.130(3.7), a lawyer shall not act as an advocate at a trial in which the lawyer is likely to be a necessary witness. Thus, counsel for the Attorney General cannot testify in this proceeding. Additionally, this question seeks materials covered by the work product and/or attorney client privilege(s) pursuant to the Kentucky Supreme Court Rule 3.130, Rules of Professional Conduct Rule 3.130 (1.6). Without waiving this objection, Mr. Dittmore states his expert opinion as follows: No such studies were performed. However, each proposed adjustment supported by Mr. Dittmore represents a reasonable resolution of the issue for both ratepayers and Bluegrass investors.

Response by Dave Dittmore and Counsel

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC FOR AN ADJUSTMENT OF SEWAGE RATES

3. Please state whether you have evaluated the effects your recommendations will have on Bluegrass Water's credit ratings and provide all such studies, analyses, and related documents and calculations, including any in electronic format. In the event you have evaluated such effects, please identify your conclusion(s) and describe in detail the basis for those conclusions.

Response: Objection. Counsel for Bluegrass has failed to identify a witness to respond to this question, but instead is posing the question to the Attorney General. Pursuant to the Kentucky Supreme Court Rule 3.130, Rules of Professional Conduct Rule 3.130(3.7), a lawyer shall not act as an advocate at a trial in which the lawyer is likely to be a necessary witness. Thus, counsel for the Attorney General cannot testify in this proceeding. Additionally, this question seeks materials covered by the work product and/or attorney client privilege(s) pursuant to the Kentucky Supreme Court Rule 3.130, Rules of Professional Conduct Rule 3.130 (1.6). Without waiving this objection, Mr. Dittmore states his expert opinion as follows: No such evaluation has been performed.

Response by Dave Dittmore and Counsel

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC FOR AN ADJUSTMENT OF SEWAGE RATES

4. Please state whether you have evaluated the effects your recommendations will have on Bluegrass Water's ability to borrow funds in the marketplace or the interest rates Bluegrass Water would pay if your recommendations are accepted by the Commission, and provide all such studies, analyses, and related documents and calculations, including any in electronic format. In the event you have evaluated such effects, please identify your conclusion(s) and describe in detail the basis for those conclusions.

Response: Objection. Counsel for Bluegrass has failed to identify a witness to respond to this question, but instead is posing the question to the Attorney General. Pursuant to the Kentucky Supreme Court Rule 3.130, Rules of Professional Conduct Rule 3.130(3.7), a lawyer shall not act as an advocate at a trial in which the lawyer is likely to be a necessary witness. Thus, counsel for the Attorney General cannot testify in this proceeding. Additionally, this question seeks materials covered by the work product and/or attorney client privilege(s) pursuant to the Kentucky Supreme Court Rule 3.130, Rules of Professional Conduct Rule 3.130 (1.6). Without waiving this objection, Mr. Dittmore states his expert opinion as follows: No such evaluation has been performed.

Response by Dave Dittmore and Counsel

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC FOR AN ADJUSTMENT OF SEWAGE RATES

5. Please identify and provide a copy of all engagement letters or agreements by which Mr. Dittemore was engaged to testify on your behalf in this matter.

Response: Objection. This question seeks materials covered by the work product and/or attorney client privilege(s) pursuant to the Kentucky Supreme Court Rule 3.130, Rules of Professional Conduct Rule 3.130 (1.6). Further, the Attorney General objects on the basis of relevance.

Response by Counsel

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC FOR AN ADJUSTMENT OF SEWAGE RATES

6. Please provide all calculations, workpapers, and other documents used to derive each adjustment shown in the Exhibits to the Direct Testimony of David N. Dittmore. Please provide these documents in electronic format with all formulas intact. For each input and for each amount listed in the exhibit, please provide the source of the input or amount and a record citation.

Response: Please see the attachment 1-6.

