

STATE OF TENNESSEE

Office of the Attorney General



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21-00102

November 3, 2021

Dr. Kenneth C. Hill, Chairman
c/o Tory Lawless
Docket Manager
Tennessee Public Utility Commission
502 Deaderick Street
Nashville, TN 37243

Re: TPUC Docket Nos. 21-00073, 21-00101 and 21-00102

Dear Dr. Hill,

As you are aware, the February 2021 daily gas prices were extremely volatile. Certain state commissions such as Minnesota,¹ North Dakota,² and Kansas³ have opened prudence reviews to evaluate the actions taken by jurisdictional utilities during the brief but highly impactful energy crisis. Also, the Attorney Generals in Texas,⁴ Kansas,⁵ and Oklahoma opened investigations into the energy pricing during the winter weather disaster. Locally, confidential information provided

¹ *Order Opening Investigation*, Minnesota Public Utilities Commission, Docket No. G-999/CI-21-135 (March 2, 2021).

² *Extreme Cold Weather Event Investigation*, North Dakota Public Service Commission, PU-21-101 – PU-21-106 (March 3, 2021).

³ *In the Matter of Investigation into Atmos Energy Corporation Regarding the February 2021 Winter Weather Events as contemplated by Docket No. 21-GIMX-303-MIS*, State Corporation Commission of the State of Kansas, Docket No. 21-ATMG-333-GIG (March 9, 2021); *In the Matter of the Investigation into Kansas Gas Service Company, a Division of One Gas Inc. Regarding the February 2021 Winter Weather Events, as Contemplated by Docket No. 21-GIMX-303-MIS*, State Corporation Commission of the State of Kansas, Docket No. 21-ATMG-332-GIG (March 9, 2021); and *In the Matter of the Investigation into Black Hills Energy a Division of One Gas Inc. Regarding the February 2021 Winter Weather Events, as Contemplated by Docket No. 21-GIMX-303-MIS*, State Corporation Commission of the State of Kansas, Docket No. 21-ATMG-334-GIG (March 9, 2021).

⁴ Press Release, Texas Attorney General, *AG Paxton Expands Winter Storm Investigation into Natural Gas Prices* (March 8, 2021)(<https://www.texasattorneygeneral.gov/news/releases/ag-paxton-expands-winter-storm-investigation-natural-gas-price-increases>)

⁵ Press Release, Kansas Attorney General, *AG Derek Schmidt Seeks to Expand Investigation into February Natural Gas Price Spike* (September 13, 2021) (<https://ag.ks.gov/media-center/news-releases/2021/09/13/ag-derek-schmidt-seeks-to-expand-investigation-into-february-natural-gas-price-spike>).

by Piedmont Natural Gas (“Piedmont” or the “Company”) show that it made spot market purchases in February ranging from a low of [REDACTED]/MCF to a high of [REDACTED]/MCF.⁶

Piedmont’s current incentive mechanism allows the company to retain 25% of the calculated commodity and capacity management savings (paid for by ratepayers), up to a maximum of \$1.6 million annually. The Company’s incentive calculation provided in TPUC Docket No. 21-00102 purports that Piedmont achieved over \$8 million in customer savings within February 2021 alone. The February activity should be carefully scrutinized given its claim that its February activity accounted for \$2 million of the total \$2.2 million in gas procurement savings.⁷

The draft findings of the Exeter report on Piedmont’s incentive mechanism address the Company’s claimed savings and raises significant concerns regarding the appropriateness of passing such “savings” to Piedmont customers:

[REDACTED]

[REDACTED]

Further, Piedmont’s actions during the February energy crisis led to higher gas costs, now requested to be recovered from its sales customers. Confidential information obtained in correspondence with Piedmont indicates that on February 18th and 19th one marketer had an imbalance of nearly [REDACTED] dekatherms⁸ in which the gas costs incurred by Piedmont were [REDACTED] and [REDACTED] per dekatherm, respectively.⁹ The marketer later made up the imbalance within February after the price spike had subsided such that it was balanced by the end of the month.¹⁰ The marketer essentially took system gas when it was quite expensive and replaced it with an equivalent amount of gas later in the month when prices had subsided below \$3/dekatherm.

⁶ See Confidential Response 1-5.

⁷ See Piedmont’s filing in TPUC Docket No. 21-00102 submitted August 31, 2021.

⁸ See Confidential Response 1-5, specifically Symmetry Energy.

⁹ See Confidential Response 1-1.

¹⁰ See Confidential Response 1-5, Attachment 1, Symmetry Energy.

Piedmont decided not to charge the marketer for the daily imbalance,¹¹ despite the latitude within its tariff to do so. Meanwhile, Piedmont acquired spot market purchases at these higher prices, which are then incorporated into the PGA mechanism paid by sales customers. Piedmont may have drawn from its storage inventory to meet the daily imbalance, however if this occurred, this level of withdrawals could otherwise have been used to meet the demand of the sales customers to otherwise displace spot market purchases made during the price spike. In either scenario the result is that residential customers incurred higher costs in February. The Company had the option within its tariff to charge the marketer for the daily imbalance and simply elected not to do so.

The Consumer Advocate unit recommends the Commission expand its review of the Piedmont PGA filing and the incentive mechanism calculations considering the February price spike and specifically the impact the volatile February prices had on the incentive mechanism of Piedmont Natural Gas. The Commission should closely examine whether the February price spikes created an anomaly within the incentive calculation and whether natural gas customers truly received the claimed benefits during this period.

In light of the significant increases in monthly spot costs of gas and the resulting impact of these cost increases on customer bills, the Commission should authorize Piedmont to defer the \$1.6 million in savings until completion of the Commissions' review of this issue.

Sincerely,


Karen H. Stachowski

CC: Kelly Cashman Grams
James Jeffries IV
Pia Powers
Paul S. Davidson

¹¹ This conclusion is drawn from the response to Confidential Response 1-5, Attachment 2.