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October 13, 2011

**VIA ELECTRONIC FILING**

Doctor Kenneth C. Hill  
Chairman and Hearing Officer  
c/o Sharla Dillon  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

Re: Piedmont Natural Gas Company, Inc., Docket No. 11-00144

Dear Doctor Hill:

By this letter Piedmont is providing its initial responses to the TRA Staff's data requests in the above-captioned proceeding. Piedmont has worked diligently on these responses since receiving Staff's data requests on September 22, 2011. In this process, Piedmont has focused on providing comprehensive, accurate, clear and fully explanatory responses to the Staff's questions. As a result, Piedmont is able to file responses to only approximately half of Staff's data requests today. Piedmont has discussed this matter with Staff and reached agreement about the schedule and procedures for filing its additional responses to Staff's data requests. This agreement was confirmed in an email between Pia Powers and David Foster earlier today. A copy of this email is provided herewith. Under this agreement, Piedmont will file its additional responses on October 19<sup>th</sup> and 21<sup>st</sup> in the form requested by Staff. Piedmont regrets the delay in completing these responses but believes that Staff will find them to be more meaningful than if Piedmont had rushed to provide more cursory responses in order to meet today's deadline. Piedmont would also like to express its appreciation to Staff in working with the Company on this matter.

Consistent with the foregoing, we have enclosed herewith 4 tabbed notebooks and 1 compact disk containing non-confidential responses to Staff's data requests. We have also enclosed a sealed envelope containing those responses which Piedmont has designated as confidential pursuant to the protective order issued in this proceeding. Consistent with our agreement with Staff, we will file all additional data responses in a form in which they may be readily placed into the notebooks filed today without substantial effort by Staff.

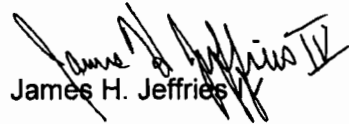
Piedmont also wishes to advise the Authority that it does not currently anticipate any problems with filing its responses to the Consumer Advocate's data requests in a timely manner. Accordingly, no changes to the agreed procedural schedule appear to be necessary at this time.

Charlotte, NC  
Research Triangle Park, NC  
Charleston, SC

Finally, we are providing a copy of these responses (and this correspondence) to the Consumer Advocate concurrent with this filing and will do the same with all future responses to TRA Staff data requests.

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

Sincerely,



James H. Jeffries

JHJ/bao

Enclosures

c: Ryan McGeehee, Esq.  
Scott Jackson, Esq.  
Dale Grimes, Esq.  
David Killion, Esq.  
David Carpenter  
Pia Powers

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**From:** Pia.Powers@piedmontng.com  
**Sent:** Thursday, October 13, 2011 12:24 PM  
**To:** david.foster@tn.gov  
**Cc:** Greene, Paul; Jim Jeffries; Becky Olsen  
**Subject:** Piedmont's responses to TRA Data Request No. 1

David -

I have had conversations with Paul Greene this morning regarding the filing of Piedmont's responses to TRA Data Request No. 1, which were provided to the Company on September 22, 2001 and for which responses were due to the TRA by October 13, 2011.

In my initial phone conversation with Paul today, I informed him that the Company is ready to file today completed responses for approximately half of the data request items. The Company will be able to complete and file the responses to the remaining data request items over the course of the next week. The Company has diligently worked since September 22 to prepare responses to all 85 data request items. The extra week's time needed to complete the responses is a direct result of the Company's desire and efforts to have every response provided be comprehensive, accurate, clear and fully explanatory.

My two subsequent conversations with Paul this morning were to discuss the terms and manner in which the Company would file completed responses with the TRA.

Paul and I reached agreement, as follows:

Piedmont shall file today the completed responses it has prepared up to this point. This consists of responses to approximately half of the 85 data request items. Any of the remaining data request items that are completed by the Company before October 19, shall be filed by the Company on October 19. All remaining outstanding responses to data request items from TRA Data Request No. 1 shall be completed, and thereafter filed on October 21, 2011.

The Company shall file responses today in the manner described in the ADMINISTRATIVE section of TRA Data Request No. 1 and in compliance with all other general TRA filing instructions. The filed loose-leaf binders shall be tabbed for all 85 data request items (while recognizing that there will not be actual responses behind approximately half of these tabs).

The Company shall file responses on October 19 and 21 in a manner that easily allows those response items to be incorporated by the TRA into the binders filed today. Specifically, the supplemental responses filed on October 19 and 21 will be hole-punch by the Company and clearly labeled so that the TRA can easily incorporate them into the large binders filed today. If the size of the supplemental responses appears to be too large to be incorporated into the binders filed today, the Company shall file the responses on October 19 and 21 in their own binders.

The Company shall prepare and submit one additional binder of responses, specifically for TRA Staff's use, that includes the information filed publically and under seal (on cd).

I have copied Paul on this email to ensure that I have appropriately represented the agreement we reached by phone today. Also, please note that Company intends to meet all deadlines outlined in the procedural schedule of this docket, including the October 26, 2011 deadline for the

Company's responses to the Consumer Advocate's Data Request No. 1.

Thank you sincerely,

Pia Powers  
Manager - Regulatory Affairs  
Piedmont Natural Gas Company, Inc.  
704-731-4259

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2. To the extent they have not already been provided, provide all witness testimony in Word format.

**Response:** See the enclosed CD for Word versions of all witness testimony.

Response provided by Piedmont Natural Gas on October 13, 2011.

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3. Identify the amount that Piedmont stockholders will contribute annually to GTI funding.

**Response:** Piedmont does not contribute to GTI without regulatory approval for full recovery of the funding amount from our customers.

Response provided by Piedmont Natural Gas on October 13, 2011.

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6. Explain in detail how GTI's cost/benefit ratio of 1 to 8 was determined. Include any assumptions made and all supporting documentation. (See page 23 of Pia K. Powers testimony).

**Response:** This ratio is often cited by GTI (formerly known as GRI). It originates from a GRI study conducted in 2003. See the GRI study that was provided as attachment A to the Company's response to MFR 29; this ratio is stated on the cover page abstract of that study: "The calculated ratio of the benefits to gas customers to total GRI costs incurred in 1999 through the end of 2003 was 8.0 to 1." The ratio is also discussed on page 7 of that study.

Response provided by Piedmont Natural Gas on October 13, 2011.

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11. Provide any written contracts between Piedmont Natural Gas and Home Service USA Repair Management Corp. for the provisioning of Interior Gas Line Coverage and/or repairs under this coverage.

**Response:** See the two attached CONFIDENTIAL agreements:

- HOME SERVICE USA SERVICE PLAN AGREEMENT
- CONTRACTOR AGREEMENT

Response provided by Piedmont Natural Gas on October 13, 2011.



**This Response/Attachment is designated**

**CONFIDENTIAL**

**and has been filed under seal.**

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12. Identify the amounts that Piedmont stockholders contribute annually to the proposed School Energy Pledge Program?

**Response:** The Company has not yet contributed to the School Energy Pledge Program. The total prospective annual expense for conducting the School Energy Pledge ("SEP") Program in Tennessee, as filed, is \$500,000. Piedmont is requesting that this full annual expense be recovered in base rates to customers in Tennessee.

Response provided by Piedmont Natural Gas on October 13, 2011.

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24. Provide the number of customers, therms and billing determinates on the Excel worksheet titled "REV#1BillingDeterminatesHISTORY.xls" in the empty columns (on attached CD). Staff was able to complete 2008 - 2010 from monthly reports filed by the Company. In addition to completing the blank columns, verify the amounts Staff has entered for 2008 -2010.

**Response:** See the CONFIDENTIAL attachment.

Response provided by Piedmont Natural Gas on October 13, 2011.

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25. Provide a copy of all weather normalization workpapers necessary to determine test period revenues. Provide weather normalized sales volumes in dekatherms, by class of customer (as shown in request #24 above) and supporting documentation for the test period. Provide computer files for this information.

**Response:** All of the weather normalization workpapers necessary to determine Test Period revenues were provided in MFR 25, file 3 ("3 - Adjustment\_1 & 4\_TN 2011 Rate Case Proforma Revs.xls"). Also see the attached file, which summarizes the weather normalized sales volumes by customer class, per the calculations shown in MFR 25, file 3.

Response provided by Piedmont Natural Gas on October 13, 2011.

