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August 7, 2009

VIA HAND DELIVERY

Chairman Sara Kyle  
c/o Ms. Sharla Dillon  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243

filed electronically in docket office on 08/07/09

**Re: *Petition of Piedmont Natural Gas Inc. to Implement a Margin Decoupling Tracker (MDT) Rider and Related Energy Efficiency and Conservation Programs***  
**Docket No. 09-00104**

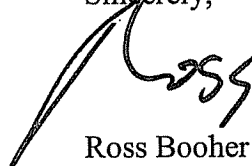
Dear Chairman Kyle:

Enclosed please find an original and seven (7) copies of Piedmont Natural Gas Inc.'s Responses to TRA's Data Requests in the above docket. This document also has been filed by way of email sent today to the Tennessee Regulatory Authority Docket Manager, Sharla Dillon.

Please stamp two copies of this document as "filed" and return them to me by way of our courier.

Should you have any questions concerning any of the enclosed, please do not hesitate to contact me.

Sincerely,



Ross Booher

RB/smb

Enclosures

cc: Hon. Mary Freeman (w/o enclosure)  
Hon. Eddie Roberson, Ph.D. (w/o enclosure)

Chairman Sara Kyle

August 7, 2009

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Hon. Kenneth C. Hill, DRE (*w/o enclosure*)

James H. Jeffries, Esq.

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Ryan L. McGehee, Esq.

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**Tennessee Regulatory Authority  
Docket No. 09-00104  
Petition of Piedmont Natural Gas Inc.  
To Implement a Margin Decoupling Tracker (MDT) Rider  
and Related Energy Efficiency and Conservation Programs**

**Data Request Dated July 30, 2009**

1. Provide a numerical example of the Margin Decoupling Deferred Account and monthly adjustment that would have been calculated for the month ended April 30, 2009. In this example please provide cites to the Relevant Order used for the R Factor, Heat Sensitivity Factor, Normal Degree Days and Base Load. Please include all calculations and journal entries and any assumptions used in the example.

**Response:** See the attached schedules, which provide a numerical example of these calculations over 2 months – March 2009 and April 2009. In this example, it is assumed that there is no rate decrement or rate increment in place for the Margin Decoupling Adjustment. It is also assumed that the March 1, 2009 starting balance in the Margin Decoupling Deferred Account is \$0.

Response provided by Piedmont Natural Gas on August 7, 2009.

**ILLUSTRATIVE EXAMPLE  
FOR DISCUSSION PURPOSES ONLY**

**Piedmont Natural Gas Company, Inc.  
Margin Decoupling Deferred Account Activity - TN  
Debit (Credit)**

	Residential Value Rate 301	Residential Standard Rate 301	Total
<b>March 2009</b>			
Beginning Balance - March 1, 2009	\$0	\$0	\$0
Margin Decoupling Adjustment	(\$197,298)	(\$393,400)	(\$590,698)
Decrement (Increment)	\$0	\$0	\$0
Ending Balance Before Interest	(\$197,298)	(\$393,400)	(\$590,698)
Accrued Interest	(\$267)	(\$533)	(\$800)
Total Due From (To) Customers	(\$197,565)	(\$393,933)	(\$591,498)
<b>April 2009</b>			
Beginning Balance - April 1, 2009	(\$197,565)	(\$393,933)	(\$591,498)
Margin Decoupling Adjustment	\$228,099	\$207,816	\$435,915
Decrement (Increment)	\$0	\$0	\$0
Ending Balance Before Interest	\$30,534	(\$186,117)	(\$155,583)
Accrued Interest	(\$226)	(\$785)	(\$1,011)
Total Due From (To) Customers	\$30,308	(\$186,902)	(\$156,594)

**Associated General Ledger Entries:**

**March 31, 2009:**

CR	\$590,698	Margin Decoupling Deferred Account - TN
CR	\$800	Margin Decoupling Deferred Account - TN
DR	\$197,298	Sales Revenue Account - Residential Value
DR	\$393,400	Sales Revenue Account - Residential Std
DR	\$800	Interest Payable Account

**April 30, 2009:**

DR	\$435,915	Margin Decoupling Deferred Account - TN
CR	\$1,011	Margin Decoupling Deferred Account - TN
CR	\$228,099	Sales Revenue Account - Residential Value
CR	\$207,816	Sales Revenue Account - Residential Std
DR	\$1,011	Interest Payable Account

