

BASS

BERRY • SIMS_{PLC}

150 Third Avenue South, Suite 2800
Nashville, TN 37201
(615) 742-6200

David Killion

PHONE: (615) 742-7718
FAX: (615) 742-0414
E-MAIL: dkillion@bassberry.com

November 14, 2011

filed electronically in docket office on 11/14/11

VIA HAND DELIVERY

Chairman Kenneth C. Hill
c/o Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

Re: ***Tariff Filing by Piedmont Natural Gas Company to Adjust and Correct
the Applicable Franchise Fee, Docket No. 10-00033***

Dear Chairman Hill:

Enclosed please find an original and five (5) copies of a Petition for Reconsideration in the above-referenced docket.

This material is also being filed today by way of email to the Tennessee Regulatory Authority docket manager, Sharla Dillon. Please file the original and four copies of this material and stamp the additional copy as "filed." Then please return the stamped copy to me by way of our courier.

Should you have any questions concerning this matter, please do not hesitate to contact me at the email address or telephone number listed above.

Sincerely,



David Killion

Enclosures

10281431.1

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:)	
)	
TARIFF FILING BY PIEDMONT NATURAL GAS)	
COMPANY TO ADJUST AND CORRECT THE)	DOCKET NO. 10-00033
APPLICABLE FRANCHISE FEE)	

PETITION FOR RECONSIDERATION

Piedmont Natural Gas Company, Inc. ("Piedmont"), through counsel and pursuant to TCA § 4-5-317(a) and Tenn. Comp. R. & Regs. R. 1220-1-2.20(1), hereby petitions the Tennessee Regulatory Authority ("TRA" or "Authority") for reconsideration of its October 28, 2011 *Order Approving, In Part, And Denying, In Part, Piedmont's Tariff Adjusting Franchise Fee* ("Franchise Fee Order") in this docket.¹ The effect of the Authority's Franchise Fee Order was to bar Piedmont's recovery of \$1,541,565 in franchise fees previously paid by Piedmont to the Metropolitan Government of Nashville and Davidson County ("Metro Government") pursuant to a TRA approved franchise agreement between Piedmont and the Metro Government. The Authority took this action without notice to Piedmont that it was considering a denial of recovery of accumulated franchise fees and without providing an opportunity for Piedmont to be heard on the matter. Piedmont submits that such action lacks adequate due process and that reconsideration of the Authority's action should be granted for the reasons set forth herein. In support of this Petition, Piedmont respectfully shows unto the Authority as follows:

¹ The Authority's underlying ruling on this matter was made at a Directors' Conference on April 12, 2010.

BACKGROUND

According to Piedmont's records, by order issued by the Tennessee Public Service Commission on March 12, 1983, in Docket No. U-82-7190, the current mechanism for maintaining and adjusting franchise fee accounts by Piedmont was established. In that Order, the Commission stated:

Commission Staff recommended that the Company establish a special account to handle fee collections payable and revise the franchise fee rate periodically to adjust for over and under collections payable. The Commission adopts that recommendation.

This Order anticipated adjustment of the franchise fee ratio "periodically" and at the discretion of Piedmont for the purpose of collecting under-recoveries or refunding over-recoveries of franchise fees.

On November 29, 2005, by its *Order Approving Franchise Agreement* issued in Docket No. 04-00097, the TRA approved the current franchise agreement between Piedmont and the Metro Government pursuant to TCA § 65-4-107.² Under that agreement, Piedmont pays franchise fees to the Metro Government based upon five percent (5%) of Piedmont's gross receipts in most (but not all) of its Tennessee service territory.³ Pursuant to TCA § 65-4-105(e), Piedmont is authorized to collect from its Nashville and Davidson County customers, as nearly as possible on a *pro rata* basis, any franchise fees paid to the Metro Government under its approved franchise agreement. The calculation of the franchise fee percentage for any particular period is complex and includes recovery of both past balances and projections of payments and collections in future periods. The formula to be used by Piedmont in collecting these fees is not specified by statute, regulation, or Authority Rule.

² As was noted in the TRA's order approving the franchise agreement, the new franchise agreement was a ten-year extension of a franchise relationship that had existed between Piedmont and the City of Nashville and Davidson County since approximately 1911.

³ Piedmont does not pay franchise fees to the Metro Government for gross receipts attributable to territories covered by other franchise agreements.

On March 9, 2010, and pursuant to TCA § 65-4-105(e), Piedmont filed a proposed "Twenty-Sixth Revised Sheet No. 1" to its tariffs, to be effective April 1, 2010, reflecting a downward adjustment to the Metro franchise fee collection rate applicable to Nashville and Davidson County customers from 6.11% to 6.08% of customer bills. A copy of this filing is attached hereto as Exhibit A. The adjusted rate was based on projected franchise fee costs for the succeeding annual period of \$9,563,514 million and an amortized portion of the then outstanding net under-collected balance in its franchise fee account of \$291,194.⁴ The sole action requested of the Authority by Piedmont's filing was approval of a footnote change in the rates sheet of its tariff adjusting the Metro franchise fee rate from 6.11% to 6.08%. Notably, Piedmont did not propose or ask TRA approval of the accounting of or balance in its Metro Government franchise fee account.

After suspending the effectiveness of Piedmont's tariff filing for sixty (60) days by action taken at an Authority Conference on March 22, 2010,⁵ the voting panel considered Piedmont's tariff filing on the merits at the Authority's regularly scheduled Conference on April 12, 2010. The Final Agenda for this conference, a copy of which is attached hereto as Exhibit B, provided only that the Authority would "consider" Piedmont's filing at the Conference. The Authority provided no notice prior to the hearing that the Authority was considering any adverse action or would propose a disallowance of Piedmont's recovery of any portion of the uncollected balance in its franchise fee account.

At the April 12, 2010 Agenda Conference, the Authority ruled that Piedmont would not be permitted to recover \$1,541,565 in previously uncollected franchise fee payments made to the Metro Government. The Authority's action was taken on the basis of "facts" with which Piedmont disagrees and without any opportunity for Piedmont's position on the matter to be

⁴ Piedmont's total under-collected balance was \$2,911,943. Piedmont proposed to amortize the collection of this amount over ten years so as to not burden its customers.

⁵ This suspension was ultimately documented by the Authority's April 13, 2010 *Order Suspending Tariff For Sixty Days*.

heard. As is evident from the transcript of the Authority Conference regarding this matter, a copy of which is attached as Exhibit C, and as is expressly reflected in the Franchise Fee Order, at the Conference the Authority asked a Piedmont representative a few questions about the filing. The Authority provided no opportunity for Piedmont to be heard on the question of whether Piedmont should lose the ability to collect approximately \$1.5 million in franchise fees previously paid to the Metro Government. In fact, when it became apparent (for the first time) that the Authority was considering some form of disallowance of the recovery of uncollected franchise fees, Piedmont's counsel sought an opportunity to be heard, but was denied that opportunity until after the Authority had ruled. Only after the adverse ruling was Piedmont's counsel permitted to address the Authority to state that Piedmont had a different view of the facts and law. At that time, he expressed that Piedmont would have desired an opportunity to be heard on those points prior to a ruling by the Authority. Director Roberson then informed Piedmont's counsel that Piedmont had the right to seek reconsideration of the Authority's action.

On October 28, 2011, the Authority issued its Franchise Fee Order, a copy of which is attached hereto as Exhibit D, restricting Piedmont to the recovery of only its uncollected franchise fee payments from May 31, 2005 through October 31, 2009 in the amount of \$1,675,205. In the Franchise Fee Order, the Authority concluded that it would be "inappropriate and unfair to consumers" to allow Piedmont to recover uncollected franchise fee payments which the Authority (incorrectly in Piedmont's view) concluded had accrued prior to May 2005. The Authority's conclusions also appear to be based on the assumption that rates established in May 2005 accounted for all prior under-collections during the period proceeding May 2005 and that the balance in the franchise fee account represented an accumulated aggregate balance over a period of many years when, in fact, the balance in the franchise fee account was current.

