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
Rodney Myers

On Behalf Of
Piedmont Natural Gas Company, Inc.

Piedmont Natural Gas

September 2, 2011

Q. Please state your name and business address.

A. My name is Rodney Myers. My business address is 4720 Piedmont Row Drive, Charlotte, North Carolina.

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

A. I am employed by Piedmont Natural Gas Company ("Piedmont" or "the Company") as its Vice President, Engineering and Operations Services.

Q. Please describe your educational and professional background.

A. I have been working in the natural gas industry for over 22 years, predominantly in utility engineering and operations. My educational background includes a Bachelor of Science in Mechanical Engineering from North Carolina State University, Raleigh, NC, and a Masters of Business Administration from Queens University, Charlotte, NC. I am also a registered Professional Engineer.

Q. Have you previously testified before the Tennessee Regulatory Authority ("TRA" or "Authority") or any other regulatory authority?

A. This is the first time I have presented testimony to the TRA but I have previously presented testimony to the North Carolina Utilities Commission.

Q. Do you hold any positions in professional or trade associations?

A. I have previously served on the American Gas Association (AGA) Transmission Best Practices Benchmarking Committee, as educational Chair of the Geospatial Information Technology Association (GITA), as

educational Chair of Professional Engineers of North Carolina (PENC), and on various other association committees.

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

A. My testimony supports Piedmont's investment in certain capital expenditures associated with meeting the requirements of federal pipeline safety and integrity regulations.

Q. What pipeline safety and integrity costs are covered by your testimony?

A. They are the capital expenditures incurred (and to be incurred) by the Company in inspecting, evaluating, and remediating its transmission system, collectively known as the Company's Transmission Integrity Management Program (TIMP), pursuant to the United States Department of Transportation's ("DOT's") pipeline integrity management regulations set forth in Subpart O of Part 192 of Title 49 of the United States Code of Federal Regulations. This testimony supports capital expenditures related to TIMP that include retrofitting transmission pipelines for inspection and replacement or enhancement of certain components. This testimony also includes the capital expenditures needed to convert certain existing transmission pipelines, predominantly within public road rights of way, to distribution lines operating at a lower pressure and replacing those lines with new transmission facilities located within private rights-of-way controlled by the Company, where this approach is the most feasible way

to ensure ongoing pipeline integrity and otherwise meet the requirements of Subpart O of Part 192.

Q. Why is Piedmont singling out its TIMP capital expenditures for separate explanatory testimony in this case?

A. Piedmont has always and routinely incurred capital expenditures and operations and maintenance ("O&M") expense related to the inspection, safety and integrity of its natural gas transmission and distribution facilities. These expenditures are typically embedded in the Company's rate base and O&M expense. Ongoing levels of many of these expenses are included in Piedmont's O&M and rate base in this case as well. The level of capital investment required in order to comply with Subpart O of Part 192 is out of the ordinary, however, and we believed it was appropriate to separately identify and discuss the scope and nature of these expenditures in the context of our rate filing so that the Authority would be fully informed as to these expenditures.

Q. Are the Subpart O capital expenditures discussed in this testimony included in Piedmont's pro forma rate base in this proceeding?

A. Yes, we have included those capital expenditures in our rate base as they constitute attrition period (and pre-attrition period) capital expenditures the Company has budgeted for and fully intends to place into service.

Q. Is your testimony limited to the Subpart O capital expenditures?

A. Yes. This testimony does not address O&M expenses associated with TIMP, nor does this testimony cover capital expenditures or O&M

expense for safety related programs outside of TIMP, such as prospective costs associated with the Company's Distribution Integrity Management Program (DIMP) or other ongoing inspection, operation and maintenance activities that ensure the safe, reliable operation of the transmission and distribution systems and that meet the requirements of other Subparts of Part 192.

Q. What level of capital expenditure related to TIMP does Piedmont anticipate incurring during the attrition period in this proceeding?

A. Piedmont is actively executing projects related to TIMP, with capital expenditures budgeted at $32.9 million during the attrition period for this activity.

