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Docket NO. 16-00140

November 30, 2016

Via Hand-Delivery
and Email

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

Re: Petition of Piedmont Natural Gas, Inc. for Approval of an Integrity Management Rider to its Approved Rate Schedules and Service Regulations

Dear Mr. Taylor:

Enclosed please find an original and five (5) copies of Piedmont Natural Gas Company Inc.'s ("Piedmont" or "Company") Integrity Management Rider ("IMR" or "Rider") mechanism annual filing and proposed annual rate adjustment for January 1, 2017 pursuant to this Rider.

Under Piedmont's IMR mechanism, Service Schedule No. 317 as approved by the Authority Order on May 13, 2014, Piedmont will adjust its rates effective January 1st of each year in order to recover the costs associated with the Company's prior year's integrity management capital investment not yet reflected in Piedmont's base rates.

Piedmont's IMR requires that Piedmont submit an annual filing no later than November 30th of each year.

The calculation of the Integrity Management Revenue Requirement ("IMRR") in this annual filing is slightly revised from the calculation in previous annual filings due to the impact of certain accumulated deferred income tax adjustments on rate base which were made in order to reflect the Protecting Americans from Tax Hikes Act of 2015 enacted in December 2015, and to comply with IRS tax normalization requirements. However, this change in the IMRR calculation did not result in a materially different revenue requirement. We are happy to discuss the justification for this accumulated deferred income tax adjustment at Staff's convenience.

Piedmont hereby submits its 2016 annual filing which includes the following information in accordance with Service Schedule No. 317: (a) the monthly IMR filing for October 2016, (b) a schedule of all journal entries made related to this Rider for the previous 12 months, (c) billing determinants for the prior 12 months as used in the computation of the Deferred Account Adjustment, (d) capitalization policy effective for the prior 12 months, (e) the computation calculating the IMRR and all supporting schedules, (f) a schedule of any proposed prior period adjustments, and (g) a statement of whether the Company is aware of any changing conditions that may affect whether the rider is still in the public interest, including the identification of those

Executive Director Earl Taylor
November 30, 2016
Page Two

factors. This filing also includes proposed Fifty-third Revised Sheet No. 1 reflecting the proposed billing rates for January 1, 2017. These proposed rates capture the IMR rate adjustment as well as the expiration of the temporary rate decrement for the deferred tax refund per Docket No. 14-00017.

This material is also being filed today by way of email to the Tennessee Regulatory Authority docket manager, Sharla Dillon. Please file the original and four copies and stamp the additional copies as "filed." Then please return the stamped copy to me by way of our courier.

Sincerely,



Virginia M. Yetter

Enclosures

cc: Pia Powers (Piedmont)
Bruce Barkley (Piedmont)
David Foster (TRA)
Wayne Irvin (TN CAPD)

**Before the
Tennessee Regulatory Authority**

Docket No. 16-_____

**Petition of Piedmont Natural Gas Company, Inc.
for Approval of an Integrity Management Rider to its
Approved Rate Schedules and Service Regulations**

Integrity Management Rider

2016 Annual Filing



November 30, 2016

Docket No. 16-_____
Integrity Management Rider
October 2016 Monthly Report

**Cumulative Integrity Management Investment Amount
Actual Integrity Management Investment, by Integrity Project Type**

Line No.	TN Direct	Current Vintage Year: Vintage Year 4				All Vintage Years
		October 2016 Capital Expenditure ¹	Prior Cumulative Capital Expenditure ²	Cumulative Capital Expenditure as of October 2016 ³	Cumulative Capital Expenditure as of October 2016 ⁶	
1	Corrosion Control	\$ 19,107.88	\$ 18,305.72	\$ 37,413.60	\$ 5,196,963.89	
2	Casing Remediation	\$ -	\$ 35,975.89	\$ 35,975.89	\$ 742,803.13	
3	Distribution Integrity	\$ 1,901,005.19	\$ 8,065,754.69	\$ 9,966,759.88	\$ 28,977,734.17	
4	Transmission Integrity	\$ 423,230.34	\$ 5,855,490.85	\$ 6,278,721.19	\$ 170,839,159.07	
5	Total	\$ 2,343,343.41	\$ 13,975,527.15	\$ 16,318,870.56	\$ 205,756,660.26	
Joint Property: CO3-State						
6	OASIS Project (Work & Asset Management System)	\$ 3,499,066.45	\$ 18,399,811.20	\$ 21,898,877.65	\$ 111,939,925.53	
7	TN % of CO-3 for Current Month ⁴	17.16%				
8	Total Allocated to TN	\$ 600,439.80	\$ 3,157,407.61	\$ 3,757,847.41	\$ 19,942,912.51	
9	Total Capital Expenditures [Line 5 + Line 8]	\$ 2,943,783.21	\$ 17,132,934.76	\$ 20,076,717.97	\$ 225,699,572.77	
10	Less: Amount Included in the Attrition Period ⁵	\$ -		\$ -	\$ 32,900,000.00	
11	Total Integrity Management Investment	\$ 2,943,783.21	\$ 17,132,934.76	\$ 20,076,717.97	\$ 192,799,572.77	

1/ Represents, for the current month, the actual Integrity Management Investment that is subject to this Rider

2/ Represents, as of the prior month, the cumulative Integrity Management Investment for the current Vintage Year that is subject to this Rider; this amount is shown in the prior month's report

3/ Represents, for the current Vintage Year through the current month, the cumulative Integrity Management Investment that is subject to this Rider

4/ Represents the TN% of Total Company Gas Plant Excluding Joint Property, which is updated annually

5/ Amount being recovered in existing base rates, per the Relevant Rate Order in Docket 11-00144

6/ Represents, for all Vintage Years through the current month, the cumulative Integrity Management Investment that is subject to this Rider. The cumulative Integrity Management Investment for Vintage Years 1, 2 and 3, which capture amounts through 10/31/15, is \$172,722,854.80 (\$100,306,282.52 for Vintage Year 1, \$53,974,676.19 for Vintage Year 2 & \$18,441,896.09 for Vintage Year 3).

**Detail of Current Month's Integrity Management Investment Amount
Actual Capital Investment for Current Month, by Capital Funding Project**

Line No.	Capital Project Type	Funding Project Number	District	Funding Project Description	October 2016
1	CORR-Corrosion Control	FP1733548	17	Nashville Distribution Remediation	5,737.48
2	CORR-Corrosion Control	FP1734186	17	Nashville New Rectifier & Ground Be	6,371.61
3	CORR-Corrosion Control	FP1734289	17	Bridge Attachments Nashville	87.68
4	CORR-Corrosion Control	FP1734481	17	Magnesium Anode Beds - Nashville	6,911.11
5	DIMP-Distribution Integrity	FP1733573	17	3rd and Hart renewal - upgrade	2,459.06
6	DIMP-Distribution Integrity	FP1733763	17	Harding Place	50,187.20
7	DIMP-Distribution Integrity	FP1733765	17	McGavock Pike	28,518.90
8	DIMP-Distribution Integrity	FP1733766	17	Overhill Circle	43,388.77
9	DIMP-Distribution Integrity	FP1733767	17	Fesslers LN	5,947.77
10	DIMP-Distribution Integrity	FP1733768	17	Raymond ST	117,649.95
11	DIMP-Distribution Integrity	FP1733885	17	2nd Ave North 14" Replacement	3,184.79
12	DIMP-Distribution Integrity	FP1733931	17	Shelby Park RR Bridge Project	394,750.50
13	DIMP-Distribution Integrity	FP1733946	17	State Rte 45 Over Cumberland River	1,272.02
14	DIMP-Distribution Integrity	FP1733947	17	Nolensville Rd. Over RR S of I-440	668,523.22
15	DIMP-Distribution Integrity	FP1734138	17	Electric Avenue Project	110,574.88
16	DIMP-Distribution Integrity	FP1734378	17	Overton Lea DIMP	54,369.07
17	DIMP-Distribution Integrity	FP1734478	17	3rd Ave North Steel Replacement	4,021.81
18	DIMP-Distribution Integrity	FP1734480	17	Emergency Nesbit Lane	416,157.25
19	TIMP-Transmission Integrity	FP1733398	17	South Nashville 20"	(22,891.89)
20	TIMP-Transmission Integrity	FP1733929	17	White Bridge Road @ Post Rd. r	414,586.17
21	TIMP-Transmission Integrity	FP1734119	17	Line 307 Replacement	29,606.75
22	TIMP-Transmission Integrity	FP1734120	17	Line 311 Replacement	1,929.31
23	ISENP-Information Serv Enterprise	FP0026658	00	Work & Asset Management (OASIS)	3,499,066.45

Total (unallocated)

\$ 5,842,409.86

24 subtotal: TN Direct (unallocated)

\$ 2,343,343.41

25 subtotal: CO-3 (unallocated)

\$ 3,499,066.45

\$ 5,842,409.86

Schedule Detailing the Integrity Management Deferred Account Adjustment Recorded for the Month
Calculation of the IM Deferred Account Balance
Amount Due From (To) Customers per GL Account No. 25351

<u>Line No.</u>		<u>Oct-16</u>
1	Beginning Balance	\$ 983,576.39
2	IMR Revenue Recognition	1,021,408.23
3	(Collections from IM Adjustment)	(565,230.48)
4	Ending Balance Before Interest	1,439,754.14
5	Average Balance	1,211,665.27
6	Accrued Interest	3,534.43
7	Ending Balance After Interest	\$ 1,443,288.57
8	Applicable Annual Interest Rate	0.035000
9	Monthly Interest Rate	0.002917
10	Actual GL #25351 EOM Balance	\$ 1,443,288.57
11	Variance	\$ -

