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November 27, 2013

VIA HAND DELIVERY

Executive Director Earl Taylor
c/o Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

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

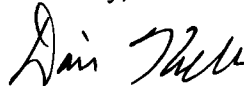
Dear Mr. Taylor:

Enclosed please find an original and five (5) copies of Piedmont Natural Gas Company's Motion for Leave to File Supplemental Testimony and Piedmont's proposed Supplemental Testimony filed on behalf of Piedmont's witness David R. Carpenter.

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 of each filing and stamp the additional copies as "filed." Then please return the stamped copy 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.

Sincerely,



David Killion

cc: James H. Jeffries, IV
Joe Shirley, Consumer Advocate and Protection Division

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:)	
)	
PETITION OF PIEDMONT NATURAL GAS)	
COMPANY, INC. FOR APPROVAL OF AN)	DOCKET NO. 13-00118
INTEGRITY MANAGEMENT RIDER TO)	
ITS APPROVED RATE SCHEDULES AND)	
SERVICE REGULATIONS)	

**MOTION OF PIEDMONT NATURAL GAS COMPANY, INC. FOR LEAVE TO FILE
SUPPLEMENTAL TESTIMONY**

Piedmont Natural Gas Company, Inc. ("Piedmont" or "Company"), through counsel, respectfully submits the following Motion for Leave to File Supplemental Testimony in the above-captioned docket. By this Motion, Piedmont moves the Tennessee Regulatory Authority ("TRA" or "Authority") for an order granting Piedmont leave to file the supplemental testimony of David Carpenter, which will explain and support the Stipulation filed by Piedmont and the Consumer Advocate and Protection Division of the Office of the Attorney General ("Consumer Advocate").

In support of this motion, Piedmont respectfully shows unto the Authority as follows:

1. On August 30, 2013, Piedmont filed its petition for approval of a proposed Integrity Management Rider ("IMR") to its approved rate schedules and service regulations. In its Petition, Piedmont proposed to implement the new IMR mechanism in its tariffs in order to allow it to recover, on an intra-rate case basis, the costs associated with significant levels of capital expenditures incurred as the direct result of compliance with federal and state pipeline

safety requirements and needed to insure the continuing reliability of its existing natural gas plant in service in Tennessee.

2. On September 30, 2013, Robert E. Cooper, Jr., Attorney General and Reporter for the State of Tennessee, by and through the Consumer Advocate filed a Petition to Intervene in this proceeding which was allowed by Authority Order dated October 29, 2013 without objection. No other entity has sought or been granted party status in this proceeding.

3. On October 15, 2013, the Authority issued an Order Establishing Procedural Schedule, requiring Piedmont to file direct testimony by October 28, 2013; the Consumer Advocate to file direct testimony by November 25, 2013; and Piedmont to file rebuttal testimony by December 4, 2013.

4. On October 28, 2013, Piedmont filed the direct testimony of Victor M. Gaglio and David R. Carpenter.

5. On November 25, 2013, the Consumer Advocate filed a notice with the Authority indicating that it would not be filing direct testimony in this proceeding but that it was pursuing a possible Stipulation with Piedmont that would address its concerns in the proceeding. The Consumer Advocate reserved its rights to participate in the proceeding in the event Piedmont and the Consumer Advocate were unable to reach a final Stipulation.

6. Following extensive negotiations and discussions, on November 27, 2013, Piedmont and the Consumer Advocate entered into and filed with the Authority a Stipulation pursuant to which Piedmont and the Consumer Advocate agreed to a number of clarifications to the filed IMR tariff.

7. Piedmont now seeks leave to file the supplemental testimony of Piedmont witness David Carpenter, on or before December 4, 2013 (the day Piedmont's rebuttal testimony would

otherwise be due), providing further explanation of the compromises incorporated into the Stipulation and supporting the justness and reasonableness thereof.

WHEREFORE, Piedmont Natural Gas Company, Inc. respectfully requests that the Authority grant it leave to file the supplemental testimony of David Carpenter in this proceeding.

This the 27th day of November, 2013.

PIEDMONT NATURAL GAS COMPANY, INC.



