

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

IN RE:)
)
PETITION OF PIEDMONT NATURAL GAS)
COMPANY, INC. TO ADJUST THE JUNE) DOCKET NO. 13-00119
30, 2012 ACA ENDING BALANCE FOR)
PRIOR PERIOD ADJUSTMENTS.)
)

**STIPULATION AND SETTLEMENT AGREEMENT BETWEEN PIEDMONT
NATURAL GAS COMPANY, INC.,
THE CONSUMER ADVOCATE AND PROTECTION DIVISION,
AND THE TENNESSEE REGULATORY AUTHORITY STAFF
PARTICIPATING AS A PARTY**

Piedmont Natural Gas Company, Inc. ("Piedmont" or "Company"), Herbert H. Slatery III, the Tennessee Attorney General and Reporter, through the Consumer Advocate and Protection Division ("Consumer Advocate"), and the Tennessee Regulatory Authority ("TRA" or "Authority") Staff participating as a party ("Party Staff") (collectively the "Stipulating Parties"), constituting all of the parties to the above-captioned docket and in comprehensive settlement of the matters at issue therein, do hereby stipulate and agree as follows:

BACKGROUND

1. Piedmont is incorporated under the laws of the State of North Carolina and is duly domesticated and engaged in the business of transporting, distributing and selling natural gas in the States of Tennessee, North Carolina and South Carolina. Piedmont's principal office and place of business is located at 4720 Piedmont Row Drive, Charlotte, North Carolina.

2. Piedmont is a public utility in Tennessee and its natural gas distribution business is subject to regulation and supervision by the Authority pursuant to Chapter 4 of Title 65 of the Tennessee Code Annotated.

3. On August 30, 2013, Piedmont filed a petition requesting authorization from the Authority to make accounting adjustments to the reported balance on June 30, 2012, in its deferred Actual Cost Adjustment account ("ACA account") in order to reflect the appropriate balance in that account consistent with the Company's general ledger balance for the costs included in that account.

4. On October 4, 2013, the Consumer Advocate filed a Petition to Intervene in this proceeding which was allowed by Authority Order dated October 23, 2013, without an objection from Piedmont.

5. On November 20, 2013, the Party Staff filed a Motion to Intervene which was allowed by Authority Order dated December 19, 2013, without an objection from Piedmont.

6. From October 2013 through February 2014, Piedmont and Party Staff exchanged numerous discovery requests and responses regarding the matters at issue in this docket.

7. On February 21, 2014, Piedmont and the Party Staff filed a statement of stipulated facts for consideration by the Authority in conjunction with its resolution of the preliminary issues in this docket.

8. Piedmont filed a Motion for Summary Judgment on February 26, 2014. The Consumer Advocate filed its response neither supporting nor opposing Piedmont's motion, but noting that regardless of the decision on Piedmont's motion, additional proceedings would be required to determine whether customers' rates and charges should be increased to reflect the proposed adjustments to Piedmont's ACA account in light of attendant circumstances and

applicable ratemaking laws and regulations. The Party Staff filed its objection to Piedmont's motion, along with the Affidavit of Pat Murphy ("Murphy Affidavit"), on March 10, 2014, in which it raised a multitude of defenses to Piedmont's motion. Piedmont filed its response to Party Staff's objection on March 21, 2014. Party Staff filed its reply on April 2, 2014.

9. Oral arguments were heard on Piedmont's Summary Judgment motion by the Authority on May 5, 2014 and on June 16, 2014 the Authority denied Piedmont's motion finding that genuine issues of material fact existed with respect to the Stipulating Parties' relative claims and defenses in this docket.

10. On September 2, 2014, the Authority issued its Order Establishing Procedural Schedule to Completion.

11. On September 17, 2014, Piedmont filed the Testimony and Exhibit of Mandi J. King and the Testimony of Robert L. Thornton (collectively, the "Piedmont Direct Testimony").

12. On September 19, 2014, Piedmont met with the Party Staff and the Consumer Advocate to discuss possible settlement of this matter and on September 23, 2014, the Stipulating Parties reached a settlement in principle of this proceeding, subject to appropriate approvals, including without limitation approval by the Attorney General. Such settlement in principle is reflected in this Stipulation and Settlement Agreement and provided for the Authority's consideration.

SETTLEMENT

13. Piedmont hereby waives and releases any and all claims to the inclusion in the Piedmont ACA account of its proposed adjustment D as referenced and described on Exhibit A attached hereto and in the Piedmont Direct Testimony and Murphy Affidavit as adjustment 4.

The Stipulating Parties agree that this adjustment D shall not be allowed and/or recovered by Piedmont in this or any other future proceeding before the Authority.

14. Piedmont hereby waives and releases any claim to any interest related to proposed adjustment D, as identified on Settlement Exhibit A hereto, and the Stipulating Parties agree that such interest shall not be allowed and/or recovered by Piedmont in this or any other future proceeding before the Authority.