BASIS FOR RECONSIDERATION

Reconsideration should be granted in this case because: (1) the procedures used to arrive at the Authority's ordered forfeiture of Piedmont's franchise fee repayment rights did not

provide Piedmont with adequate notice and an opportunity to be heard; and (2) the facts and law underlying this matter support a different result than that set forth in the Franchise Fee Order. For the foregoing reasons, Piedmont asks the Authority to vacate its Franchise Fee Order and establish a hearing process so that Piedmont can present facts and arguments for the Authority's consideration prior to the Authority taking final action on this matter.

I. THE ACTIONS OF THE AUTHORITY IN THIS PROCEEDING DID NOT PROVIDE PIEDMONT WITH ADEQUATE NOTICE AND AN OPPORTUNITY TO BE HEARD

Prior to taking action that deprives Piedmont of its property rights, Piedmont is entitled to notice of the proposed deprivation and a reasonable opportunity to be heard on such proposal. In this case, the Authority took action that effectively deprived Piedmont of its statutory right to recover uncollected franchise fee payments to the Metro Government without notice or a reasonable opportunity to be heard. Such action does not satisfy the requirements of Tennessee and federal law and should be corrected.

It is well settled that the protections of procedural due process apply in administrative proceedings. *Martin v. Sizemore*, 78 S.W.3d 249, 263 (Tenn. Ct. App. 2001). The United States and Tennessee Constitutions both require adequate notice and an opportunity to be heard before a party is deprived of its property rights.⁶ Here, due process principles apply to the Authority's decision because Piedmont has a property interest in the recovery of its franchise fee payments established by state law, TCA § 65-4-105(e), which provides that franchise payments made by a utility to a municipality shall "be billed pro rata to the utility customers receiving local service within the municipality."⁷

⁶ Specifically, the Fourteenth Amendment of the United States Constitution prohibits states from depriving "any person of . . . property without due process of law." Article I, Section 8 of the Tennessee Constitution similarly provides that "no man shall be . . . in any manner destroyed or deprived of his . . . property but by the judgment of his peers or the law of the land.

⁷ "The threshold consideration with regard to any procedural due process claim is whether the plaintiff has a liberty or property interest that is entitled to protection under U.S. Const. Amend. XIV, § 1 and Tenn. Const. art. I, § 8." *Martin*, 78 S.W.3d at 262. A property interest is subject to procedural due process protection when it is created and defined by an independent source, such as state law. *Id.*

Although the specific process required by the Tennessee and United States Constitutions varies, "at a *minimum*, administrative proceedings must afford affected parties (1) adequate notice; . . . (2) an opportunity for a hearing at a meaningful time and in a meaningful manner; . . . and (3) an opportunity to obtain judicial review of the board's or agency's decision." *Martin*, 78 S.W.3d at 266 (emphasis added); *In re: Docket to Establish Une Prices*, 2000 Tenn. PUC LEXIS 314 (Tenn. Reg. U.C. Aug. 10, 2000). As to the first requirement, the requisite notice must be "reasonably calculated, under all circumstances, to apprise interested parties of the pendency of the action and afford them an opportunity to present their objections." *Tinnell v. Department of Correction*, 1990 WL 150051 at *4 (Tenn. Ct. App. Oct. 10, 1990)(internal citations omitted); *Phillips v. State Board of Regents*, 863 S.W.2d 45, 50 (Tenn. 1993). The requirement of an opportunity to be heard must allow the individual "to present reasons, either in person or in writing, why a proposed action should not be taken." *Tinnell*, 1990 WL 150051 at *3.

In this case, as outline above, Piedmont was deprived of its property interest in the uncollected franchise fee payments without any notice of the Authority's intent to take such action or any meaningful opportunity to be heard on the merits of such proposal. By ordering the forfeiture of Piedmont's right to collect prior franchise fee payments without providing notice or the opportunity to be heard, the Authority inadvertently violated Piedmont's due process rights under the United States and Tennessee Constitutions.⁸

⁸ The process utilized by the Authority in this case is also inconsistent with the notice and hearing requirements specified by Tennessee law for matters pending before the Authority. Under Title 65 of the Tennessee Code and the Rules of the Tennessee Regulatory Authority, the following procedures are specified for disputed matters before the Authority:

a. A contested case hearing pursuant to TCA § 65-2-108: A "contested case" is defined as "[a]ll proceedings before the [TRA] in which the legal rights, duties, or privileges of specific parties are determined after a hearing before the authority." TCA § 65-2-101. Parties to contested cases "shall be afforded an opportunity for hearing after reasonable notice," TCA § 65-2-108, and such notice "shall state . . . issues involved as specifically as may be practicable." TCA § 65-2-108. During a hearing, "all parties shall be afforded an opportunity to present evidence." TCA § 65-2-108; Tenn. Comp. R. & Regs. R. 1220-1-2-.22(3).

Piedmont submits that fundamental fairness as well as the due process requirements of Tennessee (and federal) law requires that Piedmont have an opportunity to be heard with respect to the matters addressed by the Authority's Franchise Fee Order. Thus far, Piedmont has not had that opportunity. This motion seeks to provide for that opportunity. Such relief is in the public interest because the Authority is not practicably able to make fully informed decisions if, prior to ruling on disputed matters, it has not heard and considered all of the evidence and the arguments of interested parties. Piedmont's request, if granted, will facilitate that end.

II. THE FACTS AND LAW PIEDMONT SEEKS TO PRESENT TO THE AUTHORITY DO NOT SUPPORT THE RESULT ORDERED IN THE FRANCHISE FEE ORDER

If Piedmont had been given the opportunity to be heard, it would have presented facts and legal arguments supporting its right to recover all franchise fees paid to the Metro Government. If given the opportunity, Piedmont witness David Carpenter will explain that, consistent with the procedures recommended by Staff and adopted by the Tennessee Public Service Commission, Piedmont made a periodic filing to change its franchise fee recovery rate in order to establish a reasonable franchise fee recovery rate for its Metro Government customers going forward that included an amortization of the current under-recovered balance in its franchise fee account. Mr. Carpenter will also explain that Piedmont simply proposed a

b. A show cause hearing pursuant to TCA § 65-2-106: The Authority may require a party to "appear before it and show cause why the authority should not take such action as the authority shall indicate in its show cause order appears justified by preliminary investigation made by the authority under the powers conferred upon it by law." TCA § 65-2-106. Such an order "shall fully and specifically state the grounds and bases thereof, and the respondents named in the orders shall be given an opportunity to fully reply thereto." *Id.*

c. A hearing on changes in rates pursuant to TCA § 65-5-103(a): Pursuant to TCA § 65-5-103(a), "[w]hen a public utility shall increase any existing individual rates, joint rates, tolls, fares, charges, or schedules thereof, or change or alter any existing classification, the authority shall have power . . . to hear and determine whether the increase, change or alteration is just and reasonable." Under this statute, "[i]t shall be the duty of the Authority to approve any such increase, change or alteration upon being satisfied after *full hearing* that the same is just and reasonable." TCA § 65-5-103(a)(emphasis added).

In this proceeding, and in the issuance of its Franchise Fee Order, the Authority did not follow any of these procedures.

footnote modification to adjust the applicable rate for the collection of the franchise fee to the new rate. Finally, Mr. Carpenter will explain the activity in Piedmont's franchise fee account that led to the current under-recovered balance and will compare and contrast the activity in that account with other similar accounts maintained by Piedmont, such as its gas cost deferred account. Piedmont is prepared to demonstrate to the Authority that the Authority's ruling precluding Piedmont from recovering the full amount of its franchise fees should be modified because: (A) it is at odds with the statutory scheme established for the payment and recovery of such fees;⁹ (B) it is based on a mistaken conceptualization of the balance in Piedmont's franchise fee account as dating back to prior to 1996 when, in fact, it was a current balance; (C) it is not consistent with the nature of the relief sought in this proceeding; and (D) it is, effectively, confiscatory in nature because it is not based on statutory or other legal authority which provides the Authority with the jurisdiction to take such action. The purpose of this rehearing request is to seek the opportunity to present facts and arguments supporting Piedmont's position to the Authority so that the Authority can consider such facts and arguments in issuing its ruling in this case.