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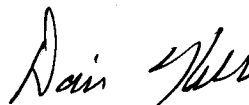
by RDG
w/ permission

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail and electronic mail upon:

Joe R. Shirley
Senior Counsel
Office of the Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, TN 37202-0207

This the 27th day of November, 2013.



David Killion

**Before the
Tennessee Regulatory Authority**

Docket No. 13-00118

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

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

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



November 27, 2013

1 **Q. Please state your name and business address.**

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

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

5 A. I am employed by Piedmont Natural Gas Company, Inc.,
6 (“Piedmont” or “the Company”) as Vice President – Planning
7 and Regulatory Affairs.

8 **Q. Have you previously testified in this proceeding?**

9 A. Yes. I prefiled direct testimony in this proceeding on October
10 28, 2013.

11 **Q. What is the purpose of your supplemental testimony?**

12 A. The purpose of my supplemental testimony is to explain the
13 impact of the Stipulation between Piedmont and the Consumer
14 Advocate on Piedmont’s proposed Integrity Management Rider
15 Mechanism (“IMR”) tariff.

16 **Q. Can you first explain how Piedmont and the Company**
17 **reached the Stipulation?**

18 A. Yes. Following Piedmont’s initial filing in this case, and the
19 Consumer Advocate’s intervention, Piedmont responded to
20 discovery requests from the TRA Staff and from the Consumer
21 Advocate. In addition, Piedmont discussed the purpose and
22 form of the IMR mechanism with the Consumer Advocate on
23 multiple occasions, including discussions regarding the

1 possible clarification of the filed tariff. These discussions
2 ultimately led to the Stipulation between Piedmont and the
3 Consumer Advocate.

4 **Q. What is the purpose of the Stipulation?**

5 A. The primary purpose of the Stipulation, as well as the revised
6 IMR tariff attached to the Stipulation, is to clarify the manner
7 in which the IMR will operate, if it is ultimately approved by
8 the Authority.

9 **Q. Does the Stipulation significantly modify the IMR tariff**
10 **filed by the Company?**

11 A. The Stipulation does not change the overall purpose or
12 functioning of the IMR mechanism but it does establish quite a
13 bit more clarifying detail as to how the mechanism will
14 actually work than was included in Piedmont's original draft.
15 This should benefit all parties involved in the administration of
16 the IMR mechanism and also lends clarity to exactly what
17 Piedmont is proposing be approved in this proceeding.

18 **Q. Can you please explain then the purpose and effect of the**
19 **IMR changes reflected in the Stipulation?**

20 A. Yes. The changes reflected in the Stipulation version of the
21 IMR tariff clarify, in some detail, exactly how that mechanism
22 will work in practice.

23 **Q. Can you provide an overview of the clarifications reflected**

1 **in the Stipulation.**

2 A. Yes. I would first note that the Stipulation itself describes the
3 clarifications to the filed IMR tariff but I will also identify
4 them and explain the purpose of the clarifications.

5 **Q. What is the first clarification?**

6 A. First, the revised IMR provides that it is limited in scope to
7 costs incurred in compliance with federally mandated
8 Transmission Integrity Management Planning (“TIMP”) and
9 Distribution Integrity Management Planning (“DIMP”)
10 activities, and even then, only to such activities deemed to be
11 reasonable, prudent, and necessary for such compliance by the
12 TRA. These are the nature of the costs sought to be recovered
13 by Piedmont in the near term under the mechanism but the
14 original tariff proposal left open the possibility of including
15 costs from additional state or federal legislation relating to new
16 or evolving system integrity/safety requirements. The IMR
17 tariff still allows for that possibility but now requires a further
18 filing by Piedmont, and approval by the TRA, in order to
19 obtain coverage under the rider for any such new safety/system
20 integrity requirements. This clarification ensures notice of and
21 proper procedures around obtaining Authority approval for
22 expanded coverage under the rider mechanism.

23 **Q. What is the nature of the second clarification?**

1 A. Second, the Stipulation provides greater clarity as to how the
2 actual IRM deferred account mechanism will operate,
3 including a new “interest” standard incorporated into the
4 revised tariff, based upon the interest standard applicable to
5 Piedmont’s ACA account. These provisions should help
6 clarify exactly how the IMR deferred account will work and
7 ensure a common understanding of that operation between all
8 parties, including the Company, Staff, and the Consumer
9 Advocate.

