

**Before the
Tennessee Regulatory Authority**

Docket No. 11-_____

**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.**

**Testimony and Exhibits
of
David R. Carpenter**

**On Behalf Of
Piedmont Natural Gas Company, Inc.**



September 2, 2011

1 **Q. Mr. Carpenter, please state your name and business address.**

2 A. My name is David R. Carpenter. My business address is 4720
3 Piedmont Row Drive, Charlotte, North Carolina.

4 **Q. By whom and in what capacity are you employed?**

5 A. I am employed by Piedmont Natural Gas Company, Inc., ("Piedmont"
6 or "the Company") as Vice President Regulatory Affairs, Rates and
7 Budget Administration.

8 **Q. Please describe your educational and professional background.**

9 A. I received a B.S. degree from Furman University in 1977. In 1983, I
10 completed the requirements for and became a Certified Public
11 Accountant in North Carolina. In 1980, Deloitte, Haskins and Sells
12 employed me as a staff accountant, and I was promoted to senior
13 assistant in 1981. I was employed by Piedmont in 1982 as Supervisor
14 of Property Records and in 1990 was promoted to Manager of
15 Financial Reporting and Property Records. I was promoted to
16 Manager of Rate Administration in 1993 and in February 2003 was
17 promoted to Director of Rates. I was promoted to Managing Director
18 Regulatory Affairs in July 2006 and to my current position in July,
19 2011.

20 **Q. Mr. Carpenter, have you previously testified before the Tennessee**
21 **Regulatory Authority ("TRA") or any other regulatory authority?**

22 A. Yes. I have testified before the TRA, the North Carolina Utilities
23 Commission, and the Public Service Commission of South Carolina on

1 a number of occasions.

2 **Q. What is the purpose of your testimony in this proceeding?**

3 A. The purpose of my testimony in this proceeding is to support
4 Piedmont's general rate case petition and the rate relief sought in that
5 petition.

6 **Q. What areas does your testimony cover?**

7 A. My testimony addresses: (1) pro forma revenues and gas costs, (2)
8 calculation and explanation of rate base, (3) rate design, and (4)
9 proposed changes to our service regulations and tariffs.

10 **Pro Forma Revenues**

11 **Q. Please explain your initial pro forma revenue calculations.**

12 A. Pro forma revenues for the test period (12 months ended May 31,
13 2011) are shown in Exhibit __ (DRC-1). In Column (1), I show the
14 actual test period bills, and sales and transportation volumes by rate
15 schedule. In Column (2), I show the adjustment made to normalize the
16 test period volumes to reflect the expected throughput levels under
17 normal weather conditions. Column (3) shows the results of the
18 various adjustments in Column (2) on the actual volumes shown in
19 Column (1). Column (4) shows the growth factor adjustment applied
20 to bills and normalized consumption in order to match customer counts
21 with the updated rate base and plant. Column (5) shows the resulting
22 sales and transportation levels for adjustments due to normalization
23 and growth and the total bills that would be expected for each

1 customer class as a result of the adjustments. Column (6) shows the
2 current approved rates exclusive of temporary increments or
3 decrements. These "clean" rates were used to compute the total pro-
4 forma revenues shown in Column (7). Column (8) shows the current
5 margin rates, as approved in our last general rate proceeding in 2003.
6 These rates were used to compute the margin component of pro forma
7 revenues which is shown in Column (9).

8 **Q. Please explain the normalization adjustment shown in Column**
9 **(2).**

10 A. This adjustment is necessary to adjust actual volumes to the quantities
11 that would have been delivered had weather conditions been normal
12 during the test period. Actual winter weather during the test period
13 was 5.7 % colder than the 30-year average used for normal, while the
14 summer period was 10.3% warmer than normal. To calculate this
15 adjustment, I used our standard method of normalizing volumes,
16 which has been approved by the Authority in prior rate proceedings.

17 **Q. Please explain the growth adjustment shown in Column (4).**

18 A. The growth adjustment projects changes to the number of customers
19 billed and future consumption levels anticipated to occur as a result of
20 increases in rate base through February 2013. The methodology used
21 for this adjustment is identical to the methodology used by the
22 Company in prior rate case proceedings. This adjustment is made to

1 match pro forma revenues with the expense and rate base adjustments
2 to reflect ongoing business activity through February 2013.

3 **Q. Please explain the calculations in columns 5, 6, 7, 8 & 9.**

4 A. The growth adjustment of Column (4) is applied to the test period
5 annual bills from Column (1) and the normalized volumes in Column
6 (3) to derive the pro forma dekatherms and bills shown in Column (5).
7 These quantities are then priced out at our existing approved rates,
8 exclusive of temporary increments or decrements, which are shown in
9 Column (6). The results are shown in Column (7), labeled Attrition
10 Period Revenues The Attrition Period Margin Revenues in Column
11 (9) are calculated by multiplying the pro forma dekatherms and bills in
12 Column (5) by the margin component of rates shown in Column (8).

13 **Q. What are the results of these various calculations?**

14 A. As indicated in Column (8), after all of the adjustments described
15 above, I calculate attrition period pro forma revenues of
16 \$186,666,066. As indicated in Column (9), I calculate attrition period
17 pro forma margin to represent \$92,312.645 of these total pro forma
18 revenues. The \$94,352,421 difference between total pro forma
19 revenues and pro forma margin represents pro forma gas cost revenue.
20 The testimony of Ms. Powers describes how she arrived at the
21 proposed revenue adjustment in this rate case using my calculation of
22 \$186,666,066 for total pro forma revenues and \$94,352,421 for gas
23 cost pro form revenues. The difference between these amounts and

1 test period amounts are shown, respectively, in Adjustments 1 and 4 of
2 Exhibit __ (PKP-1). Pro forma gas cost revenues are represented as
3 attrition period cost of gas in Exhibit __ (PKP-1), thereby ensuring that
4 the proposed revenue adjustment in this rate case represents margin
5 only.

6 **Q. Do the figures and calculations shown in Exhibit __ (DRC-1)**
7 **accurately represent the normalized and adjusted pro forma**
8 **volumes and revenues for the attrition period?**

9 A. Yes.

10 **Q. How do the results presented in Exhibit __ (DRC-1) compare to the**
11 **pro forma bills and volumes presented in Piedmont's last general**
12 **rate case?**

13 A. Exhibit __ (DRC-2) compares by rate class the billing determinants in
14 each case. The conclusion from this comparison is that the decline in
15 use per customer between rate cases has been significant. In fact, my
16 exhibit shows that average annual residential per customer usage has
17 declined from 78.1 dekatherms to 73.6 dekatherms since our last
18 general rate proceeding in 2003.

19 **Q. What are the rate design implications of the significant decline in**
20 **use per customer?**

21 A. The clear implication is a degradation in the ability of the Company to
22 properly recover fixed costs under a volumetric rate structure because
23 the usage assumptions upon which such rates are based become

1 increasingly invalid over time. Traditional LDC volumetric rate
2 design inappropriately relies on a variable charge to recover
3 substantial fixed costs. There is a logical disconnect in attempting to
4 recover fixed costs on a variable basis.

5 **Q. How does the variable recovery of fixed costs impact the**
6 **Company?**

7 A. In the face of declining usage per customer, it causes a year-to-year
8 growing under-recovery in the Company's approved margin. Cost
9 recovery based on volumetric rates also ensures that the Company will
10 actively seek increased natural gas consumption by customers, in the
11 form of higher sales and transportation throughput, in order to
12 maximize the opportunity to recover its approved margin.

13 **Q. Are there other detrimental impacts of this phenomenon?**

14 A. Yes. The strong incentive that volumetric rates provides to LDCs to
15 maximize gas usage is in direct conflict with the customer cost-saving
16 benefits that would otherwise result from energy efficiency and
17 conservation programs. In other words, under a pure volumetric rate
18 structure, conservation may be good for the customer because it results
19 in cost savings but it is consequently harmful to the Company because
20 it prevents the Company from recovering its approved margin. This
21 may cause the Company to seek rate increases to recover fixed costs
22 from customers precisely because they conserve. There clearly is no
23 alignment of interests between the Company and its customers under

1 this scenario, which is contrary to the stated policy of Tennessee. The
2 Company's incentive to promote consumption continues to exist as
3 long as meaningful levels of fixed costs are recovered through a
4 volumetric rate mechanism.

5 **Q. What rate design methods have previously been used to**
6 **address this fixed cost recovery issue?**

7 A. Weather related variability in usage was mitigated in the early 1990's
8 with the introduction of Weather Normalization Adjustment (WNA)
9 mechanisms. However, appliance efficiency gains, tighter home
10 envelopes, and higher and more volatile wholesale natural gas prices
11 during more recent years, along with conservation practices and
12 programs, have resulted in significant non-weather related usage
13 declines. In recent years Piedmont has estimated the cause of usage
14 decline to be almost equally divided between weather related factors
15 and non-weather related factors.

16 **Q. How is Piedmont proposing to mitigate these usage declines?**

17 A. Piedmont is proposing to make several changes in the way in which it
18 recovers its fixed costs and to adopt a 7 month winter period for
19 purposes of both its rates and the operation of its WNA mechanism.
20 These changes are discussed, in detail, later in my testimony and in
21 Witness Yardley's testimony.

22 **Q. Please explain Exhibit __ (DRC-3).**

23 A. Piedmont's Weather Normalization Adjustment (WNA) clause requires a

1 recalculation of the "R" factors, base load factors and heat sensitive
2 factors in each general rate case. In this case, we propose to update all of
3 these factors. The proposed base load and heat factors are the same as
4 those used to perform the normalization adjustment for attrition period
5 revenues reflected on Exhibit__(DRC-1). The "R" factors are
6 calculated by subtracting the fixed and variable gas costs from the
7 proposed rates, and are used to calculate the WNA billed to residential
8 and commercial customers.

9 **Rate Base**

10 **Q. What subjects does your rate base testimony address?**

11 A. My testimony regarding the Company's rate base addresses the
12 method for calculating the Company's test period and attrition period
13 rate bases reflected on the schedules attached to Ms. Powers'
14 testimony as Exhibit ____(PKP-1) and also discusses the major changes
15 in our rate base since our last rate case.

16 **Q. Please explain the procedures you used in developing the Rate**
17 **Base amounts reflected in Exhibit ____(PKP-1).**

18 A. The starting point for developing our rate base were the May 31, 2011
19 per books balances in Plant in Service, Construction Work In Progress,
20 Accumulated Depreciation, and Accumulated Deferred Income Taxes
21 ("ADIT") applicable to Tennessee. I then added to these balances the
22 monthly construction budget projected additions and retirements for
23 the remainder of fiscal years 2011 and 2012 and the projected 2013

1 fiscal year construction budget to project the balances for these items
2 through February 28, 2013. A 13-month average was then calculated
3 for the attrition period. Non-plant related rate base items such as
4 Customer Advances and Contributions in Aid of Construction were
5 calculated using historical trend analyses. The Allowance for Working
6 Capital is a combination of the projected average balances of current
7 asset and liability accounts and includes the results of the lead/lag
8 study reflected in the testimony of Piedmont witness Shambaugh.
9 These calculations produce the attrition period rate base of
10 \$338,574,703 reflected on Exhibit ____ (PKP-1) at line 26 of Schedule
11 3.

12 **Q. What are the major influences on the Company's rate base in this**
13 **proceeding?**

14 A. The major factors influencing the Company's rate base since our last
15 rate case proceeding, and which will influence our rate base through
16 the attrition period, include significant changes in accumulated
17 deferred income taxes resulting from recent changes in federal tax
18 laws and substantial expenditures on new plant associated with system
19 strengthening and expansion projects, the construction of a new
20 Nashville operations center, the refurbishment and repair of our
21 Nashville LNG plant, and system integrity and safety program
22 implementation.

23 **Q. Please explain the change to ADIT?**

1 A. In our last rate case, rate base reflected \$23,313,096 in ADIT. In this
2 case, ADIT is \$93,634,654. This substantial increase in ADIT is the
3 result of several provisions of recent federal stimulus legislation which
4 allows for bonus depreciation and other beneficial tax treatments
5 associated with investment in new infrastructure projects. This change
6 is beneficial to Piedmont's customers.

7 **Q. Please describe the new construction projects Piedmont has**
8 **engaged in that will impact rate base in this case.**

9 A. The major influences on rate base from the plant side are Piedmont's
10 construction of several system strengthening and expansion projects in
11 the last few years which allow Piedmont to receive, transport, and
12 deliver gas to its current and prospective customers in a safe and
13 reliable manner. In the last 3 years, Piedmont has made a significant
14 investment in such projects. In addition to system strengthening,
15 Piedmont has constructed a new LEED-certified operations center in
16 Nashville in order to provide better and more responsive service to its
17 customers. In addition, Piedmont is close to the completion of a
18 substantial refurbishment project on its Nashville LNG facility. This
19 refurbishment substantially extended the useful life of that facility and
20 will provide for enhanced safety and reliability of operations.

21 **Q. Are there any other significant issues impacting capital**
22 **expenditures included in this case?**

1 A. During the attrition period the Company projects spending
2 approximately \$33 million in pipeline system integrity and safety
3 program capital expenditures required by Subpart O, Part 192 of the
4 United States Department of Transportation Pipeline Integrity
5 Management Regulations. These federal regulations require
6 Piedmont to undertake significant assessment activities with respect
7 to its transmission facilities and to remediate or repair any anomalous
8 conditions identified through those activities. These projects are
9 addressed in greater detail in the testimony of Witness Myers. The
10 cost impact of these budgeted attrition period capital expenditures are
11 included in Piedmont's proposed revenue requirement in this case.

12 **Rate Design**

13 **Q. What rate design objectives were used in this proceeding?**

14 A. Our main objective is to design rates that provide a fair return to our
15 investors while providing services that are priced fairly to all customer
16 classes. It is also critical to design rates that are reflective of
17 conditions in the market place and which send the correct market
18 signals. The concepts supporting the rate design used in this
19 proceeding are explained in detail in the testimony of Witness
20 Yardley. The rate design proposed by the Company is guided by the
21 goals of fairness, revenue stability, rate moderation and simplicity.

22 **Q. What changes to rate design is the Company proposing in this**
23 **filing?**

1 A. In this case we have not only followed the traditional approach to
2 setting rates described above but have also adjusted our approach to
3 designing rates in several respects. Specifically, we have made the
4 following changes to our approach to designing rates: (a) elimination
5 of the "standard" and "value" rate differentials for commercial and
6 residential customers; (b) an increase in the winter period by two
7 months to include October and April for the application of seasonally
8 differentiated rates and for the operation of our WNA mechanism; (c)
9 an increase in the monthly fixed charge component of Piedmont's rates
10 to better match the manner in which costs are incurred by Piedmont
11 and recovered from its customers; and (d) the elimination of step rates
12 for Small and Medium General customers.

13 **Q. When did the Company implement the Value/Standard rate**
14 **design currently in effect for its residential and commercial**
15 **customers?**

16 A. As part of the Company's filing in Docket No. 03-00313, the
17 Company requested, and the Authority approved, a request to classify
18 residential and commercial customers based upon the amount of gas
19 they consumed on a seasonal basis. Under this approach, customers
20 were classified into one of two categories: Standard Rate customers
21 who had a smaller base-load usage profile, or Value Rate customers
22 who had a higher base-load usage profile. While the per-unit margin
23 was the same for both Standard and Value Rate customers, the

1 assignment of fixed pipeline demand costs differed between them,
2 resulting in lower overall billing rates for Value Rate customers than
3 Standard Rate customers.

4 **Q. What was the rationale behind the Value/Standard rate structure?**

5 A. The two categories were established in an attempt to better match cost
6 causation with cost recovery. Much of the overall cost of obtaining
7 capacity is driven by peak (or design day) demand, while most cost
8 recovery is accomplished on an annual volumetric basis. As such, low
9 load-factor customers tend to make lower revenue contributions to the
10 Company even though the costs to serve them do not vary significantly
11 from or can actually be higher than high load-factor customers. In
12 other words, higher load-factor customers tend to pay a
13 disproportionate share of capacity costs, when compared to lower
14 load-factor customers with similar design day requirements. The
15 distinction between Standard Rates and Value Rates was made to
16 address this disproportionate contribution.

17 **Q. What change to the Value/Standard rate structure is the Company**
18 **proposing in this proceeding?**

19 A. The Company is proposing that the Value/Standard distinction be
20 eliminated and that a single set of rates be applied to all residential and
21 small commercial customers going forward.

22 **Q. Why is the Company proposing this rate design change?**

23 A. Because even though the Value/Standard approach was economically

1 sound in principle, it is a source of significant customer confusion and
2 can be interpreted as promoting increased usage of natural gas because
3 of the lower rates associated with higher load factor consumption.

4 **Q. Is the Company making any additional changes in its rate design?**

5 A. Yes. The Company's proposal to end the distinction between Value
6 and Standard rates is being made in conjunction with several
7 additional rate design changes designed to address the disparity in per
8 customer responsibility for fixed cost recovery created by a highly
9 volumetric rate structure. In short, we propose to increase and
10 stabilize per customer fixed cost recovery through: (1) a two-month
11 extension of the winter period to include October and April both for
12 purposes of seasonally differentiated rates and under the Company's
13 WNA mechanism; and (2) an increased monthly fixed charge for both
14 winter and summer periods. This approach will help stabilize fixed
15 cost recovery on an equitable basis and will also remove some of the
16 risk for both customers and the Company associated with gas
17 consumption during the highly volatile shoulder months of October
18 and April. The inclusion of these two shoulder months in the winter
19 rates is also more in line with the seasonal definitions utilized by the
20 other natural gas LDCs in Tennessee.

21 **Q. What is the purpose of expanding the winter rate period to include**
22 **the shoulder months of October and April?**

23 A. Piedmont's experience over the last few years is that customer usage

1 during these two months can vary significantly depending upon
2 prevailing weather patterns. Because Piedmont's rates are still
3 volumetric in nature and because October and April are not subject to
4 the WNA mechanism, the possibility of customers overpaying or
5 underpaying for the natural gas service they receive during these
6 months is significant. This creates a serious risk that Piedmont will
7 undercollect or overcollect its approved margin revenues during these
8 months.

9 **Q. How does expanding the winter rate period by two months**
10 **address this risk?**

11 A. In two ways. First, winter period monthly fixed charges are higher
12 than summer period charges so by expanding the winter period a
13 higher percentage of Piedmont's fixed costs are recovered on a fixed
14 basis. This reduces the percentage of Piedmont's costs collected on a
15 volumetric basis and also reduces the volumetric charges for the winter
16 period. As such, customers and the Company are less impacted by
17 weather variations. Second, by including October and April in the
18 winter rate period, they become subject to the WNA mechanism which
19 means customer consumption will be normalized for weather using a
20 thirty year average. This will smooth customer bills and Company
21 revenue recovery during these months and ensure that neither
22 customers nor the Company are at risk on account of weather
23 volatility.

1 **Q. Why does extending the winter period provide a benefit to the**
2 **Company and its customers?**

3 A. Because it helps match cost incurrence with cost recovery and because
4 they help ensure that Piedmont collects and customers pay the
5 appropriate amount for natural gas service as determined by this
6 Authority.

7 **Q. Will these changes in rate design increase rates for residential and**
8 **commercial customers?**

9 A. They do not change the amount to be collected from residential or
10 commercial customers over an annual period, they simply change the
11 manner in which those revenues are collected. In other words,
12 whatever revenue requirement is determined to be appropriate for
13 residential and commercial customers by the TRA in this proceeding,
14 that amount will not be increased or decreased through the use of
15 Piedmont's modified rate design. It is possible, however, that
16 individual customer bills could go up or down slightly depending upon
17 whether they were previously Value or Standard customers and on
18 their utilization profile but those changes should be minor in nature.

19 **Q. What other rate design adjustment is Piedmont proposing in this**
20 **proceeding?**

21 A. We propose to increase our monthly fixed charges for all customer
22 classes in order to move further away from a volumetric rate structure
23 toward a rate structure that more correctly matches fixed cost

1 incurrence with fixed cost recovery.

2 **Q. Would you please explain this change in more detail?**

3 A. Yes, historically in the United States, one or more variations of
4 volumetrically based rates have been used for ratemaking for natural
5 gas distribution companies. Typically, volumetric rates have a
6 relatively modest fixed monthly charge plus one or more rates for each
7 unit of gas that is delivered during the billing period. Initially, a single
8 volumetric rate for each rate class was common. Over the years,
9 volumetric-based rates sometimes used either inclining step rates or
10 declining step rates for the volumetric portions of the charges, in
11 addition to a fixed monthly customer charge.

12 **Q. Are volumetric rates still used today?**

13 A. A number of jurisdictions still use volumetric rates for natural gas
14 distribution companies; however, a growing number of jurisdictions
15 have either abandoned volumetric rates altogether, or have
16 implemented significant modifications to that rate structure to better
17 align their policy objectives with today's markets.

18 **Q. What factors have influenced regulated distribution companies
19 and state regulators to abandon or modify their approach to
20 volumetric rate designs?**

21 A. Volumetric rate structures were initially adopted in circumstances
22 when regulators and local distribution companies both were attempting
23 to promote system growth and additional consumption of natural gas.

1 A rate structure that generated additional revenues on the basis of such
2 growth provided a strong incentive for local distribution companies to
3 add customers and to promote consumption thereby lowering per
4 dekatherm costs for all customers.

5 Today's operating environment is much different, however, as
6 growth opportunities are much more limited and the emphasis in
7 today's energy markets is on conservation, efficiency and reduced
8 consumption of energy. This emphasis is reflected in federal and state
9 legislation and policy pronouncements and in the economics of energy
10 consumption. As I discussed earlier in my testimony, there has been a
11 marked and continuing decline in per customer consumption of natural
12 gas over the last decade. In recognition of these facts, there has been a
13 growing trend in recent years away from volumetric rate structures for
14 LDCs.

15 **Q. Why are volumetric rates problematic for Piedmont?**

16 A. The fundamental problem presented by volumetric rates is that they
17 rely on variable energy consumption for the recovery of fixed costs.
18 Inasmuch as virtually all of the costs of providing distribution service
19 incurred by Piedmont are fixed in nature, it makes little sense to
20 provide for their collection on the basis of customer consumption –
21 particularly where per customer consumption is demonstrably
22 declining and customers would benefit from the introduction of new
23 energy efficiency and conservation programs.

1 **Q. Are volumetric rates also problematic from the perspective of**
2 **Federal and Tennessee rate design objectives?**

3 A. Yes. Utility rate design principles incorporated in federal legislation,
4 and adopted by the Tennessee legislature in Section 65-4-126 of the
5 Tennessee Code Annotated ("TCA"), promote both separating fixed
6 cost recovery from customer consumption patterns and aligning
7 company interests with customer conservation. Volumetric rate
8 structures run counter to both these principles.

