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August 29, 2014

Via Hand-Delivery
and Email

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

Docket No. 14-00086

Re: ***Petition of Piedmont Natural Gas Company, Inc. For Approval of a CNG Infrastructure Rider to Its Approved Rate Schedules and Service Regulations***

Dear Mr. Taylor:

Enclosed please find an original and five (5) copies of the Petition of Piedmont Natural Gas Company, Inc. for Approval of a CNG Infrastructure Rider to Its Approved Rate Schedules and Service Regulations. Also enclosed is a check in the amount of $25.00 for the filing fee in a new docket. This material is also being filed electronically today with the Authority's Docket Manager, Sharla Dillon.

Please file the original and four copies of this filing and stamp the additional copy as "filed." 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.

With kindest regards, I remain

Very truly yours,

R. D. Grimes

R. Dale Grimes

RDG:smb

Enclosures

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:	)	
	)	
PETITION OF PIEDMONT NATURAL GAS	)	
COMPANY, INC. FOR APPROVAL OF A CNG	)	Docket No. 14-
INFRASTRUCTURE RIDER TO ITS	)	
APPROVED RATE SCHEDULES AND	)	
SERVICE REGULATIONS	)	

PETITION OF PIEDMONT NATURAL GAS COMPANY, INC. FOR APPROVAL OF A CNG INFRASTRUCTURE RIDER TO ITS APPROVED RATE SCHEDULES AND SERVICE REGULATIONS

Piedmont Natural Gas Company, Inc. ("Piedmont" or the "Company"), through counsel and pursuant to T.C.A. § 65-5-103(d) and Rule 1220-4-1-04 of the Rules of the Tennessee Regulatory Authority ("Authority"), respectfully requests approval of a proposed Compressed Natural Gas ("CNG") Infrastructure Rider mechanism, in the form attached hereto as Exhibit A, to its approved Rate Schedules and Service Regulations to be effective as of October 1, 2014. In support of this Petition and the proposed tariff revision attached hereto, Piedmont respectfully shows unto the Authority as follows:

1. It is respectfully requested that any notices or other communications with respect to this Petition be sent to:

Jane Lewis-Raymond
Senior Vice President and Chief Legal, Compliance and External Relations Officer
Piedmont Natural Gas Company, Inc.
Post Office Box 33068
Charlotte, NC 28233
Telephone: 704-731-4261

and

R. Dale Grimes
Bass Berry & Sims PLC
150 Third Avenue South Suite 2800
Nashville, Tennessee 37201
Telephone: (615) 742-6244

and

James H. Jeffries IV
Brian S. Heslin
Moore & Van Allen PLLC
100 North Tryon Street, Suite 4700
Charlotte, NC 28202-4003
Telephone: 704-331-1079

2. Piedmont is incorporated under the laws of the state of North Carolina and is duly authorized by its Articles of Incorporation to engage in the business of transporting, distributing and selling natural gas. Piedmont is duly domesticated and is engaged in conducting the business mentioned above in the states of Tennessee, North Carolina and South Carolina. Piedmont is a public utility under the laws of this State, and its public utility operations in Tennessee are subject to the jurisdiction of this Authority.

3. On April 19, 2013, Governor Haslam signed into law House Bill No. 191 which was subsequently designated as Public Chapter No. 245 of the Session Laws of the State of Tennessee. This legislation became effective on April 29, 2013. The statute authorizes the Authority, among other things, to implement alternative regulation mechanisms, outside the context of a general rate case, allowing public utilities to recover the operational expenses, capital costs, or both associated with: (1) infrastructure and equipment associated with alternative motor vehicle transportation fuel; or (2) infrastructure that will provide opportunities for economic development benefits in the area to be directly served by the infrastructure, if the Authority finds that such mechanisms are in the public interest. Pursuant to this legislation, the

Authority is required to act on any request for alternative regulation within 120 days of the public utility's filing with the Authority. This authorization is codified at T.C.A. § 65-5-103(d).

4. Pursuant to Rule 1220-4-1-04 of the Rules of the Authority, Piedmont is permitted to propose changes to its tariff to be effective thirty (30) days after the filing of such changes. Proposed tariff changes automatically go into effect at the end of such period, unless the effectiveness thereof is suspended by the Authority pending further investigation.