CONCLUSION

Piedmont believes that the action undertaken by the Authority in its Franchise Fee Order was made with the best of intentions and in the belief that such action was within its authority and justified based on the limited information presented to the Authority. As this Motion demonstrates, however, and contrary to the Authority's intentions, the Franchise Fee Order was

⁹ For example, and among other arguments, TCA § 65-4-105(e) provides that:

"Any franchise payment . . . made by a utility to a municipality . . . shall, insofar as practicable, be billed pro rata to the utility customers receiving local service within the municipality or political subdivision receiving such payments, and shall not otherwise be considered by the authority in fixing the rates and charges of the utility."


(Emphasis added). The underlined portions of this statute plainly anticipate that franchise fee costs will be a pass-through item for utilities and that the Authority has limited discretion with respect to the treatment of such costs. Piedmont believes that the Authority's action in this case exceeded the limits of this statutory provision and seeks the opportunity to present its arguments in this regard to the Authority.

entered without providing Piedmont the notice and opportunity to be heard required by Tennessee and federal law and without the benefit of a full examination of the relevant facts and governing law. Based on the foregoing, Piedmont respectfully submits that it is entitled to a proper hearing on the merits, with all procedural protections inherent thereto, which will give Piedmont the opportunity to fully present the above arguments for the Authority's consideration and action.

WHEREFORE, Piedmont Natural Gas Company, Inc., respectfully requests that the Authority reconsider its April 12, 2010 ruling, as reflected in the Franchise Fee Order, forfeiting Piedmont's right to recover previously paid franchise fees, vacate such ruling/order and establish an evidentiary hearing for consideration of this matter in accordance with Tennessee law.

Respectfully submitted this 14th day of November, 2011.

Piedmont Natural Gas Company, Inc.



R. Dale Grimes (#006332)
Bass, Berry & Sims PLC
150 Third Avenue South, Suite 2800
Nashville, Tennessee 37201
Telephone: 615-742-6244

and

James H. Jeffries IV
Moore & Van Allen PLLC
100 North Tryon Street, Suite 4700
Charlotte, North Carolina 28202
Telephone: 704-331-1079

EXHIBIT A



Piedmont
Natural Gas

RECEIVED

2010 MAR -9 PM 3:13

T.R.A. DOCKET ROOM

February 26, 2010

20100043

Darlene Standley
Chief of Utilities Division
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

RE: Piedmont Natural Gas Company, Inc.
Petition for Tariff Change on the Applicable Metro Franchise Fee Rate

Dear Ms. Standley,

Enclosed for filing are an original and three copies of a proposed tariff change to adjust the applicable rate for the collection of the Metro Franchise Fee. As the attached schedules show, the new rate applicable to customers metered inside of Davidson County is 6.08%, which compares to a current rate of 6.11%. This rate adjustment is reflected on proposed Twenty-Sixth Revised Sheet No. 1, as enclosed herein.

As you know, the applicable rate for collection of the Metro Franchise Fee is based on usage projections, whereas the actual Metro Franchise Fee payments due are based on actual usage. As such, there is always some variance between the actual amounts collected under this mechanism and the actual Metro Franchise Fee payments. The difference between the actual collections and the actual payments varies from year to year and has been both positive and negative over the course of the operation of this mechanism. As of May 2009, the franchise collection account shows a cumulative under recovery of \$2.9 million. The proposed revised rate for collection of the Metro Franchise Fee rate as identified in this filing is designed to recover 10% of the May 2009 cumulative undercollected balance on an annual basis over the next 10 years.

It is requested that any necessary waivers be granted to permit this filing to become effective April 1, 2010. Please direct any questions or concerns on this matter to my attention. I can be reached at (704) 731-4259.

Sincerely,

Pia Powers
Manager - Regulatory Affairs

Enclosures

cc: Pat Murphy
Michelle Ramsey

Post Office Box 33068 Charlotte, North Carolina 28233

RECEIVED

MAR 01 2010

TN REGULATORY AUTHORITY
UTILITIES DIVISION

PIEDMONT NATURAL GAS COMPANY, INC.
 Tennessee Service Territory
 Billing Rates Effective April 1, 2010

Twenty-Sixth Revised Sheet No. 1

Rate Schedule	Rate Class	Description	Tariff Rate Approved In Docket No. 03-00313 <1>	Cumulative PGA Demand <2>	Current Relief <4>	Current ACR Demand <3>	Current IPA <6>	Total Adj. Factor (Sum Col.2 thru Col.6) <7>	Proposed Billing Rate (Col.1+Col.7) <8>
Residential		Customer Charge-Nov.-Mar.	\$13.00						\$13.00
301	Value	Nov.-Mar. per TH	0.32000	0.01750	0.00000	0.03992	0.00534	0.53022	\$10.00
301	Value	Apr.-Oct. per TH	0.27000	0.01750	0.00000	0.03992	0.00534	0.53022	\$8.00
321	Standard	Nov.-Mar. per TH	0.32000	0.04733	0.00000	0.03992	0.00534	0.56005	\$8.00
321	Standard	Apr.-Oct. per TH	0.27000	0.04733	0.00000	0.03992	0.00534	0.56005	\$8.00
Small General		Customer Charge	\$29.00						\$29.00
302	Standard	Nov.-Mar. per TH	0.35000	0.04811	0.00000	0.03992	0.00534	0.56003	\$10.00
302	Standard	Apr.-Oct. per TH	0.30000	0.04811	0.00000	0.03992	0.00534	0.56003	\$8.00
332	Value	First 2,000 TH/TH (Nov.-Mar.)	0.35000	0.01883	0.00000	0.03992	0.00534	0.52175	\$8.00
332	Value	Over 2,000 TH/TH (Nov.-Mar.)	0.30000	0.01883	0.00000	0.03992	0.00534	0.52175	\$8.00
332	Value	First 2,000 TH/TH (Apr.-Oct.)	0.30000	0.01883	0.00000	0.03992	0.00534	0.52175	\$8.00
332	Value	Over 2,000 TH/TH (Apr.-Oct.)	0.30000	0.01883	0.00000	0.03992	0.00534	0.52175	\$8.00
Medium General		Customer Charge	\$75.00						\$75.00
352	Standard	Nov.-Mar. per TH	0.35000	0.01750	0.00000	0.03992	0.00534	0.53022	\$10.00
352	Standard	Apr.-Oct. per TH	0.30000	0.01750	0.00000	0.03992	0.00534	0.53022	\$8.00
352	Value	First 5,000 TH/TH (Nov.-Mar.)	0.35000	0.01646	0.00000	0.03992	0.00534	0.52162	\$8.00
352	Value	Over 5,000 TH/TH (Nov.-Mar.)	0.30000	0.01646	0.00000	0.03992	0.00534	0.52162	\$8.00
352	Value	First 5,000 TH/TH (Apr.-Oct.)	0.30000	0.01646	0.00000	0.03992	0.00534	0.52162	\$8.00
352	Value	Over 5,000 TH/TH (Apr.-Oct.)	0.30000	0.01646	0.00000	0.03992	0.00534	0.52162	\$8.00
303		Customer Charge	\$300.00						\$300.00
303	Peak Demand (per DT)	First 15,000 TH/TH	0.00742	0.00374	0.00000	0.00266	0.00534	0.47780	\$11.17270
303	Peak Demand (per DT)	Next 25,000 TH/TH	0.00853	0.00222	0.00000	0.00266	0.00534	0.47718	\$10.56221
303	Peak Demand (per DT)	Next 50,000 TH/TH	0.00450	0.00172	0.00000	0.00266	0.00534	0.47718	\$10.56221
303	Peak Demand (per DT)	Over 80,000 TH/TH	0.02764	0.00000	0.00000	0.00000	0.00534	0.55292	\$10.56221
304		Customer Charge	\$300.00						\$300.00
304	First 15,000 TH/TH	0.09742	0.03333	0.52994	0.00000	0.00266	0.00534	0.50879	\$10.56221
304	Next 25,000 TH/TH	0.08553	0.01672	0.52994	0.00000	0.00266	0.00534	0.49218	\$10.56221
304	Next 50,000 TH/TH	0.06450	0.01374	0.52994	0.00000	0.00266	0.00534	0.48920	\$10.56221
304	Over 90,000 TH/TH	0.02764	0.01019	0.52994	0.00000	0.00000	0.00534	0.54547	\$10.56221
313		Customer Charge	\$300.00						\$300.00
313	Peak Demand (per DT)	First 15,000 TH/TH	0.00742	0.00282	0.00000	0.00266	0.00534	0.47780	\$11.17270
313	Peak Demand (per DT)	Next 25,000 TH/TH	0.00853	0.00171	0.00000	0.00266	0.00534	0.47718	\$10.56221
313	Peak Demand (per DT)	Next 50,000 TH/TH	0.00450	0.00100	0.00000	0.00266	0.00534	0.47718	\$10.56221
313	Peak Demand (per DT)	Over 80,000 TH/TH	0.02764	0.00000	0.00000	0.00000	0.00534	0.55292	\$10.56221
314		Customer Charge	\$300.00						\$300.00
314	First 15,000 TH/TH	0.09742	0.00282	0.00000	0.00266	0.00534	0.00534	0.00548	\$10.56221
314	Next 25,000 TH/TH	0.08553	0.00168	0.00000	0.00266	0.00534	0.00534	0.00407	\$10.56221
314	Next 50,000 TH/TH	0.06450	0.00106	0.00000	0.00266	0.00534	0.00534	0.00372	\$10.56221
314	Over 90,000 TH/TH	0.02764	0.00000	0.00000	0.00000	0.00000	0.00534	0.02764	\$10.56221
310		Customer Charge	\$300.00						\$300.00
310	Peak Demand (per DT)	First 15,000 TH/TH	0.00742	0.00282	0.00000	0.00266	0.00534	0.47780	\$11.17270
310	Peak Demand (per DT)	Next 25,000 TH/TH	0.00853	0.00171	0.00000	0.00266	0.00534	0.47718	\$10.56221
310	Peak Demand (per DT)	Next 50,000 TH/TH	0.00450	0.00100	0.00000	0.00266	0.00534	0.47718	\$10.56221
310	Peak Demand (per DT)	Over 80,000 TH/TH	0.02764	0.00000	0.00000	0.00000	0.00534	0.55292	\$10.56221