## Illustrative Example

**March 2009**  
**Piedmont Natural Gas Company, Inc.**  
**Margin Decoupling Deferred Account Adjustment Calculation**

Line No.	Description	Formula Using Line Nos.	Residential Value Service		Residential Std. Service		Total
			Rate	Schedule No.	Rate	Schedule No.	
				301		321	
1	Normal Degree Days /1		513.3		513.3		
2	Base Load /2						
3	Heat Sensitivity Factor /2	(th/month)	23.08653		3.91564		
4	Usage/HDD/ Customer	(th/HDD)	0.21337		0.15957		
		(1x3)+2=	133		86		
<b>RATE CASE</b>							
5	No. of Customers (Actual)		54,242		94,200		
6	Total Normalized Usage	(th)	7,218,880		8,093,253		15,312,133
7	R Factor /3	(\$/th)	\$0.32000		\$0.32000		
8	Normalized Margin	(\$)	\$2,310,042		\$2,589,841		\$4,899,883
<b>ACTUAL</b>							
9	No. of Customers (Actual)		54,242		94,200		
10	Actual Usage	(th)	7,698,184		9,051,156		16,749,340
11	R Factor /3	(\$/th)	\$0.32000		\$0.32000		
12	Actual Margin	(\$)	\$2,463,419		\$2,896,370		\$5,359,789
13	Actual WNA	(\$)	\$43,921		\$86,871		\$130,792
14	Margin Decoupling Deferred Account Adjustment (\$)	(8-12-13)=	(\$197,298)		(\$393,400)		(\$590,698)
							Total Owed To Company (Customer)

Note: 1/ Used in the calculation of the COS and final rates approved in TRA Docket 03-00313  
2/ From Docket No. 03-00313, TRA Order dated 7/15/2004, pg. 13.  
3/ From Docket No. 03-00313, TRA Order dated 7/15/2004, pgs. 13 & 15.

## Illustrative Example

**April 2009**  
**Piedmont Natural Gas Company, Inc.**  
**Margin Decoupling Deferred Account Adjustment Calculation**

Line No.	Description	Formula Using Line Nos.	Residential Value Service		Residential Std. Service		Total
			Rate	Schedule No.	Rate	Schedule No.	
			301	321			
1	Normal Degree Days /1		331.6	331.6			
2	Base Load /2	(th/month)					
3	Heat Sensitivity Factor /2	(th/HDD)	23.08653		3.91564		
4	Usage/HDD/Customer	(th)	0.21337	94	0.15957	57	
		(1x3)+2=					
RATE CASE							
5	No. of Customers (Actual)		54,160		93,611		
6	Total Normalized Usage	(th)	5,095,726		5,327,930		10,423,656
7	R Factor /3	(\$/th)	\$0.27000		\$0.27000		
8	Normalized Margin	(\$)	\$1,375,846		\$1,438,541		\$2,814,387
ACTUAL							
9	No. of Customers (Actual)		54,160		93,611		
10	Actual Usage	(th)	4,250,914		4,558,239		8,809,153
11	R Factor /3	(\$/th)	\$0.27000		\$0.27000		
12	Actual Margin	(\$)	\$1,147,747		\$1,230,725		\$2,378,472
13	Actual WNA	(\$)	\$0		\$0		\$0
14	Margin Decoupling Deferred Account Adjustment	(\$)	\$228,099		\$207,816		\$435,915
		(8-12-13)=					
							Total Owed To Company (Customer)

Note: 1/ Used in the calculation of the COS and final rates approved in TRA Docket 03-00313  
2/ From Docket No. 03-00313, TRA Order dated 7/15/2004, pg. 13.  
3/ From Docket No. 03-00313, TRA Order dated 7/15/2004, pg. 15.

**ILLUSTRATIVE EXAMPLE  
FOR DISCUSSION PURPOSES ONLY**

**Piedmont Natural Gas Company, Inc.  
Accrued Interest  
Debit (Credit)**

<u>Item</u>	<u>Residential Value Rate 301</u>	<u>Residential Standard Rate 301</u>
<b>March 2009</b>		
Beginning Balance	\$0	\$0
Ending Balance Before Interest	(\$197,298)	(\$393,400)
Average Balance Before Interest	(\$98,649)	(\$196,700)
Monthly Interest Accrual Rate (Same As ACA)	0.2708%	0.2708%
Current Mo JE to Margin Decoupling Def Acct.	(\$267)	(\$533)
<b>April 2009</b>		
Beginning Balance	(\$197,565)	(\$393,933)
Ending Balance Before Interest	\$30,534	(\$186,117)
Average Balance Before Interest	(\$83,515)	(\$290,025)
Monthly Interest Accrual Rate (Same As ACA)	0.2708%	0.2708%
Current Mo JE to Margin Decoupling Def Acct.	(\$226)	(\$785)

**Tennessee Regulatory Authority  
Docket No. 09-00104  
Petition of Piedmont Natural Gas Inc.  
To Implement a Margin Decoupling Tracker (MDT) Rider  
and Related Energy Efficiency and Conservation Programs**

**Data Request Dated July 30, 2009**

2. Provide the annual residential per customer gas usage for each of the past five years ending March 31 (include total volumes and customers).