9 **Q. What is Piedmont proposing in this case with respect to its rate**
10 **structure?**

11 A. We are asking to make an incremental move away from a
12 predominantly volumetric rate structure towards one where, consistent
13 with PURPA and Tennessee rate design principles articulated in
14 Section 65-4-126 of the TCA, Piedmont's recovery of its fixed costs is
15 less dependent upon customer consumption. Specifically, Piedmont is
16 proposing to increase its seasonal monthly charges to \$22.00 (winter)
17 and \$17.00 (summer) for its residential customers, \$40.00 (winter) and
18 \$40.00 (summer) for its small general service (commercial) customers,
19 and \$125.00 (winter) and \$125.00 (summer) for its medium general
20 service customers as reflected in the testimony of Mr. Yardley.

21 **Q. Is Piedmont proposing to address any other rate design issues in**
22 **this proceeding?**

23 A. Yes. The Company is proposing to eliminate the step rates in the

1 Commercial rate class in order to align the Company's rate structure
2 with the conservation interests of its customers. The traditional rate
3 design concept of declining rate blocks is in direct conflict with the
4 need for conservation that has become a key objective of modern rate
5 design.

6 **Q. Is the Company also proposing to eliminate declining rate blocks**
7 **in the industrial rate classes?**

8 A. Not in the current docket. The evolution of rate design to more
9 properly emphasize conservation has not yet resolved the conflict with
10 the economic goals of growing a manufacturing process to enhance
11 profits and create more jobs. The Company and the industry are
12 currently studying ways to better achieve these seemingly mutually
13 exclusive goals.

14 **Q. Are there any other rate design issues that you would like to**
15 **address in your testimony?**

16 A. Yes. The elimination of Standard and Value, the elimination of step
17 rates and the move from a 5 month winter season to a 7 month winter
18 season will require revisions to the fixed costs rates approved in the
19 Docket 03-00313.

20 **Q. How has the Company addressed this issue?**

21 A. The Company is proposing to retain the current allocation of fixed gas
22 costs by rate class; however, the component rates within the residential
23 customer class and within the commercial customer class have been

1 modified to properly align with the proposed revisions to rate design.

2 The resulting proposed rate design achieves the same recovery of fixed

3 gas costs by customer class as that calculated in pro forma revenues.

4 The proposed components for fixed gas cost recovery are shown in

5 Exhibit ____ (DRC-4).

6 **Q. Does this complete your testimony regarding rate design**
7 **considerations?**

8 A. Yes, at this time.

9 **Service Regulation and Tariff Changes**

10 **Q. Is Piedmont proposing any changes to its tariffed Rates**
11 **Schedules and Service Regulations in this case?**

12 A. Yes. We are proposing revisions to a number of our Rate
13 Schedules and also to our Service Regulations.

14 **Q. Could you briefly describe the nature and types of revisions**
15 **being proposed by the Company?**

16 A. Yes. The most obvious changes to our tariffs, which are discussed
17 elsewhere in my testimony and the testimony of Piedmont
18 witnesses Powers and Yardley, will be the updated rates, the
19 modifications designed to implement the move away from a
20 standard/value rate structure for our residential and commercial
21 customers, and the changes to our Winter Period for purposes of
22 our Weather Normalization Adjustment mechanism and for
23 seasonal billing. The other changes we are making to our tariffs

1 are primarily designed to streamline, clarify, and remove
2 ambiguity from our Rate Schedules and Service Regulations and to
3 conform our tariffs to modern operational conditions, including the
4 elimination of many archaic provisions from our service
5 regulations.

6 **Q. Could you please discuss these “other” types of tariff changes?**

7 **A.** Yes. In addition to the more substantive changes in our rates and
8 rate design, we have made a number of less significant proposed
9 changes to our tariffs that include the following:

- 10 ▪ Clarification and consolidation in our Service Regulations of the
11 processes and procedures necessary for a customer to obtain initial
12 service from Piedmont and to make changes or adjustments to that
13 service.
- 14 ▪ Clarification of the documents that govern service to individual
15 customers.
- 16 ▪ Clarification of the nature and priority of service provided under
17 individual rate schedules.
- 18 ▪ Consolidation of our balancing, cash-out, and third-party agent
19 procedures and requirements applicable to tariffed and special
20 contract transportation customers into a new Rate Schedule 307.
- 21 ▪ Clarification of Rate Schedule 316 to match actual approved
22 practices.
- 23 ▪ Establishment of consistency between Rate Schedules.

- 1 ▪ Conformance of our Service Regulations with current practices.
- 2 ▪ Elimination and/or modification of many archaic provisions in our
- 3 Service Regulations which deal with services provided by
- 4 Piedmont on Customer facilities located "behind" Piedmont's
- 5 meter.

6 **Q. Can you explain these changes to your tariffs?**

7 A. Yes. In order for Piedmont to be able to operate efficiently and
8 reliably it must have a transparent means for qualifying new
9 customers for service and a similar means for approving changes in
10 the quantity or character of service provided to individual
11 customers. The existing language in Piedmont's tariff is somewhat
12 ambiguous in places about the nature of these processes which can
13 cause confusion or conflict. To address this ambiguity, Piedmont
14 has added a new provision to its Service Regulations describing
15 this process in some detail and has incorporated this provision into
16 its Rate Schedules by reference.

17 A similar situation exists in Piedmont's tariffs with respect
18 to the issue of what documents govern Piedmont's provision of
19 service to the public. Customers that are not familiar with the
20 regulatory structure of the TRA could believe that Piedmont's
21 service was governed solely by its tariff when, in fact, Piedmont's
22 service to the public must also comply with federal and state
23 statutes and regulations, as well as the Rules and Orders of the

1 Authority. Accordingly, we have added a provision to our Service
2 Regulations to clarify this point.

3 We have also added language to each of our Rate
4 Schedules that expressly defines the nature of service provided
5 under that Rate Schedule.

6 With respect to balancing, cash-out, and agency
7 authorization, we currently have those provisions set forth in both
8 Rate Schedules 313 and 314, and potentially restated in
9 transportation special contract arrangements. In order to avoid the
10 possibility of conflicts between these provisions in the future, and
11 to provide a single and unified set of provisions governing these
12 matters that can be readily incorporated into future special
13 transportation contract arrangements, we have created a new Rate
14 Schedule 307 that addresses these issues and have incorporated it
15 by reference into Rate Schedules 313 and 314.

16 The remaining changes to our Rate Schedules and Service
17 Regulations are designed to conform those documents with our
18 current prevailing operating practices and to update our Service
19 Regulations with respect to Piedmont services provided on
20 Customer facilities located behind Piedmont's meter.

21 **Q. Do you believe that Piedmont's proposed tariff changes are**
22 **reasonable and appropriate?**

23 **A. Yes.**

1 **Q. Where are these proposed revisions to Piedmont's tariffs**
2 **shown?**

3 A. They are reflected on Exhibit ____ (DRC-5) attached to this
4 testimony.

5 **Q. Do you have anything further to add to your testimony?**

6 A. Not at this time.

7
8
9
10

EXHIBIT__(DRC-1)

Piedmont Natural Gas Company, Inc.
Tennessee
Pro Forma Revenue Calculation

t Period = 12-months ending May 31, 2011

(dekatherms) Rate Schedule	Test Period Actual Billing Determinants (1)	Normalized Adjustment (2)	Normalized Dekatherms (3)	Growth Adj Thru Attrition Period (4)	Attrition Period Billing Determinants (5)	"Clean" Rates (6)	Total Attrition Period Revenues (7)	Current Margin Rate Component (8)	Attrition Period Margin Revenues (9)
Residential Value - 301									
Bills - winter	245,261			4,802	250,063	\$13.00	\$3,250,819	13.00	\$3,250,819
Bills - summer	360,241			(14,741)	345,500	\$10.00	\$3,455,000	10.00	\$3,455,000
Winter	3,781,195	(102,224)	3,678,971	74,499	3,753,470	\$8.1410	\$30,556,998	3.2000	\$12,011,104
Summer	1,231,566	(24,556)	1,207,011	(27,954)	1,179,057	\$7.6410	\$9,009,172	2.7000	\$3,183,453
Total	5,012,761	(126,779)	4,885,982	46,545	4,932,527		\$48,271,989		\$21,900,376
Residential Standard - 321									
Bills - winter	503,808			4,395	508,203	\$13.00	\$6,606,639	13.00	\$6,606,639
Bills - summer	676,221			25,937	702,158	\$10.00	\$7,021,580	10.00	\$7,021,580
Winter	5,251,197	(189,617)	5,061,580	43,588	5,105,168	\$8.4393	\$43,084,044	3.2000	\$16,336,536
Summer	1,036,865	(18,787)	1,018,077	17,855	1,035,933	\$7.9393	\$8,224,579	2.7000	\$2,797,018
Total	6,288,062	(208,404)	6,079,658	61,443	6,141,101		\$64,936,842		\$32,761,775
TOTAL RESIDENTIAL	11,300,823	(335,183)	10,965,639	107,988	11,073,627		\$111,208,831		\$54,662,151
Small General Value - 332									
Bills	48,015			(73)	47,942	\$29.00	\$1,390,318	29.00	\$1,390,318
Winter - First 200 dt	1,140,754	(13,691)	1,127,063	9,741	1,136,804	\$8.4743	\$9,633,614	3.5400	\$4,024,284
Winter - Over 200 dt	202,533	(2,431)	200,102	1,729	201,831	\$8.3963	\$1,694,637	3.5400	\$714,483
Summer - First 200 dt	1,032,638	(8,846)	1,023,792	(7,425)	1,016,367	\$7.9643	\$8,094,656	3.0300	\$3,079,593
Summer - Over 200 dt	57,010	(488)	56,522	(410)	56,112	\$7.8863	\$442,515	3.0300	\$170,019
Total	2,432,935	(25,457)	2,407,479	3,636	2,411,114		\$21,255,740		\$9,378,697
Small General Standard - 302									
Bills	148,331			(491)	147,840	\$29.00	\$4,287,360	29.00	\$4,287,360
Winter	2,405,101	(78,404)	2,326,697	(8,119)	2,318,578	\$8.7871	\$20,373,579	3.5400	\$8,207,767
Summer	366,067	33,269	399,336	(907)	398,429	\$8.2771	\$3,297,839	3.0300	\$1,207,241
Total	2,771,168	(45,135)	2,726,033	(9,026)	2,717,008		\$27,958,778		\$13,702,368
TOTAL SMALL GENERAL	5,204,104	(70,592)	5,133,512	(5,390)	5,128,122		\$49,214,518		\$23,081,065
Medium General Value - 362									
Bills	1,704			(18)	1,686	\$75.00	\$126,450	75.00	\$126,450
Winter - First 500 dt	286,414	(6,063)	280,351	3,040	283,391	\$8.4706	\$2,400,489	3.5400	\$1,003,203
Winter - Over 500 dt	129,367	(2,739)	126,628	1,373	128,001	\$8.3950	\$1,074,572	3.5400	\$453,125
Summer - First 200 dt	260,416	574	260,990	(5,571)	255,419	\$7.9606	\$2,033,288	3.0300	\$773,920
Summer - Over 500 dt	47,556	105	47,660	(1,017)	46,643	\$7.8850	\$367,780	3.0300	\$141,328
Total	723,752	(6,122)	715,630	(2,176)	713,454		\$6,002,579		\$2,498,026
Medium General Standard - 352									
Bills	3,177			(21)	3,156	\$75.00	\$236,700	75.00	\$236,700
Winter	714,411	(31,183)	683,228	5,899	689,127	\$8.4810	\$5,844,485	3.5400	\$2,439,509
Summer	136,465	4,903	141,369	(113)	141,255	\$7.9710	\$1,125,946	3.0300	\$428,004
Total	850,876	(26,279)	824,597	5,786	830,382		\$7,207,131		\$3,104,213
TOTAL MEDIUM GENERAL	1,574,628	(34,402)	1,540,227	3,610	1,543,836		\$13,209,710		\$5,602,239
TOTAL COMMERCIAL	6,778,732	(104,993)	6,673,738	(1,780)	6,671,958		\$62,424,228		\$28,683,304
Large General Sales Service - 303									
Bills	475				475	\$300.00	\$142,500	300.00	\$142,500
Demand dt	61,947	0	61,947	0	61,947	\$12.9252	\$800,679	8.0000	\$495,577
First 1,500 dt	373,595	0	373,595	0	373,595	\$5.7776	\$2,158,482	0.9742	\$363,956
Next 2,500 dt	136,761	0	136,761	0	136,761	\$5.6835	\$777,281	0.8953	\$122,442
Next 5,000 dt	43,004	0	43,004	0	43,004	\$5.4282	\$233,434	0.6450	\$27,738
Over 9,000 dt	9,488	0	9,488	0	9,488	\$5.0424	\$47,842	0.2764	\$2,622
Total	562,848	0	562,848	0	562,848		\$4,160,218		\$1,154,835
Interruptible Sales Service - 304									
Bills	15			0	15	\$300.00	\$4,500	300.00	\$4,500
First 1,500 dt	1,928	0	1,928	0	1,928	\$6.0735	\$11,710	0.9742	\$1,878
Next 2,500 dt	0	0	0	0	0	\$5.8285	\$0	0.8953	\$0
Next 5,000 dt	0	0	0	0	0	\$5.5484	\$0	0.6450	\$0
Over 9,000 dt	0	0	0	0	0	\$5.1443	\$0	0.2764	\$0
Total	1,928	0	1,928	0	1,928		\$16,210		\$6,378
TOTAL INDUSTRIAL SALES	564,776	0	564,776	0	564,776		\$4,176,428		\$1,161,213

(dekatherms) Rate Schedule	Test Period Actual Billing Determinants (1)	Normalized Adjustment (2)	Normalized Dekatherms (3)	Growth Adj Thru Attrition Period (4)	Attrition Period Billing Determinants (5)	"Clean" Rates (6)	Total Attrition Period Revenues (7)	Current Margin Rate Component (8)	Attrition Period Margin Revenues (9)
n Transportation Service - 313									
Bills	1,032			(11)	1,021	\$300.00	\$306,300	300.00	\$306,300
Demand dt	215,239	0	215,239	(57,515)	157,725	\$12.9252	\$2,038,623	8.0000	\$1,261,798
First 1,500 dt	1,096,664	0	1,096,664	(16,500)	1,080,164	\$1.0004	\$1,080,596	0.9742	\$1,052,296
Next 2,500 dt	575,897	0	575,897	(27,500)	548,397	\$0.9124	\$500,357	0.8953	\$490,980
Next 5,000 dt	225,738	0	225,738	(55,000)	170,738	\$0.6550	\$111,833	0.6450	\$110,126
Over 9,000 dt	1,208,891	0	1,208,891	(1,202,470)	6,421	\$0.2764	\$1,775	0.2764	\$1,775
Total	3,107,190	0	3,107,190	(1,301,470)	1,805,720		\$4,039,484		\$3,223,275
Interruptible Transportation Service - 314									
Bills	640			1	641	\$300.00	\$192,300	300.00	\$192,300
First 1,500 dt	833,753	0	833,753	30,000	863,753	\$1.0024	\$865,826	0.9742	\$841,468
Next 2,500 dt	920,839	0	920,839	50,000	970,839	\$0.9141	\$887,444	0.8953	\$869,192
Next 5,000 dt	986,342	0	986,342	100,000	1,086,342	\$0.6556	\$712,206	0.6450	\$700,691
Over 9,000 dt	2,800,493	0	2,800,493	2,000,350	4,800,843	\$0.2764	\$1,326,953	0.2764	\$1,326,953
Total	5,541,427	0	5,541,427	2,180,350	7,721,777		\$3,984,729		\$3,930,604
TOTAL INDUSTRIAL TRANSPORTATION	8,648,617	0	8,648,617	878,880	9,527,497		\$8,024,213		\$7,153,879
Resale Service - 310									
Bills	31				31				
Demand	16,800	0	16,800	(14,400)	2,400	\$12.9252	\$31,020	8.00000	\$19,200
Commodity	10,312	0	10,312	0	10,312	\$5.6753	\$58,524	0.9000	\$9,281
Special Contracts	2,301,443	0	2,301,443	(1,434,110)	867,333		\$ 742,822		\$624,617
Bills	25			11	36				
TOTAL OTHER INDUSTRIAL	2,311,755	0	2,311,755	(1,434,110)	877,645		\$832,366		\$653,098
TOTAL ANNUAL BILLS	1,988,976			19,791	2,008,767				
TOTAL ANNUAL DTs	29,604,702	(440,177)	29,164,526	(449,022)	28,715,503				
TOTAL ANNUAL REVENUES							\$186,666,066		\$92,313,645

EXHIBIT__(DRC-2)

DECLINING USE PER CUSTOMER

DOCKET NO. 11-

DOCKET NO. 03-00313

Residential Service

Average Monthly Bills	150,494	135,591	
Annual Total dts	11,073,627	10,586,231	
Average use per customer	73.6	78.1	-5.8%

Small and Medium General Service

Average Monthly Bills	16,719	16,673	
Annual Total dts	6,671,958	6,900,702	
Average use per customer	399.1	413.9	-3.6%

Large General Service

Average Monthly Bills	125	150	
Annual Total dts	2,368,568	2,741,306	
Average use per customer	18,999.2	18,255.1	4.1%

Interruptible Service

Average Monthly Bills	55	57	
Annual Total dts	7,723,705	6,824,850	
Average use per customer	140,431.0	119,038.1	18.0%

EXHIBIT__(DRC-3)

Piedmont Natural Gas Company, Inc.
Calculation of "R" Values for WNA Computations
DOCKET NO. 11-_____

	Proposed Rate (\$/therms)	Demand (\$/therms)	Commodity (\$/therms)	"R" Value (\$/therms)	Heat Factor (therms/DDD)	Base Factor (therms/mo.)
Residential	0.78204	0.03404	0.47660	0.27140	0.17969	7.84961
Small General	0.88831	0.03301	0.47660	0.37870	0.59425	80.82559
Medium General	0.88356	0.01616	0.47660	0.39080	7.14293	1044.09675

EXHIBIT__(DRC-4)

Piedmont Natural Gas Company, Inc.
Tennessee Operations
Fixed Gas Cost Component Calculation

(dekatherms)	Attrition Period Billing Determinants	Current PGA Demand Rate Component	Attrition Period PGA Demand Revenues	Revised PGA Demand Rate Component Per DT
Residential Value - 301				
Winter	3,753,470	0.17500	\$656,857	
Summer	1,179,057	0.17500	\$206,335	
Total	4,932,527		\$863,192	
Residential Standard - 321				
Winter	5,105,168	0.47330	\$2,416,276	
Summer	1,035,933	0.47330	\$490,307	
Total	6,141,101		\$2,906,583	
TOTAL RESIDENTIAL	11,073,627		\$3,769,775	0.34040
Small General Value - 332				
Winter - First 200 dt	1,136,804	0.16830	\$191,324	
Winter - Over 200 dt	201,831	0.09030	\$18,225	
Summer - First 200 dt	1,016,367	0.16830	\$171,055	
Summer - Over 200 dt	56,112	0.09030	\$5,067	
Total	2,411,114		\$385,671	
Small General Standard - 302				
Winter	2,318,578	0.48110	\$1,115,468	
Summer	398,429	0.48110	\$191,684	
Total	2,717,008		\$1,307,152	
TOTAL SMALL GENERAL	5,128,122		\$1,692,823	0.33010
Medium General Value - 362				
Winter - First 500 dt	283,391	0.16460	\$46,646	
Winter - Over 500 dt	128,001	0.08900	\$11,392	
Summer - First 200 dt	255,419	0.16460	\$42,042	
Summer - Over 500 dt	46,643	0.08900	\$4,151	
Total	713,454		\$104,231	
Medium General Standard - 352				
Winter	689,127	0.17500	\$120,597	
Summer	141,255	0.17500	\$24,720	
Total	830,382		\$145,317	
TOTAL MEDIUM GENERAL	1,543,836		\$249,548	0.16160

EXHIBIT__(DRC-5)

Piedmont Natural Gas Company, Inc.
Tennessee
Index of Tariff & Service Regulations

Exhibit____(DRC-5)

<u>Rate Schedule 301</u>	<u>Residential Service</u>
<u>Rate Schedule 302</u>	<u>Small General Service</u>
<u>Rate Schedule 303</u>	<u>Large General Sales Service</u>
<u>Rate Schedule 304</u>	<u>Interruptible Sales Service</u>
<u>Rate Schedule 306</u>	<u>Schedule for Limiting and Curtailing Service</u>
<u>Rate Schedule 307</u>	<u>Balancing, Cash-Out, and Agency Authorization</u>
<u>Rate Schedule 309</u>	<u>Special Availability Service</u>
<u>Rate Schedule 310</u>	<u>Resale Service</u>
<u>Rate Schedule 311</u>	<u>Purchased Gas Adjustment Rider</u>
<u>Rate Schedule 312</u>	<u>Equal Payment Plan</u>
<u>Rate Schedule 313</u>	<u>Firm Transportation Service</u>
<u>Rate Schedule 314</u>	<u>Interruptible Transportation Service</u>
<u>Rate Schedule 315</u>	<u>Weather Normalization Adjustment (WNA) Rider</u>
<u>Rate Schedule 316</u>	<u>Performance Incentive Plan</u>
<u>Rate Schedule 342</u>	<u>Natural Gas Vehicle Fuel</u>
<u>Rate Schedule 352</u>	<u>Medium General Service</u>

Appendix A - Customer Agent Agreement

Tennessee Service Regulations

RATE SCHEDULE NO. 301

Residential Service

AVAILABILITY

Gas Service under this Rate Schedule is available in the area served by the Company in the State of Tennessee, upon application to and consent by the Company to such Service, as provided in the Company's Service Regulations, to any full requirements single private residences, including the separate private units of apartment houses and other multiple dwellings, actually used for residential purposes, which are separately metered where the Company's distribution mains are suitable for supplying the desired service. [N]

CHARACTER OF SERVICE

The nature of Service provided by Company to Customer under this Rate Schedule is firm sales Service. Rate Schedule 301 applies to all residential customers. [N]

<u>MARGIN RATE</u>	<u>Winter</u> <u>(October-April)</u>	<u>Summer</u> <u>(May-September)</u>	
Monthly Charge	\$22.00	\$17.00	[I]
Commodity Charge (per therm)	\$.2714	\$.2214	[R]

MONTHLY CHARGE

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the Commodity Charge for gas delivered. The Monthly Charge will be billed from the date of initial service until service is terminated at the Customer's request. [T]

COMMODITY CHARGE

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer's premises. [N]

BACKUP SERVICE

When gas service is being supplied for use as a Backup Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's backup energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Backup Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating. The per therm Demand Charge shall be equal to the unit Demand Charge applicable to the Company's firm industrial rate schedules.

Input shall be based upon individual Customer's applicable gas equipment rating in:

$$\frac{\text{BTU/Hour} \times 10 \text{ hours}}{100,000 \text{ BTU}} = \text{TH}$$

SERVICE AGREEMENTS

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Service Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations and the operation of Rate Schedule 316. S

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional service or the transfer of existing service to higher priority end use will be considered based upon the Company's judgment as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, Company's Service Regulations, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee. N

SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service" and the Company's Service Regulations. S

WEATHER NORMALIZATION ADJUSTMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 315, "Weather Normalization Adjustment Rider."

APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations. N

RATE SCHEDULE NO. 302

Small General Service

AVAILABILITY

Gas Service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer, upon application to and consent by the Company to such Service, as provided in the Company's Service Regulations, whose average daily usage is less than 20 dekatherms per day. Average daily gas usage will be based on the Customer's usage during the most recent past calendar year ended on December 31. Availability of this Rate Schedule for new Customers or for Customers without at least one full year of usage history will be based on reasonably anticipated usage.

N

CHARACTER OF SERVICE

The nature of Service provided by Company to Customer under this Rate Schedule is firm sales Service. Any reclassification or change in quantity or character of Service to Customer will be subject to procedures set forth in the Company's Service Regulations.

N

<u>MARGIN RATE</u>	<u>Winter</u> <u>(October-April)</u>	<u>Summer</u> <u>(May-September)</u>
Monthly Charge	\$40.00	\$40.00
Commodity Charge (per therm)	\$.3787	\$.3277

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MONTHLY CHARGE

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the Commodity Charge for gas delivered. The Monthly Charge will be billed from the date of initial service until service is terminated at the Customer's request.

T

COMMODITY CHARGE

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer's premises.

N

BACKUP SERVICE

When gas service is being supplied for use as a Backup Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's backup energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Backup Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating. The per therm Demand Charge shall be equal to the unit Demand Charge applicable to the Company's firm industrial rate schedules.

Input shall be based upon individual Customer's applicable gas equipment rating in:

EFFECTIVE: March 1, 2012

$$\frac{\text{BTU/Hour} \times 10 \text{ hours}}{100,000 \text{ BTU}} = \text{TH}$$

SERVICE AGREEMENTS

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Service Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations and the operation of Rate Schedule 316.

S

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional service or the transfer of existing service to higher priority end use will be considered based upon the Company's judgment as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, Company's Service Regulations, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

N

SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No.306, "Schedule for Limiting and Curtailing Service" and Company's Service Regulations.

S

WEATHER NORMALIZATION ADJUSTMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 315, "Weather Normalization Adjustment Rider."

APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

N

RATE SCHEDULE NO. 303

Large General Sales Service

AVAILABILITY

Gas service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer whose average daily gas usage is reasonably anticipated to equal or exceed 500 therms per day. All Service under this Rate Schedule shall be contingent upon application to and consent by the Company to such Service, as provided in the Company's Service Regulations. Upon commencement of Service under this Rate Schedule, any reclassification or change in quantity or character of Service to Customer shall be subject to the provisions of this Rate Schedule 303 and the procedures set forth in the Company's Service Regulations. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption.

N

CHARACTER OF SERVICE

The nature of Service provided by Company to Customer under this Rate Schedule is firm sales Service.

N

Once a qualified Customer elects service under this Rate Schedule, all services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive service under Rate Schedule 309 concurrent with service provided under the Rate Schedule. Subject to the requirements set forth above, a Customer may, subject to the consent of the Company, elect to discontinue service under this Rate Schedule and receive service under Rate Schedule No. 313 by giving written notice to the Company prior to March 1 of any year. The Company will not withhold such consent provided (a) the Company continues to offer large general transportation Service under Rate Schedule 313, (b) the Company is able to provide Service under Rate Schedule 313 under commercially reasonable terms and conditions, and (c) the analyses applicable to reclassifications or changes in Service set forth in the Company's Service Regulations support such consent. If timely notice is received from Customer and consent is provided by Company, the Customer shall discontinue service under this Rate Schedule and Company shall provide Service under Rate Schedule 313 effective the first June 1 following the notice.

N

All gas delivered pursuant to this Rate Schedule shall be metered by the Company separately from any gas delivered to Customer under any of the Company's other Rate Schedules.

MARGIN RATE

Monthly Charge	\$450.00
Demand Charge (per therm of billing demand)	\$1.00
Commodity Charge (per therm)	
1st Step (0-15,000 therms)	\$.09948
2nd Step (15,001-40,000 therms)	\$.09159
3rd Step (40,001-90,000 therms)	\$.06656
4th Step (Over 90,000 therms)	\$.02970

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EFFECTIVE: March 1, 2012

MONTHLY MINIMUM BILL

The minimum monthly bill shall be the Monthly Charge plus the monthly Demand Charge.

MONTHLY CHARGE

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the Commodity Charge. The Monthly Charge will be billed from the date of initial service until service is terminated at the Customer's request.

T

BILLING DEMAND

The billing demand shall be determined as follows:

A Customer's billing demand determinant shall be the highest daily usage during the period from October 1 to April 30 of the previous winter period as metered and reported to the Company by the telemetering equipment installed by the Company. Changes to the Customer's billing demand determinant will become effective June 1 of each year. The per unit demand charge may be adjusted from time to time to reflect rate changes, including, but not limited to, a general change in system rates or a change in pipeline capacity charges billed to the Company.

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For Customers commencing initial gas service under this Rate Schedule and who do not have a consumption history from other services provided by the Company, the billing demand determinant shall be the greater of: 1) the month of highest consumption for the period to date multiplied by six percent (6%), or 2) 500 therms. If a Customer has received gas service from the Company prior to receiving service under this rate schedule, but does not have daily telemetered records to determine peak day usage as described above, the Company shall determine a billing demand based upon the highest monthly level of consumption during the previous winter period multiplied by six percent (6%).

COMMODITY CHARGE

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer's premises.

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SERVICE AGREEMENTS

All Customers purchasing gas under this Rate Schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-12 of the TRA Rules and Regulations and the operation of Rate Schedule 316.

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Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new or additional service or the transfer of existing service to a higher priority end use will be considered based upon the Company's judgment as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, Company's Service Regulations, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

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SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Rate Schedule No.306, "Schedule for Limiting and Curtailing Service" and Company's Service Regulations.

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APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

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RATE SCHEDULE NO. 304

Interruptible General Sales Service

AVAILABILITY

Gas service under this rate schedule is available in the area served by the Company in the State of Tennessee **ON AN INTERRUPTIBLE BASIS** to any full requirements non-residential Customer whose average daily gas usage is reasonably anticipated to equal or exceed 500 therms per day. All Service under this Rate Schedule shall be contingent upon application to and consent by the Company to such Service, as provided in the Company's Service Regulations. Upon commencement of Service under this Rate Schedule, any reclassification or change in quantity or character of Service to Customer shall be subject to the provisions of this Rate Schedule 304 and the procedures set forth in the Company's Service Regulations. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption. [N]

CHARACTER OF SERVICE

The nature of Service provided by the Company to Customer under this Rate Schedule is interruptible sales service. [N]

Once a qualified Customer elects service under this Rate Schedule, all services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive service under Rate Schedule 309 concurrent with service provided under this Rate Schedule. Subject to the requirements set forth above, a Customer may, subject to the consent of the Company, elect to discontinue service under this Rate Schedule and receive service under Rate Schedule No. 314 by giving written notice to the Company prior to March 1 of any year. The Company will not withhold such consent provided (a) the Company continues to offer large general transportation Service under Rate Schedule 313, (b) the Company is able to provide Service under Rate Schedule 313 under commercially reasonable terms and conditions, and (c) the analyses applicable to reclassifications or changes in Service set forth in the Company's Service Regulations support such consent. If timely notice is received from Customer and consent is provided by Company, the Customer shall discontinue service under this Rate Schedule and Company shall provide Service under Rate Schedule 314 effective the first June 1 following the notice. [N]

Customers purchasing gas pursuant to this schedule shall maintain, in useable condition, alternate-fuel facilities with ample on-site alternate fuel capability for supplying 100% of the establishment's gas requirements during periods of gas interruption or curtailment. Such interruption or curtailment shall be immediately effective upon verbal or written notification by the Company, and Customer shall refrain from using gas until permitted to do so by the Company. It is understood and agreed that the Company will have the right to suspend gas service without further notice to the Customer in the event Customer fails to curtail Customer's use of gas in accordance with the Company's notice of curtailment.

All gas delivered pursuant to this Rate Schedule shall be metered by the Company separately from any gas delivered to Customer under any of the Company's other Rate Schedules. [N]

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

MARGIN RATE

Monthly Charge	\$450.00
Commodity Charge (per therm)	
1 st Step (0-15,000 therms)	\$.09948
2 nd Step (15,001-40,000 therms)	\$.09159
3 rd Step (40,001-90,000 therms)	\$.06656
4 th Step (Over 90,000 therms)	\$.02970

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MONTHLY MINIMUM BILL

The minimum monthly bill shall be the Monthly Charge.

MONTHLY CUSTOMER CHARGE

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the Commodity Charge for gas delivered. The Monthly Charge will be billed from the date of initial service until service is terminated at the Customer's request.

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COMMODITY CHARGE

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer.

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SERVICE AGREEMENTS

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations and the operation of Rate Schedule 316.

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Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional service or the transfer of existing service to higher priority end use will be supplied based upon the Company's judgment as to the available gas supply, Customer's load

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factor or use pattern, end use, impact on the local economy, Company's Service Regulations and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service" and the Company's Service Regulations.

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APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

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SERVICE SCHEDULE NO. 306

Schedule for Limiting and Curtailing Service

This Service Schedule defines the types of curtailment that the Company may invoke from time to time due to the occurrence of extreme weather conditions, operating conditions or force majeure events, and describes the process and procedures to be followed in the implementation of gas service restrictions.

DISTRIBUTION PRESSURE CURTAILMENTS

Due to extreme weather conditions, operating conditions or force majeure events as defined in the Company's Tennessee Service Regulations, Rules and Regulations Governing Supply and Consumption of Gas, or the demands of the Company's firm Customers as the same may effect the Company's ability to provide interruptible service, the Company may experience localized pressure deficiencies. During such times and within the areas affected, the Company will curtail service to interruptible Customers served under Rate Schedule No. 304, Rate Schedule No. 309, or Rate Schedule 314, by priority of their margin contribution to the Company (curtailing Customers with the lowest margin rate first) until the pressure situation can be alleviated. In the unlikely event that further interruption is required, the Company will proceed with curtailment by margin contribution considering end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SUPPLY OR CAPACITY RELATED CURTAILMENTS

In situations when supply and capacity services contracted by the Company are not sufficient to meet the full requirements of Customers desiring sales services from the Company, the Company will first curtail service to interruptible sales Customers receiving service under Rate Schedule No. 304 by priority of their margin contribution to the Company. Customers receiving discounted sales service under Rate Schedule No. 309 will also be curtailed according to the discounted rates. The Company reserves the right at the Company's discretion to purchase quantities being delivered to the Company by Customers under Rate Schedule 314 at market prices in order to serve Customers without operable alternative fuel capability. In the unlikely event that further interruption is required, the Company will proceed with curtailment by margin contribution considering end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

EMERGENCY SERVICE

The Company will make every reasonable effort to deliver plant protection volumes to industrial and commercial Customers that do not have standby fuel systems sufficient to prevent damage to facilities or danger to personnel, or to Customers that find it impossible to continue operations on the Customer's standby or alternate energy source as a result of a bona fide existing or threatened emergency. This includes the protection of such existing material in process that would otherwise be destroyed, or deliveries required to maintain plant production. All emergency gas service is of a discretionary nature and implies no present or future obligation of the Company to any Customer to provide such service on either a temporary or continuing basis. Deliveries of gas hereunder shall be made pursuant only to advance operating arrangements between the Company's authorized personnel and the Customer and shall be subject to curtailment and interruption at any time should the Company deem it necessary.

RATE FOR EMERGENCY SERVICE

If the Company has authorized the Customer to consume limited quantities of emergency gas as provided in the above paragraph, then all gas consumed by the Customer will be at a rate of \$1.00 per therm plus the higher of two gas commodity indices, "Monthly Contract" and "Daily Price", until otherwise notified that either (1) further gas sales will be under the Customer's regular rate schedule or (2) complete curtailment is unavoidable and that further gas sales will be considered unauthorized. "Monthly Contract" shall be defined as the monthly contract index price for the applicable calendar month as published in Gas Daily under the designation, "Monthly Contract Index" and indicated specifically under "Citygates" for Tenn. Zone 6 (delivered)". "Daily Price" shall be defined as the daily price for gas defined by Gas Daily as stated in the "Daily Price Survey", "Citygates", "Tenn. Zone 6 (delivered)", "Midpoint" price. For Days of consumption when the "Monthly Contract Index" is not published, the "Monthly Contract Index" shall equal the corresponding "Daily Price" published for the first day of the month of flow. For days of consumption when the "Daily Price" is not published, the "Daily Price" shall equal the average of the corresponding index prices as published on the nearest preceding and nearest subsequent day. Revenues realized from emergency service transactions will be credited to the Actual Cost Adjustment (ACA) account as recovery of gas costs.

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UNAUTHORIZED OVER RUN PENALTY

If at any time a Customer exceeds specified contract entitlements or if during any curtailment period, any affected Customer takes, without the Company's advance written approval, a volume of natural gas in excess of the curtailment period quantity entitlement applicable to such Customer, said volume shall constitute an unauthorized over run volume. For each therm of such unauthorized over run volume taken by such Customer, such Customer shall pay to the Company a rate of \$1.50 per therm plus the higher of two gas commodity indices, "Monthly Contract" and "Daily Price". "Monthly Contract" shall be defined as the monthly contract index price for the applicable calendar month as published in Gas Daily under the designation, "Monthly Contract Index" and indicated specifically under "Citygates" for Tenn. Zone 6 (delivered)". "Daily Price" shall be defined as the daily price for gas defined by Gas Daily as stated in the "Daily Price Survey", "Citygates", "Tenn. Zone 6 (delivered)", "Midpoint" price. For Days of consumption when the "Monthly Contract Index" is not published, the "Monthly Contract Index" shall equal the corresponding "Daily Price" published for the first day of the month of flow. For days of consumption when the "Daily Price" is not published, the "Daily Price" shall equal the average of the corresponding index prices as published on the nearest preceding and nearest subsequent day. The Customer shall be liable for the above charges together with and in addition to any incremental charges or assessments (including, but not limited to penalties) by the interstate pipeline during the time of the unauthorized usage by such Customer. The payment of a penalty for unauthorized over run volumes shall not under any circumstances be considered as giving any such Customer the right to take unauthorized over-run volumes, nor shall such payment be considered as a substitute for any other remedies available to the Company or any other Customer against the offending Customer for failure to adhere to its obligations under the provisions of this Rate Schedule. Revenues realized from unauthorized over run penalties will be credited to the Actual Cost Adjustment (ACA) account as recovery of gas costs.

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PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-12 of the TRA Rules and Regulations and the operation of Rate Schedule 316. S

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

RATE SCHEDULE NO. 307

Balancing, Cash-Out, and Agency Authorization

APPLICABILITY

The provisions of this Rate Schedule 307 shall apply to all tariffed transportation services provided by the Company under Rate Schedules 313 and 314, as well as all transportation special contracts, unless expressly provided otherwise therein.

LIMITATIONS ON INTRA-MONTH IMBALANCES

Receipts and deliveries of gas hereunder shall be at uniform rates of flow with no significant fluctuations or imbalances. Customers (or its Agent) are responsible to match daily gas deliveries into the Company's system with daily gas consumption by Customer as closely as possible. Any imbalances shall be corrected by the Customer (or its Agent), insofar as practicable, during the month in which they occur. Customers (or its Agent) are expected to proactively manage intra-month imbalances. Customer (or its Agent) may adjust its daily nominations during a month in order to correct any accumulated imbalance and maintain a monthly balance subject to the operating limitations of the Company. The Company reserves the right to limit the amount of such imbalances to avoid operating problems, comply with balancing requirements of the upstream pipeline(s), and to mitigate the need to acquire additional daily supply at prices that would adversely affect sales customers. The Customer (or its Agent) will be responsible for any imbalance charges assessed by upstream pipeline(s) in connection with any gas transported by the Customer under this Rate Schedule.

In the event Customer (or its Agent) fails to abide by the requirements set forth above, the Company shall have the right to curtail deliveries to Customer (Customers in a transportation pool operated by a single Agent will be curtailed on a pro rata basis based on nominated quantities) if an imbalance is negative or reducing Customer's nominated quantities if an imbalance is positive. The Customer will be responsible for any imbalance charges assessed by upstream pipeline(s) in connection with any gas transported by the Customer. The Company reserves the right to take other reasonable action to mitigate system operational problems. The Company will use its reasonable efforts to notify the Customer or the Customer's Agent before proceeding with a unilateral nomination reduction or delivery curtailment and will notify Customer of any reduction to Customer's nomination that has been instituted by the Company. The Company reserves the right to initiate Standby Sales Service if elected by the Customer pursuant to Rate Schedule 313 when, in the judgment of the Company, such action is necessary to reduce or eliminate operational problems resulting from the gas imbalances of the Customer. The Company will use reasonable efforts to notify the Customer or the Customers' Agent before initiating Standby Sales Service hereunder.

By 11:30 am Eastern Time on the fifth business day prior to the beginning of each month, the Customer must inform the Company of the nominating Agent for gas to be transported. If no notification to the contrary is provided, the Agent providing service during the prior month shall be deemed to be the nominating Agent by default. By 11:30 am Eastern Time on the fourth business day prior to the beginning of each month, the Customer shall submit a timely and valid nomination for transportation. Changes to nominations for gas transportation within the month are due by 11:30 am Eastern Time on the business day prior to gas flow. The Company will have no obligation to accommodate "late" or "next day intraday" or "intraday" nomination changes.

BALANCING ON UPSTREAM PIPELINE(S)

It shall be the Customer's responsibility to remain in balance on a daily and monthly basis with upstream pipeline(s) to avoid any assessment of penalties by such pipeline(s) against the Company. If the Company is assessed a penalty by an upstream pipeline, the Company shall have the right to pass-through all such penalties to the Customer or its Agent if the Customer has had an imbalance with the Company during the period for which the penalty was assessed.

MONTHLY IMBALANCE RESOLUTION

Any differences between the monthly quantities delivered to the Company's city gate facilities for the account of the Customer, and the monthly quantities consumed by the Customer as metered by the Company, shall be the monthly imbalance. The Percentage of Imbalance is defined as the monthly imbalance divided by the monthly quantities consumed by the customer. Unless the Company and Customer agree to correct imbalances "in kind," the imbalance shall be resolved monthly by "cashing out" the imbalances as they are known to exist at that time. If the Customer consumes more gas than it has delivered to the Company, the Customer will be deemed to be "short" by the amount of the deficiency, and the Company will sell the amount of the deficiency to the Customer by charging the price as specified below. If the Customer consumes less gas than has been delivered to the Company, the Customer will be deemed to be "long" by the amount of the surplus, and the Company will buy the amount of the surplus from the Customer by paying the price as specified below.

If Customer's monthly imbalance is less than or equal to 2% of the total monthly volume consumed or if the total aggregated monthly imbalance for the Agent is less than or equal to 2% of the total monthly volume consumed by all of the Agent's Customers in that transportation pool, and such imbalance or aggregated monthly imbalance is long, then the price paid by the Company will be the sum of (a) the average of the weekly "Weighted Index Price" as defined below plus (b) the pipelines Rate Schedule FT variable charges at the applicable pipeline percentages that comprise the "Weighted Index Price," including applicable fuel and surcharges, for delivery to the Company's city gate.

If Customer's monthly imbalance is less than or equal to 2% of the total monthly volume consumed, or if the total aggregated monthly imbalance for the Agent is less than or equal to 2% of the total monthly volume consumed by all of Agent's Customers in that transportation pool, and such imbalance is short, then the price paid by the Customer (or Agent) will be the sum of (a) the average of the weekly "Weighted Index Price" as defined below plus (b) the pipelines Rate Schedule IT charges at the applicable pipeline percentages that comprise the "Weighted Index Price," including applicable fuel and surcharges, for delivery to the Company's city gate.

If the Customer (or Agent) is "short" by more than 2% of the monthly volume consumed, the price paid by the Customer (or Agent) to the Company for each dekatherm of the total deficiency will be equal to the highest "Weighted Index Price" for any week beginning in the calendar month as published in *Natural Gas Week*, plus the pipelines Rate Schedule IT charges at the applicable pipeline percentages that comprise the "Weighted Index Price," including applicable fuel and surcharges, and deliver to the Company's city gate, times the premium percentage corresponding to the percentage of the deficiency listed in the table below.

If the Customer (or Agent) is "long" by more than 2% of the monthly volume consumed, the price paid by the Company to the Customer (or Agent) for each dekatherm of the total surplus will be equal to the lowest "Weighted Index Price" for any week beginning in the calendar month as published in *Natural Gas Week*, plus the pipelines Rate Schedule FT variable charges, including

applicable fuel and surcharges, at the applicable pipeline percentages that comprise the "Weighted Index Price" and deliver to the Company's city gate, times the premium percentage corresponding to the percentage of the deficiency listed in the table below.

Percentage of the Imbalance	Short (Premium)	Long (Discount)
Over 2% & equal to or less than 5%	110%	90%
Over 5% & equal to or less than 10%	120%	80%
Over 10% & equal to or less than 15%	130%	70%
Over 15% & equal to or less than 20%	140%	60%
Over 20%	150%	50%

The "Weighted Index Price" shall be derived from the prices published in *Natural Gas Week* in the table Natural Gas Weekly Spot Prices for the following pipeline designations and weighted by the corresponding percentages set forth below:

TEXAS (SOUTH/EAST), Tenn Zone 0	X	.3028
+		
GULF COAST, Tenn 500 So LA Z1	X	.3806
+		
GULF COAST, Tenn 800 So LA Z1	X	.3166 ¹

If an index listed in the table above fails to publish, the Company will use an average of the published corresponding Gas Daily indexes for the corresponding dates not published in *Natural Gas Week*.

The Company will collect gross receipts tax on the incremental gas related charges.

Any difference between the actual cost of gas incurred by the Company and the Index price as defined in the previous paragraph will be accounted for in the Actual Cost Adjustment account in a manner consistent with Rule No. 1220-4-1-12 of the TRA Rules and Regulations. Increments or decrements which may result from the PGA adjustments will not apply to the cash-out of imbalances.

AGENCY AUTHORIZATION FORM

Certain Rate Schedules permit a Customer to appoint a Customer's Agent to act on its behalf with respect to nominations, imbalance resolution, and/or billing. Customer shall authorize a Customer's Agent by executing an Agency Authorization Form in the form attached to this Rate Schedule. In order to be considered a Customer's Agent, a third party must execute and be in compliance with all of the terms of the Customer Agent Agreement form set forth in Appendix A to the Company's Service Regulations. To the extent that the Agent appointed by the Customer is common to other Customers of the Company, the Company will permit such Agent to aggregate all such qualifying Customers' transportation quantities for purposes of administering service to such Agent. Once a Customer has designated an Agent, the Agent is then authorized to act on behalf of that Customer and as such, the Agent will be considered as the Customer in all corresponding references contained within this Rate Schedule. The Customer may not change

¹ These percentages are the ratio of the Company's Tennessee Gas Pipeline contract winter capacity in effect at the time of the Company's most recent general rate case.