Journal Entry: To Record Revenue

01 01 25351 3 17 6250 489	1,021,408.23
01 01 48010 3 17 6220 489	(609,208.73)
01 01 48110 3 17 6220 489	(318,812.15)
01 01 48120 3 17 6220 489	(13,646.01)
01 01 48300 3 17 6220 489	(285.99)
01 01 48900 3 17 6220 489	(79,455.35)

Journal Entry: To Record Interest

01 01 25351 3 17 6250 626	3,534.43
01 01 43101 3 17 6220 626	(3,534.43)

General Ledger Support
Integrity Management Deferred Account Adjustment Recorded for the Month

Calculation of the IM Adjustment Collections:

October - 2016				
Line No.	IM Adjustment (\$ per therm)	x	Usage (therms)	= Collections (\$)
1	Residential (301)	0.10144	1,994,565	202,328.67
2	Small Commercial (302)	0.08861	1,874,459	166,095.81
3	Medium Commercial (352)	0.08861	673,787	59,704.27
4	Firm Lg General Sales (303)	0.03936	433,564	17,065.08
5	Firm Lg General Transportation (313)	0.03936	1,315,095	51,762.14
6	Firm Resale (310)	0.03936	-	-
7	Interruptible Lg General Sales (304)	0.00984	21,764	214.16
8	Interruptible Lg General Transportation (314)	0.00984	6,916,702	68,060.35
9	Total			\$ 565,230.48

Journal Entry: To Record Collections

01 01 48010 3 17 6220 489	202,328.67
01 01 48110 3 17 6220 489	166,095.81
01 01 48110 3 17 6220 489	59,704.27
01 01 48120 3 17 6220 489	17,065.08
01 01 48900 3 17 6220 489	51,762.14
01 01 48300 3 17 6220 489	-
01 01 48110 3 17 6220 489	214.16
01 01 48900 3 17 6220 489	68,060.35
01 01 25351 3 17 6250 489	(565,230.48)

Docket No. 16-_____
Integrity Management Rider
Proposed Billing Rates for January 2017

PIEDMONT NATURAL GAS COMPANY, INC.
Tennessee Service Territory
Billing Rates Effective: January 1, 2017

Rate Schedule	Description	Tariff Rate Approved In Docket No. 11-00144	Cumulative Demand <2>	PGA Demand <3>	Current Refund <4>	Current Demand <5a>	Commodity <5b>	Current IPA <6>	IM Adjustment <7>	Deferred Tax Refund <8>	Total Adj. Factor (Sum Col.2 thru Col.6)	Proposed Billing Rate (Col.1+Col.7)
		<1>									<9>	<10>
Residential 301	Monthly Charge-Nov.-Mar.	\$17.45										\$17.45
	Monthly Charge-Apr.-Oct.	\$13.45										\$13.45
	Nov.-Mar. per TH	0.32000	0.07577	0.30997	0.00000	(0.00673)	0.01095	0.00552	0.13124	0.00000	0.52672	0.84672
Small General 302	Apr.-Oct. per TH	0.27000	0.07577	0.30997	0.00000	(0.00673)	0.01095	0.00552	0.13124	0.00000	0.52672	0.79572
	Monthly Charge	\$44.00										\$44.00
	Nov.-Mar. per TH	0.35400	0.07577	0.30997	0.00000	(0.00673)	0.01095	0.00552	0.11465	0.00000	0.51013	0.86413
Medium General 352	Apr.-Oct. per TH	0.30000	0.07577	0.30997	0.00000	(0.00673)	0.01095	0.00552	0.11465	0.00000	0.51013	0.81013
	Monthly Charge	\$225.00										\$225.00
	Nov.-Mar. per TH	0.35400	0.07577	0.30997	0.00000	(0.00673)	0.01095	0.00552	0.11465	0.00000	0.51013	0.86413
Experimental Motor Vehicle Fuel 343	Apr.-Oct. per TH	0.30000	0.07577	0.30997	0.00000	(0.00673)	0.01095	0.00552	0.11465	0.00000	0.51013	0.81013
	Monthly Charge		varies by customer per their corresponding rate schedule									
	Nov.-Mar. per TH		varies by customer per their corresponding rate schedule									
303 Firm General Sales	Monthly Charge	\$800.00										\$800.00
	Demand Charge per TH	0.80000	0.82829		0.00000	(0.09098)					0.73731	1.53731
	First 15,000 TH/TH	0.09682		0.30997	0.00000		0.01095	0.00552	0.05092	0.00000	0.37736	0.47418
	Next 25,000 TH/TH	0.08953		0.30997	0.00000		0.01095	0.00552	0.05092	0.00000	0.37736	0.46689
	Next 50,000 TH/TH	0.06450		0.30997	0.00000		0.01095	0.00552	0.05092	0.00000	0.37736	0.44186
304 Interruptible General Sales	Over 90,000 TH/TH	0.02764		0.30997	0.00000		0.01095	0.00552	0.05092	0.00000	0.37736	0.40500
	Monthly Charge	\$800.00										\$800.00
	First 15,000 TH/TH	0.09682		0.30997	0.00000		0.01095	0.00552	0.01273	0.00000	0.33917	0.43599
	Next 25,000 TH/TH	0.08953		0.30997	0.00000		0.01095	0.00552	0.01273	0.00000	0.33917	0.42870
	Next 50,000 TH/TH	0.06450		0.30997	0.00000		0.01095	0.00552	0.01273	0.00000	0.33917	0.40367
313 Firm Transportation	Over 90,000 TH/TH	0.02764		0.30997	0.00000		0.01095	0.00552	0.01273	0.00000	0.33917	0.36681
	Monthly Charge	\$800.00										\$800.00
	Demand Charge per TH	0.80000	0.82829		0.00000	(0.09098)					0.73731	1.53731
	First 15,000 TH/TH	0.09682			0.00000				0.05092	0.00000	0.05092	0.14774
	Next 25,000 TH/TH	0.08953			0.00000				0.05092	0.00000	0.05092	0.14045
314 Interruptible Transportation	Next 50,000 TH/TH	0.06450			0.00000				0.05092	0.00000	0.05092	0.11542
	Over 90,000 TH/TH	0.02764			0.00000				0.05092	0.00000	0.05092	0.07856
	Monthly Charge	\$800.00										\$800.00
	First 15,000 TH/TH	0.09682			0.00000				0.01273	0.00000	0.01273	0.10855
	Next 25,000 TH/TH	0.08953			0.00000				0.01273	0.00000	0.01273	0.10226
310 Resale Service	Next 50,000 TH/TH	0.06450			0.00000				0.01273	0.00000	0.01273	0.07723
	Over 90,000 TH/TH	0.02764			0.00000				0.01273	0.00000	0.01273	0.04037
	Demand Charge per TH	0.80000	0.82829		0.00000	(0.09098)					0.73731	1.53731
	Commodity Charge	0.09000		0.30997	0.00000		0.01095	0.00552	0.05092	0.00000	0.37736	0.46736

NOTES:

1) In accordance with the Tennessee Public Service Commission order in Docket U-7074 customers metered inside Davidson County are required to pay an additional 6.20% for collection of the Metro Franchise Fee. Customers served by the Ashland City, Fairview, Greenbrier, Hartsville, Mt. Juliet and White House systems are required to pay 5.0%. Customers served by the Franklin and Nolensville systems are required to pay 3%.

Docket No. 16-_____
Integrity Management Rider
2016 Annual Report

Schedule of Journal Entries Related to the Integrity Management Rider for the Previous Twelve Months (November 2015 thru October 2016)

General Ledger Support: Integrity Management Deferred Account Adjustment

Calculation of the IM Deferred Account Balance By Month

Amount Due From (To) Customers per GL Account No. 25351

Line No.		Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16
1	Beginning Balance	\$ (2,389,073.16)	\$ (1,609,594.47)	\$ (631,370.35)	\$ (63,826.24)	\$ (256,709.03)	\$ (275,383.95)	\$ 21,379.38	\$ 272,726.91	\$ 384,050.20	\$ 580,076.95	\$ 801,655.38	\$ 983,576.39
2	IMR Revenue Recognition	1,706,125.14	2,716,130.71	3,671,158.59	3,493,505.82	2,637,853.52	1,704,625.41	1,079,243.99	764,225.07	711,564.22	717,126.91	717,877.99	717,126.91
3	(Collections from IM Adjustment)	(921,239.57)	(1,734,276.43)	(3,102,674.46)	(3,685,955.19)	(2,655,808.96)	(1,407,906.46)	(838,318.80)	(653,847.16)	(516,941.60)	(487,560.80)	(538,555.95)	(565,230.48)
4	Ending Balance Before Interest	(1,604,187.59)	(628,340.19)	(62,886.22)	(256,275.61)	(274,664.47)	21,745.00	272,303.57	383,104.82	578,672.82	799,643.06	980,976.42	1,438,754.14
5	Average Balance	(1,996,690.38)	(1,118,387.33)	(347,128.28)	(160,050.32)	(265,686.75)	(126,819.47)	146,841.48	327,915.87	481,361.51	689,860.01	891,315.90	1,211,665.27
6	Accrued Interest	(5,406.88)	(3,030.16)	(940.02)	(433.42)	(719.48)	(365.62)	423.34	945.38	1,404.13	2,012.32	2,599.97	3,534.43
7	Ending Balance After Interest	\$ (1,609,594.47)	\$ (631,370.35)	\$ (63,826.24)	\$ (256,275.61)	\$ (274,664.47)	\$ 21,745.00	\$ 272,303.57	\$ 383,104.82	\$ 578,672.82	\$ 799,643.06	\$ 980,976.42	\$ 1,438,754.14
8	Applicable Annual Interest Rate	0.032500	0.032500	0.032500	0.032500	0.032500	0.034600	0.034600	0.034600	0.035000	0.035000	0.035000	0.035000
9	Monthly Interest Rate	0.002708	0.002708	0.002708	0.002708	0.002708	0.002883	0.002883	0.002883	0.002917	0.002917	0.002917	0.002917
10	Actual GL #25351 EOM Balance	\$ (1,609,594.47)	\$ (631,370.35)	\$ (63,826.24)	\$ (256,275.61)	\$ (274,664.47)	\$ 21,745.00	\$ 272,303.57	\$ 383,104.82	\$ 578,672.82	\$ 799,643.06	\$ 980,976.42	\$ 1,438,754.14
11	Variance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Journal Entry: To Record Revenue

