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BERRY • SIMS^{PC}

R. DALE GRIMES
TEL: (615) 742-6244
FAX: (615) 742-2744
dgrimes@bassberry.com

PROFESSIONAL LIMITED LIABILITY COMPANY
ATTORNEYS AT LAW

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

www.bassberry.com

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September 2, 2011

filed electronically in docket office 9/2/11

The Honorable Eddie Roberson
Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

Re: *Petition of Piedmont Natural Gas Company, Inc. for an Adjustment to its Rates, Approval of Changes to its Rate Design, Amortization of Certain Deferred Assets, Approval of New Depreciation Rates, Approval of Revised Tariffs and Service Regulations, and Approval of a New Energy Efficiency Program and GTI Funding*
Docket No. 11- 00144

Dear Chairman Roberson:

Pursuant to T.C.A. § 65-5-103 and the Authority's electronic filing guidelines, I am enclosing for filing in the above-captioned proceeding, an original and 4 copies each of the following documents:

1. Petition of Piedmont Natural Gas Company, Inc;
2. Testimony and exhibits of Piedmont witnesses Skains, Dzuricky, Carpenter, Myers, Powers, Murry, Yardley, Watts, and Shambaugh supporting Piedmont's Petition;
3. Piedmont's Minimum Filing Requirements.

Piedmont's proposed revised rates are reflected in Exhibit PKP-2 attached to the testimony of Piedmont witness Powers and Piedmont's proposed revised tariffs and service regulations are attached to the testimony of Piedmont witness Carpenter as Exhibit DRC-5. Also included with this filing are CDs containing Piedmont's filing in electronic format and a check in the amount of \$25.00 in payment of the filing fee for this matter.

Hon. Eddie Roberson, Chairman
TRA
September 2, 2011
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Please accept these materials for filing and return a file-stamped copy of this correspondence in the enclosed envelope.

If you have any questions about this filing, you may reach me at the number shown above.

Very truly yours,

A handwritten signature in black ink, appearing to read "R. Dale Grimes". The signature is written in a cursive, flowing style.

R. Dale Grimes

RDG/lfr
Enclosures

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

IN RE:)	
)	
Petition of Piedmont Natural Gas Company,)	
Inc. for an Adjustment to Its Rates, Approval)	
Of Changes to Its Rate Design, Amortization)	Docket No. 11- 00144
of Certain Deferred Assets, Approval of New)	
Depreciation Rates, Approval of Revised Tariffs)	
and Service Regulations, and Approval of a New)	
Energy Efficiency Program and GTI Funding)	

**PETITION OF PIEDMONT NATURAL GAS COMPANY, INC. FOR AN ADJUSTMENT TO ITS
RATES, APPROVAL OF CHANGES TO ITS RATE DESIGN, AMORTIZATION OF CERTAIN
DEFERRED ASSETS, APPROVAL OF NEW DEPRECIATION RATES, APPROVAL OF
REVISED TARIFFS AND SERVICE REGULATIONS, AND
APPROVAL OF A NEW ENERGY EFFICIENCY PROGRAM AND GTI FUNDING**

Piedmont Natural Gas Company, Inc. ("Piedmont" or the "Company"), through counsel and pursuant to Section 65-5-103 of the Tennessee Code Annotated, the Rules and Regulations of the Tennessee Regulatory Authority ("TRA" or "Authority"), and the Authority's rate case Minimum Filing Requirements, respectfully requests that the Authority approve each of the following proposals described herein and supported by the testimony of Company witnesses filed concurrent herewith: (a) a general increase in and revisions to the rates and charges for customers served by the Company; (b) certain changes to the cost allocation and rate design underlying existing rates for the Company; (c) amortization and recovery of certain deferred environmental, pension, and flood-relief regulatory asset accounts; (d) updated depreciation rates to amortize the cost of Piedmont's assets and equipment over the estimated useful life thereof; (e) changes to the Company's existing service regulations and tariffs; (f) recovery of the costs of substantial and ongoing capital expenditures associated with federally mandated system integrity and safety related programs; (g) funding and cost recovery of an

energy efficiency program; and (h) proposed funding of gas distribution research and development activities conducted by the Gas Technology Institute ("GTI").

