

**BASS BERRY + SIMS**<sub>PC</sub>

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November 14, 2014

Via Hand-Delivery

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

**Re: *Petition of Piedmont Natural Gas, Inc. for Approval of a CNG Infrastructure Rider to Its Approved Rate Schedules and Service Regulations***  
**Docket No. 14-00086**

Dear Mr. Taylor:

I enclose an original and five (5) copies of the public version of Piedmont Natural Gas Company, Inc.'s Responses to Tennessee Fuel and Convenience Store Association's Supplemental Discovery Requests.

This material is also being filed by way of email to the Tennessee Regulatory Authority Docket Manager, Sharla Dillon. Filed along with this material are four copies of the Confidential material responsive to the Discovery Requests, submitted under seal, containing Confidential Response #28, in a separate envelope.

Please file the original and four copies of the public version of this filing and stamp the additional copy 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.

With kindest regards, I remain

Very truly yours,



R. Dale Grimes

Enclosures

cc: Melvin Malone, Esq.  
Wayne Irvin, Esq.  
Sharla Dillon (via email)

**PIEDMONT NATURAL GAS COMPANY, INC.**  
**CNG IR**  
**TRA DOCKET NOS. 14-00086 & 14-00087**  
**TENNESSEE FUEL AND CONVENIENCE STORE ASSOC.**  
**SUPPLEMENTAL DISCOVERY REQUEST**  
**Date Issued: November 7, 2014**

1. Is Compressed Natural Gas ("CNG") provided by any regulated natural gas local distribution public utility as an unregulated commodity in any state? Among other places, this information may come from information or resources developed by the Company or from any other source, including, but not limited to, trade or similar organizations, within the Company's possession.

**Response:** Piedmont has not researched whether CNG is provided by any regulated natural gas local distribution public utilities as an unregulated commodity in any state and therefore, cannot provide the answer to this request.

Response provided by Piedmont Natural Gas on November 14, 2014.

PIEDMONT NATURAL GAS COMPANY, INC.  
CNG IR  
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2. Excepting federal regulations, is CNG provided by any regulated natural gas local distribution public utility as an unregulated commodity in any state? Among other places, this information may come from information or resources developed by the Company or from any other source, including, but not limited to, trade or similar organizations, within the Company's possession.

**Response:** Piedmont has not researched whether, excepting federal regulations, CNG is provided by any regulated natural gas local distribution public utilities as an unregulated commodity in any state and therefore, cannot provide the answer to this request.

Response provided by Piedmont Natural Gas on November 14, 2014.

**PIEDMONT NATURAL GAS COMPANY, INC.**  
**CNG IR**  
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3. Please provide any information, compilation or listing regarding in which states CNG is provided by regulated natural gas local distribution public utilities as a regulated commodity. Among other places, this information may come from information or resources developed by the Company or from any other source, including, but not limited to, trade or similar organizations, within the Company's possession.

**Response:** Piedmont has not conducted a comprehensive compilation or listing regarding in which states CNG is provided by regulated natural gas local distribution public utilities as a regulated commodity and therefore, cannot provide the answer to this request. Piedmont provides CNG as a regulated commodity in North Carolina, South Carolina and Tennessee. Public Service of North Carolina also provides CNG as a regulated commodity in North Carolina. Piedmont is also aware, anecdotally, that CNG is provided by other regulated natural gas public utilities in at least the following states: North Carolina, South Carolina, Utah, Pennsylvania, California, New Jersey, New York and Oklahoma.

Response provided by Piedmont Natural Gas on November 14, 2014.

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4. Please provide any information, compilation or listing regarding in which states CNG is provided by regulated natural gas local distribution public utilities as an unregulated commodity. Among other places, this information may come from information or resources developed by the Company or from any other source, including, but not limited to, trade or similar organizations, within the Company's possession.

**Response:** Piedmont has not conducted a compilation or listing regarding in which states CNG is provided by any regulated natural gas local distribution public utilities as an unregulated commodity and therefore, cannot provide the answer to this request. Piedmont provides CNG as a regulated commodity in North Carolina, South Carolina and Tennessee.

Response provided by Piedmont Natural Gas on November 14, 2014.

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5. Excepting that the Company has an approved tariff on file with the Tennessee Regulatory Authority regarding the provision of CNG to the public emanating from TRA Docket No. 11-00144, are there any other characteristics of CNG or the provision of CNG by Piedmont that make the same a regulated commodity in Tennessee? Please explain in detail and with specificity.

