

BASS

BERRY • SIMS_{PLC}

150 Third Avenue South, Suite 2800
Nashville, TN 37201
(615) 742-6200

David Killion

PHONE: (615) 742-7718
FAX: (615) 742-0414
E-MAIL: dkillion@bassberry.com

February 3, 2014

VIA HAND DELIVERY

Executive Director Earl Taylor
c/o Sharla Dillon
Tennessee Regulatory Authority
502 Deaderick Street, Fourth Floor
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 Billing Rates and Service Schedule 317 with effective dates as of January 1, 2014.

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

12723432.1

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the attached documents were served upon the parties in this action by electronic mail and by depositing a copy of the same in the United States Mail, First Class Postage Prepaid, addressed as follows:

Joe Shirley
Senior Counsel
Office of the Attorney General
Consumer Advocate and Protection Division
Post Office Box 20207
Nashville, Tennessee 37202
joe.shirley@ag.tn.gov

this the 3rd day of February, 2014.



PIEDMONT NATURAL GAS COMPANY, INC.
Tennessee Service Territory
Billing Rates Effective: January 1, 2014

Rate Schedule	Description	Tariff Rate Approved In Docket No. 11-00144	Cumulative PGA Demand	Commodity	Current Refund	Current ACA Demand	Commodity	Current IPA	Current IM Adjustment	Total Adj. Factor (Sum Col.2 thru Col.7)	Proposed Billing Rate (Col.1+Col.8)
		<1>	<2>	<3>	<4>	<5a>	<5b>	<6>	<7>	<8>	<9>
Residential 301	Monthly Charge-Nov.-Mar.	\$17.45									\$17.45
	Monthly Charge-Apr.-Oct.	\$13.45									\$13.45
	Nov.- Mar. per TH	0.32000	0.07577	0.34057	0.00000	(0.02943)	0.05806	0.00416	0.07018	0.51931	0.83931
	Apr.- Oct. per TH	0.27000	0.07577	0.34057	0.00000	(0.02943)	0.05806	0.00416	0.07018	0.51931	0.78931
Small General 302	Monthly Charge	\$44.00									\$44.00
	Nov.- Mar. per TH	0.35400	0.07577	0.34057	0.00000	(0.02943)	0.05806	0.00416	0.06130	0.51043	0.86443
	Apr.- Oct. per TH	0.30000	0.07577	0.34057	0.00000	(0.02943)	0.05806	0.00416	0.06130	0.51043	0.81043
Medium General 352	Monthly Charge	\$225.00									\$225.00
	Nov.- Mar. per TH	0.35400	0.07577	0.34057	0.00000	(0.02943)	0.05806	0.00416	0.06130	0.51043	0.86443
	Apr.- Oct. per TH	0.30000	0.07577	0.34057	0.00000	(0.02943)	0.05806	0.00416	0.06130	0.51043	0.81043
Natural Gas Vehicle Fuel 342	Monthly Charge	\$40.00									\$40.00
	Rate per TH	0.23109	0.07577	0.34057	0.00000	(0.02943)	0.05806	0.00416	0.06130	0.51043	0.86443
	Rate per GGE	0.29117	0.09547	0.42912	0.00000	(0.03708)	0.07316	0.00524	0.0681	0.56591	0.85708
303 Firm General Sales	Monthly Charge	\$800.00									\$800.00
	Demand Charge per TH	0.80000	0.82829		0.00000	(0.50747)	0.05806	0.00416	0.02723	0.32082	1.12082
	First 15,000 TH/TH	0.09682		0.34057	0.00000		0.05806	0.00416	0.02723	0.43002	0.52684
	Next 25,000 TH/TH	0.08953		0.34057	0.00000		0.05806	0.00416	0.02723	0.43002	0.51955
	Next 50,000 TH/TH	0.06450		0.34057	0.00000		0.05806	0.00416	0.02723	0.43002	0.49452
	Over 90,000 TH/TH	0.02764		0.34057	0.00000		0.00000	0.00416	0.02723	0.37196	0.39960
304 Interruptible General Sales	Monthly Charge	\$800.00									\$800.00
	First 15,000 TH/TH	0.09682		0.34057	0.00000		0.05806	0.00416	0.00681	0.40960	0.50642
	Next 25,000 TH/TH	0.08953		0.34057	0.00000		0.05806	0.00416	0.00681	0.40960	0.49913
	Next 50,000 TH/TH	0.06450		0.34057	0.00000		0.05806	0.00416	0.00681	0.40960	0.47410
313 Firm Transportation	Over 90,000 TH/TH	0.02764		0.34057	0.00000		0.00000	0.00416	0.00681	0.35154	0.37918
	Monthly Charge	\$800.00									\$800.00
	Demand Charge per TH	0.80000	0.82829		0.00000	(0.50747)	0.05806	0.00416	0.02723	0.32082	1.12082
	First 15,000 TH/TH	0.09682		0.34057	0.00000		0.05806	0.00416	0.02723	0.43002	0.52684
314 Interruptible Transportation	Next 25,000 TH/TH	0.08953		0.34057	0.00000		0.05806	0.00416	0.02723	0.43002	0.51955
	Next 50,000 TH/TH	0.06450		0.34057	0.00000		0.05806	0.00416	0.02723	0.43002	0.49452
	Over 90,000 TH/TH	0.02764		0.34057	0.00000		0.00000	0.00416	0.02723	0.37196	0.39960
310 Resale Service	Monthly Charge	\$800.00									\$800.00
	First 15,000 TH/TH	0.09682		0.34057	0.00000		0.05806	0.00416	0.00681	0.40960	0.50642
	Next 25,000 TH/TH	0.08953		0.34057	0.00000		0.05806	0.00416	0.00681	0.40960	0.49913
	Next 50,000 TH/TH	0.06450		0.34057	0.00000		0.05806	0.00416	0.00681	0.40960	0.47410
310 Resale Service	Over 90,000 TH/TH	0.02764		0.34057	0.00000		0.00000	0.00416	0.00681	0.35154	0.37918
	Monthly Charge	\$800.00									\$800.00
	Demand Charge per TH	0.80000	0.82829		0.00000	(0.50747)	0.05806	0.00416	0.02723	0.32082	1.12082
	Commodity Charge	0.06000		0.34057	0.00000		0.05806	0.00416	0.02723	0.43002	0.52002

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 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. 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.