NOTE: In accordance with the Tennessee Public Service Commission order in Docket U-0724, customers metered inside Davidson County are required to pay an additional 6.08% for collection of the Meter Franchise Fee. Customers served by the Fairview, Greathart, Harpeth, Nashville, Mt. Juliet and White House systems are required to pay 5.0%. Customers served by the Franklin system are required to pay 5%. Commercial customers on the Ashland City system are required to pay 5%.

PIEDMONT NATURAL GAS COMPANY, INC.
Metro Franchise Fee
Nashville and Davidson County, TN
Rate Calculation

<u>Line</u>			<u>Line</u> <u>Computation</u>
1	Projected Annual Piedmont Natural Gas Revenues Subject to Metro Franchise Fee	\$191,270,290 A/	
2	Rate	<u>5.00%</u>	
3	Estimated Metro Franchise Fee	9,563,514	3 = 1 * 2
4	Cumulative actual under (over) collected balance thru May 2009	2,911,943 B/	
5	10 Year amortization of May 2009 balance	291,194	
6	Plus Fee per Section 2 of Ordinance	<u>74,305</u>	
7	Total Estimated Franchise Fee to be Collected	9,929,014	7 = 3 + 5 + 6
8	Estimated Davidson County Sales Revenues	<u>163,230,065</u>	8 = 12
9	Franchise Fee Rate to be Charged Davidson County Customers	<u>6.08%</u>	9 = 7 / 8
A/, B/, C/ See Attached Worksheets			
10	Projected Annual Piedmont Natural Gas Revenues	\$191,270,290	
11	% Inside Davidson County (See Attached Worksheet)	<u>85.34% C/</u>	
12		<u>\$163,230,065</u>	12 = 10 * 11

PIEDMONT NATURAL GAS COMPANY, INC.
Monthly Revenues
Fiscal 2010

Page 2 of 5

	Actual Nov-09	Actual Dec-09	Actual Jan-10	Budget Feb-10	Budget Mar-10	Budget Apr-10	Budget May-10	Budget Jun-10	Budget Jul-10	Budget Aug-10	Budget Sep-10	Budget Oct-10	Total
TN													
Residential	10,825,657	19,895,500	25,735,028	19,531,020	8,736,009	5,259,146	3,125,087	2,885,838	3,007,049	2,075,349	3,175,787	4,858,884	109,512,355
SIM General Service	4,575,286	10,890,771	13,708,843	10,526,392	8,118,325	5,091,987	3,318,452	2,820,388	2,792,429	2,785,587	2,987,163	4,901,007	72,515,731
LGS + Industrial	89,050	132,843	178,873	1,394,386	1,191,882	930,055	803,500	755,072	776,913	755,377	756,399	875,988	8,549,338
Power Generation	-	-	-	-	-	-	-	-	-	-	-	-	-
Muni & Military	32,798	53,916	69,253	59,194	43,262	21,881	18,823	18,103	17,748	17,811	17,737	22,341	392,866
Total Revenue	15,623,802	30,974,030	39,591,986	31,910,992	18,089,479	11,303,059	7,263,863	6,579,401	6,594,140	5,634,224	6,947,076	10,658,220	191,270,290

N

PIEDMONT NATURAL GAS COMPANY, INC.
Metro Franchise Fee
Nashville and Davidson County, TN
Collection Analysis

Period	Total Revenue	Uncollected	Revenue Amount for Franchise Fee Calculation	5% Franchise Fee	Franchise Renewal Fee	Amount Collected	Current Period Over (Under) Collection	Cumulative Over (Under) Collected
Pre 6/96	34,865,095	(194,706)	34,670,389	1,733,519	-	1,772,518	39,099	(361,820)
6/96 - 11/96	1296 - 6/97	(199,012)	103,854,106	5,192,705	-	5,022,987	(169,718)	(322,721)
6/97 - 11/97	36,778,541	(325,658)	36,452,883	1,822,544	-	1,778,098	(44,446)	(492,439)
12/97 - 6/98	98,482,962	(157,991)	98,324,971	4,916,249	-	4,793,660	(122,589)	(659,474)
6/98 - 11/98	30,287,470	51,459	30,338,929	1,516,249	-	1,510,678	(6,288)	(665,743)
12/98 - 6/99	89,797,396	(457,266)	89,340,130	4,467,006	-	4,405,446	(61,560)	(727,302)
6/99 - 11/99	29,259,419	(288,724)	28,970,695	1,449,535	-	1,474,599	25,054	(702,248)
12/99 - 6/00	50,848,647	(362,410)	50,486,237	4,524,312	-	4,414,232	(110,080)	(612,328)
6/00 - 11/00	37,420,837	(258,045)	37,162,792	1,858,140	-	1,875,128	16,986	(795,341)
12/00 - 6/01	156,939,316	(1,471,882)	155,467,435	7,773,372	-	7,618,396	(154,976)	(950,317)
6/01 - 11/01	39,285,853	(993,723)	38,292,130	1,914,606	-	1,959,335	44,729	(905,588)
12/01 - 6/02	99,442,775	(967,640)	98,475,135	4,923,757	-	4,755,562	(168,195)	(1,033,783)
6/02 - 11/02	38,819,626	(776,734)	38,042,892	1,902,145	-	1,818,222	(84,077)	(1,017,706)
12/02 - 6/03	141,674,029	(1,983,134)	139,690,895	6,984,545	-	6,478,574	(504,971)	(1,522,677)
6/03 - 11/03	47,960,859	(676,783)	47,284,116	2,364,206	-	2,114,861	(249,345)	(1,772,022)
12/03 - 6/04	129,117,522	(1,304,850)	127,812,672	6,390,634	-	6,834,528	443,855	(1,328,127)
6/04 - 11/04	57,355,393	(598,472)	56,756,921	2,845,543	-	2,250,377	(596,166)	(1,928,293)
12/04 - 6/05	150,142,076	(1,504,626)	148,637,450	7,431,877	-	7,816,606	384,728	(1,541,565)
6/05 - 11/05	18,274,607	(631,304)	17,643,303	882,165	218,500	976,758	(123,907)	(1,665,472)
12/05 - 6/06	59,971,144	(261,766)	59,709,377	2,985,469	86,818	1,852,812	(1,219,476)	(2,884,947)
6/06 - 11/06	122,851,941	(990,692)	121,861,249	6,093,062	16,094	6,455,489	359,333	(2,526,614)
12/06 - 6/07	36,535,240	(741,036)	35,794,204	1,889,710	16,470	2,477,027	570,847	(1,954,767)
6/07 - 11/07	18,898,932	(863,934)	18,034,999	902,250	16,558	991,447	72,540	(1,882,227)
12/07 - 6/08	45,938,166	(222,857)	45,715,309	2,285,825	16,558	1,531,416	(671,067)	(2,553,294)
6/08 - 11/08	109,039,237	57,203	109,096,441	5,454,822	16,658	5,026,853	(444,627)	(2,997,921)
12/07 - 2/07	-	-	2,060,895	103,045	-	2,560,095	765,334	(2,300,966)
02/07 - Revision	-	-	35,884,674	1,777,716	17,046	1,008,829	(7,574)	(2,335,632)
3/07 - 5/07	20,391,824	(408,593)	19,983,230	999,162	17,241	1,501,625	(508,469)	(2,343,206)
6/07 - 11/07	42,612,098	4,964	42,617,062	2,130,853	17,241	3,357,385	877,893	(2,582,017)
12/07 - 2/08	122,851,441	(8,706)	122,842,736	6,142,137	17,643	1,259,153	(2,612)	(2,584,629)
3/08 - 5/08	49,547,008	(311,803)	49,235,206	2,461,760	17,844	5,477,784	(127,306)	(3,504,502)
6/08 - 11/08	25,460,309	(581,910)	24,878,399	1,243,920	17,844	2,138,991	522,558	(2,910,648)
12/08 - 2/09	48,129,081	(350,005)	48,779,076	2,438,954	17,844	819,453	1,295	-
3/09 - 5/09	111,728,748	(34,800)	111,744,947	5,587,247	18,261	586,666	(306,122)	-
6/09 - 11/09	30,312,112	(346,666)	29,965,444	1,498,172	18,469	-	-	-
12/09 - 10/09	16,538,207	(545,408)	15,992,799	880,475	12,312	-	-	-
	17,586,817	22,679	17,609,496	-	-	-	-	-