5. By this filing, Piedmont proposes to implement a new CNG Infrastructure Rider ("IR") mechanism in its tariff in order to allow it to recover, on an intra-rate case basis, the costs associated with levels of capital expenditures incurred as the result of expansion of existing CNG infrastructure and the construction of new CNG filling stations to increase accessibility and improve safety in response to the growing demand for natural gas as an alternative motor vehicle transportation fuel in Tennessee. A copy of this proposed new IR mechanism, in the form of a proposed rider to Piedmont's tariff, is attached hereto as Exhibit A and incorporated herein by reference. The justifications for the proposed IR mechanism are explained below.

6. Section 103 of Part 1 of the Tennessee Code Annotated Title 65 Chapter 5 ("Rule") recognizes the positive effects of utilizing natural gas as alternative motor vehicle transportation fuel. Subsection (d) facilitates a public utility's efforts to provide the public with cleaner and safer motor vehicle transportation fuel, such as CNG, by authorizing a mechanism to recover the operational expenses and capital costs related to the expansion of infrastructure associated with alternative motor vehicle transportation fuel for the purpose of economic development.

7. The Energy Independence Act of 2013 ("Act"), which was signed by Governor Haslam on April 18, 2013, also recognized the advantages of natural gas as an alternative fuel for

high-mileage fleets. The Act noted that the advantages of natural gas as an alternative fuel include its domestic availability, widespread distribution infrastructure, low cost when compared with gasoline and diesel fuels, and clean burning qualities. Among other provisions to facilitate a shift to natural gas as a power supply, the Act ordered positive tax treatment for alternative fueling sites and strongly encouraged the acquisition of energy-efficient alternative fuel motor vehicles in the fleet of state vehicles

7. U.S. Energy Information Administration ("EIA") projected in its *Annual Energy Outlook 2014* that natural gas use by heavy-duty vehicles, trains, and ships will show the largest growth of any transportation fuel until 2040. CNG produces less undesirable emissions than gasoline, diesel, propane, and it can be used as an alternative fuel in place of the conventional motor vehicle transportation fuel. CNG is also safer than conventional fuels because it is lighter than air.

8. In March 2013, Governor Haslam signed a Memorandum of Understanding ("MOU") that included the signatures of fifteen other states, which described a coordinated effort between the participating States to attract automobile manufactures to develop NGV fleets to meet public demand. In the MOU, the States recognized "the benefits and unique attributes of clean burning natural gas and underst[ood] the significant opportunity compressed natural gas (CNG) present[ed] to save State and taxpayer dollars by encouraging an energy future that utilize[d] domestic energy resources to fuel our nation's transportation needs." In addition, the States recognized "the need for continued development and expansion of CNG fueling infrastructure "and endeavored to encourage private investment, predicated on demonstrating an anticipated increase in State NGVs, to meet growing demand."

8. Piedmont currently operates two (2) publicly accessible CNG filling stations within its service areas in Tennessee. These stations provide CNG for fleets and personal Natural Gas Vehicles ("NGV"s). Transit and school bus fleets, taxi fleets, shuttle bus fleets, courier and delivery fleets, utility fleets, distribution fleets, commuters, and vocational trucks are examples of businesses and individuals that could and currently do benefit from natural gas vehicles. Piedmont has invested $4.7 million from March 2012 to June 2014 in order to provide higher quality service to CNG customers in a timely manner. Specifically, during this period Piedmont improved its resource center facility in Nashville to match the increase in number of NGVs, and it constructed its second CNG filling station, also in Nashville, to serve the growing number of large NGVs.

9. Prior to the expansion and improvements, the CNG filling station located at Piedmont's Nashville Resource Center on Century Boulevard did not have an optimal layout for use by large trucks. Additionally, increased public use of this facility raised safety concerns regarding guests (drivers and the vehicle passengers). Facility upgrades were conducted throughout the Resource Center to resolve these issues. The upgrades from March 2012 through June 2014 cost approximately $1.2 million. As a result of the improvements, this CNG filling station has become more accessible, reliable and safe for the public.

10. The Company's newly constructed CNG filling station is located at 541 Spence Lane, Nashville, which is approximately three miles from the Company's first CNG filling station, and is more easily accessible from the interstate highway. This CNG filling station provides easy access for large, heavy duty vehicles such as trailer trucks because it was designed and constructed to meet the needs of the rapidly growing CNG market. Furthermore, the new CNG filling station's location is well-suited for use by fleet and individual owners. The

construction costs incurred for this new filling station from March 2012 through June 2014 were approximately $3.5 million.