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26. Provide the amount of revenues recorded for the weather normalization adjustment by customer class (as shown in request #24 above) by month from June 2006- May 2011 in Excel format.

**Response:** See the attached excel file.

Response provided by Piedmont Natural Gas on October 13, 2011.

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27. Provide the amount of therms recorded for the weather normalization adjustment by customer class (as shown in request #24 above) by month from June 2006- May 2011 in Excel format.

**Response:** See the attached excel file.

Response provided by Piedmont Natural Gas on October 13, 2011.

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29. Are the customer counts shown in MFR 25-3 1&4 for June 2010 end of month amounts? If so, please update this schedule to show end of month May 2010, in order to average 13 end of month customer counts to get a 12 month average.

**Response:** The customer counts by month are not “end of month” customer counts – in other words, it does not reflect the number of customers on Piedmont’s system as of the last day of the month. Rather, it reflects the number of individual customers billed over the course of that month. See the excel attachment.

Response provided by Piedmont Natural Gas on October 13, 2011.



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31. Reconcile PKP-1, Schedule 3, Page 1 which shows AFUDC for the test period of \$1,742,129 as an NOI adjustment (which should be net of tax) with MFR 25 1 where AFUDC is shown as pre-tax revenue of \$1,742,129.

**Response:** PKP-1, Schedule 3, Page 1, Line 15 shows the AFUDC Test Period amount of \$1,742,129, which is the gross amount (aka the pre-tax amount). This represents the total amount recorded over the 12-month Test Period in GL account 42000 for the Company's Tennessee operations. This amount is also reflected on the Company's income statement for its Tennessee operations.

The tax effect on AFUDC is captured on Lines 10 and 11. The Income Taxes shown on Lines 10 and 11 of PKP-1, Schedule 3, Page 1 are computed based on the inclusion of AFUDC in taxable income. This is consistent with the presentation used in the Company's prior rate cases. Since the Total Operating Expenses shown on Line 12 include taxes on AFUDC, the calculation of Net Operating Income for Return on Line 16 effectually incorporates AFUDC on a net of tax basis.

For support, please see the two excel file tabs named "Rev Req" and "INCOME STATEMENT" as provided in MFR 25, file 1. The Test Period Income Tax adjustments calculated in cells F32 and F33 on the "INCOME STATEMENT" tab capture the taxes on AFUDC. The effect of these tax adjustments carries forward to the "Rev Req" tab in cells E26 and E27.

Response provided by Piedmont Natural Gas on October 13, 2011.

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32. Reconcile PKP-1, Schedule 3, Page 1 which shows an NOI adjustment (which should be net of tax) \$1,074,986 with MFR 25 1 which shows AFUDC as pre-tax revenue adjustment of \$1,074,986.

**Response:** PKP-1, Schedule 3, Page 1, Line 15 shows the AFUDC Attrition Adjustment of \$1,074,986, which is the gross amount (aka the pre-tax amount). This represents the difference between the calculated 12-month gross AFUDC Attrition Period amount and the gross AFUDC Test Period amount as recorded in GL account 42000 for the Company's Tennessee operations.

The tax effect on AFUDC is captured on Lines 10 and 11. The Income Taxes shown on Lines 10 and 11 of PKP-1, Schedule 3, Page 1 are computed based on the inclusion of AFUDC in taxable income. This is consistent with the presentation used in the Company's prior rate cases. Since the Total Operating Expenses shown on Line 12 include taxes on AFUDC, the calculation of Net Operating Income for Return on Line 16 effectually incorporates AFUDC on a net of tax basis.

For support, please see the excel file tab named "Rev Req" as provided in MFR 25, file 1. The Attrition Period AFUDC amount is shown as an addition to taxable income in cell H89 (as well as in cell K89, for the Attrition Period after Adjustments for Proposed Rates). These Attrition Period tax calculations carry forward to cells H26 and H27 (as well as K26 and K27, for the Attrition Period after Adjustments for Proposed Rates).

Response provided by Piedmont Natural Gas on October 13, 2011.

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33. Explain and provide detailed calculations on an Excel spreadsheet of the (\$1,631,609) adjustment to booked test period revenues as shown on MFR 25 1.

**Response:** The (\$1,631,609) Test Period adjustment to Other Revenue, as filed, serves the purpose of removing certain "Other Revenue" which is not applicable to the revenue adjustment sought by the Company in this rate case. As shown in MFR 25 and in the attached CONFIDENTIAL excel schedules, the adjustment removes the Test Period revenues from Secondary Marketing Sales (GL 49530), CNG Sales (GL 48105) and Late Pm Revs – 30 Day Billings (GL 48850). Of these three categories, the majority of the dollars are in the category of Secondary Marketing Sales.

The Secondary Marketing revenue booked to GL account 49530 represents the total revenues (i.e. billed amounts) for: 1) off system sales, and 2) the cash out of short positions under transportation Rate Schedules 313 and 314. All of the Secondary Marketing revenue in GL 49530 represents gas cost revenue, and so accordingly it is handled through the ACA mechanism.

For off system sales revenue booked to GL account 49530, the determination of any amounts which the Company may keep as a gain (i.e. margin) is made on an annual basis, upon TRA review and approval through the Incentive Plan Mechanism (IPA). For the cash outs, there is no Company gain (i.e. margin) component to the billed cash out amounts, and this revenue stream in its entirety flows through the ACA, which is audited by the TRA on an annual basis. In total, the removal of the Secondary Marketing revenues from the scope of this rate case proceeding represents (\$1,630,376) of the total Test Period Adjustment to Other Revenues.

The note on Page 3 of the attachment to this response explains the nature of the CNG charges to GL 48105 in the Test Period. An adjustment of \$303.92 was made to remove these Test Period Non-utility revenues from the "Other Revenue" category in this rate proceeding.

In preparing the response to this data request, the Company revisited the adjustment it made to remove \$1,537 of Test Period revenues for Late Pmt Revs- 30 day billings (GL 48850). This stream of revenue represents late payment charges billed to third parties who cause damage to mains. The Company has determined that there should not have been any adjustment to remove these Test Period amounts from this rate case. Correcting for this yields a total Test Period adjustment to Other Revenue of (\$1,630,072) rather than (\$1,631,609) as originally filed.

Response provided by Piedmont Natural Gas on October 13, 2011.

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**CONFIDENTIAL**

**and has been filed under seal.**

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34. Explain and provide detailed calculations on an Excel spreadsheet of the (\$10,121,396) and the (\$1,769,331) adjustments to booked test period revenues as shown on MFR 25 1 which combined total adjustment 1 on PKP-1, Schedule 3, Page 1.

**Response:** See the attached CONFIDENTIAL schedules which summarize the calculations for the (\$10,121,396) Attrition Adjustment for Gas Sales Revenue and the (\$1,769,331) Adjustment for Transportation Revenue. The basis for these adjustments comes from the pro forma revenue calculations discussed in David Carpenter's testimony and Exhibit\_\_(DRC-1); the worksheet supporting DRC-1 was provided in MFR 25, file 3.

Mr. Carpenter's testimony explains the rationale for calculating Attrition Period revenues on the basis of the anticipated number of customers in the Attrition Period and the anticipated usage volumes by customers in the Attrition Period *under normal weather conditions*. Page 3 of the attachment herein shows the calculation of the Attrition Period revenues – this information is drawn from Exhibit\_\_(DRC-1). Column 2 on page 3 normalizes the Test Period volumes by rate schedule, and column 4 adjusts the seasonal usage levels and billing determinants for the anticipated customer growth through the Attrition Period. Column 7 reflects the Attrition Period revenues based on the Attrition Period billing determinants reflected in Column 5. Column 9 reflects the portion of revenue in Column 7 that is for margin. Columns 11 and 13 respectively reflect the portion of revenue in Column 7 that is for demand gas cost and commodity gas cost.

Page 1 of the attachment herein shows that for the Gas Sales Rates Schedules -- Residential, Commercial, Large Volume Sales, and Resale Service -- the difference between the *actual* (i.e. not weather-normalized) Test Period revenues and the Attrition Period revenues is (\$10,121,396). In other words, the Company anticipates that revenues from these rate schedules in the Attrition Period will be \$10,121,396 less than in the Test Period absent a change in rates as proposed by the Company in this proceeding. Page 1 of the attachment also shows that for the Transportation Rates Schedules (including Special Contracts), the difference between the *actual* Test Period revenues and the Attrition Period revenues is (\$1,769,331) absent a change in rates as proposed by the Company in this proceeding.