Renew Fee	Total Fee	Amortization
4/1/2005-3/31/2006	262,200	262,200
4/1/2006-3/31/2007	64,377	64,377.00
4/1/2007-3/31/2008	66,630	66,630.00
4/1/2008-3/31/2009	68,962	68,962.00
4/1/2009-3/31/2010	71,376	71,376.00
	73,874	43,093.00
		<u>576,638.00</u>

PIEDMONT NATURAL GAS COMPANY, INC.
TN Sales Volumes
Therms
June 2008-May 2009

	Outside Davidson County AL	Inside Davidson County	Total
Gas Sales & Transp.	38,196,163	222,421,629	260,617,792

Percentage	14.66%	85.34%	100.00%
	<u>CI</u>		

Total Outside	61,229,143
Less:	
Ashland City	5,056,011
Greenbrier	1,367,635
Fairview	850,932
White House	2,403,654
Mt. Juliet	8,635,408
Hartsville	575,014
Franklin	4,144,326
	<u>23,032,980</u>
	38,196,163

PIEDMONT NATURAL GAS COMPANY, INC.
 TN Volumes - Therms
 June 2008-May 2009

Service Area Code	Inside Davidson	Outside Davidson	Total
600 Antioch	10,016,521		10,016,521
601 Ashland City		5,056,011	5,056,011
602 Burns		38,424	38,424
603 Bellvue	4,626		4,626
604/627 Brentwood	3,197,691	14,816,922	18,014,613
605 Cottontown		12,136	12,136
606 Fairview		850,932	850,932
607 Franklin		4,144,326	4,144,326
608 Greenbrier		1,367,635	1,367,635
609/628 Goodlettsville	2,723,084	1,415,242	4,138,326
610 Hendersonville		12,440,272	12,440,272
611 Hermitage	6,890,589		6,890,589
612 Joelton	387,145		387,145
613 Kingston Springs		0	0
614 Laverne		9,075,745	9,075,745
615/631 Madison	7,275,270	146	7,275,416
616 Millersville		107,338	107,338
617 Mt. Juliet		8,635,408	8,635,408
618 Nashville	179,450,023		179,450,023
619 Old Hickory	11,835,905		11,835,905
620 Ridgely		0	0
622 Smyrna		241,590	241,590
623 Springfield		20,535	20,535
624 White House-R		1,816,340	1,816,340
625 White House-S		587,314	587,314
626 Hartsville		575,014	575,014
629 Whites Creek	542,179		542,179
632 Nolensville	98,596		98,596
633 Nolensville		27,813	27,813
Total	222,421,629	61,229,143	283,650,772

EXHIBIT B

TENNESSEE REGULATORY AUTHORITY

460 James Robertson Parkway
Nashville, TN 37243-0505
(615) 741-2904 Ext 136

FINAL CONFERENCE AGENDA

April 12, 2010 at 1:00p.m. through April 13, 2010 at 9:00a.m.

Issue Date: 4/1/2010 1:45:21 PM

Section 1 - Authority Business

- 1 10-00044 **Electric Power Board of Chattanooga**
APPLICATION OF ELECTRIC POWER BOARD OF CHATTANOOGA FOR A
STATE-ISSUED CERTIFICATE OF FRANCHISE AUTHORITY
*Certificate Of Franchise Authority

Section 2 - Hill, Kyle and Roberson

- 1 09-00126 **Chattanooga Gas Company**
CHATTANOOGA GAS COMPANY'S ACTUAL GAS COST ADJUSTMENT FOR
THE TWELVE MONTHS ENDED JUNE 30 2009
*Consider Staff Audit

INTERCONNECTION AND RESALE AGREEMENTS

- 10-00038 **BellSouth Telecommunications, Inc.**
PETITION FOR APPROVAL OF THE INTERCONNECTION AGREEMENT
BETWEEN BELL SOUTH D/B/A AT&T TENNESSEE AND ONETONE TELECOM,
INC.
- 10-00039 **BellSouth Telecommunications, Inc.**
PETITION FOR APPROVAL OF THE INTERCONNECTION AGREEMENT
BETWEEN BELL SOUTH D/B/A AT&T TENNESSEE AND PEACE
COMMUNICATIONS, LLC

Miscellaneous Business

Section 3 - Hill, Freeman and Kyle

INTERCONNECTION AND RESALE AGREEMENTS

- 10-00030 **United Telephone Southeast, LLC**
PETITION FOR APPROVAL OF MASTER RESALE AGREEMENT BETWEEN
UNITED TELEPHONE SOUTHEAST LLC D/B/A CENTURYLINK AND
NETWORKS GROUP, INC.
- 10-00034 **Frontier Communications Of Tennessee**
PETITION FOR APPROVAL OF AN INTERCONNECTION AND TRAFFIC
INTERCHANGE AGREEMENT FOR CELLULAR AND OTHER 2-WAY MOBILE
RADIO SERVICES BETWEEN CITIZENS TELECOMMUNICATIONS COMPANY
OF TENNESSEE, L.L.C. AND ADVANTAGE CELLULAR SYSTEMS, INC.
- 10-00036 **Bledsoe Telephone Cooperative, Inc.**
PETITION FOR APPROVAL OF TRAFFIC EXCHANGE AGREEMENT BETWEEN
BLEDSOE TELEPHONE COOPERATIVE CORPORATION, INC., AND NEW
CINGULAR WIRELESS PCS, LLC D/B/A AT&T MOBILITY

Miscellaneous Business

Section 4 - Freeman, Kyle and Roberson

- 1 10-00037 **Kingsport Power Company**
PETITION OF KINGSFORT POWER COMPANY D/B/A AEP APPALACHIAN
POWER FOR PERMISSION TO RECOVER INCREASED INSPECTION FEES
*Hear And Consider Petition

INTERCONNECTION AND RESALE AGREEMENTS

- 10-00041 **BellSouth Telecommunications, Inc.**
PETITION FOR APPROVAL OF THE INTERCONNECTION AGREEMENT
BETWEEN BELL SOUTH D/B/A AT&T TENNESSEE AND ADVANTAGE
CELLULAR SYSTEMS, INC.

