

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**October 28, 2010**

**IN RE:**

**APPLICATION OF PIEDMONT NATURAL GAS  
COMPANY, INC. FOR APPROVAL OF NEGOTIATED  
GAS REDELIVERY AGREEMENT WITH  
BRIDGESTONE/FIRESTONE**

)  
)  
)  
)  
)  
)

**DOCKET NO.  
10-00015**

---

**ORDER GRANTING APPROVAL OF SPECIAL CONTRACT**

---

This matter came before Director Eddie Roberson, Director Kenneth C. Hill and Director Sara Kyle of the Tennessee Regulatory Authority (“TRA” or the “Authority”), the voting panel assigned to this Docket, at a regularly scheduled Authority Conference held on September 27, 2010 for consideration of the *Petition* filed on February 2, 2010 by Piedmont Natural Gas Company, Inc. (“Piedmont” or “Company”).

**BACKGROUND**

The *Petition* seeks approval of a Negotiated Gas Redelivery Agreement (“Agreement”) with Bridgestone/Firestone (“Bridgestone”). The Consumer Advocate and Protection Division of the Office of the Attorney General (“Consumer Advocate”) filed a *Petition to Intervene* on February 24, 2010. On March 30, 2010, an Order was issued convening a contested case and appointing a hearing officer. At a status conference held on August 12, 2010, the Hearing Officer granted the Consumer Advocate’s intervention, identified the issues and set up a procedural schedule to set a date for Piedmont to clarify and correct the *Petition* and a date for the Consumer Advocate to respond. Piedmont submitted its *Clarification and Correction of Petition* on August 20, 2010, correcting the incorrect citation in the *Petition* of an order which

allowed the Company to recover one hundred percent margin loss rather than ninety percent. On August 26, 2010, the Consumer Advocate filed its *Statement of the Consumer Advocate's Intent Not to Contest the Negotiated Gas Redelivery Agreement*.

#### **TERMS AND CONDITIONS OF NEGOTIATED GAS REDELIVERY AGREEMENT**

The predecessor agreement between the Company and Bridgestone was approved by orders of the Authority issued on January 22, 1999 and April 4, 2003 in Docket Nos. 98-00339<sup>1</sup> and 02-01271,<sup>2</sup> respectively. The initial term of the contract expired on December 31, 2005, providing for automatic one-year renewals, with the requirement that these extensions be submitted for approval by the Authority. The Company failed to submit these renewals.<sup>3</sup> After discovery of the failure to file extensions, the Company and Bridgestone determined to renegotiate the rates of the special contract to avoid bypass of Piedmont's system and subsequently negotiated a new contract, effective October 27, 2009. According to Piedmont, the Agreement was not submitted to the Authority until four months later due to a delay in the executed agreement being sent back to the Company's corporate headquarters, focus on other dockets before the Authority and time required to research and draft a final petition for submission to the Authority.<sup>4</sup> Piedmont has been charging Bridgestone the new contract rates since November 2009 on a conditional basis, subject to Authority approval of the contract.<sup>5</sup>

Pursuant to the contract terms, Piedmont proposes to provide daily firm redelivery service up 250 Dths per day and interruptible redelivery service up to an additional 5,750 Dths

---

<sup>1</sup> See *In re: Application of Nashville Gas Company, A Division of Piedmont Natural Gas Company, for Approval of Negotiated Gas Redelivery Agreement with Bridgestone/Firestone*, Docket No. 98-00339.

<sup>2</sup> See *In re: Petition of Nashville Gas Company for Extension of Negotiated Gas Redelivery Agreement with Bridgestone/Firestone Industries*, Docket No. 02-01271.

<sup>3</sup> Piedmont states that their failure to submit the extensions was inadvertent and that they continued to serve Bridgestone under the previously approved rates. *Petition*, p. 3 (February 2, 2010).

<sup>4</sup> *Data Response* (February 23, 2010).