Agents within the calendar month without the permission of the Company, unless the Agent's right to conduct business on the Company's system has been suspended by the Company, in which case, the Customer may act without an Agent or may provide written notice to the Company of the new Customer's Agent designated by the Customer. The Company will provide reasonable notice to Customer in the event of any suspension of Customer's Agent and will provide copies to Customer, on an expeditious basis and by electronic or other means, of any formal notices issued to the Customer's Agent. All Agents must utilize the electronic means made available by the Company in order to submit nominations. The Company may recover from the Agent all costs incurred in providing the Agent access to the electronic bulletin board.

APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

RATE SCHEDULE NO. 307
Balancing, Cash-Out, and Agency Authorization

AGENCY AUTHORIZATION FORM

EFFECTIVE DATE _____

CUSTOMER _____

NAME OF FACILITY _____

ACCOUNT NUMBER (S) _____

AGENT _____

AGENT CONTACT _____

AGENT PHONE # _____

This is to advise Piedmont Natural Gas Company that _____ (Customer) has authorized _____ (Agent) to act on its behalf for the following transactions:

_____ nominations.
_____ imbalance resolution.
_____ billing.

of gas for the above listed account(s). Piedmont Natural Gas Company is hereby authorized to deal with the Agent directly, and the **CUSTOMER AND THE AGENT UNDERSTAND THAT THEY ARE RESPONSIBLE, JOINTLY AND SEVERALLY, FOR ANY AMOUNTS DUE PIEDMONT NATURAL GAS COMPANY ARISING UNDER THIS RATE SCHEDULE, PIEDMONT'S TENNESSEE SERVICE REGULATIONS, OR AGENT'S CUSTOMER AGENT AGREEMENT** which are not paid on these accounts. Customer will provide Piedmont Natural Gas Company with a revised "AGENCY AUTHORIZATION FORM" at least five (5) business days prior to the beginning of the month for the accounts designated, unless the Agent's right to conduct business has been suspended by Piedmont Natural Gas Company without prior notice.

CUSTOMER AUTHORIZED SIGNATURE

AGENT AUTHORIZED SIGNATURE

Please Print:

AGENT'S NAME _____ TITLE _____

PHONE # _____ FAX # _____

MAILING ADDRESS

Please submit to: End User Transportation
Piedmont Natural Gas Company OR
P. O. Box 33068
Charlotte, N.C. 28233

End User Transportation
Fax Number: (704) 364-8320

RATE SCHEDULE NO. 309

Special Availability Service

AVAILABILITY

Gas service under this rate schedule is available to any TRA Rate Schedule No. 303, 304, 313, or 314, Customer when the Company has gas supplies or services that it cannot sell at its established fixed rates where the Company's distribution mains are suitable for supplying the desired service. On such occasions, the opportunity is lost to the Company and its Customers. This Rate Schedule is designed to permit the Company to sell such gas and services at special rates for the purpose of enabling the Company to compete with alternative fuels and services available for use by its Customers.

Gas service under this Rate Schedule is available on a limited term basis to Customers who are connected to the Company's distribution system and would otherwise qualify for commercial and industrial sales or transportation service. Gas service may be provided under this Rate Schedule only in the event that the Company has available supplies or services that cannot competitively be provided under other rate schedules. Service under this Rate Schedule is temporary and the Company has the right to discontinue such service. Gas service under this rate schedule will be curtailed prior to service under any other comparable rate schedule.

In the event a Customer has zero consumption during any billing month, this tariff will not apply and service shall be rendered pursuant to the Company's regular rate schedules for the class of service indicated for the purpose of determining a minimum bill and qualifying provisions.

BASE RATE

The Customer shall pay the Company for all gas supplied or services provided under this schedule at a predetermined rate negotiated prior to delivery for limited term periods up to seven consecutive months.

SERVICE AGREEMENTS

All Customers purchasing gas pursuant to this Rate Schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Service Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the above stated net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations and the operation of Rate Schedule 316.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated base rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional service or the transfer of existing service to higher priority end use will be supplied based upon the Company's judgment as to the available gas supply, Customer's load factor or use pattern, end use priority as specified by the Federal Energy Regulatory Commission (FERC), impact on the local economy, Company's Service Regulations, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

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SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service" and the Company's Service Regulations.

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TREATMENT OF NEGOTIATED MARGIN LOSSES

Margin losses under this rate schedule shall be recovered by the Company through the Company's Actual Cost Adjustment (ACA) as provided in the Company's Purchased Gas Adjustment (PGA) Rider (TRA Service Schedule No. 311).

EFFECTIVE:

March 1, 2012

RATE SCHEDULE NO. 310

Resale Service

AVAILABILITY

Sales for Resale Service is available under this rate schedule to any qualified local distribution company who purchases natural gas for the purpose of reselling same, where the Company's distribution mains are suitable for supplying the desired service.

CHARACTER OF SERVICE

The nature of Service provided by Company to Customer under Rate Schedule 310 is firm sales for resale Service.

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MARGIN RATE

Demand Charge (per therm of billing demand)	\$1.00
Commodity Charge (per therm)	\$.09870

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MONTHLY MINIMUM BILL

The minimum monthly bill shall be the monthly demand charge.

BILLING DEMAND

Demand determinants shall be those agreed to in the contract.

COMMODITY CHARGE

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer's premises.

SERVICE AGREEMENTS

All customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the customer will be assessed a charge of \$20.00.

EFFECTIVE: March 1, 2012

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations and the operation of Rate Schedule 316. Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

S

SERVICE AVAILABILITY

All requests for new and additional service or the transfer of existing service to higher priority end use will be supplied based upon the Company's judgement as to the available gas supply, customer's load factor or use pattern, end use priority as specified by the Federal Energy Regulatory Commission (FERC), impact on the local economy, Company's Service Regulations, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

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SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the curtailment provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service" and Company's Service Regulations.

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APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

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SERVICE SCHEDULE NO. 311

Purchased Gas Adjustment Rider

I. General Provisions.

- A. This Purchased Gas Adjustment (PGA) Rider is intended to permit the Company to recover, in a timely fashion, the total cost of gas purchased for delivery to its customers and to assure that the Company does not over-collect or under-collect Gas Costs from its customers.
- B. This Rider is intended to apply to all Gas Costs incurred in connection with the purchase, transportation and/or storage of gas purchased for general system supply, including, but not limited to, natural gas purchased from interstate pipeline transmission companies, producers, brokers, marketers, associations, intrastate pipeline transmission companies, joint ventures, providers of liquefied natural gas (LNG), liquefied petroleum gas (LPG), substitute, supplemental or synthetic natural gas (SNG), and other hydrocarbons used as feed-stock, other distribution companies and end-users, whether or not the Gas Costs are regulated by the Federal Energy Regulatory Commission and whether or not the provider of the gas, transportation or storage is affiliated with the Company.
- C. To the extent practicable, any revision in the PGA shall be filed with the Authority no less than thirty (30) days in advance of the proposed effective date and shall be accompanied by the computations and information required by this Rider. It is recognized, however, that in many instances the Company receives less than 30 days notice from its Suppliers and that other conditions may exist which may prevent the Company from providing 30 days advance notice. Therefore, should circumstances occur where information necessary for the determination of an adjustment under this Rider is not available to the Company so that the thirty (30) days requirement may be met, the Company may, upon good cause shown, be permitted to place such rates into effect with shorter advance notice. T
- D. The rates for gas service set forth in all of the Rate Schedules of the Company shall be adjusted pursuant to the terms of the PGA, or any specified portion of the PGA as determined by individual Rate Schedule(s).
- E. No provision of this Rider shall supersede any provision of a Special Contract approved by the Authority. T

II. Definitions.

- A. "Gas Costs" shall mean the total delivered cost of gas paid or to be paid to Suppliers, including, but not limited to, all commodity/gas charges, demand charges, peaking charges, surcharges, emergency gas purchases, over-run charges, capacity charges, standby charges, gas inventory charges, minimum bill charges, minimum take charges, take-or-pay charges and take-and-pay charges (except as provided below), storage charges, service fees and transportation charges and any other similar charges which are paid by the Company to its gas suppliers in connection with the purchase, storage or transportation of gas for the Company's system supply, including Company use and lost and unaccounted for gas.. C

- B. **"Fixed Gas Costs"** shall mean all Gas Costs based on the Company's right to demand gas or transportation on a daily or seasonal peak; but unless otherwise ordered by the Authority, shall not include other charges paid for gas reserve dedication (e.g., reservation fees and gas inventory charges), minimum bill charges, minimum take charges, over-run charges, emergency gas charges, take-or-pay charges or take-and-pay charges (all of which shall be considered commodity costs).
- C. **"Gas Charge Adjustment"** shall mean the per unit amount billed by the Company to its customers solely for Gas Costs. The Gas Charge Adjustment shall be separately stated for firm customers and for non-firm customers.
- D. **"Suppliers"** shall mean any person or entity, including affiliates of the Company, who locates, purchases, sells, stores and/or transports natural gas or its equivalent for or on behalf of the Company. Suppliers may include, but not be limited to, interstate pipeline transmission companies, producers, brokers, marketers, associations, intrastate pipeline transmission companies, joint ventures, providers of LNG, LPG, SNG, and other hydrocarbons used as feed-stock, other distribution companies and end-users.
- E. **"Computation Period"** shall mean the twelve (12) month period utilized to compute Gas Costs. Such period shall be the twelve (12) month period ending on the last day of a month which is no more than 62 days prior to the filing date of a PGA.
- F. **"Demand Billing Determinants"** shall mean the annualized volumes for which the Company has contracted with Suppliers as of the first day of the Filing Month.
- G. **"Commodity Billing Determinants"** shall mean the total metered throughput, regardless of source, during the Computation Period, adjusted for known and measurable changes. Should the Company expect to purchase commodity gas from several Suppliers, the Company shall allocate to each supplier a percentage of the total metered throughput, regardless of source, during the Computation Period, adjusted for known and measurable changes. The percentage used to allocate among Suppliers shall be based on historical takes during the Computation Period, if appropriate; otherwise it shall be based upon the best estimate of the Company.
- H. **"Filing Month"** shall mean the month in which a proposed revision is to become effective.

III. Computation and Application of the PGA.

The PGA shall consist of three major components: (1) the Gas Charge Adjustment; (2) the Refund Adjustment; and (3) the Actual Cost Adjustment (ACA).

A. Computation of Gas Charge Adjustment.

The Company shall compute the jurisdictional Gas Charge Adjustment at such time that the Company determines that there is a significant change in its Gas Costs.

1. **Formulas.** The following formulas shall be used to compute the Gas Charge Adjustment:

$$\text{Firm GCA} = \left[\left(\frac{D \pm DACA}{SF} \right) - DB \right] + \left[\left(\frac{P + T + SR \pm CACA}{ST} \right) - CB \right]$$

$$\text{Non-Firm GCA} = \left(\frac{P + T + SR \pm CACA}{ST} \right) - CB$$

1. Definitions of Formula Components.

GCA =	The Gas Charge Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.	
D =	The sum of all fixed Gas Costs.	
DACA =	The demand portion of the ACA.	
P =	The sum of all commodity/gas charges.	
T =	The sum of all transportation charges.	
SR =	The sum of all FERC approved surcharges.	
CACA =	The commodity portion of the ACA.	
DB =	The per unit rate of demand costs or other fixed charges included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Authority so approves).	T
CB =	The per unit rate of variable Gas Costs included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Authority so approves).	T
SF =	Firm sales.	
ST =	Total sales.	

2. Determination of Factors for Gas Charge Adjustment.

a. Demand Charges (Factor D)

All fixed Gas Costs that do not vary with the amount of gas purchased or transported, including, but not limited to, the product resulting from the multiplication of (1) the respective Demand Billing Determinants by (2) the

demand rates effective the first day of the Filing Month and (3) any fixed storage charges.

b. Demand Actual Cost Adjustment (Factor DACA)

See Subsection C of Section III.

c. Purchased Commodity Charges (Factor P)

All commodity or other variable gas costs associated with the amount of gas purchased or transported including, but not limited to, the product resulting from the multiplication of (1) the respective Commodity Billing Determinants by (2) the respective supplier's commodity/gas rate which are known, or if not known which are reasonably anticipated, to be in effect on the first day of the Filing Month.

d. Transportation Charges (Factor T)

The transportation charges actually invoiced to the Company during the Computation Period or expected to be invoiced to the Company during the current period.

e. FERC Approved Surcharges (Factor SR)

The sum of all FERC approved surcharges, including gas inventory charges or its equivalent, actually invoiced or expected to be invoiced to the Company during the Computation Period or to be effective the first day of the Filing Month by respective Suppliers.

f. Actual Cost Adjustment (Factor ACA)

See Subsection C of Section III.

g. Firm Sales (Factor SF)

Total volumes billed to the Company's firm customers during the Computation Period, regardless of source, adjusted for known and measurable changes.

h. Total Sales (Factor ST)

Total volumes billed to all the Company's customers during the Computation Period, regardless of source, adjusted for known measurable changes.

3. Modification of Formulas.

The formulas set forth above are not designed for use with two-part demand/commodity rate schedules; therefore, the formulas may be modified for use with such rate schedules. In addition, the formulas may be modified from time to time to carry out the intent of this PGA Rider. Any amendment to the formulas shall be effective on the proposed effective date of the amendment unless the Authority shall act to suspend the proposed amendment within

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thirty days after the filing of the proposed amendment, in which case the proposed amendment shall be subject to notice and hearing.

4. Filing with the Authority.

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The computation of the Gas Charge Adjustment shall be filed in accordance with the notice requirements specified in Subsection C of Section I of this Rider, and shall remain in effect until a revised Gas Charge Adjustment is computed and filed pursuant to this Rider.

The Company shall file with the Authority a transmittal letter, an exhibit showing the computation of the Gas Charge Adjustment, a PGA tariff sheet, and any applicable revised tariff sheets issued by Suppliers. The transmittal letter shall state the PGA tariff sheet number, the service area(s), the primary reasons for revision, and the effective date.

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If the Company proposes to recover any Gas Costs relating to (1) any payments to an affiliate or (2) any payments to a non-affiliate for emergency gas, over-run charges, take-or-pay charges and take-or-pay charges (except as provided below) or (3) the payment of any demand or fixed charges in connection with an increase in contract demand, the Company must file with the Authority a statement setting forth the reasons why such charges were incurred and sufficient information to permit the Authority to determine if such payments were prudently made under the conditions which existed at the time the purchase decisions were made.

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Any filing of a rate change under this Rider shall be effective on the proposed effective date unless the Authority shall act to suspend the proposed change within thirty day after the filing, in which case the filing shall be subject to notice and hearing.

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The recovery of pipeline take-or-pay charges which were the subject of Docket No. U-87-7590 shall continue to be handled under procedures approved by the Authority in that docket until such time as such procedures may be modified or amended by further order of the Authority.

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B. Refund Adjustment.

The Refund Adjustment shall be separately stated for firm and non-firm customers, and may be either positive or negative.

1. Computation of Refund Adjustment.

The Company shall compute a Refund Adjustment on the last day of each calendar quarter using the following formulas:

$$\text{Firm RA} = \left(\frac{DR1 - DR2}{SFR} \right) + \left(\frac{CR1 - CR2 \pm CR3 \pm i}{STR} \right)$$

$$\text{Non - Firm RA} = \left(\frac{CR1 - CR2 \pm CR3 \pm i}{STR} \right)$$

EFFECTIVE: March 1, 2012

2. Definitions of Formula Components.

RA =	The Refund Adjustment in dollars per Ccf/therm, rounded to no more than five decimal places.
DR1 =	Demand refund not included in a currently effective Refund Adjustment, and received from Suppliers by check, wire transfer, or credit memo.
DR2 =	A demand surcharge from a Supplier not includable in the Gas Charge Adjustment, and not included in a currently effective Refund Adjustment.
CR1 =	Commodity refund not included in a currently effective Refund Adjustment, and received from Suppliers by check, wire transfer, or credit memo.
CR2 =	A commodity surcharge from a supplier not includable in the Gas Charge Adjustment, and not included in a currently effective Refund Adjustment.
CR3 =	The residual balance of an expired Refund Adjustment.
I =	Interest on the "Refund Due Customers' Account," using the average monthly balance based on the beginning and ending monthly balances. The interest rates for each calendar quarter used to compute such interest shall be a rate 2% below the arithmetic mean (to the nearest one-hundredth of one percent) of the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the 4th, 3rd, and 2nd months preceding the 1st month of the calendar quarter
SFR =	Firm sales as defined in the Gas Charge Adjustment computation, less sales under a transportation or negotiated rate schedule.
STR =	Total sales as defined in the Gas Charge Adjustment computation, less sales under a transportation or negotiated rate schedule.

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3. Modification of Formula.

The formulas set forth above are not designed for use with two-part demand/commodity rate schedules; therefore, the formulas may be modified for use with such rate schedules. In addition, the formulas may be modified from time to time to carry out the intent of this PGA Rider. Any amendment to the formulas shall be effective on the proposed effective date of the amendment unless the Authority shall act to suspend the proposed amendment within thirty days after the filing of the proposed amendment, in which case the proposed amendment shall be subject to notice and hearing.

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4. Filing with the Authority.

The computation of the Refund Adjustment shall be filed in accordance with the notice requirements specified in Subsection C of Section I this Rider, and shall remain in effect for a period of twelve (12) months or for such longer or shorter period of time as required to appropriately refund the applicable refund amount.

The Company shall file with the Authority a transmittal letter, exhibits showing the computation of the Refund Adjustment and interest calculations, and a PGA tariff sheet. The transmittal letter shall state the PGA tariff sheet number, the service area(s), the reason for adjustment, and the effective date. Should the Company have a Gas Charge Adjustment filing to become effective the same date as a Refund Adjustment, a separate transmittal letter and PGA tariff sheet shall not be necessary.

C. Actual Cost Adjustment.

Commencing with the initial effective date of this Rider, the Company shall calculate the ACA monthly. The Company may, at its option, file monthly to include the ACA in its calculation of the Gas Charge Adjustment but shall be required to do so at least annually. The ACA shall be the difference between (1) revenues billed customers by means of the Gas Charge Adjustment and (2) the cost of gas invoiced the Company by Suppliers plus margin loss (if allowed by order of the Authority in another docket) as reflected in the Deferred Gas Cost account. The balance of said account shall be adjusted for interest at the rate provided for the calculation of interest with respect to the Refund Adjustment. The ACA shall be segregated into demand and commodity, and shall be added to or deducted from, as appropriate, the respective demand and commodity costs included in the Gas Charge Adjustment. Supplemental sheets showing the calculations of margin losses and cost savings shall also be provided.

D. Adjustments to Prior Period ACAs.

In the event that circumstances warrant a correction to or restatement of a prior period ACA, such correction or restatement shall be made in accordance with the ACA calculation in effect for the time period(s) to which the correction or restatement relates. The resulting adjustment shall then be added to or deducted from the appropriate ACA in the next ensuing ACA filing with the Authority.

E. Annual Filing with the Authority.

Each year, the Company shall file with the Authority an annual report reflecting the transactions in the Deferred Gas Cost Account. Unless the Authority provides written notification to the Company within 180 days, the Deferred Gas Cost Adjustment Account shall be deemed in compliance with the provisions of this Rider.

IV. Gas Cost Accounting.

To appropriately match revenues with cost of purchased gas as contemplated under this rule, the Company shall originally record the cost of purchased gas in a "Deferred Gas Cost" account. Monthly, the Company

shall debit "Natural Gas Purchases" with an amount equal to any gas cost component included in the Company's base tariff rates (base rate) plus the PGA rate, as calculated hereunder, multiplied by the appropriate sales volumes billed to customers. The corresponding monthly credit entry shall be made to the "Deferred Gas Cost" account.

EFFECTIVE: March 1, 2012

SERVICE SCHEDULE NO. 312

Equal Payment Plan (EPP)

AVAILABILITY

The Equal Payment Plan ("EPP" or "Plan") is available to customers receiving service under Rate Schedules 301 and 302 whose accounts are in good standing. Good standing shall be defined as not having been removed from the Plan within the last twelve (12) months for non-payment of bills. The Plan is designed to provide the customer the option of paying equal payments over a twelve-month period and is available during any month of the year. Under circumstances where a customer has a difficult time paying his monthly bills, EPP may be used to catch up the past due balance. The customer will be asked to pay as much of the old balance as possible to help keep future payments as low as possible.

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GENERAL TERMS AND CONDITIONS

At the customer's election, the Company will calculate payments under the Plan based on the customer's actual consumption history during the past 12-months adjusted for normal weather. The estimated monthly usage will be priced at the Company's currently approved margin rates plus an estimated purchased gas adjustment factor based on the forward-looking NYMEX futures prices for upcoming 12-month period. Applicable franchise fees and sales tax are then added to arrive at the estimated annual billing amount. If the customer has an outstanding balance, it will be added to the estimated annual amount. The monthly payment will be calculated by dividing the estimated annual billing amount by twelve. After 11 payments have been made, the customer will be sent a twelfth-month "true-up" bill reflecting any underage or overage of the total of the past 11 payments. Underages will be treated as debits and overages will be treated as credits and applied to the next billing. Refunds may be made by check if the overage exceeds \$25.00. Unless otherwise requested, the customer will remain on EPP after the twelfth bill with a new monthly EPP amount calculated.

MID-YEAR ADJUSTMENTS

In order to avoid unusually large debit or credit balances to the customer's account, the Company may make mid-year adjustments to the EPP payments. During periods of highly volatile wholesale gas prices, more frequent EPP adjustments may be required to avoid unusually large debit or credit balances. The Company will notify the customer with a notation on the bill, bill insert or separate mailing of any adjustments to payments.

RATE SCHEDULE NO. 313

Firm Transportation Service

AVAILABILITY

Gas service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer whose average daily gas usage is reasonably anticipated to equal or exceed 500 therms per day. All Service under this Rate Schedule shall be contingent upon application to and consent by the Company to such Service, as provided in the Company's Service Regulations. Upon commencement of Service under this Rate Schedule, any reclassification or change in quantity or character of Service to Customer shall be subject to the provisions of this Rate Schedule 313 and the procedures set forth in the Company's Service Regulations. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption. [N]

CHARACTER OF SERVICE

The nature of service provided by Company to Customer under this Rate Schedule is firm transportation Service. [N]

Once a qualified Customer elects service under this Rate Schedule, all services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive service under Rate Schedule 309 concurrent with service provided under this Rate Schedule. Subject to the requirements set forth above, a Customer may, subject to the consent of the Company, elect to discontinue service under this Rate Schedule and receive service under Rate Schedule 303 by giving written notice to the Company prior to March 1 of any year. The Company will not withhold such consent provided (a) the Company continues to offer Large General Sales Service under Rate Schedule 303, (b) the Company is able to provide Service under Rate Schedule 303 under commercially reasonable terms and conditions, and (c) the analyses applicable to reclassifications or changes in Service set forth in the Company's Service Regulations support such consent. If timely notice is received from Customer and consent is provided by Company, the Customer shall discontinue service under this Rate Schedule and Company shall provide Service under Rate Schedule 303 effective the first June 1 following the notice. [N]

All gas delivered to pursuant to this Rate Schedule shall be metered by the Company separately from any gas delivered to Customer under any of the Company's other Rate Schedules. [N]

The Company will redeliver gas received by Company from upstream pipeline(s) for the Customer's account under this Rate Schedule in accordance with the Customer's scheduled and confirmed nominations and subject to the Company's Operating Conditions. [N]

APPLICABILITY

Transportation service is available under this Rate Schedule to any qualified Customer connected to the Company's system who has obtained an independent supply of natural gas and has arranged to have this supply delivered to one of the Company's existing delivery points for transportation by the Company to the Customer's facilities.