Miscellaneous Business

Section 5 - Hill, Freeman and Roberson

- 1 10-00033 **Piedmont Natural Gas Co**
TARIFF FILING BY PIEDMONT NATURAL GAS COMPANY TO ADJUST AND
CORRECT THE APPLICABLE FRANCHISE FEE
*Consider Tariff

INTERCONNECTION AND RESALE AGREEMENTS

- 10-00035 **BellSouth Telecommunications, Inc.**
PETITION FOR APPROVAL OF THE AMENDMENT TO THE
INTERCONNECTION AGREEMENT NEGOTIATED BY BELL SOUTH
TELECOMMUNICATIONS, INC. DBA AT&T TENNESSEE AND DELTACOM,
INC. PURSUANT TO SECTIONS 251 AND 252 OF THE
TELECOMMUNICATIONS ACT OF 1996

Miscellaneous Business

TENNESSEE REGULATORY AUTHORITY

460 James Robertson Parkway
Nashville, TN 37243-0505
(615) 741-2904 Ext 136

ADDENDUM TO FINAL CONFERENCE AGENDA

April 12, 2010 at 1:00p.m. through April 13, 2010 at 9:00a.m.

Issue Date: 4/8/2010 10:09:56 AM

Section 3 - Hill, Freeman and Kyle

- 1 10-00055 **United Telephone Southeast, LLC**
TARIFF FILING BY UNITED TELEPHONE SOUTHEAST LLC, D/B/A
CENTURYLINK TO WITHDRAW CERTAIN TARIFFS PURSUANT TO
OPERATING UNDER MARKET REGULATION
*Consider Tariff Filing

Miscellaneous Business

EXHIBIT C

BEFORE THE TENNESSEE REGULATORY AUTHORITY

TRANSCRIPT OF EXCERPT OF AUTHORITY CONFERENCE

Monday, April 12, 2010

APPEARANCES:

TRA Docket Manager:	Ms. Sharla Dillon
For Piedmont Natural Gas:	Mr. James H. Jeffries IV
	Mr. R. Dale Grimes
	Mr. David Carpenter

Reported By:
Jennifer B. Carollo, RPR, CCR

1 (The aforementioned Authority
2 Conference came on to be heard on Monday, April 12,
3 2010, beginning at approximately 1:00 p.m., before
4 Chairman Sara Kyle, Director Eddie Roberson, Director
5 Kenneth C. Hill, Director Mary W. Freeman. The
6 following is an excerpt of the proceedings that were
7 had, to-wit:)

8
9 MS. DILLON: Next, we have Section 5,
10 Directors Hill, Freeman, and Roberson. Docket No.
11 10-00033, Piedmont Natural Gas Company. Tariff filing
12 by Piedmont Natural Gas Company to adjust and correct
13 the applicable franchise fee. Consider tariff.

14 DIRECTOR FREEMAN: Thank you. On
15 March 9, 2010, Piedmont Natural Gas Company filed a
16 proposed tariff to adjust the applicable rate for the
17 collection of the Metro franchise fee. The filing
18 reduces the franchise fee rate applicable to customers
19 metered inside Davidson County from 6.11 percent to
20 6.08 percent. In its filing, Piedmont also seeks to
21 recover net under collections of 2,911,943 dating back
22 to 1996 through May 31, 2009. The company seeks to
23 recover these amounts over a ten-year period, and the
24 annual amount of under recovery is included in the
25 company's proposed 6.08 percent franchise fee.

1 From June 30, 1999, through May 31,
2 2005, Piedmont adjusted the franchise fee at annual or
3 very close to annual intervals to recalculate the
4 franchise fee to, one, true-up prior year over and/or
5 under collections of franchise fees, and, two, base the
6 calculation on more recent company revenues and number
7 of Davidson County customers. However, prior to its
8 March 9, 2010, filing, Piedmont failed to revise the
9 franchise fee since May 31, 2005.

10 In the last filing made by Piedmont
11 in May 2005, the company trued-up its applicable fee
12 rate to recover the recurrent -- I'm sorry -- to
13 recover the correct amount over the subsequent 12
14 months. At that point, actual franchise payments and
15 under collections of those payments prior to May 31,
16 2005, were taken into consideration and were allowed to
17 be recovered in the new rate.

18 Now, in its filing -- now, in its
19 filing first -- I'm so sorry. Excuse me -- now, in its
20 first filing since May 2005, Piedmont seeks to recover
21 franchise fees resulting from a company billing error
22 prior to May 31, 2005, and also recover the under
23 collected amounts due to projections versus actual from
24 May 31, 2005, forward.

25 Would my fellow directors like to

1 hear from the company?

2 DIRECTOR HILL: I would. Thank you.

3 DIRECTOR FREEMAN: You're welcome.

4 Good afternoon, gentleman. Could you
5 introduce yourselves for the record?

6 MR. GRIMES: Yes, Director Freeman
7 and Directors, I'm Dale Grimes. I'm here on behalf of
8 Piedmont Natural Gas.

9 MR. CARPENTER: Directors, I'm David
10 Carpenter on behalf of Piedmont Natural Gas.

11 MR. JEFFRIES: Good afternoon. I'm
12 Jim Jeffries on behalf of Piedmont Natural Gas.

13 DIRECTOR FREEMAN: Would you-all just
14 briefly give us a summary.

15 MR. CARPENTER: Well, the motion that
16 you've read so far into the record, Director Freeman,
17 is -- in an overview sense is accurate. This is a
18 filing that we do on a periodic basis to adjust the
19 franchise fee percentage that's applied to bills on
20 customers for the City of Nashville. It's a bit of an
21 unusual calculation into the fact that it calculates
22 based upon not only on those volumes which flow
23 directly to the citizens of Nashville but also to some
24 outlying counties that don't have their own franchise
25 fees. So involved in that process is a fairly complex

1 calculation that we have to do.

2 As you noted, we had on a regular
3 basis been filing annual adjustments and the agreements
4 upon the franchise fee with the TRA historically. We
5 were required to make some type of periodic adjustment.
6 In the past few years, as you noted, we have run into
7 some difficulties that have caused us to relook at the
8 methodology that we use to calculate this franchise fee
9 and took another look at this because it's very similar
10 to a -- the deferred gas account in that it's a true-up
11 process. You calculate before the year begins your
12 best estimate of what your revenues are going to be and
13 what the 5 percent tax fee is going to get for you.
14 And then as the year goes by -- obviously, based on
15 extreme changes in weather that cause extreme changes
16 in usage or what we've noted obviously in the last six
17 or seven years the big swings in gas prices you have at
18 the end of the 12-month period -- you have a
19 significantly different picture, or you could have a
20 significantly different picture than what you did in
21 your estimate.

22 We have had historically a lot of
23 swings of an under collection of \$2 million back down
24 to an under collection of a million dollars; even less
25 than that at different periods over this time frame.

1 And following some changes to the staffing between the
2 regulatory department and the tax department which does
3 these calculations, we've been looking at the
4 methodology we use, and we've been looking to determine
5 if this under collection balance is a consistent under
6 collection balance because depending upon the season
7 and depending upon some of the factors I've already
8 mentioned, this number can swing significantly. We
9 have discussed this at a couple of junctures with the
10 TRA staff, and the filing before you we feel is the
11 best way to go forward -- to fix the methodology going
12 forward, to get the under collected balance into the
13 correct position, and to also do this in such a manner
14 that is sort of a smoothing process with the customers;
15 and, therefore, that's why we suggested an
16 amortization.

17 DIRECTOR FREEMAN: Questions?

18 DIRECTOR HILL: So am I to understand
19 then that the reason that there was no adjustment made
20 from May 31, 2005, until now is because you were
21 looking at your procedures and how to go about it?