Response by Dave Dittmore

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC FOR AN ADJUSTMENT OF SEWAGE RATES

7. Do you have a policy addressed at determining when to seek intervention in a utility's rate adjustment proceeding? If so, please provide a copy of the written policy or summarize an oral policy.

Response: Objection. Counsel for Bluegrass has failed to identify a witness to respond to this question, but instead is posing the question to the Attorney General. Pursuant to the Kentucky Supreme Court Rule 3.130, Rules of Professional Conduct Rule 3.130(3.7), a lawyer shall not act as an advocate at a trial in which the lawyer is likely to be a necessary witness. Thus, counsel for the Attorney General cannot testify in this proceeding. Additionally, this question seeks materials covered by the work product and/or attorney client privilege(s) pursuant to the Kentucky Supreme Court Rule 3.130, Rules of Professional Conduct Rule 3.130 (1.6).

Response by Counsel

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC FOR AN ADJUSTMENT OF SEWAGE RATES

8. Please provide a copy of all documents showing communications between you and any representative of another intervenor regarding, arising out of, or related to this case.

Response: No such records exist, except for routine communications related to the filings made in this case. Note that the Attorney General has not provided those communications from or to Counsel for the other intervenors because Bluegrass Water's Counsel was also copied on those communications; those records are already in the possession of Counsel for Bluegrass Water.

Response by Counsel

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC FOR AN ADJUSTMENT OF SEWAGE RATES

9. Please provide a copy of all documents showing communications between you and any person (including, but not limited to, elected or appointed officials at any level of government) not a party to this case regarding, arising out of, or related to this case. Response: Please see attachments provided by thumbdrive and subject to motion for deviation. Note that certain personal information has been redacted from these records based on KRS 61.878(1)(a), which exempts from open records disclosure “information of a personal nature where disclosure thereof would be a clearly unwarranted invasion of personal privacy.” Such information includes, but is not limited to, social security numbers, birthdates, addresses, telephone numbers, and financial information, the disclosure of which may leave persons at risk for identity theft. See *Zink v. Commonwealth*, 902 S.W.2d 825, 828-29 (Ky. App. 1994). Here, the redactions include personal email addresses, phone numbers, and addresses. Further, two emails, one from David Spenard and one from Karen Stachowski are being withheld as materials covered by the work product and/or attorney client privilege(s) pursuant to the Kentucky Supreme Court Rule 3.130, Rules of Professional Conduct Rule 3.130 (1.6).

Response by Counsel

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC FOR AN ADJUSTMENT OF SEWAGE RATES

10. Please refer to Mr. Dittimore’s testimony at 8:12–15. Please explain how Bluegrass Water’s “filed revenue requirement is not representative of ongoing operations due to the significant level of growth” of its parent company, CSWR.

Response: The customer data provided within OAG 1-45 indicates customer growth of 79% from the mid-point of the test period to the most recent data available at the time testimony was submitted. This growth in customer counts would be indicative of significant changes in the other two factors used to allocate costs. The corporate cost allocations are reflective of a size entity that no longer exists and is not representative of ongoing operations. Bluegrass customer growth over this period was substantially less than that experienced by CSWR in general. The percentage of Bluegrass customers to total CSWR customers was 4.41% at the mid-point of the test period. By April 2023 that percentage had dropped to 2.55%, a reduction of nearly 58%.

Response by Dave Dittimore

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC FOR AN ADJUSTMENT OF SEWAGE RATES

11. Please refer to Mr. Dittimore's testimony at 13:17–19 and 14:1–3. Do Mr. Dittimore's views regarding internal legal expenses change if CSWR's in-house lawyers keep detailed time records to ensure that only time spent to assist in the operations of Bluegrass Water are allocated to Bluegrass Water and that time spent on business development is not allocated to any operating subsidiary of CSWR? Please explain.

