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November 30, 2016

**Via Hand-Delivery
and Email**

Executive Director Earl Taylor
c/o Sharla Dillon
Tennessee Regulatory Authority
502 Deaderick Street, Fourth Floor
Nashville, Tennessee 37243

16-00140

***Re: Petition of Piedmont Natural Gas, Inc. for Approval of an Integrity
Management Rider to its Approved Rate Schedules and Service Regulations***

Dear Mr. Taylor:

Enclosed please find an original and five (5) copies of Piedmont Natural Gas Company Inc.'s ("Piedmont" or "Company") Integrity Management Rider ("IMR" or "Rider") mechanism annual filing and proposed annual rate adjustment for January 1, 2017 pursuant to this Rider.

Under Piedmont's IMR mechanism, Service Schedule No. 317 as approved by the Authority Order on May 13, 2014, Piedmont will adjust its rates effective January 1st of each year in order to recover the costs associated with the Company's prior year's integrity management capital investment not yet reflected in Piedmont's base rates.

Piedmont's IMR requires that Piedmont submit an annual filing no later than November 30th of each year.

The calculation of the Integrity Management Revenue Requirement ("IMRR") in this annual filing is slightly revised from the calculation in previous annual filings due to the impact of certain accumulated deferred income tax adjustments on rate base which were made in order to reflect the Protecting Americans from Tax Hikes Act of 2015 enacted in December 2015, and to comply with IRS tax normalization requirements. However, this change in the IMRR calculation did not result in a materially different revenue requirement. We are happy to discuss the justification for this accumulated deferred income tax adjustment at Staff's convenience.

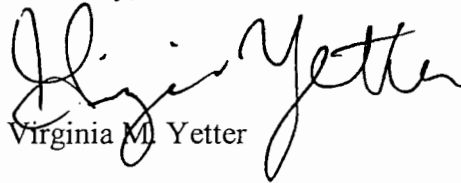
Piedmont hereby submits its 2016 annual filing which includes the following information in accordance with Service Schedule No. 317: (a) the monthly IMR filing for October 2016, (b) a schedule of all journal entries made related to this Rider for the previous 12 months, (c) billing determinants for the prior 12 months as used in the computation of the Deferred Account Adjustment, (d) capitalization policy effective for the prior 12 months, (e) the computation calculating the IMRR and all supporting schedules, (f) a schedule of any proposed prior period adjustments, and (g) a statement of whether the Company is aware of any changing conditions that may affect whether the rider is still in the public interest, including the identification of those

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factors. This filing also includes proposed Fifty-third Revised Sheet No. 1 reflecting the proposed billing rates for January 1, 2017. These proposed rates capture the IMR rate adjustment as well as the expiration of the temporary rate decrement for the deferred tax refund per Docket No. 14-00017.

This material is also being filed today by way of email to the Tennessee Regulatory Authority docket manager, Sharla Dillon. Please file the original and four copies and stamp the additional copies as "filed." Then please return the stamped copy to me by way of our courier.

Sincerely,



Virginia M. Yetter

Enclosures

cc: Pia Powers (Piedmont)
Bruce Barkley (Piedmont)
David Foster (TRA)
Wayne Irvin (TN CAPD)

**Before the
Tennessee Regulatory Authority**

Docket No. 16-_____

**Petition of Piedmont Natural Gas Company, Inc.
for Approval of an Integrity Management Rider to its
Approved Rate Schedules and Service Regulations**