10 **Q. And the third clarification?**

11 A. Third, the Stipulation clarifies that the Company will use a
12 number of the factors determined in Piedmont’s most recent
13 rate case for purposes of calculating amounts recoverable under
14 the IMR mechanism. These include accumulated depreciation,
15 depreciation expense, property taxes, pre-tax return, and the
16 uncollectibles gross-up factor. This clarification ensures that in
17 calculating rate adjustments under the IMR mechanism the
18 Company will use Authority approved factors where possible.
19 For accumulated deferred income taxes, the Company and the
20 Consumer Advocate have agreed that Piedmont will use an
21 average at the beginning and end of each year.

22 **Q. And what about the fourth clarification?**

23 A. Fourth, the Stipulation clarifies the exact formula to be utilized

1 in calculating the Integrity Management Revenue Requirement
2 and the Integrity Management Adjustment, along with the
3 associated monthly journal entries for these computations.
4 This clarification will help ensure that accountants for the
5 Company, the Staff and the Consumer Advocate have a
6 common understanding of how the IMR revenue requirement
7 should be calculated.

8 **Q. What is the fifth clarification?**

9 A. Fifth, the Stipulation clarifies that Piedmont will make monthly
10 and an annual filing with the Authority (with copies to the
11 Consumer Advocate) which will allow the Authority and Staff
12 to maintain a high level of visibility over the status of the IMR
13 mechanism and its impact on customer rates. The Stipulation
14 spells out the detailed information to be provided with these
15 reports and specifically anticipates an Authority finding on the
16 annual report as to the reasonableness, prudence, and necessity
17 of the capital invested by Piedmont during the previous year as
18 a condition to recovery of related costs under the rider. The
19 Stipulation also places an affirmative obligation on Piedmont
20 to report any known changes in market conditions or other
21 factors that might affect whether the rider continues to be in the
22 public interest. These clarifications help ensure that the IMR
23 mechanism will be transparent and subject to appropriate

1 review by the Authority on a monthly and annual basis.

2 **Q. And the sixth clarification?**

3 A. Sixth, the Stipulation establishes a thirty (30) day notice period
4 prior to changing/implementing rate changes under the IMR
5 mechanism instead of the originally proposed fourteen (14) day
6 period. This clarification corrects the notice period for IMR
7 rate changes to coincide with the standard Authority notice
8 requirements.

9 **Q. And what is the seventh clarification to the IMR**
10 **mechanism?**

11 A. Seventh, the Stipulation provides the opportunity for a review
12 of the mechanism by the Authority after its first three years of
13 operation upon petition by the Consumer Advocate or other
14 interested party. It also provides the right for any party to seek
15 Authority review of the mechanism at any time if there has
16 been a material change in conditions affecting the public
17 interest of the mechanism. These clarifications help ensure that
18 the IMR mechanism will be subject to appropriate review if
19 any party believes that its operation is no longer in the public
20 interest.

21 **Q. And what is the last clarification?**

22 A. Finally, the Stipulation provides that Piedmont will not seek to
23 recover through the rider any legal fees associated with

1 obtaining approval of the rider mechanism by the Authority or
2 incurred as a result of making or defending periodic filings
3 with the Authority under the IMR.

4 **Q. How have these agreements with the Consumer Advocate**
5 **been recorded?**

6 A. They are reflected in the Stipulation itself but they are also
7 reflected in a revised IMR tariff which is attached to the
8 Stipulation. A copy of the clean revised IMR tariff is also
9 attached to this supplemental testimony as Supplemental
10 Exhibit__(DRC-1). For ease of comparison, a red-lined
11 version of the IMR tariff is attached to this testimony as
12 Supplemental Exhibit__(DRC-2).

13 **Q. What is the Consumer Advocate's position on the rider in**
14 **light of the Stipulation?**

15 A. My understanding is that the Consumer Advocate (1) believes
16 that the public interest finding under Tenn. Code Ann. § 65-5-
17 103 is a matter for the Authority to consider and determine, and
18 (2) is not opposed to adoption of the IMR mechanism with the
19 clarifications/revisions provided by the Stipulation.