22 MR. CARPENTER: That isn't -- that
23 isn't the whole picture, sir. And some of the issues
24 came from the fact that we did go through a fairly
25 significant staffing change within our regulatory and

1 our taxing area due to some fairly -- corporate
2 reorganization. So we -- we had -- we had some issues
3 there that the process -- with a couple of years there
4 where we just didn't get a good handle on what our
5 situation was.

6 And, again, it's a percentage rate
7 that consistently over the course of time has been
8 somewhere between six oh five percent and six -- six
9 twenty percent. So it -- the percentage applied, the
10 collection of those dollars, and the tax department's
11 job of calculating and remitting that to the City of
12 Nashville that's been a very consistent and audited
13 process. But, yes, we did have, unfortunately, some
14 time frame go by where we did not make a periodic
15 filing. We ended up -- once we realized our issues and
16 our problems, we started discussions with the TRA
17 staff.

18 DIRECTOR HILL: All right. That
19 amount of time is pretty lengthy here. Was it just the
20 fact that you had personnel changes and somebody just
21 forgot to tell the next person on board what was going
22 on?

23 MR. CARPENTER: There was a little
24 bit of that. Yes, sir. Yes, sir. Unfortunately.

25 DIRECTOR HILL: And you would like to

1 have the -- if I read it correctly, you would like to
2 have the losses recouped here in total; is that
3 correct?

4 MR. CARPENTER: That is correct. And
5 if I may say, this is really a pass-through item. This
6 is just a collection we make on behalf of an agency.
7 It historically -- as I mentioned, it's been a positive
8 amount some years of an over collection. Some years
9 it's been an under collection. So it's -- it's much
10 like our gas cost accounting process. It's a constant
11 true-up issue that you have.

12 DIRECTOR ROBERSON: Are these amounts
13 that you've already paid the Metropolitan Government?

14 MR. CARPENTER: Yes, sir. In most
15 cases they are. The -- again, with them it's an annual
16 process where the tax department calculates what the
17 exact tax based on the true revenues were for that
18 period and remits them to the city. So we are -- we
19 are true to the city. There is no interest on this
20 account. So the fact that we were under collected was
21 to the detriment of the company. We've paid out those
22 amounts. We don't -- there's no interest calculation.
23 It does not affect the total amount that the customers
24 have paid over the course of time.

25 DIRECTOR FREEMAN: Any further

1 questions?

2 Is your current customer base the
3 same as your customer base was in 1996?

4 MR. CARPENTER: No. Obviously,
5 there's been some growth and some changes. Some
6 customers have left us, and some customers have come
7 on. We have historically had somewhere in the range of
8 150 to 160,000 customers in Nashville. We're right at
9 that 160,000 customers right now, and we haven't had a
10 material difference over the last several years, but
11 certainly individual customers have come on and come
12 off.

13 DIRECTOR FREEMAN: Then would it be
14 safe to say with this tariff that you have submitted,
15 it appears that your current customers will be paying
16 for common error dating back to 1996 when they may or
17 may not have been a customer in 1996?

18 MR. CARPENTER: In the high level you
19 can say that. I would say that the company doesn't
20 really agree with the thought that this goes -- is a
21 deep issue that goes back to '96. As I said,
22 historically, this balance has stayed fairly consistent
23 and actually stayed fairly consistent somewhere within
24 a million dollars of under or over collection. And in
25 the last couple of years with some significant changes

1 in price of gas a couple of summers ago and then we
2 finally had some cold winters that caused serious use
3 over the last two winters, that has caused this balance
4 to kick up. So I would say a material amount of this
5 under collection really represents the last couple of
6 periods. But to the theory of your question, yes, just
7 like you would with any deferred account, it's just a
8 constant true-up so you sometimes do collect money from
9 customers other than those that were on the system when
10 it first started.

11 DIRECTOR FREEMAN: Okay. I would
12 like to take a five-minute break.

13 (Recess taken from 1:26 to
14 1:29 p.m.)

15 DIRECTOR FREEMAN: Director Roberson.

16 DIRECTOR ROBERSON: Mr. Carpenter, I
17 have a question. When was the last time that you filed
18 that established a true-up?

19 MR. CARPENTER: I believe it was
20 2005. That's subject to check.

21 DIRECTOR ROBERSON: Okay. So at that
22 time you filed with the Authority the true-up and said
23 this is what we needed; did the Authority grant that
24 petition?

25 MR. CARPENTER: Actually, the

1 procedure that was in place, if I remember correctly,
2 historically, it was filed with the TRA staff. It was
3 never presented with the TRA. It was just -- it's
4 really just a review that -- of the calculations to see
5 if the company is doing the calculations in a
6 reasonable fashion.

7 DIRECTOR ROBERSON: So is the company
8 only seeking recovery back to the last time that you
9 filed the true-up? To this 2005?

10 MR. CARPENTER: No. We're seeking --
11 now that we understand the full amount of the under
12 collection after looking at how we were pulling our
13 numbers together, we're seeking the full recovery to
14 that trued-up account which at the point that we did
15 this filing was approximately \$2.9 million of under
16 collection. And as we talked about a minute ago, yes,
17 some of that could be from before that -- that point in
18 time. It's -- when you're looking at a true-up account
19 you never -- you know, you never do catch up. You're
20 ahead some. Sometimes you're behind. I think if you
21 could do an exact mathematical calculation, you would
22 find that that most of that -- that under collection
23 has occurred in the last four or five years, but
24 without going really through each individual account in
25 some manner, you don't really know the answer. But,

1 no, we're seeking to recover the full amount of the
2 money because that's -- you know, we're just -- we're
3 collecting that from our customers and passing that
4 onto the local -- Metro.

5 DIRECTOR ROBERSON: Thank you.

6 DIRECTOR FREEMAN: Okay. If there
7 are no further questions, I would -- I have a comment
8 before I make a motion. Since the rates established in
9 the May 2005 filing took into consideration all prior
10 under collections due to projected versus actual
11 revenues, Piedmont should be allowed to recover only
12 the under collected amount since May 2005.

13 In May 2005 rates were set on a
14 going-forward basis, and to reach back and allow
15 Piedmont to recover 2,911,943 in past under collected
16 fee amounts prior to May 2005 due to company error
17 would be inappropriate and unfair to consumers.

18 I find that it is reasonable to allow
19 Piedmont to recover 1,675,205 in under collected
20 franchise fees which is the amount from the end of the
21 last filing, May -- May 31, 2005, through the most
22 current data available October 31, 2009, and that this
23 recovery be spread over the next 12 months although the
24 under collected franchise fees were accumulated over
25 the past four and one-half years.

1 So I move -- based on these findings,
2 I move approval of 6.93 franchise fee for Piedmont
3 Natural Gas Company beginning May 1, 2010. In
4 addition, I move that Piedmont file annual tariff
5 revisions for the Metro Franchise Fee, including all
6 supporting documentation and calculations no latter
7 than April 1st of each year. And I so move.

8 MR. JEFFRIES: Director Freeman --

9 DIRECTOR ROBERSON: I'm going to
10 second -- I think we're in a matter -- we're in the
11 middle of deliberations. I second the motion. I think
12 that it's reasonable to expect the company when they
13 file a true-up to have accurate information, and I also
14 agree that it's reasonable to go ahead and allow the
15 company a quicker recovery of 12 months instead of over
16 multiple years so the company can recoup that money
17 from its last filings. And I also agree that the
18 annual tariff revisions are appropriate so that we can
19 look every year and make sure the true-up is accurate
20 and so the company is not stuck with this three- or
21 four- or five-year overpayment so that the company can
22 correct it. So I second your motion.

23 DIRECTOR HILL: And I vote aye.

24 MS. DILLON: Next, we have
25 interconnection and resale agreements.

1 DIRECTOR ROBERSON: Let me -- let
2 me -- Director Freeman, I don't mind after the motion
3 if counsel would like to -- I think they wanted to be
4 recognized. I didn't think it was appropriate
5 during -- during our deliberation, but if you would
6 like to -- I have no objections if you have no
7 objections --

8 DIRECTOR FREEMAN: No objections.

9 DIRECTOR ROBERSON: -- if you would
10 like to make a statement.

11 MR. JEFFRIES: With the -- with
12 permission --

13 DIRECTOR ROBERSON: Sure. Sure.

14 MR. JEFFRIES: -- of the Authority.
15 Thank you, Director Roberson. I just -- I wanted to
16 note for the record that Piedmont has some concerns
17 with the result of the Authority's considerations
18 today. And without -- I understand that the Authority
19 has taken their action, and that's the result we have,
20 but from the company's perspective some of -- we
21 believe the facts and some of the characterizations
22 that underlay the Authority's actions we have a
23 different take on them, with as much respect as I can
24 muster, than the Authority. And our concern is that
25 the company really other than responding to some

1 questions hasn't had an opportunity to present that to
2 the Authority, our interpretation of some of the
3 history in this mechanism that we think is relevant.
4 And I just wanted to note that for the record. Thank
5 you.

