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August 30, 2019

Via Hand Delivery and Email

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

Re: Compliance Filing of Piedmont Natural Gas Company, Inc. Regarding the Protected Excess ADIT; Docket No. 18-00040

Dear Mr. Taylor:

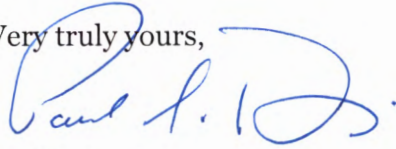
Piedmont is making this compliance filing pursuant to ordering paragraph 3 of the TPUC's 8/6/19 Order Approving Stipulation and Partial Settlement Agreement and Adjudicating Contested Issues Presented by the Parties in Docket No. 18-00040. At the earlier of the expiration of the amortization period for the Unprotected Excess ADIT or Piedmont's next general rate case, Piedmont's proposal is to refund Protected Excess ADIT over a period of time consistent with the Average Rate Assumption Method ("ARAM"). As shown on Exhibit A herein, this refund will last for approximately 42 years based on the current ARAM rate of 2.39%. The amortized amount of Protected Excess ADIT for the first year will be approximately \$1.1 million, which is \$1.5 million on a grossed-up basis. A refund to customers of Protected Excess ADIT over a shorter period of time than the ARAM rate would place the Company in violation of IRS normalization requirements codified in federal income tax code Section 168(f)(2). Such violation could lead to Piedmont's inability to utilize any form of accelerated depreciation methodology prospectively.

This material is also being filed by way of email to the Tennessee Public Utility Commission Docket Manager, Tory Lawless. Please file the original and four copies of this filing and stamp the additional copy as "filed." Then please return the stamped copies to me by way of our courier.

TPUC
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Thank you for your assistance with this matter. Should you have any questions concerning this matter, please do not hesitate to contact me at the email address or telephone number listed above.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Paul S. Davidson", is written over a light gray rectangular background.

Paul S. Davidson

PSD/ss
Enclosures

Piedmont Natural Gas Company, Inc.
Base Rate Adjustment for Return of Protected Excess ADIT Resulting from Tax Act, with Full Gross-up
State of Tennessee
Docket No. 18-00040

Exhibit A

Line No	[A] Notes	[B] Residential (301)	[C] Small & Medium General (302, 352)	[D] Large General (303, 304, 313, 314)	[E] Resale Service (310)	[F] Total
1	Customer Class Apportionment Percent		59.64%	31.20%	9.13%	100.00%
2	Base Rate Adjustment for Recovery (Refund)	/ Line 1 * Line 15 /	\$ (899,338)	\$ (470,457)	\$ (137,638)	\$ (1,507,846)
3	Annualized Throughput from 2011 Rate Case (DTs)	Docket No. 11-00144	11,130,214	6,664,958	10,466,595	28,272,079
4	Base Rate Adjustment Per DT	/ Line 2 Line 3 /	(0.0808)	(0.0706)	(0.0132)	(0.0401)
5	Base Rate Adjustment Per Therm	/ Line 4 10 /	(0.00808)	(0.00706)	(0.00132)	(0.00401)

Derivation of Customer Class Apportionment Percentage

Docket No. 11-00144: 2011 Rate Case		Annual Total	Allocation %
<u>Margin Revenues</u>			
6	Residential (301)	\$ 62,049,925	59.64%
7	Sm & Med General Service (302, 352)	\$ 32,459,219	31.20%
8	Large General Service (303, 304, 313, 314)	\$ 9,496,322	9.13%
9	Resale Service (310)	\$ 28,481	0.03%
10	Total	\$ 104,033,947	100.00%

Calculation of Revenue Requirement Adjustment

		Amount
11	Protected Excess ADIT per Tax Act	\$ (46,585,754.42)
12	Current ARAM Rate	2.39%
13	Amortization Period, in years	/ 1 Line 12 / 41.84
14	Protected Excess ADIT per Tax Act, as amortized	/ Line 11 Line 13 / \$ (1,113,426)
15	Annual Revenue Requirement Adjustment	/ Line 14 * Line 25 / \$ (1,507,845)

Derivation of Gross-Up Factor (Revenue Conversion Factor)

Docket No. 11-00144: 2011 Rate Case, as modified for current FIT rate		Rate	Factor
16	Revenue		1.000000
17	Uncollectibles Rate	0.000308	
18	Balance	/ Line 16 Factor - Line 17 Rate /	0.999692
19	State Excise Tax at 6.5%	/ Line 18 Factor * Line 19 Rate /	0.06498
20	Balance	/ Line 18 Factor - Line 19 Factor /	0.934712
21	Federal Income Tax Rate at 21%	/ Line 20 Factor * Line 21 Rate /	0.19629
22	Balance	/ Line 20 Factor - Line 21 Factor /	0.738422
23	Revenue Conversion Factor	/ Line 16 Factor - Line 22 Factor /	1.354239