Integrity Management Rider

2016 Annual Filing



November 30, 2016

Docket No. 16-_____
Integrity Management Rider
October 2016 Monthly Report

Cumulative Integrity Management Investment Amount

Actual Integrity Management Investment, by Integrity Project Type

		Current Vintage Year: Vintage Year 4			All Vintage Years
Line No.		October 2016 Capital Expenditure ¹	Prior Cumulative Capital Expenditure ²	Cumulative Capital Expenditure as of October 2016 ³	Cumulative Capital Expenditure as of October 2016 ⁶
<i>TN Direct</i>					
1	Corrosion Control	\$ 19,107.88	\$ 18,305.72	\$ 37,413.60	\$ 5,196,963.89
2	Casing Remediation	\$ -	\$ 35,975.89	\$ 35,975.89	\$ 742,803.13
3	Distribution Integrity	\$ 1,901,005.19	\$ 8,065,754.69	\$ 9,966,759.88	\$ 28,977,734.17
4	Transmission Integrity	\$ 423,230.34	\$ 5,855,490.85	\$ 6,278,721.19	\$ 170,839,159.07
5	Total	\$ 2,343,343.41	\$ 13,975,527.15	\$ 16,318,870.56	\$ 205,756,660.26
<i>Joint Property: CO3-State</i>					
6	OASIS Project (Work & Asset Management System)	\$ 3,499,066.45	\$ 18,399,811.20	\$ 21,898,877.65	\$ 111,939,925.53
7	TN % of CO-3 for Current Month ⁴	17.16%			
8	Total Allocated to TN	\$ 600,439.80	\$ 3,157,407.61	\$ 3,757,847.41	\$ 19,942,912.51
9	Total Capital Expenditures [Line 5 + Line 8]	\$ 2,943,783.21	\$ 17,132,934.76	\$ 20,076,717.97	\$ 225,699,572.77
10	Less: Amount Included in the Attrition Period ⁵	\$ -		\$ -	\$ 32,900,000.00
11	Total Integrity Management Investment	\$ 2,943,783.21	\$ 17,132,934.76	\$ 20,076,717.97	\$ 192,799,572.77

1/ Represents, for the current month, the actual Integrity Management Investment that is subject to this Rider

2/ Represents, as of the prior month, the cumulative Integrity Management Investment for the current Vintage Year that is subject to this Rider; this amount is shown in the prior month's report

3/ Represents, for the current Vintage Year through the current month, the cumulative Integrity Management Investment that is subject to this Rider

4/ Represents the TN% of Total Company Gas Plant Excluding Joint Property, which is updated annually

5/ Amount being recovered in existing base rates, per the Relevant Rate Order in Docket 11-00144

6/ Represents, for all Vintage Years through the current month, the cumulative Integrity Management Investment that is subject to this Rider. The cumulative Integrity Management Investment for Vintage Years 1, 2 and 3, which capture: amounts through 10/31/15, is \$172,722,854.80 (\$100,306,282.52 for Vintage Year 1, \$53,974,676.19 for Vintage Year 2 & \$18,441,896.09 for Vintage Year 3).

Detail of Current Month's Integrity Management Investment Amount
Actual Capital Investment for Current Month, by Capital Funding Project

Line No.	Capital Project Type	Funding Project Number	District	Funding Project Description	October 2016
1	CORR-Corrosion Control	FP1733548	17	Nashville Distribution Remediation	5,737.48
2	CORR-Corrosion Control	FP1734186	17	Nashville New Rectifier & Ground Be	6,371.61
3	CORR-Corrosion Control	FP1734289	17	Bridge Attachments Nashville	87.68
4	CORR-Corrosion Control	FP1734481	17	Magnesium Anode Beds - Nashville	6,911.11
5	DIMP-Distribution Integrity	FP1733573	17	3rd and Hart renewal - upgrade	2,459.06
6	DIMP-Distribution Integrity	FP1733763	17	Harding Place	50,187.20
7	DIMP-Distribution Integrity	FP1733765	17	McGavock Pike	28,518.90
8	DIMP-Distribution Integrity	FP1733766	17	Overhill Circle	43,388.77
9	DIMP-Distribution Integrity	FP1733767	17	Fesslers LN	5,947.77
10	DIMP-Distribution Integrity	FP1733768	17	Raymond ST	117,649.95
11	DIMP-Distribution Integrity	FP1733885	17	2nd Ave North 14" Replacement	3,184.79
12	DIMP-Distribution Integrity	FP1733931	17	Shelby Park RR Bridge Project	394,750.50
13	DIMP-Distribution Integrity	FP1733946	17	State Rte 45 Over Cumberland River	1,272.02
14	DIMP-Distribution Integrity	FP1733947	17	Nolensville Rd. Over RR S of I-440	668,523.22
15	DIMP-Distribution Integrity	FP1734138	17	Electric Avenue Project	110,574.88
16	DIMP-Distribution Integrity	FP1734378	17	Overton Lea DIMP	54,369.07
17	DIMP-Distribution Integrity	FP1734478	17	3rd Ave North Steel Replacement	4,021.81
18	DIMP-Distribution Integrity	FP1734480	17	Emergency Nesbit Lane	416,157.25
19	TIMP-Transmission Integrity	FP1733398	17	South Nashville 20"	(22,891.89)
20	TIMP-Transmission Integrity	FP1733929	17	White Bridge Road @ Post Rd. r	414,586.17
21	TIMP-Transmission Integrity	FP1734119	17	Line 307 Replacement	29,606.75
22	TIMP-Transmission Integrity	FP1734120	17	Line 311 Replacement	1,929.31
23	ISENP-Information Serv Enterprise	FP0026658	00	Work & Asset Management (OASIS)	3,499,066.45