**Response:** Currently, CNG services are provided to Tennessee customers by Piedmont as a regulated entity, as well as by other non-regulated entities. Piedmont's provision of piped natural gas services and CNG falls under the jurisdiction of the Authority. Accordingly, Piedmont currently provides its natural gas and CNG services under approved tariffs while other non-regulated entities serve the retail market without the use of approved tariffs. Therefore, it is the status of the entity providing the CNG services and the nature or manner in which that service is provided that currently dictates whether the services are regulated or not.

Response provided by Piedmont Natural Gas on November 14, 2014.

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6. If the Tennessee Regulatory Authority had not approved the Company's CNG tariff in TRA Docket No. 11-00144, are there any circumstances under which the Company could have provided CNG to the public? Please explain in detail and with specificity.

**Response:** Piedmont currently provides CNG services to customers within its service territory under an approved tariff. Piedmont will not speculate as to what would have happened if the Authority had not approved its CNG rate schedule but will offer the opinion that the provision of piped natural gas service to the public by Piedmont (irrespective of ultimate end use) is a regulated service properly subject to the jurisdiction of the TRA .

Response provided by Piedmont Natural Gas on November 14, 2014.

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7. If the Company had not filed, or the TRA had not approved, the Company's CNG tariff in TRA Docket No. 11-00144, would the Company be prohibited from providing CNG in Tennessee as an unregulated commodity? Please explain in detail and with specificity.

**Response:** Piedmont currently provides CNG services to customers within its service territory under an approved tariff. Piedmont will not speculate as to what would have happened if the Authority had not approved its CNG rate schedule but will offer the opinion that the provision of piped natural gas service to the public by Piedmont (irrespective of ultimate end use) is a regulated service properly subject to the jurisdiction of the TRA.

Response provided by Piedmont Natural Gas on November 14, 2014.

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8. In Rate Schedule 343, under the caption "SERVICE AVAILABILITY," on First Page 2 of 3, what standard or measurement will the Company employ in instances where it exercises its judgment to assess the "impact on the local economy"?

**Response:** The caption "SERVICE AVAILABILITY" is a standard heading and provision in Piedmont's rate schedules. There is no standard of measurement employed by the Company to assess one factor such as "impact on the economy." Instead, when determining service availability for all requests for new and additional service or the transfer of existing service to higher priority end use, the Company will exercise its judgment based upon any and all the factors listed in the provision, to include the impact on the local economy.

Response provided by Piedmont Natural Gas on November 14, 2014.

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9. Reference Mr. Valentine's Supplemental Pre-filed Testimony, p. 9, LL 2-4. Mr. Valentine testified that "it is Piedmont's position that retail CNG service is appropriately offered to the public by Piedmont as a utility service (at least under current market conditions)." Please identify and explain, with detail and specificity, the market conditions under which CNG should no longer be offered to the public by Piedmont as a utility service.

**Response:** For purposes of this response it is important to distinguish between (1) the delivery of natural gas to customers without additional compression who then utilize such gas for motor vehicle fuel for either their own vehicles or for resale to the public, and (2) the retail compression and delivery of natural gas to end use motor vehicle customers who deposit such gas directly into their motor vehicle fuel tanks. Piedmont believes that its activities in the former instance, where it is simply acting as a provider of natural gas sales/transportation service are (and will remain) a regulated service. In the latter case, where Piedmont is taking the additional steps of compressing natural gas and selling it, at retail, to end use motor vehicle fuel customers through Piedmont-owned equipment, Piedmont can imagine circumstances where an argument could be made that the market for such service is sufficiently competitive that Piedmont's provision of such service should no longer be regulated. That scenario is completely hypothetical at this point in the development of the CNG market. Piedmont has noted that CNG for natural gas vehicles (NGVs) is a developing market with indicators of increased growth. Accordingly, Piedmont has submitted new Rate Schedule 343 as an experimental tariff provision that is subject to modification or adjustment as the market continues to develop.

Response provided by Piedmont Natural Gas on November 14, 2014.

**PIEDMONT NATURAL GAS COMPANY, INC.**  
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10. Is it the Company's position that CNG refueling stations are a natural monopoly? Please explain in detail and with specificity.

**Response:** No. As Piedmont indicated in its petition and supporting testimony, the Company currently provides regulated piped natural gas services to third-party CNG stations that serve the public. Pursuant to its new Rate Schedule 343, which is the subject matter of this docket, Piedmont seeks to enhance its ability to provide CNG to commercial store operators that serve the retail market. Therefore, the Company has never taken the position that the business of CNG fueling stations is a natural monopoly.

