

BASS

BERRY • SIMS PLC

A PROFESSIONAL LIMITED LIABILITY COMPANY
ATTORNEYS AT LAW

150 THIRD AVENUE SOUTH, SUITE 2800
NASHVILLE, TN 37201
(615) 742-6200

www.bassberry.com

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

OTHER OFFICES:

KNOXVILLE
MEMPHIS
WASHINGTON, D.C.

October 21, 2013

Via Hand-Delivery

Chairman James M. Allison
c/o Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

Re: *Petition of Piedmont Natural Gas, Inc. for Approval of an Integrity Management Rider to its Approved Rate Schedules and Service Regulations*
Docket No. 13-00118

Dear Chairman Allison:

I am enclosing an original and five (5) copies of Piedmont's Responses to the Consumer Advocate and Protection Division's Informal Questions of September 24, 2013. These responses were sent to the Consumer Advocate on October 1, 2013. This 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 of this filing and stamp the additional copy as "filed". Then please return the stamped copies to me by way of our courier.

Should you have any questions concerning this matter, please do not hesitate to contact me at the email address or telephone number listed above.

With kindest regards, I remain

Very truly yours,



R. Dale Grimes

RDG:smb
Enclosures

Consumer Advocate Questions to Piedmont
TRA Docket No. 13-00118
September 24, 2013

1. Which USOA accounts will be used for the costs recovered in this rider?

Response: Approval of the IMR will not change Piedmont's accounting for utility investments in Tennessee. In other words, the Integrity Management Investment Amount will continue to be recorded in the same balance sheet accounts for utility plant (accounts 10100, 10600, and 10700) and the same utility plant accounts (accounts 3xxxx) that would ordinarily be used. Approval of the IMR will, however, prompt Piedmont to create a new deferred account (account 186xx) for recording the Integrity Management Deferred Account Balance.

There will be four possible entries to the books each month following the effective date of the Rider:

- 1) Integrity Management Deferred Account Adjustment - debit the deferred account and credit an income account for the monthly amount determined in the annual filing.
- 2) Recovery of the deferred account through an increment on customer rates - credit the deferred account and debit revenues.
- 3) Recording of interest owed to or owed from customers – debit/credit the deferred account and debit/credit interest expense.
- 4) Recovery of or refund of the balance in the deferred account at the end of each plan year through an increment or decrement on customer rates – debit/credit the deferred account and debit/credit revenues.

Response provided by Piedmont Natural Gas on October 1, 2013.

Consumer Advocate Questions to Piedmont
TRA Docket No. 13-00118
September 24, 2013

2. What is the forecasted impact on rates for the first three to five years of the rider?

Response: See attachment for detailed calculation of the Integrity Management Revenue Requirement based on the current forecast for the Integrity Management Investment Amount.

In summary:

(in \$ millions)	Projected Integrity Management <u>Investment Amt</u>	Incremental Integrity Management <u>Revenue Req'ment</u>	Total Amount Collectible Through <u>IMR</u>
Year 1	80.3*	10.5	10.5
Year 2	41.1	5.4	15.4
Year 3	5.7	0.7	15.6
Year 4	3.7	0.5	15.5
Year 5	4.5	0.6	15.0
Year 6	6.5	0.8	14.5

* The \$80.3 million reflects the current projected Integrity Management Investment Amount of \$113.3 million at October 31, 2013 less the \$33 million included in the 2011 rate case.

Response provided by Piedmont Natural Gas on October 1, 2013.

Piedmont Natural Gas Company, Inc.
Integrity Management Rider
State of Tennessee

Illustration of Annual Revenue Requirement Computation

Rate Period	Jan 1 2014 - Dec 31 2014	Jan 1 2015 - Dec 31 2015	Jan 1 2016 - Dec 31 2016	Jan 1 2017 - Dec 31 2017	Jan 1 2018 - Dec 31 2018	Jan 1 2019 - Dec 31 2019
Vintage 1	10,483,571	10,082,607	9,713,548	9,373,240	9,058,089	8,759,364
Vintage 2		5,365,813	5,160,587	4,971,692	4,797,511	4,636,207
Vintage 3			744,164	715,702	689,505	665,348
Vintage 4				483,054	464,578	447,573
Vintage 5					587,498	565,028
Vintage 6						848,608
Total	10,483,571	15,448,420	15,618,299	15,543,687	15,009,683	14,508,492
Net Amount Collectible	\$ 10,483,571	\$ 15,448,420	\$ 15,618,299	\$ 15,543,687	\$ 15,009,683	\$ 14,508,492

(in \$ millions)	Projected Integrity Management Investment Amt	Incremental Integrity Management Revenue Req'ment	Total Amount Collectible Through IMR
Year 1	80.3*	10.5	10.5
Year 2	41.1	5.4	15.4
Year 3	5.7	0.7	15.6
Year 4	3.7	0.5	15.5
Year 5	4.5	0.6	15.0
Year 6	6.5	0.8	14.5

* The \$80.3 million reflects the current projected Integrity Management Investment Amount of \$113.3 million at October 31, 2013 less the \$33 million included in the 2011 rate case.

Integrity Management Rider
Illustration of Annual Revenue Requirement Computation

Rider Rate Period: January 1, 2014 - December 31, 2014
Vintage Year 1 - Fiscal year October 31, 2013

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Plant	80,300,000	80,300,000	80,300,000	80,300,000	80,300,000	80,300,000	80,300,000
Accumulated depreciation	(780,115)	(1,944,465)	(3,108,815)	(4,273,165)	(5,437,515)	(6,601,865)	(7,766,215)
Net plant	79,519,886	78,355,536	77,191,186	76,026,836	74,862,486	73,698,136	72,533,786
ADIT	(3,248,276)	(5,586,034)	(7,645,131)	(9,453,114)	(11,041,368)	(12,486,151)	(13,888,065)
Net investment	76,271,609	72,769,502	69,546,054	66,573,722	63,821,117	61,211,985	58,645,720
Pre-tax ROR%	11.446%	11.446%	11.446%	11.446%	11.446%	11.446%	11.446%
Pre-tax rate of return	8,729,802	8,328,962	7,960,016	7,619,813	7,304,759	7,006,126	6,712,399
Depreciation expense	1,164,350	1,164,350	1,164,350	1,164,350	1,164,350	1,164,350	1,164,350
Property Tax expense	586,190	586,190	586,190	586,190	586,190	586,190	586,190
Total, excluding uncollectibles	10,480,342	10,079,502	9,710,556	9,370,353	9,055,299	8,756,666	8,462,939
Uncollectibles gross-up factor	1.000308	1.000308	1.000308	1.000308	1.000308	1.000308	1.000308
Total revenue requirement	10,483,571	10,082,607	9,713,548	9,373,240	9,058,089	8,759,354	8,465,547

Assumptions and calculations:

Rider computed each year.

