

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**February 11, 2015**

<b>PIEDMONT NATURAL GAS, INC.'S 2014</b>	<b>)</b>	<b>DOCKET NO.</b>
<b>ANNUAL FILING OF ITS INTEGRITY</b>	<b>)</b>	<b>14-00147</b>
<b>MANAGEMENT RIDER MECHANISM</b>	<b>)</b>	

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**ORDER APPROVING 2014 INTEGRITY MANAGEMENT  
RIDER ANNUAL REPORT AND TARIFF**

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This matter came before Director James M. Allison, Director Kenneth C. Hill and Director Robin Bennett of the Tennessee Regulatory Authority (“TRA” or the “Authority”), the voting panel assigned to this Docket, at a regularly scheduled Authority Conference held on January 12, 2015, for consideration of the 2014 Integrity Management Rider (“IMR”) Annual Report and revised tariff filed by Piedmont Natural Gas Company, Inc. (“Piedmont” or the “Company”).

**BACKGROUND**

Pursuant to Tenn. Code Ann. § 65-5-103(d),<sup>1</sup> the Authority previously approved Piedmont’s 2013 Annual Report and IMR, as amended by the *Stipulation of Piedmont Natural Gas Company* entered into by Piedmont and the Consumer Advocate and Protection Division, and its associated tariff with an effective date of January 1, 2014.<sup>2</sup> The IMR is designed to

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<sup>1</sup> Tenn. Code Ann. § 65-5-103(d) went into effect April 19, 2013 and authorizes the Authority to implement alternative regulatory methods. Tenn. Code Ann. § 65-5-103(d)(2)(A) provides: “A public utility may request and the authority may authorize a mechanism to recover the operational expenses, capital costs or both, if such expenses or costs are found by the authority to be in the public interest, related to ... [s]afety requirements imposed by state or federal government...”

<sup>2</sup> See *In re: Petition of Piedmont Natural Gas Company, Inc. for Approval of an Integrity Management Rider to Its Approved Rate Schedules and Service Regulations*, Docket No. 13-00118, *Order Granting Petition*, p. 10 (May 13, 2014).

recover costs associated with compliance with Subparts O and P of Part 192 of the United States Department of Transportation (“USDOT”) regulations, which establish a mandatory regimen of inspection, assessment, analysis, testing, and remediation applicable to natural gas transmission and distribution facilities in the United States, including those operated by Piedmont in Tennessee.<sup>3</sup> The regimen for transmission integrity management planning is referred to as “TIMP”, and the regimen applicable to distribution lines is referred to as “DIMP”. USDOT regulations require an ongoing seven (7) year rotating inspection and assessment of High Consequence Areas for compliance with TIMP and DIMP requirements.<sup>4</sup> Additionally, Piedmont must verify the maximum operating parameters of its pipelines and implement new record keeping for transmission piping.<sup>5</sup>

Under the provisions of the IMR approved in TRA Docket No. 13-00118, recovery of costs by Piedmont will be limited to those costs solely incurred to comply with Part 192 USDOT regulations, Subparts O and P. The IMR will be a volumetric charge based on the billing determinants from the Company’s most recent rate case. A comparison of the amount collected to the costs actually incurred will be used to determine any over or under-recovery of costs. Any over or under-recovery will be recorded in an Integrity Management Deferred Account and adjusted for interest. The amount in the Deferred Account will be used in the following year’s calculation of any needed revenue requirement. Interest on any over or under-recovery will be applied to the average beginning and ending monthly balance and based on the interest rate as defined in the TRA’s Purchased Gas Adjustment Rule, Rule 1220-04-07-.03. Costs, collections and interest will be recorded monthly to the Integrity Management Deferred Account, and the specific journal entries to be made are specified. Annual filings will contain information to assist

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<sup>3</sup> *Id.* at 3.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

the TRA in determining the prudence and necessity of the costs submitted for recovery. Piedmont is required to submit its annual filing fourteen (14) days before the IMR is implemented, and must file notice thirty (30) days prior to implementation of the IMR.<sup>6</sup>

Since approval of the initial IMR, Piedmont has filed monthly reports with the Authority outlining the capital expenses resulting from compliance with state and federal pipeline safety requirements.<sup>7</sup>

#### **2014 IMR ANNUAL REPORT**

On December 1, 2014, consistent with the Authority's Order in Docket No. 13-00118, Piedmont filed its 2014 IMR Annual Report and monthly report for October 2014. The Annual Report filing included a schedule of all journal entries made related to the IMR for the previous 12 months, billing determinants used to compute the Integrity Management Deferred Account Adjustment, and computations calculating the IMR with supporting schedules. The Company also included the following statement: "Piedmont is not aware of any changes in the market conditions or other factors that affect whether this Rider is still in the public interest."<sup>8</sup>

The 2014 IMR Annual Report estimates recoverable costs for 2015 to be \$19,641,298, with a refund adjustment amount of \$2,314,670, which results in an estimated total recovery in 2015 of \$17,326,628.<sup>9</sup> As a result, the IMR rate will increase to \$0.09285 per Therm.<sup>10</sup> Upon approval, amortization of the IMR will begin January 2015; however, rate changes will become effective on February 1, 2015.<sup>11</sup>

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<sup>6</sup> *Id.* at 4-5.

<sup>7</sup> The IMR monthly reports were originally filed by Piedmont in TRA Docket No. 13-00118. The monthly reports were filed in this docket on December 2, 2014.

<sup>8</sup> 2014 Integrity Management Rider Annual Report, Schedule 9 (December 1, 2014).

<sup>9</sup> *Id.* at Schedules 5 and 3.

<sup>10</sup> *Id.* at Schedule 3 and Forty-Third Revised Sheet No. 1 (December 16, 2014).

<sup>11</sup> See Letter from R. Dale Grimes to Earl Taylor (December 18, 2014).

## **FINDINGS AND CONCLUSIONS**

At the regularly scheduled Authority Conference held on January 12, 2015, the panel considered Piedmont's 2014 IMR Annual Report and revised tariff. The panel found that Piedmont's 2014 IMR Annual Report and revised tariff are reasonable and in compliance with the IMR mechanism as approved by the Authority in TRA Docket No. 13-00118.

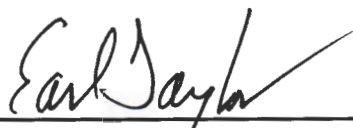
Therefore, the panel voted unanimously to accept and approve the 2014 IMR Annual Report and the 2015 IMR rate of \$0.09285 per Therm, as set forth in the Company's revised tariff effective February 1, 2015.

### **IT IS THEREFORE ORDERED THAT:**

1. The 2014 Integrity Management Rider Annual Report filed by Piedmont Natural Gas Company, Inc. on December 1, 2014, is accepted and approved.
2. The 2015 IMR rate of \$0.09285 per Therm, as set forth in the Forty-third Revised Sheet No. 1 filed by Piedmont Natural Gas Company, Inc. on December 16, 2014, is approved effective February 1, 2015.

**Director James M. Allison, Director Kenneth C. Hill and Director Robin Bennett concur.**

**ATTEST:**



**Earl R. Taylor, Executive Director**