Response provided by Piedmont Natural Gas on October 13, 2011.

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35. Explain the \$23,285 shown as adjustment 2 on PKP-1, Schedule 3, Page 1 which the Company states is "to increase revenues for the new gas property lease to a third-party." Reconcile this adjustment to the monthly rent shown on MFR 25 4.

**Response:** The \$23,285 Attrition Period adjustment to Other Revenue, as filed, serves the purpose of adding to the Test Period amount an additional 11-month's worth of revenue from the new property rental agreement for the TN inventory store. The Test Period data for Other Revenue captured only 1 month of revenue from that new rental agreement, a copy of which was provided in MFR 25, file number 4. Since the Company will be receiving rental income from that agreement throughout the entire 12-month Attrition Period, it is appropriate that the Attrition Period reflects 12-month's worth of rental income from that agreement. The month rental revenue amount of \$2,116.85 times 11 months yields the Attrition Period adjustment amount of \$23,285.35. The actual amounts recorded in GL 49300 by month of the Test Period are shown in MFR 25 (file name "1 - SUMMARY SCHEDULES.XLS", tab for "Actual Test Period Revenues"), and are also represented on Page 1 of the CONFIDENTIAL excel file provided in the Company's response to Item 33 of this data request.

In preparing the response to this data request, the Company noticed that it had not taken into consideration the change in the monthly rental amount (that will occur during the Attrition Period) pursuant to paragraph 3(a) of the agreement provided in MFR 25, file number 4. Correcting for this yields an Attrition Adjustment of \$23,984 rather than \$23,285. See Page 1 in the CONFIDENTIAL excel file provided in response to Item 33 of this data request for the calculation of this corrected Attrition Adjustment amount.

Response provided by Piedmont Natural Gas on October 13, 2011.

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36. Provide an Excel spreadsheet and a detailed explanation to support the (\$12,446,564) adjustment shown as adjustment 4 on PKP-1, Schedule 3, Page 1.

**Response:** This (\$12,446,564) Attrition Period adjustment serves the purpose of removing gas costs from this rate case, so that the overall proposed revenue and rate adjustment in this rate case solely reflects an adjustment to the Company's recovery of margin (as opposed to an adjustment for margin *and* gas cost recovery).

On Exhibit\_\_(PKP-1), Schedule 3, Page 1, Line 1 Column 1, the \$198,556,792 amount for Test Period Revenues for the Sale and Transportation of Gas reflects the total of such revenues – i.e. the actual booked revenues attributable to margin recovery *and* gas cost recovery from the sale and transportation of gas. The Adjustment 1 on this schedule captures the difference between total Test Period and total Attrition Period revenues for the Sale and Transportation of Gas. The Attrition Period revenues for the Sale and Transportation of Gas are \$186,666,066. This Attrition Period amount is supported by the pro forma revenue calculations supporting Exhibit\_\_(DRC-1), and further illustrated in the excel attachment to the Company's response to Item 34 in this data request. Of the \$186,666,066 in total Attrition Period revenues from the Sale and Transportation of Gas, the portion of those revenues that will go towards recovery of demand and commodity gas costs pursuant to current rates is \$94,352,421. Again, refer back to the Company's response to Item 34 in this data request to see how that amount was calculated.

The Test Period Cost of Gas, as recorded on the Company's books and shown on Exhibit\_\_(PKP-1), Schedule 3, Page 1, Line 5 Column 1, is \$106,798,985. In the Attrition Period, the portion of total revenues that will go towards recovery of demand and commodity gas costs pursuant to current rates are, as explained above, \$94,352,421. Adjustment 4 on Exhibit\_\_(PKP-1), Schedule 3 Page 1 is the (\$12,446,564) difference between these two amounts. In other words, this (\$12,446,564) adjustment sets the Cost of Gas in the Attrition Period equal to the amount that represents the Attrition Period revenues solely for gas cost recovery. By making this adjustment, the entire amount shown on Exhibit\_\_(PKP-1), Schedule 3, Page 1, Line 1 Column 4 reflects the proposed adjustment to margin revenues (as opposed to margin *and* gas cost revenues).

Response provided by Piedmont Natural Gas on October 13, 2011.



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37. Explain how the historical growth rates were determined on MFR 25 4 “Other Factors”. Does this growth rate apply to total customers? Explain what this page demonstrates.

**Response:** The tab labeled “Other Factors” in the first file presented in response to MFR 25 shows the calculation of 4 growth factors, which were used in the calculation of the Attrition Period amounts for various operation and maintenance expenses.

Several of the O&M Attrition Period adjustments were calculated using the Adjusted Test Period expense amount multiplied by the *compound inflation factor* calculated on this “Other Factors” tab. The compound inflation factor is meant to represent the general increase in expense that the Company is likely to incur based on rising prices in the marketplace for goods and services from the end of the Test Period through the Attrition Period. The Company used the compound inflation factor in the calculation of the Attrition Period adjustment for the following O&M categories due to the fact that the kinds of expenses charged to these accounts are subject to general market inflationary influence: transmission and distribution expenses, general advertising, other sales expense, other employee benefits and training, outside services expense, and other misc A&G expense. The compound inflation factor was also used in the calculation of certain types of expenses (e.g. administrative fees and costs) within the larger Attrition Adjustment for the following O&M categories: Group Insurance, Pension, Salary and Payroll Investment Plan, Rents, Regulatory, and A&G Transfer Credits. Refer to the excel files provided in MFR 25 for each of the O&M category adjustment to see how the compound inflation factor was used in the calculation of the Attrition Period adjustments.

The *compound customer growth factor* represents the net growth in the number of residential and commercial customers (i.e. residential, small and medium general customers) in the Company’s TN service territory from the end of the Test Period through the Attrition Period. One can reasonably assume that that expense for Other Customer Accounts Maintenance grows at a rate similar to the rate at which the customer base grows. For this reason the Company used the compound customer growth factor in the calculation of the Attrition Period adjustment for the O&M expense category of Other Customer Accounts Maintenance. Refer to the excel file no. 14 provided in MFR 25 to see how the compound customer growth factor was used in the calculation of this Attrition Period adjustment.

The *compound salary and wage rate change factor* represents the growth rate in salary and wages paid by the Company to its employees from the end of the Test Period through the Attrition Period. The change in certain O&M expense categories over time is directly related to the change in salary and wages paid by the Company. For example, the Company expense for group life and disability coverage is a direct function of the level of employee salary and wages. For this reason the Company used the compound salary and wage rate change factor in the calculation of the Attrition Period adjustments for certain types of expenses within the larger Attrition Adjustment for the following O&M expense categories: Group Insurance, Pension, and the Salary and Payroll Investment Plan. Refer to the excel files provided in

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MFR 25 for each of the O&M category adjustment to see how the compound salary and wage rate change factor was used in the calculation of the Attrition Period adjustments.

The *compound customer growth and inflation factor* represents the growth rate combining the effect of the *compound customer growth factor* and the *compound inflation factor* from the end of the Test Period through the Attrition Period. The customer growth and inflation factor was not used in the calculation of any Attrition Period adjustments in the rate case as filed.

Response provided by Piedmont Natural Gas on October 13, 2011.

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39. Provide the average residential usage for 2010.

**Response:** See the attached excel file.

Response provided by Piedmont Natural Gas on October 13, 2011.

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40. Provide the customers (billing determinants) and usage by month for each rate class from the end of the Attrition Year in the 03-00313 rate case through May 2011.

**Response:** See the attached excel file.

Response provided by Piedmont Natural Gas on October 13, 2011.

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41. Provide in Excel format the amount of revenues in the attrition year for any anticipated new special contracts.

**Response:** See the attached CONFIDENTIAL excel file.

Response provided by Piedmont Natural Gas on October 13, 2011.

**This Response/Attachment is designated**

**CONFIDENTIAL**

**and has been filed under seal.**

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42. Provide the volumes by month from June 2006 - May 2011 for each of the following miscellaneous revenues: Reconnect Charges, Service Establishment, Returned Check, Late Payment, Service Work, Damage Billing, and all other Miscellaneous revenues in an Excel spreadsheet, the current tariff rate for each type of miscellaneous revenue and the resulting revenue at current rates.