Normal depreciation and AFUDC practices apply, AFUDC ends and depreciation begins when plant goes into service.

Net of tax rate of return 6.96% 6.96% 6.96% 6.96% 6.96% 6.96% 6.96%

Plant amount	80,300,000						
Book depreciation rate	1.45%						
Property Tax Rate	0.73%						
Tax depreciation	MACRS 15	assumed no bonus depreciation					
Plant in service date	31-Oct-13						
Rider effective date	1-Jan-14						
Fiscal year end	31-Oct-13						
SIT rate	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
FIT rate	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Composite income tax rate	39.23%	39.23%	39.23%	39.23%	39.23%	39.23%	39.23%
Uncollectibles rate	0.0308%	0.0308%	0.0308%	0.0308%	0.0308%	0.0308%	0.0308%
Revenue requirement gross-up factor	1.000308	1.000308	1.000308	1.000308	1.000308	1.000308	1.000308
Capital structure assumptions (rate case):							
LTD	41.42%						
STD	5.87%						
Common equity	52.71%						
Capital cost rate assumptions (rate case):							
LTD	6.06%						
STD	1.59%						
Common equity	10.20%						
Overall and pre-tax RORs							
	Overall	Pre-tax RORs					
LTD	2.506%	2.506%	2.506%	2.506%	2.506%	2.506%	2.506%
STD	0.093%	0.093%	0.093%	0.093%	0.093%	0.093%	0.093%
Common equity	5.376%	8.846%	8.846%	8.846%	8.846%	8.846%	8.846%
Total	7.976%	11.446%	11.446%	11.446%	11.446%	11.446%	11.446%

MACRS 15 tax depreciation schedule

	Rate	Yearly	Cumulative
Tax year 1	5.00%	4,015,000	
Tax year 2	9.50%	7,628,500	11,643,500
Tax year 3	8.55%	6,865,650	18,509,150
Tax year 4	7.70%	6,183,100	24,692,250
Tax year 5	6.93%	5,564,790	30,257,040
Tax year 6	6.23%	5,002,690	35,259,730
Tax year 7	5.90%	4,737,700	39,997,430
Tax year 8	5.90%	4,737,700	44,735,130
Tax year 9	5.91%	4,745,730	49,480,860
Tax year 10	5.90%	4,737,700	54,218,560
Tax year 11	5.91%	4,745,730	58,964,290
Tax year 12	5.90%	4,737,700	63,701,990
Tax year 13	5.91%	4,745,730	68,447,720
Tax year 14	5.90%	4,737,700	73,185,420
Tax year 15	5.91%	4,745,730	77,931,150
Tax year 16	2.95%	2,368,850	80,300,000
Total	100.00%	80,300,000	

Accumulated depreciation							
Portion of year in service before rider	17%						
Pre-rider amount of depreciation	197,940						
Rider year EOY amount	197,940	1,362,290	2,526,640	3,690,990	4,855,340	6,019,690	7,184,040
Depreciation expense	1,164,350	1,164,350	1,164,350	1,164,350	1,164,350	1,164,350	1,164,350
Rider year EOY amount	1,362,290	2,526,640	3,690,990	4,855,340	6,019,690	7,184,040	8,348,390
Average accumulated depreciation	780,115	1,944,465	3,108,815	4,273,165	5,437,515	6,601,865	7,766,215

Tax depreciation reserve							
FY of completion tax depreciation	4,015,000						
Post FY tax depreciation to rider date	17%						
Tax year 2 tax depreciation	7,628,500						
Tax year 2 pre-rider tax depr	1,296,845						
Rider year EOY amount	5,311,845	12,810,661	19,560,277	25,638,264	31,107,497	36,065,139	40,802,839
Tax period A tax depreciation	6,331,655	5,698,490	5,131,973	4,618,776	4,152,233	3,932,291	3,932,291
Tax period B tax depreciation	1,167,161	1,051,127	946,014	850,457	805,409	805,409	806,774
Rider year EOY amount	12,810,661	19,560,277	25,638,264	31,107,497	36,065,139	40,802,839	45,541,904
Average tax depreciation reserve	9,061,253	16,185,469	22,599,271	28,372,881	33,586,318	38,433,989	43,172,372

Note - gap between fiscal year and rider year addressed by tax period A and tax period B.

Accumulated deferred taxes							
Average tax depreciation reserve	9,061,253	16,185,469	22,599,271	28,372,881	33,586,318	38,433,989	43,172,372
Average book depreciation reserve	780,115	1,944,465	3,108,815	4,273,165	5,437,515	6,601,865	7,766,215
Difference	12,810,661	14,241,004	19,490,456	24,099,716	28,148,804	31,832,125	35,406,157
Composite tax rate	39.23%	39.23%	39.23%	39.23%	39.23%	39.23%	39.23%
Average ADIT	3,148,276	5,586,034	7,645,131	9,453,114	11,041,368	12,486,151	13,888,065

Note - composite tax rate ignores excess deferred tax flowback

Integrity Management Rider
Illustration of Annual Revenue Requirement Computation

Rider Rate Period: January 1, 2015 - December 31, 2015
Vintage Year 2 - Fiscal Year October 31, 2014