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

per day.<sup>6</sup> Piedmont states that the new rates will provide margin to the Company equivalent to that provided under the current tariffs<sup>7</sup> but with more service flexibility than that allowed under the tariffs.

The initial term of this proposed Agreement is for five (5) years, with automatic one-year extensions (“Rollover Term(s)”) unless one or both parties gives written notice of intent not to renew at least twelve (12) months prior to a new contract becoming effective.<sup>8</sup> The Company requests “in the event Piedmont’s tariffed margin allocations are changed in a general rate case proceeding during the effective term of the Agreement, and such changed allocations create a margin loss under the Bridgestone Agreement, Piedmont reserves its right to request recovery of ninety percent of such margin loss consistent with the Authority precedent established in Docket Nos. 98-00339 and 02-01271.”<sup>9</sup>

#### **FINDINGS AND CONCLUSIONS**

TRA Rule 1220-4-1-.07, states:

Special contracts between public utilities and certain customers prescribing and providing rates, services and practices not covered by or permitted in the general tariffs, schedules, or rules filed by such utilities are subject to supervision, regulation, and control by the Authority. A copy of such special agreements shall be filed, subject to review and approval.

Following precedents set in prior dockets,<sup>10</sup> the panel noted that the Authority has established and considers four criteria. The criteria are whether:

1. Customer by-pass is imminent;
2. Such by-pass would be uneconomic;

---

<sup>6</sup> *Petition*, p. 4 (February 2, 2010).

<sup>7</sup> Rate Schedule No. 313 and Rate Schedule No. 314.

<sup>8</sup> Gas Redelivery Agreement, Article VII, Exhibit A to *Petition*.

<sup>9</sup> *Clarification and Correction of Petition*, p. 2 (August 20, 2010).

<sup>10</sup> See e.g. *In re: Application of Nashville Gas Company, a Division of Piedmont Natural Gas Company, for Approval of Negotiated Gas Redelivery Agreement with Visteon Corporation*, Docket No. 01-00530; *In re: Petition of Nashville Gas Company for Extension of Negotiated Gas Redelivery Agreement with State Industries*, Docket No. 02-01270; *In re: Petition of Nashville Gas Company for Extension of Negotiated Gas Redelivery Agreement with Bridgestone/Firestone Industries*, Docket No. 02-01271.

3. The contract rates and terms are just and reasonable and are not unjustly preferential or unduly discriminatory; and

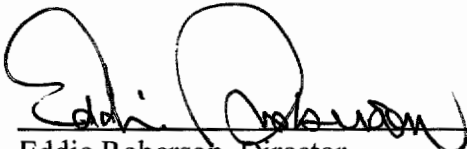
4. The contract rates are the highest that could be negotiated.

The panel found that the proposed contract meets the criteria for approval of a discounted long-term transportation contract. The panel also noted that Piedmont reserved the right to recover ninety percent of its margin loss related to negotiated rates as previously allowed by the TRA. The panel found that the Company should be allowed to request ninety percent of its margin loss resulting from the special contract rates consistent with the previous dockets. The panel also found that the agreement is both pro-consumer and pro-business.

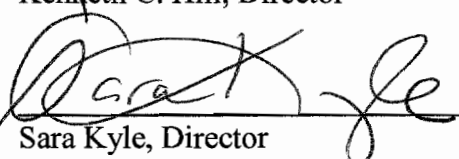
Thereafter, the panel voted unanimously to approve the agreement for a five-year term, with an October 27, 2009 effective date and successive one-year terms. Piedmont shall be required to resubmit each year automatic extension following the initial five-year term to ensure that Bridgestone continues to meet the requirements for a long-term special contract and is reminded to submit the renewals in a timely manner.

**IT IS THEREFORE ORDERED THAT:**

The Negotiated Gas Redelivery Agreement by and between Piedmont Natural Gas Company, Inc. and Bridgestone/Firestone is approved.

  
Eddie Roberson, Director

  
Kenneth C. Hill, Director

  
Sara Kyle, Director