The Company will deliver gas previously transported by a connected pipeline for the Customer's account under this Rate Schedule on a day-to-day basis in accordance with the

Customer's scheduled and confirmed nominations, subject to such maximum allowable daily deliveries as may be specified in the Gas Service Contract. The Company reserves the right to suspend service on any day when, in the Company's sole opinion, its operating conditions are such that suspension of service is necessary. The Company reserves the right to limit, allocate, or direct third party gas nominations among the interstate pipelines serving the Company's distribution system, when, in the Company's sole opinion, such action is necessary to maintain the operational integrity of the system.

D

STANDBY SALES SERVICE

At the option of the Customer, an election may be made monthly to receive Standby Sales Service from the Company under this Rate Schedule for delivery to the Customer at the Company's city gate. The Customer will also receive Standby Sales Service as a default if the Customer or the Customer's agent fails to submit a timely and valid nomination for transportation service. In addition to paying the Monthly Standby Index Price set forth below for Standby Sales Service hereunder, the Customer will utilize the transportation services and incur the charges otherwise applicable under this Rate Schedule to cause such gas supplies to be delivered to the Customer's meter. The price which the Customer shall pay for the gas supplied under this paragraph will be the Monthly Standby Index Price defined as follows: "The weighted average index price for the applicable month as published in the first *Natural Gas Week* for such month in the table Natural Gas Weekly Spot Prices ,for:

TEXAS (SOUTH/EAST), Tenn Zone 1 Zone 0:South Texas	X	.3028
+		
GULF COAST, Tenn 500 So La Z1 Louisiana	X	.3806
+		
GULF COAST, Tenn 800 So La Z1	X	.3166

C

If the Customer nominates transportation service hereunder and purchases gas supplies from a third party supplier, and such Customer's consumption exceeds actual deliveries to the Company from such third party supplier to the point where operational problems are created for the Company, then the Company shall have the right, at its sole discretion, to initiate Standby Sales Service to the Customer. The price for such service shall be the same as set forth above except when the Company is required by such imbalance shortfall to purchase incremental volumes of gas supplies. In this case the Customer receiving Standby Sales Service will pay the higher of (on a daily basis) the Monthly Standby Index Price or the Daily Standby Index Price defined as follows:

The midpoint daily index price as published in Gas Daily for the day of consumption as stated in the "Daily Price Survey," for the "Tennessee 500 Leg." For days of consumption when the Gas Daily is not published, the Gas Daily price shall equal the price as published on the nearest subsequent day by Gas Daily.

Applicable firm transportation tariff commodity charges, fuel and any other surcharges as defined in the above transporters' FERC approved tariffs will be added to the above standby index prices. The Company will collect gross receipts tax on the incremental gas related charges.

Any difference between the actual cost of gas incurred by the Company and the Index price as defined in the previous paragraph will be accounted for in the Actual Cost Adjustment account in a manner consistent with Rule No. 1220-4-1-12 of the TRA Rules and Regulations. Increments or decrements which may result from the PGA adjustments will not apply to the standby index prices.

MARGIN RATE

Monthly Charge \$450.00

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Demand Charge (per therm of billing demand) \$1.00

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Commodity Charge (per therm)

1st Step (0-15,000 therms) \$.09948

I

2nd Step (15,001-40,000 therms) \$.09159

I

3rd Step (40,001-90,000 therms) \$.06656

I

4th Step (Over 90,000 therms) \$.02970

I

MONTHLY MINIMUM BILL

The minimum monthly bill shall be the Monthly Charge plus the Demand Charge multiplied by the billing demand determined as described below.

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MONTHLY CHARGE

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the Commodity Charge. The Monthly Charge will be billed from the date of initial service until service is terminated at the Customer's request.

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BILLING DEMAND

The billing demand shall be determined as follows:

Customer billing demand determinate shall be the highest daily usage during the period from October 1 to April 30 of the previous winter period as metered and reported to the Company by the telemetering equipment installed by the Company. Changes to the Customer's billing demand determinate will become effective June 1 of each year. The per unit charge may be adjusted from time to time to reflect rate changes, including, but not limited to, a general change in system rates or a change in pipeline capacity charges billed to the Company.

C

For Customers commencing initial gas service under this Rate Schedule and who do not have a consumption history from other services provided by the Company, the billing demand determinate shall be based upon a reasonable assumption of usage considering the connected load. If a Customer has received gas service from the Company prior to receiving service under this Rate Schedule but does not have daily telemetered records to determine peak day usage as described above, the Company shall determine a billing demand based on the greater of: 1) the month of highest consumption for the period to date multiplied by six percent (6%), or 2) 500 therms.

COMMODITY CHARGE

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer's premises.

N

SERVICE AGREEMENTS

All Customers receiving service under this Rate Schedule shall be required to execute the Company's standard contracts and/or service applications and shall be subject to the Company's Rules and Regulations as filed with and approved by the Tennessee Regulatory Authority (TRA).

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for transportation service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with the Rules, Regulations and Orders of the TRA and the Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new or additional service or the transfer of existing service to a higher priority end use will be considered based upon the Company's judgment as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, Company's Service Regulations, the TRA Rules and Regulations, Orders of the TRA, and the Laws of the State of Tennessee.

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SERVICE CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service" and Company's Service Regulations.

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BALANCING, CASH-OUT, AND AGENCY AUTHORIZATION

Service under this Rate Schedule shall be subject to all of the provisions and requirements of Rate Schedule 307, "Balancing, Cash-Out, and Agency Authorization."

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APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

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RATE SCHEDULE NO. 314

INTERRUPTIBLE TRANSPORTATION SERVICE

AVAILABILITY

Gas service under this Rate Schedule is available in the area served by the Company in the State of Tennessee **ON AN INTERRUPTIBLE BASIS** to any full requirements non-residential Customer whose average daily gas usage is reasonably anticipated to equal or exceed 500 therms per day. All Service under this Rate Schedule shall be contingent upon application to and consent by the Company to such Service, as provided in the Company's Service Regulations. Upon commencement of Service under this Rate Schedule, any reclassification or change in quantity or character of Service to Customer shall be subject to the provisions of this Rate Schedule 314 and the procedures set forth in the Company's Service Regulations. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption.

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CHARACTER OF SERVICE

The nature of Service provided by Company to Customer under this Rate Schedule is interruptible transportation service.

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Once a qualified Customer elects service under this Rate Schedule, all services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive service under Rate Schedule 309 concurrent with service provided under this Rate Schedule. Subject to the requirements set forth above, a Customer may, subject to the consent of the Company, elect to discontinue service under this Rate Schedule and receive service under Rate Schedule 304 and/or 310 by giving written notice to the Company prior to April 1 of any year. The Company will not withhold such consent provided (a) the Company continues to offer Interruptible General Sales Service under Rate Schedule 304, (b) the Company is able to provide Service under Rate Schedule 304 under commercially reasonable terms and conditions, and (c) the analyses applicable to reclassifications or changes in Service set forth in the Company's Service Regulations support such consent. If timely notice is received from Customer and consent is provided by Company, the Customer shall discontinue service under this Rate Schedule and Company shall provide Service under Rate Schedule 304/310, as applicable, effective the first June 1 following the notice.

N

All gas delivered to pursuant to this Rate Schedule shall be metered by the Company separately from any gas delivered to Customer under any of the Company's other Rate Schedules.

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The Company will redeliver gas received by Company from upstream pipeline(s) for the Customer's account under this Rate Schedule in accordance with the Customer's scheduled and confirmed nominations and subject to the Company's Operating Conditions.

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Customers receiving services under this Rate Schedule shall maintain, in useable condition, alternate-fuel facilities with ample on-site alternate fuel capability for supplying 100% of the establishment's gas requirements during periods of gas interruption or curtailment. Such interruption or curtailment shall be immediately effective upon verbal or written notification by the Company, and Customer shall refrain from using gas until permitted to do so by the Company. It is understood and agreed that the Company will have the right to suspend gas service without further notice to the Customer in the event Customer fails to curtail Customer's use of gas in accordance with the Company's notice of curtailment.

APPLICABILITY

Transportation service is available under this Rate Schedule to any qualified Customer connected to the Company's system who has obtained an independent supply of natural gas and has arranged to have this supply delivered to one of the Company's existing delivery points for transportation by the Company to the Customer's facilities.

The Company will deliver **ON AN INTERRUPTIBLE BASIS** gas previously transported by a connected pipeline for the Customer's account under this Rate Schedule on a day-to-day basis in accordance with the Customer's scheduled and confirmed nominations. The Company reserves the right to suspend service on any day when, in the Company's sole opinion, its operating conditions are such that suspension of service is necessary. The Company reserves the right to limit, allocate, or direct third party gas nominations among the interstate pipelines serving the Company's distribution system, when, in the Company's sole opinion, such action is necessary to maintain the operational integrity of the system.

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MARGIN RATE

Monthly Charge	\$450.00
Commodity Charge (per therm)	
1 st Step (0-15,000 therms)	\$.09948
2 nd Step (15,001-40,000 therms)	\$.09159
3 rd Step (40,001-90,000 therms)	\$.06656
4 th Step (Over 90,000 therms)	\$.02970

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MONTHLY MINIMUM BILL

The minimum monthly bill shall be the Monthly Charge.

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MONTHLY CHARGE

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the Commodity Charge. The Monthly Charge will be billed from the date of initial service until service is terminated at the Customer's request.

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COMMODITY CHARGE

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer's premises.

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SERVICE AGREEMENTS

All Customers receiving service pursuant to this Rate Schedule shall be required to execute the Company's standard contracts and/or service applications and shall be subject to the Company's Rules and Regulations as filed with and approved by the Tennessee Regulatory Authority (TRA).

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for transportation service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchase gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with the Rules, Regulations and Orders of the TRA and the Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new or additional service or the transfer of existing service to a higher priority end use will be considered based upon the Company's judgment as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, Company's Service Regulations, the TRA Rules and Regulations, the Orders of the TRA, and the Laws of the State of Tennessee.

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SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is interruptible and is subject to the provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service" and Company's Service Regulations.

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BALANCING, CASH-OUT, AND AGENCY AUTHORIZATION

Service under this Rate Schedule shall be subject to all of the provisions and requirements of Rate Schedule 307, "Balancing, Cash-Out, and Agency Authorization."

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APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

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SERVICE SCHEDULE NO. 315

Weather Normalization Adjustment

(WNA) Rider

I. Provision for Adjustment

The base rates per therm (100,000 Btu) for gas service set forth in any rate schedules utilized by the Authority in determining normalized test period revenues shall be adjusted by an amount hereinafter described, which amount is referred to as the "Weather Normalization Adjustment".

The Weather Normalization Adjustment will be applicable for bills rendered on and after October 1 and continuing through the final billing cycle in April of each year. C

II. Definitions

For the purposes of this Rider:

"Authority" means the Tennessee Regulatory Authority.

"Relevant Rate Order" means the final order of the Authority in the most recent litigated rate case of the Company fixing the rates of the Company or the most recent final order of the Authority specifically prescribing or fixing the factors and procedures to be used in the application of this Rider.

III. Computation of Weather Normalization Adjustment

The Weather Normalization Adjustment shall be computed to the nearest one-hundredth cent per therm by the following formula:

$$WNA_i = R_i \quad * \quad \frac{(HSF_i(NDD-ADD))}{(BL_i + (HSF_i \times ADD))}$$

Where:

$I =$ any particular rate schedule or billing classification within any particular rate schedule that contains more than one billing classification.

$WNA_i =$ Weather Normalization Adjustment Factor for the i^{th} rate schedule or classification expressed in cents per therm.

$R_i =$ weighted average base rate (base rate less any embedded gas cost) of temperature sensitive sales for the i^{th} schedule or classification utilized by the Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues.

- $HSF_i =$ heat sensitive factor for the i^{th} schedule or classification utilized by the Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues.
- $NDD =$ normal billing cycle heating degree days utilized by the Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues.
- $ADD =$ actual billing cycle heating degree days.
- $BL_i =$ base load sales for the i^{th} schedule or classification utilized by the Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues.

IV. Filing with Authority

The Company will file as directed by the Authority (a) a copy of each computation of the Weather Normalization Adjustment, (b) a schedule showing the effective date of each such Weather Normalization Adjustment, and a schedule showing the factors or values derived from the Relevant Rate Order used in calculating such Weather Normalization Adjustment.

SERVICE SCHEDULE NO. 316

Performance Incentive Plan

Applicability

The Performance Incentive Plan (the Plan) replaces the annual reasonableness or prudence review of the Company's gas purchasing activities overseen by the Tennessee Regulatory Authority (Authority or TRA). The Plan does not preclude the Authority from conducting an independent investigation into or examination of any aspect of the Plan or the Company's conduct thereunder. The Plan is designed to provide incentives to the Company in a manner that will produce rewards for its customers and its stockholders and improvements in the Company's gas procurement and capacity management activities. Each plan year (Plan Year) will begin July 1st. The annual provisions and filings herein would apply to this annual period. The Plan will continue until the Plan is either (a) terminated at the end of a Plan Year by not less than 90 days notice by the Company to the Authority or (b) the Plan is modified, amended or terminated by the Authority on a prospective basis.

Overview of Structure

The Plan establishes a predefined benchmark index to which the Company's commodity cost of gas is compared. It also addresses the recovery of gas supply reservation fees and the treatment of off-system sales and wholesale interstate sale for resale transactions. The net incentive benefits or costs will be shared between the Company's customers and the Company on a 75%-customers / 25%- stockholders basis for the Plan Year commencing on July 1, 2006.

The Plan also is designed to encourage the Company to actively market off-peak unutilized transportation and storage capacity on pipelines in the secondary market. It also addresses the sharing of asset management fees paid by asset managers, and other forms of compensation received by the Company for the release and/or utilization of the Company's transportation and storage assets by third-parties. The Company shall notify the TRA Staff and the Consumer Advocate and Protection Division of the Office of the Attorney General (CAD) of all "other forms of compensation" prior to inclusion of such compensation in the Plan. The net incentive benefits or costs of such activities will be shared between the Company's customers and the Company utilizing a 75%-customers / 25%-stockholders formula commencing on July 1, 2006.

Every three years the Company's activities under the Plan will be reviewed comprehensively by an independent consultant. The first triennial review shall occur in the autumn of 2008. The scope of the review may include all transactions and activities related to the Performance Incentive Plan, including, but not limited to, natural gas procurement, capacity management, storage, hedging, reserve margins, and off-system sales.

The Company is subject to a cap on overall incentive gains or losses of \$1.6 million annually. In connection with the Performance Incentive Plan, the Company shall file with the Authority Staff,

and supply a copy to the Consumer Advocate and Protection Division of the Tennessee Attorney General (CAD), and update each year, a Three Year Supply Plan. The Company will negotiate/obtain firm capacity, interruptible capacity and/or gas supply pursuant to such plan. [C]

Commodity Costs

Each month the Company will compare its *total city gate commodity and cost of gas*¹ to a benchmark dollar amount. The benchmark gas cost will be computed by multiplying total actual purchase quantities for the month by a price index. The monthly price index is defined as:

$$I = F_f(P_0K_0 + P_1K_1 + P_cK_c + \dots P_\alpha K_\alpha) + F_0O + F_dD; \text{ where} \\ F_f + F_0 + F_d = 1; \text{ and}$$

I = the monthly city gate commodity gas cost index.

F_f = the fraction of gas supplies purchased in the first-of-the-month market which are transported to the city gate under the Company's FT, negotiated FT, and IT service agreements. [C]

P = the Inside FERC Gas Market Report price index for the first-of-the-month edition for a geographic pricing region, where subscript 0 denotes Tennessee Gas Pipeline (TGP) Rate Zone 0; subscript 1 denotes TGP Rate Zone 1; subscript C denotes Columbia Gulf Transmission (CGT) - mainline, and subscript α denotes new incremental firm services to which the Company may subscribe in the future.² The indices used for calculating Midwestern capacity shall be those produced by Natural Gas Intelligence for monthly purchases and Gas Daily for daily purchases. The commodity index prices will be adjusted to include the appropriate pipeline firm transportation (FT) and interruptible transportation (IT) commodity transportation charges and fuel retention to the city gate under the Company's FT, negotiated FT, and IT service agreements.³ [C]

¹ Gas purchases associated with service provided under Texas Eastern Transmission Company Rate Schedule SCT shall be excluded from the incentive mechanism. The Company will continue to recover 100 percent of these costs through its PGA with no profit or loss potential. Extension or replacement of such contract shall be subject to the same competitive bidding procedures that will apply to other firm gas supply agreements. In addition, the Plan will measure storage gas supplies against the benchmark index during the months such quantities are purchased for injection. For purposes of comparing such gas purchase costs against the monthly city gate index price, the Company will exclude any commodity costs incurred downstream of the city gate to storage so that the Company's actual costs and the benchmark index are calculated on the same basis.

² To the extent that the Company renegotiates existing reservation fee supply contracts or executes new reservation fee supply contracts with commodity pricing provisions at a discount to the first-of-the-month price index, the Company shall modify the monthly commodity price index to reflect such discount.

³ Capacity released for a month shall be excluded from the benchmark calculation for that month, excluding capacity released under an agreement where the Company maintains city gate delivery rights for the released capacity during such month.

K = the fraction (relative to total maximum daily contract entitlement) of the Company's total firm, negotiated firm, and interruptible transportation capacity under contract in a geographic pricing region, where the subscripts are as above.⁴ [C]

F_0 = the fraction of gas supplies purchased in the first-of-the-month spot market which are delivered to the Company's system using transportation arrangements other than the Company's FT, negotiated FT, and IT contracts. [C]

O = the weighted average of Inside FERC Gas Market Report first-of-the-month price indices, plus applicable IT rates and fuel retention, from the source of the gas to the city gate, where the weights are computed based on actual purchases of gas supplies purchased by the Company and delivered to the Company's system using transportation arrangements other than the Company's FT, negotiated FT, and IT contracts. [C]

F_d = the fraction of gas supplies purchased in the daily spot market.

D = the weighted average of daily average index commodity prices taken from Gas Daily for the appropriate geographic pricing regions, where the weights are computed based on actual purchases made during the month. The commodity index prices will be adjusted to include the appropriate transportation commodity charges and fuel retention to the city gate.

Gas Supply Reservation Fees

The Company will continue to recover 100% of gas supply reservation fee costs through its PGA with no profit or loss potential. For new contracts and/or contracts subject to renegotiation during the Plan Year, the Company will solicit bids for gas supply contracts containing a reservation fee.

Off-System Sales And Sale For Resale Transactions

Margin on off-system sales and wholesale sale-for-resale transactions using the Company's firm, negotiated firm, and interruptible transportation and capacity entitlements (the costs of which are recovered from the Company's ratepayers) shall be credited to the Plan and will be shared with ratepayers. Margin on such sales will be defined as the difference between the sales proceeds and the total variable costs incurred by the Company in connection with the transaction, including transportation and gas costs, taxes, fuel, or other costs. For purposes of gas costs, the Company will impute such costs for its related supply purchases at the benchmark first-of-the-month or daily index, as appropriate, on the pipeline and in the zone in which the sale takes place. The difference between the Company's [C]

⁴ Because the aggregate maximum daily contract quantities in the Company's FT contract portfolio vary by month over the course of the year, the weights will be recalculated each month to reflect actual contract demand quantities for such month. The contract weights, and potentially the price indices used, will also vary as the Company renegotiates existing or adds new FT contracts. As new contracts are negotiated, the Company shall modify the index to reflect actual contract demand quantities and the commodity price indices appropriate for the supply regions reached by such FT agreements. Citygate benchmark calculations shall be computed utilizing the Company's Design Day delivery requirements (deliveries required on a peak day).

actual costs and such index price is taken into account under the Plan. After deducting the total transaction costs from the sales proceeds, any remaining margin will be credited to commodity gas costs and shared with customers on a 75%- customer / 25%-stockholders basis.

Capacity Management

To the extent the Company is able to release transportation or storage capacity, or generate transportation or storage margin associated with off-system or wholesale sales-for-resale, the associated cost savings and/or asset management fees, or other forms of compensation associated with such activities, shall be shared by the Company and customers according to the following sharing formula: 75%-customers / 25%-stockholders. The Company shall notify the TRA Staff and the Consumer Advocate and Protection Division of the Office of the Attorney General (CAD) of all "other forms of compensation" prior to inclusion of such compensation in the Plan.

Hedging Activities

The Company may engage in hedging transactions⁵ within the PGA/ACA mechanism. Costs related to hedging transactions may be recovered through the ACA account; provided, however, that such costs recovered through the ACA account shall not exceed one percent (1%) of total annual gas costs.⁶ Costs related to hedging transactions recoverable through the ACA account shall be defined as all direct, transaction related costs arising from the Company's prudent efforts to stabilize or hedge its commodity gas costs including, without limitation, brokerage fees, and the costs of financial instruments.

All costs related to hedging transactions, in addition to all gains and losses from hedging transactions, shall be credited/debited to the ACA account in the respective month that each hedging transaction closes. Costs related to hedging transactions that are incurred prior to the month that the hedging transaction closes shall be temporarily recorded in a separate, non-interest bearing account for tracking purposes.

Determination of Shared Saving

Each month during the term of the Plan, the Company will compute any gains or losses in accordance with the Plan. If the Company earns a gain, a separate Incentive Plan Account (IPA) will be debited with such gain. If the Company incurs a loss, that same IPA will be credited with such loss. During a Plan Year, the Company will be limited to overall gains or losses totaling \$1.6 million. Interest shall be computed on balances in the IPA using the same interest rate and methods as used in the Company's Actual Cost Adjustment (ACA) account. The offsetting entries to IPA gains or losses will be recorded to income or expense, as appropriate. At its option, however, the Company may temporarily record any monthly gains in a non-regulatory deferred credit balance sheet account until results for the entire Plan Year are available.

⁵ Hedging transactions, as used herein, shall include but not be limited to futures contracts, financial derivative products, storage swap arrangements, or other private agreements to hedge, manage or reduce gas costs.