15. Piedmont hereby waives and releases interest on its other proposed adjustments A, B, C, and E, as identified on Settlement Exhibit A attached hereto (and as further identified and described in the Piedmont Direct Testimony and Murphy Affidavit as proposed adjustments 1, 2, 3 and 5), to the extent such interest accrued prior to the ACA audit period July, 2012 - June, 2013 wherein Piedmont's proposed adjustments A, B, C and E, as identified on Settlement Exhibit A attached hereto, are proposed for inclusion in the beginning ACA balance. The Stipulating Parties agree that any such interest accruing prior to the ACA audit period July, 2012 - June, 2013 shall not be allowed and/or recovered by Piedmont in this or any other future proceeding before the Authority.

16. Party Staff hereby waives and releases all of its objections to the inclusion of the principal amounts of Piedmont's proposed adjustments A, B, C and E, as identified on Settlement Exhibit A attached hereto (and as further described in the Piedmont Direct Testimony and Murphy Affidavit as proposed adjustments 1, 2, 3 and 5), in Piedmont's ACA July 2012-June 2013 audit period beginning balance, subject only to the determination by Audit Staff that such proposed adjustments are properly calculated and represent legitimate gas costs of the type appropriate for recovery from customers using the same standards applied to Piedmont's gas costs generally. Party Staff further agrees that if Piedmont's proposed adjustments A, B, C and

E are determined by Audit Staff to be properly calculated and to represent legitimate gas costs of the type appropriate for recovery from customers using the same standards applied to Piedmont's gas costs generally, they will be recommended for approval for recovery in Staff's Audit Report without modification or objection to such recovery on other grounds. The Stipulating Parties agree that the inclusion and disposition of Piedmont's proposed adjustments A, B, C and E in the July 2012 - June 2013 ACA audit process, including procedures before the Authority to finalize that audit reflected in a final and non-appealable order of the TRA, and subject to the agreements regarding that process set forth above, shall finally and conclusively resolve Piedmont's claims to such adjustments.

17. The Consumer Advocate acknowledges each of the agreements and stipulations made by Party Staff and Piedmont reflected herein.

18. The settlement terms reflected above represent a comprehensive and complete resolution of all claims and defenses raised or that could have been raised by each of the Stipulating Parties in this proceeding and represent a good faith compromise and settlement between the Stipulating Parties resolving all issues in this Docket, subject to the approval by the TRA of this Stipulation and Settlement Agreement, the completion of the July, 2012 – June, 2013 ACA audit process, and the terms and conditions of this Stipulation and Settlement Agreement.

19. The Stipulating Parties agree to support this Stipulation and Settlement Agreement before the Authority and in any hearing, proposed order, or brief conducted or filed in this proceeding; provided, however, that the settlement of any issue provided for herein shall not be cited as precedent by any of the Stipulating Parties hereto in any unrelated proceeding or docket before the Authority, except as expressly provided for herein. The resolution of issues

reflected herein is the result of give and take negotiations between the Stipulating Parties and does not necessarily reflect the position of any single Stipulating Party on any discrete issue. None of the signatories hereto shall be deemed to have acquiesced in any ratemaking or procedural principle, including without limitation, any cost of service determination or cost allocation or revenue related methodology and none of the Stipulating Parties waives its right to take other positions with respect to matters similar to those settled herein in future proceedings before the Authority. This Stipulation and Agreement shall not have any precedential effect in any future proceeding or be binding upon any of the Stipulating Parties in this or any other jurisdiction, except to the extent necessary to implement the provisions hereof and as expressly contemplated herein.

20. The Stipulating Parties agree that all pre-filed testimony and exhibits of the Stipulating Parties (including pre-filed supplemental testimony and exhibits supporting this Stipulation and Settlement Agreement) may be admitted into evidence without objection and the Stipulating Parties hereby waive their right to cross-examine all witnesses with respect to such pre-filed testimony and exhibits; provided, however, that should questions be asked of such witnesses by any person at the hearing of this matter (including any questions by Directors), the Stipulating Parties may cross-examine any witness with respect to such questions consistent with the agreements set forth in this Stipulation and Agreement.

21. The provisions of this Stipulation and Settlement Agreement are agreements reached in compromise and settlement and solely for the purpose of resolving this docket without the need for further litigation.

22. The stipulations agreed to in this Stipulation and Settlement Agreement, which are the product of negotiations and substantial communication and compromise between the

Stipulating Parties, are just and reasonable and in the public interest. The Stipulating Parties jointly recommend that the Authority issue an order adopting this Stipulation and Settlement Agreement in its entirety without modification.

23. In the event that the TRA does not approve this Stipulation and Settlement Agreement in its entirety, each of signatories to this Stipulation and Settlement Agreement will retain the right to terminate this Stipulation and Settlement Agreement by written notice to the TRA and other Stipulating Parties within ten (10) business days of the issuance of an order by the TRA not approving this Stipulation and Settlement Agreement in its entirety. Should this Stipulation and Settlement Agreement terminate, it would be considered void and have no binding effect, and the signatories to this Stipulation and Settlement Agreement would reserve their rights to fully participate in all relevant proceedings notwithstanding their agreement to the terms and conditions of this Stipulation and Settlement Agreement.