20 **Q. What is the Company's position on the Stipulation and**
21 **IMR tariff changes reflected therein?**

22 A. We support the Stipulation. In any type of rider mechanism
23 like the IMR, there are always a number of accounting and

1 scope issues that require resolution and we believe that the
2 Stipulation does a good job of providing those resolutions on
3 the front end, which should ultimately be helpful to all parties
4 involved with this mechanism.

5 **Q. What are you asking of the Authority with respect to the**
6 **revised IMR tariff and the Stipulation between Piedmont**
7 **and the Consumer Advocate?**

8 A. We are asking the Authority to accept and approve the IMR
9 tariff as revised by the Stipulation with the Consumer
10 Advocate. The same factors that supported Piedmont's
11 original filing continue to support the need for and public
12 interest inherent in an IMR mechanism and the stipulated
13 revised version of the IMR is simply a better version of that
14 mechanism than was originally filed.

15 **Q. Do you have anything to add to your supplemental**
16 **testimony?**

17 A. Not at this time.

EXHIBIT__(DRC-1)

SERVICE SCHEDULE 317
Integrity Management Rider

1. Provision for Adjustment

The base rates per therm (100,000 Btu) for gas service set forth in Rate Schedules 301, 302, 303, 304, 310, 313, 314, and 352 ("Applicable Rate Schedules") of Piedmont Natural Gas Company ("Company") shall be adjusted by an amount hereinafter described which amount is referred to as the "Integrity Management Adjustment." The Integrity Management Adjustment shall be calculated as an increment and applied to Applicable Rate Schedules to recover the "Integrity Management Revenue Requirement" (IMRR), and the balance in the "Integrity Management Deferred Account." The Integrity Management Deferred Account shall be established by a monthly adjustment hereinafter described, which monthly adjustment is referred to as the "Integrity Management Deferred Account Adjustment" and shall track the Company's recovery of the IMRR.

2. Definitions

For the purposes of this Rider:

"Authority" means the Tennessee Regulatory Authority.

"DIMP" means the regimen referred to as the distribution integrity management planning under Subpart P of Part 192 of the United States Department of Transportation ("U.S. DOT") regulations.

"Integrity Management Deferred Account" means the account reflecting the cumulative difference between the amounts authorized for collection pursuant to this Rider and the collections actually received. The over or under collected amount is a result of the billing determinants used to establish the billing increment associated with this Rider for each Applicable Rate Schedule.

"Integrity Management Investment Amount" means the approved amount of actual capital investment of the Company resulting from prevailing state and federal standards for pipeline integrity and safety for complying with DIMP and TIMP regulations and not otherwise included in current base rates. At the time of the Company's next general rate case proceeding, all prudently incurred Integrity Management Investment Amounts associated with this Rider shall be included in base rates.

"Refund Adjustments" means the adjustment to the IMRR applicable to the coming annual period for the net amount of over or under collections in the Integrity Management Deferred Account, as adjusted for Interest.

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

“TIMP” means the regimen referred to as the transmission integrity management planning under Subpart O of Part 192 of the U.S. DOT regulations.

“Vintage Year” means the fiscal year during which the Integrity Management Investment Amount is made.

3. Computation of Integrity Management Revenue Requirement

The total revenue requirement will be calculated for each Vintage Year, as follows:

Integrity Management Investment Amount	\$X,XXX,XXX
Less: Accumulated Depreciation	XXX,XXX
Less: Accumulated Deferred Income Taxes	<u>XXX,XXX</u>
Net Investment	\$X,XXX,XXX
Pre-Tax ROR set forth in the Relevant Rate Order	X.XX%
Allowed Pre-Tax Return	\$X,XXX,XXX
Plus: Depreciation Expense	XXX,XXX
Plus: Property Taxes	<u>XXX,XXX</u>
Total, Excluding Uncollectibles	\$X,XXX,XXX
Multiplied by: Uncollectibles Gross-Up Factor	<u>X.XXXXXX</u>
Total Revenue Requirement, Excluding Refund Adjustments	\$X,XXX,XXX

Where:

Accumulated Depreciation	=	Accumulated depreciation calculated using rates approved in Relevant Rate Order
Accumulated Deferred Income Taxes	=	An average of the actual accumulated deferred income taxes at the beginning and end of the year
Depreciation Expense	=	Approved actual Integrity Management Investment Amount x Depreciation Rates approved in the Relevant Rate Order

Property Taxes	= Composite property tax rate approved in the Relevant Rate Order
Uncollectibles Gross-Up Factor	= Uncollectibles gross-up factor used and approved in the Relevant Rate Order

The total of the revenue requirements for each Vintage Year is the IMRR. The total amount to be recovered through the Integrity Management Adjustment is the IMRR plus the Refund Adjustment.