**Response:** See the attached excel file.

Response provided by Piedmont Natural Gas on October 13, 2011.

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43. Provide a list of account numbers and corresponding account names that make up each of the following O&M Expense categories: Other Compensation and Benefits, Transmission & Distribution Expense, Uncollectible Accounts Expense, Other Customer Accounts Expense, Administrative & General, Sales Expense, and Deferred Expense Regulatory Amortizations.

**Response:** This categorization of O&M expenses and regulatory amortizations of deferred expenses is aligned to that represented on the Company's response to MFR 25, file name "1 – SUMMARY SCHEDULES.xls", tab name "INCOME STATEMENT." The attached file indicates the GL account numbers and account names that correspond with this categorization of expenses in the Test Period.

Please take note that a more detailed categorical breakdown of the expenses was shown on the following two tabs in MFR 25 file 1 (tab names: "O&M Summary" and "Deferred Cost Recovery"). The categorization of expenses shown on these two tabs is exactly aligned with the other excel files in MFR 25 that show each Test Period and Attrition Period Adjustment calculation. Furthermore, the data presented in the "INCOME STATEMENT" tab of file 1 is fed by the data in the "O&M Summary" and "Deferred Cost Recovery" tabs.

Response provided by Piedmont Natural Gas on October 13, 2011.



GL Accounts for Requested Expense Categories, as represented in MFR 25  
file name: 1- SUMMARY SCHEDULES.XLS  
tab name: INCOME STATEMENT

- A) **Transmission and Distribution Expense**  
See Lines 11- 52 (Maintenance Expenses) : Detail provided in MFR 25, file name "11 - Adjustment\_5F\_T&D Maintenance Adjustment\_rd.xls"  
See Lines 53 - 89 (Operation Expenses) : Detail Provided in MFR 25, file name "11 - Adjustment\_5F\_T&D Maintenance Adjustment\_rd.xls"
- B) **Uncollectible Accounts Expense**  
See Line 90: Detail provided in MFR 25, file name "13 - Adjustment\_5G\_Uncollectibles Attrition Adjustment.xls"
- C) **Other Customer Accounts Expense**  
See Lines 91 - 105: Detail provided in MFR 25, file name: "14 - Adjustment\_5H\_Other Customer Accounts Maintenance Attrition Adjustment\_rd.xls"
- D) **Administrative and General**  
See Line 106 (Rents) : Detail provided in file name "44 - Adjustment\_5R\_Rents Attrition Adjustment\_rd.xls"  
See Line 107 (Outside Services) : Detail provided in MFR 25, file name "26 - Adjustment\_5S\_Outside Services Attrition Adjustment\_rd.xls"  
See Lines 108 - 110 (Risk Insurance) : Detail Provided in MFR 25, file name "22 - Adjustment\_5O\_Insurance Expense Attrition Adjustment.xls"  
See Line 111 (Regulatory Expense) : Detail Provided in MFR 25, file name "24 - Adjustment\_5Q\_Regulatory Expense Attrition Adjustment\_rd.xls"  
See Lines 112 - 125 (Misc A&G) : Detail Provided in MFR 25, file name "28 - Adjustment\_5T\_Misc A&G Expense Attrition Adjustment.xls"
- E) **Sales Expense**  
See Line 126 (General Advertising) : Detail provided in MFR 25, file name "15 - Adjustment\_5I\_Advertising Attrition Adjustment\_rd.xls"  
See Lines 127 - 129 (Other Sales Expense) : Detail Provided in MFR 25, file name "16 - Adjustment\_5I\_Other Sales Attrition Adjustment\_rd.xls"
- F) **Other Compensation and Benefits**  
See Line 130 (Group Insurance) : Detail Provided in MFR 25, file name "21 - Adjustment\_5N\_Group Insurance Attrition Adjustment.xls"  
See Lines 131 - 132 (Defined Contribution Pension & Admin) : Detail Provided in MFR 25, file name "17 - Adjustment\_5J\_Defined Contribution Pension Attrition Adjustment.xls"  
See Line 133 (Salary & Payroll Investment Plan) : Detail Provided in MFR 25, file name "7 - Adjustment 5B\_SIP & PIP Attrition Adjustment\_rd.xls"  
See Line 134 - 140 (Other Emp Benefits & Training) : Detail Provided in MFR 25, file name "23 - Adjustment\_5P\_Other Benefits and Training Attrition Period Adjustment\_rd.xls"  
See Line 141 (MVP) : Detail Provided in MFR 25, file name "10 - Adjustment\_5E\_MVP Attrition Adjustment.xls"  
See Line 142 (STIP) : Detail Provided in MFR 25, file name "9 - Adjustment\_5D\_STIP Attrition Adjustment.xls"  
See Line 143 (LTIP) : Detail Provided in MFR 25, file name "8 - Adjustment\_5C\_LTIP Attrition Adjustment.xls"  
See Line 144 (Other Pay & Incentives) : Detail Provided in MFR 25, file name "44 Adjustment\_5A\_S&W Attrition Adjustment.xls"
- G) **Deferred Regulatory Amortizations**  
See Line 145 (Defined Benefit Pension) : Detail Provided in MFR 25, file name "18 - Adjustment\_5K\_Deferred Pension Attrition Adjustment.xls"  
See Line 146 (Environmental Cleanup) : Detail Provided in MFR 25, File Name "19 - Adjustment\_5L\_Deferred Environmental Cleanup Attrition Adjustment.xls"  
See Line 147 (2011 Rate Case Expense) : Detail Provided in MFR 25, file name "29 - Adjustment\_5U\_Deferred Rate Case Expense Attrition Adjustment.xls"  
See Line 148 (2010 TN Flood) : Detail Provided in MFR 25, file name "20 - Adjustment\_5M\_Deferred Nashville Flood Attrition Adjustment.xls"

Line No.	GL Account Number	GL Account Name
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<b>T&amp;D - Maintenance Expense</b>		
1	74200	Manufactured Gas Production: Production Equipment: Maintenance Expense
2	84400	Other Gas Supply Expenses: Other Storage Expenses (LNG): Structures: Maintenance Expense
3	84700	Other Gas Supply Expenses: Other Storage Expenses (LNG): Liquefaction Equipment: Maintenance Expense
4	84810	Other Gas Supply Expenses: Other Storage Expenses (LNG): Compressor Equipment: Maintenance Expense
5	84820	Other Gas Supply Expenses: Other Storage Expenses (LNG): Measuring and Regulating Equipment: Maintenance Expense
6	84830	Other Gas Supply Expenses: Other Storage Expenses (LNG): Other Equipment: Maintenance Expense
7	86100	Transmission: Supervision and Engineering: Maintenance Expense
8	86300	Transmission: Mains: Maintenance Expense
9	86301	Transmission: Damage to Transmission Mains by Others: Maintenance Expense
10	86303	Transmission: Leak Survey: Maintenance Expense
11	86304	Transmission: Line Locate and Crossing: Maintenance Expense
12	86305	Transmission: Valve Inspection and Survey: Maintenance Expense
13	86306	Transmission: Valve Maintenance: Maintenance Expense
14	86307	Transmission: Rights of Way Maintenance: Maintenance Expense
15	86308	Transmission: Painting Transmission Valves: Maintenance Expense
16	86310	Transmission: Corrosion Control - Periodic Testing: Maintenance Expense
17	86320	Transmission: Corrosion Control - Troubleshooting: Maintenance Expense
18	86330	Transmission: Corrosion Control - Repair: Maintenance Expense
19	86340	Transmission: Maintenance of Mains - Pipe Integrity: Maintenance Expense
20	86400	Transmission: Compressor Maintenance: Maintenance Expense
21	86500	Transmission: Measuring and Regulating Station Equipment: Maintenance Expense
22	86510	Transmission: Maintenance of Meter and Regulator, Farm Taps and Post Regular Stations: Maintenance Expense
23	86800	Transmission: Maintenance of Power Generation Facilities: Maintenance Expense
24	88500	Distribution: Supervision and Engineering: Maintenance Expense
25	88600	Distribution: Structures and Improvements: Maintenance Expense
26	88700	Distribution: Mains: Maintenance Expense
27	88701	Distribution: Damage to Distribution mains by Others: Maintenance Expense
28	88702	Distribution: Billed for Damage by Others (Contra): Maintenance Expense
29	88703	Distribution: Leak Survey: Maintenance Expense
30	88704	Distribution: Valve Inspection and Survey: Maintenance Expense
31	88705	Distribution: Rights of Way Maintenance: Maintenance Expense
32	88710	Distribution: Corrosion Control - Periodic Testing: Maintenance Expense
33	88720	Distribution: Corrosion Control - Troubleshooting: Maintenance Expense
34	88730	Distribution: Corrosion Control - Repair: Maintenance Expense