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Plant	41,100,000	41,100,000	41,100,000	41,100,000	41,100,000	41,100,000	41,100,000
Accumulated depreciation	(399,287)	(995,237)	(1,591,187)	(2,187,137)	(2,783,087)	(3,379,037)	(3,974,987)
Net plant	40,700,714	40,104,764	39,508,814	38,912,864	38,316,914	37,720,964	37,125,014
ADIT	(1,662,567)	(2,859,103)	(3,913,812)	(4,838,393)	(5,651,311)	(6,390,795)	(7,108,337)
Net investment	39,038,146	37,245,660	35,595,001	34,074,471	32,665,603	31,330,169	30,016,676
Pre-tax ROR%	11.446%	11.446%	11.446%	11.446%	11.446%	11.446%	11.446%
Pre-tax rate of return	4,468,180	4,263,018	4,074,180	3,900,054	3,738,799	3,585,950	3,435,612
Depreciation expense	595,950	595,950	595,950	595,950	595,950	595,950	595,950
Property Tax expense	300,030	300,030	300,030	300,030	300,030	300,030	300,030
Total, excluding uncollectibles	5,364,160	5,158,998	4,970,160	4,796,034	4,634,779	4,481,930	4,331,592
Uncollectibles gross-up factor	1.000308	1.000308	1.000308	1.000308	1.000308	1.000308	1.000308
Total revenue requirement	5,365,813	5,160,587	4,971,692	4,797,511	4,636,207	4,483,311	4,332,926

Assumptions and calculations:

Rider computed each year.
Normal depreciation and AFUDC practices apply, AFUDC ends and depreciation begins when plant goes into service.

Plant amount	41,100,000						
Book depreciation rate	1.45%						
Property Tax Rate	0.73%						
Tax depreciation	MACRS 15	assumed no bonus depreciation					
Plant in service date	33-Oct-14						
Rider effective date	1-Jan-15						
Fiscal year end	31-Oct-14						
SIT rate	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
FIT rate	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Composite income tax rate	39.23%	39.23%	39.23%	39.23%	39.23%	39.23%	39.23%
Uncollectibles rate	0.0308%	0.0308%	0.0308%	0.0308%	0.0308%	0.0308%	0.0308%
Revenue requirement gross-up factor	1.000308	1.000308	1.000308	1.000308	1.000308	1.000308	1.000308
Capital structure assumptions (rate case):							
LTD	41.42%						
STD	5.87%						
Common equity	52.71%						
Capital cost rate assumptions (rate case):							
LTD	6.05%						
STD	1.59%						
Common equity	10.20%						
Overall and pre-tax RORs							
	Overall	Pre-tax RORs					
LTD	2.506%	2.506%	2.506%	2.506%	2.506%	2.506%	2.506%
STD	0.093%	0.093%	0.093%	0.093%	0.093%	0.093%	0.093%
Common equity	5.376%	8.846%	8.846%	8.846%	8.846%	8.846%	8.846%
Total	7.976%	11.446%	11.446%	11.446%	11.446%	11.446%	11.446%

MACRS 15 tax depreciation schedule

	Rate	Yearly	Cumulative
Tax year 1	5.00%	2,055,000	
Tax year 2	9.50%	3,904,500	5,959,500
Tax year 3	8.55%	3,514,050	9,473,550
Tax year 4	7.70%	3,164,700	12,638,250
Tax year 5	6.83%	2,848,230	15,486,480
Tax year 6	6.23%	2,560,530	18,047,010
Tax year 7	5.90%	2,424,900	20,471,910
Tax year 8	5.90%	2,424,900	22,896,810
Tax year 9	5.91%	2,429,010	25,325,820
Tax year 10	5.90%	2,424,900	27,750,720
Tax year 11	5.91%	2,429,010	30,179,730
Tax year 12	5.90%	2,424,900	32,604,630
Tax year 13	5.91%	2,429,010	35,033,640
Tax year 14	5.90%	2,424,900	37,458,540
Tax year 15	5.91%	2,429,010	39,887,550
Tax year 16	2.95%	1,212,450	41,100,000
Total	100.00%	41,100,000	

Accumulated depreciation	17%						
Portion of year in service before rider	101,312						
Pre-rider amount of depreciation							
Rider year BOY amount	101,312	697,262	1,293,212	1,889,162	2,485,112	3,081,062	3,677,012
Depreciation expense	595,950	595,950	595,950	595,950	595,950	595,950	595,950
Rider year EOY amount	697,262	1,293,212	1,889,162	2,485,112	3,081,062	3,677,012	4,272,962
Average accumulated depreciation	399,287	995,237	1,591,187	2,187,137	2,783,087	3,379,037	3,974,987
Tax depreciation reserve							
FY of completion tax depreciation	2,055,000						
Post FY tax depreciation to rider date	17%						
Tax year 2 tax depreciation	3,904,500						
Tax year 2 pre-rider tax depr	663,765						
Rider year BOY amount	2,718,765	6,556,889	10,011,549	13,122,449	15,921,770	18,459,243	20,884,143
Tax period A tax depreciation	3,240,735	2,916,662	2,626,701	2,364,031	2,125,240	2,012,667	2,012,667
Tax period B tax depreciation	597,389	537,999	484,199	435,290	412,233	412,233	412,932
Rider year EOY amount	6,556,889	10,011,549	13,122,449	15,921,770	18,459,243	20,884,143	23,309,742
Average tax depreciation reserve	4,637,827	8,284,219	11,566,999	14,522,110	17,190,507	19,671,693	22,096,942

Note - gap between fiscal year and rider year addressed by tax period A and tax period B.

