

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



IN RE:)
)
PETITION OF PIEDMONT) **DOCKET NO. 14-00086**
NATURAL GAS COMPANY, INC.)
FOR APPROVAL OF A CNG)
INFRASTRUCTURE RIDER TO ITS)
APPROVED RATE SCHEDULES)
AND SERVICE REGULATIONS)

**DISCOVERY REQUESTS
OF THE CONSUMER ADVOCATE AND PROTECTION DIVISION
TO PIEDMONT NATURAL GAS COMPANY, INC.**

To: Jane Lewis-Raymond, Esq.
Senior Vice President and Chief Legal, Compliance, and External Relations
Officer
Piedmont Natural Gas Company, Inc.
P.O. Box 33068
Charlotte, NC 28233

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This Discovery Request is hereby served upon Piedmont Natural Gas Company, Inc., ("Piedmont" or "Company"), pursuant to Rules 26, 33, 34 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg. 1220-1-2-.11. We request that full and complete responses be provided pursuant to the Tennessee

Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Consumer Advocate and Protection Division, c/o Wayne Irvin, 425 Fifth Avenue North, Nashville, Tennessee 37243, on or before 2:00 p.m. (CST), October 23, 2014.

PRELIMINARY MATTERS AND DEFINITIONS

Each discovery request calls for all knowledge, information and material available to Piedmont as a party, including any of Piedmont's parent companies, subsidiaries, affiliates, agents, or assigns, whether it be Piedmont's, in particular, or in the form of knowledge, information or material possessed or available to Piedmont, it's attorney or other representative.

These discovery requests are to be considered continuing in nature, and are to be supplemented from time to time as information is received by Piedmont which would make a prior response inaccurate, incomplete, or incorrect. In addition, the Attorney General requests that Piedmont supplement responses hereto with respect to any question directly addressed to the identity and location of persons having knowledge of discoverable matters, and the identity of each person expected to be called as an expert at hearing, the subject matter on which the expert is expected to testify, and the substance of the expert's testimony.

These discovery requests are to be interpreted broadly to fulfill the benefit of full discovery. The singular of any discovery request includes the plural and the plural includes the singular. To assist you in providing full and complete discovery, the Attorney General provides the following definitional guidelines.

The terms “and” and “or” shall be construed conjunctively or disjunctively as necessary to include any information that might otherwise be construed outside the scope of these requests.

The term “communication” means any transmission of information by oral, graphic, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, or otherwise.

For purposes of these discovery requests, the term “you” shall mean and include: Piedmont and all employees, agents and representatives thereof, as well as any subsidiary, affiliate or parent companies associated with Piedmont.

The term “person” or “persons” as used herein refers to any natural person, corporation, firm, company, sole proprietorship, partnership, business, unincorporated association, or other entity of any sort whatsoever. Where a company or organization is the party being served, all responses must include the company’s response. Moreover, the company’s designated person for responding must assure that the company provides complete answers. *A complete answer must provide a response which includes all matters known or reasonably available to the company.*

The term “identity” and “identify” as used herein, with respect to any person, means to provide their name, date of birth, current residence address, current residence telephone number, current business address, current business telephone number, and the occupation or job title of that person; with respect to an entity,

those terms mean to provide the name by which said entity is commonly known, the current address of its principal place of business, and the nature of business currently conducted by that entity; with respect to any document, those terms mean to provide the date of the document, the nature of the document, the title of the document, the reference number (if any) of the document, and the current location of the document, including the identity of the person or entity in possession of the document.

The term "document" as used herein, means any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, work paper, spreadsheet, note, photograph, tape recording, computer disk or record, or other data compilation in any form without limitation. Produce the original and each copy, regardless of origin or location, of any book, pamphlet, periodical, letter, note, report, memorandum (including memoranda, note or report of a meeting or conversation), spreadsheet, photograph, videotape, audio tape, computer disk, e-mail, or any other written, typed, reported, transcribed, punched, taped, filmed, or graphic matter, however produced or reproduced, which is in your possession, custody or control or which was, but is no longer, in your possession, custody, or control. If any such document was, but no longer is, in your possession or control, state what disposition was made of it and when. If a document exists in different versions, including any dissimilar copies (such as a duplicate with

handwritten notes on one copy), each version shall be treated as a different document and each must be identified and produced.

If you produce documents in response to these discovery requests, produce the original of each document or, in the alternative, produce a copy of each document and identify the location of the original document. If the “original” document is itself a copy, that copy should be produced as the original.

If any objections are raised on the basis of privilege or immunity, include in your response a complete explanation concerning the privilege asserted.

If you contend that you are entitled to refuse to fully answer any of this discovery, state the exact legal basis for each such refusal.

If any of the interrogatories are not answered on the basis of privilege or immunity, include in your response to each such interrogatory a written statement evidencing:

- (a) the nature of the communication;
- (b) the date of the communication;
- (c) the identity of the persons present at such communication; and
- (d) a brief description of the communication sufficient to allow the Authority to rule on a motion to compel.