Q. Please describe the DOT regulations that require these expenditures.

A. Subpart O, Part 192 of the DOT regulations establishes a mandatory regimen of inspection, assessment, analysis, testing, and remediation applicable to most natural gas transmission facilities in the United States, including those operated by Piedmont in Tennessee. The initial focus of this regimen is in so-called "High Consequence Areas" or HCAs which involve higher degrees of risk to public safety in the event of a pipeline failure or leak. Criteria for determining HCAs are prescribed in the federal regulations. These regulations require extensive inspection, assessment, and remediation, if needed, of transmission facilities. The detailed requirements of Part 192 Subpart O are set out in the regulations but include, in part, the following:

- Identification of HCAs
- Identification of threats to covered pipeline segments
- Development and implementation of baseline assessment plans, including inspection of pipeline facilities
- Establishment of remediation provisions
- Development of preventive and mitigative measures
- Record keeping
- Quality assurance measures
- Reassessments, including inspections of pipeline facilities

Q. What do the regulations require if Piedmont determines that remediation is required of some portions of its transmission lines as a result of testing procedures?

A. The DOT regulations are clear that Piedmont must take prompt action to address all anomalous conditions discovered through the pipeline integrity assessment process. Part 192 also requires that risks identified within covered segments (HCAs) be further evaluated in non-covered segments (Part 192.917(5) and 192.473(a)).

Q. What was the genesis of Subpart O of the DOT's Part 192 regulations?

A. As the Authority may be aware, many parts of the natural gas infrastructure in the United States have been in place for many decades. Given the complex and dynamic operating conditions that these infrastructure assets are subjected to over decades of service, it is not

uncommon for damage or degradation to occur to both plastic and steel pipelines. Because the vast majority of the infrastructure assets are underground, any damage or degradation cannot be easily observed or measured. Prior to the issuance of Subpart O, Part 192 of the DOT's regulations there was no mandatory comprehensive testing regimen established for testing, analyzing and remediating natural gas transmission facilities in the United States.

Q. Does this mean transmission facilities were not inspected or remediated prior to Part 192?

A. No. Piedmont, as well as other natural gas local distribution companies, has long had inspection, evaluation, and remediation programs in place to ensure the reliability and safety of its natural gas transmission facilities. Prior to Part 192, however, those programs were based on industry best practices and individual company experience.

Q. How is Piedmont's program for meeting the requirements of Part 192 Subpart O different from Piedmont's prior programs?

A. Subpart O, Part 192 establishes a uniform, mandatory and comprehensive inspection, assessment, and evaluation regime applicable to the vast majority of natural gas transmission lines in the United States. Further, the inspection, assessment, and evaluation regime established by Subpart O, Part 192 requires ongoing identification and evaluation of HCAs and that covered pipeline segments are inspected using the prescribed tools and techniques at least every 7 years.

Q. What tools and techniques does Piedmont intend to use to conduct the inspection and evaluation required by Part 192?

A. Part 192 basically requires Piedmont to engage in one or more types of assessment of its transmission facilities in high consequence areas. These three types of assessment are: (1) direct assessments of pipeline segments; (2) internal inspections accomplished through the use of an in-line inspection device commonly referred to as a "smart-pig"; and (3) pressure testing.

Q. What lines will be effected by the Part 192 requirements?

A. Over the course of the testing period described above, 7 years or less, all of Piedmont's transmission lines with HCAs will be assessed. For purposes of the near term (including the attrition period), Piedmont's assessment, evaluation, testing and remediation activities will be focused on different covered segments based on their individual risk ranking and inspection cycles. A map showing the extent of Piedmont's planned evaluation and assessment activities is attached hereto as Exhibit. ___(RM-1). Dependent upon inspection and evaluation results for HCAs, Part 192 requires operators to incorporate non-covered segments of pipeline into TIMP and to apply the prescribed tools and techniques to those segments as well.