01 01 25351 3 17 6250 489	1,706,125.14	2,716,130.71	3,671,158.59	3,493,505.82	2,637,853.52	1,704,625.41	1,079,243.99	764,225.07	711,564.22	711,564.22	717,126.91	717,877.99	1,021,408.23
01 01 48010 3 17 6220 489	(1,017,601.28)	(1,620,009.00)	(2,189,625.83)	(2,083,666.61)	(1,573,321.36)	(1,016,706.77)	(643,703.69)	(455,814.41)	(424,405.36)	(424,405.36)	(427,723.17)	(428,171.15)	(609,208.73)
01 01 48110 3 17 6220 489	(532,532.84)	(847,785.88)	(1,145,878.74)	(1,090,427.98)	(823,353.22)	(532,064.73)	(336,864.10)	(238,537.57)	(232,100.54)	(222,100.54)	(223,836.82)	(224,071.25)	(318,812.15)
01 01 48120 3 17 6220 489	(22,793.83)	(36,287.51)	(49,046.68)	(46,673.24)	(35,241.72)	(22,773.80)	(14,418.69)	(10,210.05)	(9,506.50)	(9,506.50)	(9,580.81)	(9,590.85)	(13,646.01)
01 01 48300 3 17 6220 489	(477.72)	(760.52)	(1,027.92)	(978.18)	(738.60)	(477.30)	(302.19)	(213.98)	(189.24)	(189.24)	(200.80)	(201.01)	(285.99)
01 01 48900 3 17 6220 489	(132,719.47)	(211,287.80)	(285,579.42)	(271,759.81)	(205,198.62)	(132,802.81)	(83,954.32)	(59,449.06)	(55,352.58)	(55,352.58)	(55,785.31)	(55,843.73)	(79,455.35)

Journal Entry: To Record Interest

01 01 25351 3 17 6250 626	(5,406.88)	(3,030.16)	(940.02)	(433.42)	(719.48)	(365.62)	423.34	945.38	1,404.13	2,012.32	2,599.97	3,534.43	3,534.43
01 01 43101 3 17 6220 626	5,406.88	3,030.16	940.02	433.42	719.48	365.62	(423.34)	(945.38)	(1,404.13)	(2,012.32)	(2,599.97)	(3,534.43)	(3,534.43)

Schedule of Journal Entries Related to the Integrity Management Rider for the Previous Twelve Months (November 2015 thru October 2016)
General Ledger Support: Integrity Management Deferred Account Adjustment
Billing Determinants & Collections from the Integrity Management Adjustment By Month

Line No.		October - 2016			
		IM Adjustment (\$ per therm)	x	Usage (therms)	= Collections (\$)
1	Residential (301)	0.10144		1,994,565	202,328.67
2	Small Commercial (302)	0.08861		1,874,459	166,095.81
3	Medium Commercial (352)	0.08861		673,787	59,704.27
4	Firm Lg General Sales (303)	0.03936		433,564	17,065.08
5	Firm Lg General Transportation (313)	0.03936		1,315,095	51,762.14
6	Firm Resale (310)	0.03936		-	-
7	Interruptible Lg General Sales (304)	0.00984		21,764	214.16
8	Interruptible Lg General Transportation (314)	0.00984		6,916,702	68,060.35
9	Total				\$ 565,230.48

Journal Entry: To Record Collections

01 01 48010 3 17 6220 489	202,328.67
01 01 48110 3 17 6220 489	166,095.81
01 01 48110 3 17 6220 489	59,704.27
01 01 48120 3 17 6220 489	17,065.08
01 01 48900 3 17 6220 489	51,762.14
01 01 48300 3 17 6220 489	-
01 01 48110 3 17 6220 489	214.16
01 01 48900 3 17 6220 489	68,060.35
01 01 25351 3 17 6250 489	(565,230.48)

Schedule of Journal Entries Related to the Integrity Management Rider for the Previous Twelve Months (November 2015 thru October 2016)
General Ledger Support: Integrity Management Deferred Account Adjustment
Billing Determinants & Collections from the Integrity Management Adjustment By Month

Line No.		September - 2016			
		IM Adjustment (\$ per therm)	x Usage (therms)	= Collections (\$)	
1	Residential (301)	0.10144	1,871,334	189,828.12	
2	Small Commercial (302)	0.08861	1,891,295	167,587.65	
3	Medium Commercial (352)	0.08861	598,572	53,039.46	
4	Firm Lg General Sales (303)	0.03936	398,898	15,700.63	
5	Firm Lg General Transportation (313)	0.03936	1,138,472	44,810.26	
6	Firm Resale (310)	0.03936	-	-	
7	Interruptible Lg General Sales (304)	0.00984	21,385	210.43	
8	Interruptible Lg General Transportation (314)	0.00984	6,847,602	67,380.40	
9	Total			\$ 538,556.95	

Journal Entry: To Record Collections	
01 01 48010 3 17 6220 489	189,828.12
01 01 48110 3 17 6220 489	167,587.65
01 01 48110 3 17 6220 489	53,039.46
01 01 48120 3 17 6220 489	15,700.63
01 01 48900 3 17 6220 489	44,810.26
01 01 48300 3 17 6220 489	-
01 01 48110 3 17 6220 489	210.43
01 01 48900 3 17 6220 489	67,380.40
01 01 25351 3 17 6250 489	(538,556.95)

Schedule of Journal Entries Related to the Integrity Management Rider for the Previous Twelve Months (November 2015 thru October 2016)
General Ledger Support: Integrity Management Deferred Account Adjustment
Billing Determinants & Collections from the Integrity Management Adjustment By Month

Line No.		August - 2016		
		IM Adjustment (\$ per therm)	x Usage (therms)	= Collections (\$)
1	Residential (301)	0.10144	1,690,126	171,446.38
2	Small Commercial (302)	0.08861	1,677,616	148,653.55
3	Medium Commercial (352)	0.08861	533,928	47,311.36
4	Firm Lg General Sales (303)	0.03936	407,660	16,045.50
5	Firm Lg General Transportation (313)	0.03936	1,122,602	44,185.61
6	Firm Resale (310)	0.03936	-	-
7	Interruptible Lg General Sales (304)	0.00984	12,853	126.47
8	Interruptible Lg General Transportation (314)	0.00984	7,092,676	69,791.93
9	Total			\$ 497,560.80

Journal Entry: To Record Collections

01 01 48010 3 17 6220 489	171,446.38
01 01 48110 3 17 6220 489	148,653.55
01 01 48110 3 17 6220 489	47,311.36
01 01 48120 3 17 6220 489	16,045.50
01 01 48900 3 17 6220 489	44,185.61
01 01 48300 3 17 6220 489	-
01 01 48110 3 17 6220 489	126.47
01 01 48900 3 17 6220 489	69,791.93
01 01 25351 3 17 6250 489	(497,560.80)

Schedule of Journal Entries Related to the Integrity Management Rider for the Previous Twelve Months (November 2015 thru October 2016)
General Ledger Support: Integrity Management Deferred Account Adjustment
Billing Determinants & Collections from the Integrity Management Adjustment By Month

Line No.		July - 2016			
		IM Adjustment (\$ per therm)	x	Usage (therms)	= Collections (\$)
1	Residential (301)	0.10144		1,888,665	191,586.18
2	Small Commercial (302)	0.08861		1,726,429	152,978.87
3	Medium Commercial (352)	0.08861		550,093	48,743.74
4	Firm Lg General Sales (303)	0.03936		364,574	14,349.63
5	Firm Lg General Transportation (313)	0.03936		1,064,383	41,894.11
6	Firm Resale (310)	0.03936		-	-
7	Interruptible Lg General Sales (304)	0.00984		21	0.21
8	Interruptible Lg General Transportation (314)	0.00984		6,848,461	67,388.86
9	Total				\$ 516,941.60

Journal Entry: To Record Collections

01 01 48010 3 17 6220 489	191,586.18
01 01 48110 3 17 6220 489	152,978.87
01 01 48110 3 17 6220 489	48,743.74
01 01 48120 3 17 6220 489	14,349.63
01 01 48900 3 17 6220 489	41,894.11
01 01 48300 3 17 6220 489	-
01 01 48110 3 17 6220 489	0.21
01 01 48900 3 17 6220 489	67,388.86
01 01 25351 3 17 6250 489	(516,941.60)

Schedule of Journal Entries Related to the Integrity Management Rider for the Previous Twelve Months (November 2015 thru October 2016)
General Ledger Support: Integrity Management Deferred Account Adjustment
Billing Determinants & Collections from the Integrity Management Adjustment By Month