Total (unallocated)

\$ 5,842,409.86

24 subtotal: TN Direct (unallocated)

\$ 2,343,343.41

25 subtotal: CO-3 (unallocated)

\$ 3,499,066.45

\$ 5,842,409.86

Schedule Detailing the Integrity Management Deferred Account Adjustment Recorded for the Month

Calculation of the IM Deferred Account Balance

Amount Due From (To) Customers per GL Account No. 25351

<u>Line No.</u>			<u>Oct-16</u>
1	Beginning Balance	<i>Prior Month's IMR Report</i>	\$ 983,576.39
2	IMR Revenue Recognition	<i>Prior Annual IMR Report</i>	1,021,408.23
3	(Collections from IM Adjustment)	<i>see Separate Schedule</i>	(565,230.48)
4	Ending Balance Before Interest	<i>sum Lines 1 thru 3</i>	1,439,754.14
5	Average Balance	<i>(Line 1 + Line 4) / 2</i>	1,211,665.27
6	Accrued Interest	<i>Line 5 * Line 9</i>	3,534.43
7	Ending Balance After Interest	<i>Line 4 + Line 6</i>	\$ 1,443,288.57
8	Applicable Annual Interest Rate	<i>same as for ACA</i>	0.035000
9	Monthly Interest Rate	<i>Line 8 / 12</i>	0.002917
10	Actual GL #25351 EOM Balance	<i>per GL</i>	\$ 1,443,288.57
11	Variance	<i>Line 7 - Line 10</i>	\$ -

Journal Entry: To Record Revenue

01 01 25351 3 17 6250 489	1,021,408.23
01 01 48010 3 17 6220 489	(609,208.73)
01 01 48110 3 17 6220 489	(318,812.15)
01 01 48120 3 17 6220 489	(13,646.01)
01 01 48300 3 17 6220 489	(285.99)
01 01 48900 3 17 6220 489	(79,455.35)
	-

Journal Entry: To Record Interest

01 01 25351 3 17 6250 626	3,534.43
01 01 43101 3 17 6220 626	(3,534.43)

General Ledger Support

Integrity Management Deferred Account Adjustment Recorded for the Month

Calculation of the IM Adjustment Collections:

		October - 2016			
Line No.		IM Adjustment (\$ per therm)	x	Usage (therms)	= Collections (\$)
1	Residential (301)	0.10144		1,994,565	202,328.67
2	Small Commercial (302)	0.08861		1,874,459	166,095.81
3	Medium Commercial (352)	0.08861		673,787	59,704.27
4	Firm Lg General Sales (303)	0.03936		433,564	17,065.08
5	Firm Lg General Transportation (313)	0.03936		1,315,095	51,762.14
6	Firm Resale (310)	0.03936		-	-
7	Interruptible Lg General Sales (304)	0.00984		21,764	214.16
8	Interruptible Lg General Transportation (314)	0.00984		6,916,702	68,060.35
9	Total				\$ 565,230.48

Journal Entry: To Record Collections

01 01 48010 3 17 6220 489	202,328.67
01 01 48110 3 17 6220 489	166,095.81
01 01 48110 3 17 6220 489	59,704.27
01 01 48120 3 17 6220 489	17,065.08
01 01 48900 3 17 6220 489	51,762.14
01 01 48300 3 17 6220 489	-
01 01 48110 3 17 6220 489	214.16
01 01 48900 3 17 6220 489	68,060.35
01 01 25351 3 17 6250 489	(565,230.48)