Response provided by Piedmont Natural Gas on November 14, 2014.

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11. Is it the Company's position that the provision of CNG is a natural monopoly?  
Please explain in detail and with specificity.

**Response:** No. See response to No. 10.

Response provided by Piedmont Natural Gas on November 14, 2014.

**PIEDMONT NATURAL GAS COMPANY, INC.**  
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12. What are the risks to the Company's shareholders with respect to the tariffs associated with TRA Docket Nos. 14-00086/87 and the proposed recovery mechanism? Please explain in detail and with specificity.

**Response:** This Item is unclear and requires clarification in order for the Company to formulate a response.

Response provided by Piedmont Natural Gas on November 14, 2014.

**PIEDMONT NATURAL GAS COMPANY, INC.**  
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13. Has the Company entered into any discounted rate arrangements, or otherwise allowed any discounted rates, from current Rate Schedule 342 or any other Piedmont tariff applicable to CNG? Please respond in detail and with specificity.

**Response:** The Company has not offered or entered into any service agreements for CNG service that are not authorized by existing Rate Schedule 342. Rate Schedule 342 in its current form allows Piedmont to charge customers a compression charge of up to \$0.50 per therm in addition to the base rate charges specified in Rate Schedule 342. Pursuant to this tariff authorization, Piedmont provided Trillium with a "discount" off the rider compression charge of \$0.04/Gallon Gasoline Equivalent (equivalent to \$0.0317 per therm) for service from January through May of this year.

Response provided by Piedmont Natural Gas on November 14, 2014.

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14. If the Petition and the associated tariffs are approved by the Tennessee Regulatory Authority, is it the Company's position that it may thereafter enter into discounted rate arrangements, or otherwise allow discounted rates for CNG absent TRA approval? Please respond in detail and with specificity.

**Response:** Included within Piedmont's Experimental Rate Schedule 343 is a proposal to allow Piedmont to discount, in whole or in part, the compression charge component of its rates (\$0.50) on a not unduly discriminatory basis in order to compete with alternative fuel providers, and develop the market demand for natural gas vehicular fuel or the facilities available to serve such demand. This request is not dramatically different from Piedmont's ability to charge "up to" a \$0.50 compression charge reflected in its existing Rate Schedule 342. If Piedmont's proposed experimental Rate Schedule 343 is approved, Piedmont's discounting will be authorized by the TRA. Piedmont does not anticipate seeking "reapproval" by the TRA in each instance in which it may determine to provide such a discount to a prospective customer, primarily because the timing requirements of such a course of conduct are not administratively practical. Given the experimental nature of this tariff, the limited nature of the discount, the requirement that Piedmont engage in discounting on a not unduly discriminatory basis (which would be enforceable by the TRA), and the lack of risk to Piedmont's other customers, Piedmont believes this request is reasonable.

Response provided by Piedmont Natural Gas on November 14, 2014.

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15. With respect to each and every state in which attempts, similar to that proposed by the Company in TRA Dockets 14-00086 and 14-00087, to develop the CNG market have not been successful, such as, but not limited to, Connecticut, please explain, in detail and with specificity, the underlying reasons or factors for such insufficient development of the market for CNG in such states? Please identify each such state separately in this response. Among other places, this information may come from information or resources developed by the Company or from any other source, including, but not limited to, trade or similar organizations, within the Company's possession.

**Response:** Piedmont has not performed any study or research regarding attempts in other states to develop the CNG market and therefore, cannot provide the answer to the request. Piedmont submitted its current CNG IR petition pursuant to TCA section 65-5-103(d), in which the Tennessee General Assembly specifically recognized the need to facilitate infrastructure growth through regulated utilities to support the spread of alternative fuel operations.

Response provided by Piedmont Natural Gas on November 14, 2014.

**PIEDMONT NATURAL GAS COMPANY, INC.**  
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16. With respect to each and every state in which any attempt has been made to develop the CNG market, such as, but not limited to, Connecticut, please explain, in detail and with specificity, the underlying reasons or factors for such insufficient development of the market for CNG in such states? Please identify each such state separately in this response. Among other places, this information may come from information or resources developed by the Company or from any other source, including, but not limited to, trade or similar organizations, within the Company's possession.

**Response:** See Response No. 15.

Response provided by Piedmont Natural Gas on November 14, 2014.