If, for any reason, you are unable to answer a discovery request fully, submit as much information as is available and explain why your answer is incomplete. If precise information cannot be supplied, submit 1) your best estimate, so identified, and your basis for the estimate and 2) such information available to you as comes closest to providing the information requested. If you have reason to believe that

other sources of more complete and accurate information exist, identify those sources.

If any information requested is not furnished as requested, state where and how the information may be obtained or extracted, the person or persons having knowledge of the procedure and the person instructing that the information be excluded.

In the event Piedmont has a technical objection to a discovery request or cannot provide the specific information requested, the Consumer Advocate will make available the consultants it has employed for this docket to have discussions with the responding witnesses of Piedmont in order to resolve any technical matter pertaining to the discovery requests.

Provide all responses in the format which they are maintained such as Microsoft Excel or Microsoft Word format with all formulas intact.

DISCOVERY REQUESTS

1. Refer to Paragraph 5 of the Company's Petition, which states in part:

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. (emphasis added.)

- a. With regard to the Company's statement concerning recovery of CNG infrastructure costs on an intra-rate case basis, has the TRA ever allowed recovery of CNG IR capital expenditures within the context of a rate case? If so, please provide all such instances, including a reference to the docket number and an explanation of each such instance.

- b. Does the Company consider the provision of CNG to all customers (whether characterized as wholesale, retail, or other customers or end-users, and collectively defined herein as “customers”), who will directly benefit from expansion of existing CNG infrastructure or who will purchase CNG at the filling stations described in Petition Paragraph 5, to be a TRA rate regulated service?
- c. If the Company considers the provision of CNG to all customers to be a TRA rate regulated service, please provide the statutory and regulatory basis for that conclusion. If the response would be different for different types or classes of customers, for example, wholesale versus retail, please explain and provide the statutory and regulatory basis for that conclusion.
- d. If the Company does not consider the provision of CNG to all customers to be a TRA rate regulated service, please provide the physical point in the Company’s gas distribution system at which the provision of CNG ceases to be a TRA rate regulated service.
- e. If the Company does not consider the provision of CNG to all customers to be a TRA rate regulated service, please describe the equipment, including without limitation metering equipment, at the physical point in the Company’s gas distribution system at which the provision of CNG to end users ceases to be a TRA rate regulated service.
- f. Please describe each type or class of customer who will directly benefit from expansion of existing CNG infrastructure or who will purchase CNG at the filling stations, or other such terminal point of distribution, described in Petition Paragraph 5.
- g. Will the customers, who will directly benefit from expansion of existing CNG infrastructure or who will purchase CNG at the filling stations described in Petition Paragraph 5 be individual members of the public; individuals or entities purchasing the CNG for resale to other individuals or entities; or individuals or entities affiliated with the Company? If there is more than one type of customer or end-user, please state each type and explain each such customer or end-user’s expected participation.
- h. Describe the mechanism by which ratepayers (who pay the CNG IR) who are not users of CNG will benefit from or recoup payments made to the Company through the CNG IR. Explain any revenue or profit-sharing participation between the Company’s shareholders and ratepayers, through for example a reduction in rates, that the Company anticipates or

expects to occur as a result of the investment in infrastructure through the CNG IR.

- i. Describe the controls and systems that the Company has put in place and expects to put in place to prevent cross-subsidization between regulated and non-regulated services provided by the Company, including without limitation with respect to the \$4.7 million invested by the Company from March 2012 to June 2014, and the \$4.6 million that the Company expects to invest in the construction of the new CNG facilities described in Petition Paragraph 10 on page 6.
- j. With reference to the activities and businesses described in Petition Paragraphs 8 (on page 5) through 10 (including the Paragraph 10 on page 5 and the Paragraph 10 on page 6), are ratepayers subsidizing any non-regulated business in the conduct or potential conduct of those business(es)?

RESPONSE:

2. Refer to Paragraph 8 on page 5 of the Company's Petition, which states in part that "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." With respect to the Company's investment from March 2012 to June 2014 in CNG infrastructure:
 - a. Identify those accounts (and subaccounts) in the Company's ledger where CNG investment, revenue and expenses are recorded including depreciation and deferred taxes.
 - b. Provide a copy of the Company's ledger detailing the monthly activity and balances of CNG investment, revenue and expenses (including related depreciation and deferred taxes) beginning with the Company's initial investment.
 - c. With regard to the \$4.7 million that the Company has invested, is the Company seeking recovery of that investment, in whole or in part, through the CNG IR in this docket? If so, please explain.
 - d. Does the Company intend to seek recovery through rates of the \$4.7 million that the Company has invested in its next general rate case or any other rate case? If so, please explain.

RESPONSE:

3. Refer to Paragraph 10 on page 6 of the Company's Petition, which states in part that "Piedmont anticipates that construction of these new CNG facilities will cost upwards of \$4.6 million." With respect to the construction of these new CNG facilities:
 - a. Provide a copy of the Company's CNG IR budget (separated by subaccount) for investment, revenues and expenses on a monthly basis from July 2014 through June 2016.
 - b. Will the Company account for these new CNG facilities separately from the \$4.7 million that the Company has invested from March 2012 to June 2014?