Accumulated deferred taxes

Average tax depreciation reserve	4,637,827	8,284,219	11,566,999	14,522,110	17,190,507	19,671,693	22,096,942
Average book depreciation reserve	399,287	995,237	1,591,187	2,187,137	2,783,087	3,379,037	3,974,987
Difference	4,238,540	7,288,982	9,975,813	12,334,973	14,407,420	16,292,656	18,121,956
Composite tax rate	39.23%	39.23%	39.23%	39.23%	39.23%	39.23%	39.23%
Average ADIT	1,662,567	2,859,103	3,913,812	4,838,393	5,651,311	6,390,795	7,108,337

Note - composite tax rate ignores excess deferred tax flowback

Integrity Management Rider
Illustration of Annual Revenue Requirement Computation

Rider Rate Period: January 1, 2016 - December 31, 2016
Vintage Year 2 - Fiscal year October 31, 2013

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Plant	5,700,000	5,700,000	5,700,000	5,700,000	5,700,000	5,700,000	5,700,000
Accumulated depreciation	(55,375)	(118,026)	(220,676)	(303,326)	(385,976)	(468,626)	(551,276)
Net plant	5,644,625	5,581,975	5,479,325	5,396,675	5,314,025	5,231,375	5,148,725
ADIT	(230,575)	(306,518)	(542,681)	(671,018)	(783,758)	(886,315)	(985,828)
Net investment	5,414,049	5,165,457	4,936,644	4,725,656	4,530,266	4,345,060	4,162,897
Pre-tax ROR%	11.446%	11.446%	11.446%	11.446%	11.446%	11.446%	11.446%
Pre-tax rate of return	619,675	591,221	565,032	540,883	518,530	497,322	476,472
Depreciation expense	82,650	82,650	82,650	82,650	82,650	82,650	82,650
Property Tax expense	41,610	41,610	41,610	41,610	41,610	41,610	41,610
Total, excluding uncollectibles	743,935	715,481	689,292	665,143	642,780	621,582	600,732
Uncollectibles gross-up factor	1.000308	1.000308	1.000308	1.000308	1.000308	1.000308	1.000308
Total revenue requirement	744,164	715,702	689,505	665,348	642,978	621,773	600,917

Assumptions and calculations:

Rider computed each year.
Normal depreciation and AFUDC practices apply. AFUDC ends and depreciation begins when plant goes into service.

Plant amount	5,700,000						
Book depreciation rate	1.45%						
Property Tax Rate	0.73%						
Tax depreciation	MACRS 15	assumed no bonus depreciation					
Plant in service date	31-Oct-15						
Rider effective date	1-Jan-16						
Fiscal year end	31-Oct-15						
SIT rate	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
FT rate	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Composite Income tax rate	39.23%	39.23%	39.23%	39.23%	39.23%	39.23%	39.23%
Uncollectibles rate	0.0308%	0.0308%	0.0308%	0.0308%	0.0308%	0.0308%	0.0308%
Revenue requirement gross-up factor	1.000308	1.000308	1.000308	1.000308	1.000308	1.000308	1.000308
Capital structure assumptions (rate case):							
LTD	42.42%						
STD	5.87%						
Common equity	52.71%						
Capital cost rate assumptions (rate case):							
LTD	6.05%						
STD	1.59%						
Common equity	10.20%						
Overall and pre-tax RORs							
Overall							
LTD	2.506%	2.506%	2.506%	2.506%	2.506%	2.506%	2.506%
STD	0.093%	0.093%	0.093%	0.093%	0.093%	0.093%	0.093%
Common equity	5.376%	8.846%	8.846%	8.846%	8.846%	8.846%	8.846%
Total	7.976%	11.446%	11.446%	11.446%	11.446%	11.446%	11.446%

MACRS 15 tax depreciation schedule

	Rate	Yearly	Cumulative
Tax year 1	5.00%	285,000	
Tax year 2	9.50%	541,500	826,500
Tax year 3	8.55%	487,350	1,313,850
Tax year 4	7.70%	438,900	1,752,750
Tax year 5	6.93%	395,010	2,147,760
Tax year 6	6.23%	355,110	2,502,870
Tax year 7	5.90%	336,300	2,839,170
Tax year 8	5.90%	336,300	3,175,470
Tax year 9	5.91%	336,870	3,512,348
Tax year 10	5.90%	336,300	3,848,648
Tax year 11	5.91%	336,870	4,185,518
Tax year 12	5.90%	336,300	4,521,818
Tax year 13	5.91%	336,870	4,858,688
Tax year 14	5.90%	336,300	5,194,988
Tax year 15	5.91%	336,870	5,531,858
Tax year 20	2.95%	168,150	5,700,000
Total	100.00%	5,700,000	

Accumulated depreciation	17%						
Portion of year in service before rider	14,051						
Pre-rider amount of depreciation		14,051	96,701	179,351	262,001	344,651	427,301
Rider year BOY amount							
Depreciation expense		82,650	82,650	82,650	82,650	82,650	82,650
Rider year EOY amount		96,701	179,351	262,001	344,651	427,301	509,951
Average accumulated depreciation		55,375	138,026	220,676	303,326	385,976	468,626
Tax depreciation reserve							
FY of completion tax depreciation	285,000						
Post FY tax depreciation to rider date	1.7%						
Tax year 2 tax depreciation	541,500						
Tax year 2 pre-rider tax depr	92,055						
Rider year BOY amount		377,055	909,350	1,388,463	1,829,902	2,208,129	2,560,042
Tax period A tax depreciation		449,445	404,501	364,287	327,858	294,741	279,129
Tax period B tax depreciation		82,850	74,613	67,152	60,369	57,171	57,268
Rider year EOY amount		909,350	1,388,463	1,829,902	2,208,129	2,560,042	2,896,341
Average tax depreciation reserve		643,202	1,148,906	1,604,182	2,014,015	2,384,085	2,728,191

Note - gap between fiscal year and rider year addressed by tax period A and tax period B.

Accumulated deferred taxes							
Average tax depreciation reserve	643,202	1,148,906	1,604,182	2,014,015	2,384,085	2,728,191	3,064,539
Average book depreciation reserve	55,375	138,026	220,676	303,326	385,976	468,626	551,276
Offifference	587,827	1,010,881	1,383,507	1,710,690	1,998,109	2,259,565	2,513,264
Composite tax rate	39.23%	39.23%	39.23%	39.23%	39.23%	39.23%	39.23%
Average ADIT	230,575	306,518	542,681	671,018	783,758	886,315	985,828

Note - composite tax rate ignores excess deferred tax flowback

Integrity Management Rider
Illustration of Annual Revenue Requirement Computation

Rider Rate Period: January 1, 2017 - December 31, 2027
Vintage Year 4 - Fiscal year October 31, 2016