Line No.		June - 2016			Collections (\$)
		IM Adjustment (\$ per therm)	x	Usage (therms)	
1	Residential (301)	0.10144		2,712,281	275,133.78
2	Small Commercial (302)	0.08861		2,122,682	188,090.85
3	Medium Commercial (352)	0.08861		737,447	65,345.18
4	Firm Lg General Sales (303)	0.03936		396,253	15,596.52
5	Firm Lg General Transportation (313)	0.03936		1,106,745	43,561.48
6	Firm Resale (310)	0.03936		-	-
7	Interruptible Lg General Sales (304)	0.00984		13,314	131.01
8	Interruptible Lg General Transportation (314)	0.00984		6,706,132	65,988.34
9	Total				\$ 653,847.16

Journal Entry: To Record Collections

01 01 48010 3 17 6220 489	275,133.78
01 01 48110 3 17 6220 489	188,090.85
01 01 48110 3 17 6220 489	65,345.18
01 01 48120 3 17 6220 489	15,596.52
01 01 48900 3 17 6220 489	43,561.48
01 01 48300 3 17 6220 489	-
01 01 48110 3 17 6220 489	131.01
01 01 48900 3 17 6220 489	65,988.34
01 01 25351 3 17 6250 489	(653,847.16)

Schedule of Journal Entries Related to the Integrity Management Rider for the Previous Twelve Months (November 2015 thru October 2016)
General Ledger Support: Integrity Management Deferred Account Adjustment
Billing Determinants & Collections from the Integrity Management Adjustment By Month

Line No.		May - 2016			
		IM Adjustment (\$ per therm)	x	Usage (therms)	= Collections (\$)
1	Residential (301)	0.10144		3,849,440	390,487.19
2	Small Commercial (302)	0.08861		2,620,591	232,210.57
3	Medium Commercial (352)	0.08861		721,923	63,969.60
4	Firm Lg General Sales (303)	0.03936		439,496	17,298.56
5	Firm Lg General Transportation (313)	0.03936		1,298,017	51,089.95
6	Firm Resale (310)	0.03936		-	-
7	Interruptible Lg General Sales (304)	0.00984		35,442	348.75
8	Interruptible Lg General Transportation (314)	0.00984		7,409,978	72,914.18
9	Total				\$ 828,318.80

Journal Entry: To Record Collections	
01 01 48010 3 17 6220 489	390,487.19
01 01 48110 3 17 6220 489	232,210.57
01 01 48110 3 17 6220 489	63,969.60
01 01 48120 3 17 6220 489	17,298.56
01 01 48900 3 17 6220 489	51,089.95
01 01 48300 3 17 6220 489	-
01 01 48110 3 17 6220 489	348.75
01 01 48900 3 17 6220 489	72,914.18
01 01 25351 3 17 6250 489	(828,318.80)

Schedule of Journal Entries Related to the Integrity Management Rider for the Previous Twelve Months (November 2015 thru October 2016)
General Ledger Support: Integrity Management Deferred Account Adjustment
Billing Determinants & Collections from the Integrity Management Adjustment By Month

Line No.		April - 2016			Collections (\$)
		IM Adjustment (\$ per therm)	x	Usage (therms)	
1	Residential (301)	0.10144		7,981,472	809,640.52
2	Small Commercial (302)	0.08861		3,905,905	346,102.24
3	Medium Commercial (352)	0.08861		1,119,340	99,184.72
4	Firm Lg General Sales (303)	0.03936		492,127	19,370.12
5	Firm Lg General Transportation (313)	0.03936		1,484,403	58,426.10
6	Firm Resale (310)	0.03936		-	-
7	Interruptible Lg General Sales (304)	0.00984		7,885	77.59
8	Interruptible Lg General Transportation (314)	0.00984		7,590,973	74,695.17
9	Total				\$ 1,407,496.46

Journal Entry: To Record Collections

01 01 48010 3 17 6220 489	809,640.52
01 01 48110 3 17 6220 489	346,102.24
01 01 48110 3 17 6220 489	99,184.72
01 01 48120 3 17 6220 489	19,370.12
01 01 48900 3 17 6220 489	58,426.10
01 01 48300 3 17 6220 489	-
01 01 48110 3 17 6220 489	77.59
01 01 48900 3 17 6220 489	74,695.17
01 01 25351 3 17 6250 489	(1,407,496.46)

Schedule of Journal Entries Related to the Integrity Management Rider for the Previous Twelve Months (November 2015 thru October 2016)
General Ledger Support: Integrity Management Deferred Account Adjustment
Billing Determinants & Collections from the Integrity Management Adjustment By Month

Line No.		March - 2016			
		IM Adjustment (\$ per therm)	x	Usage (therms)	= Collections (\$)
1	Residential (301)	0.10144		16,284,942	1,651,944.52
2	Small Commercial (302)	0.08861		7,449,190	660,072.73
3	Medium Commercial (352)	0.08861		1,861,459	164,943.88
4	Firm Lg General Sales (303)	0.03936		647,513	25,486.11
5	Firm Lg General Transportation (313)	0.03936		1,767,021	69,549.95
6	Firm Resale (310)	0.03936		-	-
7	Interruptible Lg General Sales (304)	0.00984		12,064	118.71
8	Interruptible Lg General Transportation (314)	0.00984		8,505,392	83,693.06
9	Total				\$ 2,655,808.96

Journal Entry: To Record Collections	
01 01 48010 3 17 6220 489	1,651,944.52
01 01 48110 3 17 6220 489	660,072.73
01 01 48110 3 17 6220 489	164,943.88
01 01 48120 3 17 6220 489	25,486.11
01 01 48900 3 17 6220 489	69,549.95
01 01 48300 3 17 6220 489	-
01 01 48110 3 17 6220 489	118.71
01 01 48900 3 17 6220 489	83,693.06
01 01 25351 3 17 6250 489	(2,655,808.96)

Schedule of Journal Entries Related to the Integrity Management Rider for the Previous Twelve Months (November 2015 thru October 2016)
General Ledger Support: Integrity Management Deferred Account Adjustment
Billing Determinants & Collections from the Integrity Management Adjustment By Month

Line No.		February - 2016			Collections (\$)
		IM Adjustment (\$ per therm)	x	Usage (therms)	
1	Residential (301)	0.10144		23,221,736	2,355,612.90
2	Small Commercial (302)	0.08861		10,080,158	893,202.80
3	Medium Commercial (352)	0.08861		2,452,795	217,342.16
4	Firm Lg General Sales (303)	0.03936		970,540	38,200.45
5	Firm Lg General Transportation (313)	0.03936		2,253,958	88,715.79
6	Firm Resale (310)	0.03936		-	-
7	Interruptible Lg General Sales (304)	0.00984		19,386	190.76
8	Interruptible Lg General Transportation (314)	0.00984		9,419,749	92,690.33
9	Total				\$ 3,685,955.19

Journal Entry: To Record Collections	
01 01 48010 3 17 6220 489	2,355,612.90
01 01 48110 3 17 6220 489	893,202.80
01 01 48110 3 17 6220 489	217,342.16
01 01 48120 3 17 6220 489	38,200.45
01 01 48900 3 17 6220 489	88,715.79
01 01 48300 3 17 6220 489	-
01 01 48110 3 17 6220 489	190.76
01 01 48900 3 17 6220 489	92,690.33
01 01 25351 3 17 6250 489	(3,685,955.19)

Schedule of Journal Entries Related to the Integrity Management Rider for the Previous Twelve Months (November 2015 thru October 2016)
General Ledger Support: Integrity Management Deferred Account Adjustment
Billing Determinants & Collections from the Integrity Management Adjustment By Month

Line No.		January - 2016			Collections (\$)
		IM Adjustment (\$ per therm)	x	Usage (therms)	
1	Residential (301)	0.10144		18,493,602	1,875,990.99
2	Small Commercial (302)	0.08861		8,645,897	766,112.93
3	Medium Commercial (352)	0.08861		2,294,273	203,295.53
4	Firm Lg General Sales (303)	0.03936		1,161,701	45,724.55
5	Firm Lg General Transportation (313)	0.03936		2,683,287	105,614.18
6	Firm Resale (310)	0.03936		-	-
7	Interruptible Lg General Sales (304)	0.00984		28,388	279.34
8	Interruptible Lg General Transportation (314)	0.00984		10,737,494	105,656.94
9	Total				\$ 3,102,674.46

Journal Entry: To Record Collections

01 01 48010 3 17 6220 489	1,875,990.99
01 01 48110 3 17 6220 489	766,112.93
01 01 48110 3 17 6220 489	203,295.53
01 01 48120 3 17 6220 489	45,724.55
01 01 48900 3 17 6220 489	105,614.18
01 01 48300 3 17 6220 489	-
01 01 48110 3 17 6220 489	279.34
01 01 48900 3 17 6220 489	105,656.94
01 01 25351 3 17 6250 489	(3,102,674.46)

Schedule of Journal Entries Related to the Integrity Management Rider for the Previous Twelve Months (November 2014 thru October 2015)
General Ledger Support: Integrity Management Deferred Account Adjustment
Billing Determinants & Collections from the Integrity Management Adjustment By Month

Line No.		December - 2015		
		IM Adjustment (\$ per therm)	Usage (therms)	Collections (\$)
1	Residential (301)	0.09285	11,165,919	1,036,755.58
2	Small Commercial (302)	0.08111	5,026,025	407,660.89
3	Medium Commercial (352)	0.08111	1,468,378	119,100.14
4	Firm Lg General Sales (303)	0.03603	741,539	26,717.65
5	Firm Lg General Transportation (313)	0.03603	1,830,518	65,953.56
6	Firm Resale (310)	0.03603	-	-
7	Interruptible Lg General Sales (304)	0.00901	19,722	177.70
8	Interruptible Lg General Transportation (314)	0.00901	8,713,752	78,510.91
9	Total			\$ 1,734,876.43