Q. Please describe these facilities and the areas in which they are located.

A. A summary table describing these facilities is attached to my testimony as Exhibit___ (RM-2). In brief, pipeline segments subject to assessment, inspection and analysis during the attrition period range in size from 4 inches to 20 inches in diameter, are located in the northern, western and southern parts of Nashville, are located on both public and private rights-of-way, and operate at pressures between 390 p.s.i.g. and 780 p.s.i.g.

More specifically, Piedmont is (and during the attrition period will be) conducting inspection, assessment, and analysis activities for 7 distinct segments of its Nashville pipelines. These lines range from 5 to 48 miles in length and collectively add up to approximately 144 miles of transmission pipeline. The total costs for these projects is budgeted at $84.7 million with $32.9 million budgeted for expenditure during the attrition period.

Q. What flexibility does Piedmont have with respect to its inspection, evaluation and remediation activities regarding these facilities?

A. As noted above, Piedmont is required to utilize one of three assessment techniques to evaluate its facilities based upon the relative risks associated with those facilities. Piedmont has designed each of these projects in compliance with the Part 192 requirements.

Q. What is Piedmont's plan for inspecting, evaluation and remediation of these facilities?

A. Each covered segment has a unique baseline assessment plan that details when inspections are due and the type of inspection that is prescribed.

The plans may change based on new discoveries of threats, changes that occur to the HCA or changes that occur to the pipeline(s) within the HCA.

Q. What is the rationale for that approach?

A. The identification of covered segments is based on criteria contained in Part 192. The basis for when covered segments are inspected, and the frequency of such inspection, is the individual risk rankings assigned to each segment – determined using Part 192 defined parameters. Risk rankings can change based on changes that may occur within the HCA and the pipeline and as a result of newly discovered of risks. Further, the type of assessment required of individual facilities can vary, including direct inspection, smart pigging, and hydrostatic pressure testing. These techniques, particularly smart pigging, can require significant levels of retrofitting in order to adapt the transmission line for the assessment process.

Q. Does Piedmont believe this is an appropriate approach to meeting its Part 192 obligations within the State of Tennessee and, if so, why?