4. Computation of Integrity Management Deferred Account Adjustment

Each month the Company will record in the Integrity Management Deferred Account the portion of the IMRR that corresponds to that month, based on the monthly allocation of throughput consistent with the Relevant Rate Order. Furthermore, each month the Company will make an offsetting entry to the Integrity Management Deferred Account for the amount of the Integrity Management Adjustment collected from customers. The amount of the Integrity Management Adjustment collected from customers will be computed by multiplying the Integrity Management Adjustment billing increment for each Applicable Rate Schedule by the corresponding actual terms of usage billed to customers for the month. The Company shall also record in the Integrity Management Deferred Account each month the interest due from or to customers related to the cumulative under or over collection of the IMRR, pursuant to the terms described in Section 6 of this Rider. An illustration of the monthly journal entries described above is as follows:

	<u>Debit</u>	<u>Credit</u>
1. To record revenue:		
Integrity Management Deferred Account	\$XXX,XXX	
Income		\$XXX,XXX
2. To record collections:		
Accounts Receivable	\$XXX,XXX	
Integrity Management Deferred Account		\$XXX,XXX
3. To record interest:		

If the Integrity Management Deferred Account has a net debit balance, which reflects net under-collections:

Integrity Management Deferred Account	\$X,XXX	
Interest Income		\$X,XXX

If the Integrity Management Deferred Account has a net credit balance, which reflects net over-collections:

Interest Expense	\$X,XXX	
Integrity Management Deferred Account		\$X,XXX

5. Computation of Integrity Management Adjustment

The Integrity Management Adjustment will be adjusted annually using 1) actual Integrity Management Investment Amounts that the Authority has found to be reasonable, prudent, and necessary to comply with the safety regulations approved for recovery through this Rider, and 2) the Refund Adjustment recognizing the actual balance in the Integrity Management Deferred Account.

Effective for the first day of January's Bill Cycle Month, the Integrity Management Adjustment shall be calculated for each customer class to the nearest one-thousandth cent per therm, by the following formula:

$$\begin{aligned}
 \text{Customer Class Integrity Management Adjustment} &= \frac{\text{(Allocated portion of the Integrity Management Deferred Account Balance)}}{\text{Customer Class Annual Therms}} \\
 &+ \text{(Allocated portion of the IMRR/Customer Class Annual Therms)}
 \end{aligned}$$

Where:

$$\begin{aligned}
 \text{Integrity Management Deferred Account Balance} &= \text{Balance at October 31} \\
 \text{Allocated portion of the Integrity Management Deferred Account Balance} &= \frac{\text{Integrity Management Deferred Account Balance}}{\text{(Customer Class allocated margin revenue responsibility from Relevant Rate Order / total margin revenue requirement for Applicable Rate Schedules from Relevant Rate Order)}}
 \end{aligned}$$

Allocated portion of the IMRR	=	IMRR
	x	(Customer Class allocated margin revenue responsibility from Relevant Rate Order / total margin revenue requirement for Applicable Rate Schedules from Relevant Rate Order)
Customer Class Annual Therms	=	Annualized and Normalized throughput assigned to the respective Customer Classes in the Relevant Rate Order
Residential Customer Class	=	Rate Schedule 301
Commercial Customer Class	=	Rate Schedules 302 and 352
Firm Large General Customer Class	=	Rate Schedules 303, 313 and 310
Interruptible Large General Customer Class	=	Rate Schedules 304 and 314

6. Interest

The Company may recover interest on the "Integrity Management Deferred Account" based on the average monthly balance based on the beginning and ending monthly balances. The interest rates for each calendar quarter used to compute such interest shall be a rate equal to the rate used to compute interest on the "Refund Due Customers' Account" as prescribed by TRA Rule 1220-4-7-.03.