**PIEDMONT NATURAL GAS COMPANY, INC.**  
**CNG IR**  
**TRA DOCKET NOS. 14-00086 & 14-00087**  
**TENNESSEE FUEL AND CONVENIENCE STORE ASSOC.**  
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17. If the Company bids to build a CNG filling station for a customer without investing in it, would any ratepayer funds or regulated resources be used? Please explain in detail and with specificity.

**Response:** In circumstances where Piedmont bids to build a CNG filling station for a customer without investing in it, that particular customer will pay the costs for that arrangement. If Piedmont devotes employees or regulated resources to that effort, the specific customer will pay for the employee time or that particular regulated resource. Rate payers will not pay the O&M or costs associated with those efforts. Accordingly, there is no cost impact to rate payers in those situations.

Response provided by Piedmont Natural Gas on November 14, 2014.

PIEDMONT NATURAL GAS COMPANY, INC.  
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18. If the Company's provision of CNG is provided at some future time as an unregulated service via infrastructure and facilities subsidized by the ratepayers, what regulatory treatment or allocation would the company employ to account for said ratepayer subsidy? Please explain in detail and with specificity.

**Response:** Currently, Piedmont's provision of CNG is a regulated service. Piedmont will not speculate as to the appropriate regulatory treatment or allocation relating to a future circumstance that may or may not occur.

Response provided by Piedmont Natural Gas on November 14, 2014.

PIEDMONT NATURAL GAS COMPANY, INC.  
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19. If the Company's provision of CNG is provided at some future time as an unregulated service, would the ratepayers' benefit in any way from such future unregulated revenues earned from the provision of unregulated CNG? Please explain in detail and with specificity.

**Response:** Currently, Piedmont's provision of CNG is a regulated service. Piedmont will not speculate as to the appropriate regulatory treatment or allocation relating to a future circumstance that may or may not occur.

Response provided by Piedmont Natural Gas on November 14, 2014.

**PIEDMONT NATURAL GAS COMPANY, INC.**  
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20. Reference TRA Docket No. 14-00087. Is it the Company's position that the Order Approving Settlement Agreement in TRA Docket No. 11-00144 and the associated tariffs authorized, and/or the proposed tariffs in TRA Docket Nos. 14-00086 and 14-00087 would authorize, the Company to provide CNG at less than cost basis? Please respond in detail and with specificity.

**Response:** The purpose of general rate cases and other ratemaking proceedings is to set just and reasonable rates for the provision of jurisdictional public utility services. Rates established pursuant to these procedures are prima facie just and reasonable and, in the absence of specific TRA approval, those rates constitute the only rates Piedmont is authorized to charge for such services. Given that the "cost" of providing service to any class of Piedmont customers for any period is reasonably capable of being calculated in a multitude of ways (and frequently is calculated in a multitude of ways in contested rate proceedings), Piedmont is unable to answer this question without a detailed specification of what the TFCA considers to be the cost of providing CNG service to its various customer classes.

Response provided by Piedmont Natural Gas on November 14, 2014.

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21. Reference Mr. Valentine's Supplemental Pre-filed Testimony, p. 6, LL13-20. Please provide the addresses for both Trillium CNG's station and Waste Management, Inc.'s CNG station.

**Response:** Trillium CNG's station is located at 401 N. 1st St. Nashville, TN. Waste Management's station is located at 1428 Antioch Pike Nashville, TN.

Response provided by Piedmont Natural Gas on November 14, 2014.

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22. Reference Mr. Valentine's Supplemental Pre-filed Testimony, p. 6, LL 13-20. What services does Piedmont provide Trillium CNG's station and the Waste Management, Inc.'s CNG station? Please explain in detail and with specificity.

**Response:** Piedmont provides piped natural gas services to Trillium CNG's station and the Waste Management, Inc.'s CNG station under current Rate Schedule 342.

Response provided by Piedmont Natural Gas on November 14, 2014.

**PIEDMONT NATURAL GAS COMPANY, INC.**  
**CNG IR**  
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23. Reference Mr. Valentine's Supplemental Pre-filed Testimony, p. 6, LL 13-20. What infrastructure and related facilities did Piedmont deploy or provide advance funding or payment for in relation to Trillium CNG's station and the Waste Management, Inc.'s CNG station? Please explain in detail and with specificity.

**Response:** Trillium CNG required a main extension and a meter/regulator set for Piedmont to provide natural gas service to their location. Waste Management required a meter/regulator set for Piedmont to provide natural gas service to their location. Piedmont did not "provide advance funding or payment for" these facilities. Piedmont will recoup the cost of service connections through margin charged on quantities delivered, as is common for the majority of our customers.

