

BEFORE THE TENNESSEE REGULATORY AUTHORITY

~~APPEAL TO THE~~
NASHVILLE, TENNESSEE

February 16, 2016

IN RE:)	
)	
PIEDMONT NATURAL GAS COMPANY, INC.'S)	DOCKET NO.
2015 ANNUAL FILING OF ITS INTEGRITY)	15-00116
MANAGEMENT RIDER MECHANISM)	

ORDER APPROVING 2015 INTEGRITY MANAGEMENT
RIDER ANNUAL REPORT AND TARIFF

This matter came before Chairman Herbert H. Hilliard, Vice Chairman David F. Jones and Director Kenneth C. Hill of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at the regularly scheduled Authority Conference held on December 14, 2015, for hearing and consideration of the 2015 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),¹ 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 of the Office of the Attorney General, and its associated tariff with an effective date of

¹ 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..."

January 1, 2014.² The IMR is designed to recover costs associated with complying 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.³ 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.⁴ Additionally, Piedmont must verify the maximum operating parameters of its pipelines and implement new record keeping for transmission piping.⁵

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-

² 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).

³ *Id.* at 3.

⁴ *Id.*

⁵ *Id.*

.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 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.⁶

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.⁷

2015 IMR ANNUAL REPORT

On November 30, 2015, consistent with the Authority's Order in Docket No. 13-00118, Piedmont filed its 2015 IMR Annual Report and monthly report for October 2015. 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."⁸

The 2015 IMR Annual Report estimates recoverable costs for 2016 to be \$21,318,459 with a refund adjustment amount of \$2,389,073, which results in an estimated total recovery in

⁶ *Id.* at 4-5.

⁷ The IMR monthly reports were filed by Piedmont in TRA Docket No. 13-00118.

⁸ 2015 Integrity Management Rider Annual Report, Schedule 10 (November 30, 2015).

2016 of \$18,929,386.⁹ As a result, the IMR rate will increase to \$0.10144 per Therm.¹⁰ Upon approval, the rate changes will become effective on January 1, 2016.

FINDINGS AND CONCLUSIONS

During the regularly scheduled Authority Conference held on December 14, 2015, the panel convened a hearing, as was noticed on December 4, 2015. Ms. Pia K. Powers, Director of Regulatory Affairs for Piedmont, ratified her pre-filed testimony and was available for questions by the panel and TRA staff. There were no intervening parties to the docket. Members of the public were given an opportunity to comment, but no one sought recognition to do so.

Thereafter, the panel considered Piedmont's 2015 IMR Annual Report and revised tariff and found that they were reasonable and in compliance with the IMR mechanism as approved by the Authority in TRA Docket No. 13-00118. Additionally, the panel found that IMR mechanism continues to operate in a manner that serves the public interest. Therefore, the panel voted unanimously to accept and approve the 2015 IMR Annual Report and its associated tariff.¹¹

IT IS THEREFORE ORDERED THAT:

1. The 2015 Integrity Management Rider Annual Report and its associated tariff, filed by Piedmont Natural Gas Company, Inc. on November 30, 2015, are accepted and approved.

3. Any person who is aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen days from the date of this Order.

⁹ *Id.* at Schedules 5 and 3.

¹⁰ *Id.* at Schedule 3 and Forty-Eighth Revised Sheet No. 1.

¹¹ Piedmont filed a revised tariff on December 22, 2015, which reflected the new commodity cost of gas, as submitted in its November 30, 2015 Purchase Gas Adjustment filing; the Accumulated Deferred Income Tax Decrement rates, approved by the Authority during the December 14, 2015 Authority Conference; and the Integrity Management rates as approved by the Authority and memorialized in this Order.

4. Any person who is aggrieved by the Authority's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty days from the date of this Order.

Chairman Herbert H. Hilliard, Vice Chairman David F. Jones and Director Kenneth C. Hill concur.

ATTEST:



Earl R. Taylor, Executive Director