Journal Entry: To Record Collections	
01 01 48010 3 17 6220 489	1,036,755.58
01 01 48110 3 17 6220 489	407,660.89
01 01 48110 3 17 6220 489	119,100.14
01 01 48120 3 17 6220 489	26,717.65
01 01 48900 3 17 6220 489	65,953.56
01 01 48300 3 17 6220 489	-
01 01 48110 3 17 6220 489	177.70
01 01 48900 3 17 6220 489	78,510.91
01 01 25351 3 17 6250 489	(1,734,876.43)

Schedule of Journal Entries Related to the Integrity Management Rider for the Previous Twelve Months (November 2015 thru October 2016)
General Ledger Support: Integrity Management Deferred Account Adjustment
Billing Determinants & Collections from the Integrity Management Adjustment By Month

Line No.		November - 2015		
		IM Adjustment (\$ per therm)	Usage (therms)	Collections (\$)
			x	=
1	Residential (301)	0.09285	4,942,079	458,872.04
2	Small Commercial (302)	0.08111	2,906,241	235,725.21
3	Medium Commercial (352)	0.08111	906,525	73,528.24
4	Firm Lg General Sales (303)	0.03603	627,301	22,601.66
5	Firm Lg General Transportation (313)	0.03603	1,687,136	60,787.51
6	Firm Resale (310)	0.03603	-	-
7	Interruptible Lg General Sales (304)	0.00901	14,471	130.38
8	Interruptible Lg General Transportation (314)	0.00901	7,724,143	69,594.53
10	Total			\$ 921,239.57

Journal Entry: To Record Collections	
01 01 48010 3 17 6220 489	458,872.04
01 01 48110 3 17 6220 489	235,725.21
01 01 48110 3 17 6220 489	73,528.24
01 01 48120 3 17 6220 489	22,601.66
01 01 48900 3 17 6220 489	60,787.51
01 01 48300 3 17 6220 489	-
01 01 48110 3 17 6220 489	130.38
01 01 48900 3 17 6220 489	69,594.53
01 01 25351 3 17 6250 489	(921,239.57)

Computation of the Integrity Management Adjustment

Line No.	Rider Rate Period	Reference	Residential (301)	Commercial (302,352)	Large General - Firm (303,313,310)	Large General - Interruptible (304,314)	Total
Jan 1 2017 - Dec 31 2017							
1	Customer Class Apportionment Percent	[Schedule 4]	59,6439%	31,2006%			100.0000%
2	IMRR for Recovery, excluding Refund Adjustment	[= Total from Schedule 5 x Line 1]	\$ 13,746,705	\$ 7,191,101	\$ 1,140,029	\$ 970,121	\$ 23,047,956
3	Deferred Account Adjustment	Actual Deferred Account Balance at Oct 31, 2016	\$ 860,834	\$ 450,315	\$ 71,390	\$ 60,750	\$ 1,443,289
4	Total Amount for Recovery in this Rider	[= Line 2 + Line 3]	\$ 14,607,539	\$ 7,641,416	\$ 1,211,419	\$ 1,030,871	\$ 24,491,245
5	Throughput from Relevant Rate Case Order (Dekatherms)	[Schedule 4]	11,130,214	6,664,958	2,378,880	8,098,027	28,272,079
6	Rate per Dekatherm	[= Line 4 / Line 5]	\$1.31240	\$1.14650	\$0.50920	\$0.12730	
7	Proposed Integrity Management Rate per therm	[= Line 6 / 10]	\$0.13124	\$0.11465	\$0.05092	\$0.01273	
As previously approved:							
Jan 1 2016 - Dec 31 2016							
8	Customer Class Apportionment Percent	[Schedule 4]	59,6439%	31,2006%			100.0000%
9	IMRR for Recovery, excluding Refund Adjustment	[= Total from Schedule 5 x Line 8]	\$ 12,715,165	\$ 6,651,488	\$ 1,054,483	\$ 897,324	\$ 21,318,459
10	Deferred Account Adjustment	Actual Deferred Account Balance at Oct 31, 2015	\$ (1,424,937)	\$ (745,405)	\$ (118,172)	\$ (100,559)	\$ (2,389,073)
11	Total Amount for Recovery in this Rider	[= Line 9 + Line 10]	\$ 11,290,228	\$ 5,906,083	\$ 936,311	\$ 796,764	\$ 18,929,386
12	Throughput from Relevant Rate Case Order (Dekatherms)	[Schedule 4]	11,130,214	6,664,958	2,378,880	8,098,027	28,272,079
13	Rate per Dekatherm	[= Line 11 / Line 12]	\$1.01440	\$0.88610	\$0.39360	\$0.09840	
14	Proposed Integrity Management Rate per therm	[= Line 13 / 10]	\$0.10144	\$0.08861	\$0.03936	\$0.00984	

Allocators from the Relevant Rate Case Order (Docket 11-00144)

Margin	Annual Total	Allocation %	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Total
Residential (301)	\$ 62,049,925	59.64%	1,730,608	2,359,111	2,385,891	1,619,952	916,259	373,476	147,666	108,017	107,902	110,242	297,754	11,130,214
Commercial (302, 352)	32,459,219	31.20%	941,038	1,236,854	1,246,332	886,901	542,351	290,661	185,427	166,853	166,553	166,151	251,717	6,664,958
Large General Service - Firm (303, 313, 310)	5,145,869	4.95%	357,459	373,276	272,366	238,238	161,907	152,836	108,789	110,733	112,060	121,273	154,075	2,378,880
Large General Service - Interruptible (304, 314)	4,378,934	4.21%	880,548	899,370	728,423	753,173	640,120	614,296	571,617	558,058	564,523	554,369	651,023	8,098,027
Total	\$ 104,033,947	100.00%												
Throughput (DTs)														
Residential (301)	973,336		1,730,608	2,359,111	2,385,891	1,619,952	916,259	373,476	147,666	108,017	107,902	110,242	297,754	11,130,214
Commercial (302, 352)	584,122		941,038	1,236,854	1,246,332	886,901	542,351	290,661	185,427	166,853	166,553	166,151	251,717	6,664,958
Large General Service - Firm (303, 313, 310)	215,868		357,459	373,276	272,366	238,238	161,907	152,836	108,789	110,733	112,060	121,273	154,075	2,378,880
Large General Service - Interruptible (304, 314)	682,506		880,548	899,370	728,423	753,173	640,120	614,296	571,617	558,058	564,523	554,369	651,023	8,098,027
Total	2,455,831		3,909,653	4,868,611	4,633,012	3,498,264	2,260,637	1,431,269	1,013,499	943,661	951,038	952,034	1,354,569	28,272,079
Throughput Apportionment	8.69%		13.83%	17.22%	16.39%	12.37%	8.00%	5.06%	3.58%	3.34%	3.36%	3.37%	4.79%	100.00%

Summary of IMRR Computation

Line No.	Vintage Year	Rate Period	Rate Period	Rate Period	Rate Period
1	Vintage 1	Jan 1 2014 - Dec 31 2014	Jan 1 2015 - Dec 31 2015	Jan 1 2016 - Dec 31 2016	Jan 1 2017 - Dec 31 2017
2	Vintage 2	13,095,492	12,594,631	12,133,623	13,060,485
3	Vintage 3	n/a	7,046,667	6,777,154	5,781,344
4	Vintage 4	n/a	n/a	2,407,683	1,984,957
5	Total	n/a	n/a	n/a	2,221,171
		13,095,492	19,641,298	21,318,459	23,047,956
6	Total IMRR, excluding IM Deferred Account Adjustment	13,095,492	19,641,298	21,318,459	23,047,956

Spread of Total IMRR, excluding IM Deferred Adjustment, by Month

7	January	2,255,117	3,382,342	3,671,159	3,968,988
8	February	2,145,989	3,218,665	3,493,506	3,776,923
9	March	1,620,379	2,430,329	2,637,854	2,851,854
10	April	1,047,116	1,570,519	1,704,625	1,842,916
11	May	662,957	994,337	1,079,243	1,166,798
12	June	469,448	704,102	764,225	826,224
13	July	437,099	655,584	711,564	769,291
14	August	440,516	660,709	717,127	775,305
15	September	440,978	661,401	717,878	776,117
16	October	627,430	941,052	1,021,408	1,104,272
17	November	1,137,529	1,706,125	1,851,810	2,002,042
18	December	1,810,933	2,716,131	2,948,060	3,187,226
19	Total	13,095,492	19,641,298	21,318,459	23,047,956

Piedmont Natural Gas Company, Inc.
Integrity Management Rider
State of Tennessee

Annual Revenue Requirement Computation
Rider Rate Period: January 1, 2017 - December 31, 2017

Vintage Year 1 - Fiscal Year October 31, 2013

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
Plant	100,306,283	100,306,283	100,306,283	100,306,283
Accumulated depreciation	(974,476)	(2,428,917)	(3,883,358)	(5,337,799)
Net plant	99,331,807	97,877,366	96,422,925	94,968,484
ADIT	(4,057,566)	(6,977,762)	(9,549,872)	(24,529,845)
NOL benefit	-	-	-	24,529,845
Net investment	95,274,242	90,899,604	86,873,053	94,968,484
Pre-tax ROR%	11.446%	11.446%	11.446%	11.446%
Pre-tax rate of return	10,904,782	10,404,075	9,943,209	10,869,786
Depreciation expense	1,454,441	1,454,441	1,454,441	1,454,441
Property Tax expense	732,236	732,236	732,236	732,236
Total, excluding uncollectibles	13,091,459	12,590,752	12,129,886	13,056,463
Uncollectibles gross-up factor	1.000308	1.000308	1.000308	1.000308
Total revenue requirement	13,095,492	12,594,631	12,133,623	13,060,485

Assumptions and calculations:

Rider computed each year.