Response: One option is to maintain timesheet records associated with the Business Development function with the remainder of time subject to a general allocator. The second option is to establish an accurate portion of internal legal time to the Business Development function reflecting the significant ongoing acquisition activities undertaken by the Company, with any remaining time subject to a general allocator. The third option is as described in the question would be an acceptable labor costing methodology, with the understanding that actual timesheet reporting for attorneys in a given jurisdiction may vary significantly from year to year, but for ratemaking purposes such costs should be normalized.

Response by Dave Dittimore

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC FOR AN ADJUSTMENT OF SEWAGE RATES

12. Refer to Mr. Dittmore's testimony at 15:13–17. Is it your position that a regulated utility cannot seek to recover for the appraised value of property recorded on its books when a prior owner undervalued that property? Please explain.

Response: Objection. The Request calls for a legal conclusion. Without waiving this objection, Mr. Dittmore is not aware of any prohibition against utilities seeking recovery of the appraised value of property in excess of book value, though whether those costs are ultimately recoverable is subject to Commission decision-making and precedent. Mr. Dittmore does not understand the phrasing 'undervalued' in this context as property on the books of utilities is stated at original cost. Utility owners or shareholders do not alter the net book value of assets on a year-to-year basis based upon an assessment of the annual market value of such property.

The appropriate value of land to be used for ratemaking purposes is best determined within the acquisition docket before a regulatory agency. If the asset write-up is necessary for the utility to close the transaction, that position should be made known to the Commission at that time.

Response by Dave Dittmore

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC FOR AN ADJUSTMENT OF SEWAGE RATES

13. Please explain whether you believe it is fair, just, and reasonable for a utility to assess late fees on accounts that are past due, when it is appropriate to do so, and why.

Response: Objection. Counsel for Bluegrass has failed to identify a witness to respond to this question, but instead is posing the question to the Attorney General. Pursuant to the Kentucky Supreme Court Rule 3.130, Rules of Professional Conduct Rule 3.130(3.7), a lawyer shall not act as an advocate at a trial in which the lawyer is likely to be a necessary witness. Thus, counsel for the Attorney General cannot testify in this proceeding.

Response by Counsel

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC FOR AN ADJUSTMENT OF SEWAGE RATES

14. Please refer to Mr. Dittimore's testimony at 23:6-25:15. Please explain why you believe that the scope of the employee classes included in Mr. Watkins' study is relevant to Mr. Dittimore's proposed calculation of medical benefit adjustments.

Response: Mr. Dittimore's position is that the scope of employee classes in Mr. Watkins' study does not impact the medical benefit adjustment. However, the scope of Mr. Watkins' study does not support one of the purported objective of the study to demonstrate the reasonableness of employee compensation.

Response by Dave Dittimore

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC FOR AN ADJUSTMENT OF SEWAGE RATES

15. Please refer to Mr. Dittimore’s testimony at 29:19-30:2. Please identify all record material and other authority supporting your assertions here, including specifically your apparent assertion that it is allegedly a “reasonable assumption” that “equity” is actually “an equal split between debt and equity.”

Response: Mr. Dittimore did not rely upon any ‘record material’ or any other authority to support this assertion. It’s possible that the investors of CSWR are more highly leveraged than 50% debt and 50% equity, thus an equal split is reasonable given the lack of transparency into the source of financing for Bluegrass.

Response by Dave Dittimore

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC FOR AN ADJUSTMENT OF SEWAGE RATES

16. Please identify all evidence you have that the Company's equity interest holders expect anything less than an equity return on equity financing provided to the Company, including all supporting evidence and authority for any belief that equity investors assume the same risk profile as entities providing debt financing.

Response: Objection. Counsel for Bluegrass has failed to identify a witness to respond to this question, but instead is posing the question to the Attorney General. Pursuant to the Kentucky Supreme Court Rule 3.130, Rules of Professional Conduct Rule 3.130(3.7), a lawyer shall not act as an advocate at a trial in which the lawyer is likely to be a necessary witness. Thus, counsel for the Attorney General cannot testify in this proceeding. Without waiving this objection, Mr. Dittmore's position is as follows: This question implies that all financing from equity interest holders is sourced from equity. That fact is not in evidence. Notwithstanding this point, Mr. Dittmore does not have any insight into the personal return expectations of CSWR investors.