⁶ One percent (1%) of total annual gas costs, for the purposes of establishing a recovery cap, shall be computed from the most current audited and approved gas costs for the Company in a TRA docket as of the first day of the month, 12 months prior to the first day of the period under audit.

Gains or losses accruing to the Company under the Plan will form the basis for a rate increment or decrement to be filed and placed into effect separate from any other rate adjustments to recover or refund such amount over a prospective twelve-month period. The Company is subject to a cap on overall incentive gains or losses of \$1.6 million annually.

Each year, effective November 1, the rates for all customers, excluding transportation customers who receive no direct benefit from any gas cost reductions resulting from the Plan, will be increased or decreased by a separate rate increment or decrement designed to amortize the collection or refund of the June 30 IPA balance over the succeeding twelve month period. The increment or decrement will be established by dividing the June 30 IPA balance by the appropriate volumetric billing determinants for the twelve months ended June 30. During the twelve month amortization period, the amount collected or refunded each month will be computed by multiplying the billed volumetric determinants for such month by the increment or decrement, as applicable. The product will be credited or debited to the IPA, as appropriate. The balance in the IPA will be tracked as a separate collection mechanism. Subject to approval by the TRA, the Company may also propose to refund positive IPA balances on an intra-year basis by making direct bill credits to all customers (except transportation customers) where such direct bill credit would be beneficial to customers.

Filing with the Authority

The Company will file calculations of shared savings and shared costs quarterly with the Authority not later than 60 days after the end of each interim fiscal quarter and will file an annual report not later than 60 days following the end of each Plan Year. Unless the Authority provides written notification to the Company within 180 days of the annual reports, the Incentive Plan Account shall be deemed in compliance with the provisions of this Service Schedule. The Authority Staff may expand the time for consideration of the annual reports by up to an additional sixty (60) days upon written notification to the Company or longer by mutual agreement or upon a showing of good cause.

Periodic Index Revisions

Because of changes in the natural gas marketplace, the price indices utilized by the Company, and the composition of the Company's purchased gas portfolio may change. The Company shall, within sixty (60) days of identifying a change to a significant component of the mechanism, provide notice of such change to the Authority. Unless the Authority provides written justification to the Company within sixty (60) days of such notice, the price indices shall be deemed approved as proposed by the Company.

Gas Supply Incentive Compensation Program

The Company has in place a Gas Supply Incentive Compensation Program (the Program) designed to provide incentive compensation to selected Gas Supply non-executive employees involved in the implementation of the Company's Incentive Plan and Secondary Marketing Programs in a manner consistent with the benefits achieved for customers and shareholders through improvements in gas procurement and secondary marketing activities. Participants in

the program receive incentive compensation as recognition for their contribution to the customers and shareholders of the Company through lower gas costs and gains related thereto. Performance measures are established for the Program each year.

During the time this tariff is in effect, the Company will continue to have in place the Gas Supply Incentive Compensation Program, as detailed to the Authority, as it relates to the Company's Incentive Plan. The Company will advise the Authority in writing of any changes to the Program, and unless the Company is advised within 60 days, said changes will become effective. The Authority may expand the time for consideration of such changes upon written notification to the Company. No filing for prior approval is required for changes in the performance measures.

Triennial Review

A comprehensive review of the transactions and activities related to the Performance Incentive Plan shall be conducted by an independent consultant once every three years. The initial triennial review shall be conducted in the autumn of 2008 and subsequent triennial reviews shall be conducted every third year thereafter. The TRA Staff, the CAD, and the Company shall make an effort to maintain a list of no less than five (5) mutually agreeable independent consultants or consulting firms qualified to conduct the aforementioned review. Any dispute concerning whether an independent consultant shall be added to the list shall be resolved by the TRA Staff, after consultation with the Company and the CAD. For each review, the TRA Staff shall select three (3) prospective independent consultants from that list. Each such consultant shall possess the expertise necessary to conduct the review. The TRA Staff shall provide the list of prospective independent consultants to the Company and the CAD via e-mail. The Company and the CAD shall have the right, but not the obligation, to strike one (1) of the prospective independent consultants from the list by identifying the stricken consultant in writing to the TRA Staff within thirty (30) days from the date the list is e-mailed. The TRA Staff shall select the independent consultant from those remaining on the list after the Company's and the CAD's rights to strike have expired. The cost of the review shall be reasonable in relation to its scope. Any and all relationships between the independent consultant and the Company, the TRA Staff, and/or the CAD shall be disclosed, and the independent consultant shall have had no prior relationship with either the Company, the TRA Staff, or the CAD for at least the preceding five (5) years unless the Company, the TRA Staff and the CAD agree in writing to waive this requirement. The TRA Staff, the CAD and the Company may consult amongst themselves during the selection process; provided, however, that all such communications between the parties shall be disclosed to any party not involved in such communication so that each party may participate fully in the selection process.

The scope of the triennial reviews may include all transactions and activities related either directly or indirectly to the Performance Incentive Plan as conducted by the Company or its affiliates, including, but not limited to, the following areas of transactions and activities: (a) natural gas procurement; (b) capacity management; (c) storage; (d) hedging; (e) reserve margins; and (f) off-system sales. The scope of each triennial review shall include a review of each of the foregoing matters as well as such additional matters as may be reasonably identified by the

Company, the TRA Staff, or the CAD relative to the operation or results of the Performance Incentive Plan.

The Company, the TRA Staff, or the CAD may present documents and information to the independent consultant for the independent consultant's review and consideration. Copies of all such documents and information shall be presented simultaneously to the independent consultant and all other parties.

The independent consultant shall make findings of fact, as well as identify and describe areas of concern and improvement, if any, that in the consultant's opinion warrant further consideration; however, the independent consultant shall not propose changes to the structure of the Performance Incentive Plan itself. The independent consultant shall complete and issue a written report of its findings and conclusions by July 1 of the year immediately following the triennial review. The report deadline may be waived by the written consent of the TRA Staff, the Company, and the CAD.

The independent consultant shall not propose changes to the structure of the Performance Incentive Plan itself; however, the TRA Staff, the Company, or the CAD may use the report of the independent consultant as grounds for making recommendations or proposed changes to the Authority, and the TRA Staff, the Company, or the CAD may support or oppose such recommendations or proposed changes. Any proposed changes to the structure of the Performance Incentive Plan resulting from the initial triennial review or subsequent triennial reviews, whether adopted by agreement or pursuant to a ruling of the Authority, shall be implemented on a prospective basis only beginning with the incentive Plan Year immediately following such agreement or ruling.

The cost of the triennial reviews shall be paid initially by the Company and recovered through the ACA account. The TRA Staff may continue its annual audits of the IPA and the ACA account, and the triennial reviews shall not in any way limit the scope of such annual audits. The CAD retains all of its statutory rights, and the triennial reviews shall not in any way affect such rights.

RATE SCHEDULE NO. 321

Residential Service-Standard Rate

AVAILABILITY

Gas service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements single private residences, including the separate private units of apartment houses and other multiple dwellings, actually used for residential purposes, which are separately metered where the Company's distribution mains are suitable for supplying the desired service.

Rate Schedule 321 applies to all residential customers whose base load usage in both of the cycle billing months of July and August is less than 15 therms. Base load usage will be based upon Customer's usage in the Company's most recent residential base load period adjusted for cycle length. Availability of this Rate Schedule for new Customers will be based on reasonably anticipated base load usage. Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

<u>MARGIN RATE</u>	Winter (November-March)	Summer (April-October)
Customer Charge (per month)	\$13.00	\$10.00
Commodity Charge (per therm)	\$.32000	\$.27000

MONTHLY CUSTOMER CHARGE

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge for gas delivered. The Customer charge will be billed from the date of initial service until service is terminated at the Customer's request.

BACKUP SERVICE

When gas service is being supplied for use as a Backup Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's backup energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Backup Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating. The per therm Demand Charge shall be equal to the unit Demand Charge applicable to the Company's firm industrial rate schedules.

EFFECTIVE: November 1, 2008

Input shall be based upon individual Customer's applicable gas equipment rating in:

$$\frac{\text{BTU/Hour} \times 10 \text{ hours}}{100,000 \text{ BTU}} = \text{TH}$$

SERVICE AGREEMENTS

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Service Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional service or the transfer of existing service to higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service".

WEATHER NORMALIZATION ADJUSTMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 315, "Weather Normalization Adjustment Rider".

RATE SCHEDULE NO. 332

Small General Service – Value Rate

AVAILABILITY

Gas service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer whose average daily usage is less than 20 dekatherms per day and whose Summer Load Percentage (SLP) is greater than 30%. Average daily gas usage will be based on the Customer's usage during the most recent calendar year ended on December 31 and adjusted for cycle length. SLP will be determined based upon the percentage of the Customer's total annual usage represented by the Customer's seven (7) month summer usage (April – October). Availability of this Rate Schedule for new Customers or for Customers without at least one full year of usage history will be based on reasonably anticipated usage.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

<u>MARGIN RATE</u>	<u>Winter</u> <u>(November-March)</u>	<u>Summer</u> <u>(April-October)</u>
Customer Charge (per month)	\$29.00	\$29.00
Commodity Charge (per therm)		
1 st 2,000 therms	\$35400	\$30300
Over 2,000 therms	\$35400	\$30300

MONTHLY CUSTOMER CHARGE

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge for gas delivered. The Customer charge will be billed from the date of initial service until service is terminated at the Customer's request.

BACKUP RATE

When gas service is being supplied for use as a Backup Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's backup energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Backup Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating. The per therm Demand Charge shall be equal to the unit Demand Charge applicable to the Company's firm industrial rate schedules.

EFFECTIVE: November 1, 2008

Input shall be based upon individual Customer's applicable gas equipment rating in:

$$\frac{\text{BTU/Hour} \times 10 \text{ hours}}{100,000 \text{ BTU}} = \text{TH}$$

SERVICE AGREEMENTS

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional service or the transfer of existing service to higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No.306, "Schedule for Limiting and Curtailing Service".

WEATHER NORMALIZATION ADJUSTMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 315, "Weather Normalization Adjustment Rider".

RATE SCHEDULE NO. 342

Natural Gas Vehicle Fuel

APPLICABILITY AND CHARACTER OF SERVICE

Gas Service under this Rate Schedule is available to any Customer in the area served by the Company in the State of Tennessee for the consumption of natural gas as a motor fuel, upon application to and consent by the Company to such Service, as provided in the Company's Service Regulations.

Gas Service under this Rate Schedule shall be metered at the Customer's Premises, or at the Company's Premises for purposes of providing public access to compressed natural gas filling stations. All gas delivered pursuant to this Rate Schedule shall be metered separately from any gas delivered under any of the Company's other Rate Schedules.

CHARACTER OF SERVICE

The nature of Service provided by Company to Customer under this Rate Schedule is firm sales Service.

<u>MARGIN RATE</u>	<u>Winter (October-April)</u>	<u>Summer (May-September)</u>
Monthly Charge	\$40.00	\$40.00
Rate/therm	\$.23109	\$.23109
Rate/GGE	\$.29117	\$.29117

HIGHWAY USE TAXES

The rates to be charged for gas Service pursuant to this Rate Schedule do not include applicable Federal, State and/or local highway motor fuel use taxes and fees. If applicable, bills rendered under this Rate Schedule will include such taxes and fees.

SERVICE AGREEMENTS

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Service Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations and the operation of Rate Schedule 316.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional service or the transfer of existing service to higher priority end use will be supplied based upon the Company's judgment as to the available gas supply, Customer's load factor or use pattern, end use priority as specified by the Federal Energy Regulatory Commission (FERC), impact on the local economy, Company's Service Regulations, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas Service under this Rate Schedule is subject to the provisions contained within Rate Schedule 306, "Schedule for Limiting and Curtailing Service" and the Company's Service Regulations.

APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

RIDER

Service to Customers under this Rate Schedule using Company owned and maintained compressor facilities shall be billed at a maximum rate of \$0.50 per therm, in addition to the base rate for Service under this Rate Schedule 342 as set forth above.

RATE SCHEDULE NO. 352

Medium General Service

AVAILABILITY

Gas service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer, upon application to and consent by the Company to such Service, as provided in the Company's Service Regulations, whose average daily usage is equal to or greater than 20 dekatherms per day but less than 50 dekatherms per day. Average daily gas usage will be based on the Customer's usage during the most recent calendar year ended on December 31 and adjusted for cycle length. Availability of this Rate Schedule for new Customers or for Customers without at least one full year of usage history will be based on reasonably anticipated usage.

N

CHARACTER OF SERVICE

The nature of Service provided by Company to Customer under this Rate Schedule is firm sales Service. Any reclassification or change in quantity or character of Service to Customer will be subject to procedures set forth in the Company's Service Regulations.

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<u>MARGIN RATE</u>	<u>Winter</u> <u>(October-April)</u>	<u>Summer</u> <u>(May-September)</u>
Monthly Charge	\$125.00	\$125.00
Commodity Charge (per therm)	\$.3908	\$.3398

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MONTHLY CHARGE

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the Commodity Charge for gas delivered. The Monthly Charge will be billed from the date of initial service until service is terminated at the Customer's request.

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COMMODITY CHARGE

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer's premises.

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BACKUP SERVICE

When gas service is being supplied for use as a Backup Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's backup energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Backup Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating. The per therm Demand Charge shall be equal to the unit Demand Charge applicable to the Company's firm industrial rate schedules.

Input shall be based upon individual Customer's applicable gas equipment rating in:

$$\frac{\text{BTU/Hour} \times 10 \text{ hours}}{100,000 \text{ BTU}} = \text{TH}$$

SERVICE AGREEMENTS

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations and the operation of Rate Schedule 316.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional service or the transfer of existing service to higher priority end use will be considered based upon the Company's judgment as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, Company's Service Regulations, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

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SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service" and Company's Service Regulations.

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WEATHER NORMALIZATION ADJUSTMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 315, "Weather Normalization Adjustment Rider".

APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

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RATE SCHEDULE NO. 362

Medium General Service – Value Rate

AVAILABILITY

Gas service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer whose average daily usage is equal to or greater than 20 dekatherms per day but less than 50 dekatherms per day and whose Summer Load Percentage (SLP) is greater than 30%. Average daily gas usage will be based on the Customer's usage during the most recent calendar year ended on December 31 and adjusted for cycle length. SLP will be determined based upon the percentage of the Customer's total annual usage represented by the Customer's seven (7) month summer usage (April – October). Availability of this Rate Schedule for new Customers or for Customers without at least one full year of usage history will be based on reasonably anticipated usage.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

<u>MARGIN RATE</u>	<u>Winter</u> <u>(November-March)</u>	<u>Summer</u> <u>(April-October)</u>
Customer Charge (per month)	\$75.00	\$75.00
Commodity Charge (per therm)		
1 st 5,000 therms	\$.35400	\$.30300
Over 5,000 therms	\$.35400	\$.30300

MONTHLY CUSTOMER CHARGE

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge for gas delivered. The Customer charge will be billed from the date of initial service until service is terminated at the Customer's request.

BACKUP RATE

When gas service is being supplied for use as a Backup Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's backup energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Backup Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating. The per therm Demand Charge shall be equal to the unit Demand Charge applicable to the Company's firm industrial rate schedules.

Input shall be based upon individual Customer's applicable gas equipment rating in:

$$\text{BTU/Hour} \times 10 \text{ hours} = \text{TH}$$

EFFECTIVE: November 1, 2008

100,000 BTU

SERVICE AGREEMENTS

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional service or the transfer of existing service to higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service".

WEATHER NORMALIZATION ADJUSTMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 315, "Weather Normalization Adjustment Rider".

APPENDIX A

CUSTOMER AGENT AGREEMENT

This Customer Agent Agreement ("Agreement") is made this _____ day of _____, 20____, by and between Piedmont Natural Gas Company, Inc. ("Piedmont") and _____ ("Agent").

WHEREAS, Piedmont's natural gas transportation tariffs provide for the ability of customers receiving Piedmont's transportation services to designate and utilize a third-party agent for purposes of making nominations for and delivering natural gas to Piedmont on behalf of such customers and managing imbalances on the Piedmont system resulting from such activities; and

WHEREAS, in undertaking such activities on behalf of Piedmont's customers, such Agents have the capacity to create material economic and operational risks for Piedmont and its customers; and

WHEREAS, Agent desires to act as a Customer Agent on Piedmont's system; and

WHEREAS, Piedmont is willing to permit Agent to operate on its system under the terms and conditions set forth herein and under the parameters of Piedmont's approved tariffs and service regulations.

NOW, THEREFORE, in consideration of the premises, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, Piedmont and Agent agree as follows:

1. Establishment and Maintenance of Creditworthiness. Each Agent must establish credit with Piedmont in the form of a Letter of Credit, escrow deposit, parental guaranty, or otherwise, in form and substance acceptable to Piedmont, in an amount equal to or greater than the dollar value obtained by the following formula at all times:

The higher of Agent's average daily load for the previous month or Agent's First-of-Month confirmed daily nomination quantity for the new month x 3 days x (NYMEX prompt month close) x 1.25.

Each month, prior to nominating transactions for the first of the month business, an evaluation will be made to ensure that the established credit does not fall below the value obtained from the formula shown above. In the event Agent's established credit falls below the value obtained through application of the formula shown above, either during this monthly evaluation or at any other time, Piedmont may require that the value of said Letter of Credit, escrow deposit, parental guaranty, or other form of assurance be changed at any time in order to reestablish adequate creditworthiness hereunder. In the event Agent fails to establish creditworthiness as set forth above, or fails to comply within 5 days with directions from Piedmont to increase the amount of its credit instruments as provided herein, then Agent's right to conduct business on the Piedmont system shall be suspended until such time as Agent shall be in compliance with the creditworthiness provisions set forth herein (including any requirements to increase said creditworthiness).

2. Customer Agent Imbalance Restrictions. Agent shall not create a cumulative intra-month imbalance which exceeds three times Agent's aggregate First-of-Month confirmed daily nomination quantity. If this cumulative month-to-date imbalance restriction is exceeded at any time, then Agent's authorization to conduct business on Piedmont's system shall be immediately suspended except to the extent of transactions designed to reduce Agent's cumulative month-to-date imbalance. Upon any such suspension, Agent's authorization to conduct business on the Piedmont system shall not be restored until such time as Agent is in full compliance with the provisions hereof and all applicable provisions of Piedmont's tariffs and service regulations.

3. Allocation of Imbalance Quantities/Penalties. Concurrent with the submission of monthly nominations, Agent shall provide Piedmont with a schedule of allocated nominations for customers to be served by Agent for the following month. This allocation shall serve as the basis for resolving imbalances with Agent's customers to the extent those imbalances are not resolved by Agent. In the event Agent fails to submit such schedule, and further fails to resolve any monthly imbalance during the term hereof, those imbalances and any attendant penalties shall be allocated to Agent's customers, *pro rata*, based upon the actual usage of each such customer during the month to which the unresolved imbalance and/or penalties is attributable.

4. Failure to Comply with Operational Notices, and Agent Creditworthiness and Imbalance Requirements. If Agent fails to adhere to the imbalance and credit requirements set forth above, or to obey specific instructions issued by Piedmont and designed to preserve the operational integrity of Piedmont's system, Agent (a) shall be subject to the Unauthorized Over Run Penalty provisions of Piedmont's Rate Schedule 306, and (b) shall have its right to transact business on Piedmont's system suspended.

5. Term. This Agreement shall become effective as of the date first written above and shall continue in full force or effect until terminated by either party hereto upon sixty (60) days written notice.

6. Supplemental Nature of Agreement. This Agreement is supplemental to the provisions of Piedmont's approved tariffs and service regulations, the provisions of which shall also apply to services rendered hereunder. As such, the restrictions and requirements set forth herein are cumulative in nature and in addition to any other imbalance or penalty provisions set forth in Piedmont's approved tariffs and service regulations.

7. Billing and Payment. Billings to Agent for any amounts due hereunder, and payments by Agent on such billings, shall be made in a manner consistent with the billing and payment provisions of the underlying transportation tariffs pursuant to which service is rendered.

8. Miscellaneous.

- A. Modification. This Agreement may not be modified or amended except by the execution of a written agreement by the parties hereto.
- B. Waiver. No failure by any party to enforce this agreement with respect to any default in the performance of any of the provisions of this Agreement shall operate or be construed to operate as a waiver thereof or of any similar future default.
- C. Assignment. This Agreement may not be assigned by any party hereto without the express written consent of the other party hereto.
- D. Jurisdiction. This Agreement and the respective obligations of the parties hereto are subject to all valid laws, orders, rules and regulations of the Tennessee Regulatory Authority and any other governmental bodies having jurisdiction.
- E. Conflict of Laws. The construction, interpretation, and performance of this Agreement shall be in accordance with the substantive laws of the State of Tennessee without regard to any conflicts of laws provisions thereof.

IN WITNESS WHEREOF, the undersigned parties have executed this agreement as of the year and date first written above.

AGENT

PIEDMONT NATURAL GAS COMPANY, INC.

By: _____
Title: _____

By: _____
Title: _____

MAILING ADDRESS

Please submit to: Transportation & Pipeline Services
Piedmont Natural Gas Company
P.O. Box 33068
Charlotte, N.C. 28233

OR

Transportation & Pipeline Services
Fax Number: (704) 364-8320

**Piedmont Natural Gas Company, Inc.,
Tennessee Service Regulations**

Section 1
Second Revised Page 1 of 16
Effective March 1, 2012

Piedmont Natural Gas Company, Inc. (hereinafter referred to as "the Company"), in its Tennessee service territory, will make free service calls, within certain broad guidelines, around-the-clock on customer appliances connected to our mains. Those service requests requiring immediate attention will be answered as soon as possible. Those of less urgent nature will be answered on a scheduled basis according to the workload. In either case, the Company will make every effort to answer each customer's call promptly and to leave all appliances operating at maximum efficiency.

Free Services (1220-4-5-.06(iii))

The Company provides the following services at no charge to the customer during normal working hours (Mon - Fri, 8am - 5pm, excluding Holidays):

- Install gas meters and regulators for new customers
- Turn-on, turn-off, & service gas meters
- Check for gas leaks
- Investigate the possible presence of carbon monoxide
- Cut off pilots
- Disconnect appliances (disconnect & cap existing pipe only) in connection with a meter turn-off
- Food Service equipment service including leveling, adjusting, or calibrating
- Diagnostic time or time to provide an estimate for jobbing work
- Quotes for appliance installation
- The first light-up of the heating season on central furnaces (a flat charge applies for each additional light-up)
- Gaslight turn-on and re-lighting
- Service leased water heaters
- Service appliances other than central heating systems or gas air conditioners (no parts needed) including:
 - Service calls to diagnose problems
 - Check gas pressure
 - Adjust burners
 - Clean air mixers
 - Light pilots
 - Clean & adjust pilots
 - Examine flue connections & check draft
 - Check and calibrate thermostats & controls
 - Check appliance wiring & other electrical components
- Service non-central heating systems where safe and ready access is available including floor furnaces, wall furnaces, space heaters and unit heaters including:
 - Service calls to diagnose problems
 - Gas and air adjustments on burners and pilot assemblies
 - Adjustments of controls and thermostats
 - Minor electrical repairs that do not require materials
- Service Arkla, Bryant, and other gas-fired air conditioners including:
 - Service calls to diagnose problems
 - Gas and air adjustments on burners and pilot assemblies

- Checks of controls and thermostats
- Pumping of water-cooled units to maintain operation
- Purging of non-condensables from air-cooled units

Note: When an appliance is not operating, every effort will be made to answer the call without delay, and in most circumstances, on the same day. Should repair work be required, parts needed to complete the repair will be ordered from the manufacturer and installed if the customer so desires. There is, however, a charge for this service.