10. As the CNG market in the greater Nashville area is expected to continue its growth, Piedmont is exploring the potential to construct, own, and operate additional CNG filling stations in the area. The near-term market interest driven projects include at least one additional CNG filling station for public access, and at least one CNG filling station to be operated on site with an existing commercial business (e.g. a convenience store). Piedmont anticipates that construction of these new CNG facilities will cost upwards of $4.6 million. Consistent with the underlying purpose of the new state legislation, Piedmont's investment in CNG filling stations will provide infrastructure and equipment to support the market for alternative motor vehicle transportation fuel, and may even provide opportunities for economic development benefits in the area to be directly served by this infrastructure.

11. One of the challenging aspects of investing capital in infrastructure and equipment expansion is that these investments do not guarantee in the near–term sufficient additional incremental revenues to offset the costs generated by the investment. Fleets tend to efficiently purchase new NGV as they retire existing vehicles, so higher usage usually takes time to ramp up. As a result, investment in CNG infrastructure required to respond to the market demand and safety concerns creates immediate downward pressure on Piedmont's opportunity to earn its allowed return on investment.

12. The costs sought to be recovered by the IR mechanism proposed herein represent the costs of new capital investments and certain expenses that are not being recovered in Piedmont's currently approved rates, are not fully offset by any incremental revenues associated with the increased investments, and are being incurred as the direct result of Piedmont's

obligations to respond to the challenges of economic development through improving accessibility, supply, and safety. Utilization of an IR mechanism will promote the continuance of economic development in the region by assisting Piedmont's efforts to respond to consumer need.

13. Piedmont's proposed solution to the challenges posed by improving and constructing CNG facilities is a rider mechanism that provides a bridge between rate cases to address investments in infrastructure and equipment expansion projects. This bridge will essentially allow the Company to recover its costs associated with such investments on an intra-rate case basis and, in doing so, will promote public safety and economic development through advanced infrastructure and equipment without regard to the timing of general rate cases.

14. In conjunction with its IR mechanism, the Company will file quarterly reports with the Authority detailing the amount of capital expenditures for CNG investment, not otherwise included in the Company's rate base, resulting from capital expenditures incurred in additional infrastructure and equipment expansion, and the costs associated with those capital expenditures will be recorded in a deferred account. Once a year, the Company will file a request with the Authority to update rates in order to recover the costs of its capital investment in infrastructure and equipment expansion projects. This recovery will include return, depreciation and taxes, consistent with the cost of service treatment authorized in Piedmont's last Tennessee rate case. The recovery of these costs will be allocated to our customer classes based upon the revenue allocations in Piedmont's last general rate proceeding. The increment within each customer group will be applied to the customer's volumetric usage rates relying on annual determinants established in the most recent rate proceeding.

15. Piedmont submits that the mechanism proposed herein as Service Schedule 318 is in the public interest because it creates a partial and interim bridge to recover the costs of new capital investment by the Company related to the infrastructure and equipment expansion for the purpose of economic development infrastructure between rate case filings. It will allow the Company to periodically update rates for its customers with smaller but more frequent adjustments to rates and enhance public safety and accessibility to Piedmont's CNG distribution system in Tennessee. By creating this bridge, Piedmont is able to efficiently recover some (but not all) of the costs associated with its investment in capital required to serve the consuming public. Piedmont's new mechanism is also the type of alternate ratemaking mechanism specifically anticipated in Public Chapter No. 245.

16. Piedmont requests an effective date for the Service Schedule proposed herein of October 1, 2014 consistent with TRA Rule 1220-4-1-04.

WHEREFORE, for the reasons set forth above, Piedmont respectfully request that the Authority issue an order, on or before October 1, 2014 authorizing Piedmont to implement its proposed mechanism effective as of October 1, 2014.

Respectfully submitted, this the 29th day of August, 2014.

Piedmont Natural Gas Company, Inc.

R. D. Grimes

R. Dale Grimes

Bass Berry & Sims PLLC
150 Third Avenue South Suite 2800
Nashville, Tennessee 37201
615-742-6244

EXHIBIT A

SERVICE SCHEDULE NO. 318
CNG Infrastructure Rider
CLEAN

SERVICE SCHEDULE NO. 318
CNG Infrastructure 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 "CNG Infrastructure Adjustment." The CNG Infrastructure Adjustment shall be calculated as an increment and applied to Applicable Rate Schedules to recover the "CNG Infrastructure Revenue Requirement" (CNGIRR), and the balance in the "CNG Infrastructure Deferred Account." The CNG Infrastructure Deferred Account shall be established by a monthly adjustment hereinafter described, which monthly adjustment is referred to as the "CNG Infrastructure Deferred Account Adjustment" and shall track the Company's recovery of the CNGIRR.