Normal depreciation and AFUDC practices apply, AFUDC ends and depreciation begins when plant goes into service.

Net of tax rate of return 6.96% 6.96% 6.96%

Annual Revenue Requirement Computation
Rider Rate Period: January 1, 2017 - December 31, 2017

Vintage Year 1 - Fiscal Year October 31, 2013

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
Plant amount	100,306,283			
Book depreciation rate	1.45%			
Property Tax Rate	0.73%			
Tax depreciation	MACRS 15 Years 1 - 3			
Tax depreciation	BONUS 50% Year 4			
Plant in service date for this Vintage	31-Oct-13			
Original Rider effective date for this Vintage	1-Jan-14			
Fiscal year end for this Vintage	31-Oct-13			
SIT rate	6.50%	6.50%	6.50%	6.50%
FIT rate	35.00%	35.00%	35.00%	35.00%
Composite income tax rate	39.23%	39.23%	39.23%	39.23%
Uncollectibles rate	0.0308%	0.0308%	0.0308%	0.0308%
Revenue requirement gross-up factor	1.000308	1.000308	1.000308	1.000308
Capital structure assumptions (rate case):				
LTD	41.42%			
STD	5.87%			
Common equity	52.71%			
Capital cost rate assumptions (rate case):				
LTD	6.05%			
STD	1.59%			
Common equity	10.20%			
Overall and pre-tax RORs				
Overall	2.506%	2.506%	2.506%	2.506%
LTD	0.093%	0.093%	0.093%	0.093%
STD	5.376%	8.846%	8.846%	8.846%
Common equity	7.976%	11.446%	11.446%	11.446%
Total				

Annual Revenue Requirement Computation
Rider Rate Period: January 1, 2017 - December 31, 2017

Vintage Year 1 - Fiscal Year October 31, 2013

<u>Tax depreciation schedule</u>		MACRS 15		BONUS 50%	
	Rate	Yearly	Cumulative	Yearly	Cumulative
Tax year 1	5.00%	5,015,314		52,660,799	
Tax year 2	9.50%	9,529,097	14,544,411	4,764,548	57,425,347
Tax year 3	8.55%	8,576,187	23,120,598	4,288,094	61,713,441
Tax year 4	7.70%	7,723,584	30,844,182	3,861,792	65,575,233
Tax year 5	6.93%	6,951,225	37,795,407	3,475,613	69,050,845
Tax year 6	6.23%	6,249,081	44,044,489	3,124,541	72,175,386
Tax year 7	5.90%	5,918,071	49,962,560	2,959,035	75,134,421
Tax year 8	5.90%	5,918,071	55,880,630	2,959,035	78,093,457
Tax year 9	5.91%	5,928,101	61,808,732	2,964,051	81,057,507
Tax year 10	5.90%	5,918,071	67,726,802	2,959,035	84,016,543
Tax year 11	5.91%	5,928,101	73,654,904	2,964,051	86,980,593
Tax year 12	5.90%	5,918,071	79,572,974	2,959,035	89,939,629
Tax year 13	5.91%	5,928,101	85,501,076	2,964,051	92,903,679
Tax year 14	5.90%	5,918,071	91,419,146	2,959,035	95,862,715
Tax year 15	5.91%	5,928,101	97,347,248	2,964,051	98,826,765
Tax year 16	2.95%	2,959,035	100,306,283	1,479,518	100,306,283
Total	100.00%	100,306,283		100,306,283	

	Year 1	Year 2	Year 3	Year 4
Accumulated depreciation				
Portion of year in service before rider				
Pre-rider amount of depreciation				
Rider year BOY amount	247,255	1,701,696	3,156,137	4,610,578
Depreciation expense	1,454,441	1,454,441	1,454,441	1,454,441
Rider year EOY amount	1,701,696	3,156,137	4,610,578	6,065,019
Average accumulated depreciation	974,476	2,428,917	3,883,358	5,337,799

Annual Revenue Requirement Computation
Rider Rate Period: January 1, 2017 - December 31, 2017

Vintage Year 1 - Fiscal Year October 31, 2013

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MACRS 15		<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
Tax depreciation reserve					
FY of completion tax depreciation	5,015,314				
Post FY tax depreciation to rider date	17%				
Tax year 2 tax depreciation	9,529,097				
Tax year 2 pre-rider tax depr	1,619,946				
Rider year BOY amount		6,635,261	16,002,363	24,433,607	32,025,890
Tax period A tax depreciation		7,909,150	7,118,235	6,410,575	5,769,517
Tax period B tax depreciation		1,457,952	1,313,009	1,181,708	1,062,344
Rider year EOY amount		16,002,363	24,433,607	32,025,890	38,857,751
Average tax depreciation reserve		11,318,812	20,217,985	28,229,749	35,441,821

Note - gap between fiscal year and rider year addressed by tax period A and tax period B.

Accumulated deferred taxes					
Average tax depreciation reserve		11,318,812	20,217,985	28,229,749	35,441,821
Average book depreciation reserve		974,476	2,428,917	3,883,358	5,337,799
Difference		10,344,336	17,789,069	24,346,391	30,104,022
Composite tax rate		39.23%	39.23%	39.23%	39.23%
Average ADIT		4,057,566	6,977,762	9,549,872	11,808,303

Note - composite tax rate ignores excess deferred tax flowback

BONUS 50%					
Tax depreciation reserve					
FY of completion tax depreciation	52,660,799				
Post FY tax depreciation to rider date	17%				
Tax year 2 tax depreciation	4,764,548				
Tax year 2 pre-rider tax depr	809,973				
Rider year BOY amount		53,470,772	58,154,323	62,369,945	66,166,087
Tax period A tax depreciation		3,954,575	3,559,118	3,205,287	2,884,759
Tax period B tax depreciation		728,976	656,505	590,854	531,172
Rider year EOY amount		58,154,323	62,369,945	66,166,087	69,582,017
Average tax depreciation reserve		55,812,547	60,262,134	64,268,016	67,874,052
Accumulated deferred taxes					
Average tax depreciation reserve		55,812,547	60,262,134	64,268,016	67,874,052
Average book depreciation reserve		974,476	2,428,917	3,883,358	5,337,799
Difference		54,838,072	57,833,217	60,384,658	62,536,253
Composite tax rate		39.23%	39.23%	39.23%	39.23%
Average ADIT		21,510,234	22,685,080	23,685,882	24,529,845

Piedmont Natural Gas Company, Inc.
Integrity Management Rider
State of Tennessee

Annual Revenue Requirement Computation
Rider Rate Period: January 1, 2017 - December 31, 2017

Vintage Year 2 - Fiscal Year October 31, 2014

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Plant	53,974,676	53,974,676	53,974,676
Accumulated depreciation	(524,364)	(1,306,997)	(2,089,630)
Net plant	53,450,312	52,667,679	51,885,047
ADIT	(2,183,371)	(3,754,724)	(12,745,341)
NOL benefit			1,075,611
Net investment	51,266,941	48,912,955	40,215,316
Pre-tax ROR%	11.446%	11.446%	11.446%
Pre-tax rate of return	5,867,848	5,598,419	4,602,915
Depreciation expense	782,633	782,633	782,633
Property Tax expense	394,015	394,015	394,015
Total, excluding uncollectibles	7,044,496	6,775,067	5,779,563
Uncollectibles gross-up factor	1.000308	1.000308	1.000308
Total revenue requirement	7,046,667	6,777,154	5,781,344

Assumptions and calculations:

Rider computed each year.

Normal depreciation and AFUDC practices apply, AFUDC ends and depreciation begins when plant goes into service.

Net of tax rate of return 6.96% 6.96% 6.96%

Annual Revenue Requirement Computation
Rider Rate Period: January 1, 2017 - December 31, 2017

Vintage Year 2 - Fiscal Year October 31, 2014

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Plant amount	53,974,676		
Book depreciation rate	1.45%		
Property Tax Rate	0.73%		
Tax depreciation	MACRS 15 Years 1 - 2		
Tax depreciation	BONUS 50% Year 3		
Plant in service date for this Vintage	31-Oct-14		
Original Rider effective date for this Vintage	1-Jan-15		
Fiscal year end for this Vintage	31-Oct-14		
SIT rate	6.50%	6.50%	6.50%
FIT rate	35.00%	35.00%	35.00%
Composite income tax rate	39.23%	39.23%	39.23%
Uncollectibles rate	0.0308%	0.0308%	0.0308%
Revenue requirement gross-up factor	1.000308	1.000308	1.000308
Capital structure assumptions (rate case):			
LTD	41.42%		
STD	5.87%		
Common equity	52.71%		
Capital cost rate assumptions (rate case):			
LTD	6.05%		
STD	1.59%		
Common equity	10.20%		
Overall and pre-tax RORs			
Overall	2.506%	2.506%	2.506%
LTD	0.093%	0.093%	0.093%
STD	5.376%	8.846%	8.846%
Common equity	7.976%	11.446%	11.446%
Total			

Annual Revenue Requirement Computation
Rider Rate Period: January 1, 2017 - December 31, 2017