**Response:** The annual residential per customer natural gas usage, on a weather-normalized basis, for each of the past five years is as follows:

12-months ending 3/31/05: 78.79 DT  
12-months ending 3/31/06: 75.58 DT  
12-months ending 3/31/07: 77.23 DT  
12-months ending 3/31/08: 74.63 DT  
12-months ending 3/31/09: 74.40 DT

See the attached schedule for actual metered usage amounts by month.

Response provided by Piedmont Natural Gas on August 7, 2009.



## Piedmont Natural Gas Company, Inc.

		Actual Number of Customers			Actual Usage (DTs)		
		Res Val (Rate 301)	Res Std (Rate 321)	Total Residential	Res Val (Rate 301)	Res Std (Rate 321)	Total Residential
2004	Apr	64,647	72,114	136,761	537,230	375,776	913,006
	May	64,562	71,100	135,662	276,837	144,739	421,576
	Jun	64,528	69,968	134,496	160,390	45,236	205,626
	Jul	64,118	70,100	134,218	149,375	37,960	187,335
	Aug	64,257	69,500	133,757	130,242	35,920	166,162
	Sep	64,552	69,350	133,902	150,941	40,314	191,255
	Oct	64,921	69,409	134,330	170,505	59,748	230,253
	Nov	66,108	69,638	135,746	264,870	141,518	406,388
	Dec	67,048	70,975	138,023	837,740	616,095	1,453,835
2005	Jan	67,663	71,746	139,409	1,194,783	887,668	2,082,451
	Feb	67,960	71,866	139,826	1,140,066	843,696	1,983,762
	Mar	68,192	71,826	140,018	923,364	684,821	1,608,185
TOTAL		788,556	847,592	1,636,148	5,936,342	3,913,490	9,849,833
2005	Apr	68,224	71,368	139,592	573,331	388,239	961,570
	May	68,137	70,399	138,536	322,211	164,203	486,414
	Jun	68,165	69,370	137,535	178,374	47,130	225,505
	Jul	68,330	68,646	136,976	144,636	36,269	180,905
	Aug	68,469	68,255	136,724	130,745	32,180	162,925
	Sep	68,720	67,892	136,612	136,794	33,796	170,590
	Oct	68,955	67,905	136,860	164,186	52,145	216,331
	Nov	63,815	75,108	138,923	383,995	263,748	647,743
	Dec	64,633	76,506	141,139	993,593	799,622	1,793,215
2006	Jan	65,130	77,074	142,204	1,092,092	909,301	2,001,392
	Feb	65,418	77,081	142,499	973,286	789,857	1,763,143
	Mar	65,761	77,017	142,778	771,587	639,950	1,411,537
TOTAL		803,757	866,621	1,670,378	5,864,831	4,156,439	10,021,270
2006	Apr	65,611	76,346	141,957	490,878	354,914	845,792
	May	65,611	75,290	140,901	211,221	92,818	304,039
	Jun	65,793	74,466	140,259	164,457	52,914	217,371
	Jul	65,926	73,817	139,743	136,706	38,606	175,312
	Aug	66,012	73,376	139,388	121,378	35,136	156,514
	Sep	66,294	73,126	139,420	134,144	38,256	172,400
	Oct	66,697	73,381	140,078	191,010	85,013	276,024
	Nov	61,603	80,610	142,213	502,327	415,497	917,825
	Dec	62,179	81,462	143,641	808,196	709,034	1,517,230
2007	Jan	62,717	82,040	144,757	857,556	795,872	1,653,428
	Feb	62,997	82,307	145,304	1,273,397	1,175,881	2,449,278
	Mar	63,214	82,283	145,497	871,843	798,199	1,670,042
TOTAL		774,654	928,504	1,703,158	5,763,113	4,592,140	10,355,253