Piedmont Natural Gas Company, Inc.  
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Line No.	Account Number	GL	GL Account Name
35	88900		Distribution: Measuring and Regulating Station Equipment: Maintenance Expense
36	88910		Distribution: Painting Measuring and Regulating Station Equipment: Maintenance Expense
37	89000		Distribution: Measuring and Regulating Station Equipment - Industrial: Maintenance Expense
38	89010		Distribution: Painting Industrial Measuring and Regulating Station Equipment: Maintenance Expense
39	89100		Distribution: Measuring and Regulating Station Equipment - City Gate Check Stations: Maintenance Expense
40	89110		Distribution: Painting City Gate Measuring and Regulating Station Equipment: Maintenance Expense
41	89200		Distribution: Maintenance of Services: Maintenance Expense
42	89201		Distribution: Damage to Services by Others: Maintenance Expense
43	89202		Distribution: Billed for Damage to Services by Others (Contra): Maintenance Expense
44	89203		Distribution: Relocation of Service: Maintenance Expense
45	89204		Distribution: Billed for Relocation of Service (Contra): Maintenance Expense
46	89210		Distribution: Maintenance of Services - Corrosion Control - Periodic Testing: Maintenance Expense
47	89220		Distribution: Maintenance of Services - Corrosion Control - Troubleshooting: Maintenance Expense
48	89230		Distribution: Maintenance of Services - Corrosion Control - Repair: Maintenance Expense
49	89310		Distribution: Maintenance of Meters and House Regulators: Labor and Expenses
50	89315		Distribution: Maintenance of Meters and House Regulators: Field Painting: Maintenance Expense
51	89320		Distribution: Maintenance of Meters and House Regulators - Materials: Maintenance Expense
52	89400		Distribution: Maintenance of Other Equipment: Maintenance Expense
			<b>T&amp;D - Operation Expense</b>
53	71700		Manufactured Gas Production: Vaporization Equipment: Operation Expense
54	80720		Manufactured Gas Production: Purchased Gas Expenses - Labor: Operation Expense
55	80750		Manufactured Gas Production: Telemeter Telegraph Lines: Operation Expense
56	84000		Other Gas Supply Expenses: Other Storage Expenses (LNG): Supervision and Engineering - Labor: Operation Expense
57	84010		Other Gas Supply Expenses: Other Storage Expenses (LNG): Supervision and Engineering - Expenses: Operation Expense
58	84100		Other Gas Supply Expenses: Other Storage Expenses (LNG): Labor: Operation Expense
59	84110		Other Gas Supply Expenses: Other Storage Expenses (LNG): Expenses: Operation Expense
60	84210		Other Gas Supply Expenses: Other Storage Expenses (LNG): Fuel Expense: Operation Expense
61	85000		Transmission: Supervision and Engineering: Operation Expense
62	85300		Transmission: Compressor Operation: Operation Expense
63	85600		Transmission: Mains Services Expense: Operation Expense
64	85700		Transmission: Measuring and Regulating Station Expense: Operation Expense
65	87000		Distribution: Supervision and Engineering: Operation Expense
66	87100		Distribution: Load Dispatching: Operation Expense
67	87400		Distribution: Mains and Services Expense: Operation Expense
68	87410		Distribution: Line Locate: Operation Expense
69	87500		Distribution: Measuring and Regulating Station - General: Operation Expense
70	87600		Distribution: Measuring and Regulating Station - Industrial: Operation Expense
71	87700		Distribution: Measuring and Regulating Station - City Gate Check Stations: Operation Expense

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Line No.	GL Account Number	GL Account Name
72	87810	Distribution: Meter Changeout - State Regulations: Operation Expense
73	87815	Distribution: Meter Changeout - Nashville Renewals: Operation Expense
74	87821	Distribution: Installations On New Service: Operation Expense
75	87825	Distribution: Service Turn Ons/Offs - Reimbursable Cost: Operation Expense
76	87827	Distribution: Service Turn Ons/Offs - Non Reimbursable Cost: Operation Expense
77	87828	Distribution: Other Field Expenses: Operation Expense
78	87830	Distribution: Other Office Shop Expenses: Operation Expense
79	87910	Distribution: Free Work - Supervision: Operation Expense
80	87920	Distribution: Free Work - Air Conditioners: Operation Expense
81	87930	Distribution: Free Work - New Customers: Operation Expense
82	87940	Distribution: Free Work - Hazardous Conditions: Operation Expense
83	87950	Distribution: Free Work - Pilots - Turn Ons/Offs: Operation Expense
84	87960	Distribution: Free Work - Operation of Equipment and Appliances: Operation Expense
85	87970	Distribution: Free Work - Misc: Operation Expense
86	88010	Distribution: Other Distribution Expenses - Labor: Operation Expense
87	88020	Distribution: Other Distribution Expenses - Utilities: Operation Expense
88	88030	Distribution: Other Distribution Expenses - Misc: Operation Expense
89	88100	Distribution: Rents: Operation Expense
		<b>Uncollectible Accounts Expense</b>
90	90400	Provision for Uncollectible Accounts - Gas
		<b>Other Customer Accounts Expense</b>
91	90100	Supervision - Customer Accounting and Collecting
92	90200	Meter Reading
93	90205	Servicemen
94	90310	Customer Records - Applications - Credit Investigations - Orders
95	90315	Bill Investigations By Servicemen
96	90320	Collection Expenses (except for that covered by 90325)
97	90325	Collection Expenses By Servicemen
98	90330	Customer Billing and Accounting
99	90340	Equipment Rental - Customer Accounting
100	90360	Utility Services - Customer Accounting
101	90370	Postage - Customer Accounting
102	90500	Misc Customer Account Expenses
103	90900	Supervision - Customer Service
104	91020	Customer Assistance Expense - Other
105	91100	Informational Advertising Expense

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Line No.	GL Account Number	GL Account Name
106	93100	<b>Rents</b>
		Rents
107	92300	<b>Outside Services</b>
		Outside Services Operations
108	92400	<b>Risk Insurance</b>
		Property Insurance
109	92510	Insurance Premiums - Injuries and Damages
110	92515	Self Insurance - Injuries and Damages
		<b>Regulatory Expenses</b>
111	92800	Regulatory Comm Expenses
		<b>Misc A&amp;G</b>
112	92110	Supplies And Expenses
113	92520	Safety Programs, Supplies and Training
114	93000	General Expenses
115	93105	Non-Rent Costs - IT Leases
116	93210	Maintenance of Telemetry: Labor and Expenses
117	93220	Maintenance of Telemetry: Materials
118	93230	Maintenance of Other General Plant: Labor - Materials - Expenses
119	92201	Salaries - Administrative Transfer Credit
120	92202	SIP - Administrative Transfer Credit
121	92203	Pension - Administrative Transfer Credit
122	92204	Insurance - Administrative Transfer Credit
123	92205	Other Administrative Expense - Transfer Credit
124	TBD	Energy Efficiency Program Funding
125	TBD	GTI Funding
		<b>General Advertising</b>
126	91700	General Advertising Expenses
		<b>Other Sales Expense</b>
127	91500	Sales Supervision
128	91600	Miscellaneous Sales Expenses
129	91631	Commercial Gas Cooking Education
		<b>Group Insurance Benefits</b>
130	92620	Employee Benefits: Insurance Premiums & Payments
		<b>Defined Contribution Pension &amp; Administration</b>
131	92610	Employee Pensions
132	92611	Employee Pension - Supplemental
		<b>Salary &amp; Payroll Investment Plan (401k)</b>
133	92625	Employee Benefits - 401k Plans