RESPONSE:

4. Refer to Paragraph 12 of the Company's Petition, which states in part that "The costs sought to be recovered by the IR mechanism proposed herein represents the costs of **new capital investments and certain expenses**". (emphasis added). Please reconcile this statement with Paragraph 5 which states that the Company only wishes to recover the costs associated with capital infrastructure. Describe and explain what the Company means by "certain expenses."

RESPONSE:

5. Refer to Paragraph 1 of the Company's proposed Service Schedule No. 318. In this Paragraph, the Company indicates that the CNG Infrastructure Rider surcharge will be applied to rate schedules 301, 302, 303, 304, 310, 313, 314, and 352. Explain why the Company does not intend to apply the CNG IR surcharge to special contract customers.

RESPONSE:

6. Refer to Paragraph 3 of the Company's proposed Service Schedule No. 318. Provide a pro forma computation of the CNG Infrastructure revenue requirement and associated surcharge (by customer class) for the 12 months

ended June 30, 2014. In addition, provide the forecasted CNG Infrastructure revenue requirement and associated surcharge (by customer class) for the 12 months ending June 30, 2015 and June 30, 2016.

RESPONSE:

7. How does the Company propose to present the CNG IR surcharge on the customer's bill? Will this surcharge be a separate line item?

RESPONSE:

8. With reference to Paragraph 10 on page 6 of the Company's Petition and the Testimony of Ken Valentine, as filed on October 7, 2014, page 6, line 16 through page 7, line 9, provide any document constituting a study or analysis performed by or on behalf of or for the Company with respect to the Company's exploration of the "potential to construct, own, and operate additional CNG filling stations" in the greater Nashville area. If no study or analysis has been performed, please explain the basis (including without limitation any research) for the statements made.

RESPONSE:

9. Does the Company conduct or expect to conduct any line of business other than CNG services at each facility described in Petition Paragraphs 8 (the Paragraph 8 on page 5) through 10 (the Paragraph 10 on page 5)? For each line of business being conducted or expected to be conducted (including without limitation providing CNG services), describe and explain each line of business and the accounting for each line of business, including without limitation any steps taken to assure the segregation of each line of business and the related accounting for each line of business.

RESPONSE:

10. With reference to Exhibit PKP-2, attached to the Testimony of Pia K. Powers, as filed on October 7, 2014, state whether or not the Company contemplates capitalizing any expense that is connected with or related to any business or

enterprise that is not regulated by the TRA. Please provide an explanation of your response.

RESPONSE:

11. With reference to the Testimony of Ken Valentine, as filed on October 7, 2014, page 2, line 20 through page 3, line 6, is cross-subsidization of non-regulated businesses by regulated businesses permitted under the laws and regulations applicable to Tennessee public utilities? If it is permitted, would cross-subsidization of non-regulated businesses by regulated businesses be in the public interest under Tenn. Code Ann. § 65-5-103(d)?

RESPONSE:

12. With reference to the Testimony of Ken Valentine, as filed on October 7, 2014, page 7, line 10 through page 7, line 14:
 - a. Please explain what the Company means by the phrase “good fit for existing commercial store operators who already have locations designed to provide transportation fuel to the public.” In addition, please provide the standards by which the Company would evaluate whether the Company would be a “good fit for existing commercial store operators who already have locations designed to provide transportation fuel to the public.”
 - b. Provide any document constituting a study or analysis performed by or on behalf of or for the Company concerning a market analysis of or relating to “existing commercial store operators who already have locations designed to provide transportation fuel to the public” in the greater Nashville area.
 - c. Describe any protections contemplated by the Company to provide assurance to store owners who might not be a good fit that the Company’s provision of CNG to those that were a good fit would be fair and reasonable, in view of the Company’s position in the CNG market.
 - d. Describe the controls and systems that the Company has or proposes to put in place to ensure ratepayers would not subsidize, through the CNG IR, store owners who were a good fit.

- e. Would the Company provide discounts on CNG services to store owners who were a good fit? If so, would the Company seek TRA approval of those discounts?

RESPONSE:

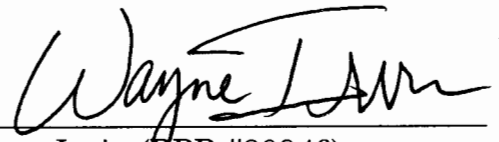
13. Will the Company seek TRA approval of any discounts or change in discounts referred to on page 1 of the proposed tariff as set out on Rate Schedule 342 in TRA Docket 14-00087?

RESPONSE:

14. Provide a street map of the greater Nashville area with the physical location identified and marked of (i) each existing CNG facility (whether or not owned or operated by the Company) and (ii) each such facility planned or contemplated to be added by the Company in accordance with the Petition or testimony in this TRA Docket.

RESPONSE:

RESPECTFULLY SUBMITTED,



Wayne Irvin (BPR #30946)
Assistant Attorney General
Office of the Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, Tennessee 37202-0207
(615) 741-8733

Dated: October 14, 2014.

CERTIFICATE OF SERVICE

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


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Senior Vice President and Chief Legal, Compliance, and External Relations
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This the 14th day of October, 2014.



Wayne Irvin