## Piedmont Natural Gas Company, Inc.

		Actual Number of Customers			Actual Usage (DTs)		
		Res Val (Rate 301)	Res Std (Rate 321)	Total Residential	Res Val (Rate 301)	Res Std (Rate 321)	Total Residential
2007	Apr	63,224	81,659	144,883	411,383	317,391	728,774
	May	63,289	81,036	144,325	285,559	190,062	475,621
	Jun	63,284	80,006	143,290	159,031	53,443	212,474
	Jul	63,401	79,432	142,833	129,776	42,934	172,710
	Aug	63,518	79,026	142,544	121,968	39,222	161,191
	Sep	63,750	78,749	142,499	122,223	40,121	162,343
	Oct	64,051	78,854	142,905	134,903	46,496	181,399
	Nov	57,833	86,432	144,265	331,070	284,754	615,823
	Dec	58,528	87,972	146,500	674,438	687,974	1,362,412
	2008 Jan	58,860	88,556	147,416	992,571	1,045,382	2,037,953
	Feb	59,169	88,823	147,992	1,094,786	1,135,605	2,230,391
	Mar	59,328	88,843	148,171	872,227	898,262	1,770,489
TOTAL		738,235	999,388	1,737,623	5,329,934	4,781,646	10,111,580
2008	Apr	59,425	88,523	147,948	498,412	490,358	988,769
	May	59,349	87,876	147,225	266,769	195,271	462,040
	Jun	59,372	87,240	146,612	163,263	73,276	236,538
	Jul	59,326	86,474	145,800	126,496	47,733	174,229
	Aug	59,342	85,755	145,097	118,586	45,675	164,261
	Sep	59,332	85,254	144,586	122,285	46,270	168,556
	Oct	59,472	85,206	144,678	141,894	62,132	204,026
	Nov	53,447	92,263	145,710	360,044	375,266	735,310
	Dec	53,929	93,643	147,572	866,965	1,021,386	1,888,351
	2009 Jan	54,107	94,229	148,336	1,019,701	1,248,848	2,268,549
	Feb	54,247	94,391	148,638	1,085,057	1,300,505	2,385,562
	Mar	54,242	94,200	148,442	769,818	905,116	1,674,934
TOTAL		685,590	1,075,054	1,760,644	5,539,289	5,811,835	11,351,123

Annual Residential Usage Per Customer on a Weather-Normalized Basis (DTs)			
	Res Val (Rate 301)	Res Std (Rate 321)	Total Residential
12-months ended March 31, 2005	97.41	61.39	78.79
12-months ended March 31, 2006	94.09	59.00	75.58
12-months ended March 31, 2007	96.88	61.44	77.23
12-months ended March 31, 2008	95.51	59.89	74.63
12-months ended March 31, 2009	97.19	60.42	74.40

**Tennessee Regulatory Authority  
Docket No. 09-00104  
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To Implement a Margin Decoupling Tracker (MDT) Rider  
and Related Energy Efficiency and Conservation Programs**

**Data Request Dated July 30, 2009**

3. Without the implementation of the proposed tariff and accompanying energy conservation and energy efficiency programs, provide Piedmont's forecasted annual average residential usage for the years ending March 31, 2010, 2011 and 2012.

**Response:** Projecting residential usage per customer is a difficult task since usage patterns vary each year due to conservation education, price elasticity, weather patterns and various other factors. Based on the figures cited in response to question #2 and the overall downward trend in normalized residential usage per customer that we are witnessing in our markets, the Company would project normalized residential usage per customer over the next three years to be near 74 DT per customer.

Response provided by Piedmont Natural Gas on August 7, 2009.

**Tennessee Regulatory Authority  
Docket No. 09-00104  
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**Data Request Dated July 30, 2009**

4. Given approval of the proposed tariff and accompanying energy conservation and energy efficiency programs, provide Piedmont's forecasted annual average residential usage for the years ending March 31, 2010, 2011 and 2012.

**Response:** The Company has provided similar energy conservation and energy efficiency programs to its residential customers in North Carolina since 2005, when it received Commission approval for decoupled rates in NC. Those programs have been successful in reducing annual weather-normalized energy usage and, thereby, achieving real savings from avoided energy costs for the customers. Starting similar programs in Tennessee at the proposed \$350,000 level would allow the Company to kick-start programs that would impact a portion of the customer base and also build a structure for such programs in future periods. We anticipate a decline in the annual normalized gas usage for the customers impacted by the programs. This level of overall program spending would not likely be the cause for any significant erosion in the Company's total normalized annual residential usage per customer over the next three years, due to the size of our residential customer base in Tennessee (150,000 customers). Nevertheless, combining the energy efficiency and conservation programs with the utilization of a decoupling mechanism aligns the Company with customer conservation interests and allows the Company to focus on the best energy solution for the customer. Taking all of these factors together, including approval of this petition, we expect the normalized average annual residential gas usage per customer to begin trending below 74 DTs.