Piedmont Natural Gas Company, Inc.  
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Line No.	GL Account Number	GL Account Name
<b>Other Employee Benefits &amp; Training</b>		
134	92150	Training - Internal - General and Administrative
135	92151	Training - External - General and Administrative
136	92900	Training
137	92905	Training - Service Apprentices
138	92630	Employee Benefits - Education
139	92640	Employee Benefits - Misc
140	92650	Employee Relocation Expenses
<b>MVP</b>		
141	MVP (booked to GL 92000: Administrative and General Salaries)	
<b>STIP</b>		
142	STIP (booked to GL 92000: Administrative and General Salaries)	
<b>LTIP</b>		
143	LTIP (booked to GL 92000: Administrative and General Salaries)	
<b>Other Pay &amp; Incentives</b>		
144	Other Pay & Incentives (booked to GL 92000: Administrative and General Salaries) -- Not included for recovery in this rate proceeding	
<b>Deferred Expense Regulatory Amortizations</b>		
145	Defined Benefit Pension Expense Deferral - Regulatory Asset GL Account 18617 and O&M Account 92610	
146	Environmental Cleanup Expense Deferral - Regulatory Asset GL Accounts 18612 and 18645, and Other Deferred Credit Account 25360	
147	2011 Rate Case Expense Deferral - Regulatory Asset GL Account 18666	
148	2010 TN Flood Expense Deferral - Regulatory Asset GL Account 18640	

**Piedmont Natural Gas Company**  
**Docket No. 11-00144**  
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**Issued September 22, 2011**

44. Describe in detail the Company's methodology for allocating Corporate operating expenses to Tennessee. Provide a calculation of any percentages used with underlying assumptions.

**Response:** The Company has historically used the percentage of net plant by state jurisdiction to allocate Corporate expenses. Corporate expenses are reviewed for jurisdictional responsibilities, and then accordingly charged to either code '088' for two-state responsibilities (North Carolina and South Carolina joint responsibilities) or code '000' for three-state responsibilities (North Carolina, South Carolina and Tennessee joint responsibilities). An example of a two-state responsibility is the Company's LNG plants physically located in North Carolina; since these facilities serve and provide benefit to the Company's North Carolina and South Carolina customers, the operating expenses are split between these two states. An example of a three-state responsibility is the Controller's area, which handles all the accounting, financial reporting and tax services for the Company.

The calculation of the net plant percentage by state is based upon the amount of net plant excluding joint property at each fiscal year end. Those percentages are used to allocate joint expenses for the following fiscal year. For example, the Corporate expenses incurred during fiscal year 2011 are allocated based on the net plant percentage as of October 31, 2010, which represents the last day of the Company's fiscal year 2010.

The Test Period represented in this rate case filing captured expenses recorded in fiscal years 2010 and 2011. The Attrition Period represented in this rate case filing captures expenses that will be recorded in fiscal years 2012 and 2013. Consistent with practice used and approved in the Company's prior rate cases, the allocation of Corporate operating expenses in the Attrition Period was based upon the net plant percentage on the last day of the Test Period – May 31, 2011.

See the CONFIDENTIAL attachment which shows the derivation of the net plant percentage allocators that applied to the Test Period and Attrition Period expenses in this rate case.

Response provided by Piedmont Natural Gas on October 13, 2011.

**This Response/Attachment is designated**

**CONFIDENTIAL**

**and has been filed under seal.**



**Piedmont Natural Gas Company**  
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47. Provide the methodology Piedmont uses to allocate Corporate salaries to Tennessee. Provide all calculations and assumptions used in arriving at a percentage.

**Response:** Please refer to the Company's response to Item 44 of this data request, where the Company provided an explanation of the methodology it uses to allocate Corporate operating expenses to Tennessee (and to its other two state jurisdictions). Since Corporate salaries are an operating expense, the methodology described in response to Item 44 applies to the allocation of Corporate salaries as well.

Response provided by Piedmont Natural Gas on October 13, 2011.

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48. Staff notes that there are 46 open positions (7 in Tennessee and 37 at the Corporate level) that have been included in the Company's calculation of Salaries and Wages Expense for the Attrition Year. On Piedmont's spreadsheet (ADJUSTMENT\_5A\_TN ATTRITION PERIOD S&W\_DETAIL) it appears that Corporate Salaries were not allocated, but instead the full salaries charged to Tennessee. Please explain.

**Response:** In that excel file 6 (Adjustment\_5A\_TN Attrition Period S&W\_detail.xls), which was provided in MFR 25, see that row 15 on the tab labeled "Summary" shows total Corporate Office 3-state salary and wages for straight time, row 16 shows the percentage allocated to Tennessee operations, and row 17 shows the amount of Corporate Office 3-state salary and wages for straight time allocated to Tennessee operations (which are the amounts in row 15 multiplied by the percentage in row 16). The total TN allocated amount of Corporate Office 3-state straight time salary and wages for the Attrition Period is \$8,149,863, as shown in cell F17. This TN allocated straight time amount is also shown on row 8 of MFR 25, file 5, on the tab labeled "SW1". The "SW1" tab in file 5 combines the Attrition Period expense amounts for straight time and overtime salary and wages for TN Direct and allocated Corporate Office 3-state, and makes adjustments for capitalized salaries and wages as well as for the amounts allocated towards non-utility functions.

Response provided by Piedmont Natural Gas on October 13, 2011.

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49. How many current employees are based in Tennessee? How many Corporate employees allocate a portion of their salary to Tennessee?

**Response:** As of May 31, 2011 there were 179 active employees in Tennessee: 30 salaried and 149 non-salaried. Piedmont also had 592 active employees that allocated a portion of their salary to Tennessee: 363 salaried, 227 non-salaried, and 2 “summer-off” non-salaried.

Response provided by Piedmont Natural Gas on October 13, 2011.

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50. Explain why there are currently 46 open positions. Are these new positions or recently vacated positions? Explain.

**Response:** See the attached CONFIDENTIAL file.

Response provided by Piedmont Natural Gas on October 13, 2011.

**This Response/Attachment is designated**

**CONFIDENTIAL**

**and has been filed under seal.**

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51. Provide the number of TN Direct employees and Corporate allocated employees at May 2006, May 2007, May 2008, May 2009 and May 2010.

**Response:** The following table shows the number of active employees by date:

	<u>Tennessee Direct</u>	<u>Corporate Office 3-State</u>
May 31, 2006	268	514
May 31, 2007	234	516
May 31, 2008	195	504
May 31, 2009	190	540
May 31, 2010	192	538

Response provided by Piedmont Natural Gas on October 13, 2011.

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52. Does Piedmont intend to hire 46 new employees during the Attrition Year? If so, provide the Company's plan as to which employee positions will be filled in each month of the Attrition Year.

**Response:** The 7 open positions in Tennessee and 37 open positions in the Corporate Office represent a level of employee count considered to be necessary for operations. Piedmont is currently seeking qualified applicants for these positions and intends to fill the positions as soon as possible based on the level of qualified applicants. In fact, some of the open positions identified at May 31, 2011 have already been filled.

Response provided by Piedmont Natural Gas on October 13, 2011.

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53. Provide the number of customers in North Carolina, South Carolina and Tennessee at May 2008, May 2009, May 2010 and May 2011.

**Response:** See the attached schedule.

Response provided by Piedmont Natural Gas on October 13, 2011.



	<u>May-08</u>	<u>May-09</u>	<u>May-10</u>	<u>May-11</u>
<b><u>Tennessee</u></b>				
Residential	147,225	146,703	148,326	149,468
Commercial	16,862	16,631	16,825	16,789
Industrial / Large Volume	185	179	182	183
Special Contract	3	2	2	2
<b>Total</b>	<b>164,275</b>	<b>163,515</b>	<b>165,335</b>	<b>166,442</b>
<b><u>North Carolina</u></b>				
Residential	595,979	594,814	600,373	605,982
Commercial	65,712	65,648	65,158	65,578
Industrial / Large Volume	706	655	683	654
Special Contract	20	20	18	17
<b>Total</b>	<b>662,417</b>	<b>661,137</b>	<b>666,232</b>	<b>672,231</b>
<b><u>South Carolina</u></b>				
Residential	116,360	116,419	117,061	117,900
Commercial	14,144	14,077	13,961	13,874
Industrial / Large Volume	126	121	114	111
Special Contract	10	10	10	9
<b>Total</b>	<b>130,640</b>	<b>130,627</b>	<b>131,146</b>	<b>131,894</b>

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54. Provide evidence to support the assumption of a 15% increase in PPO and HDHP medical plans.