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Plant	3,700,000	3,700,000	3,700,000	3,700,000	3,700,000	3,700,000	3,700,000
Accumulated depreciation	(35,946)	(89,596)	(143,246)	(196,896)	(250,546)	(304,196)	(357,846)
Net plant	3,664,055	3,620,405	3,556,755	3,503,105	3,449,455	3,395,805	3,342,155
ADIT	(149,672)	(257,389)	(352,266)	(435,573)	(508,755)	(575,327)	(638,923)
Net investment	3,514,383	3,353,016	3,204,489	3,067,531	2,940,699	2,820,478	2,702,231
Pre-tax ROR%	12.446%	11.446%	11.446%	11.446%	11.446%	11.446%	11.446%
Pre-tax rate of return	402,245	383,775	366,775	351,100	336,583	322,823	309,289
Depreciation expense	53,650	53,650	53,650	53,650	53,650	53,650	53,650
Property Tax expense	27,010	27,010	27,810	27,010	27,010	27,010	27,010
Total, excluding uncollectibles	482,905	464,435	447,435	431,760	417,243	403,483	389,949
Uncollectibles gross-up factor	1.000308	1.000308	1.000308	1.000308	1.000308	1.000308	1.000308
Total revenue requirement	483,054	464,578	447,573	431,893	417,371	403,607	390,069

Assumptions and calculations:

Rider computed each year.
Normal depreciation and AFUDC practices apply, AFUDC ends and depreciation begins when plant goes into service.

Plant amount	3,700,000						
Book depreciation rate	1.45%						
Property Tax Rate	0.73%						
Tax depreciation	MACRS 15	assumed no bonus depreciation					
Plant in service date	31-Oct-16						
Rider effective date	1-Jan-17						
Fiscal year end	31-Oct-16						
SIT rate	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
FIT rate	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Composite income tax rate	39.23%	39.23%	39.23%	39.23%	39.23%	39.23%	39.23%
Uncollectibles rate	0.0308%	0.0308%	0.0308%	0.0308%	0.0308%	0.0308%	0.0308%
Revenue requirement gross-up factor	1.000308	1.000308	1.000308	1.000308	1.000308	1.000308	1.000308
<u>Capital structure assumptions (rate case):</u>							
LTD	42.42%						
STD	5.87%						
Common equity	52.71%						
<u>Capital cost rate assumptions (rate case):</u>							
LTD	6.05%						
STD	1.59%						
Common equity	10.20%						
<u>Overall and pre-tax RORs</u>							
	Overall	Pre-tax RORs					
LTD	2.506%	2.506%	2.506%	2.506%	2.506%	2.506%	2.506%
STD	0.093%	0.093%	0.093%	0.093%	0.093%	0.093%	0.093%
Common equity	5.376%	8.846%	8.846%	8.846%	8.846%	8.846%	8.846%
Total	7.976%	11.446%	11.446%	11.446%	11.446%	11.446%	11.446%

MACRS 15 tax depreciation schedule

	Rate	Yearly	Cumulative
Tax year 1	5.00%	185,000	
Tax year 2	9.50%	351,500	536,500
Tax year 3	8.55%	326,350	862,850
Tax year 4	7.70%	284,900	1,147,750
Tax year 5	6.93%	256,410	1,394,260
Tax year 6	6.23%	230,510	1,624,770
Tax year 7	5.90%	218,300	1,842,970
Tax year 8	5.90%	218,300	2,061,270
Tax year 9	5.91%	218,670	2,279,940
Tax year 10	5.90%	218,300	2,498,248
Tax year 11	5.91%	218,670	2,716,918
Tax year 12	5.90%	218,300	2,935,218
Tax year 13	5.91%	218,670	3,153,888
Tax year 14	5.90%	218,300	3,372,188
Tax year 15	5.91%	218,670	3,590,858
Tax year 16	2.95%	109,150	3,700,000
Total	100.00%	3,700,000	

Accumulated depreciation	27%						
Portion of year in service before rider							
Pre-rider amount of depreciation	9,121						
Rider year BOY amount		9,121	62,771	116,421	170,071	223,721	277,371
Depreciation expense		53,650	53,650	53,650	53,650	53,650	53,650
Rider year EOY amount		62,771	116,421	170,071	223,721	277,371	331,021
Average accumulated depreciation		35,946	89,596	143,246	196,896	250,546	304,196
<u>Tax depreciation reserve</u>							
FY of completion tax depreciation	185,000						
Post FY tax depreciation to rider date	17%						
Tax year 2 tax depreciation	351,500						
Tax year 2 pre-rider tax depr	59,755						
Rider year BOY amount		244,755	590,280	901,283	1,181,340	1,433,847	1,661,781
Tax period A tax depreciation		291,745	262,571	236,467	212,820	191,323	181,199
Tax period B tax depreciation		53,780	48,433	43,590	39,187	37,111	37,173,90
Rider year EOY amount		590,280	901,283	1,181,340	1,433,347	1,661,781	1,880,881
Average tax depreciation reserve		417,517	745,781	1,041,311	1,307,343	1,547,564	1,770,931

Note - gap between fiscal year and rider year addressed by tax period A and tax period B.

<u>Accumulated deferred taxes</u>							
Average tax depreciation reserve	417,517	745,781	1,041,311	1,307,343	1,547,564	1,770,931	2,989,262
Average book depreciation reserve	35,946	89,596	143,246	196,896	250,546	304,196	357,846
Difference	381,572	656,186	898,066	1,110,448	1,297,018	1,466,736	1,631,417
Composite tax rate	39.23%	39.23%	39.23%	39.23%	39.23%	39.23%	39.23%
Average ADIT	149,672	257,389	352,266	435,573	508,755	575,327	638,923

Note - composite tax rate ignores excess deferred tax flowback

Integrity Management Rider
Illustration of Annual Revenue Requirement Computation

Rider Rate Period: January 1, 2018 - December 31, 2018
Vintage Year 5 - Fiscal year October 31, 2017