Response provided by Piedmont Natural Gas on August 7, 2009.

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5. Discuss the possible affects that residential energy efficiency and conservation programs could have on the market price of natural gas (e.g. could supply/demand be altered to lower the market price?).

**Response:** In theory, a reduction in the demand for natural gas would, in the opinions of many experts, put more downward pressure on natural gas prices and decrease price volatility. Conservation in the homes and businesses of Piedmont's customers alone would not cause a decrease in the wholesale price of natural gas. However, if Piedmont joins the efforts of others (other LDCs, other Commissions, and other states) in supporting energy conservation and energy efficiency, it is our belief that conditions for our customers, this State and the nation will be improved.

Response provided by Piedmont Natural Gas on August 7, 2009.

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**Data Request Dated July 30, 2009**

6. Provide justification that the margin allowed for new customers under the proposed tariff will equal the per customer margin approved in the last rate case.

**Response:** The attachment provided in the response to question #1 demonstrates that the margin allowed for all residential customers - both new and existing - under the proposed tariff will equal the per customer margin approved in the last rate case. Pages 2 and 3 of that attachment show the calculation of the Margin Decoupling Deferred Account Adjustment for two months, March and April. For each of these months, line 8 of the schedule shows the amount the Company should have collected from its residential customers that month based on the factors (Normal Degree Days, Heat Sensitivity Factor, Base Load Factor, R Factor) determining margin per customer as approved by the TRA in the last rate case. Line 12 of the schedule shows the amount the Company actually collected from its residential customers that month. The difference between lines 8 and 12 are captured by WNA and the proposed Margin Decoupling Tracker. Therefore, through the combination of the WNA mechanism and the proposed Margin Decoupling Tracker, the Company retains only the allowed margin per residential customer – no more, no less.

Response provided by Piedmont Natural Gas on August 7, 2009.

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**Data Request Dated July 30, 2009**

7. Given approval of this petition, indicate Piedmont's anticipated affect on individual residential customer bills as well as the overall average residential bill.

**Response:** With approval of this petition, we begin more intensive conservation and energy efficiency efforts in our Tennessee service territory. And with such conservation and energy efficiency efforts, our customers will be avoiding energy usage and thereby reducing their bills.

Response provided by Piedmont Natural Gas on August 7, 2009.

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**Data Request Dated July 30, 2009**

Question 8: Will allowing Piedmont to retain the per customer margin approved in the last rate case reduce the overall risk to investors? Please explain.

**Response:** No. The Company will continue to face the same business risk factors which determine the overall risk perceived by investors, and in turn, appropriate return on equity findings; the approval of the margin decoupling tracker by the Authority will not diminish or otherwise change these factors. These business risk factors include, most notably, the current state of the capital and credit markets, the characteristics of the retail markets served by Piedmont, and the nature of Piedmont's competition for available investment and credit funds. It is important to recognize that Piedmont competes in the global capital and credit markets against all participants in those markets. Our ability to access the capital necessary to operate and expand our business in order to provide safe and reliable natural gas service to our customers is based on the markets evaluation of Piedmont against all other participants in the equity and credit markets.

Piedmont has operated with a margin decoupling mechanism in North Carolina since 2005 (and with a rate stabilization mechanism in South Carolina since 2005). We are aware that equity analysts have since noted in their analyses of Piedmont that it is a positive regulatory mechanism because it allows the Company to exactly recover the per customer margin approved in its rate case. However, we have never seen a quantitative risk value assigned or associated with having this mechanism. In light of the magnitude of the main factors influencing the risk perceived by investors, a decoupling mechanism for our residential market in Tennessee will not impact the Company's overall risk to investors.

Response provided by Piedmont Natural Gas on August 7, 2009.



**CERTIFICATE OF SERVICE**

I hereby certify that a true and exact copy of the foregoing document has been served via first class mail, postage prepaid, on this 7<sup>th</sup> day of August, 2009 to the following:

Robert E. Cooper, Jr., Esq.  
Ryan L. McGehee, Esq.  
Attorney General and Reporter  
OFFICE OF THE ATTORNEY GENERAL  
Consumer Advocate and Protection Division  
P. O. Box 20207  
Nashville, TN 37202-0207

A handwritten signature in black ink, appearing to read "Ryan L. McGehee", is written over a horizontal line.