**Response:** Piedmont relies on the projections from Mercer to budget for future expenses under these plans. See the attached CONFIDENTIAL material provided to Piedmont from Mercer regarding the projected 15% increase.

Response provided by Piedmont Natural Gas on October 13, 2011.

**This Response/Attachment is designated**

**CONFIDENTIAL**

**and has been filed under seal.**

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55. Provide an agreement for the following:

- a. PIP;
- b. SIP;
- c. STIP; and
- d. .MVP.

**Response:** N/A. The Company does not execute any agreements with employees related to these four matters.

Response provided by Piedmont Natural Gas on October 13, 2011.

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63. Please update all spreadsheets provided in MFR # 69 thru May, 2011, in Excel format.

**Response:** MFR 69 spreadsheets have been updated and are provided in Excel format on the enclosed CD.

Response provided by Piedmont Natural Gas on October 13, 2011.

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64. Reconcile Adjustment 20 amount of \$123,552 on Pia Powers Exhibit\_(PKP-1) Schedule 3, Page 5 with Adjustment 20 amount of \$55,489 on Exhibit\_(PKP-1), Schedule 3, Page 1 (column 4).

**Response:** The \$123,552 amount for Adjustment 20 as shown on Exhibit\_(PKP-1) Schedule 3, Page 5 was incorrect. Instead, it should have shown \$55,489 for Adjustment 20, as correctly presented on Exhibit\_(PKP-1), Schedule 3, Page 1 (column 4).

Response provided by Piedmont Natural Gas on October 13, 2011.

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65. Regarding Company response to MFR 57, do the amounts excluded include an allocated portion of salary and benefits for those employees directly involved in the mentioned activities, for instance the Nashville Christmas parade?

**Response:** No, with one exception. One of the excluded expenses was an allocated portion of one employee's salary – the employee in the Company who engages in lobbying for a certain defined period of time during of the year. The excluded amount of this employee's salary represents the pro rata amount for the hours this employee devotes to lobbying efforts annually.

Response provided by Piedmont Natural Gas on October 13, 2011.

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66. Reconcile test period amounts for Rate Base on PKP-1, Schedule 3 to Rate Base amounts on Piedmont May 2011 Monthly Report, page 1 column G.

**Response:** See attachment.

Response provided by Piedmont Natural Gas on October 13, 2011.



	<u>Plant in Service</u>	<u>CWIP</u>	<u>Accumulated Depreciation</u>	<u>Contributions in Aid of Construction</u>	<u>Allowance for Working Capital</u>	<u>Accumulated Deferred Income Taxes</u>
<b>Rate base on PKP-1, Schedule 3</b>						
Tennessee Direct	\$ 599,631,077	\$ 23,351,460	\$ 294,438,167	5,117,404	32,266,454	70,746,183
Joint Property Allocated *	32,209,425	573,636	19,333,602			
Tennessee Direct Amortization			139,221			
	<u>631,840,502</u>	<u>23,925,096</u>	<u>313,910,990</u>	<u>5,117,404</u>	<u>32,266,454</u>	<u>70,746,183</u>
* Joint Property Allocated at 16.88% on basis of net plant at May 31, 2011.						
<b>Rate Base on Piedmont May 2011 Monthly Report, page 1 column G</b>						
Tennessee Direct	\$ 599,631,077	\$ 23,337,630	\$ 294,438,167	5,117,404	18,407,798	69,277,677
Joint Property Allocated *	32,591,054	582,981	19,562,672			
Tennessee Direct Amortization			0			
	<u>632,222,131</u>	<u>23,920,611</u>	<u>314,000,839</u>	<u>5,117,404</u>	<u>18,407,798</u>	<u>69,277,677</u>
* Joint Property Allocated at 17.08% on basis of net plant at October 31, 2010.						
<b>DIFFERENCE</b>	<b>\$ (381,629)</b>	<b>\$ 4,485</b>	<b>\$ (89,849)</b>	<b>\$ -</b>	<b>\$ 13,858,656</b>	<b>\$ 1,468,506</b>

Accumulated  
Deferred Income Taxes

Allowance for  
Working Capital

Contributions in  
Aid of Construction

Accumulated  
Depreciation

CWIP

Plant in Service

**Reconciliation:**

Joint Property  
Difference in Allocation Percentages  
(16.88% - 17.08%)  
Joint Property Allocated Difference  
190,814,134  
-0.20%  
(381,628)  
May 2011 TN charges to 10700 with no project number, reclassified for  
Report 303 purposes to Joint Property 13,830  
Less: Book JP Balance allocated at 16.88% 573,636  
Plus: Report 303 Balance allocated at 17.08% 582,981  
4,485

Joint Property  
Difference in Allocation Percentages  
(16.88% - 17.08%)  
Joint Property Allocated Difference  
Tennessee Direct Amortization  
114,535,560  
-0.20%  
(229,071)  
139,221  
(89,850)

PKP-1, Schedule 3 shows a computed Working Capital  
Allowance based on a complete review of the Balance Sheet and a current Lead/Lag Study.  
May 31, 2011 Monthly Report only includes Gas Inventory and Materials & Supplies Inventory  
The difference in the two methodologies:

13,858,656

May 31, 2011 Book Balance Deferred FIT (Account 28210 TN)  
May 31, 2011 Book Balance Deferred SIT (Account 28220 TN)  
May 31, 2011 Book Balance Deferred FIT Current (Account 28230 TN)  
May 31, 2011 Book Balance Deferred SIT Current (Account 28240 TN)  
Balance Per PKP-1, Schedule 3  
Balance per May 2011 Monthly Report  
Difference

56,170,719  
10,251,925  
3,608,256  
715,283  
70,746,183  
69,277,677  
1,468,506

May 31, 2011 Book Balance Deferred FIT (Account 28210 3-state)  
Allocated in error to Tennessee at net plant percentage of 17.08%, this amount is applicable to NC/SC only  
May 31, 2011 Monthly Report will be corrected.

8,597,807  
17.08%  
1,468,505

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68. Provide a narrative and schedule (with supporting calculations) summarizing MFG 25, schedule 30 and back-up workpapers. This narrative and schedule should demonstrate how the company, utilizing the schedules in 30, arrived at the rate base amounts on Exhibit PKP-1, Schedule 3 for Accumulated Depreciation for the test period and attrition period.

**Response:** See attachment.

Response provided by Piedmont Natural Gas on October 13, 2011.

MFR 25, file 30 shows the computation of the Tennessee accumulated depreciation monthly balance for the period June 2011 through February 2013, and the monthly depreciation expense for the same period. MFR 25, file 30 includes the following 7 tabs:

<u>TAB</u>	<u>Description</u>	<u>Information Flow</u>
13 month Average ACC DEP	This schedule computes the ending monthly balance for Tennessee's accumulated depreciation (TN direct plus allocated joint property) by month from the end of the Test Period through the Attrition Period. This tab also computes the thirteen-month average balance for accumulated depreciation for the Attrition Period. For each month shown on this tab, it rolls the accumulated depreciation balance forward from the prior month and adds to it depreciation expense from the projected net plant amount for that month. The depreciation expense from projected net plant each month reflects the calculated total TN Direct depreciation expense for that month, plus the TN allocated joint property depreciation expense for that month, less the plant retirements for TN direct and joint property for that month, and less the TN Direct net salvage amount for that month.	Cell C9 on this tab shows the 5/31/11 balance for accumulated depreciation, totaling \$313,771,769. This amount <i>plus</i> the \$139,221 balance for accumulated amortization at 5/31/11 totals \$313,910,990, which is the amount shown on Exhibit PKP-1, Schedule 3 for the Test Period. Cell D53 shows the Attrition Period 13-month average balance for accumulated depreciation, totaling \$336,554,591. This amount <i>plus</i> the \$139,221 Attrition Period 13-month average balance for accumulated amortization totals \$336,693,812, which is the amount shown on Exhibit PKP-1, Schedule 3 for the Attrition Period. The source for the TN Direct depreciation expense by month and TN allocated joint property depreciation expense by month, as respectively shown in columns G and J on this tab, is the calculations performed in the other tabs of this excel workbook; the source for the TN direct and joint property retirements by month and for TN direct net salvage by month, as shown respectively in columns J, I and K on his tab, is the calculations performed in the excel workbook provided in MFR 25, file 32. See page 3 of this response for full
13 month Average ACC DEP_TN Dir	This schedule is the same as above, except it does not include the allocation of joint property.	
13 month Average ACC AMORT	This schedule computes the ending monthly balance for Tennessee's accumulated amortization (TN direct property only) by month from the end of the Test Period through the Attrition Period. This tab also computes the thirteen-month average balance for accumulated amortization for the Attrition Period.	Cell C9 on this tab shows the 5/31/11 balance for accumulated amortization, totaling \$139,221. This amount comes from plant accounts 30100, 30200 and 30300 -- these are the accounts for Intangible Plant. See rows 8 thru 12 on the tab "TN Dep Expense" for the amounts by month by plant account for the \$139,221 accumulated amortization balance.