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Plant	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000
Accumulated depreciation	(43,718)	(108,968)	(174,218)	(239,468)	(304,718)	(369,968)	(435,218)
Net plant	4,456,283	4,391,033	4,325,783	4,260,533	4,195,283	4,130,033	4,064,783
ADIT	(82,033)	(313,041)	(428,432)	(529,751)	(618,757)	(699,722)	(778,285)
Net Investment	4,274,250	4,077,992	3,897,350	3,730,781	3,576,526	3,430,310	3,286,497
Pre-tax ROR%	11.446%	11.446%	11.446%	11.446%	11.446%	11.446%	11.446%
Pre-tax rate of return	489,217	456,754	446,078	427,013	409,358	392,622	376,162
Depreciation expense	65,250	65,250	65,250	65,250	65,250	65,250	65,250
Property Tax expense	32,850	32,850	32,850	32,850	32,850	32,850	32,850
Total, excluding uncollectibles	587,317	564,854	546,178	525,213	507,458	490,722	474,262
Uncollectibles gross-up factor	1.000308	1.000308	1.000308	1.000308	1.000308	1.000308	1.000308
Total revenue requirement	587,498	565,028	546,346	525,275	507,614	490,873	474,408

Assumptions and calculations:

Rider computed each year.
Normal depreciation and AFUDC practices apply, AFUDC ends and depreciation begins when plant goes into service.

Plant amount	4,500,000						
Book depreciation rate	1.45%						
Property Tax Rate	0.73%						
Tax depreciation	MACRS 15	assumed no bonus depreciation					
Plant in service date	31-Oct-17						
Rider effective date	1-Jan-18						
Fiscal year end	31-Oct-17						
S/T rate	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
F/T rate	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Composite income tax rate	39.23%	39.23%	39.23%	39.23%	39.23%	39.23%	39.23%
Uncollectibles rate	0.0308%	0.0308%	0.0308%	0.0308%	0.0308%	0.0308%	0.0308%
Revenue requirement gross-up factor	1.000308	1.000308	1.000308	1.000308	1.000308	1.000308	1.000308
<u>Capital structure assumptions (rate case):</u>							
LTD	41.42%						
STD	5.87%						
Common equity	52.71%						
<u>Capital cost rate assumptions (rate case):</u>							
LTD	6.05%						
STD	1.59%						
Common equity	10.20%						
<u>Overall and pre-tax RORs</u>							
	Overall	Pre-tax RORs					
LTD	2.506%	2.506%	2.506%	2.506%	2.506%	2.506%	2.506%
STD	0.093%	0.093%	0.093%	0.093%	0.093%	0.093%	0.093%
Common equity	5.376%	8.846%	8.846%	8.846%	8.846%	8.846%	8.846%
Total	7.976%	11.446%	11.446%	11.446%	11.446%	11.446%	11.446%

MACRS 15 tax depreciation schedule

	Rate	Yearly	Cumulative
Tax year 1	5.00%	225,000	
Tax year 2	9.50%	427,500	652,500
Tax year 3	8.55%	384,750	1,037,250
Tax year 4	7.70%	346,500	1,383,750
Tax year 5	6.93%	311,850	1,695,600
Tax year 6	6.23%	280,350	1,975,950
Tax year 7	5.90%	265,500	2,241,450
Tax year 8	5.90%	265,500	2,506,950
Tax year 9	5.91%	265,950	2,772,900
Tax year 10	5.90%	265,500	3,038,400
Tax year 11	5.91%	265,950	3,304,350
Tax year 12	5.90%	265,500	3,569,850
Tax year 13	5.91%	265,950	3,835,800
Tax year 14	5.90%	265,500	4,101,300
Tax year 15	5.91%	265,950	4,367,250
Tax year 16	2.95%	132,750	4,500,000
Total	100.00%	4,500,000	

Accumulated depreciation	17%						
Portion of year in service before rider	11.093						
Pre-rider amount of depreciation		11,093	76,343	141,593	206,843	272,093	337,343
Rider year EOY amount							
Depreciation expense		65,250	65,250	65,250	65,250	65,250	65,250
Rider year EOY amount		76,343	141,593	206,843	272,093	337,343	402,593
Average accumulated depreciation		43,718	108,968	174,218	239,468	304,718	369,968

<u>Tax depreciation reserve</u>							
FY of completion tax depreciation	225,000						
Post FY tax depreciation to rider date	17%						
Tax year 2 tax depreciation	427,500						
Tax year 2 pre-rider tax depr	72,675						
Rider year EOY amount		297,675	717,908	1,096,155	1,436,765	1,743,260	2,021,085
Tax period A tax depreciation		354,825	319,343	287,595	258,836	232,691	220,365
Tax period B tax depreciation		65,408	58,905	53,415	47,660	43,135	45,211.50
Rider year EOY amount		717,908	2,096,155	1,436,765	1,743,260	2,021,085	2,286,385
Average tax depreciation reserve		507,791	907,031	1,266,460	1,590,012	1,882,172	2,133,835

Note - gap between fiscal year and rider year addressed by tax period A and tax period B.

<u>Accumulated deferred taxes</u>							
Average tax depreciation reserve	507,791	907,031	1,266,460	1,590,012	1,882,172	2,133,835	2,419,373
Average book depreciation reserve	43,718	108,968	174,218	239,468	304,718	369,968	435,218
Difference	464,074	798,064	1,092,242	1,350,545	1,577,455	1,763,868	1,984,156
Composite tax rate	39.23%	39.23%	39.23%	39.23%	39.23%	39.23%	39.23%
Average ADIT	182,033	313,041	428,432	529,751	618,757	699,722	778,285

Note - composite tax rate ignores excess deferred tax flowback

Integrity Management Rider
Illustration of Annual Revenue Requirement Computation

Rider Rate Period: January 1, 2019 - December 31, 2019
Vintage Year 6 - Fiscal year October 31, 2018

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Plant	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000
Accumulated depreciation	(63,148)	(157,398)	(251,648)	(345,898)	(440,148)	(534,398)	(628,648)
Net plant	6,436,853	6,342,603	6,248,353	6,154,103	6,059,853	5,965,603	5,871,353
ADIT	(262,936)	(452,170)	(618,846)	(765,196)	(893,760)	(1,010,710)	(1,124,190)
Net investment	6,173,916	5,890,433	5,629,506	5,388,906	5,166,093	4,954,893	4,747,163
Pre-tax ROR%	11.446%	11.446%	11.446%	11.446%	11.446%	11.446%	11.446%
Pre-tax rate of return	706,646	674,200	644,335	616,797	591,294	567,121	543,345
Depreciation expense	94,250	94,250	94,250	94,250	94,250	94,250	94,250
Property Tax expense	47,450	47,450	47,450	47,458	47,450	47,450	47,450
Total, excluding uncollectibles	848,346	815,900	786,035	758,497	732,994	708,821	685,045
Uncollectibles gross-up factor	1.000308	1.000308	1.000308	1.000308	1.000308	1.000308	1.000308
Total revenue requirement	848,608	816,151	786,277	759,730	733,220	709,039	685,256

Assumptions and calculations:

Rider computed each year.
Normal depreciation and AFUDC practices apply, AFUDC ends and depreciation begins when plant goes into service.

