

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**December 21, 2010**

<b>IN RE:</b>	)	
	)	
<b>PETITION OF PIEDMONT NATURAL GAS</b>	)	<b>DOCKET NO.</b>
<b>COMPANY, INC. FOR APPROVAL OF</b>	)	<b>10-00142</b>
<b>NEGOTIATED GAS REDELIVERY AGREEMENT</b>	)	
<b>WITH E. I. DUPONT DE NEMOURS COMPANY</b>	)	

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**ORDER GRANTING APPROVAL OF SPECIAL CONTRACT**

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This matter came before Chairman Mary W. Freeman, Director Eddie Roberson 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 October 25, 2010 for consideration of the *Petition* filed on July 13, 2010 by Piedmont Natural Gas Company, Inc. (“Piedmont” or “Company”).

**BACKGROUND**

On July 13, 2010, Piedmont filed a *Petition* seeking approval of a Negotiated Gas Redelivery Agreement with E.I. DuPont de Nemours Company (“DuPont”). Thereafter, on July 21, 2010, the Consumer Advocate filed a *Petition to Intervene*. On September 1, 2010, the Authority issued an *Order Convening a Contested Case and Appointing a Hearing Officer*. On September 9, 2010, a *Statement of the Consumer Advocate’s Intent Not to Contest the Negotiated Gas Redelivery Agreement* was filed in the docket file.<sup>1</sup> On September 29, 2010, the Hearing Officer issued an order granting the Consumer Advocate’s intervention request.

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<sup>1</sup> The Consumer Advocate, while reasserting its request to intervene in the proceedings to monitor and evaluate any additional issues that may arise, notified the Authority and parties that it did not intend to contest the terms and conditions of the Gas Redelivery Agreement.

## **THE PETITION**

DuPont is an existing Piedmont industrial customer that recently decided to transition from using coal to natural gas for steam production at its facility in Old Hickory, Tennessee. In order to facilitate this transition, the Company and DuPont have reached an agreement for both Firm Transportation Service and Interruptible Transportation Service, which would normally be serviced under Piedmont's Rate Schedule 313 and Rate Schedule 314, respectively. The *Petition* proposes to service DuPont under the rates, terms and conditions of said rate schedules with only minor modifications.<sup>2</sup>

The first modification is the calculation of the billing demand determinant. Under Piedmont's Rate Schedule 313, a company is charged a monthly demand charge based on the demand rate times the billing demand determinant. The tariff specifies a billing demand determinant for current customers based on (1) the highest daily usage during the previous winter period or (2) the highest month's usage for the period multiplied by 6% or 500 therms, whichever is greater.<sup>3</sup> The Company proposes under this negotiated agreement to base the monthly demand charge on the Transportation Contract Quantity ("TCQ") of 2,000 dekatherms (Dth) per day for firm transportation service.<sup>4</sup> This contract quantity will be used to calculate demand instead of using a higher historic usage. All usage up to the TCQ will be charged at the tariff rates found in Rate Schedule 313.

The second modification addresses the rate for interruptible usage under Rate Schedule 314. Under the terms of the contract, DuPont is allowed to increase their daily usage on an interruptible basis by a maximum of 5,500 dekatherms.<sup>5</sup> The tariff provides that all usage received on an interruptible basis will be charged at the same step rates as those in Rate Schedule

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<sup>2</sup> *Petition*, pp. 3-4.

<sup>3</sup> Rate Schedule No. 313 (Firm Transportation Service).

<sup>4</sup> Gas Redelivery Agreement, Article I, Section 1.01, Exhibit A to *Petition*.

<sup>5</sup> Gas Redelivery Agreement, Article I, Section 1.02, Exhibit A to *Petition*.

313. The contract, however, states that all additional volumes in excess of the TCQ will be charged at the 4<sup>th</sup> step rate, which is the lowest rate applicable to usage in excess of 9,000 dekatherms per month.<sup>6</sup>

The third modification exempts DuPont from the tariff provision requiring maintenance of a serviceable back-up system to cover DuPont's energy needs in the event of an interruption of service.<sup>7</sup> DuPont acknowledges the requirement to maintain a serviceable back system but states that it does not have a current system and has no plans to install such a system during the term of this agreement.<sup>8</sup> DuPont also acknowledges that Piedmont will not be held liable for any damages resulting from interruption of service.<sup>9</sup>

The term of this proposed Agreement is for three years, with a proposed effective date of May 1, 2010.<sup>10</sup> The Company and DuPont have requested this date to coincide with the beginning of the transition period.<sup>11</sup> The Company is not currently servicing DuPont under the special contract terms but under tariff rates.<sup>12</sup> Piedmont states that if the Authority approves an effective date of May 1, 2010, the Company will reimburse DuPont for the difference in any payments rendered after May 1, 2010 as a result of the difference between the tariffed rates and the special contract rates. The reimbursement would be distributed to DuPont within fifteen (15) days of the Authority's approval.<sup>13</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

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<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> Gas Redelivery Agreement, Article II, Section 2.01, Exhibit A to *Petition*.

<sup>11</sup> *Petition*, p. 4.

<sup>12</sup> Gas Redelivery Agreement, Article II, Section 2.01, Exhibit A to *Petition*.

<sup>13</sup> *Id.*


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.

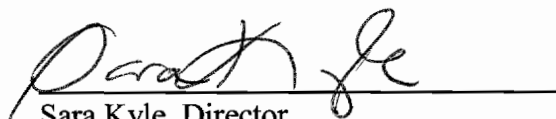
The panel found that the proposed contract between Piedmont and DuPont meets the intent of TRA Rule 1220-4-1-.07 and furthers the public interest because it benefits Piedmont and its other customers and provides the incentive needed for DuPont to transition from the use of coal as its main fuel source to natural gas. Based on the record and these findings, the panel voted unanimously to approve Piedmont's Negotiated Gas Redelivery Agreement with DuPont, with an effective date of May 1, 2010.

**IT IS THEREFORE ORDERED THAT:**

The Negotiated Gas Redelivery Agreement by and between Piedmont Natural Gas Company, Inc. and E.I. DuPont de Nemours Company is approved, with an effective date of May 1, 2010.

  
Mary W. Freeman, Chairman

  
Eddie Roberson, Director

  
Sara Kyle, Director