Response provided by Piedmont Natural Gas on November 14, 2014.

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24. Reference Mr. Valentine's Supplemental Pre-filed Testimony, p. 6, LL13-20. Did Piedmont provide any financial assistance of any nature to either Trillium CNG, Waste Management, Inc., or any entity or person connected with the development, construction or operation of these CNG stations? Please explain in detail and with specificity.

**Response:** No, Piedmont does not provide any financial assistance of any nature to either Trillium CNG, Waste Management, Inc., or any entity or person connected with the development, construction or operation of these CNG stations.

Response provided by Piedmont Natural Gas on November 14, 2014.

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25. Reference Mr. Valentine's Supplemental Pre-filed Testimony, p. 6, LL 13-20. What were the costs of any and all infrastructure and related facilities deployed by Piedmont in relation to Trillium CNG's station and the Waste Management, Inc.'s CNG station? Please explain in detail and with specificity. If this information has already been provided, please reference the place where this information has been provided.

**Response:** Piedmont objects to this request to the extent that it requests confidential customer information that the Company is unable to voluntarily produce.

Response provided by Piedmont Natural Gas on November 14, 2014.

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26. Reference Mr. Valentine's Supplemental Pre-filed Testimony, p. 6, LL 13-20. Please produce any contracts, agreements, memoranda or other documentation Piedmont has with Trillium CNG or Waste Management, Inc. related to existing or proposed CNG stations in Tennessee, North Carolina and South Carolina.

**Response:** Piedmont objects to this request to the extent that it requests confidential customer information that the Company cannot voluntarily produce.

Response provided by Piedmont Natural Gas on November 14, 2014.

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27. Reference Mr. Valentine's Supplemental Pre-filed Testimony, p. 6, LL 13-20. Are the rates charged to Trillium's CNG station and Waste Management, Inc.'s CNG station Piedmont's current TRA-approved tariff rates? Please explain with detail and specificity.

**Response:** Yes. Piedmont currently provides natural gas services to Trillium's CNG station and Waste Management, Inc.'s CNG station pursuant to TRA-approved Rate Schedule 342.

Response provided by Piedmont Natural Gas on November 14, 2014.

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28. Please provide a schedule of the consumption of 536,000 Gasoline Gallon Equivalent volumes (GGEs) for the 11 months ended September 2014 used by large trucks, local delivery fleets, school buses, distribution fleets, personal commuter vehicles, Piedmont's utility fleet, and others in Tennessee.

**Response:** See CONFIDENTIAL attachment.

Response provided by Piedmont Natural Gas on November 14, 2014.

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29. Please provide a schedule of the computations for the "rough approximation" Mr. Valentine used to calculate \$1 million in customer savings based on the prevailing price differential of approximately \$1.50 between CNG and gasoline/diesel applied to customer volumes.

**Response:** See attachment.

Response provided by Piedmont Natural Gas on November 14, 2014.

TFCA Supplemental DR 1-29 Attachment

CNG Sales and Transport

November 2011 through September 2014

	<u>GGEs</u>	<u>@ \$1.50 Δ</u>
TN public	320,561	\$ 480,842
		<u>@ \$2.00 Δ</u>
TN customer-sited	<u>306,287</u>	<u>\$ 612,574</u>
Totals	626,848	\$ 1,093,416

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Date Issued: November 7, 2014

30. To the extent not previously provided, please provide copies of all schedules and underlying computations, work papers, analysis, studies, reports and any other materials used, relied upon, developed or produced by Piedmont, or its witnesses in this matter, in support of its responses to these supplemental discovery requests.

**Response:** Piedmont has provided copies of all schedules and underlying computations, work papers, analysis, studies, reports and any other materials used, relied upon, developed or produced by Piedmont, or its witnesses in this matter, in support of its responses to these supplemental discovery requests.

Response provided by Piedmont Natural Gas on November 14, 2014.

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the attached document was 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:

<p><b>Counsel for Tennessee Fuel &amp; Convenience Store Assoc.</b></p> <p>Melvin J. Malone Butler Snow Suite 1600 150 Third Avenue South Nashville, TN 37201</p>	<p><b>Counsel for the Consumer Advocate and Protection Division of the Office of the Attorney General</b></p> <p>Wayne Irvin Assistant Attorney General Office of the Tennessee Attorney General Consumer Advocate and Protection Division P. O. Box 20207 Nashville, TN 37202-0207</p>
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This the 14 day of November, 2014.

  
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