Vintage Year 2 - Fiscal Year October 31, 2014

Tax depreciation schedule

Rate	MACRS 15		BONUS 50%	
	Yearly	Cumulative	Yearly	Cumulative
5.00%	2,698,734	7,826,328	28,336,705	30,900,502
9.50%	5,127,594	12,441,163	2,563,797	33,207,920
8.55%	4,614,835	16,597,213	2,307,417	35,285,945
7.70%	4,156,050	20,337,658	2,078,025	37,156,167
6.93%	3,740,445	23,700,280	1,870,223	38,837,478
6.23%	3,362,622	26,884,786	1,681,311	40,429,731
5.90%	3,184,506	30,069,292	1,592,253	42,021,984
5.90%	3,189,903	33,259,195	1,594,952	43,616,936
5.91%	3,184,506	36,443,701	1,592,253	45,209,189
5.91%	3,189,903	39,633,605	1,594,952	46,804,140
5.90%	3,184,506	42,818,111	1,592,253	48,396,393
5.91%	3,189,903	46,008,014	1,594,952	49,991,345
5.90%	3,184,506	49,192,520	1,592,253	51,583,598
5.91%	3,189,903	52,382,423	1,594,952	53,178,550
2.95%	1,592,253	53,974,676	796,126	53,974,676
100.00%	53,974,676		53,974,676	

Year 1 Year 2 Year 3

Accumulated depreciation
 Portion of year in service before rider
 Pre-rider amount of depreciation
 Rider year BOY amount
 Depreciation expense
 Rider year EOY amount
 Average accumulated depreciation

17%
 133,048

133,048	915,680	1,698,313
782,633	782,633	782,633
915,680	1,698,313	2,480,946
524,364	1,306,997	2,089,630

Annual Revenue Requirement Computation
Rider Rate Period: January 1, 2017 - December 31, 2017

Vintage Year 2 - Fiscal Year October 31, 2014

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MACRS 15		<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Tax depreciation reserve				
FY of completion tax depreciation	2,698,734			
Post FY tax depreciation to rider date	17%			
Tax year 2 tax depreciation	5,127,594			
Tax year 2 pre-rider tax depr	871,691			
Rider year BOY amount		3,570,425	8,610,850	13,147,691
Tax period A tax depreciation		4,255,903	3,830,313	3,449,522
Tax period B tax depreciation		784,522	706,529	635,876
Rider year EOY amount		8,610,850	13,147,691	17,233,089
Average tax depreciation reserve		6,090,637	10,879,271	15,190,390

Note - gap between fiscal year and rider year addressed by tax period A and tax period B.

Accumulated deferred taxes				
Average tax depreciation reserve	6,090,637	10,879,271	15,190,390	
Average book depreciation reserve	524,364	1,306,997	2,089,630	
Difference	5,566,273	9,572,274	13,100,760	
Composite tax rate	39.23%	39.23%	39.23%	
Average ADIT	2,183,371	3,754,724	5,138,773	

Note - composite tax rate ignores excess deferred tax flowback

BONUS 50%				
Tax depreciation reserve				
FY of completion tax depreciation	28,336,705			
Post FY tax depreciation to rider date	17%			
Tax year 2 tax depreciation	2,563,797			
Tax year 2 pre-rider tax depr	435,846			
Rider year BOY amount		28,772,551	31,292,763	33,561,184
Tax period A tax depreciation		2,127,952	1,915,156	1,724,761
Tax period B tax depreciation		392,261	353,264	317,938
Rider year EOY amount		31,292,763	33,561,184	35,603,882
Average tax depreciation reserve		30,032,657	32,426,973	34,582,533

Accumulated deferred taxes				
Average tax depreciation reserve	30,032,657	32,426,973	34,582,533	
Average book depreciation reserve	524,364	1,306,997	2,089,630	
Difference	29,508,293	31,119,977	32,492,903	
Composite tax rate	39.23%	39.23%	39.23%	
Average ADIT	11,574,628	12,206,811	12,745,341	

Piedmont Natural Gas Company, Inc.
Integrity Management Rider
State of Tennessee

Annual Revenue Requirement Computation
Rider Rate Period: January 1, 2017 - December 31, 2017

Vintage Year 3 - Fiscal Year October 31, 2015

	<u>Year 1</u>	<u>Year 2</u>
Plant	18,441,896	18,441,896
Accumulated depreciation	(179,163)	(446,571)
Net plant	18,262,733	17,995,326
ADIT	(746,007)	(4,170,784)
NOL benefit	-	-
Net investment	17,516,726	13,824,541
Pre-tax ROR%	11.446%	11.446%
Pre-tax rate of return	2,004,908	1,582,312
Depreciation expense	267,407	267,407
Property Tax expense	134,626	134,626
Total, excluding uncollectibles	2,406,941	1,984,346
Uncollectibles gross-up factor	1.000308	1.000308
Total revenue requirement	2,407,583	1,984,957

Assumptions and calculations:

Rider computed each year.

Normal depreciation and AFUDC practices apply, AFUDC ends and depreciation begins when plant goes into service.

Net of tax rate of return 6.96%

Piedmont Natural Gas Company, Inc.
Integrity Management Rider
State of Tennessee

Annual Revenue Requirement Computation
Rider Rate Period: January 1, 2017 - December 31, 2017

Vintage Year 3 - Fiscal Year October 31, 2015

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	<u>Year 1</u>	<u>Year 2</u>
Plant amount	18,441,896	
Book depreciation rate	1.45%	
Property Tax Rate	0.73%	
Tax depreciation	MACRS 15 Year 1	
Tax depreciation	BONUS 50% Year 2	
Plant in service date for this Vintage	31-Oct-15	
Original Rider effective date for this Vintage	1-Jan-16	
Fiscal year end for this Vintage	31-Oct-15	
SIT rate	6.50%	6.50%
FIT rate	35.00%	35.00%
Composite income tax rate	39.23%	39.23%
Uncollectibles rate	0.0308%	0.0308%
Revenue requirement gross-up factor	1.000308	1.000308
Capital structure assumptions (rate case):		
LTD	41.42%	
STD	5.87%	
Common equity	52.71%	
Capital cost rate assumptions (rate case):		
LTD	6.05%	
STD	1.59%	
Common equity	10.20%	
Overall and pre-tax RORs		
Overall	2.506%	2.506%
LTD	0.093%	0.093%
STD	5.376%	8.846%
Common equity	7.976%	11.446%
Total		

Piedmont Natural Gas Company, Inc.
Integrity Management Rider
State of Tennessee

Annual Revenue Requirement Computation
Rider Rate Period: January 1, 2017 - December 31, 2017

Vintage Year 3 - Fiscal Year October 31, 2015

Tax depreciation schedule

Rate	MACRS 15		BONUS 50%	
	Yearly	Cumulative	Yearly	Cumulative
5.00%	922,095		9,681,995	
9.50%	1,751,980	2,674,075	875,990	10,557,986
8.55%	1,576,782	4,250,857	788,391	11,346,377
7.70%	1,420,026	5,670,883	710,013	12,056,390
6.93%	1,278,023	6,948,906	639,012	12,695,401
6.23%	1,148,930	8,097,837	574,465	13,269,866
5.90%	1,088,072	9,185,908	544,036	13,813,902
5.90%	1,088,072	10,273,980	544,036	14,357,938
5.91%	1,089,916	11,363,896	544,958	14,902,896
5.90%	1,088,072	12,451,968	544,036	15,446,932
5.91%	1,089,916	13,541,884	544,958	15,991,890
5.90%	1,088,072	14,629,956	544,036	16,535,926
5.91%	1,089,916	15,719,872	544,958	17,080,884
5.90%	1,088,072	16,807,944	544,036	17,624,920
5.91%	1,089,916	17,897,860	544,958	18,169,878
2.95%	544,036	18,441,896	272,018	18,441,896
100.00%	18,441,896		18,441,896	

Year 1 **Year 2**

Accumulated depreciation
Portion of year in service before rider
Pre-rider amount of depreciation
Rider year BOY amount
Depreciation expense
Rider year EOY amount
Average accumulated depreciation

17%		
45,459	45,459	312,867
	267,407	267,407
	312,867	580,274
	179,163	446,571

Annual Revenue Requirement Computation
Rider Rate Period: January 1, 2017 - December 31, 2017

Vintage Year 3 - Fiscal Year October 31, 2015

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MACRS 15			<u>Year 1</u>	<u>Year 2</u>
Tax depreciation reserve				
FY of completion tax depreciation		922,095		
Post FY tax depreciation to rider date		17%		
Tax year 2 tax depreciation		1,751,980		
Tax year 2 pre-rider tax depr		297,837		
Rider year BOY amount			1,219,931	2,942,128
Tax period A tax depreciation			1,454,144	1,308,729
Tax period B tax depreciation			268,053	241,404
Rider year EOY amount			2,942,128	4,492,261
Average tax depreciation reserve			2,081,030	3,717,195

Note - gap between fiscal year and rider year addressed by tax period A and tax period B.

<u>Accumulated deferred taxes</u>				
Average tax depreciation reserve			2,081,030	3,717,195
Average book depreciation reserve			179,163	446,571
Difference			1,901,867	3,270,624
Composite tax rate			39.23%	39.23%
Average ADIT			746,007	1,282,902

Note - composite tax rate ignores excess deferred tax flowback

BONUS 50%				
Tax depreciation reserve				
FY of completion tax depreciation		9,681,995		
Post FY tax depreciation to rider date		17%		
Tax year 2 tax depreciation		875,990		
Tax year 2 pre-rider tax depr		148,918		
Rider year BOY amount			9,830,914	10,692,012
Tax period A tax depreciation			727,072	654,365
Tax period B tax depreciation			134,026	120,702
Rider year EOY amount			10,692,012	11,467,079
Average tax depreciation reserve			10,261,463	11,079,545

<u>Accumulated deferred taxes</u>				
Average tax depreciation reserve			10,261,463	11,079,545
Average book depreciation reserve			179,163	446,571
Difference			10,082,300	10,632,975
Composite tax rate			39.23%	39.23%
Average ADIT			3,954,782	4,170,784

Piedmont Natural Gas Company, Inc.
Integrity Management Rider
State of Tennessee

Annual Revenue Requirement Computation
Rider Rate Period: January 1, 2017 - December 31, 2017

Vintage Year 4 - Fiscal Year October 31, 2016

Plant	<u>Year 1</u>
Accumulated depreciation	20,076,718
Net plant	(195,045)
ADIT	19,881,673
NOL benefit	(4,305,362)
Net investment	-
Pre-tax ROR%	15,576,310
Pre-tax rate of return	11.446%
Depreciation expense	<u>1,782,814</u>
Property Tax expense	291,112
Total, excluding uncollectibles	146,560
Uncollectibles gross-up factor	2,220,487
Total revenue requirement	1,000308
	<u>2,221,171</u>

Assumptions and calculations:

Rider computed each year.