Response by Dave Dittmore and Counsel

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC FOR AN ADJUSTMENT OF SEWAGE RATES

17. Please refer to Mr. Dittimore's testimony at 5:10-11. Is it your position that Bluegrass Water should not engage in engineering, infrastructure, and project costs designed to eliminate environmental violations? Please explain.

Response: No. The intent of the referenced testimony was not to imply that Bluegrass Water should not engage in engineering, infrastructure, and project costs designed to eliminate environmental violations.

Response by Dave Dittimore

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC FOR AN ADJUSTMENT OF SEWAGE RATES

18. Please refer to Mr. Dittimore's testimony at 5:10-11. Please explain why Mr. Dittimore did not consider the cost of projects already approved by the Commission when making recommendations regarding Bluegrass Water's revenue requirement.

Response: The response is assumed to be based upon testimony found on page 14: 15 – 22. Mr. Dittimore was unaware the Commission approved the referenced CPCN's and system sale when preparing testimony.

Response by Dave Dittimore

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC FOR AN ADJUSTMENT OF SEWAGE RATES

19. Please refer to Mr. Dittmore's testimony at 8:16-20 and 9:1-10. Please also refer to footnote 1 of the same testimony. Please explain the justification for claiming that identification of customers is allegedly "problematic," while simultaneously acknowledging your understanding that the discrepancy results from utilizing customer equivalencies for the purpose of rate design.

Response: Mr. Dittmore's position is that the various numbers referenced in testimony and cited from Bluegrass' sources are not readily reconciled. The Company has not identified a common data source from which to reference customers used in various portions of its schedules and testimony.

Response by Dave Dittmore

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC FOR AN ADJUSTMENT OF SEWAGE RATES

20. Please refer to Mr. Dittimore's testimony at 9:12-18 and 10:1-14. Please answer the following questions:

- a. Was Mr. Dittimore advised that the Attorney General requested an informal clarification of the referenced exhibits?
- b. Was Mr. Dittimore advised that the requested clarification was provided prior to the filing of his testimony?
- c. Was Mr. Dittimore advised that he was incorrectly interpreting the referenced exhibit prior to the filing of his testimony?

Response: Objection. This question seeks materials covered by the work product and/or attorney client privilege(s) pursuant to the Kentucky Supreme Court Rule 3.130, Rules of Professional Conduct Rule 3.130 (1.6). Further, request's assertion that Mr. Dittimore's testimony "incorrectly interpret[s]" an exhibit calls for a legal and factual conclusion that has not been established in the record.

Response by Counsel

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC FOR AN ADJUSTMENT OF SEWAGE RATES

21. Please refer to the testimony of Scott County witness, Ariel E. Miller at 3:1-9. Does the Attorney General believe Ms. Miller's recommendation to keep the current rate design allocation between metered and unmetered service at 81.51% and 18.49% results in fair, just, and reasonable rates. Please explain.

Response: Objection. Counsel for Bluegrass has failed to identify a witness to respond to this question, but instead is posing the question to the Attorney General. Pursuant to the Kentucky Supreme Court Rule 3.130, Rules of Professional Conduct Rule 3.130(3.7), a lawyer shall not act as an advocate at a trial in which the lawyer is likely to be a necessary witness. Thus, counsel for the Attorney General cannot testify in this proceeding. Without waiving this objection, the Attorney General reserves the right to state a position on this issue later in this proceeding.

Response by Counsel

AFFIDAVIT

STATE OF TENNESSEE)

COUNTY OF WILSON)

DAVID N. DITTEMORE, being duly sworn, deposes and states: that the statements contained are true and correct to the best of his knowledge, information and belief.

David N. Dittmore

David N. Dittmore

Sworn to and subscribed before me on this

20 day of July 2023

Tracy Blackburn

Notary Public

my commission expires :
1-12-25