7. Monthly Filing with Authority

The Company will file monthly as directed by the Authority (a) detail of the current month's Integrity Management Investment Amount, (b) the cumulative Integrity Management Investment subject to this Rider, (c) a schedule detailing the Integrity Management Deferred Account Adjustment recorded for the month, and (d) any related general ledger support. Such reports will be filed within 45 days after the end of the month for which the report is being filed.

8. Annual Filing with Authority

The Company will include in its Annual Filing made not later than each November 30th the following information: (a) the monthly filing (pursuant to Section 7 of this Rider) for October, (b) a schedule of all journal entries made related to this Rider

for the previous 12 months, (c) actual billing determinants for the prior 12 months as used in the computation of the Integrity Management 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) an affirmative statement of whether the Company is aware of any changes in the market conditions or other factors that may affect whether the Rider is still in the public interest, including the identification of such factors if they exist.

The Company will simultaneously copy the Consumer Advocate on its Annual Filing.

9. Notice Requirements

The Company will file revised tariffs for Authority approval upon 30 days' notice to implement a decrement or an increment each January. With the filing, the Company will include a copy of the computation of the Integrity Management Adjustment. The Company will simultaneously copy the Consumer Advocate on this filing.

10. Expansion of the Rider Beyond DIMP and TIMP Costs

If the Company wants to expand the recoverable capital investments allowed in the Integrity Management Investment Amount for safety regulations that are not related to DIMP or TIMP compliance, the Company is required to file a request, not less than 120 days prior to the Annual Filing discussed in Section 8 of this Rider, for the Authority to determine that cost recovery of capital investments under the safety regulations other than DIMP and TIMP are in the public interest prior to recovery of such costs in the Rider. The Company will simultaneously copy the Consumer Advocate on all such requests.

11. Public Interest Review

After a period of three years from the initial effective date of this Rider, the Consumer Advocate or other interested parties may file petitions seeking the Authority to reconsider whether the Rider remains in the public interest. Notwithstanding the aforementioned, the Consumer Advocate or any other interested party may file a petition for the Authority to reconsider the public interest of the Rider within the 3-year period upon a material change in conditions affecting the public interest.

EXHIBIT__(DRC-2)

SERVICE SCHEDULE 317
Integrity Management Rider

1. Provision for Adjustment

The base rates per therm (100,000 Btu) for gas service set forth in Rate Schedules 301, 302, 303, 304, 310, 313, 314, and 352 ("Applicable Rate Schedules") of Piedmont Natural Gas Company ("Company") shall be adjusted by an amount hereinafter described which amount is referred to as the "Integrity Management Adjustment." The Integrity Management Adjustment shall be calculated as an increment and applied to Applicable Rate Schedules to recover the "Integrity Management Revenue Requirement" (IMRR), and the balance in the "Integrity Management Deferred Account." The Integrity Management Deferred Account shall be established by a monthly adjustment hereinafter described, which monthly adjustment is referred to as the "Integrity Management Deferred Account Adjustment;" and shall track the Company's recovery of the IMRR.

2. Definitions

For the purposes of this Rider:

"Authority" means the Tennessee Regulatory Authority.

"DIMP" means the regimen referred to as the distribution integrity management planning under Subpart P of Part 192 of the United States Department of Transportation ("U.S. DOT") regulations.

"Integrity Management Deferred Account" means the account reflecting the cumulative difference between the amounts authorized for collection pursuant to this Rider and the collections actually received. The over or under collected amount is a result of the billing determinants used to establish the billing increment associated with this Rider for each Applicable Rate Schedule.

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

"Integrity Management Investment Amount" means the approved amount of actual capital investment of the Company resulting from prevailing state and federal standards for pipeline integrity and safety for complying with DIMP and TIMP regulations and not otherwise included in current base rates. At the time of the Company's next general rate case proceeding, all prudently incurred Integrity Management Investment Amounts associated with this Rider shall be included in base rates.

“Refund Adjustments” means the adjustment to the IMRR applicable to the coming annual period for the net amount of over or under collections in the Integrity Management Deferred Account, as adjusted for Interest.

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

“TIMP” means the regimen referred to as the transmission integrity management planning under Subpart O of Part 192 of the U.S. DOT regulations.