Normal depreciation and AFUDC practices apply, AFUDC ends and depreciation begins when plant goes into service.

Net of tax rate of return 6.96%

Piedmont Natural Gas Company, Inc.
Integrity Management Rider
State of Tennessee

Annual Revenue Requirement Computation

Rider Rate Period: January 1, 2017 - December 31, 2017

Vintage Year 4 - Fiscal Year October 31, 2016

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	<u>Year 1</u>
Plant amount	20,076,718
Book depreciation rate	1.45%
Property Tax Rate	0.73%
Tax depreciation	
Plant in service date for this Vintage	BONUS 50% Year 1
Original Rider effective date for this Vintage	31-Oct-16
Fiscal year end for this Vintage	1-Jan-17
SIT rate	31-Oct-16
FIT rate	6.50%
Composite income tax rate	35.00%
Uncollectibles rate	39.23%
Revenue requirement gross-up factor	0.0308%
Capital structure assumptions (rate case):	1.000308
LTD	
STD	41.42%
Common equity	5.87%
Capital cost rate assumptions (rate case):	52.71%
LTD	
STD	6.05%
Common equity	1.59%
Overall and pre-tax RORs	10.20%
LTD	<u>Overall</u>
STD	2.506%
Common equity	0.093%
Total	5.376%
	7.976%
	<u>Pre-tax RORs</u>
	2.506%
	0.093%
	8.846%
	<u>11.446%</u>

Piedmont Natural Gas Company, Inc.
Integrity Management Rider
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Annual Revenue Requirement Computation
Rider Rate Period: January 1, 2017 - December 31, 2017

Vintage Year 4 - Fiscal Year October 31, 2016

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MACRS 15 tax depreciation schedule

Rate	MACRS 15		BONUS 50%	
	Yearly	Cumulative	Yearly	Cumulative
5.00%	1,003,836		10,540,277	
9.50%	1,907,288	2,911,124	953,644	11,493,921
8.55%	1,716,559	4,627,683	858,280	12,352,201
7.70%	1,545,907	6,173,591	772,954	13,125,154
6.93%	1,391,317	7,564,907	695,658	13,820,813
6.23%	1,250,780	8,815,687	625,390	14,446,202
5.90%	1,184,526	10,000,213	592,263	15,038,466
5.90%	1,184,526	11,184,740	592,263	15,630,729
5.91%	1,186,534	12,371,274	593,267	16,223,996
5.90%	1,184,526	13,555,800	592,263	16,816,259
5.91%	1,186,534	14,742,334	593,267	17,409,526
5.90%	1,184,526	15,926,860	592,263	18,001,789
5.91%	1,186,534	17,113,394	593,267	18,595,056
5.90%	1,184,526	18,297,921	592,263	19,187,319
5.91%	1,186,534	19,484,455	593,267	19,780,586
2.95%	592,263	20,076,718	296,132	20,076,718
100.00%	20,076,718		20,076,718	

Year 1

17%
49,489

Accumulated depreciation
Portion of year in service before rider
Pre-rider amount of depreciation
Rider year BOY amount
Depreciation expense
Rider year EOY amount
Average accumulated depreciation

49,489
291,112
340,602
195,045

Annual Revenue Requirement Computation
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Vintage Year 4 - Fiscal Year October 31, 2016

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MACRS 15	
Tax depreciation reserve	
FY of completion tax depreciation	
Post FY tax depreciation to rider date	1,003,836
Tax year 2 tax depreciation	17%
Tax year 2 pre-rider tax depr	1,907,288
Rider year BOY amount	324,239
Tax period A tax depreciation	
Tax period B tax depreciation	1,328,075
Rider year EOY amount	1,583,049
Average tax depreciation reserve	291,815
	3,202,939
	2,265,507

Note - gap between fiscal year and rider year addressed by tax period A and tax period B.

Accumulated deferred taxes	
Average tax depreciation reserve	2,265,507
Average book depreciation reserve	195,045
Difference	2,070,462
Composite tax rate	39.23%
Average ADIT	812,139

Note - composite tax rate ignores excess deferred tax flowback

BONUS 50%	
Tax depreciation reserve	
FY of completion tax depreciation	
Post FY tax depreciation to rider date	10,540,277
Tax year 2 tax depreciation	17%
Tax year 2 pre-rider tax depr	953,644
Rider year BOY amount	162,119
Tax period A tax depreciation	
Tax period B tax depreciation	10,702,396
Rider year EOY amount	791,525
Average tax depreciation reserve	145,908
	11,639,829
	11,171,113
Accumulated deferred taxes	
Average tax depreciation reserve	11,171,113
Average book depreciation reserve	195,045
Difference	10,976,067
Composite tax rate	39.23%
Average ADIT	4,305,362

Schedule of Prior Period Adjustments

None

Statement of Public Interest

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.

PIEDMONT NATURAL GAS COMPANY, INC.
GUIDELINES FOR SYSTEM INTEGRITY PROJECTS

Purpose is to ensure a safe and reliable steel infrastructure that meets regulations set by the US Department of Transportation.

OPERATIONS & MAINTENANCE (O&M) EXPENSE:

O&M is basically defined as any work done on an asset that deals with a component that is less than a retirement unit. All routine maintenance should be expensed as incurred. Piedmont further defines O&M System Integrity as follows:

- Cathodic Protection (CP) technicians monitor and maintain the CP system
 - o CP readings at testing stations and casings
 - o Troubleshoot interference issues
 - o AC Mitigation results
- Rectifier monitoring and troubleshooting
- Transmission Integrity Management Program (TIMP) support
 - o Annual High Consequence Areas (HCA) field verification
 - o Engineering overall
 - o Bell hole examinations in support of the following work:
 - External Corrosion Direct Assessment (ECDA)
 - Internal Corrosion Direct Assessment (ICDA)
 - Confirmatory Direct Assessment (CDA)
 - Inline Inspection (ILI)
 - Pig runs including equipment and labor
 - Labor & equipment for chemical cleaning, foam pigs
 - Survey Above Ground Marker (AGM) locations
 - Inspection support
 - Contractor support – during tool run only
 - Engineering support interpreting data
 - Engineering, survey, digs, assessment
 - Mowing for Close Interval Pipe-To-Soil Survey (CIS)
 - CIS for those transmission lines being pigged
 - Pipe-to-soil
 - Soil resistivity
 - Depth of cover
 - Ultrasonic thickness (UT)
 - External pit depth measurements
 - TCAT
 - Soil pH
 - Coating inspections
 - Defect analysis and remediation determining defect classification and repair method

CAPITAL EXPENDITURE:

Capital Expenditures are major expenditures on assets that last longer than a year and improve or lengthen the expected useful life of the overall property from original expectations that are recoverable in utility rate base. As a general Company rule, projects costing less than \$1,500 are not capitalized (see section 3.0 of the Company's Corporate Accounting Manual). New additions consist of retirement unit installations that did not currently exist in the system. Replacements are the installation of retirement units where one existed before the new one was installed (see 40 ft rule for the Replacement of Mains under section 3.5 of the Company's Corporate Accounting Manual). In conjunction with a replacement, a retirement is required of the original retirement unit no longer useful. Piedmont further defines Capital Expenditures for System Integrity projects into the following subgroups:

- Remediation of CIS findings
- Regulator station upgrade projects Distribution Integrity Management Program (DIMP)
- Linear anode installations
- AC mitigation projects
- Conventional ground bed installation
- TIMP remediation
 - o Labor, equipment & material for cutouts of ≥ 40 ft
 - o Survey
 - o X-ray

DEFINITIONS:

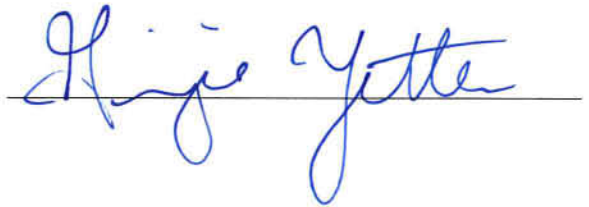
Retirement Unit – A Retirement Unit is the smallest distinct component of property that is identified and costed individually in the plant records.

Property Unit - A Property Unit is an item or group of items that constitutes the minimum division of plant that is continuously associated with its cost in the plant records. It may include one or more retirement units and associated minor items. It is capitalized when placed in service and retired when no longer "used and useful".

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on November 30, 2016, a copy of the attached was served on the following by electronic mail and by depositing a copy of the same in the United States Mail, First Class Postage Prepaid, addressed as follows:

Wayne Irvin
Emily Knight
Office of the Attorney General
Consumer Advocate and Protection Division
P. O. Box 20207
Nashville TN 37202
Wayne.Irvin@ag.tn.gov
Emily.Knight@ag.tn.gov

A handwritten signature in blue ink, reading "H. J. Yetter", is written over a horizontal line.