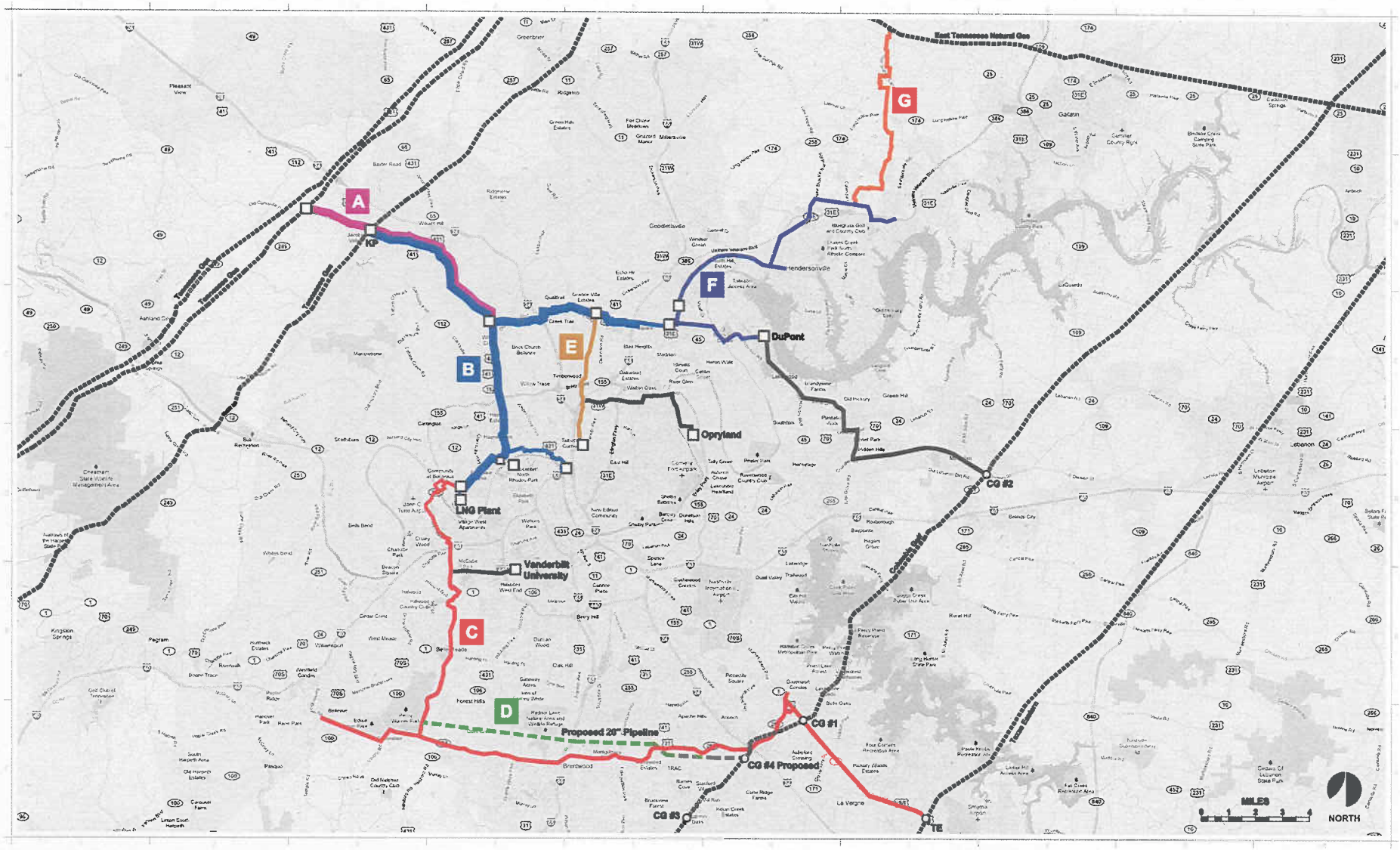
A. We do believe it is an appropriate approach because it balances the need to ensure the safety and compliance of Piedmont's transmission facilities with the real world context in which those facilities are located. It also enhances Piedmont's ability to continue to provide and to expand upon the provision of safe and reliable natural gas service to its Tennessee customers into the future.

Q. Does this conclude your direct testimony?

A. Yes it does.

EXHIBIT__(RM-1)

Exhibit__(RM-1)



Nashville Pipeline System

LINE TYPE LEGEND
- Supplier Pipeline
- Existing Piedmont Lines
- New Piedmont Line

Piedmont Natural Gas

EXHIBIT__(RM-2)

Nashville Transmission System Information

Pipeline Segments	Description	Approximate Mileage	Pipe Size(s)	Total Project Costs	Current Classification	Future Classification
A	Pipelines from Westernia Interconnect with Tenneco through KP Interconnect and ending at Holts Holder Valve Setting northwest of Nashville	11	8, 10	$934,608	Transmission	Distribution
B	Pipelines operating between KP Interconnect, Holts Holder Valve Setting, Bordeaux Regulator Station, LNG Plant, WC Weakley Regulator Station, and Madison Regulator Station northwest of Nashville	48	8, 12, 16, 20	$16,401,404	Transmission	Transmission
C	Pipelines operating between LNG Plant, Chickering Road, Columbia Gulf Interconnect #1, and Texas Eastern Interconnect to the south of Nashville	42	8, 10, 12	$3,641,218	Transmission / HP Distribution	HP Distribution
D	Proposed Pipeline from a new Columbia Gulf Interconnect to Chickering Road to the south of Nashville	13	20	$61,251,320	n/a	Transmission
E	Pipeline from Dalmere Junction to Trinitiy Lane Regulator Station to the north of Nashville	5	8	$1,775,155	Transmission	Transmission
F	Pipelines operating between Madison Regulator Station, Gallatin Interconnect, and Dupont to the northeast of Nashville	16	4, 6, 8	$275,368	Transmission / HP Distribution	HP Distribution
G	Pipeline from East Tennessee Interconnect to Stop 30 Road Regulator Station to the northeast of Nashville	9	12	$500,000	Transmission	Transmission

$84,779,073