Plant amount	6,500,000						
Book depreciation rate	1.45%						
Property Tax Rate	0.73%						
Tax depreciation	MACRS 15	assumed no bonus depreciation					
Plant in service date	31-Oct-18						
Rider effective date	1-Jan-19						
Fiscal year end	31-Oct-18						
SIT rate	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
FIT rate	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Composite income tax rate	39.23%	39.23%	39.23%	39.23%	39.23%	39.23%	39.23%
Uncollectibles rate	0.0308%	0.0308%	0.0308%	0.0308%	0.0308%	0.0308%	0.0308%
Revenue requirement gross-up factor	1.000308	1.000308	1.000308	1.000308	1.000308	1.000308	1.000308
Capital structure assumptions (rate case):							
LTD	41.42%						
STD	5.87%						
Common equity	52.71%						
Capital cost rate assumptions (rate case):							
LTD	6.05%						
STD	1.59%						
Common equity	10.20%						
Overall and pre-tax RORs							
Overall		Pre-tax RORs					
LTD	2.506%	2.506%	2.506%	2.506%	2.506%	2.506%	2.506%
STD	0.093%	0.093%	0.093%	0.093%	0.093%	0.093%	0.093%
Common equity	5.376%	5.376%	5.376%	5.376%	5.376%	5.376%	5.376%
Total	7.976%	7.976%	7.976%	7.976%	7.976%	7.976%	7.976%

MACRS 15 tax depreciation schedule

	Rate	Yearly	Cumulative
Tax year 1	5.00%	325,000	
Tax year 2	9.50%	617,500	942,500
Tax year 3	8.55%	555,750	1,498,250
Tax year 4	7.70%	500,500	1,998,750
Tax year 5	6.93%	450,450	2,449,200
Tax year 6	6.23%	404,950	2,854,150
Tax year 7	5.90%	383,500	3,237,650
Tax year 8	5.90%	383,500	3,621,150
Tax year 9	5.91%	384,150	4,005,300
Tax year 10	5.90%	383,500	4,388,800
Tax year 11	5.91%	384,150	4,772,950
Tax year 12	5.90%	383,500	5,156,450
Tax year 13	5.91%	384,150	5,540,600
Tax year 14	5.90%	383,500	5,924,100
Tax year 15	5.91%	384,150	6,308,250
Tax year 16	2.95%	191,750	6,500,000
Total	100.00%	6,500,000	

Accumulated depreciation	17%						
Portion of year in service before rider	16,023						
Pre-rider amount of depreciation		110,278	204,523	298,773	393,023	487,273	581,523
Rider year BOY amount		94,250	94,250	94,250	94,250	94,250	94,250
Depreciation expense		110,273	204,523	298,773	393,023	487,273	581,523
Rider year EOY amount		63,148	157,398	251,648	345,898	440,148	534,398
Average accumulated depreciation							
Tax depreciation reserve							
FY of completion tax depreciation	325,000						
Pest FY tax depreciation to rider date	17%						
Tax year 2 tax depreciation	617,500						
Tax year 2 pre-rider tax depr	104,975						
Rider year BOY amount	429,975	1,096,978	1,583,335	2,075,327	2,518,042	2,910,345	3,302,845
Tax period A tax depreciation	512,525	461,273	415,415	373,874	336,109	318,305	318,305
Tax period B tax depreciation	94,478	85,885	76,577	68,842	65,195	65,195	65,309,50
Rider year EOY amount	1,096,978	1,583,335	2,075,327	2,518,042	2,910,345	3,302,845	3,686,456
Average tax depreciation reserve		733,476	1,310,156	1,829,331	2,296,684	2,718,693	3,111,095

Note - gap between fiscal year and rider year addressed by tax period A and tax period B.

Accumulated deferred taxes

Average tax depreciation reserve	733,476	1,310,156	1,829,331	2,296,684	2,718,693	3,111,095	3,494,650
Average book depreciation reserve	63,148	157,398	251,648	345,898	440,148	534,398	628,648
Offence	678,329	1,152,759	1,577,683	1,950,787	2,278,546	2,576,698	2,866,003
Composite tax rate	39.23%	39.23%	39.23%	39.23%	39.23%	39.23%	39.23%
Average ADIT	262,936	452,170	618,846	765,196	893,760	1,010,710	1,124,190

Note - composite tax rate ignores excess deferred tax flowback

Consumer Advocate Questions to Piedmont
TRA Docket No. 13-00118
September 24, 2013

3. What is the breakdown of TIMP and DIMP costs that are operating expenses versus capital expenditures?

Response: For TIMP, the capital expenditures are incurred to put into service facilities that enable in-line inspection of our transmission pipelines, as well as any pipe replacement or remediation that is needed following the periodic pipeline integrity assessments. The TIMP expenses associated with performing the periodic pipeline integrity assessments are captured as operating expenses. The majority of the costs for TIMP are capital expenditures.

For DIMP, the Company currently cannot project the breakdown between operating expenses and capital expenditures.

See response to question 4 of this data request for the Company's capitalization policy.

The Company is not requesting any regulatory treatment at this time for the potential increases in O&M expenses related to TIMP and DIMP.

Response provided by Piedmont Natural Gas on October 1, 2013.

Consumer Advocate Questions to Piedmont
TRA Docket No. 13-00118
September 24, 2013

4. What is Piedmont's capitalization policy as it pertains to whether TIMP and DIMP costs are operating expenses or capital expenditures?

Response: See attachment.