2. Definitions

For the purposes of this Rider:

"Authority" means the Tennessee Regulatory Authority.

"CNG Infrastructure 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.

"CNG Infrastructure Investment Amount" means the approved amount of actual capital investment of the Company resulting from the expansion of economic development infrastructure associated with compressed natural gas motor vehicle transportation and not otherwise included in current base rates. At the time of the Company's next general rate case proceeding, all prudently incurred CNG Infrastructure Investment Amounts associated with this Rider shall be included in base rates.

"Refund Adjustments" means the adjustment to the CNGIRR applicable to the coming annual period for the net amount of over or under collections in the CNG Infrastructure 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.

"Vintage Year" means the fiscal year during which the CNG Infrastructure Investment Amount is made.

3. <u>Computation of CNG Infrastructure Revenue Requirement</u>

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

CNG Infrastructure 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, Excluding Uncollectibles	$X,XXX,XXX
Multiplied by: Uncollectibles Gross-Up Factor	X.XXXXX
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 CNG Infrastructure 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 CNGIRR. The total amount to be recovered through the CNG Infrastructure Adjustment is the CNGIRR plus the Refund Adjustment.

4. Computation of CNG Infrastructure Deferred Account Adjustment

Each month the Company will record in the CNG Infrastructure Deferred Account the portion of the CNGIRR 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 CNG Infrastructure Deferred Account for the amount of the CNG Infrastructure Adjustment collected from customers. The amount of the CNG Infrastructure Adjustment collected from customers will be computed by multiplying the CNG Infrastructure 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 CNG Infrastructure Deferred Account each month the interest due from or to customers related to the cumulative under or over collection of the CNGIRR, pursuant to the terms described in Section 6 of this Rider. An illustration of the monthly journal entries described above is as follows:

	Debit	Credit
1. To record revenue:		
CNG Infrastructure Deferred Account	$XXX,XXX	
Income		$XXX,XXX
2. To record collections:		
Accounts Receivable	$XXX,XXX	
CNG Infrastructure Deferred Account		$XXX,XXX
3. To record interest:		

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

	Debit	Credit
CNG Infrastructure Deferred Account	$X,XXX	
Interest Income		$X,XXX

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

Interest Expense	$X,XXX	
CNG Infrastructure Deferred Account		$X,XXX

5. Computation of CNG Infrastructure Adjustment

The CNG Infrastructure Adjustment will be adjusted annually using 1) actual CNG Infrastructure 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 CNG Infrastructure Deferred Account.

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

Customer Class CNG Infrastructure Adjustment	=	(Allocated portion of the CNG Infrastructure Deferred Account Balance / Customer Class Annual Therms)
	+	(Allocated portion of the CNGIRR/Customer Class Annual Therms)

Where:

CNG Infrastructure Deferred Account Balance	=	Balance at June 30
Allocated portion of the CNG Infrastructure Deferred Account Balance	=	CNG Infrastructure Deferred Account Balance
	x	(Customer Class allocated margin revenue responsibility from Relevant Rate Order / total margin revenue requirement for Applicable Rate Schedules from Relevant Rate Order)

Allocated portion of the CNGIRR	=	CNGIRR
	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 "CNG Infrastructure 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. Quarterly Filing with Authority

The Company will file quarterly, for quarters ending March 31, June 30, September 30 and December 31, as directed by the Authority (a) detail of the current quarter's CNG Infrastructure Investment Amount, (b) the cumulative CNG Infrastructure Investment subject to this Rider, (c) a schedule detailing the CNG Infrastructure Deferred Account Adjustment recorded for the quarter, and (d) any related general ledger support. Such reports will be filed within two months after the end of the quarter 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 September 30th the following information: (a) the quarterly filing (pursuant to Section 7 of this Rider), (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 CNG Infrastructure Deferred Account Adjustment, (d) capitalization policy effective for the prior 12 months, (e) the computation calculating the CNGIRR 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. <u>Notice Requirements</u>

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

10. <u>Public Interest Review</u>

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.

SERVICE SCHEDULE NO. 318

<u>CNG Infrastructure Rider</u>

<u>MARKED</u>

SERVICE SCHEDULE NO. 318
CNG Infrastructure 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 "CNG Infrastructure Adjustment." The CNG Infrastructure Adjustment shall be calculated as an increment and applied to Applicable Rate Schedules to recover the "CNG Infrastructure Revenue Requirement" (CNGIRR), and the balance in the "CNG Infrastructure Deferred Account." The CNG Infrastructure Deferred Account shall be established by a monthly adjustment hereinafter described, which monthly adjustment is referred to as the "CNG Infrastructure Deferred Account Adjustment" and shall track the Company's recovery of the CNGIRR.