The relief requested herein is designed to update the Company's rates, charges, and tariffs in conformance with the Company's additional investment of capital to serve its customers, changes to the Company's capital structure and operating expenses, changes in the natural gas usage patterns of its customers, and the continuing need to both stabilize the Company's margin recovery and promote customer conservation and efficiency in the consumption of natural gas. Piedmont's proposed changes in rate design are driven, in part, by the Company's desire to more appropriately align cost incurrence with cost recovery and to further align the interests of the Company and its customers with respect to conservation and energy efficiency. The proposed changes to service regulations and tariffs are necessary to enable the Company to improve its service to the public by clarifying the terms upon which it provides service and ensuring the reasonable ability to operate its system safely and reliably for the benefit of its customers. Finally, the Company proposes to recover amounts to fund both a customer energy efficiency program as well as ongoing GTI natural gas distribution research and development. In support of its Petition, Piedmont respectfully shows unto the Authority as follows:

1. It is respectfully requested that any notices or other communications with respect to this Petition be sent to:

Jane Lewis-Raymond
Senior Vice President & General Counsel
Piedmont Natural Gas Company, Inc.
Post Office Box 33068
Charlotte, NC 28233
Telephone: 704-731-4261

And

R. Dale Grimes
Bass, Berry & Sims PLC
150 Third Avenue South
Nashville, TN 37201

Telephone: 615-742-6244

And

James H. Jeffries IV
Moore & Van Allen PLLC
100 North Tryon Street, Suite 4700
Charlotte, NC 28202-4003
Telephone: 704-331-1079

2. Piedmont Natural Gas Company, Inc. is incorporated under the laws of the State of North Carolina and is duly domesticated and is engaged in the business of transporting, distributing and selling natural gas in the States of Tennessee, North Carolina and South Carolina. Piedmont's principal office and place of business is located at 4720 Piedmont Row Drive, Charlotte, North Carolina.

3. Piedmont's natural gas distribution business is subject to regulation and supervision by the Authority pursuant to Chapter 4 of Title 65 of the Tennessee Code Annotated.

4. Piedmont is engaged in the business of distributing natural gas to customers located in Nashville and the remainder of Davidson County as well as portions of the adjoining counties of Cheatham, Dickson, Robertson, Rutherford, Sumner, Trousdale, Williamson, and Wilson and in certain incorporated towns and cities located therein.

5. In order to make natural gas service available to as many citizens within its certificated service area as feasible, since its last rate case, Piedmont has been adding customers, making capital investments in its utility properties and competing in the debt and equity markets in order to fund these investments. Since the effective date of its last general rate proceeding on November 1, 2003, and in order to provide safe, reliable, and consistent service to its growing Tennessee customer base, Piedmont has made capital investments of approximately \$272 million. For the attrition period in this case of March 1, 2012 through

February 28, 2013, the Company has budgeted to invest a total of \$60.8 million of additional capital in its Tennessee service territory.

6. Piedmont proposes a \$16.7 million increase in revenues in this case in order to provide it with the opportunity to earn an adequate return on common equity and to allow it to compete for capital on reasonable terms. This revenue request represents an 8.9% increase, or an average increase of 1.1% per year, since its last rate case in 2003.

7. As shown in Exhibit __ (PKP-1), Schedule 3, filed with this Petition, the Company's consolidated *pro forma* return on common equity under existing rates is only 5.6%. This *pro forma* level of return will not permit the Company to obtain financing on reasonable terms, and, therefore, will not enable the Company to continue to invest in new plant, add new customers and provide adequate and reliable service to existing customers. If the Company is to maintain its facilities and services in accordance with the reasonable requirements of its customers in the territory covered by its franchises, compete in the market for capital funds on terms that are reasonable and fair to customers and to existing investors, and to produce a fair return for stockholders, it must be granted general rate relief. Additional reasons supporting this request for a general rate increase are set forth in the testimony and exhibits of Piedmont witnesses Skains, Dzuricky, Carpenter, Myers, Powers, Yardley, Watts, Shambaugh and Murry.

8. The Company proposes to make the rates set forth in Schedule 2 of Exhibit __ (PKP-1) effective not later than March 3, 2012. The Company respectfully requests that the Authority establish a procedural schedule that will permit the proposed rates to become effective not later than March 3, 2012.

9. The Company is filing with this Petition: (1) the proposed rates to be placed into effect not later than March 3, 2012 (Exhibit __ (PKP-2)); (2) the information and data required by the Authority's rate case Minimum Filing Requirements; (3) Piedmont's proposed tariff and service regulation changes (Exhibit __ (DRC-5)); and (4) the direct testimony and exhibits that

will be relied upon by Piedmont at the hearing of this matter. Petitioner's Exhibit No.____(PKP-1) contains the following schedules of information:

- Schedule 1. Schedule of Piedmont's present rates now on file with and approved by the Authority.
- Schedule 2. Schedule of Petitioner's proposed rates which Piedmont seeks to place in effect on March 1, 2012.
- Schedule 3. A statement of gross revenues received, operating expenses and net operating income for return on investment for the twelve months ended May 31, 2011, as the same appear on Piedmont's books, together with (1) accounting and pro forma adjustments, (2) rates of return on original cost rate base and (3) return on common equity.