The company will also provide immediate response to any hazardous situation that might cause threat to life or property after normal working hours (Mon – Fri, 5pm - 8am; Sat; Sun; & Holidays) at no charge, including:

- Fire or explosion
- Gas leak
- Damaged gas main or service (parts & labor may apply)
- Gas appliance that won't cut off
- Carbon monoxide investigation
- Leased water heater service within 24 hours

Services For Which There Are Charges

- Installation or connection of gas appliances
- Reconnects of gas appliances
- Disconnects of gas appliances except when performed in connection with a meter turn-off
- Repair of gas appliances where parts are needed (except central systems)
- Repair or replacement parts, electrical equipment, or thermostats on Arkla or Bryant gas air conditioners beyond Service/Warranty Contract
- Cleaning condensers and condensate lines on gas A/C units
- Gaslight repairs and reconditioning
- Miscellaneous pipe work
- Change outs and reconnects of food service equipment
- Repair of gas air conditioning units installed after January 1, 1975; units on which the Warranty/Service Contract has expired; and units or installations not approved by the Company's Service Department
- Work involving replacement of filters and out-of-warranty parts
- After hours work that requires a repair including commercial cooking and water heating equipment (the customer may be given the option for jobbing repair at the current overtime rate, if time and workload permits)

Work the Company Does Not Provide

- Replacement of filters in central heating equipment
- Installation, connection, or repair of unit heaters and central heating equipment
- Repair or replacement of unit heaters and other equipment requiring an electrician

- Repair or installation of any equipment that has not been tested and approved by applicable US safety standards or where gas appliances are not used in accordance with the manufacturer's listing
- Repairs on heating equipment that requires parts will not be made except on those units sold by the Company prior to May 1, 1974. In addition, the Company does not install furnace filters
- No work will be performed on electrical air conditioning units installed with a gas furnace (this work will be referred to the installer or mechanical contractor)

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Charges for Work

Unless a charge for work contemplated by this Section 1 is specified herein, all work performed for Customers, on or related to appliances, fuel and gas lines (behind the Company's meter), gas lights or other equipment shall be performed at the Company's standard rates and charges. Such charges may be modified or adjusted from time to time at the Company's discretion.

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Use of Credit Cards by Customers

Company will accept credit card payments from residential customers receiving service under Rate Schedule 301 and from natural gas vehicle fuel customers receiving service, at Company-owned facilities, under Rate Schedule 342. Company will not accept credit card payment of bills from Customers receiving service under any other Rate Schedule or contract.

Termination Policy

Reasons for Termination of Service or Denial of Service (1220-4-5-.18)

Service may be refused or discontinued for any of the reasons listed below. Unless otherwise stated, the customer shall be allowed a reasonable time in which to comply with the rule before service is discontinued.

1. Without notice in the event of a condition determined by the utility to be hazardous
2. Without notice in the event of customer use of equipment or the utility's service to others
3. Without notice in the event of tampering with the equipment furnished and owned by the utility
4. Without notice in the event of unauthorized use
5. For violation of and/or non-compliance with the utility's rules on file with and approved by the Tennessee Regulatory Authority
6. For failure of the customer to fulfill his contractual obligations for service and/or facilities subject to regulation by the Tennessee Regulatory Authority
7. For failure of the customer to permit the utility reasonable access to its equipment

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8. For non-payment of bill provided that the utility has made a reasonable attempt to effectively collect and has given the customer written notice that he has at least five (5) days, excluding Sundays and holidays, in which to make settlement on his account or have his service denied
9. For failure of the customer to provide the utility with a deposit as authorized by 1220-4-5-.14 of the Tennessee Regulatory Authority Statutes
10. For failure of the customer to furnish such services, equipment, permits, certificates, and/or rights-of-way, as shall have been specified by the utility as a condition to obtaining service, or in the event such equipment or permission are withdrawn or terminated.

Insufficient Reasons for Denying Service (1220-4-5-.19)

The following shall not constitute sufficient cause for refusal of service to a present or prospective customer:

1. Delinquency in payment for service by a previous occupant of the premises to be served
2. Failure to pay for merchandise purchased from the utility
3. Failure to pay for a different type of class of public utility service
4. Failure to pay the bill of another customer as guarantor thereof
5. Failure to pay a back bill rendered in accordance 1220-4-5-.17(a) of Tennessee Regulatory Authority Statutes.

Disconnection

The Company has the right to shut off gas from any consumer who may be in arrears for a longer period than twenty (20) days in paying for gas furnished hereunder or under any other prior or subsequent agreement, or for gas used by the consumer at the consumer's present or any prior subsequent address. The said twenty-day period commences to run from the date the bill was rendered. The Company will not shut off gas for non-payment without first mailing a notice to the consumer giving him seven (7) calendar days to pay the bill in arrears.

The Company will not terminate service during any 24-hour period, as measured from 8:00 am on the planned date of termination, where the forecasted low temperature, as determined by the National Weather Service, is 32 degrees Fahrenheit or below.

Reinstating Service

If natural gas service is disconnected for nonpayment, service will be restored after the customer has paid the total amount past due, paid the reconnection charge and paid a deposit.

Third-Party Notification

At the customer's request, the Company will send a copy of any disconnection notice to a designated third party. However, the designated third party is not responsible for paying the bill.

Medical Emergencies and Life Support Devices

The Company will delay disconnection of gas service for 30 days if a physician, public health officer or social service official certifies in writing that discontinuing gas service will worsen an existing medical emergency for a permanent resident of the premises where services are rendered. A prompt request is important. During the 30-day extension, payment of the bill must be guaranteed by another person or entity that is acceptable to the Company.

The Company will not disconnect service at the service address if there are natural gas appliances that are critical to maintaining the health of one or more permanent residents. The Customer Service Department must be contacted to determine whether a gas appliance is considered a life-support device.

Notice of Rights and Remedies

Should the Customer request help in paying his natural gas bill the Company will provide the customer with a list of community agencies that provide aid in paying their natural gas bill. The company will also, in some cases, make alternative pay arrangements if the customer is temporarily unable to pay his natural gas bill. However, if such an agreement is made the customer gives up their right to dispute the amount due under the agreement. If the customer does not fulfill the terms of the agreement, the Company may disconnect service and a new pay agreement will not be offered before we disconnect service.

If the Customer wants to appeal an unfavorable decision regarding a natural gas bill, they may contact the Tennessee Regulatory Authority's Complaint Division, 460 James Robertson Parkway, Nashville, TN 37219 (615-741-3939 or 800-342-8359). This must be done before the net due date if the dispute involves a disconnection notice. The Company will not disconnect service for nonpayment of the disputed portion of the bill while it is being reviewed. The Customers right to appeal will not expire if delay on the Company's part makes it impossible to contact the TRA within the required time period. The Customer also has the right to suspend payment of the disputed portion of the bill while the dispute procedures mentioned above are in progress.

Process for Obtaining Consent to New or Changed Service

All Customers shall be required to make application to the Company for new or changed Service under any of the Company's Rate Schedules in such form and manner as may reasonably be required by the Company. Such applications shall be required in order to initiate Service under any Rate Schedule irrespective of whether Customer is then

receiving service under any other Company Rate Schedule and for changes in the quantity of Service to be provided under an existing Rate Schedule. At a minimum, such application shall set forth the date of the application, the name of the Applicant, the location of the Premises for which Service is requested, the type of Service applied for and estimated gas consumption. Prior to being obligated to provide Service to Customer pursuant to such application, Company shall conduct an examination and review of Customer's application for Service to determine: (1) that the Company has the operational ability to provide the Service requested, including the requisite upstream supply and/or capacity assets; (2) that the requested Service will not impede or interfere with the Company's ability to maintain Service to existing Customers with the same or a higher priority of service; (3) that provision of the requested Service will not have a materially adverse impact on the Company's ability to recover its approved margin; (4) that provision of the requested Service is economically feasible; and (5) that Customer is creditworthy as determined in accordance with the Commission's Rules and the Company's procedures. Provided that the Company's review and analysis indicates that Service can be provided as requested, the Company will then approve the requested Service. Company shall have no obligation to provide the requested Service absent such approval.

When the requested Service is to be provided to a Residential, Small or Medium General Service Customer, and the provision of such Service is economically feasible, the application and the Company's acceptance thereof may be oral at the Company's option. In such event, the Company's applicable Rate Schedules and these Service Regulations shall become effective and applicable to any Service rendered to such Applicant in the same manner as if the Company's standard written form of application for Service had been signed by the Applicant and accepted by the Company. Upon the provision of Service by the Company to such Customer, such oral service agreement shall be presumed to exist in any case where there is no written application accepted in writing by the Company.

In the event a Customer receiving Service under the Company's commercial or industrial (large general) sales Rate Schedules anticipates a significant reduction in its gas consumption, it shall provide prompt notice thereof to Company.

Customer Classifications

Residential Rate Service Classification. All Residential Rate Service shall be provided pursuant to the Company's Rate Schedule 301.

Commercial Rate Service Classification. All Commercial Rate Service shall be provided pursuant to the Company's Rate Schedules 302 and 352. Classification between Rate Schedules 302 and 352 shall be based on the following criteria:

- A. Definitions: As used in Commercial Rate Service Classification, the following terms shall have the meanings assigned below:

**Piedmont Natural Gas Company, Inc.,
Tennessee Service Regulations**

Section 1
Second Revised Page 7 of 16
Effective March 1, 2012

- (1) "Annual Review Period" shall mean the twelve (12) months ended on December 31 of each year.
- (2) "Actual Monthly Usage" shall mean the actual natural gas volumes consumed by the Customer during the highest month of consumption during the Annual Review Period as reflected on the Company's invoices for the Customer.
- (3) "Classification Usage" shall mean the usage criteria that establishes the minimum and/or maximum average daily usage that must be maintained in order to receive service under a rate schedule. The classification usage for Rate Schedule 302 shall be less than an average of 20 dekatherms per day. The classification usage for Rate Schedule 352 shall equal or exceed an average of 20 dekatherms per day but be less than an average of 50 dekatherms per day. [C]
- (4) "Involuntary Curtailment Days" shall mean those days or portions of days in the highest month of consumption during a given Annual Review Period where curtailment of the Customer's natural gas service was imposed by the Company's decision to curtail.
- (5) "Service Days" shall mean 30 days less the number of Involuntary Curtailment Days.
- (6) "Average Daily Usage" shall be the Customer's Actual Monthly Usage within the Annual Review Period divided by the number of Service Days.

B. Procedures:

- (1) At the conclusion of the Annual Review Period of each year and prior to June 1st of the ensuing year, the Company will determine for each customer served under Rate Schedules 302 and 352 that Customer's Average Daily Usage. [C]
- (2) Those customers currently receiving service under Rate Schedule 302 whose Average Daily Usage is equal to or exceeds 20 Dekatherms a day, will be transferred to Rate Schedule 352, effective on the first day of June following the most recent Annual Review Period. [C]
- (3) Those customers currently receiving service under Rate Schedule 352 whose Average Daily Usage in each of the most recent two (2) Annual Review Periods is less than 20 Dekatherms a day, will be transferred to Rate Schedule 302 effective on the first day of June following the second, and most recent, Annual Review Period. [D]
[C]

- (4) Those customers currently receiving service under Rate Schedule 302 or 352 whose Average Daily Usage in each of the most recent two (2) Annual Review Periods is equal to or greater than 110% of 50 dekatherms per day will be transferred to Rate Schedule 303, 304, 313, or 314 as applicable. [C]
- C. Exceptions: If a customer currently being billed under Rate Schedule 302 adds natural gas equipment that increases the Customer's Average Daily Usage to the point where the customer will qualify for Rate Schedule 352 the Company may, upon notification from the Customer and subject to installation verification by the Company, transfer the Customer to the new Rate Schedule prior to June 1 of that year. [C]

Industrial Rate Service Classification. Rate service classification under the Company's Rate Schedules, 303, 304, 313 and 314 shall be based on the following criteria:

- A. Definitions: As used in rate service classification, the following terms shall have the meanings assigned below:
- (1) "Annual Review Period" shall mean the twelve (12) months ended on December 31 of each year or the regularly scheduled meter reading nearest December 31.
- (2) "Actual Monthly Usage" shall mean the actual natural gas volumes sold or transported for the Customer by the Company during the highest month of consumption during the Annual Review Period as reflected on the Company's invoices for the Customer.
- (3) "Classification Usage" shall mean the usage criteria that establishes the minimum and/or maximum average usage that must be maintained in order to receive service under any rate schedule. For existing Customers, the classification usage for Rate Schedule 302, 332, 352, 362 shall not exceed an average usage of 55 dekatherms per day. For existing Customers, the classification usage for Rate Schedules 303, 304, 313 and 314 shall exceed an average usage of 45 dekatherms per day.
- (4) "Involuntary Curtailment Days" shall mean those days or portions of days in the highest month of consumption during a given Annual Review Period where curtailment of the Customer's natural gas service was imposed by the Company's decision to curtail.
- (5) "Service Days" shall mean 30 days less the number of Involuntary Curtailment Days plus the number of days that Customer consumed an alternative fuel to natural gas.

- (6) "Average Dekatherm per Day" shall be the Customer's Actual Monthly Usage within the Annual Review Period divided by the number of Service Days.

B. Procedure:

Step 1. During January and February of each year, the Company will determine for each Customer served under Rate Schedules, 303, 304, 313 and 314 the Customer's Average Dekatherm per Day usage for each of the two most recent Review Periods.

Step 2. A Rate Schedule 302 or 352 Customer whose usage is 110% of the 50 dekatherms threshold in the two most recent Review periods will be transferred to Rate Schedule 303, 304, 313 or 314, as applicable. A Rate Schedule 303, 304, 313 or 314 Customer whose usage is equal to or less than 90% of the 50 dekatherms threshold in both of the most recent two Review Periods will be transferred to the appropriate Small or Medium General Service Rate Schedule. Customers receiving service under Rate Schedules 303 or 304 shall be eligible to elect transportation service to be effective with the rate reclassification.

All changes in rate classification under this section shall be effective on the first day of June following the review.

Step 3. Customers who are reclassified shall be notified of the change in rate schedule, and receive a copy of the tariff sheets applicable to his old and new rate schedules at least 21 days prior to the effective date of the change.

- C. Exceptions: If a Customer adds or retires a major piece of gas-burning equipment, changes the hours of operations or otherwise materially alters the Customer's business that will clearly increase, or decrease, the Customer's consumption on an ongoing basis to a level that will change the Customer's ability to qualify the Customer for a particular rate schedule, the Customer shall report such changes to the Company and afford the Company an opportunity to inspect the change in equipment and to meet with the Customer to review and discuss the anticipated future level of consumption. If, after such inspection and meeting, the Company is satisfied that reclassification is appropriate, the reclassification will occur within two months after the new equipment is in place and operational, or the retirement is completed, and the first meter reading reflects the higher anticipated usage resulting from the new equipment or the lower anticipated usage resulting from the retirement. Any reclassification pursuant to this paragraph is subject to correction if actual experience so warrants. If the reclassification results in qualification for service under Rate 303 or 304, the Customer shall provide an election form one week prior to reclassification if a transportation election is

desired. Otherwise, service will be provided under Rate Schedule 303 or 304, dependent upon rate qualification.

Requirements: Upon reclassification from Rate Schedules 302 or 352 to either Rate Schedule 303, 304, 313, or 314, Customer will be responsible for installing and maintaining, at the Customer's expense, a dedicated 110v electrical service in a location suitable to provide electrical service for the Company's telemetering equipment.

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Applicable Documents Defining Obligations of the Company and its Customers

The obligations of the Company to provide Service and the obligations of the Customer upon receipt of Service are governed by and set forth in (a) applicable statutes, including those set forth in Chapter 65 of the Tennessee Code Annotated, (b) applicable Tennessee Regulatory Authority Rules, Regulations, and Orders, (c) applicable tariffs or Rate Schedule(s), (d) these Service Regulations, (e) any application, agreement, Special Contract, or similar document executed by Customer and approved, as necessary, by the Authority pertaining to such service, and (f) any standard operating procedures of the Company reasonably necessary for the provision of such Service and administered on a nondiscriminatory basis. Copies of Chapter 65 of the Tennessee Code Annotated, applicable Authority Rules, Rate Schedules, and these Service Regulations are available from the Company for public inspection, as are copies of forms of applications, agreements, and other documents approved by the Authority. A copy of the Authority's Rules are available at the Authority's Web Site at www.state.tn.us/tra/. Unofficial copies of the Company's Rate Schedules and Service Regulations are also available at the Company's Web Site at www.piedmontng.com. The Company shall provide all new non-residential Customers with a copy of the applicable Rate Schedule(s) and written application for Service and/or other documents executed by the Company and the Customer pertaining to such Service. After a Customer has executed a written application and/or contract, no promise, statement or representation by an employee or agent of the Company or by any other person inconsistent with the written application and/or contract shall bind the Company to provide Service or to change the terms and conditions upon which Service will be rendered unless the same is in writing and is executed by an authorized representative of the Company. In the event there is a conflict between these Service Regulations and the provisions of the applicable currently effective Rate Schedule, the provisions of the Rate Schedule shall govern. The Authority Rules shall govern in the event of a conflict with these Service Regulations. The Company may not make any representation that conflicts with Authority Rules, its Rate Schedules or these Service Regulations.

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Applicable Documents Subject to Change

All of the documents defining the obligations of the Company to provide Service and the obligations of the Customer upon the receipt of Service are subject to change from time to time upon order of or approval by the Authority and by other duly constituted governmental authorities. The Company does not undertake to advise any Customer of any such change except as may be required by the Commission or other duly constituted governmental authority.

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Priority of Service

The Company has established the following categories of service in order of priority:

1. Residential, small commercial (less than 50 MCF on a peak day), school, hospital, police protection, fire protection, sanitation, or correctional facility requirements
2. Essential agricultural requirements
3. Large commercial requirements (50 MCF or more on a peak day), firm industrial requirements for plant protection, feedstock and process needs, pipeline customer storage injection requirements, and firm industrial sales up to 300 MCF per day
4. All industrial requirements not specified in 2, 3, 5, 6, 7, 8, 9 or 10
5. Firm industrial requirements for boiler fuel use at less than 3,000 MCF per day, but more than 1,500 MCF per day, where alternate fuel capabilities can meet such requirements
6. Firm industrial requirements for large volume (3,000 MCF or more per day) boiler fuel use where alternate fuel capabilities can meet such requirements
7. Limited Availability requirements of less than 300 MCF per day, where alternate fuel capabilities can meet such requirements
8. Limited Availability requirements of more than 300 MCF per day but less than 1,500 MCF per day, where alternate fuel capabilities can meet such requirements
9. Limited Availability requirements of intermediate volumes (from 1,500 MCF per day through 3,000 MCF per day), where alternate fuel capabilities can meet such requirements
10. Limited Availability requirements of more than 3,000 MCF per day, but less than 10,000 MCF per day, where alternate fuel capabilities can meet such requirements
11. Limited Availability requirements of more than 10,000 MCF per day, where alternate fuel capabilities can meet such requirements.

Meter Turn On

There is no charge for meter turn on for a new customer. There will be a flat charge for meter turn on for an existing customer or member of same family or household. For turning on meters shut off for non-payment of bills there will be a flat charge for meter turn on plus payment of all past due bills. The Company may also secure an additional customer deposit. If an existing customer requests that his/her meter be turned off for the summer to

avoid minimum bills during the summer period and then requests the Company to turn the meter back on, the flat charge for meter turn on will apply.

Gas Wastage (1220-4-5-.06(iv))

Excessive gas consumption without knowledge by the customer may possibly be the result of gas leakage or appliance malfunction. Gas bill adjustments generally will not be permitted for improper and/or inefficient operation of gas appliances or for gas leaks. Adjustments for all special cases will be based upon individual merit dependent upon such factors as prompt action by the customer, the nature of the problem, maintenance of facilities by the customer, the time period involved, etc. An example might possibly be a hot water relief valve stuck open or a broken hot water line on a gas water heater. All such special adjustments shall not exceed 35% of the wastage and shall be approved by the Director of Customer Service (residential) or the General Manager of Marketing (commercial). Wastage shall be based on Service Department inspection or Customer Service Department researches. The Director of Customer Service shall determine consumption rates. Duration of the adjustment shall not exceed 30 days. Where such gas appliance malfunction or gas leakage was directly caused by actions of Company personnel or occurred within 30 days of the date the work was performed by Company personnel, the Company will grant 100% credit of wastage to the customer. The amount of wastage will be approved by the Director of Customer Service and not exceed a period of 30 days.

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Title to Facilities

The title to all facilities including mains, gas service lines, meters, and accessory equipment up to and including the outlet of the meter assembly shall be vested in the Company, notwithstanding any charge which may be made to the customer for extending service.

Appliance Classifications

Major appliances

- natural gas heating systems utilized as primary heating source in the structure
- gas air conditioners
- gas water heaters

Minor appliances

- clothes dryers
- gas fireplaces
- gaslights
- grills
- incinerators
- log starters
- logs

- ranges
- swimming pool gas water heaters

General Installation / Connection & Repair Policy

The Company will provide equipment, labor, and materials to install, repair, and service gas-fired equipment. Such installations, repair, or service shall be charged at Company's standard rates and charges. The installations and repairs will be performed in accordance with all applicable codes and licensing requirements. The Company reserves the right to decline such work, on a non-discriminatory basis, if the conditions involved in such work are not consistent with the safe or efficient completion of such work. All natural gas appliance installations on Company lines shall comply with the current version of the International Fuel Gas Code adopted by local authorities. All appliances installed, repaired or serviced by Company must also be tested and approved by US safety standards and used in accordance with the manufacturer's listing. The Company reserves the right to refuse to connect those appliances which, in its judgment, do not conform to appropriate safety requirements.

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Water Heaters

The Company will install and repair, including dip tube replacement, residential water heaters on the basis of its standard rates and charges. For repairs of commercial gas water heaters, the customer is to be referred to local dealer or plumber.

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Dryers

The Company will install and repair residential dryers on the basis of the Company's standard rates and charges. Repair requests on commercial gas clothes dryers, other thermocouples or other parts normally stocked by our storeroom, will be referred to the appropriate dealer for servicing.