<u>TAB</u>	<u>Description</u>	<u>Information Flow</u>
TN Dep Expense	<p>This schedule computes the projected depreciation expense for Tennessee's direct plant by account based on current depreciation rates through February 2012, based on new depreciation rates as proposed in this filing for the Attrition Period (March 2012 through February 2013), and based on the Company's budgeted capital expenditures for the period June 2011 through February 2013.</p>	<p>The depreciation expense calculated by month for TN direct plant on this tab feeds into the tab "Depreciation Summary", which in turn feeds into the tab "13 month Average ACC DEP".</p>
JP Dep Expense	<p>This schedule computes the projected depreciation expense for the joint plant allocated to Tennessee for the period June 2011 through February 2013.</p>	<p>The depreciation expense calculated by month for Tennessee's allocated joint property on this tab feeds into the tab "Depreciation Summary" column Z and into tab "13 month Average ACC DEP" column G.</p>
Depreciation Summary	<p>This schedule summarizes the depreciation expense computed in tabs "TN Dep Expense" and "JP Dep Expense" by month and computes the depreciation expense for Tennessee (direct and joint allocated) for the Attrition Period.</p>	<p>The total TN Direct depreciation expense by month in row 66 of this tab feeds column G on the tab "13 month Average ACC DEP".</p>
Exhibit PKP-1_pg6	<p>This schedule shows the difference in depreciation expense in the Attrition Period based on the current rates and the proposed rates.</p>	<p>The calculations on this tab were used to develop Exhibit PKP-1, Schedule 3, Page 6.</p>

Exhibit PKP-1, Schedule 3 Line 19 shows the Test Period accumulated depreciation balance at 5/31/11 of \$313,910,990, and the Attrition Period 13-month average accumulated depreciation balance of \$336,693,812. These amounts were computed as follows:

<b>Test Period Accumulated Depreciation</b>			
May 31, 2011 Balance per Books for Tennessee Direct Accumulated Depreciation			<b>294,438,167</b>
May 31, 2011 Balance per Books 3-State Joint Property Accumulated Depreciation Expense			
		Allocated to TN (a)	
	Balance		
38100	Meters	(2,816,179)	(475,371)
38110	Meter Accessories	630,422	106,415
38120	Meter Accessories, ERTs	13,123,092	2,215,178
39000	Structures and Improvements	(1,827,687)	(308,514)
39010	Leasehold Improvements	1,215,283	205,140
39100	Office Furniture and Equipment	1,325,181	223,691
39110	Computer Hardware/Software	13,333,383	2,250,675
39120	PC Equipment	14,184,424	2,394,331
39130	Customer Information System	23,116,775	3,902,112
39140	Client Server Applications	41,960,449	7,082,924
39200	Transportation Equipment	390,498	65,916
39400	Tools, Shop and Garage Equip	6,206	1,048
39700	Communication Equipment	9,893,703	1,670,057
			<b>19,333,602</b>
(a) Allocated to Tennessee on the basis of net plant at May 31, 2011 (the end of the Test Period). The Tennessee portion is 16.88%.			
May 31, 2011 Balance per Books for Tennessee Direct Accumulated Amortization			<b>139,221</b>
<b>TOTAL TENNESSEE TEST PERIOD</b>			<b>313,910,990</b>

#### **Attrition Year Accumulated Depreciation**

The computation of the projected Attrition Period 13-month average accumulated depreciation balance is based on the calculation of the projected Attrition Period 13-month average plant in service. The starting point is the Test Period ending balance, including allocated joint property. Based on the Company's construction budget, monthly additions by functional account are added to plant in service, average retirements are subtracted and the resulting month ending balance is used to compute projected depreciation expense. This computation is prepared for both Tennessee direct and joint property. The projected depreciation expense is added to the previous month's balance, average Tennessee and allocated joint property retirements are subtracted, average net salvage (salvage *minus* cost of removal) is subtracted, and a projected month ending accumulated depreciation balance is computed. This calculation is repeated monthly through the end of the Attrition Period. The last thirteen months are averaged for the Attrition Period average.

Added to the accumulated depreciation balance is the accumulated amortization balance. Intangible Plant accounts 30100 (Organization Costs), 30200 (Franchises and Consents) and 30300 (Misc. Intangible Plant) were amortized rather than depreciated. These accounts are fully amortized. The balance in accumulated amortization is added to the computed accumulated depreciation to obtain the amount represented as "Accumulated Depreciation" on Exhibit PKP-1, Schedule 3, Page 1.

MFR 25, file 30 contains seven tabs used in the calculations below. In addition, MFR 25, file 32 ("32 - Adjustment\_12 & 13\_TN Plant in Service.xls") contains the calculation of average retirements and net salvage for Tennessee direct and joint property. The below schedule shows the calculation of the projected accumulated depreciation balance at June 30, 2011 as an example:

May 31, 2011 Tennessee Direct plus allocated Joint Property Accumulated Depreciation	<b>313,771,769</b>
June 2011 Tennessee Direct Depreciation Expense (see tab "TN Dep Expense")	<b>1,693,463</b>
June 2011 Allocated Joint Property Depreciation Expense (see tab "JP Dep Expense")	<b>217,342</b>
June 2011 Average Retirements Tennessee (see tab "Avg Retires TN" in MFR25, file 32)	<b>(173,018)</b>
June 2011 Average Retirements Joint Property Allocated (see tab "Avg Retires JP" on MFR25, Schedule 32)	<b>(120,701)</b>
June 2011 Average Net Salvage (see tab "Avg Net Salvage TN" in MFR25, file 32)	<b>(7,060)</b>
Projected June 30, 2011 Accumulated Depreciation balance (see tab "13 month Avg ACC DEP")	<b>315,381,795</b>

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72. Provide a detailed listing supporting the Overtime Payroll of \$103,227 listed in MFG 25, Schedule 20. Detail 1, for flood clean up. This should include the date, employee name, number of hours, location of work, etc.

**Response:** See attached CONFIDENTIAL schedule showing overtime hours worked by employee by project number. The charges for these overtime hours worked totals \$103,227. The following CONFIDENTIAL attachment explains the work location associated with each project number.

Response provided by Piedmont Natural Gas on October 13, 2011.

**This Response/Attachment is designated**

**CONFIDENTIAL**

**and has been filed under seal.**



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73. Provide a detailed listing supporting the Accounts Payable of \$323,930 listed in MFG, Schedule 20, Detail 2, for flood clean up. This should include the date the material was used, description of the material with amount, location used, etc.

**Response:** See attached CONFIDENTIAL schedule showing detail for the \$323,930 of expenses for pipeline installation (charged from third-party contractors) related to the flood response and cleanup. Please refer to the project number descriptions provided in the Company's response to Item 72 of this data request for further detail regarding the location for these expenses. Also see the attached CONFIDENTIAL backup material supporting the first accounts payable charge listed in the excel schedule, as well as for the two CONCUR charges listed at the bottom of the excel schedule. Due to the time constraints in this discovery process and the volume of material entailed, Piedmont did not extract similar backup materials from its files and systems to support the other accounts payable charges in this excel schedule, which are of similar nature to the one provided.

Response provided by Piedmont Natural Gas on October 13, 2011.

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74. Provide a detailed listing supporting the Street Repair of \$2,977 listed in MFR, Schedule 20, Detail 3, for flood clean up. This should include the date, location and description of the repair.

**Response:** See attached CONFIDENTIAL schedule showing detail for the \$2,977 of expenses for street repair (charged from third-party contractors) related to the flood response and cleanup. Please refer to the project number descriptions provided in the Company's response to Item 72 of this data request for further detail regarding the location for these expenses by project number.

Response provided by Piedmont Natural Gas on October 13, 2011.

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