24. The provisions of this Stipulation and Settlement Agreement are not severable.

25. By agreeing to this Stipulation and Settlement Agreement, no Stipulating Party waives any right to continue litigating this matter should the Stipulation and Settlement Agreement be rejected by the TRA in whole or in part.

26. No provision of this Stipulation and Settlement Agreement shall be deemed an admission of any Stipulating Party.

27. The provisions of this Stipulation and Settlement Agreement do not necessarily reflect the positions asserted by any Stipulating Party, and no Stipulating Party waives the right to assert any position in this Docket, or in any future proceeding, except as expressly stipulated and agreed herein.

28. The acceptance of this Stipulation and Settlement Agreement by the Attorney General shall not be deemed approval by the Attorney General of any of the Company's practices.

29. This Stipulation and Settlement Agreement may only be enforced by the Stipulating Parties or the TRA.

30. The Consumer Advocate's agreement to this Stipulation and Settlement is expressly premised upon the truthfulness, accuracy and completeness of the information provided by the Company to the Consumer Advocate throughout the course of this Docket, which information was relied upon by the Consumer Advocate in negotiating and agreeing to the terms and conditions of this Stipulation and Settlement Agreement.

31. This Stipulation and Settlement Agreement shall be governed by and construed under the laws of the State of Tennessee, notwithstanding the conflict of law provisions thereof.

32. The Stipulating Parties agree that this Stipulation and Settlement Agreement constitutes the complete understanding among the Stipulating Parties concerning the resolution of issues and matters under this TRA Docket 13-00119 and any oral statements, representations or agreements concerning such issues and matters made prior to the execution of this Stipulation and Settlement Agreement have been merged into this Stipulation and Settlement Agreement.

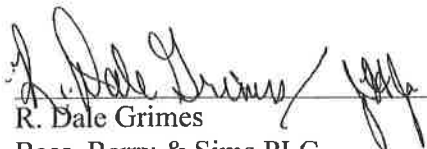
33. Each signatory to this Stipulation and Settlement Agreement represents and warrants that it/he/she has informed, advised and otherwise consulted with the Stipulating Party for whom it/he/she signs regarding the contents and significance of this Stipulation and Settlement Agreement and has obtained authority to sign on behalf of such Stipulating Party, and based upon those communications, each signatory represents and warrants that it/he/she is

authorized to execute this Stipulation and Settlement Agreement on behalf of its/his/her respective Stipulating Party.


34. The Stipulating Parties agree that this Stipulation and Settlement Agreement may be executed in multiple counterparts and by copies provided by facsimile or in .pdf format.

The foregoing is agreed and stipulated to this 13th day of November, 2014.

PIEDMONT NATURAL GAS COMPANY, INC.



R. Dale Grimes
Bass, Berry & Sims PLC
150 Third Avenue South
Nashville, Tennessee 37201
Telephone: 615-742-6244



James H. Jeffries
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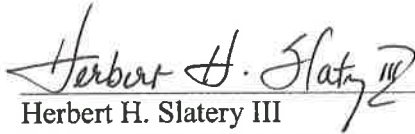
TENNESSEE REGULATORY AUTHORITY STAFF



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Nashville, Tennessee 37243

[signature pages continue on next page]

**CONSUMER ADVOCATE AND PROTECTION
DIVISION**

A handwritten signature in black ink, reading "Herbert H. Slatery III", written over a horizontal line.

Herbert H. Slatery III
Attorney General and Reporter

A handwritten signature in blue ink, reading "Wayne M. Irvin", written over a horizontal line.

Wayne M. Irvin
Assistant Attorney General
Office of the Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, Tennessee 37202-0207

Settlement Exhibit A

Ref	Description	<u>Original Proposed Adjustments</u>			<u>Settlement</u>
		Principal	Interest	Total	
A	MGT	\$ 41,200.00	\$ 12,843.26	\$ 54,043.26	\$ 41,200.00
B	Est to Act Variance	309,357.47	122,280.80	431,638.27	309,357.47
C	TGP wire for credit	699,266.65	217,982.06	917,248.71	699,266.65
D	TGP Invoices	692,137.60	259,715.81	951,853.41	--
E	FSMA adjustment	966,432.32	343,138.62	1,309,570.94	966,432.32
		<u>\$2,708,394.04</u>	<u>\$955,960.55</u>	<u>\$3,664,354.59</u>	<u>\$2,016,256.44</u>

Notes for Exhibit A:

Proposed adjustments A, B, C, D, and E above are as identified and described in the Piedmont Direct Testimony and Murphy Affidavit as proposed adjustments 1, 2, 3, 4, and 5.

The column labelled "Principal" represents the original amount proposed by Piedmont in its Petition.

The column labelled "Interest" represents the accrued interest proposed by Piedmont in its Petition.

The column labelled "Total" represents the total original amount proposed by Piedmont in its Petition.

The column labelled "Settlement" represents the amounts to be submitted to the audit process for potential inclusion in Piedmont's ACA account.