6 DIRECTOR ROBERSON: Well, I guess you
7 always have the opportunity to ask for reconsideration.
8 You've got that right. So thank you.

9 DIRECTOR FREEMAN: Thank you.

10 MR. GRIMES: Thank you.

11 (Conclusion of Excerpt of
12 Proceedings.)

13

14

15

16

17

18

19

20

21

22

23

24

25

1 REPORTER'S CERTIFICATE

2 STATE OF TENNESSEE)

3 COUNTY OF WILLIAMSON)

4 I, Jennifer B. Carollo, Registered
5 Professional Reporter, Certified Court Reporter, and
6 Notary Public for the State of Tennessee, hereby
7 certify that I reported the foregoing proceedings at
8 the time and place set forth in the caption thereof;
9 that the proceedings were stenographically reported by
10 me; and that the foregoing proceedings constitute a
11 true and correct transcript of said proceedings to the
12 best of my ability.

13 I FURTHER CERTIFY that I am not related to
14 any of the parties named herein, nor their counsel, and
15 have no interest, financial or otherwise, in the
16 outcome or events of this action.

17 IN WITNESS WHEREOF, I have hereunto affixed
18 my official signature and seal of office this 15th day
19 of April, 2010.

20
21 JENNIFER B. CAROLLO,
22 REGISTERED PROFESSIONAL
23 REPORTER, CERTIFIED COURT
24 REPORTER, AND NOTARY PUBLIC
25 FOR THE STATE OF TENNESSEE

24 My Commission Expires:
25 June 23, 2012

EXHIBIT D

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

October 28, 2011

IN RE:

**TARIFF FILING BY PIEDMONT NATURAL GAS
COMPANY TO ADJUST AND CORRECT THE
APPLICABLE FRANCHISE FEE**

)
)
)
)
)

**DOCKET NO.
10-00033**

**ORDER APPROVING, IN PART, AND DENYING, IN PART,
PIEDMONT'S TARIFF ADJUSTING FRANCHISE FEE**

This matter came before Director Mary W. Freeman, Director Eddie Roberson and Director Kenneth C. Hill of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on April 12, 2010 for consideration of the proposed tariff filed by Piedmont Natural Gas Company, Inc. ("Piedmont" or "Company") on March 9, 2010 to adjust the applicable rate used in the collection of the franchise fee it pays to the Metropolitan Government of Nashville ("Metro"). At the March 22, 2010 Authority Conference, the panel suspended the proposed tariff for sixty days, from April 1, 2010 to May 30, 2010, to provide the Authority time to gather additional information and to properly evaluate the proposed tariff. During the April 12, 2010 Authority Conference, representatives from the Company provided a summary of the proposed tariff and answered questions from the panel.

PIEDMONT'S PROPOSED TARIFF

Pursuant to its Franchise Agreement with Piedmont, Metro imposes a five percent (5%) franchise fee on all gross revenues of Piedmont, including revenue generated outside of Davidson County. Because the franchise fee can only be collected from Davidson County customers, those customers in Davidson County pay a franchise fee that exceeds five percent (5%). The applicable rate for collection of the Metro franchise fee is based on usage projections, whereas the actual fee

payments due are based on actual usage. At the outset of a particular year, Piedmont performs the calculations necessary to arrive at its best estimate of what its revenues will be and the amount that the five percent franchise fee will produce. Piedmont's tax department calculates the exact amount of the annual fees to be paid to Metro based on the true revenues for a certain period and remits that amount to Metro. A variance between the actual collections and the actual payments may occur from year to year due to changes in the number of Davidson County customers, as well as changes in the overall percentage of revenues generated inside and outside of Davidson County. These variations have had positive and negative impacts on the franchise fee amounts collected and owed over the course of the operation of this mechanism. The Company may also be faced with a result that is significantly different than what it estimated due to external factors such as extreme changes in weather that impact usage or, as experienced in recent years, major fluctuations in gas prices.

During the April 12, 2010 Conference, Piedmont's representative described the proposed tariff filed on March 9, 2010 as a filing that Piedmont makes with the TRA on a periodic basis to adjust the franchise fee percentage that is applied to bills of customers in Davidson County. The overall process involves a fairly complex calculation, which is based not only on the volumes of natural gas that flow directly to the customers in Davidson County but also on the volumes that flow to customers located in the outlying counties that do not have their own franchise fees.

Historically, Piedmont filed with the TRA its annual franchise fee adjustments on a regular basis. Prior to May 31, 2005, Piedmont adjusted the franchise fee percentage at annual or very close to annual intervals through filings with the TRA. These filings were made to true-up prior year over/under collections of franchise fees by basing the calculation on the most recent Company revenues and number of Davidson County customers. At the time of the March 9, 2010 filing, the Company had not revised the Metro franchise fee percentage or made a filing with the TRA related to the Metro franchise fee since May 31, 2005.

The proposed tariff filed on March 9, 2010 sought to adjust the applicable percentage for the collection of the Metro franchise fee by reducing the franchise fee percentage applicable to customers metered inside of Davidson County from 6.11% to 6.08%, to recover net under-collections of \$2,911,943 incurred prior to 1996 forward through May 31, 2009.¹ The Company sought to recover these amounts over a ten (10) year period with the annual amortized amount of under-recovery included in the Company's proposed 6.08% franchise fee.

Piedmont acknowledged to the Authority that it is preferable for the Company to file annually to recalculate its franchise fee percentage applicable to Davidson County customers. Piedmont explained that the delay of this filing had resulted, in part, from recent significant staffing changes within its regulatory and taxation areas due to turnover and corporate reorganization. Also, during this time period, Piedmont was reexamining the methodology it used to true up the franchise fee.

FINDINGS AND CONCLUSIONS

Based on the entire record in this proceeding, the panel found that the rates established in the May 2005 filing were set on a going forward basis and accounted for all prior under-collections that were attributable to projected versus actual revenues during the period preceding May of 2005. To allow Piedmont to recover under-collected fees related to the period prior to May 2005 resulting from a Company error would be inappropriate and unfair to consumers. For this reason, Piedmont should be allowed to recover only the under-collected amounts incurred since May 2005.

The panel found it reasonable to allow Piedmont to recover \$1,675,205 in under-collected Franchise Fees, which represented the amount from the end of Piedmont's last filing (May 31, 2005) through the most current data available (October 31, 2009). While the under-collected franchise fees were accumulated over a four and one half year period, the panel determined that this recovery should be spread over a twelve-month period. Based on these findings, the panel voted unanimously

¹ Under-collection occurs when the amounts collected from customers are less than those owed to Metro.

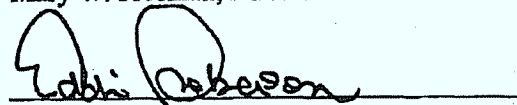
to approve a 6.93% Metro franchise fee for Piedmont effective May 1, 2010. In addition, the panel voted to require that Piedmont file annual tariff revisions for the Metro franchise fee, including all supporting documentation and calculations, no later than April 1 of each year.

IT IS THEREFORE ORDERED THAT:

1. A 6.93% Metropolitan Nashville Government Franchise Fee is approved for Piedmont Natural Gas Company, Inc. beginning May 1, 2010.

2. Piedmont Natural Gas Company, Inc. shall file annual tariff revisions for the Metropolitan Nashville Government Franchise Fee, including all supporting documentation and calculations, no later than April 1 of each year.


Mary W. Freeman, Director


Eddie Roberson, Director

Kenneth C. Hill, Director