10. In addition to the changes in rates proposed herein, Piedmont is proposing certain changes in its rate schedules and service regulations, including the terms and conditions under which the Company renders service to its customers. The Company is also proposing various changes to its rate design and classifications. These proposed changes will result in differences in the rates, charges, and conditions under which many of our customers receive service. These changes are necessary and appropriate and are explained in the testimony of Piedmont witnesses Carpenter and Yardley.

11. Piedmont also seeks amortization and recovery of deferred regulatory assets relating to environmental clean-up, pension, and flood-relief activities. The deferral of these costs has been previously approved by the Authority pending this rate proceeding. The amortization of these assets is discussed in the testimony of Piedmont witnesses Dzuricky and Powers.

12. Piedmont seeks Authority approval of new depreciation rates based on a recently completed depreciation study conducted by Piedmont's outside depreciation experts. This depreciation study and the resulting rates are discussed in the testimony of Piedmont witness Watts and result in a decrease to Piedmont's ongoing level of depreciation expense.

13. Part of the overall cost of service and proposed rates in this proceeding consists of pipeline integrity and safety program costs Piedmont is required to incur by federal regulation. Piedmont has included these capital expenditures, at levels budgeted through the attrition period, in its rate base and base rates. The nature of these substantial and important capital expenditures associated with the provision of safe and reliable service to its customers is addressed in the testimony of Piedmont witnesses Carpenter and Myers.

14. Piedmont also proposes, consistent with Tennessee Code Annotated § 65-4-126, to implement an energy efficiency program described in the testimony of Piedmont witness Powers in order to promote customer conservation of energy and to align the interests of Piedmont and its customers on energy conservation and efficiency.

15. Finally, in this filing the Company proposes to continue to collect from its customers and remit to the Gas Technology Institute an annual amount of \$150,000 to assist in the funding of natural gas research and development. The justification for this funding and cost recovery proposal is explained in the testimony of Piedmont witness Powers.

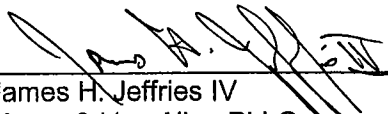
WHEREFORE, the Company respectfully requests the Authority to grant a general increase in rates for natural gas services, to approve the rates set forth in Schedule 2 of Exhibit ____ (PKP-1), and to approve the changes in rate design, costs, revenue and rate base, cost allocation, rate schedules, service regulations, and classifications, and to grant all other relief requested herein and addressed in the testimony of Piedmont's witnesses filed concurrently herewith, all to be effective not later than March 3, 2012. The Company further requests that the Authority grant a waiver of any of the Authority's Rules and Regulations as may be necessary or appropriate in order to provide the Company with the relief requested in this Petition.

Respectfully submitted, this 1st day of September, 2011.

Piedmont Natural Gas Company, Inc.



R. Dale Grimes
Bass, Berry & Sims PLC
150 Third Avenue South
Nashville, Tennessee 37201
Telephone: 615-742-6244



James H. Jeffries IV
Moore & Van Allen PLLC
Bank of America
Corporate Center, Suite 4700
100 N. Tryon Street
Charlotte, NC 28202
(704) 331-1000

STATE OF NORTH CAROLINA

VERIFICATION

COUNTY OF MECKLENBURG

David R. Carpenter, being duly sworn, deposes and says that he is Vice President - Regulatory Affairs, Rates and Budget Administration of Piedmont Natural Gas Company, Inc., that as such, he has read the foregoing Petition and knows the contents thereof; that the same are true of his own knowledge except as to those matters stated on information and belief and as to those he believes them to be true.


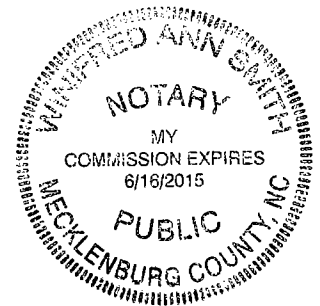


David R. Carpenter

Mecklenburg County, North Carolina

Signed and sworn to before me this day by David R. Carpenter

Date: 8/30/11


Winnefred Ann Smith, Notary Public

(Official Seal)

My commission expires: 6/16/2015