“Vintage Year” means the fiscal year during which the Integrity Management Investment Amount is made.

3. Computation of Integrity Management Revenue Requirement

The total revenue requirement ~~amount to be recovered~~ will be calculated for each Vintage Year, as follows:

Integrity Management Investment Amount	\$X,XXX,XXX
Less: Accumulated Depreciation	XXX,XXX
Less: Accumulated Deferred Income Taxes	XXX,XXX
Net Investment	\$X,XXX,XXX
Pre-Tax ROR set forth in the Relevant Rate Order	X.XX%
Allowed Pre-Tax Return	\$X,XXX,XXX
Plus: Depreciation Expense	XXX,XXX
Plus: Property Taxes	XXX,XXX
Total, <u>Excluding Uncollectibles</u>	\$X,XXX,XXX
<u>Multiplied by: Uncollectibles Gross-Up Factor</u>X.XXXXXX
<u>Total Revenue Requirement, Excluding Refund Adjustments</u>	\$X,XXX,XXX

Where:

Accumulated Depreciation = Accumulated depreciation calculated using rates approved in Relevant Rate Order

Accumulated Deferred Income Taxes = An average of the actual accumulated deferred income taxes at the beginning and end of the year

Depreciation Expense = Approved actual Integrity Management

		<u>Investment Amount x Depreciation Rates approved in the Relevant Rate Order</u>
<u>Property Taxes</u>	≡	<u>Composite property tax rate approved in the Relevant Rate Order</u>
<u>Uncollectibles Gross-Up Factor</u>	≡	<u>Uncollectibles gross-up factor used and approved in the Relevant Rate Order</u>

The total of the revenue requirements for each Vintage Year is the IMRR. The total amount to be recovered through the Integrity Management Adjustment is the IMRR plus the Refund Adjustment.

4. Computation of Integrity Management Deferred Account Adjustment

Each month the Company will record in the Integrity Management Deferred Account the portion of the IMRR that corresponds to that month, based on the monthly allocation of throughput consistent with the Relevant Rate Order. Furthermore, each month the Company will make an offsetting entry to the Integrity Management Deferred Account for the amount of the Integrity Management Adjustment collected from customers. The amount of the Integrity Management Adjustment collected from customers will be computed by multiplying the Integrity Management Adjustment billing increment for each Applicable Rate Schedule by the corresponding actual therms of usage billed to customers for the month. The Company shall also record in the Integrity Management Deferred Account each month the interest due from or to customers related to the cumulative under or over collection of the IMRR, pursuant to the terms described in Section 6 of this Rider. An illustration of the monthly journal entries described above is as follows:

	<u>Debit</u>	<u>Credit</u>
1. <u>To record revenue:</u>		
<u>Integrity Management Deferred Account</u>	<u>\$XXX,XXX</u>	
<u>Income</u>		<u>\$XXX,XXX</u>
2. <u>To record collections:</u>		
<u>Accounts Receivable</u>	<u>\$XXX,XXX</u>	
<u>Integrity Management Deferred Account</u>		<u>\$XXX,XXX</u>
3. <u>To record interest:</u>		
<u>If the Integrity Management Deferred Account has a net debit balance, which reflects net under-collections:</u>		

<u>Integrity Management Deferred Account</u>	<u>\$X,XXX</u>	
<u>Interest Income</u>		<u>\$X,XXX</u>

If the Integrity Management Deferred Account has a net credit balance, which reflects net over-collections:

<u>Interest Expense</u>	<u>\$X,XXX</u>	
<u>Integrity Management Deferred Account</u>		<u>\$X,XXX</u>

~~The Integrity Management Deferred Account Adjustment shall be computed monthly based on the monthly allocation of revenues from the Company's last general rate proceeding.~~

5. Computation of Integrity Management Adjustment

The Integrity Management Adjustment will be adjusted annually using 1) actual Integrity Management Investment Amounts that the Authority has found to be reasonable, prudent, and necessary to comply with the safety regulations approved for recovery through this Rider, and 2) the Refund Adjustment recognizing the actual balance in the Integrity Management Deferred Account.