2. Definitions

For the purposes of this Rider:

"Authority" means the Tennessee Regulatory Authority.

"CNG Infrastructure 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. N

"CNG Infrastructure Investment Amount" means the approved amount of actual capital investment of the Company resulting from the expansion of economic development infrastructure associated with compressed natural gas motor vehicle transportation and not otherwise included in current base rates. At the time of the Company's next general rate case proceeding, all prudently incurred CNG Infrastructure Investment Amounts associated with this Rider shall be included in base rates.

"Refund Adjustments" means the adjustment to the CNGIRR applicable to the coming annual period for the net amount of over or under collections in the CNG Infrastructure 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.

"Vintage Year" means the fiscal year during which the CNG Infrastructure Investment Amount is made.

3. Computation of CNG Infrastructure Revenue Requirement

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

CNG Infrastructure 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, Excluding Uncollectibles	$X,XXX,XXX
Multiplied by: Uncollectibles Gross-Up Factor	X.XXXXX
Total Revenue Requirement, Excluding Refund Adjustments	$X,XXX,XXX

N

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 CNG Infrastructure 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 CNGIRR. The total amount to be recovered through the CNG Infrastructure Adjustment is the CNGIRR plus the Refund Adjustment.

4. <u>Computation of CNG Infrastructure Deferred Account Adjustment</u>

Each month the Company will record in the CNG Infrastructure Deferred Account the portion of the CNGIRR 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 CNG Infrastructure Deferred Account for the amount of the CNG Infrastructure Adjustment collected from customers. The amount of the CNG Infrastructure Adjustment collected from customers will be computed by multiplying the CNG Infrastructure 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 CNG Infrastructure Deferred Account each month the interest due from or to customers related to the cumulative under or over collection of the CNGIRR, pursuant to the terms described in Section 6 of this Rider. An illustration of the monthly journal entries described above is as follows: N

	Debit	Credit
1. To record revenue:		
CNG Infrastructure Deferred Account	$XXX,XXX	
Income		$XXX,XXX
2. To record collections:		
Accounts Receivable	$XXX,XXX	
CNG Infrastructure Deferred Account		$XXX,XXX

3. To record interest:

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

	Debit	Credit
CNG Infrastructure Deferred Account	$X,XXX	
Interest Income		$X,XXX

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

Interest Expense	$X,XXX	
CNG Infrastructure Deferred Account		$X,XXX

5. <u>Computation of CNG Infrastructure Adjustment</u>

The CNG Infrastructure Adjustment will be adjusted annually using 1) actual CNG Infrastructure 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 CNG Infrastructure Deferred Account.

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

Customer Class CNG Infrastructure Adjustment	=	(Allocated portion of the CNG Infrastructure Deferred Account Balance / Customer Class Annual Therms)
	+	(Allocated portion of the CNGIRR/Customer Class Annual Therms)

Where:

CNG Infrastructure Deferred Account Balance	=	Balance at June 30
Allocated portion of the CNG Infrastructure Deferred Account Balance	=	CNG Infrastructure Deferred Account Balance
	x	(Customer Class allocated margin revenue responsibility from Relevant Rate Order / total margin revenue requirement for Applicable Rate Schedules from Relevant Rate Order)

Allocated portion of the CNGIRR	=	CNGIRR 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

N

6. Interest

The Company may recover interest on the "CNG Infrastructure 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. Quarterly Filing with Authority

The Company will file quarterly, for quarters ending March 31, June 30, September 30 and December 31, as directed by the Authority (a) detail of the current quarter's CNG Infrastructure Investment Amount, (b) the cumulative CNG Infrastructure Investment subject to this Rider, (c) a schedule detailing the CNG Infrastructure Deferred Account Adjustment recorded for the quarter, and (d) any related general ledger support. Such reports will be filed within two months after the end of the quarter 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 September 30th the following information: (a) the quarterly filing (pursuant to Section 7 of this Rider), (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 CNG Infrastructure Deferred Account Adjustment, (d) capitalization policy effective for the prior 12 months, (e) the computation calculating the CNGIRR 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 November. With the filing, the Company will include a copy of the computation of the CNG Infrastructure Adjustment. The Company will simultaneously copy the Consumer Advocate on this filing.

10. 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. N