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Gas Grills

The Company, as part of its free service program, will make burner air and gas adjustments, check controls, and assist in problem diagnosis on a no-charge basis. Installations of and repairs on gas grills will be charged on the basis of the Company's standard rates and charges. Cleaning and painting of the grill will be the responsibility of customer. The Company may also perform the following on the basis of the Company's standard rates and charges:

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1. Post Replacement;
2. Repairs to Cut or Damaged Tubing;
3. All Other Repairs.

Gaslights

With regard to gaslights, the Company will turn on, re-light and replace mantles without charge to the residential customer. Should the residential customer wish to replace the mantles himself, the Company will, upon request, mail to him replacement mantles for residential use in his gaslights without charge. Residential customers may also pick up free replacement mantles for use only in their gaslights at the Company's storeroom. The same gaslight service policies apply to commercial/industrial customers except they will be charged for the mantles. Subdivision entrances and multi-family developments do not qualify for residential use. Services do not include the painting of gaslights or glass cleaning; these are considered the owner's responsibilities.

The Company will recondition the customer's gaslight, including replacement of mantles, cleaning and/or replacement of glass panes as required, and painting repair of gaslight as necessary, for a flat labor charge plus cost of replacement parts (other than mantles). In the case of multiple gaslights on the same piece of property, the labor charge shall apply only to the first light. For each additional light on the same property, an additional charge plus parts (other than mantles) will apply. The same policy applies to commercial customers except they will also be charged for mantles. Installation of and repairs on gaslights, including those listed below, will be charged on the basis of the Company's standard rates and charges. The Company may also perform the following:

1. Post and/or Light Head Replacement: All customers needing to purchase a gaslight head will be referred to the Home Energy Center;
2. Repairs to Cut or Damaged Tubing: A service representative can sometimes perform this work, but generally a three-man fitting crew is required.
3. Complete Replacement: The customer shall be referred to the Company's Home Energy Center. If the customer provides a replacement light head and post of the same basic type, the Company will connect the replacement;
4. All Other Repairs.

Gas Logs & Log Starters

All installations of or repairs on gas logs and log starters will be charged on the basis of the Company's standard rates and charges.

Other Miscellaneous Residential Gas Appliances

All installations of or repairs on other approved gas appliances will be charged on the basis of the Company's standard rates and charges.

Appliance Parts Broken by Company Personnel

From time to time when our service personnel are repairing a customer's gas appliance, other adjacent parts become broken during the course of the repair. Such instances leave a question as to whether the customer should be charged for that additional part. Such decisions shall be at the discretion of the supervisor involved. The following guidelines should be of assistance.

No Charge to Customer

1. Breakage caused by negligence on part of our personnel. In such cases, the employee will be counseled to avoid repetition.
2. Accidental breakage of part considered "relatively new" and our representative was using care and attention to work procedures.

Charge to Customer

1. Parts that may be broken after customer first being warned that we will use care in repair but the customer will be responsible for all parts involved. If the service representative has doubts about the condition of the appliance, he should so warn the customer initially.
2. Any parts broken which are not "relatively new" and in process of normal repair with our representative using reasonable care in work procedures. Where we make a mistake we'll stand behind it, but we will not unilaterally absorb the cost of other parts broken, they will be considered part of the job.

Sales to Employees

The following is applicable for active permanent employees, retired employees and retiree's surviving wife or husband until such time as survivor remarries:

1. Employees may purchase Natural Gas Appliances and accessories at cost from the Company. Appliances must be purchased for use only in the employee's own home. C
2. Pipe, pipe fittings and similar material carried in stock by the Company may be purchased by employees at warehouse cost, but these also must be used in the employee's own home and all such purchases must be approved by the Company. C

There is no intent in these rules for employees to unfairly benefit from Company discounts. The giving of false information to obtain a discount from the Company will be considered a cause for discipline. D

Liquid Propane Conversion to Natural Gas

Any new conversion customer converting from liquid propane (LP) to natural gas will receive gas service line and meter installation on the same basis as any other residential or commercial customer. C

Residential

Conversion of residential gas dryers, grills, logs, furnaces or other appliances shall be performed on the basis of the Company's standard rates and charges. C

Commercial

Conversion of AGA approved residential gas appliances or commercial gas appliances in a commercial structure will be performed on the basis of the Company's standard rates and charges. C

Temporary Conversions to Liquid Propane

When deemed necessary by the Company, new construction and conversion customers will be temporarily converted to liquid propane at no charge. The conversion back to natural gas will also be performed by the Company at no charge.

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Company's Tennessee Service Regulations

Section 2 – METERS

Installation & Location

The Company performs standard meter installation at no charge to the customer. However, a customer desiring an underground meter installation will be charged for the additional cost. The most desirable and serviceable location for a new residential meter installation is on the outside of the structure, approximately four feet past the front wall, where it is not subject to damage from automobiles. The new meter shall be so located unless it is physically impractical or it interferes with customer's use of his property. C

The proper meter location for large outside commercial or industrial meters, especially those having multiple structures, is at the property line wherever possible. Under no circumstances shall a meter be located within 10 feet of a combustion air intake. Further, meters shall not be located within 3 feet of an ignition source such as heating or air conditioning equipment, water heaters, electric meters, switch gear, electric panels, etc.

The customer or owner must at all times provide a proper and accessible location for all meters and regulators. The following rules apply as well:

1. All meters installed on high-pressure services must be installed outdoors.
2. All "farm tap" meters shall be located at the main.
3. All meters served from standard and medium pressure mains shall be installed outdoors, except in those instances in which it is extremely difficult to do so or is very undesirable from the customer's viewpoint. In such cases, the meter may be installed indoors, at the discretion of the Company, if the installation conforms to applicable codes.
4. If a customer desires to use gas solely for swimming pool water heating, the meter shall be located at the house and the fuel line run from this point to the pool heater.
5. If located indoors, the meter shall not be located:
 - a. Above the ground floor
 - b. Less than 3 feet from a hot air furnace or boiler
 - c. Less than 3 feet from a gas oven or hot water heater
 - d. On or under stairways
 - e. In bathrooms or adjoining clothes closets
 - f. In small, unvented, or confined spaces
 - g. Where subject to damage, extreme high temperature, or corrosion
 - h. In entrances or exits so as to obstruct passage in any way
 - i. Less than 10 feet from boilers or other sources of heat, if the meter capacity is 80B or larger

Meter Relocation

Outside meters will be relocated when requested by the customer, however, the customer will be charged Time and Material.

Meter Testing

The Company maintains a regular program of meter testing and change-out to insure metering accuracy. Upon written request from the customer for a special test of his meter, the Company will inspect the meter at a reasonable time in accordance with provisions of Rules, Regulations and Statutes Governing Public Utilities as issued by the Tennessee Regulatory Authority. Such meters will be considered to register correctly if the error is not greater than plus or minus two percent (2%). If the meter is found to be registering incorrectly, the meter will be repaired or adjusted to conform to standards with no charge to the customer for testing or repair. If the meter is registering correctly, there will be a meter testing charge to the customer.

Meter Tampering or By-pass

The term "metered gas" is defined as "all gas that has passed through the customer's meter." It is Company policy to prosecute those persons involved where the Company finds evidence of meter tampering or by-pass. Such acts are illegal, as well as extremely dangerous, and Tennessee State Law provides for substantial punishment. In such cases, the customer or party involved will be charged for all gas used and the cost of meter repair including travel time and all other related expenses on a "Time and Materials" basis. At the Company's option, gas service may also be terminated.

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Meter Damage

The customer has a responsibility to provide reasonable protection for the Company's metering facilities from damage by his employees, customers, and the general public. It is not, however, his equipment and he cannot be expected to provide security such as guards, surveillance, enclosures, etc. to protect the Company's meters from acts of vandalism or from the general public. The Company selects and approves meter locations. If a location is in a drive, parking lot, alley, etc. where damage is likely, then it is the Company's responsibility to provide adequate protection such as posts, etc. In cases where the Company's metering facilities are damaged, with regard to actual damage responsibility, the following applies:

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1. If the customer or his employees cause damage (accidentally or purposely), then the customer should be billed for damages.
2. If a visitor, commercial vehicle, or general public vehicle damages a meter, damage relief should come from that person or firm causing the damage. Damage relief shall not come from the customer, unless it can be proven that the damage by a third party resulted from negligence on the customer's part.

Piedmont Natural Gas Company, Inc.

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Company's Tennessee Service Regulations

Section 3 – FUEL LINES

Customer gas fuel lines installed on Company mains shall comply with all applicable codes and provisions of the current version of the International Fuel Gas Code adopted by the county in which the gas facilities operate. The care and maintenance of all customer-owned underground fuel lines is the responsibility of the customer. All piping carrying metered gas is considered a fuel line. When in place in a finished building, hidden from view and not easily accessible, the piping is considered a concealed fuel line. All fuel lines will be (a) standard threaded and coupled or welded steel minimum schedule 40 pipe (depending on operating pressure), or (b) plastic pipe or tubing of the following types: TR-418 PE 2306 -- orange color, Drisco 7000 or 8000 PE 3406 -- black color, or approved equal. N

Fuel Lines May

- Be installed underground in accordance with applicable codes to include corrosion protection.
- Be installed to serve any number of buildings if all the buildings are located on a single or continuous tract of land with common ownership.
- Be concealed if installed in accordance with applicable codes.

Fuel Lines May Not

- Be smaller than 1-1/4" coated steel or 1-1/8" x.090 wt Polyethylene (PE) tubing if installed underground (unless serving only gaslights, grills, or logs). Fuel lines to remote heating units may be smaller as approved by the Service Department. The Service Department will determine the size of fuel lines for mobile homes.
- Extend to or across property under different ownership.
- Cross any public street, alley, or highway. Fuel lines shall be sized to have a minimum pressure drop between the meter outlet and any appliance of 0.3-inch water column. Those fuel lines served from standard pressure distribution systems will be sized on 0.2-inch water column pressure drop.

Installation Charges

All fuel lines will be installed at the customer's expense with one exception: when determined necessary, the Company may choose to install a fuel line instead of a service line. In this event, ownership with maintenance responsibility shall remain with the customer. In such cases, footage of fuel line installed shall be equal to the footage of service line that would be "free service" if the customer were served in the usual manner (a "farm tap" customer is an example). Charges for residential underground fuel lines will be on the basis of the Company's standard rates and charges. Pre-installation estimates may be obtained from the Service Department (for plastic tubing) or the Construction Department (for all other underground fuel lines). The customer at his expense will replace N

any sidewalk or pavement cut. The customer will be charged on the basis of the Company's standard rates and charges for all fuel line repairs made by the Company.

Commercial or Industrial Fuel Lines

Commercial or Industrial fuel line piping work will be performed by the Company according to applicable codes and licensing requirements. If the Company installs a customer's underground fuel line, the charges will be based on the Company's standard rates and charges.

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Piedmont Natural Gas Company, Inc.

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Company's Tennessee Service Regulations

Section 4 – SERVICE LINES

Service lines are pipes used to carry unmetered gas from the main to the customer's meter. The preferred route of the service line will be from the nearest adequate main to four (4) feet beyond the customer's nearest building wall. Service lines, service relocations, and extensions may be installed in accordance with applicable codes by either the Company or by a contractor approved by the Company. The complete installation must be inspected and approved, prior to being backfilled, by the appropriate Company representative. In general, service lines should not be laid on vacant property adjoining the building to be served if there is likelihood that a building will be constructed on the vacant property. Service line installation policies are subject to conditions of gas supply and the Company's limited service attachment programs.

Customer Types

Residential

The Company will install free of charge 100 feet of service line for one major appliance, as defined in Section 1, where no main extension is required. The gas service line must extend along the route selected by the Company. In the event that the above conditions are not met, the service line installed for the customer must provide a reasonable return to the Company. If the customer wishes the facilities to be constructed along a route other than the route selected by the Company and/or if the gas service line is more than the length allowed above and/or the service to be rendered to the customer will not produce a reasonable return to the Company, the Company may require the customer to pay the excess cost of constructing the facilities along the alternate route or in excess of the footage allowed and/or to make a contribution which will permit the Company to earn a reasonable return. In all cases any pavement or sidewalk cut will be replaced by and at the customer's expense.

Commercial or Industrial

For permanent use and where revenues provide a reasonable return to the Company, the Company will install free of charge 100 feet of service line measured from customer's property line or four feet past the nearest building wall, whichever is less.

Exceptions

In cases where there is exceptional cost due to length of service, high pressure main, paving (such as crossing major street), rock, etc., these service orders shall be reviewed by the Engineering Department on a case-by-case basis to determine if they meet the main extension policy provided in Section 5.

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Excess Service

Excess service refers to that portion of the total cost of a service line installed for a customer that is in excess of the Company's justifiable investment and is that portion of service line cost paid for by the customer.

Repairs

Repairs to service lines damaged by others shall be charged at the Company's actual repair costs.

Service Extensions

A service extension includes all piping carrying unmetered gas from the termination of the previous service line to the inlet of the meter. Service extensions and relocations shall be installed at the customer's expense.

Branch Services

Branch services will be permitted only when the point of junction of the two services is either in the public right-of-way or on a customer's property. In the latter case, written and notarized permission of the property owner must be obtained and filed with the Register of Deeds of the appropriate county. In the case of services requiring in-line valves, the service must be branched in the public right-of-way, and the Construction Department must confirm presence of a valve in each branch.

Multiple Buildings on Same Lot

In those cases where two or more buildings are located on the same lot in such a manner as to be reasonably suited to subdividing, the Company will, if requested, run separate service lines to these buildings. However, if the buildings are not so situated (e.g. garage apartments or combination commercial and residential buildings), the Company will not run separate services except where the full cost of the additional service from main to meter, including paving, is borne by the customer.

Service Line Enlargements

If the load through an existing service is so increased as to require a larger service line, the Company will enlarge the existing service to a point four (4) feet beyond the customer's nearest outside building wall without charge. Any enlargement of the service line beyond this point will be at the customer's expense. Any fuel line changes will be at the customer's expense.

Shopping Centers

A shopping center shall be considered as a single structure containing a minimum of 7,500 square feet of floor space and a minimum of four (4) tenants or business stores operating within the structure. The Company shall install one service line and one bank of gas meters for each 12,000 square feet of floor space. The final number of meter banks shall

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Tennessee Service Regulations

Section 4

Section 4 – Service Lines

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be at the discretion of the Company, based upon the size and layout of the particular shopping center under consideration.

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Piedmont Natural Gas Company, Inc.

Section 5
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Company's Tennessee Service Regulations

Section 5 – MAINS

The Company has a policy of extending its main(s) to serve a new customer (or customers) provided such main extension is determined to be economically feasible. The criteria for economic feasibility shall be met when the total annual net revenue to be obtained from the customer (or customers) provides a rate of return that is equal to or greater than the overall cost of capital established in the Company's last general rate case.

The determination of the anticipated rate of return on the main extension will be based on a net present value (NPV) computation utilizing the following parameters:

1. Net revenues will be calculated by applying the applicable tariff margin rate to the estimated annual total usage and, where applicable, potential for future growth may be considered.
2. Estimated annual total usage shall be based on those appliances that will be in use during the first five (5) years of service, except as provided in paragraph 3 under "Main Extension Contract".
3. The required investment will be based upon engineering cost estimates as determined by the Company and will include the costs of all facilities required for providing service including material and labor costs associated with the installation of mains, service lines, metering and regulating equipment, easements, rights of way, street crossings, and all other required equipment or facilities.
4. The discount rate shall be equal to the overall cost of capital allowed in the Company's last general rate case adjusted for taxes and depreciation.
5. The discount period shall be equal to the economic useful life of the investment in the mains and services.
6. Main extensions producing a positive net present value at the end of the discount period shall be considered economically feasible.

Main Extension Contract

To the extent the net present value computation produces a negative result:

1. The customer shall pay to the Company an amount equal to the negative net present value at the end of the discount period, plus any additional funds required to provide for the payment of resulting taxes. This payment may be made in a lump sum or in periodic payments (without interest) -- annual, monthly, etc.
2. If within three (3) years after the original installation, the customer making the payment adds additional major or minor appliances, the Company will refund to the customer (if paid in advance or credit his account if on extended terms), upon written request, an amount equal to the net annual revenues anticipated to be realized from the usage of the additional appliance(s).
3. In no case shall the customer making the payment be refunded more than he paid.

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Section 5 – Main Extension Policy

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The above provisions assume that only one customer will make the payments. If two or more customers make the payments, the contract will be adjusted to reflect this fact; for example, if two customers made equal payments and a refund is due because one of the two has added an additional appliance, then the entire refund shall be paid to him.

Exceptions

The Company may make exceptions to the main extension rule when system improvements are realized by the extension.

Main Relocation

If a customer requests a re-routing or relocation of a main located on a public right-of-way, the customer will be charged for this work. If the main is located on private property, such as an easement, railroad right-of-way, the case will be referred to the Engineering Department for determination as to whether a charge shall be made. The same will apply to relocations or re-routings requested by a contractor. Repairs to mains damaged by a contractor will be charged to the contractor on a "Time and Materials" basis.

Aboveground Facilities

If the above-ground facilities (such as post regulators, vent pipe, etc.) are so located that they seriously interfere with, or make impracticable, the owner's use of this property, the relocation of such facility will be done at no cost to the customer. An example of serious interference would be when the aboveground facility was located in front of a proposed narrow driveway. In all other cases, the cost of relocation will be charged to the customer. The charge, unless specified for any of the above items, will be either of the following, at the customer's option, prior to commencement of work:

1. Estimated cost as determined by the Construction Department
2. Actual cost

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Company's Tennessee Service Regulations

Section 6 - Rules and Regulations Governing Supply & Consumption of Gas

The consumer agrees to the following rules and regulations, having made proper application and deposit for service with the Company.

1. Consumer is responsible for damage to any gas meter or equipment belonging to the Company placed on the premises occupied by the consumer and will immediately reimburse the Company for all costs of repairing or replacing same. In accordance with Item (1), Section 1220-4-5-. 18, Reasons for Denial of Service of the Tennessee Regulatory Authority's Rules and Regulations, a consumer may be refused service if consumer has damaged the Company's equipment or tampered with the lock on a meter. The Company will charge its standard rates and charges for a broken meter lock. C
2. Consumer will use gas supplied through Company's meter only. Use of other metering devices or bypassing equipment and tampering or adjustments on company-owned metering facilities by consumer are prohibited. The Company will not permit secondary meter billing.
3. In case the meter has failed to register the quantity of gas consumed, in whole or in part, the consumer will pay such reasonable sum as is ascertained to be due for the period involved.
4. The Company's authorized agents shall have access to consumer's premises at all reasonable times for the purpose of checking, reading, servicing, and disconnecting the meter; shutting off gas; and for such other purposes as the Company may deem advisable to protect its interests.
5. The Company shall be under no duty to inspect, repair, or maintain the service of other pipes, connections, equipment, or appliances located beyond the meter outlet on the premises of the consumer.
6. The consumer shall be liable and shall pay for all gas passing through the meter until it is turned off. When termination of service is requested, consumer must ensure that the Company receives either written or verbal notice at least two business days prior to the desired date of termination. Access to the meter must be provided. C
7. The consumer is entitled to the usual discount allowed by the Company if bills are paid within the first twelve days following the date bills are rendered. All gas bills are due when rendered and they will be considered as rendered when mailed to the address specified by the consumer. A residential, head of household consumer dependent on social security or other retirement check may request a net to gross discount waiver. Qualified consumers will be granted a net to gross discount waiver and the account will be monitored for continuing compliance.
8. The Company shall have the right to shut off gas from any consumer who may be in arrears for a longer period than twenty days in paying for gas furnished hereunder or under any other prior or subsequent agreement, or for gas used by consumer at

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Section 6 - Rules & Regulations Governing Supply & Consumption of
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consumer's present or any prior or subsequent address, it being understood hereby that said twenty day period commences to run from date the bill is rendered as above defined. The Company will not shut off gas for non-payment without first mailing a notice to the consumer giving him seven days to pay for the bill in arrears. The Company will not terminate service during any 24-hour period, as measured from 8:00 am on the planned date of termination, where the forecasted low temperature, as determined by the National Weather Service, is 32 degrees Fahrenheit or below.

9. The Company is authorized to require the consumer to make a deposit, or increase any existing deposit, in such amount as the Company deems proper for its protection before restoring gas service. The deposit amount will not exceed two consecutive billing periods or ninety (90) days, whichever is less.
10. All consumer deposits will accrue simple interest on the principal at the rate approved by the Authority.
11. The Company will charge \$55.00 during the months of February through August and \$85 for the months of September through January for turning on a meter for an existing consumer or member of the same family or household at same address. This charge applies only to those consumers who have previously elected to have the meter turned off without discontinuing service or whose account has been closed because of non-payment of a bill.
12. In the event gas is shut off because of consumer's failure to pay, a charge will be made for each restoration. The Company will charge \$55.00 during the months of February through August and \$85 for the months of September through January plus payment of past due gas bills for turning on meters shut off for non-payment of bill. The Company will not be liable for damages for shutting off gas or for delay in restoring service. An additional deposit may also be required.
13. At the Company's option, special discounts may be offered to the approved reconnect fee to encourage customers to have their service reinstated during non-peak turn-on periods. Such special discounts will be made upon a 1 day notice to the Authority and will be available on a nondiscriminatory basis within the classifications of Sections 11 and 12 above. Notification will include the time period during which the promotion will be conducted as well as the terms and conditions of the promotion.
14. The consumer agrees to notify Company in advance of any planned change in physical premise or environment around meter or service to determine impact on safety cases, meter reading, and meter maintenance.
15. In the event the Company is unable, wholly or in part, by reason of force majeure to carry out its obligations to provide service, the obligations of the Company so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused but for no longer period, and such cause shall as far as possible be remedied with all reasonable dispatch. The term "force majeure" as employed above shall mean acts of God; extreme weather conditions; strikes, lockouts, or other industrial disturbances; acts of the public enemy; war; blockades; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; storms;

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floods; washouts; arrests and restraints of governments and people; civil disturbances; explosions; breakage of or accidents to machinery, lines of pipe, or the Company's peak shaving plants; freezing of wells or lines of reduction in gas pressure by its suppliers; inability to obtain rights-of-way, permits, materials, equipment, or supplies for use in the Company's peak shaving plants; and any other causes whether of the kind herein enumerated or otherwise, not within control of the Company, and which by the exercise of due diligence the Company is unable to prevent or overcome. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the Company, and the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts when such course is inadvisable in the discretion of the Company.

16. When the Company in its discretion determines that it is necessary to curtail service to maintain the integrity of its distribution system or to provide for its or the public's safety, the Company shall have the right to curtail delivery of gas to any consumer.
17. In the event of a failure or interruption of service, the Company shall use all reasonable diligence to remove the cause or causes thereof, but the Company shall not be liable for any loss or damage resulting from such failure or interruption due to accidents, force majeure, extreme weather conditions, or causes beyond its control.