Effective for the first day of January's Bill Cycle Month the Integrity Management Adjustment ~~to refund or recover the balance in the Integrity Management Deferred Account,~~ shall be calculated for each customer class to the nearest one-thousandth cent per therm by the following formula:

Customer Class Integrity Management Adjustment	=	Allocated portion of the Integrity Management Deferred Account Balance / Customer Class Annual Therms
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+ (Allocated portion of the IMRR/Customer Class Annual Therms)

Where:

Integrity Management Deferred Account Balance	=	Balance at October 31
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Allocated portion of the Integrity Management Deferred Account Balance =	=	Integrity Management Deferred Account Balance
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x (Customer Class allocated margin revenue responsibility from Relevant Rate Order / total margin Company revenue requirement for Applicable

		<u>Rate Schedules from established by</u> <u>Relevant Rate Order)</u>
<u>Allocated portion of the IMRR</u>	=	<u>IMRR</u>
	x	<u>(Customer Class allocated margin</u> <u>revenue responsibility from Relevant</u> <u>Rate Order / total margin revenue</u> <u>requirement for Applicable Rate</u> <u>Schedules from Relevant Rate Order)</u>
Customer Class Annual Therms =		<u>Annualized and Normalized</u> <u>throughput volumes</u> assigned to the respective <u>C</u> ustomer <u>C</u> lasses in the Relevant Rate Order
<u>Residential Customer Class</u>	=	<u>Rate Schedule 301</u>
<u>Commercial Customer Class</u>	=	<u>Rate Schedules 302 and 352</u>
<u>Firm Large General Customer Class</u>	=	<u>Rate Schedules 303, 313 and 310</u>
<u>Interruptible Large General Customer</u> <u>Class</u>	=	<u>Rate Schedules 304 and 314</u>

6. Interest

The Company may recover interest on the "Integrity Management Deferred Account" based on the average monthly balance based on the beginning and ending monthly balances. The interest rates for each calendar quarter used to compute such interest shall be a rate equal to the rate used to compute interest on the "Refund Due Customers' Account" as prescribed by TRA Rule 1220-4-7-.03.~~Interest will be applied to the Integrity Management Deferred Account at the Company's authorized overall rate of return.~~

7. Monthly Filing with Authority

The Company will file monthly as directed by the Authority (a) detail of the current month's Integrity Management Investment Amount, (b) the cumulative Integrity Management Investment subject to this Rider, and (c) a schedule detailing the Integrity Management Deferred Account Adjustment recorded for the month, and (d) any related general ledger support. Such reports will be filed within 45 days after the end of the month for which the report is being filed.

8. Annual Filing with Authority

The Company will include in its Annual Filing made not later than each November 30th the following information: (a) the monthly filing (pursuant to Section 7 of this Rider) for October, (b) a schedule of all journal entries made related to this Rider for the previous 12 months, (c) actual billing determinants for the prior 12 months as used in the computation of the Integrity Management 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) an affirmative statement of whether the Company is aware of any changes in the market conditions or other factors that may affect whether the Rider is still in the public interest, including the identification of such factors if they exist.

The Company will simultaneously copy the Consumer Advocate on its Annual Filing.

98. ~~Filing with Authority~~ Notice Requirements

The Company will file revised tariffs for Authority approval upon ~~30~~14 days' notice to implement a decrement or an increment each January. With the filing the Company will include a copy of the computation of the Integrity Management Adjustment. The Company will simultaneously copy the Consumer Advocate on this filing.

10. Expansion of the Rider Beyond DIMP and TIMP Costs

If the Company wants to expand the recoverable capital investments allowed in the Integrity Management Investment Amount for safety regulations that are not related to DIMP or TIMP compliance, the Company is required to file a request, not less than 120 days prior to the Annual Filing discussed in Section 8 of this Rider, for the Authority to determine that cost recovery of capital investments under the safety regulations other than DIMP and TIMP are in the public interest prior to recovery of such costs in the Rider. The Company will simultaneously copy the Consumer Advocate on all such requests.

11. Public Interest Review

After a period of three years from the initial effective date of this Rider, the Consumer Advocate or other interested parties may file petitions seeking the Authority to reconsider whether the Rider remains in the public interest. Notwithstanding the aforementioned, the Consumer Advocate or any other interested party may file a petition for the Authority to reconsider the public interest of the Rider within the 3-year period upon a material change in conditions affecting the public interest.