Response provided by Piedmont Natural Gas on October 1, 2013.

Attachment for Response to Question 4

GUIDELINES FOR SYSTEM INTEGRITY PROJECTS

Purpose is to ensure a safe and reliable steel infrastructure that meets regulations set by the US Department of Transportation.

OPERATIONS & MAINTENANCE (O&M) EXPENSE:

O&M is basically defined as any work done on an asset that deals with a component that is less than a retirement unit. All routine maintenance should be expensed as incurred.

Piedmont further defines O&M System Integrity as follows:

- Cathodic Protection (CP) technicians monitor and maintain the CP system
 - o CP readings at testing stations and casings
 - o Troubleshoot interference issues
 - o AC Mitigation results
- Rectifier monitoring and troubleshooting
- Transmission Integrity Management Program (TIMP) support
 - o Annual High Consequence Areas (HCA) field verification
 - o Engineering overall
 - o Bell hole examinations in support of the following work:
 - External Corrosion Direct Assessment (ECDA)
 - Internal Corrosion Direct Assessment (ICDA)
 - Confirmatory Direct Assessment (CDA)
 - Inline Inspection (ILI)
 - Pig runs including equipment and labor
 - Labor & equipment for chemical cleaning, foam pigs
 - Survey Above Ground Marker (AGM) locations
 - Inspection support
 - Contractor support – during tool run only
 - Engineering support interpreting data
 - Engineering, survey, digs, assessment
 - Mowing for Close Interval Pipe-To-Soil Survey (CIS)
 - CIS for those transmission lines being pigged
 - Pipe-to-soil
 - Soil resistivity
 - Depth of cover
 - Ultrasonic thickness (UT)
 - External pit depth measurements
 - TCAT
 - Soil pH
 - Coating inspections
 - Defect analysis and remediation determining defect classification and repair method

CAPITAL EXPENDITURE:

Capital Expenditures are major expenditures on assets that last longer than a year and improve or lengthen the expected useful life of the overall property from original expectations that are recoverable in utility rate base. As a general Company rule, items costing less than \$1,500 are not capitalized (see section 3.0 of the Company's Corporate Accounting Manual). New additions consist of retirement unit installations that did not currently exist in the system. Replacements are the installation of retirement units where one existed before the new one was installed (see 40 ft rule for the Replacement of Mains under section 3.5 of the Company's Corporate Accounting Manual). In conjunction with a replacement, a retirement is required of the original retirement unit no longer useful. Piedmont further defines Capital Expenditures for System Integrity projects into the following subgroups:

- Remediation of CIS findings
- Regulator station upgrade projects Distribution Integrity Management Program (DIMP)
- Linear anode installations
- AC mitigation projects
- Conventional ground bed installation
- TIMP remediation
 - o Labor, equipment & material for cutouts of ≥ 40 ft
 - o Survey
 - o X-ray

DEFINITIONS:

Retirement Unit – A Retirement Unit is the smallest distinct component of property that is identified and costed individually in the plant records.

Property Unit - A Property Unit is an item or group of items that constitutes the minimum division of plant that is continuously associated with its cost in the plant records. It may include one or more retirement units and associated minor items. It is capitalized when placed in service and retired when no longer "used and useful".

Consumer Advocate Questions to Piedmont
TRA Docket No. 13-00118
September 24, 2013

5. Paragraph 7 of the Petition indicates some tests occur every seven years. What are the ongoing costs versus the costs associated with the 7-year period tests and assessments?

Response: The TIMP operating expenses are ongoing. The seven year periodic testing requirement is performed on a rolling basis for each applicable pipeline segment.

Response provided by Piedmont Natural Gas on October 1, 2013.

Consumer Advocate Questions to Piedmont
TRA Docket No. 13-00118
September 24, 2013

6. Do current rates include operating costs based on the procedures used for the initial implementation for TIMP and/or DIMP, as discussed in Paragraph 8?

Response: Current rates are based on operating expenses using a test period of the 12-months ended May 2011. During this test period, the periodic pipeline assessments performed under TIMP were still using direct assessment ("DA"). Piedmont has begun transitioning toward in-line inspection ("ILI") of its transmission pipelines. It cannot yet be determined how use of ILI rather than DA will change the going level of operating expenses for TIMP. Due to the increased information that is provided by ILI relative to DA, the Company currently expects that the annual operating expenses for TIMP will not decrease. Piedmont had not yet begun implementation of DIMP as of the test period used in the last rate case. Therefore, current rates do not include operating costs for DIMP.

Response provided by Piedmont Natural Gas on October 1, 2013.

Consumer Advocate Questions to Piedmont
TRA Docket No. 13-00118
September 24, 2013

7. How does Piedmont's change to an in-line assessment approach (discussed in Paragraph 9) affect the operating expenses associated with TIMP and DIMP?

Response: See response to question 6 of this data request. ILI is not an assessment approach that can be used under DIMP.

Response provided by Piedmont Natural Gas on October 1, 2013.

Consumer Advocate Questions to Piedmont
TRA Docket No. 13-00118
September 24, 2013

8. Was none of the \$78 million in new capital discussed in Paragraph 10 included in forecasted pipe replacement in the last rate case?

Response: The \$78 million in new capital discussed in the petition includes \$33 million in forecasted integrity costs that were included in the 2011 general rate case (Docket No. 11-00144). The \$78 million was included in the petition to indicate the material nature of the issue. The Company would exclude the \$33 million in any filings under the requested rider.

The Company's current comprehensive projections of integrity expenditures (Tennessee direct and joint property) is shown in the response to question 2 of this data request.

Response provided by Piedmont Natural Gas on October 1, 2013.

Consumer Advocate Questions to Piedmont
TRA Docket No. 13-00118
September 24, 2013

9. How will Piedmont ensure the costs recovered through the rider are only for capital and not for the O&M expenses, as discussed in Paragraph 14?

Response: Per the Company's proposed tariff, monthly reports will be provided to the Authority detailing the capital expenditure projects to be included in the Rider. The proper accounting treatment on the Company's books is dictated by the Company's capitalization policy and is subject to review by both internal and external auditors.

Response provided by Piedmont Natural Gas on October 1, 2013.